enercare™

Enercare Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Year Ended December 31, 2017

Dated March 5, 2018

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The consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2017. Unless otherwise specified, amounts are reported in this MD&A in thousands, except customers, units and "per unit" amounts, Shares and "per Share" amounts, SE Subscription Receipts and percentages (except as otherwise noted). Unless otherwise specified, dollar amounts are expressed in Canadian dollars.

Enercare operates its businesses in three segments: Enercare Home Services – provision of water heaters, furnaces, air conditioners and other HVAC rental products, protection plans and related services, Service Experts – provision of sales, installation, maintenance, repair and rental of HVAC systems and water heater products through Enercare's Service Experts subsidiaries, and Sub-metering – provision of Sub-metering equipment and billing services.

Certain definitions of key financial and operating terms used in this MD&A are located at the end of this MD&A under "Glossary of Terms".

FORWARD-LOOKING INFORMATION

This MD&A, dated March 5, 2018, contains certain forward-looking statements within the meaning of applicable Canadian securities laws ("forward-looking statements" or "forward-looking information") that involve various risks and uncertainties and should be read in conjunction with Enercare's 2017 audited consolidated financial statements. Additional information in respect of Enercare, including the AIF, can be found on SEDAR at www.sedar.com.

Statements other than statements of historical fact contained in this MD&A may be forward-looking statements, including, without limitation, management's expectations, intentions and beliefs concerning anticipated future events, results, circumstances, economic performance or expectations with respect to Enercare, including Enercare's business operations, business strategy and financial condition. When used herein, the words "anticipates", "believes", "budgets", "could", "estimates", "expects", "forecasts", "goal", "intends", "may", "might", "outlook", "plans", "projects", "schedule", "should", "strive", "target", "will", "would" and similar expressions are often intended to identify forward-looking information, although not all forward-looking information contains these identifying words. These forward-looking statements may reflect the internal projections, expectations, future growth, results of operations, performance, business prospects and opportunities of Enercare and are based on information currently available to Enercare and/or assumptions that Enercare believes are reasonable. Many factors could cause actual results to differ materially from the results and developments discussed in the forward-looking information.

In developing these forward-looking statements, certain material assumptions were made. These forward-looking statements are also subject to certain risks. These factors include, but are not limited to:

- actual future market conditions being different than anticipated by management;
- the risk that the roll out of rental HVAC offerings beyond the present seven states in the United States does not realize anticipated results as the rental model is a new concept in this industry in the United States; and
- the risks and uncertainties described under *"Risk Factors"* in this MD&A.

Material factors or assumptions that were applied to drawing a conclusion or making an estimate set out in forward-looking statements include:

- the view of management regarding current and anticipated market conditions;
- industry trends remaining unchanged;
- the financial and operating attributes of Enercare and Service Experts as at the date hereof and the anticipated future performance of Enercare and Service Experts;
- assumptions regarding the volume and mix of business activities remaining consistent with current trends;
- assumptions regarding the interest rate of the 2016 Term Loan, 2014 Revolver, foreign exchange rates and commodity prices; and
- the number of Shares outstanding increasing as a result of the DRIP.

There can be no assurance that the anticipated strategic benefits and operational and competitive synergies from the SE Transaction will be realized. There can be no assurance that recent results from the introduction of the rental model to Service Experts in Canada and the United States are indicative of future results. There can also be no assurance as to any potential outcome of the Bureau's inquiry and the effect on Enercare's business.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this MD&A are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on such forward-looking statements and assumptions as management cannot provide assurance that actual results or developments will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, Enercare. All forward-looking information in this MD&A is made as of the date of this MD&A. These forward-looking statements are subject to change as a result of new information, future events or other circumstances, in which case they will only be updated by Enercare where required by law.

Please see the section entitled *"Risk Factors"* in this MD&A for a discussion in respect of the material risks relating to the business and structure of Enercare.

OVERVIEW

Enercare, primarily through acquisition, has become a multi-segment and product company since its origins in 2002 as the Fund, which primarily financed rental equipment originated and serviced by DE. On October 20, 2014, Enercare purchased the Ontario home and small commercial services business from DE and effectively reunited the business separated in 2002 with the creation of the Fund. Enercare Solutions, a wholly-owned subsidiary of Enercare, operates the Enercare Home Services business.

On May 11, 2016, Enercare, through an indirect wholly-owned subsidiary of Enercare Solutions, acquired through a merger, SEHAC Holdings Corporation, now SEHAC Holdings LLC, which owned Service Experts. Enercare purchased 100% of the outstanding shares of SEHAC. Service Experts provides sales, installation, maintenance, repair and rental of HVAC systems and water heater products directly to residential and light commercial customers. As of March 5, 2018, there were 91 Service Experts locations in the United States and Canada.

Enercare also owns Enercare Connections Inc. (a successor by amalgamation effective January 1, 2012 to Stratacon Inc. and Enercare Connections Inc.). ECI provides sub-metering services for electricity, thermal, gas and water to condominiums and apartments in Ontario, Alberta and elsewhere in Canada. On July 15, 2015, ECI purchased and amalgamated with Triacta Power Technologies Inc., a company in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's primary markets are Canada and the U.S.

Through its Enercare Home Services, Service Experts and Sub-metering businesses, Enercare provides intelligent and energy-efficient products, services, programs and solutions that enable homeowners, multi-unit owners and tenants to make a substantial contribution to North America's growing culture of energy conservation.

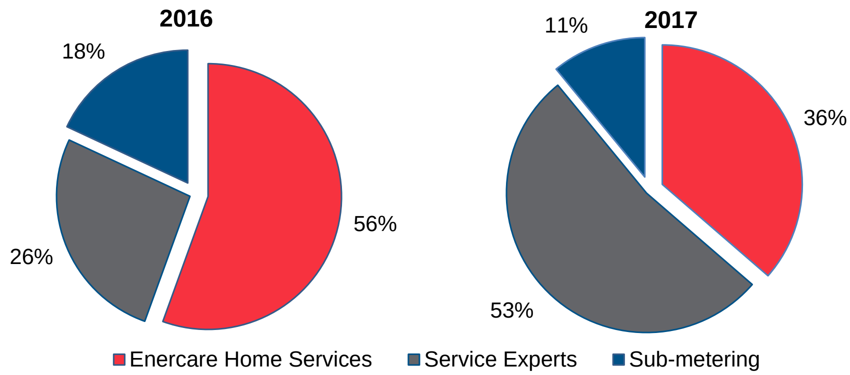
Enercare has grown revenues every year since its inception in 2002, generated stable cash flow and consistently maintained a high dividend yield. Enercare has investment grade ratings of BBB/stable from S&P and DBRS, respectively.

Enercare's Shares trade under the symbol "ECI" on the Toronto Stock Exchange. Enercare is a member of the S&P/TSX Composite Index, S&P/TSX Completion Index, S&P/TSX Canadian Consumer Discretionary Index and the S&P/TSX Canadian Dividend Aristocrats Index.

PORTFOLIO SUMMARY

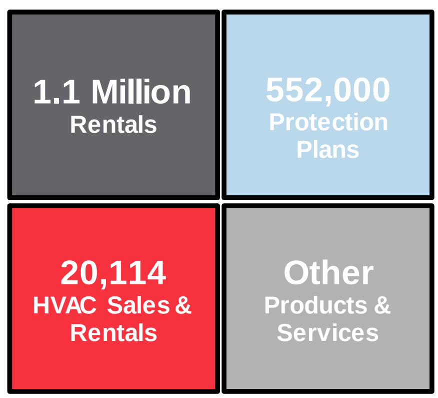
Enercare's primary businesses are comprised of Enercare Home Services, Service Experts and Sub-metering. The graph below shows the breakdown of revenues for each of the primary businesses. The primary business activities within each of the Enercare Home Services, Service Experts and Sub-metering segments are discussed below. Service Experts revenues in 2016 accounted for only a partial year from May 11, 2016 to December 31, 2016, while Service Experts revenues in 2017 reflect a full year of results.

Revenue By Segment



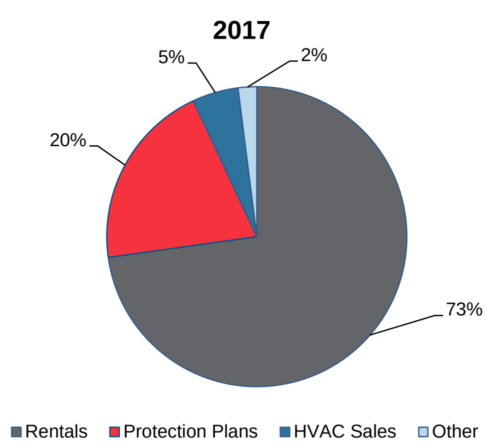
Enercare Home Services Business

There are four main business activities within Enercare Home Services: Rentals, Protection Plans, HVAC Sales and Other (which includes duct cleaning and chargeable services). The following diagram shows the breakdown of customer contracts for each such activity for the year ending December 31, 2017.



Of the four main business activities, the Rentals component produces the largest portion of revenue, followed by Protection Plans, HVAC Sales and Other, as illustrated in more detail by the following chart.

Home Services Revenue By Category

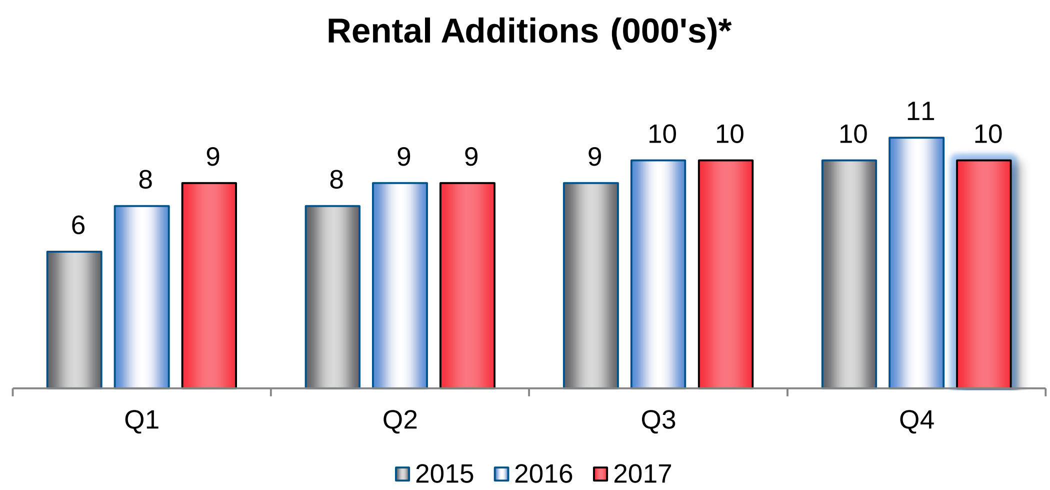


Rentals

Enercare Home Services is focused on growing its rental portfolio by increasing originations and reducing Attrition.

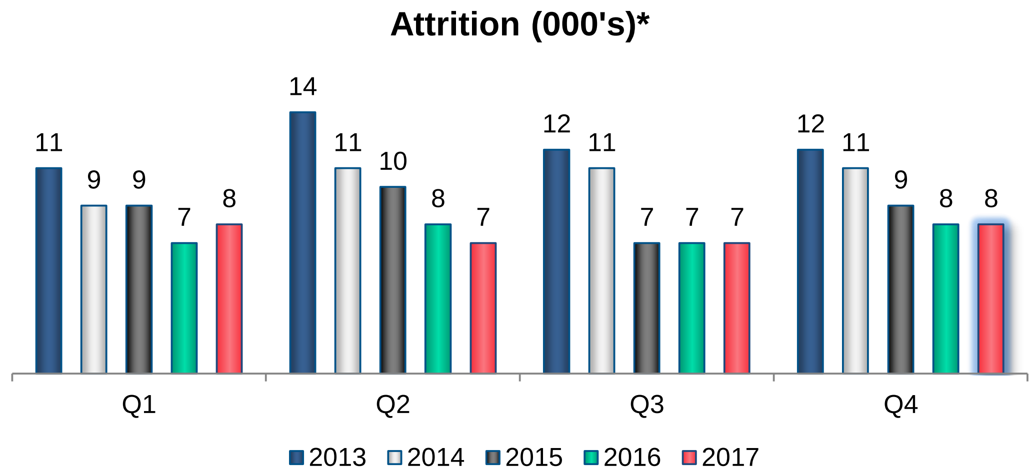
In 2017, Enercare Home Services successfully grew its rental portfolio by approximately 8,000 units. Rental unit additions have surpassed Attrition since the third quarter of 2015 by approximately 19,000 units in total. This represents the first ten consecutive quarters of net unit growth for Enercare Home Services in over a decade.

Originations are primarily obtained from the new home builder market and new customers identified through field technicians and dealers. New products, such as rental HVAC (discussed further below in the section entitled “HVAC Sales and Rentals”), have contributed significantly to increasing total originations. As seen in the graph below, additions were approximately 10,000 units in the fourth quarter of 2017 and 37,500 units for the year ended December 31, 2017, decreases of 9% and 1%, respectively, compared to the same periods in 2016.



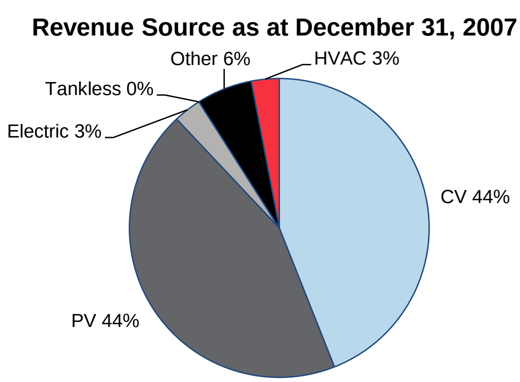
* Rental additions presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the “Liquidity and Capital Resources – Capital Expenditures” section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

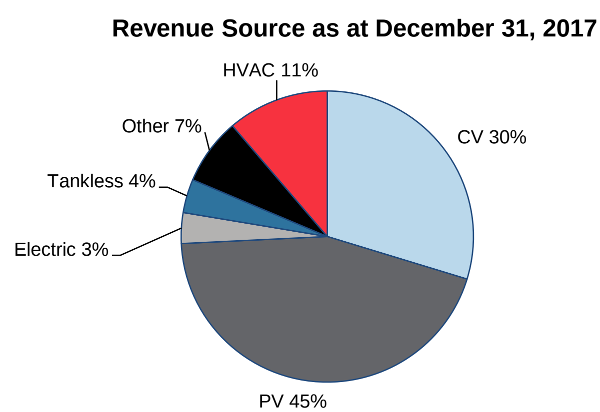
To aid in the reduction of Attrition, Enercare Home Services has implemented many programs, including continued consumer education campaigns and customer retention programs. Such initiatives, coupled with enhancements to our customer value proposition (for example, the “same day service campaign”) and the coming into effect of Bill 55 on April 1, 2015, have helped to significantly reduce Attrition. Attrition of approximately 7,700 units in the fourth quarter of 2017 and approximately 29,500 units for the year ended December 31, 2017, improved by 7% or 600 units and approximately 2% or 500 units, respectively, compared to the same periods in 2016, which had Attrition of 8,300 and 30,000, respectively. The chart below illustrates Attrition trends since 2013.



* Attrition units presented have been rounded in thousands of units and are consistent with the installed asset unit continuity presented in the "Liquidity and Capital Resources – Capital Expenditures" section in this MD&A. To ensure consistency with rounded year to date and period end balances, the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units elsewhere in this MD&A.

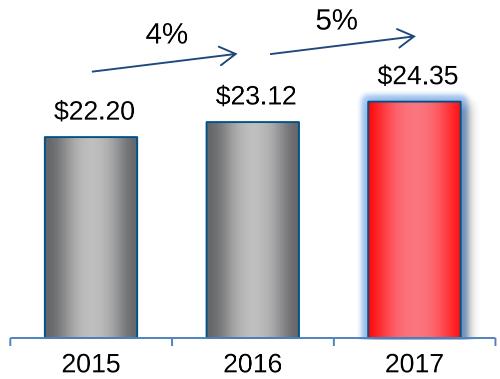
In recent years, changes in water heater technology, regulatory requirements relating to energy efficiency and consumer trends have led to an increase in the origination of higher value products. One of Enercare Home Services' growth platforms has been to focus on single family and multi-residential HVAC rental units. Although the results have a small impact on the unit continuity, HVAC units provide three to five times more rental revenue than that of a water heater. A comparison of the asset mix ten years ago to that of today reveals that the portfolio contains a higher percentage of power vent ("PV"), HVAC and tankless rental units, all of which provide a higher revenue than conventional vent ("CV") units.





Enercare Home Services is also able to grow revenue through rental rate increases each year. In January of 2016 and 2017, Enercare Home Services increased its weighted average rental rate by 2.74% and 3.10%, respectively, with respect to the rental water heater portfolio. This, in combination with asset mix changes and the focus on adding rental HVACs, led to an increase in the average portfolio rental rate of 4% from 2015 to 2016 and 5% from 2016 to 2017. The weighted average rental rate increase for the HVAC rental portfolio was 5% from 2016 to 2017.

Enercare Home Services
Average Monthly Rental Rates



Protection Plans

Enercare Home Services sells a variety of plans covering such items as furnaces, air conditioning, plumbing, fireplaces, electrical components and appliances. There are two types of protection plans: maintenance protection plans and full service protection plans. Maintenance protection plans essentially only provide for annual maintenance services, whereas full service protection plans provide a broader suite of protections, such as parts and labour. The plans are typically one year in length with monthly or annual payment options. Due to the annual nature of the contract, the protection plans tend to have a higher churn rate.

Protection plans are strategically important to generate future sales opportunities. Maintenance protection plans allow technicians to engage with homeowners to identify opportunities to drive additional customer value through expanded protection plan coverage or equipment replacement. Full service protection plans become increasingly attractive to homeowners as their equipment ages. Service calls for older furnaces and air conditioners are a significant source of leads for both new HVAC rental additions and outright sales.

Enercare Home Services also sells an extended protection plan program on heating and air conditioning sales. These plans not only allow Enercare Home Services to retain the customer relationship, but also provide for on-going maintenance. The plans augment the customer value proposition when a customer chooses to purchase rather than rent. Since inception, approximately 82% of residential HVAC unit sales included an extended protection plan.

Enercare Home Services' protection plan portfolio increased by approximately 10,000 plans in 2017 to 552,000 plans as a result of improvements in both additions and retention. Compared to 2016, protection plan additions of approximately 77,000 plans increased by 8%, while attrition of approximately 67,000 plans improved by 9%, in part due to new plan offers and competitive pricing, compared to 2016. Attrition includes approximately 9,100 (2016 – 9,300) protection plans cancelled as a result of those plans being replaced by rentals as part of the Enercare Home Services growth strategy.

In 2017, HVAC unit originations continued to be more through rentals than sales. As a result, the opportunities for protection plan sales were fewer as rentals already include a service component. The execution of our HVAC rental strategy is a key component of the long-term growth of the business, as we continue to grow our recurring revenue base, including service offerings that allow us to provide a valuable experience for customers while positioning ourselves for future cross selling opportunities.

The following table illustrates the protection plan contract continuity for the year ended December 31, 2017 and 2016.

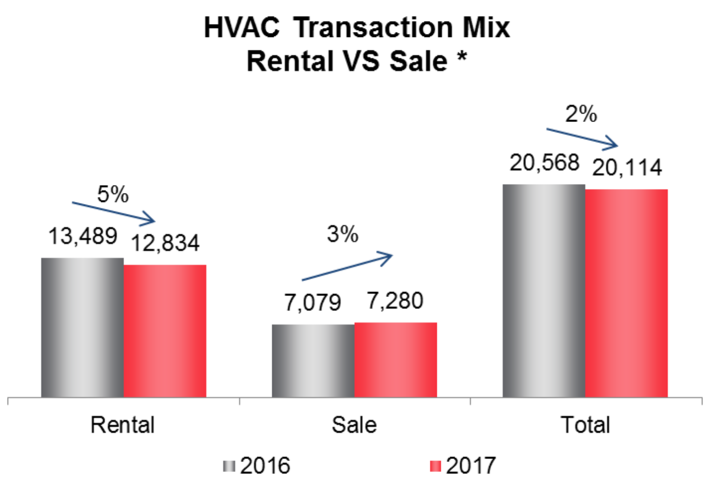
	For the year ended December 31,	
Protection Plan Unit Continuity (000's)	**2017**	2016
Contracts - start of the period	**542**	545
Portfolio additions	**77**	71
Protection plan attrition	**(67)**	(74)
Contracts - end of the period	**552**	542
% change in units during the period	**1.8%**	(0.6%)

HVAC Sales and Rentals

A customer can acquire an HVAC asset through a sale, comprised of an outright purchase or through financing, or a rental. Typically, most HVAC originations occur during the heating and cooling seasons of the year.

As part of Enercare Home Services' strategy to grow its recurring revenue customer base, Enercare Home Services re-launched its HVAC rental program in 2013. Converting a customer from an outright sale to a long-term rental product is capital intensive and creates a short-term reduction in the income statement, as opposed to in year sales margin. However, rental HVAC creates a long-term customer revenue stream and the rental relationship provides greater cross-selling opportunities and is therefore more valuable than a one-time sale. Enercare Home Services estimates that a rental unit is worth approximately 2.5 times that of a sale on a discounted cash flow basis over the life of the asset.

A comparison between 2017 and 2016 is outlined in the chart below.



* HVAC rental and sales units presented include residential, commercial and multi-residential rental additions and sales.

During 2017, Enercare Home Services rented 12,834 new units, a decrease of 5% over the prior year, and sold approximately 7,280 units for a total of 20,114 HVAC units, compared to 20,568 units in the prior year, a decrease of 2%. During the fourth quarter of 2017, Enercare Home Services adjusted its HVAC rental product offers, rebalancing good, better and best heating and cooling systems, which shifted originations slightly more toward sales.

HVAC sales and rentals in 2017 were impacted by unfavourable weather trends throughout the year. The unseasonably warmer temperatures, as measured by heating degree days[1], experienced in the first quarter of 2017 led to fewer furnace breakdowns and lower demand for HVAC unit rentals and sales to start the year. Weather conditions during the second quarter of 2017 continued to be less favourable compared to the same period in 2016, despite a return to more seasonable temperatures. During the second quarter, these less favourable conditions were offset by increased marketing and promotional offers coupled with customers taking advantage of Ontario air conditioning rebate offers, which led to a 16% increase in rentals and sales during the quarter. Softer demand for air conditioning rentals and sales continued in the third quarter of 2017 as a result of 40% fewer cooling degree days[1] compared to the same period in 2016. Although this led to lower HVAC rentals and sales during the quarter, this was partly offset by strong sales execution, driving higher ticket prices and closing rates. During the fourth quarter of 2017, demand for HVAC rentals and sales continued to be lower than anticipated as warm weather trends combined with fewer discounts and promotional offers than in the prior year contributed to lower demand.

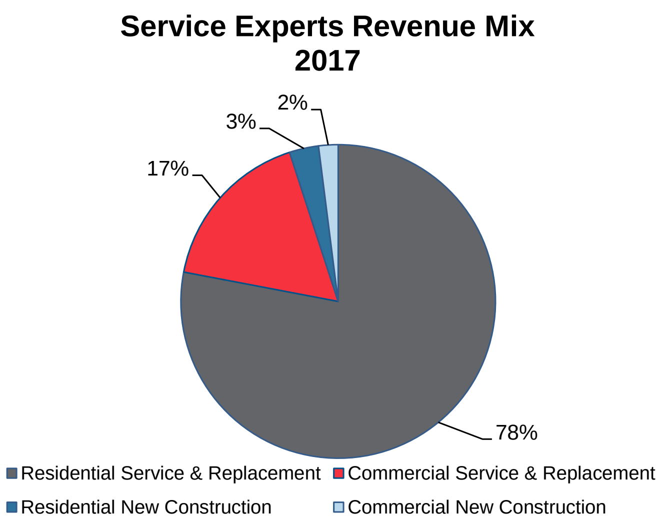
The strategy to convert HVAC sales into rentals has resulted in increases to our recurring revenue. Nevertheless, Enercare Home Services continues to be financially impacted by this strategy in the short-term. For example, had all 12,834 new HVAC rental additions in 2017 been sales as opposed to rentals, revenues and EBITDA would have increased by approximately $40,700 and $17,400, respectively. These estimates take into account the impact of lost one-time sales revenues from corporate sales and royalty revenues earned on franchisee sales, both net of rental revenues earned, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC rental additions been sales as opposed to rentals.

Other

The Other category includes ancillary services such as duct cleaning, plumbing and electrical work and other non-contracted chargeable services provided by Enercare Home Services.

Service Experts Business

Enercare expanded into the U.S. marketplace through its acquisition of Service Experts in May 2016. Service Experts is a leading provider of HVAC equipment and servicing to residential and light commercial customers and, as of March 5, 2018, operated 91 centers in 29 states in the United States and three provinces in Canada.



[1] Heating/cooling degree days for a given day represent the number of Celsius degrees that the mean temperature is above or below a given base temperature, in this case 18°C. If the temperature is equal to 18°C, then the number will be zero. Values above or below the base of 18°C are used primarily to estimate the heating and cooling requirements of buildings. Temperatures below 18°C result in higher heating degree days (lower cooling degree days), while those above 18°C result in lower heating degree days (higher cooling degree days).

As illustrated in the chart above, residential service and replacement made up 78% of revenues, while commercial service and replacement made up 17%. Commercial service and replacement is comprised of both services to commercial customers at Service Experts' local centers as well as commercial services to its national account customers that are managed through Service Experts' national accounts group. The major business activities within both the residential and commercial businesses consist of HVAC and water heater sales, servicing and rentals, and maintenance contracts.

HVAC and Water Heater Sales, Servicing and Rentals

HVAC and water heater sales and servicing includes service and replacement, which consists of demand, tune-up and HVAC unit replacements and upgrades, commercial HVAC service and replacement, and HVAC installations in commercial and residential new construction. Water heater sales and rentals consist primarily of on-demand residential water heater unit replacements and upgrades.

HVAC repair and replacement activities comprise the majority of the Service Experts business and are considered essential services to both residential and commercial customers. This revenue stream has minimal exposure to new construction and in recent years has been positively affected by the housing stock growth and significant pent-up demand from residential recession-era replacement deferrals in the United States. Additionally, Service Experts has focused on various growth initiatives, including expanding outbound calling and online marketing to increase the number of customer contacts which convert to booked calls and ultimately result in a larger recurring customer base.

As part of Service Experts' strategy to grow its recurring revenues, in October 2016, Service Experts introduced a rental program for HVAC and water heater products in Canada. The program rollout was completed at all 15 centers in Canada in February 2017, and while the program is still in the very early stages, Enercare is encouraged by the initial results, which show an initial rental mix for 2017 of approximately 15% (ranging from 8% to 36% depending on the center) in Ontario and 10% (ranging from 6% to 13% depending on the center) in Western Canada, where the rental model is relatively new to the marketplace. The successful introduction of the rental model in Canada is part of Enercare Solutions' plan to integrate rentals throughout the vast majority of the Service Experts' residential heating and cooling operations, by the end of 2018 to create recurring revenue.

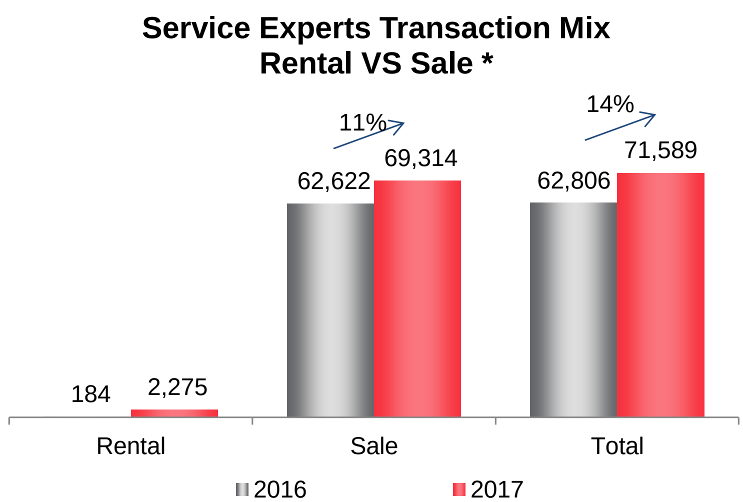
Service Experts rolled-out its U.S. HVAC rental program throughout 2017; it is currently offered in seven states. The U.S. rental program is similar to the existing Canadian rental program, except that due to U.S. regulations, the rental contracts in the United States will be for a definitive term, which in the current states offering the program is 10 years. Enercare anticipates that the form of the contract, as driven by the U.S. regulatory environment, will result in a slower adoption of the rental program in the U.S. The preliminary rental mix of total HVAC origination in the United States for 2017 was approximately 3% (ranging from 0.2% to 12% depending on the center). While the initial results in a number of these U.S. centers have been encouraging, Service Experts continues to review its U.S. rental program to identify opportunities to improve its customer offerings and related rental execution processes. During the fourth quarter of 2017, Service Experts enhanced certain aspects of the rental program, which led to modest improvements. These enhancements will be incorporated in 2018 into the future centers that introduce the rental program.

During 2017, Service Experts sold approximately 69,314 HVAC and water heater units, and rented approximately 2,275 new units for a total of 71,589 HVAC and water heater unit installations, an increase of 14% compared to 2016. The increase in total HVAC and water heater unit installations was despite generally unfavourable weather trends[2] throughout the first three quarters of 2017, including the negative impact in the third quarter, particularly in Florida, during the days leading up to and after Hurricane Irma. During the first three quarters of the year, higher revenues were driven by marketing and other initiatives to shift sales towards higher value products, which contributed to improvements in the average selling prices of installed units. Although temperatures in the fourth quarter were considered to be one of the warmest in

[2] Weather trends from Weather Trends International.

the past 25 years in the Southern, Western and Central regions of United States, average temperatures were nevertheless cooler compared to 2016, resulting in higher demand for HVAC sales, service and repairs during the quarter. Service Experts' sales and rentals in Eastern Canada were also similarly impacted by the same unfavourable weather trends experienced by the Enercare Home Services segment during 2017.

Furthermore, in 2017 had the 1,276 HVAC and 999 water heater rental additions been sales, as opposed to rentals, Service Experts' revenues and EBITDA would have increased by approximately $9,644 and $3,615, respectively. These estimates take into account the impact of lost one-time sales revenues, net of rental revenues earned during the quarter, and capitalized costs which would have otherwise been included in cost of goods sold had these new HVAC and water heater rental additions been sales as opposed to rentals. A comparison of HVAC and water heater sales and rentals for 2017 and 2016 is outlined in the chart below:



*Historical HVAC sales information is provided for the full year in 2016 as an illustration of the improvement in Service Experts' HVAC sales. Enercare was not party to Service Experts' HVAC sales before the closing of the SE Transaction on May 11, 2016.

Maintenance Contracts

Maintenance contracts generally consist of annual or semi-annual maintenance contracts predominantly to a recurring customer base. These maintenance plans not only generate recurring revenue but also promote the development of customer loyalty and provide the opportunity for cross-marketing of Service Experts' other products and services to such customers.

Service Experts currently has two types of maintenance contracts in respect of HVAC equipment. The first is a maintenance only contract where semi-annual or annual maintenance visits are conducted to perform diagnostics over HVAC equipment, while the second is a full service plan that includes repair services along with certain parts and labour. Approximately 200,000 customers have ongoing maintenance contracts covering approximately 217,000 pieces of equipment. Although the total number of maintenance contracts can fluctuate from quarter to quarter as a result of the timing of contract renewals and the number of new HVAC unit installations initiated by customers with maintenance contracts, in recent years, maintenance contracts have remained stable for Service Experts. The following table illustrates the maintenance contracts continuity for the year ended December 31, 2017.

Maintenance Contract Unit Continuity	For the year ended December 31,	
(000's)	**2017**	2016
Contracts - start of period	**216**	218
Portfolio additions	**107**	68
Portfolio attrition	**(106)**	(70)
Contracts - end of period	**217**	216
% change in units during the period	**0.5%**	(1%)

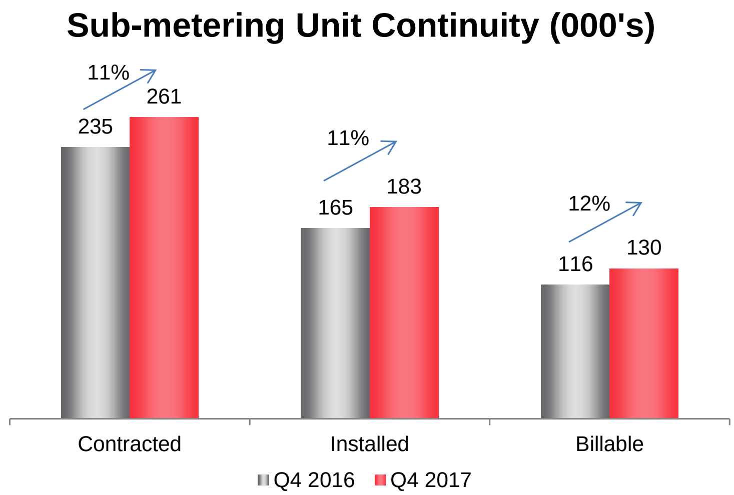
Sub-metering Business

Enercare entered the multi-residential Sub-metering business through two acquisitions made in 2008 and 2010, respectively. There are two main market segments for Sub-metering in the multi-residential market: retro-fit sub-metering and new build construction. Within each market, apartments and condominiums have significantly different revenue streams.

Within the retro-fit revenue stream, after a contract is signed, the meters are typically installed within the first two quarters following signing. However, typically for a retro-fit installed unit to become Billable, Enercare must wait for tenant turnover to occur. As a result, it can take many years for all units in a retro-fit building to become Billable. In the new build sub-metering market, after a contract is signed, the meters are usually not installed for several years as installation occurs when the building is in its final construction stages. However, in this revenue stream, once the meters are installed they become Billable relatively quickly and revenue is typically at 100% penetration from that point onwards.

On July 15, 2015, Enercare purchased Triacta, a leader in the design and manufacturing of advanced, utility-grade energy management meters for multi-unit residential, commercial and institutional applications. Triacta's installed base includes the U.S., Canada and off-shore markets.

Through acquisition and subsequent growth in contracted units, many of the above-mentioned up-front capital investments have been made. As seen in the graph below, currently there are 261,000 contracted units. Of those contracted units, 183,000 have meters installed and 130,000 of those units are Billable. Enercare expects to experience continued revenue growth as these contracted units are turned into installed units and subsequently Billable units. Contracted units increased by approximately 26,000 units in 2017 to 261,000 units from 235,000 units in 2016, a decrease of 4,000 units or 13% compared to the approximately 30,000 unit increase in 2016. The decrease in contracted unit additions in 2017 was primarily due to the removal of 3,000 units in Alberta during the second quarter that were part of a larger multi-services contract with a single customer that provided for heat metering if and when Measurement Canada passed certification requirements for heat metering. As Measurement Canada had not done so and the original customer contract was renewed in June of 2017, it was decided to remove heat metering units from the renewal contract. The 26,000 net contracted units in 2017, represents the second highest sales result in the past six years.



2017 HIGHLIGHTS

(000's)	2017	2016	Change	Percent Change
Enercare Home Services	**$ 457,204**	**$438,618**	$ 18,586	4%
Service Experts	**662,346**	**410,735**	251,611	61%
Sub-metering	**137,270**	**145,989**	(8,719)	(6%)
Investment income	**1,356**	**599**	757	126%
Total revenues	**$1,258,176**	**$995,941**	$262,235	26%
EBITDA	**279,748**	**265,792**	13,956	5%
Adjusted EBITDA[3]	**287,829**	**270,198**	17,631	7%
Acquisition Adjusted EBITDA[3]	**288,936**	**285,076**	3,860	1%
Earnings before income taxes	**76,033**	**85,867**	(9,834)	(11%)
Current tax (expense)	**(22,723)**	**(54,381)**	31,658	(58%)
Deferred income tax recovery	**2,204**	**29,644**	(27,440)	(93%)
Net earnings	**$ 55,514**	**$ 61,130**	$ (5,616)	(9%)
Payout Ratio – Maintenance[4]	**57%**	**51%**	6%	12%
Payout Ratio[4]	**103%**	**94%**	9%	10%

The following highlights compare results for 2017 with those of 2016.

- Total revenues of $1,258,176 increased by $262,235 or 26% in 2017. Revenues in the Enercare Home Services business were $457,204, increasing by $18,586 or 4%, primarily as a result of rental rate increases, asset mix changes and growth in rental HVAC units. Revenues in the Service Experts business increased by $251,611 or 61%, primarily due to the inclusion of a full year of results in 2017 compared to a partial year in 2016, higher sales volumes and acquisitions completed during the year. Sub-metering revenues decreased to $137,270 from $145,989, primarily as a result of lower flow-through commodity charges of $12,471, partly offset by increases in Billable units.
- EBITDA of $279,748 increased by $13,956 or 5% in 2017, driven principally by improved total revenues partly offset by higher cost of goods sold and SG&A costs comprised of higher wages and benefits, and sales and marketing expenditures.

[3] Adjusted EBITDA and Acquisition Adjusted EBITDA are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

[4] Payout Ratio and Payout Ratio – Maintenance are Non-IFRS financial measures. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

- Enercare Home Services EBITDA in 2017 increased by $10,342 or 4% to $255,449, primarily driven by rental rate increases and asset mix changes within the rental HVAC portfolio, partly offset by higher cost of goods sold and SG&A costs, primarily from higher wages and benefits, and marketing expenditures.
- Service Experts EBITDA of $45,265 in 2017 was $6,275 or 16% higher than that reported in 2016. The increase to Service Experts EBITDA is primarily the result of higher sales volumes, shifts towards higher value product sales and acquisitions completed during the year. These impacts were partly offset by higher cost of goods sold and SG&A costs, primarily from higher wages and benefits, and sales and marketing expenditures, partly offset by lower professional fees comprised of acquisition and integration costs of $11,485 incurred during 2016 associated with the SE Transaction. Additionally, had the 1,276 HVAC and 999 water heater rental additions in 2017 been sales as opposed to rentals, Service Experts revenues and EBITDA would have increased by approximately $9,644 and $3,615, respectively.
- Sub-metering EBITDA in 2017 increased by $825 or 6% to $14,322, primarily driven by higher Billable units, which increased by approximately 14,000 units or 12%.
- Adjusted EBITDA of $287,829 in 2017 was $17,631 higher after removing from EBITDA the impact of the net loss on disposal of equipment and other assets. After removing $1,107 of acquisition related expenditures primarily associated with the acquisition of Church Services, Hammond and Aramendia, Acquisition Adjusted EBITDA was $288,936 in 2017, an increase of $3,860, which excluded $14,878 of both acquisition costs related to the SE Transaction and integration costs resulting from the DE Acquisition. The increase in Acquisition Adjusted EBITDA was despite the following notable items:
    - $5,200 of higher stock based compensation costs resulting from an increase in the Share price,
    - approximately $3,500 of higher employee practices, workers' compensation and automobile insurance costs in the Service Experts business, driven by higher claims volumes and settlement costs, of which approximately $2,200 of these higher costs were incurred during the fourth quarter of 2017, and
    - approximately $2,300 of higher SG&A costs associated with investments relating to the implementation of an enterprise resource planning ("ERP") system.

  Partly offsetting the above items, Service Experts experienced year over year improvements in purchase price accounting from the SE Transaction of approximately $1,800. Without the impact of these items, Acquisition Adjusted EBITDA would have increased by 5% in 2017.
- Net earnings of $55,514 in 2017 was $5,616 or 9% lower, reflecting higher amortization and interest expense, partly offset by higher EBITDA and lower total taxes.
- The Payout Ratio – Maintenance was 57% in 2017, which increased by 6%. Enercare's Dividend Reinvestment Plan participation rate was approximately 31% as at December 31, 2017, resulting in cash savings of $31,197 during the year. Adjusting the Payout Ratio - Maintenance for the $70,375 cash dividends paid in 2017 compared to the $101,572 dividends declared, would result in a Payout Ratio of 39%.
- The Payout Ratio was 103% in 2017, which increased by 9%. Adjusting the Payout Ratio for the $70,375 cash dividends paid in 2017 compared to the $101,572 dividends declared would result in a Payout Ratio of 72%.

RECENT DEVELOPMENTS – 2017 AND 2018 TO DATE

Enercare Introduces Rental HVAC and Water Heater Offerings to Service Experts Centres in Canada

On February 13, 2017, Enercare and Enercare Solutions announced the completed rollout of rental HVAC products and rental water heaters at all 15 residential heating and air conditioning Service Experts locations in Canada.

In addition to rolling out rental HVAC and water heater products at Service Experts locations in Canada, throughout 2017 rental HVAC offerings were introduced in seven U.S. states.

Issuance of 2017 Notes and Redemption of Series 2012-1 Notes

On February 21, 2017, Enercare Solutions completed its offering of $500,000 aggregate principal amount of 2017 Notes, consisting of $275,000 (the "2017-1 Notes") and $225,000 (the "2017-2 Notes"). The 2017-1 Notes were sold at a price of 99.982% of the principal amount, with an effective yield of 3.384% per annum if held to maturity and the 2017-2 Notes were sold at 99.982% of the principal amount, with an effective yield of 3.993% per annum if held to maturity.

The 2017 Notes received ratings of "BBB", with a "stable" trend from DBRS and "BBB", with a "stable" outlook from S&P.

The proceeds of the offering were used by Enercare Solutions to redeem all of its outstanding 2012 Notes on March 23, 2017, repayment of the 2014 Term Loan, partial repayment of the 2014 Revolver, scheduled repayment of the Stratacon Debt, obligations under finance leases and the purchase of treasury Shares in respect of the employee share purchase plan. The principal amount of 2012 Notes redeemed was $250,000. Holders of the 2012 Notes received an aggregate redemption price of approximately $258,377, which includes interest and the applicable make-whole payment.

Dividend Increase

On March 7, 2017, Enercare increased its monthly dividend to shareholders of record on April 13, 2017 to $0.08, an increase of approximately 4%.

Retirement of Scott Boxer and Appointment of Scott Boose as President and Chief Executive Officer, Service Experts

On March 20, 2017, Enercare announced the retirement of Scott Boxer and the appointment of Scott Boose as President and Chief Executive Officer of Service Experts.

Enercare Partners with Toronto's Red Door Family Shelter to Support Families in Need of a Fresh Start

On April 4, 2017, Enercare proudly announced a partnership with Toronto-based not-for-profit organization Red Door Family Shelter to support families and individuals in need of a fresh start. The Enercare Fresh Start Program provides simple necessities and small luxuries that make it easier for families to get back on their feet. Red Door Family Shelter provides emergency shelter and services to families, refugees and women who are fleeing violent situations. In 2017, 10 families transitioning out of these shelters received a personalized Enercare Fresh Start package containing essential and comfort items, including linens, hygiene products and children's toys.

The Enercare Fresh Start Program launched in September 2016 and Red Door Family Shelter was Enercare's second charity partner.

The Putting Consumers First Act, 2016

On April 13, 2017, the *Putting Consumers First Act (Consumer Protection Statute Law Amendment), 2017* ("Bill 59") received royal assent. The government has stated that Bill 59 is intended to protect consumers against high-pressure tactics used by "aggressive door-to-door sales marketers to sell certain products and services."

On July 5, 2017, the Ministry of Government and Consumer Services posted a consultation paper seeking industry and other interested parties' input on the regulations to implement Bill 59 and invited public submissions. Enercare submitted its comments on August 21, 2017.

On December 18, 2017 the implementing regulations in respect of Bill 59 were published and on January 26, 2018, regulations with new disclosure requirements in connection with Bill 59 were also published. The requirements in these regulations become effective on March 1, 2018, except certain disclosure requirements which will come into effect on May 1, 2018.

Among other things, Bill 59 and its related regulations:

- Ban unsolicited door-to-door sales of prescribed appliances such as water heaters, furnaces, air conditioners and water filters;
- Void all contracts resulting from unsolicited door-to-door sales of the prescribed appliances;
- Enable consumers to demand a refund from the supplier up to one year after the payment was made under the void contract;
- Enhance disclosure in contracts related to prescribed appliances signed in the home; and
- Provides consumers with a 10-day cooling off period to reconsider their decision in respect of contracts related to prescribed appliances signed in the home.

The new rules for water heater door-to-door sales that came into effect on April 1, 2015, coupled with various Enercare initiatives to educate consumers and enhance its customer value proposition, have helped to significantly reduce Attrition in its rental water heater business. Enercare supports Bill 59 and the protection it affords consumers from door-to-door and outbound marketing abuses. The impact, if any, of additional disclosure requirements resulting from Bill 59 have yet to be assessed.

Enercare Annual and Special Meeting of Shareholders

On May 1, 2017, Enercare held its Annual and Special Meeting of shareholders. Each of the resolutions put forth to shareholders received overwhelming support, greatly exceeding the majority approval needed to pass. Accordingly, Enercare's amended and restated shareholder rights plan was approved, the nominated directors were re-elected, and Enercare's external auditor was re-appointed.

Enercare Home Services Receives Accreditation by the Better Business Bureau

On May 1, 2017, Enercare announced that Enercare Home Services was accredited by the Better Business Bureau ("BBB") serving Central Ontario and holds a BBB rating of A.

Service Experts Acquires Hammond

On May 24, 2017, Service Experts acquired Hammond Plumbing & Heating Inc., a full-service residential and commercial plumbing and heating company, for consideration of $5,300. Service Experts acquired certain assets plus assumed warranty liabilities and paid the purchase price using cash on hand.

Enercare Partners with Bethlehem Housing and Support Services in Niagara to Provide Families in Need with a Fresh Start

On May 30, 2017, Enercare announced the expansion of its signature corporate social responsibility program, the Enercare Fresh Start Program, with the addition of its third charity partner, Bethlehem Housing and Support Services. Together, the organizations will work to deliver Fresh Start Comfort Packages containing simple necessities and small luxuries that make it easier for families to get back on their feet. Bethlehem Housing and Support Services, in partnership with the community, provides affordable housing and services to support the personal growth of individuals and families. In 2017, 15 families and individuals transitioning into permanent housing received a personalized Enercare Fresh Start package containing essential and comfort items, including linens, hygiene products and children's toys.

Maturity of Convertible Debentures

On June 30, 2017, the Convertible Debentures matured and Enercare paid the outstanding principal amount of $192 plus accrued and unpaid interest with cash.

Service Experts Acquires Aramendia

On August 15, 2017, Service Experts acquired Aramendia Plumbing, Heating & Air Ltd., an HVAC and plumbing services business, with locations in San Antonio and McKinney, Texas, for consideration of US $24,000. The acquisition complements Service Experts' industry-leading heating and air conditioning services and solutions already offered in the San Antonio and McKinney markets and introduces full-service residential plumbing.

ECI Expands Strategic Partnership with Briarlane by Adding 568 Additional Rental Units

On August 17, 2017, ECI announced the expansion of its strategic partnership with Briarlane Rental Property Management Inc., under which ECI will provide sub-metering services for an additional 568 rental units. ECI supports more than 5,000 units at Briarlane managed properties.

Sub-metering Regulatory Developments in Ontario

On December 15, 2017, the Ontario Ministry of Energy amended the *Ontario Energy Board Act, 1998* (the "OEB Act") to add sub-metering providers as entities that are subject to cost assessments and proclaimed into force certain provisions of the OEB Act to provide the Ontario Energy Board (the "OEB") with the authority to regulate charges of sub-metering providers. These changes become effective on April 1, 2018.

The OEB has commenced consultations with sub-metering providers, sub-metering customers and other interested parties to develop the mechanism to be used by the OEB to regulate charges of sub-metering providers. Enercare has been actively participating in these consultations as a member of the Sub-metering Council of Ontario. Enercare anticipates that the OEB will issue an interim order in April 2018 to accommodate a thorough consultation process with all interested parties and that the mechanism will be finalized by the OEB in 2018.

Service Experts Acquires Additional Operations in Texas

On January 4, 2018, Service Experts completed the acquisition of certain assets of CS Newco, LLC and Finch Newco, LLC, which offer residential and commercial HVAC, plumbing and other related services in certain Texas markets. The cash consideration for the acquisition was US $15,000 or $18,818, plus limited assumed warranty and other liabilities. Enercare Solutions funded a portion of the purchase price by drawing $15,000 on the 2014 Revolver.

__Resignation of Evelyn Sutherland and Appointment of Brian Schmitt as Chief Financial Officer__

On January 5, 2018 Enercare and Enercare Solutions announced that Evelyn Sutherland, Enercare's Chief Financial Officer, resigned and Brian Schmitt assumed the role of Acting Chief Financial Officer, effective January 29, 2018.

__Service Experts Canada Sells the Assets of Four Centers in Ontario__

On January 16, 2018, Service Experts Canada, Inc. completed the sale of certain assets and liabilities related to its residential HVAC operations in four centers located in Whitby, Scarborough, Brampton and Ottawa, Ontario to Right Time GTA Inc. for cash consideration of approximately $13,422. The sale of these assets was completed to address Enercare's Ontario market overlap, resulting from the SE Transaction, between the service territory of Service Experts business locations with that of certain Enercare franchisees.

__Appointment of Director__

On January 30, 2018, Enercare and Enercare Solutions announced that John W. Chandler was appointed to its board of directors.

__Order for Production of Information in respect of Enercare's Residential Water Heater Business__

On February 2, 2018, as anticipated, an order for production of information was issued in connection with the Competition Bureau's inquiry into whether Enercare has a dominant market position supplying residential water heaters in the former Enbridge Gas distribution territory and has engaged in anti-competitive acts through its water heater return procedures and its buyout form of contract. Known as a so-called "Section 11 order" under the Competition Act (Canada) (the "Competition Act"), this is a routine procedural step in a Bureau inquiry. Enercare has been voluntarily cooperating with the Bureau in its process and expects that it will satisfy the information requests within required timelines. As disclosed previously, Enercare provided the Bureau with its voluntary assurance in November 2014 regarding return procedures when it completed the DE Acquisition. That voluntary assurance did not address the buyout form of contract – a form of contract that the Bureau approved in 2010. Enercare believes that it has complied in all material respects with the voluntary assurance. Furthermore, Enercare believes that it does not have a dominant market position and, in any event, has not engaged in anti-competitive acts. Enercare strives to conduct its business in compliance with all applicable laws, including the Competition Act and the voluntary assurance provided to the Bureau. Although it is not possible to predict the outcome of the Bureau's inquiry at this stage in the process, Enercare expects to continue to work cooperatively with the Bureau to address its concerns and hopes to arrive at a mutually satisfactory resolution.

__Service Experts Acquires Additional Operations in Florida__

On March 5, 2018, Service Experts completed the acquisition of certain assets of Midway Services, LLC and MSICORP, LLC, which provide HVAC, plumbing and electrical, sales and service as well as residential interior kitchen, bath and general remodeling in Tampa, Florida. The cash consideration for the acquisition was USD $8,000 or $10,382, subject to post-closing adjustments. Service Experts funded the purchase price through Enercare Solutions drawing $10,000 on the 2014 Revolver.

RESULTS OF OPERATIONS

Overview

Consolidated Financial Highlights (000's)	**2017**	2016	2015
Total revenues	**$1,258,176**	$ 995,941	$ 563,826
Earnings before income taxes	**76,033**	85,867	68,829
Current tax expense	**(22,723)**	(54,381)	(10,197)
Deferred income tax (expense)/recovery	**2,204**	29,644	(7,677)
Net earnings	**$ 55,514**	$ 61,130	$ 50,955
EBITDA	**279,748**	265,792	222,320
Adjusted EBITDA	**287,829**	270,198	225,190
Acquisition adjusted EBITDA	**288,936**	285,076	234,737
Per Share information			
Shareholder dividends declared	**$ 0.951**	$ 0.82	$ 0.82
Net earnings	**$ 0.528**	$ 0.62	$ 0.56
Total assets	**2,005,618**	1,972,647	1,376,247
Total debt	**1,027,656**	969,115	737,212
Cash provided by operating activities	**193,678**	164,766	163,886
Distributable Cash	**$ 98,456**	$ 85,406	$ 112,506
Payout Ratio – Maintenance	**57%**	51%	46%
Payout Ratio	**103%**	94%	66%

2017 vs. 2016

Total revenues increased by approximately $262,235 or 26% to $1,258,176 in 2017. Service Experts revenues, excluding investment income, contributed $662,346 for 2017, increasing by $251,611 compared to 2016, primarily due to the inclusion of a full year of Service Experts revenues in 2017. Enercare Home Services revenues, excluding investment income, increased during the year by $18,586 to $457,204, compared to 2016, primarily as a result of a rental rate increase implemented in January 2017 and changes in asset mix and growth in rental HVAC units. Net earnings were $55,514 in 2017, $5,616 lower than 2016, primarily from higher amortization expenses and interest expense, partially offset by lower total taxes.

EBITDA increased by $13,956 or 5% as a result of higher revenues, offset by an increase in cost of goods sold and selling, general and administrative costs. Adjusted EBITDA increased by $17,631 or 7% after removing from EBITDA the impact of a higher loss on disposal of equipment which was driven by a write-off of the Service Experts customer relationship management ("CRM") and ERP systems of $5,165. After removing net expenditures of $1,107 associated with the Church Services, Hammond and Aramendia acquisitions, Acquisition Adjusted EBITDA was $288,936 in 2017, an increase of $3,860 over 2016.

Total assets increased by approximately $32,971 in 2017, primarily due to an increase in rental assets, metering equipment and acquisitions. Total debt increased by $58,541 to $1,027,656, primarily from an increase in the amount drawn on the 2014 Revolver. Cash flow from operating activities increased by $28,912 in 2017, primarily as a result of improved EBITDA and lower current tax expense. The Payout Ratio increased to 103% from 94%, primarily as a result of higher net capital and vehicle lease expenditures and dividend payments associated with the 4% dividend increase in 2017 and the impact of the DRIP.

2016 vs. 2015

Total revenues increased by approximately $432,115 or 77% to $995,941 in 2016. Service Experts revenues, excluding investment income, contributed $410,735 for 2016 since the May 11, 2016 acquisition date. Enercare Home Services revenues, excluding investment income, increased during the year by $12,147 to $438,618, compared to 2015, primarily as a result of a rental rate increase implemented in January 2016 and changes in asset mix and growth in rental HVAC units. Net earnings were $61,130 in 2016, $10,175 higher than 2015, primarily from the SE Transaction, partly offset by higher amortization expenses and total taxes.

EBITDA increased by $43,472 or 20% as a result of the SE Transaction. Adjusted EBITDA increased by $45,008 or 20% after removing from EBITDA the impact of a reduced loss on disposal of equipment and including other income. After removing net expenditures of $14,878 associated with the SE Transaction and DE Acquisition, Acquisition Adjusted EBITDA was $285,076 in 2016, an increase of $50,339 over 2015.

Total assets increased by approximately $596,400 in 2016, primarily due to the SE Transaction. Total debt increased by $231,903 to $969,115, primarily from the 2016 Term Loan. Cash flow from operating activities increased by $880 in 2016, primarily as a result of improved EBITDA. The Payout Ratio increased to 94% from 66%, primarily as a result of higher net capital and vehicle lease expenditures, dividend payments as a result of the 10% dividend increase announced in the first quarter of 2016 and acquisition related costs related to the SE Transaction (see additional commentary under "*Distributable Cash and Payout Ratios*").

Earnings Statement

Year ended December 31, 2017 (000's)	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:					
Contracted revenue	**$426,430**	**$ 56,299**	**$132,334**	**$ -**	**$ 615,063**
Sales and other services	**30,774**	**606,047**	**4,936**	**-**	**641,757**
Investment income	**1,289**	**60**	**7**	**-**	**1,356**
Total revenue	**$458,493**	**$662,406**	**$137,277**	**$ -**	**$ 1,258,176**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**(99,011)**	**-**	**(99,011)**
Maintenance & servicing costs	**(68,780)**	**(44,653)**	**-**	**-**	**(113,433)**
Sales and other services	**(24,346)**	**(395,619)**	**(2,829)**	**-**	**(422,794)**
Total cost of goods sold	**(93,126)**	**(440,272)**	**(101,840)**	**-**	**(635,238)**
SG&A expenses	**(106,611)**	**(172,687)**	**(21,225)**	**(35,320)**	**(335,843)**
Foreign exchange	**164**	**419**	**119**	**32**	**734**
Amortization expense	**(126,188)**	**(20,577)**	**(7,754)**	**(3,489)**	**(158,008)**
Net (loss) on disposal of equipment and other assets	**(3,471)**	**(4,601)**	**(9)**	**-**	**(8,081)**
Interest expense:					
Interest expense payable in cash					**(38,048)**
Make-whole charge on early redemption of debt					**(5,049)**
Non-cash interest expense					**(2,610)**
Total interest expense					**(45,707)**
Total expenses					**(1,182,143)**
Earnings before income taxes					**76,033**
Current tax (expense)					**(22,723)**
Deferred tax recovery					**2,204**
Net earnings					**$ 55,514**
EBITDA	**$255,449**	**$ 45,265**	**$ 14,322**	**$ (35,288)**	**$ 279,748**
Adjusted EBITDA	**$258,920**	**$ 49,866**	**$ 14,331**	**$ (35,288)**	**$ 287,829**
Acquisition Adjusted EBITDA	**$258,920**	**$ 50,973**	**$ 14,331**	**$ (35,288)**	**$ 288,936**

Year ended December 31, 2016 (000's)	Enercare Home Services	Service Experts	Sub-metering	Corporate	Total
Revenues:					
Contracted revenue	**$410,018**	**$ 22,574**	**$142,239**	**$ -**	**$574,831**
Sales and other services	**28,600**	**388,161**	**3,750**	**-**	**420,511**
Investment income	**349**	**28**	**30**	**192**	**599**
Total revenue	**$438,967**	**$410,763**	**$146,019**	**$ 192**	**$995,941**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**(111,482)**	**-**	**(111,482)**
Maintenance & servicing costs	**(66,994)**	**(17,711)**	**-**	**-**	**(84,705)**
Sales and other services	**(22,274)**	**(246,348)**	**(1,845)**	**-**	**(270,467)**
Total cost of goods sold	**(89,268)**	**(264,059)**	**(113,327)**	**-**	**(466,654)**
SG&A expenses	**(100,343)**	**(107,660)**	**(19,323)**	**(32,091)**	**(259,417)**
Foreign exchange	**215**	**(35)**	**51**	**97**	**328**
Amortization expense	**(122,194)**	**(13,825)**	**(6,719)**	**(2,586)**	**(145,324)**
Net (loss)/gain on disposal of equipment and other assets	**(4,464)**	**(19)**	**77**	**-**	**(4,406)**
Interest expense:					
Interest expense payable in cash					**(32,709)**
Non-cash interest expense					**(1,892)**
Total interest expense					**(34,601)**
Total expenses					**(910,074)**
Earnings before income taxes					**85,867**
Current tax (expense)					**(54,381)**
Deferred tax recovery					**29,644**
Net earnings					**$ 61,130**
EBITDA	**$245,107**	**$ 38,990**	**$ 13,497**	**$(31,802)**	**$265,792**
Adjusted EBITDA	**$249,571**	**$ 39,009**	**$ 13,420**	**$(31,802)**	**$270,198**
Acquisition Adjusted EBITDA	**$252,964**	**$ 50,494**	**$ 13,420**	**$(31,802)**	**$285,076**

Average Foreign Exchange

Enercare's results of operations may be affected by the impact of movements in foreign exchange rates from operations whose functional currency is not in Canadian dollars. The results of these foreign operations are translated into Canadian dollars using the average exchange rates shown in the table below for the corresponding periods. Such translations predominantly relate to Service Experts' U.S. operations whose functional currency is U.S. dollars. Where relevant throughout the "Results of Operations" discussion in this MD&A, reference is made to any material impacts resulting from movements in foreign exchange rates on reported amounts. The following table illustrates the approximate impact of foreign exchange on Enercare's results for the year ending December 31, 2017 assuming average exchange rates during the current periods were held constant to those in 2016.

			Year ended December 31,
(in $000's)	**2017**	2016	Difference
Average exchange rate (CDN$/US$1.00)	**$ 0.7708**	$ 0.7614	$0.0094

			Year ended December 31,
	2017	2017 Constant Currency*	Impact of Foreign Exchange
Revenue	**$552,144**	$558,615	$ (6,471)
Cost of goods sold	**361,033**	365,514	(4,481)
SG&A expenses	**151,967**	153,688	(1,721)
Loss on disposal	**3,489**	3,437	52
EBITDA			$ (321)

* Constant currency is a non-IFRS presentation that other companies may calculate differently. It approximates the impact of foreign exchange on Enercare's results to improve comparability, assuming average exchange rates during the current periods were held constant to those in the prior year.

Revenues

Total revenues of $1,258,176 for 2017 increased by $262,235 or 26% compared to 2016, primarily as a result of the inclusion of a full year of Service Experts revenues in 2017.

Enercare Home Services revenues, excluding investment income, of $457,204 for 2017 increased by $18,586 or 4%, compared to 2016, primarily driven by rental rate increases and asset mix changes within the rental HVAC portfolio, partly offset by lower protection plan revenues. Contracted revenue in Enercare Home Services represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to sales and installations of residential furnaces, boilers and air conditioners, as well as plumbing, duct cleaning and other services.

Service Experts revenues, excluding investment income, were $662,346 for 2017, increasing by $251,611 or 61% compared to 2016, primarily due to the inclusion of a full year of results in 2017 compared to a partial year in 2016, higher sales volumes and acquisitions completed during the year. In constant currency, revenue growth would have been 63% in 2017, compared to the prior year. The increase in sales and rentals activity during 2017 was despite unfavourably milder weather trends throughout the first three quarters of 2017 and a lower demand, particularly in Florida, as a result of Hurricane Irma. Service Experts revenues were lower by $11,740 for 2017 as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction, compared to $20,833 in 2016.

Sub-metering revenues, excluding investment income, were $137,270 in 2017, a decrease of $8,719 or 6%, compared to 2016, primarily as a result of lower flow-through commodity charges partly offset by higher billable units. Sub-metering revenue includes total flow-through commodity charges of $99,011 in 2017, a decrease of $12,471 or 11%, compared to 2016.

Investment income was $1,356 in 2017, increasing by $757, when compared to 2016. The increase in investment income is primarily attributable to higher interest income earned from financing receivables relating to loans to customers resulting from HVAC sales.

Cost of Goods Sold

Total cost of goods sold for 2017 was $635,238, an increase of $168,584 or 36%, compared to 2016. The increase was primarily as a result of the inclusion of a full year of Service Experts cost of goods sold in 2017.

Enercare Home Services cost of goods sold increased by $3,858 or 4% in 2017, compared to 2016, as a result of the growth in HVAC sales and higher maintenance and servicing costs associated with growth in the rentals and protection plan portfolios. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold amounted to $440,272 in 2017, an increase of $176,213 or 67% in 2017, compared to 2016. Service Experts cost of goods sold was reduced by $9,206 as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $16,549 in 2016. Changes in foreign exchange rates in 2017 accounted for a decrease of $4,481 in cost of goods sold compared to 2016. The increase in cost of goods sold was primarily due to increases in originations over the year and the inclusion of a full year of Service Experts cost of goods sold.

Sub-metering cost of goods sold was $101,840 in 2017, decreasing by $11,487 or 10%, primarily from lower flow-through commodity charges compared to 2016. Sales and other services expenses for Sub-metering increased by $984 and 53% compared to 2016, primarily driven by an increase of $485 from the installation of water conservation products in apartments and condominiums and an increase of approximately $450 from meter sales.

Selling, General & Administrative Expenses

Total SG&A expenses were $335,843 in 2017, an increase of $76,426 or 29%, compared to 2016. The increase was primarily as a result of the inclusion of a full year of Service Experts SG&A expenses in 2017.

Enercare Home Services SG&A expenses of $106,611 in the year, increased by $6,268 or 6%, compared to 2016. The $6,268 increase was primarily as a result of increases of approximately $5,300 in sales and marketing expenses, $4,000 in higher wages and benefits, driven partly by $2,000 of higher stock based compensation costs resulting from an increase in the Share price, and $1,700 of billing and support costs, partly offset by a reduction in office expenses of $4,100, primarily due to Enercare’s ownership of its corporate office, and professional fees of $470. The higher sales and marketing expenses were mainly driven by costs related to the development of localized webpages to drive improvements in both search engine optimization and search engine marketing activities, a branding refresh for our fleet of installation vehicles to promote new product offerings and marketing initiatives to drive brand awareness, as well as tests associated with a 100-person smarter home pilot initiated during the fourth quarter of 2017.

Enercare Home Services SG&A expenses in 2016 included $2,312 of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms and marketing spend related to continued rebranding.

Service Experts SG&A expenses in 2017 of $172,687, increased by $65,027 or 60%, compared to 2016. The increase of $65,027 was primarily the result of the inclusion of a full year of Service Experts SG&A expenses in 2017. Service Experts SG&A expenses included expenses relating to prepaid software maintenance costs of approximately $1,000, which were expensed during the second quarter driven by a write-off of the Service Experts' CRM and ERP systems.

Service Experts SG&A expenses in 2017 included acquisition related expenditures of $1,107, primarily consisting of professional fees associated with the acquisitions of Church Services, Hammond and Aramendia. In 2016, Service Experts SG&A expenses included $11,485 of acquisition related expenditures associated with the SE Transaction, primarily consisting of professional fees. These expenditures included $2,834 of pre-acquisition expenditures incurred by Enercare Home Services. Changes in foreign exchange rates during 2017 accounted for approximately a $1,721 reduction in SG&A expenses compared to 2016. Certain wage related expenditures, in the amount of $2,826 for 2017, have been reclassified from SG&A expenses to cost of goods sold, compared to $6,933 in 2016.

Sub-metering SG&A expenses in 2017 were $21,225, an increase of $1,902 or 10% compared to 2016. This increase was primarily the result of approximately $1,640 of higher wages and benefits and driven partly by $498 of higher stock based compensation costs resulting from an increase in the Share price, $740 of office expenses and $210 in higher sales and marketing expenses, partly offset by lower bad debt expenses of $540 and professional fees of $270.

Corporate expenses of $35,320 in 2017 increased by $3,229 or 10%, compared to 2016. The increase of $3,229 was primarily the result of approximately $1,200 of higher office expenses, which includes software licensing costs and expenses relating to the implementation of an ERP system, $910 of higher wages and benefits, driven mainly by $580 of higher stock based compensation costs resulting from an increase in the Share price, $790 of higher sales and marketing expenses and $300 of higher professional fees.

Corporate SG&A expenses in 2016 included $1,081 of integration and business transformation costs related to the DE Acquisition, primarily from information technology integration activities to optimize the information technology platforms.

Amortization Expense

Amortization expense increased by $12,684 or 9%, compared to 2016, primarily due to the SE Transaction, which was completed in the second quarter of 2016, an increasing capital asset base from asset mix changes in the Rentals portfolio and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Enercare Home Services business.

Net Loss on Disposal of Equipment and Other Assets

Enercare reported a net loss on disposal of equipment and other assets of $8,081 in 2017, an increase of $3,675 or 83%, over 2016. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

The net loss on disposal includes the second quarter of 2017 write-off of $5,165 related to Service Experts' CRM and ERP systems. The net loss on disposal also includes a write-off of $845 from the first quarter of 2017 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business.

Interest Expense

(000's)	**2017**	2016
Interest expense payable in cash	**$38,048**	$30,294
Interest payable on subscription receipts	**-**	2,217
Equity bridge financing fees	**-**	198
Make-whole payment on early redemption of senior debt	**5,049**	-
Non-cash items:		
Notional interest on employee benefit plans	**904**	840
Amortization of financing costs	**1,706**	1,052
Interest expense	**$45,707**	$34,601

Interest expense payable in cash increased by $7,754 to $38,048 in 2017, compared to 2016. These increases were primarily related to the addition of the 2016 Term Loan related to the financing of the SE Transaction, the issuance of the 2017 Notes during the first quarter of 2017 and increases in the 2014 Revolver, partially offset by the conversion of the Convertible Debentures to Shares and lower effective rates on the 2017 Notes compared to the 2012 Notes, which were redeemed using proceeds from the offering of the 2017 Notes. A make-whole payment for the early redemption of the 2012 Notes during the first quarter of 2017 resulted in additional interest expense of $5,049.

Notional interest of $904 in 2017 relates to the defined benefit employee benefits plans. Amortization of financing costs includes the previously unamortized costs associated with the 2012 Notes, the 2013 Notes, the Convertible Debentures, the 2014 Term Loan, the 2016 Term Loan and the 2017 Notes.

As part of the SE Transaction, SE Subscription Receipts were issued during the first quarter of 2016 and subsequently exchanged for Shares upon the closing of the SE Transaction on May 11, 2016. While the SE Subscription Receipts remained outstanding, they were classified as debt, resulting in interest expense of $2,217, which were the equivalent to the dividend payments on such SE Subscription Receipts if they had been Shares. Equity bridge financing fees of $198 were also incurred as part of the SE Transaction.

Income Taxes

Enercare reported current tax expense of $22,723 in 2017, a reduction of $31,658 compared to 2016. The reduction was primarily from higher taxes owed in 2016, which resulted from a one-year tax deferral originated in 2015 and additional tax depreciation and interest expense incurred in 2017. The deferred income tax recovery of $2,204 in 2017 decreased by $27,440 compared to 2016, primarily as a result of temporary difference reversals in the Enercare Home Services business.

Net Earnings

Net earnings were $55,514 in 2017, a decrease of $5,616, compared to 2016.

Non-IFRS Measures of Adjusted EBITDA and Acquisition Adjusted EBITDA

The following table summarizes comparative quarterly results for the last eight quarters, and reconciles net earnings, an IFRS measure, to EBITDA, an IFRS measure, Adjusted EBITDA and Acquisition Adjusted EBITDA.

(000's)	**Q4/17**	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Net earnings/(loss)	**$17,289**	$20,154	$21,103	$(3,032)	$17,552	$19,332	$16,051	$8,195
Deferred tax expense/(recovery)	**(45)**	1,929	2,017	(6,105)	(5,275)	(7,522)	(7,633)	(9,214)
Current tax expense	**5,023**	5,785	6,500	5,415	11,534	15,332	15,259	12,256
Amortization expense	**40,667**	39,457	39,485	38,399	38,892	38,329	35,796	32,307
Interest expense	**10,302**	9,798	9,763	15,844	8,554	8,507	9,187	8,353
EBITDA	**73,236**	77,123	78,868	50,521	71,257	73,978	68,660	51,897
Add: Net loss on disposal	**444**	643	5,137	1,857	850	734	891	1,931
Adjusted EBITDA	**73,680**	77,766	84,005	52,378	72,107	74,712	69,551	53,828
Add: Acquisition SG&A	**410**	320	273	104	603	4,854	5,128	4,293
Acquisition Adjusted EBITDA	**$74,090**	$78,086	$84,278	$52,482	$72,710	$79,566	$74,679	$58,121

The variances over the last eight quarters are primarily due to the following:

1. Net earnings are impacted by rental rate increases, generally implemented in January of each year, and accruals related to billing and servicing matters, as well as the Service Experts results commencing in the second quarter of 2016. Net earnings are also impacted by the seasonality associated with the Service Experts business, which tends to be seasonally highest in the second quarter of the year, followed by the third quarter, and substantially less in the fourth and first quarters, due primarily to the geography where Service Experts operates and weather patterns.
2. During 2016, current taxes reflect the impact of a one year tax deferral available in 2015 through a subsidiary of Enercare Solutions which was not available in 2016 and accordingly, resulted in higher current tax expenses during 2016.
3. During the first quarter of 2017, additional interest expense was incurred as a result of the early redemption of the 2012 Notes, which included a make-whole payment of $5,049. During the first and second quarters of 2016, additional interest expense was incurred as part of the SE Transaction, related to the 2016 Term Loan, bridge financing and the treatment of SE Subscription Receipts for accounting purposes.
4. Amortization and net loss on disposal of equipment and other assets are primarily driven by unit continuity activity such as Attrition, exchanges and outstanding units. Increases in amortization of capital assets and intangibles relate primarily to increased additions and changes in mix to higher percentage of sub-metering assets which have a shorter useful life. Commencing in the second quarter of 2016, amortization reflects increases from the amortization of capital assets and intangibles of the Service Experts business.
5. During the second quarter of 2017, net loss on disposal included a write-off of $5,165 of software intangible assets related to the CRM and ERP systems that Service Experts had been developing that will now be superseded by a common platform implemented across both the Enercare Home Services and Service Experts businesses. During the first quarter of 2017, net loss on disposal included a write-off of $845 relating to stranded technology investments resulting from going concern issues with a supplier that was developing software solutions for the Enercare Home Services business.

DISTRIBUTABLE CASH AND PAYOUT RATIOS

Enercare amended its payout ratio calculation in 2013. As a transition to the new calculation, Enercare has chosen to show both the historical calculation, Payout Ratio and our new calculation, Payout Ratio - Maintenance. Historically, Enercare included both the Rentals capital associated with maintaining (other than Sub-metering and acquisitions) the current customer base (exchanges) as well as the capital associated with acquiring new customers. With the significant improvement in Attrition over the last five years, combined with the success of transitioning Rentals customers into higher revenue generating rental products, Enercare has started to grow revenue beyond annual rate increases. As a result, Enercare changed the calculation to remove the capital required to acquire new Rentals customers. Enercare believes that the new calculation better reflects the on-going cash requirements to maintain the revenue from the current Rentals customer base.

In 2016, Enercare further changed its definition of Payout Ratio and Payout Ratio – Maintenance to include capital relating to vehicle additions (reflecting repayments of obligations under finance leases).

Payout Ratio - Maintenance Presentation

Payout Ratio - Maintenance - (000's)	**2017**	2016
Cash provided/(used in) by operating activities	**$ 193,678**	$164,766
Net change in non-cash working capital	**22,481**	17,641
Operating Cash Flow[5]	**216,159**	182,407
Capital and vehicle lease expenditures: (excluding growth capital, additions and acquisitions)		
Rentals exchanges	**(35,954)**	(35,684)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(9,024)**	(6,129)
Sub-metering maintenance capital	**(560)**	(715)
Proceeds on disposal of equipment – warranty	**2,495**	2,364
Net capital and vehicle lease expenditures	**(43,043)**	(40,164)
Early redemption of 2012 Notes net of tax	**4,239**	-
Acquisition related expenditures	**1,107**	17,101
Total reductions	**(37,697)**	(23,063)
Distributable Cash – Maintenance[5]	**178,462**	159,344
Dividends declared	**(101,572)**	(80,688)
Net cash retained	**$ 76,890**	$ 78,656
Payout Ratio – Maintenance	**57%**	51%

The Payout Ratio - Maintenance, which is calculated based upon capital and vehicle lease expenditures associated with company vehicles and the exchange of rental assets for existing customers and excludes capital expenditures associated with obtaining new customers, was 57% for 2017, which increased by 6% compared to 51% in 2016.

The increase was primarily due to higher vehicle lease expenditures and dividends declared, resulting from the increase in the number of Shares outstanding and a 4% dividend increase announced in the first quarter of 2017, offset by higher Operating Cash Flow as a result of the full year impact of the Service Experts business.

The $4,239 on account of the early redemption of the 2012 Notes net of tax represents the aggregate of the make-whole payment incurred in the first quarter of 2017 of approximately $5,049 and overlapping interest expense of $913, less investment income of $194 and the tax timing differences of ($1,529). The tax consequences of the make-whole payment were recognized over the period to November 30, 2017. The make-whole payment was reflected as interest expense in the first quarter of 2017 and consequently directly impacted cash provided by operating activities.

Acquisition related expenditures in 2017 were $1,107, primarily consisting of costs related to the acquisitions of Church Services, Hammond and Aramendia.

Acquisition and integration related expenditures associated with the SE Transaction in 2016 were $13,708, primarily consisting of professional fees associated with the entering into of the Merger Agreement and post integration activities, interest on the SE Subscription Receipts and equity bridge financing fees.

[5] Operating Cash Flow and Distributable Cash - Maintenance are a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

Integration and business transformation costs related to the DE Acquisition were $3,393 in 2016. These costs were primarily driven by information technology integration activities and marketing spend related to rebranding.

These amounts have been adjusted in the Payout Ratio to better reflect recurring Distributable Cash.

Enercare's Dividend Reinvestment Plan participation rate was approximately 31% as at December 31, 2017, resulting in cash savings of $31,197 during the year. Adjusting the Payout Ratio - Maintenance for the $70,375 cash dividends paid in 2017, compared to the $101,572 dividends declared, would result in a Payout Ratio of 39%.

Adjusting the Payout Ratio – Maintenance for $84,766 cash dividends paid in 2016, compared to $80,688 dividends declared, would result in a Payout Ratio – Maintenance of 53%.

Enercare intends to finance its recurring capital expenditures with cash flow from operations, cash on hand and available credit.

Payout Ratio (000's)	**2017**	2016
Cash provided by operating activities	**$ 193,678**	$164,766
Net change in non-cash working capital	**22,481**	17,641
Operating Cash Flow[6]	**216,159**	182,407
Capital and vehicle lease expenditures: (excluding growth capital and acquisitions)		
HVAC rental additions	**(48,796)**	(45,195)
Water heater rental and other additions	**(42,570)**	(36,377)
Rentals exchanges	**(35,954)**	(35,684)
Vehicle additions (reflecting repayments of obligations under finance leases)	**(9,024)**	(6,129)
Sub-metering maintenance capital	**(560)**	(715)
Subtotal	**(136,904)**	(124,100)
Total proceeds on disposal of rental equipment	**13,814**	9,998
Net capital and vehicle lease expenditures	**(123,090)**	(114,102)
Early redemption of 2012 Notes net of tax	**4,239**	-
Acquisition integration and business transformation related expenditures	**1,107**	17,101
Total reductions	**(117,744)**	(97,001)
Distributable Cash[6]	**98,415**	85,406
Dividends declared	**(101,572)**	(80,688)
Net cash retained	**$ (3,157)**	$ 4,718
Payout Ratio	**103%**	94%

The Payout Ratio, after capital and vehicle lease expenditures (excluding growth capital for Sub-metering and acquisitions), increased to 103% on a year to date basis compared to 94% in 2016.

Enercare determines its annual dividend levels by, among other considerations, assessing its Operating Cash Flow and does not consider seasonal fluctuations in non-cash working capital in any one period. As such, Enercare does not believe that the dividends are an economic return of capital, but dividends based on sustainable cash flow from its operating activities. Further, any temporary disruptions in Operating Cash Flow can be addressed by the 2014 Revolver.

Enercare also considers the impact of the DRIP on its ability to sustain current dividend levels. Adjusting the Payout Ratio for the $70,375 cash dividends paid in 2017, compared to the $101,572 dividends declared, would result in a Payout Ratio of 72%.

[6] Operating Cash Flow and Distributable Cash are a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

LIQUIDITY AND CAPITAL RESOURCES

(000's)	**2017**	2016
Cash flow provided by operating activities	**$193,678**	$164,766
Net change in non-cash working capital	**22,481**	17,641
Operating Cash Flow[7]	**216,159**	182,407
Capital expenditures (excluding growth capital and acquisitions)	**(127,995)**	(117,971)
Proceeds on disposal of equipment	**13,814**	9,998
Net capital expenditures	**(114,181)**	(107,973)
Acquisition – Service Experts	**-**	(375,163)
Acquisition – Church Services	**(1,144)**	-
Acquisition – Hammond	**(5,300)**	-
Acquisition – Aramendia	**(30,556)**	-
Other intangibles	**(10,973)**	(73)
Growth capital	**(36,617)**	(34,879)
Cash used in investing activities	**(198,771)**	(518,088)
Dividends paid	**(70,375)**	(84,766)
Other financing activities	**70,135**	446,364
Cash (used in)/provided by financing activities	**(240)**	361,598
Cash and equivalents – end of period	**$ 31,001**	$38,415

Operating Cash Flow of $216,159 in 2017 increased by $33,752, compared to 2016, primarily due to the full year impact of the Service Experts business, higher EBITDA and lower current tax expense during the year.

Net capital expenditures of $114,181 in 2017 increased by $6,208, compared to 2016, due to increased HVAC and water heater rentals and changes in asset mix. The acquisition amounts of $1,144, $5,300 and $30,556 represent the purchase consideration for the acquisitions of Church Services during the first quarter, Hammond during the second quarter and Aramendia during the third quarter, respectively, of 2017. Growth capital investments of $36,617 during the year increased by $1,738, when compared to 2016. These increases in growth capital expenditures were primarily due to expenditures on upgrades and optimization of the information technology systems and expenditures related to relocating Enercare's corporate headquarters to reduce future operating lease payments.

Dividends paid reflect cash dividend payments on outstanding Shares, excluding Shares issued under Enercare's Dividend Reinvestment Plan.

Other financing activities primarily reflect the scheduled repayments of Stratacon Debt, repayments of obligations under finance leases, as well as proceeds and repayments related to the revolving credit facility. During 2017, other financing activities also reflected proceeds from the issuance of the 2017 Notes, the redemption of the 2012 Notes and the repayment of the 2014 Term Loan.

Of the available credit of $200,000 under the 2014 Revolver, $55,000 was drawn as at December 31, 2017. Enercare is subject to a number of covenants and has the ability to incur additional senior debt as described in "Liquidity and Capital Resources – Cash from Financing" in this MD&A.

Management believes that Enercare has sufficient cash flow, cash on hand and available credit to meet its 2018 obligations, including capital expenditures, financing activities and working capital requirements for its businesses.

[7] Operating Cash Flow is a Non-IFRS financial measure. Refer to the Non-IFRS Financial and Performance Measures section in this MD&A.

Capital Expenditures

Capital expenditures typically have a significant impact on liquidity and are best understood with reference to the unit continuity analysis below.

Installed Asset Unit Continuity (000's) Year ended December 31,				**2017**				2016
Segment	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Total**	Enercare Home Services	Service Experts	Sub-metering	Total
Units - start of period	**1,136**	**-**	**165**	**1,301**	1,128	-	155	1,283
Portfolio additions*	**37**	**2**	**18**	**57**	38	-	10	48
Attrition*	**(30)**	**-**	**-**	**(30)**	(30)	-	-	(30)
Units - end of period	**1,143**	**2**	**183**	**1,328**	1,136	-	165	1,301
Asset exchanges – units retired and replaced	**43**	**-**	**-**	**43**	45	-	-	45
% change in units during the period				**2.1%**				1.4%
% of units from start of period:				**-**				-
Portfolio additions (net of acquisitions)				**4.4%**				3.7%
Attrition				**(2.3%)**				(2.3%)
Units retired and replaced				**3.3%**				3.5%
Billable units	**1,143**	**2**	**130**	**1,275**	1,136	-	116	1,252
Contracted units	**-**	**-**	**261**	**261**	-	-	235	235

* Enercare Home Services and Service Experts portfolio additions and attrition units presented have been rounded in thousands of units. To ensure consistency with rounded year to date and period end balances the rounded units presented in the chart above may vary by +1 or -1 in certain quarters from results rounded to the nearest hundred units which may be discussed in this MD&A.

In 2017, the portions of net capital expenditures in Enercare Home Services related to unit additions and asset exchanges, net of proceeds on disposal and excluding assets not yet commissioned, were $108,424, increasing nominally compared to 2016 as a result of relatively consistent unit volumes.

In the Enercare Home Services business, Attrition of approximately 29,500 in 2017 remained comparable to 2016.

In the Service Experts business, 2,275 water heater and HVAC rental additions were installed during the year, for a total of 2,459 installed units since the introduction of its rental programs in late 2016.

Installations in the Sub-metering business were approximately 18,000 units in 2017, increasing by 8,000 units, compared to 2016 as a result of more completed new construction projects. In 2016, the shift in contracted sales to a higher proportion of new construction condominiums led to a lower number of installed units and an increase in work in progress. This delay in recognition can cause some significant swings in the installed unit count on a yearly basis. Sub-metering capital expenditures related to metering equipment in 2017 were $17,992, approximately $910 lower, compared to 2016 on account of the timing and costs of projects underway.

For the Enercare Home Services units, changes in Billable units reflect the asset activity as reported in the continuity schedule. For the Sub-metering business, Billable units of 130,000 increased by 14,000 units in 2017 compared to 2016, primarily due to additional installations and increased billing penetration in the rental apartment market.

Sub-metering sales activity was approximately 26,000 units in 2017, lower by 4,000 units, over 2016. Contracted units in the year includes the removal of 3,000 units in Alberta during the second quarter that were part of a larger multi-services contract with a single customer that provided for heat metering if and when Measurement Canada passed certification requirements for heat metering. As Measurement Canada has not done so and the original customer contract was renewed in June of 2017, it was decided to remove heat metering units from the renewal contract.

Cash from Financing

Financing activities for Enercare reflect dividend payments, periodic financing of Enercare Solutions' indebtedness, Enercare's offering of SE Subscription Receipts, and to a much lesser extent financing of the Sub-metering business. In 2017, Enercare recorded $10,573 of financing repayments primarily related to obligations under finance leases, the scheduled repayment of the Stratacon Debt and the purchase of treasury Shares in respect of the employee share purchase plan. These financing repayments excluded dividends to shareholders. During 2017 Enercare drew an additional $65,000 on the 2014 Revolver and subsequently repaid $25,000 of this balance.

	Year ended December 31,	
Capitalization (000's)	**2017**	2016
Cash and cash equivalents	**$ 31,001**	$ 38,415
Net investment in working capital	**(31,780)**	(59,567)
Cash, net of working capital	**(779)**	(21,152)
Total debt	**1,027,656**	969,115
Shareholders' equity	**593,010**	616,464
Total capitalization – book value	**$1,620,666**	$1,585,579

Typically, Enercare maintains cash balances and available credit to provide sufficient cash reserves to satisfy short-term requirements, including interest payments, dividends and certain capital expenditures and acquisitions.

At December 31, 2017, total debt was comprised of the 2013 Notes, the 2014 Revolver, the 2016 Term Loan, the 2017 Notes and the Stratacon Debt.

Enercare is subject to a number of covenant requirements as described in the AIF and below. The following discussion outlines the principal covenants.

Debt Financing

As described in the AIF, the 2014 Revolver and 2016 Term Loan each contain terms, representations, warranties, covenants and events of default that are customary for credit facilities of this kind, including financial covenants discussed below, restrictions on asset sales and reorganizations, a negative pledge and limits on distributions to Enercare (and, therefore, in effect, holders of Shares). Events of default under the 2014 Revolver and 2016 Term Loan include a cross-default provision and the occurrence of a change of control of Enercare or Enercare Solutions. Enercare Solutions' obligations under the 2014 Revolver and 2016 Term Loan are guaranteed by all of Enercare Solutions' material direct and indirect subsidiaries.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof.

As described in the AIF, the 2014 Revolver and 2016 Term Loan contain the following financial covenants (i) all additional incurrences of senior debt, with certain exceptions, must, on the date of incurrence, result in a pro forma ratio equal to or greater than 3.8 to 1.0 of Incurrence EBITDA (as defined in the Senior Unsecured Indenture) to Net Interest Expense (as defined in the Senior Unsecured Indenture); (ii) the ratio of total debt (other than subordinated debt) to "Adjusted EBITDA" must be less than 4.75 to 1; and (iii) the ratio of Adjusted EBITDA to "Cash Interest Expense" must be greater than 3.00 to 1.

As described in the AIF, the 2014 Revolver and 2016 Term Loan define "Adjusted EBITDA" as the consolidated net income of Enercare Solutions and any losses on dispositions of assets less, to the extent included in calculating such net income, all interest income and income tax recoveries, gains on hedging contracts and all extraordinary, non-recurring and unusual income items, plus, to the extent deducted in calculating such net income, amounts for total interest expense, fees payable under the Origination Agreement, amortization and depreciation expenses, income taxes and any other non-cash items, losses on hedging contracts, proceeds of disposal of water heaters in the ordinary course of business, and with respect to the DE Acquisition, transaction expenses, one-time rebranding costs and information technology system harmonization costs up to $23,500 in the aggregate, determined on a consolidated basis, and with respect to the SE Transaction, transaction and integration costs up to $10,300 in the aggregate. The 2014 Revolver and 2016 Term Loan essentially define “Cash Interest Expense” as the aggregate amount of interest and other financing charges payable in cash and expensed by Enercare Solutions with respect to debt (other than subordinated debt between Enercare Solutions and Enercare or any subsidiary of Enercare Solutions or between subsidiaries of Enercare Solutions), but excluding any make-whole, prepayment, penalty or premium or other yield maintenance amount with respect to debt.

Enercare Solutions was in compliance with the covenants within the 2014 Revolver and 2016 Term Loan as of December 31, 2017. A total of $55,000 was drawn under the 2014 Revolver as at December 31, 2017.

2013 Notes and 2017 Notes – Incurrence Test

The covenants in respect of the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1. On December 31, 2017, Enercare Solutions exceeded this minimum and had the capacity under the covenant to raise more than $300,000 additional senior debt should it elect to do so.

SUMMARY OF QUARTERLY RESULTS

(000’s)	**Q4/17**	Q3/17	Q2/17	Q1/17	Q4/16	Q3/16	Q2/16	Q1/16
Total revenues	**$312,339**	$325,902	$342,122	$277,813	$293,246	$315,944	$244,102	$142,649
Net earnings/(loss)	**17,289**	20,154	21,103	(3,032)	17,552	19,332	16,051	8,195
Dividends declared	**25,841**	25,740	25,561	24,430	16,102	23,991	22,135	18,460
Average Shares outstanding	**105,998**	105,631	104,821	104,215	103,881	103,839	96,619	87,899
Per Share								
Basic net earnings/(loss)	**$ 0.16**	$ 0.19	$ 0.20	$ (0.03)	$0.17	$0.19	$0.17	$0.09
Diluted net earnings/(loss)	**$ 0.16**	$ 0.19	$ 0.20	$ (0.03)	$0.17	$0.19	$0.17	$0.08
Dividends declared	**$ 0.240**	$ 0.240	$ 0.240	$ 0.231	$0.155	$0.231	$0.224	$0.21

In addition to quarterly comments found under “Results of Operations – EBITDA and Adjusted EBITDA”, differences in net earnings between quarters reflect the timing of expenses, current tax expense, the temporary difference reversals of deferred income tax and the impact of the SE Transaction in the second quarter of 2016. Dividends declared primarily reflect the change in outstanding Shares over time as well as the dividend increases implemented in the second quarters of 2016 and 2017. During the fourth quarter of 2016, as a result of implementing the DRIP, dividends which had historically been declared the month prior to payment, were declared and paid in the same month, resulting in one less declared dividend while maintaining monthly payments.

The average number of Shares outstanding and the related per Share data reflect the impact of the conversion of Convertible Debentures and issuances in connection with the SE Transaction in the second quarter of 2016 and pursuant to the DRIP implemented during the fourth quarter of 2016.

SUMMARY OF CONTRACTUAL DEBT AND LONG TERM OBLIGATIONS

The following schedule summarizes the contractual debt and long term obligations of Enercare at December 31, 2017:

Period	Debt		Finance Lease Obligations		Other
(000's)	Principal	Interest	Principal	Interest	Obligations
Due in 2018	$ 126	$ 37,157	$ 9,397	$ 683	$ 8,383
Due in 2019	24	37,153	8,626	449	5,670
Due in 2020	475,927	27,572	7,151	241	4,569
Due in 2021	55,025	19,747	4,428	92	5,370
Due in 2022	275,005	10,293	1,173	11	1,971
Thereafter	225,000	10,248	11	-	6,150
Total	$1,031,107	$142,170	$30,786	$1,476	$ 32,113

As at December 31, 2017, long-term senior contractual obligations of Enercare included debt service on the 2013 Notes bearing interest at 4.60%. The 2017-1 Notes and 2017-2 Notes offered on February 21, 2017 bear interest at 3.38% and 3.99% and are due in February 2022 and February 2024, respectively. Interest on the 2013 Notes is payable semi-annually on February 3 and August 3. The 2014 Term Loan, which was repaid on February 23, 2017, bore interest at a variable rate based upon the applicable prime rate plus 0.25%, which was 2.95% at March 31, 2017. The 2012 Notes, which were redeemed on March 23, 2017, bore interest at 4.30%.

At December 31, 2017, $55,000 was drawn on the 2014 Revolver. The 2014 Revolver bears a standby charge of 0.25% and interest on amounts drawn at a variable rate based upon the applicable banker's acceptance rate plus 1.25%, which was 2.80% at December 31, 2017.

The Stratacon Debt of $207, as at December 31, 2017, was originally issued in 14 series with maturity dates ranging from 4 to 14 years, ending in 2022. The interest rate on the Stratacon Debt ranges from 7.50% to 8.75%. Principal and interest is paid monthly.

The Convertible Debentures matured on June 30, 2017 and Enercare paid the outstanding principal amount of $192 plus accrued and unpaid interest with cash.

The 2016 Term Loan is payable interest only until maturity and is pre-payable in whole or in part at any time without penalty. The 2016 Term Loan bears interest at a rate of LIBOR plus 125 basis points or base rate plus 25 basis points at Enercare Solutions' credit rating as of the date hereof. As at December 31, 2017, the 2016 Term Loan bears interest of 2.79%.

The obligations under finance leases bear floating interest rates that are either 2.5% above the one month banker's acceptance rate, per annum or are equal to the yield of interest rate swaps as quoted in the Federal Reserve system, per annum. Additional obligations under finance leases acquired during the period bear fixed interest rates of 0.97% to 2.44% and at floating interest rates that are 2.5% above the three month banker's acceptance rate, or 0.75% above the three month LIBOR rate, per annum. The finance leases mature at dates ranging between January 2018 and September 2024.

Other obligations include long-term sponsorship, premises and office equipment. Substantially all of the future expense obligations are the result of naming rights for the Enercare Centre and leased premises.

ENERCARE SHARES ISSUED AND OUTSTANDING

Enercare's authorized share capital consists of an unlimited number of Shares and 10,000,000 preferred shares. At December 31, 2017, there were 106,377,020 Shares (104,154,895 at December 31, 2016) issued and outstanding, and no preferred shares were outstanding. A total of 15,834,600 Shares were issued in exchange for the SE Subscription Receipts on May 11, 2016 in conjunction with the closing of the SE Transaction. Preferred shares may, at any time and from time to time, be issued in one or more series, with such rights, privileges, restrictions and conditions as may be determined by the directors. The preferred shares of each series shall, with respect to the payment of dividends and the distribution of assets, be entitled to preference over the Shares and any other share ranking junior to the preferred shares from time to time.

From January 1, 2018 to March 4, 2018, 277,784 of additional shares were issued as a result of the DRIP. At March 5, 2018, there were 106,654,804 Shares issued and outstanding, and no preferred shares were outstanding.

FOURTH QUARTER RESULTS OF OPERATIONS

Three months ended December 31, 2017 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$109,228**	**$ 16,237**	**$30,789**	**$ -**	**$156,254**
Sales and other services	**9,444**	**145,191**	**1,077**	**-**	**155,712**
Investment income	**348**	**23**	**2**	**-**	**373**
Total revenue	**$119,020**	**$161,451**	**$31,868**	**$ -**	**$312,339**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**(21,864)**	**-**	**(21,864)**
Maintenance & servicing costs	**(18,831)**	**(13,081)**	**-**	**-**	**(31,912)**
Sales and other services	**(7,117)**	**(96,553)**	**(530)**	**-**	**(104,200)**
Total cost of goods sold	**(25,948)**	**(109,634)**	**(22,394)**	**-**	**(157,976)**
SG&A expenses	**(27,515)**	**(38,928)**	**(5,444)**	**(9,192)**	**(81,079)**
Foreign exchange	**545**	**(204)**	**31**	**24**	**396**
Amortization expense	**(32,125)**	**(5,110)**	**(2,084)**	**(1,348)**	**(40,667)**
Net (loss)/gain on disposal of equipment and other assets	**(594)**	**149**	**1**	**-**	**(444)**
Interest expense:					
Interest expense payable in cash					**(9,819)**
Make-whole charge on early redemption of debt					**-**
Non-cash interest expense					**(483)**
Total interest expense					**(10,302)**
Total expenses					**(290,072)**
Earnings before income taxes					**22,267**
Current tax (expense)					**(5,023)**
Deferred tax recovery					**45**
Net earnings					**$ 17,289**
EBITDA	**$ 65,508**	**$ 12,834**	**$ 4,062**	**$ (9,168)**	**$ 73,236**
Adjusted EBITDA	**$ 66,102**	**$ 12,685**	**$ 4,061**	**$ (9,168)**	**$ 73,680**
Acquisition Adjusted EBITDA	**$ 66,102**	**$ 13,095**	**$ 4,061**	**$ (9,168)**	**$ 74,090**

Three months ended December 31, 2016 (000's)	**Enercare Home Services**	**Service Experts**	**Sub-metering**	**Corporate**	**Total**
Revenues:					
Contracted revenue	**$104,958**	**$ 14,088**	**$32,709**	**$ -**	**$151,755**
Sales and other services	**8,265**	**132,088**	**1,015**	**-**	**141,368**
Investment income	**111**	**10**	**2**	**-**	**123**
Total revenue	**$113,334**	**$146,186**	**$33,726**	**$ -**	**$293,246**
Expenses:					
Cost of goods sold:					
Commodity	**-**	**-**	**(24,892)**	**-**	**(24,892)**
Maintenance & servicing costs	**(17,256)**	**(11,367)**	**-**	**-**	**(28,623)**
Sales and other services	**(6,173)**	**(83,810)**	**(602)**	**-**	**(90,585)**
Total cost of goods sold	**(23,429)**	**(95,177)**	**(25,494)**	**-**	**(144,100)**
SG&A expenses	**(27,117)**	**(36,887)**	**(4,750)**	**(8,430)**	**(77,184)**
Foreign exchange	**200**	**(85)**	**(1)**	**31**	**145**
Amortization expense	**(31,284)**	**(5,360)**	**(1,724)**	**(524)**	**(38,892)**
Net (loss)/gain on disposal	**(877)**	**(16)**	**43**	**-**	**(850)**
Interest expense:					
Interest expense payable in cash					**(8,041)**
Non-cash interest expense					**(513)**
Total interest expense					**(8,554)**
Total expenses					**(269,435)**
Earnings before income taxes					**23,811**
Current tax (expense)					**(11,534)**
Deferred tax recovery					**5,275**
Net earnings					**$ 17,552**
EBITDA	**$ 62,111**	**$ 14,021**	**$ 3,524**	**$(8,399)**	**$ 71,257**
Adjusted EBITDA	**$ 62,988**	**$ 14,037**	**$ 3,481**	**$(8,399)**	**$ 72,107**
Acquisition Adjusted EBITDA	**$ 62,988**	**$ 14,640**	**$ 3,481**	**$(8,399)**	**$ 72,710**

Fourth Quarter Overview

Unless stated otherwise, the narrative in this section is in reference to the operating results for the fourth quarter of 2017 as compared to the same period in 2016.

Average Foreign Exchange

The following table illustrates the approximate impact of foreign exchange on Enercare's results for the fourth quarter of 2017 assuming average exchange rates during the current periods were held constant to those in 2016.

(in $000’s)	**2017**	2016	Difference
Average exchange rate (CDN$/US$1.00)	**$0.7867**	$ 0.7494	$0.0373

		Three months ended December 31,	
	2017	2017 Constant Currency*	Impact of Foreign Exchange
Revenue	**$129,227**	$135,690	$ (6,463)
Cost of goods sold	**88,101**	92,503	(4,402)
SG&A expenses	**32,524**	34,145	(1,621)
Loss on disposal	**(119)**	(127)	8
EBITDA			$ (448)

* Constant currency is a non-IFRS presentation that other companies may calculate differently. It approximates the impact of foreign exchange on Enercare’s results to improve comparability, assuming average exchange rates during the current periods were held constant to those in the prior year.

Revenues

Total revenues of $312,339 for the fourth quarter of 2017 increased by $19,093 or 7% compared to the same period in 2016.

Enercare Home Services revenues, excluding investment income, of $118,672 for the fourth quarter of 2017 increased by $5,449 or 5%, approximately $4,000 of which was primarily as a result of a rental rate increase implemented in January 2017, changes in asset mix and growth in rental units, partly offset by a decrease in protection plan revenue. Contracted revenues increased by $4,270 or 4%, which represents revenue generated by the Rentals portfolio and protection plan contracts, while sales and other services revenue mainly pertains to sales and installations of residential furnaces, boilers and air conditioners, as well as plumbing, duct cleaning and other services.

Service Experts revenues, excluding investment income, were $161,428 during the fourth quarter of 2017, increasing by $15,252 or 10%, primarily from higher sales volumes and acquisitions completed during the year. Changes in foreign exchange rates during the fourth quarter of 2017 accounted for approximately a $6,463 decrease in revenues. In constant currency, revenue growth would have been 15% during the fourth quarter of 2017. The increase in sales and rentals activity during the quarter was partially driven by favourably cooler weather trends, compared to the same period in 2016, resulting in a higher demand for HVAC sales, service and repairs. Service Experts revenues were reduced by $2,221 for the fourth quarter of 2017 as a result of purchase accounting adjustments for deferred revenue associated with the SE Transaction, compared to $4,278 in the same period in 2016.

Sub-metering revenues, excluding investment income, were $31,866 during the fourth quarter of 2017, a decrease of $1,858 or 6%, primarily from lower flow-through commodity charges partly offset by higher billable units. Sub-metering revenue includes total flow-through commodity charges of $21,864 in the fourth quarter, a decrease of $3,028 or 12% compared to the same period in 2016.

Investment income was $373 in the fourth quarter of 2017, an increase of $250 primarily from higher interest income earned from financing receivables relating to loans to customers resulting from HVAC sales in Enercare Home Services.

Cost of Goods Sold

Total cost of goods sold for the fourth quarter of 2017 was $157,976, an increase of $13,876 or 10%, compared to the same period in 2016.

Enercare Home Services cost of goods sold increased by $2,519 or 11% in the fourth quarter of 2017, compared to the same period in 2016, as a result of the growth in HVAC sales and higher maintenance and servicing costs associated with growth in the rentals and protection plan portfolios. Maintenance and servicing costs in Enercare Home Services primarily consist of protection plan expenses and servicing costs related to the Rentals portfolio, while sales and other services expenses mainly pertain to sales and installations of residential furnaces, boilers, air conditioners and small commercial products as well as plumbing, duct cleaning and other chargeable services.

Service Experts cost of goods sold increased by $14,457 or 15% in the fourth quarter of 2017, compared to the same period in 2016, primarily from an increase in installation units, approximately $2,200 of higher employee practices, workers' compensation and automobile insurance costs driven by higher claims volumes and settlement costs during the fourth quarter and $800 fewer supplier rebates driven by a higher proportion of sales generated through retail channels in 2017, compared to 2016. Service Experts cost of goods sold was reduced by $1,773 for the fourth quarter of 2017 as a result of purchase accounting adjustments for the service obligation associated with the SE Transaction, compared to $3,472 in 2016. Changes in foreign exchange rates during the fourth quarter of 2017 accounted for a decrease of $4,402 of cost of goods sold.

Sub-metering cost of goods sold was $22,394 in the fourth quarter of 2017, decreasing by $3,100 or 12%, primarily from lower flow-through commodity charges. Sales and other services expenses for Sub-metering, which is comprised of the installation of water conservation products in apartments and condominiums and costs from Triacta meter sales, remained consistent compared to the same period in 2016.

Selling, General & Administrative Expenses

Total SG&A expenses were $81,079 in the fourth quarter of 2017, an increase of $3,895 or 5% compared to the same period in 2016.

Enercare Home Services SG&A expenses of $27,515 in the fourth quarter, increased by $398 or 1%, primarily from increases of approximately $2,500 in higher sales and marketing expenses, mainly driven by marketing initiatives to drive brand awareness as well as tests associated with the 100-person smarter home pilot initiated during the fourth quarter of 2017, partly offset by decreases of $1,100 in office expense, primarily due to Enercare's ownership of its corporate office, $310 in wages and benefits, $330 in bad debt expense and $210 in billing and support costs.

Service Experts SG&A expenses of $38,928 in the fourth quarter of 2017, increased by $2,041 or 6%, primarily from increases of approximately $1,000 in wages and benefits, driven partly by $500 of higher stock based compensation costs resulting from an increase in Share price and incremental wages from 2017 acquisitions, $680 of claims expenses and $450 of sales and marketing expenses relating to online and television advertising campaigns, partly offset by $230 of lower professional fees.

Service Experts SG&A expenses in the fourth quarter of 2017 included acquisition related expenditures of $410, primarily consisting of professional fees associated with the third quarter acquisition of Aramendia, as well as the purchase of additional operations in Texas, which was completed in the first quarter of 2018. Changes in foreign exchange rates during the fourth quarter of 2017 accounted for an approximately $1,621 decrease in SG&A.

Service Experts SG&A expenses in the fourth quarter of 2016 included $603 of acquisition related expenditures associated with the SE Transaction, primarily related to professional fees and integration costs.

Sub-metering SG&A expenses in the fourth quarter of 2017 were $5,444, an increase of $694 or 15%, primarily the result of approximately $220 of higher professional fees, $120 of higher wages and benefits and $180 of higher office expenses associated with premises leased in 2017.

Corporate expenses of $9,192 in the fourth quarter of 2017 increased by $762 or 9%, primarily the result of approximately $1,200 in higher wages and benefits expenses, driven by $1,031 higher stock based compensation costs resulting from an increase in the Share price, partly offset by lower office expenses of $570, which includes expenses relating to software licenses of $380. Corporate expenses in the fourth quarter of 2017 included approximately $1,000 of higher SG&A costs associated with investments relating to the implementation of CRM and ERP systems.

Amortization Expense

Amortization expense increased by $1,775 or 5% in the fourth quarter of 2017, primarily due to an increasing capital asset base from asset mix changes in the Rentals portfolio and increased Sub-metering capital investments, which are amortized over a shorter life than those of the Enercare Home Services business.

Net Loss on Disposal of Equipment and Other Assets

Enercare reported a net loss on disposal of equipment and other assets of $444 in the fourth quarter of 2017, a decrease of $406 or 48%. The net loss on disposal amount is influenced by the number of assets retired, proceeds on disposal of equipment, changes in the retirement asset mix and the age of the assets retired.

Interest Expense

	Three months ended December 31,	
(000's)	**2017**	2016
Interest expense payable in cash	**$ 9,819**	$8,041
Non-cash items:		
Notional interest on employee benefit plans	**226**	210
Amortization of financing costs	**257**	303
Interest expense	**$10,302**	$8,554

In the fourth quarter of 2017, interest expense of $10,302 was $1,748 higher than in 2016, primarily driven by the drawdown on the 2014 Revolver, offset by lower effective rates on the 2017 Notes compared to the 2012 Notes, which were redeemed during the first quarter of 2017.

Income Taxes

Enercare reported current tax expense of $5,023 in the fourth quarter of 2017, a reduction of $6,511 compared to the same period in 2016. The reduction was primarily from higher taxes owed in 2016, which resulted from a one-year tax deferral originated in 2015, and additional tax depreciation and interest expense incurred in 2017. The deferred income tax recovery of $45 in the fourth quarter of 2017 decreased by $5,230 compared to the same period in 2016, primarily as a result of temporary difference reversals in the Enercare Home Services business.

Net Earnings

Net earnings were $17,289 in the fourth quarter of 2017, a decrease of $263, as previously described.

NON-IFRS FINANCIAL AND PERFORMANCE MEASURES

The consolidated financial statements of Enercare are prepared in accordance with IFRS. Enercare's basis of presentation and significant accounting policies are summarized in detail in notes 2 and 3 of the consolidated financial statements for the period ended December 31, 2017.

Enercare reports on certain non-IFRS measures that are used by management to evaluate performance of Enercare and meet certain covenant requirements relating to debt financing. Since non-IFRS measures do not have standardized meanings prescribed by IFRS, securities regulations require that non-IFRS measures be clearly defined, qualified, and reconciled with their nearest IFRS measure. These measures do not have standardized meanings or interpretations, and may not be comparable to similar terms and measures provided by other issuers.

Adjusted EBITDA, Acquisition Adjusted EBITDA, Distributable Cash, Distributable Cash–Maintenance, Payout Ratio, Payout Ratio-Maintenance, Operating Cash Flow, and Billable should not be construed as alternatives to net income or earnings per Share determined in accordance with IFRS as indicators of Enercare's performance.

Non-IFRS financial indicators used by Enercare and reported in this MD&A, in addition to the Non-IFRS financial measures, include:

Measures of Asset Portfolio Performance

Capital Expenditures and Acquisitions

Enercare makes two principal types of investments to grow its installed base of water heaters, HVAC, sub-meters and other assets: capital expenditures and acquisitions.

Measures of Financial Performance

Adjusted EBITDA

This measure is comprised of net earnings plus income taxes, interest expense, amortization expense, impairment losses and loss on disposal of equipment. It is one of Enercare's non-IFRS measures that is used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see "Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA" in this MD&A).

Acquisition Adjusted EBITDA

This measure reflects the same components as Adjusted EBITDA, however, eliminates the additional transaction and integration costs associated with the DE Acquisition, the SE Transaction, the acquisition of Church Services, the acquisition of Hammond and the acquisition of Aramendia, including professional fees associated with due diligence, pre and post-merger integration, expenditures associated with business transformation initiatives, rebranding, severance and other costs in SG&A. This is one of Enercare's non-IFRS measures that is used to determine Enercare's ability to service its ongoing debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Acquisition Adjusted EBITDA is reconciled with net earnings, an IFRS measure (see "Results of Operations - EBITDA, Adjusted EBITDA and Acquisition Adjusted EBITDA" in this MD&A).

Distributable Cash and Distributable Cash - Maintenance

In the second quarter of 2016, Enercare changed its definition of Distributable Cash and Distributable Cash - Maintenance to include capital relating to vehicle additions (reflecting repayments of obligations under finance leases). Historical figures have been restated to reflect the current definition.

Distributable Cash is a non-IFRS measure of the amount of cash generated during a period that is available to service debt, finance capital expenditures and provide for the payment of dividends to shareholders.

Historically, Distributable Cash comprised net earnings of Enercare, plus non-cash items, such as deferred income taxes, amortization, defined benefit plan expense and transaction and integration expenses related to the DE Acquisition and transition of OHCS, the SE Transaction, the acquisition of Church Services, the acquisition of Hammond and the acquisition of Aramendia, less cash items of contributions to define benefit pension plan and deferred customer inducements plus the proceeds on disposal of rental equipment, less rental capital expenditures (excluding growth capital), vehicle additions (reflecting repayments of obligations under finance leases) and other non-recurring income. Capital expenditures outside of Enercare's traditional Rentals asset purchases, such as Sub-metering equipment, acquisitions and infrastructure assets are considered by management to be growth expenditures and are therefore not deducted in the determination of Distributable Cash.

Distributable Cash per Share is a non-IFRS measure of the amount of Distributable Cash calculated on a per Share basis.

Distributable Cash - Maintenance is the same as the historical Distributable Cash, except that Rentals capital expenditures associated with new customer additions and buyout proceeds on disposal of equipment associated with lost customers are excluded. Growth expenditures for purposes of Distributable Cash - Maintenance definition include capital expenditures such as Rentals new customer equipment additions, Sub-metering equipment, acquisitions and infrastructure assets.

Distributable Cash is reconciled with cash provided by operating activities, an IFRS measure (see "Distributable Cash and Payout Ratios" in this MD&A).

Distributions, Payout Ratio and Payout Ratio - Maintenance

Dividends are declared and paid monthly to shareholders at the discretion of the board of directors of Enercare. Among other things, the directors consider the level of Distributable Cash, the level of previous dividends, and the amount of cash they wish to retain in the company for contingencies and future growth.

The historical Payout Ratio is the percentage of Distributable Cash to dividends declared to shareholders during a period and represents the ability of Enercare to pay dividends, finance capital expenditures and add to its cash reserves.

Payout Ratio - Maintenance is similar to the Payout Ratio, except that the ratio is calculated as the percentage of Distributable Cash – Maintenance to dividends declared to shareholders during the period and represents the ability of Enercare to pay dividends, add to its cash reserves and illustrates the proportion of cash required to maintain its existing customer base.

Operating Cash Flow

Operating Cash Flow is the cash flow from operating activities excluding changes in non-cash working capital. It represents the net cash generated in earnings, excluding non-cash items. It is one indicator of the financial strength of Enercare. Operating Cash Flow is reconciled with cash flow from operating activities, an IFRS measure (see "Liquidity and Capital Resources" in this MD&A).

Billable

Sub-metering Billable units represent assets or services in the case of multiple products, for which an invoice has been issued to a customer in the past. From time to time there may be periods where no invoicing occurs in respect of such asset or service due to, for example, vacancy or delinquency. Billable Sub-metering assets are no longer Billable upon termination of the contractual agreement with the landlord or condominium corporation, as applicable, or where vacancy exceeds 6-months. The Rentals portfolio is deemed to be fully Billable upon origination and removed from Billable upon asset termination.

Measures Regarding Debt Covenants

As at December 31, 2017, Enercare was in compliance with all covenants under the 2013 Notes, 2014 Revolver, 2016 Term Loan and 2017 Notes. For a summary of the financial covenants in respect of such debt see "Liquidity and Capital Resources – Debt Financing" in this MD&A.

2014 Revolver and 2016 Term Loan

Under the 2014 Revolver agreement and 2016 Term Loan agreement, Enercare Solutions is subject to three principal financial covenants as described in the section "Liquidity and Capital Resources – Debt Financing" in this MD&A. The covenants address interest and debt coverage. Enercare Solutions complied with these covenants on December 31, 2017. There was a total of $55,000 drawn under the 2014 Revolver at December 31, 2017. Enercare Solutions' obligations under the 2016 Term Loan are guaranteed by all of Enercare Solutions' material subsidiaries, including SEHAC and its material subsidiaries.

2013 Notes and 2017 Notes – Incurrence Test

The covenants under the 2013 Notes and 2017 Notes are contained in the Senior Unsecured Indenture. Under the terms of the Senior Unsecured Indenture, Enercare Solutions may not incur additional senior debt other than certain refinancing debt and certain working capital debt if the Incurrence Test (as described in the AIF) is less than 3.8 to 1.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Enercare makes estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Management continually evaluates estimates and judgments which are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following items are of significance for the period.

Revenue Accruals

At December 31, 2017, the Enercare Home Services segment recorded a revenue accrual of approximately $44,200 reflecting accrued service periods, compared to $46,400 at December 31, 2016. Unbilled protection plans comprise approximately $26,948 of this balance, compared to $28,200 at December 31, 2016. This balance is predominantly made up of protection plans sold in franchisee service areas, which are recognized as royalty revenue at inception but are invoiced over a period of twelve months. The remaining unbilled revenues reflect accrued service revenues for rental water heaters and other products.

At December 31, 2017, the Service Experts segment recorded a revenue accrual of approximately $4,500, primarily reflecting accrued revenue for contracts in progress, compared to $2,300 at December 31, 2016.

At December 31, 2017, the Sub-metering segment recorded a revenue accrual of approximately $10,200, reflecting accrued service periods, compared to $10,000 at December 31, 2016.

Bad Debt Provisions

The Enercare Home Services segment is exposed to credit risk in the normal course of business for customers who are billed directly by Enbridge Gas Distribution Inc. ("EGD") within its service territory and secondarily when billed by Enercare or are billed by EGD outside of its service territory. For billing within the EGD service territory, Enercare is guaranteed payment by EGD for 99.51% in 2017 and 2016 of the amount billed (subject to certain exceptions) 21 calendar days after the invoices are issued.

Management evaluates a number of factors and assumptions in the determination of the bad debt provision. The total bad debt provision comprising the Enercare Home Services, Sub-metering and Service Experts segments was approximately $14,800 at December 31, 2017, compared to approximately $11,800 at the end of 2016. Changes in any of the variables or assumptions may result in a materially different amount.

Leases

Management applies judgment in its assessment of Enercare's arrangements with customers when determining the classification of leases and the extent to which the risks and rewards incidental to ownership resides with the company or the customer.

Impairment of Non-Financial Assets and Goodwill

Impairment tests are conducted at least annually, or when events or circumstances indicate impairment may exist. The recoverable amount is based upon a number of assumptions, including but not limited to: discount rates, billable units, cash flows and expenses. Changes in any of these assumptions may result in a materially different recoverable amount.

Employee Benefit Plans

Employee defined benefit plan balances are subject to a number of assumptions. The actuarial valuations rely on estimates and assumptions including those for wage escalation, mortality, health care and dental costs inflation, retirement ages, life expectancies and discount rates. Changes in these estimates could have a material impact on the employee benefit plans liability and employee benefit plan costs.

Recoverability of Deferred Tax Assets

Deferred tax assets are recognized to the extent that realization is considered probable. Judgments regarding projected future income and tax planning strategies are considered in making this assessment.

Business Combination

With respect to the fair value of acquired assets and assumed liabilities and other adjustments related to acquisitions, these consolidated financial statements have been prepared using the acquisition method of accounting, in accordance with IFRS 3R, Business Combinations, under which, the total fair value of the consideration transferred has been assigned to the assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition, with any excess purchase price allocated to goodwill. Changes may be expected as additional information becomes available following the closing dates. Accordingly, the final fair values determined may differ from those set forth in these consolidated financial statements and such differences may be material.

Estimation of Insurance Claims

Insurance liabilities are subject to measurement uncertainty. The recognized amounts of such items are based on Enercare's best information and judgment. Estimates and other judgments are continuously evaluated based on management's experience and expectations about future events, including insurance claims for events that have occurred but not yet been reported to management.

DISCLOSURE AND INTERNAL CONTROLS AND PROCEDURES

Enercare's certifying officers have designed, and assessed the design of, a system of DC&P to provide reasonable assurance that (i) material information relating to Enercare, including its consolidated subsidiaries, is made known to them by others; and (ii) information required to be disclosed by Enercare in its annual filings, interim filings and other reports filed or submitted by Enercare under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. As well, Enercare's certifying officers have designed, and assessed the design of, ICFR to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Enercare has used the Internal Control – Integrated Framework (2013) from The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in order to assess the effectiveness of Enercare's internal control over financial reporting. There are no material weaknesses relating to the design of either DC&P or ICFR at December 31, 2017. There have been no changes to our ICFR during the quarter and year to date ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, Enercare's ICFR. The certifying officers have evaluated the operating effectiveness of Enercare's DC&P and ICFR at December 31, 2017 and are satisfied that Enercare's DC&P and ICFR were both effective as at December 31, 2017. Management also did not identify any material weaknesses in Enercare's ICFR at December 31, 2017.

Enercare has limited the scope of its design of disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures of Aramendia which was acquired on August 15, 2017.

Aramendia's contribution to Enercare's consolidated financial statements for the year ended December 31, 2017 was approximately 1% of revenues and 0% of net earnings. In addition, Aramendia's current assets and current liabilities were approximately nil and 1%, respectively, of the consolidated current assets and current liabilities, and its long term assets and long term liabilities were approximately nil of consolidated long term assets and long term liabilities.

Enercare is currently in the process of documenting and evaluating the controls, policies and procedures in respect of Aramendia.

Management does recognize that any controls and procedures no matter how well designed and operated, can only provide reasonable assurance and not absolute assurance of achieving the desired control objectives. In the unforeseen event that lapses in the disclosure or internal controls and procedures occur and/or mistakes happen, Enercare intends to take whatever steps are necessary to minimize the consequences thereof.

CHANGES IN ACCOUNTING POLICIES

Enercare has adopted new or revised standards as required by IFRS, effective January 1, 2017.

IAS 7, "Statement of cash flows" ("IAS 7"), has been amended by the IASB to introduce additional disclosure that will allow users to understand changes in liabilities arising from financing activities. This amendment to IAS 7 is effective for annual periods beginning on or after January 1, 2017. Enercare has assessed the impact of adopting this amendment on these consolidated financial statements and has modified its debt disclosure to include movements in net debt between changes arising from cash and non-cash changes.

Accounting Standards Issued But Not Yet Applied

The following are accounting policy changes to be implemented by Enercare in future periods:

Revenue Recognition

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”), provides a comprehensive five-step revenue recognition model for all contracts with customers. The IFRS 15 revenue recognition model requires management to exercise significant judgment and make estimates that affect revenue recognition. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. Enercare is adopting this new standard on a full retrospective basis.

Enercare has assessed the impact of IFRS 15 on the consolidated financial statements and its revenue recognition policies and has identified the following key impacts: (1) Upon adoption, Enercare anticipates recognizing certain contracted sub-metering revenues related to individual suite consumption of electricity, water, thermal energy and gas commodities in multi-residential and commercial buildings on a net basis, whereby the revenues will be recognized net of the related commodity charges associated with the service. This retrospective change will decrease Sub-metering segment revenues for the year ended December 31, 2017 by approximately $99,011, with a corresponding adjustment to commodity charges. This change, however, does not impact consolidated net earnings or EBITDA, (2) For the Enercare Home Services segment, Enercare identified elements of variable consideration relating to customer credits impacting the transaction price for its portfolio of rental contracts, however, Enercare is currently evaluating the impact of this change.

Enercare is adopting IFRS 15 effective January 1, 2018, using the full retrospective basis and is in the process of implementing the appropriate changes in processes and internal controls to support revenue recognition and disclosure under the new standard. The accounting policy and the full impact of the new standards will be disclosed in the first quarter of 2018.

Financial Instruments

The final version of IFRS 9, “Financial Instruments” (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39, “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces a model for classification and measurement, a single, forward-looking “expected loss” impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to loans and receivables measured at amortized cost, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. In applying IFRS 9, Enercare expects that certain of its receivables, in particular, those issued at a discount to the contractual par amount, will not consist solely of payments of principal and interest due to prepayment features and will be measured at fair value through profit and loss. However, Enercare anticipates the majority of its receivables will be measured at amortized cost. Enercare plans to use the full three stage impairment model for those receivables measured at amortized cost recognizing twelve months of expected credit losses on those receivables without significant increases in credit risk and lifetime expected credit losses for those receivables that have significant increases in credit risk. Enercare’s assessment did not indicate any material impact regarding the classification of financial liabilities upon adoption of IFRS 9. Enercare does not expect its cash flows to be materially affected by the application of the standard and will reflect all new disclosure requirements affected by the introduction of IFRS 9 in the first quarter of 2018.

Financial Instruments Disclosures

IFRS 7, "Financial Instruments: Disclosures" ("IFRS 7"), has been amended by the IASB to require additional disclosures on transition from IAS 39 to IFRS 9. The amendment to IFRS 7 is effective for periods beginning on or after January 1, 2018. Enercare continues to evaluate the impact of adopting this standard on the consolidated financial statements. While Enercare's preliminary assessments regarding the impact of the proposed changes are not material, the final impact and disclosure will be included with the 2018 first quarter results.

Share-based payments

IFRS 2, "Share-based payments" ("IFRS 2"), has been amended by the IASB to clarify the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after January 1, 2018. Enercare has assessed the impact of adopting this amendment on these consolidated financial statements and concluded that no adjustments to the current measurement of share-based payment transactions are required on the adoption of the amendment. There will be no impact to the consolidated financial statements on application of the amendment.

Leases

IFRS 16, "Leases" ("IFRS 16"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and non-lease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than twelve months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15. Enercare is currently evaluating the impact of adopting this standard on the consolidated financial statements.

RISK FACTORS

The risks related to the business and structure of Enercare discussed in the AIF remain unchanged, except that, as described under "Recent Developments" in this MD&A, the Bureau has issued Enercare a "Section 11 order" under the Competition Act. As previously disclosed, although it is not possible to predict the outcome of the Bureau's inquiry, no assurance can be given that Enercare will not be subject to constraints on its business operations under the Competition Act, including as a result of the current inquiry of which the "Section 11 order" is part.

OUTLOOK

The forward-looking statements contained in this section are not historical facts but, rather, reflect Enercare's current expectations regarding future results or events and are based on information currently available to management.

Investing in Innovation

- Enercare has embarked on an ongoing program to increase efficiency and innovation by investing in its systems and technology. This program is also aimed at improving the customer experience to gain long-term customer loyalty and differentiate Enercare from its competitors.
- Enercare plans to implement an ERP system across its business as well as a cloud based CRM system in its Enercare Home Services business and is exploring a similar implementation for its Services Experts business. This initiative is currently in the early stages and implementation will be through a phased approach, starting with Enercare Home Services. The first phase of Enercare's ERP implementation went live on schedule on February 16, 2018 to support the application of IFRS 9, which Enercare will adopt during the first quarter of 2018. A limited CRM implementation is planned for the second half of 2018, with plans for more significant progress during 2019.
- Enercare Home Services has been developing and testing a new smarter home product offering that will enable customers to utilize technology to support energy efficiency savings by providing insights on heating and cooling equipment functionality. Customers will be able to use a mobile application to monitor and control their home at any time and from any place. At the outset, the solution will allow customers to manage their energy usage, monitor and control their cooling and heating appliances, detect water leaks and enable remote water shut-off amongst other things. Enercare Home Services is conducting a 100-person pilot and expects a controlled launch to customers in the first half of 2018. We believe this offering will strengthen our customer relationships as we move from a reactive to a proactive service model. Enercare will be able to notify customers when issues arise, provide insights on equipment usage, effect any repairs and ultimately help customers conserve energy and save money.

Enercare Home Services Segment

- The Home Services business continued to successfully grow EBITDA in 2017. This was achieved in part by growing the number of rental contracts, and we believe that we have the opportunity to continue to grow our contracted revenue in 2018. Another key priority for the Enercare Home Services business during 2017 was to grow the protection plan portfolio which was achieved through the full launch of the electrical protection plans combined with strong customer retention programs.
- In January 2018, Enercare increased its weighted average rental rate for water heaters by 3.09% and HVAC by 1.8%.
- Our collective bargaining agreement in respect of Enercare Home Services with UNIFOR Local 975 expired on March 31, 2017. Renegotiations began in March 2017 and are continuing with a conciliation officer having been appointed to facilitate negotiations.

Service Experts Segment

- Enercare successfully achieved cost synergies relating to the SE Transaction of $0.09 per Share on an annualized basis by the end of 2017 with savings coming primarily from improved sourcing costs leading to lower cost of goods sold, SG&A and capital expenditures as well as lower current taxes.
- In October 2016, Service Experts introduced a rental program for HVAC products and water heaters in several centers within Canada. This rollout was completed at all 15 locations in Canada in February 2017, and extended the rental HVAC offering to seven U.S. states throughout 2017. In the fourth quarter of 2017, certain aspects of the program were enhanced. Our goal is to have the vast majority of the U.S. operations having the HVAC rental program available by the fourth quarter of 2018.

- In 2017, Service Experts successfully completed three acquisitions. Two further acquisitions were completed in the first quarter of 2018 and the acquisition pipeline remains robust.

Sub-metering Segment

- During the first quarter of 2017, Sub-metering introduced a new commercial service offering through a controlled launch process. This offering compliments our recently launched commercial consolidation billing solution and brings additional features, such as tenant level consumption reporting and client options to purchase the meters. The first commercial service meters with the new offering were installed during the third quarter and a number of new customers have signed up for the offering. By the end of 2017, Sub-metering had acquired 12 customers onto its new commercial service offering, with three of these customers installed by year end.
- Sub-metering sales opportunities continue to be strong and increasingly include multi-commodity products such as thermal, gas or water sub-metering within the new construction and condominium segments. During 2017, over 80% of the newly contracted services come from new construction condominiums and new construction rental properties.
- Triacta, our wholly owned equipment manufacturer, has been developing the generation 5 PowerHawk metering platform. This new platform has a modular architecture, allowing for a single unit to measure multiple types of commodities, and utilizes a variety of communications protocols. During the fourth quarter, beta trial units were shipped to key customers for evaluation and to various labs for certification. We anticipate approvals will be received in the United States to allow us to increase our U.S. sales. We are working towards approval from Measurement Canada for use in billing grade application by the end of 2018.
- Enercare anticipates that the implementation of IFRS 15 on January 1, 2018 will result in recognizing certain contracted sub-metering revenues related to individual suite consumption on a net basis, whereby the revenues are net of the related commodity charges associated with the service. This change will not impact net earnings or EBITDA and will be reported as such in the first quarter of 2018.

Corporate

- Enercare's current income tax expense for 2017 was $22.7 million compared to previous guidance of approximately $23 million to $29 million.
- On December 22, 2017, the Tax Cuts and Jobs Act of 2017 became effective and significantly changed the Internal Revenue Code including, among other provisions, reductions to the U.S. Federal corporate tax rate. Enercare expects that this tax reform will not significantly impact its 2018 current income tax estimates for Service Experts as the benefit relating to the lower Federal corporate tax rate will be offset by other tax reform changes. In addition, the acquisition of Service Experts was structured to permit Enercare to "step up" the tax basis of Service Experts' assets in the U.S. through a "338 election" under U.S. tax rules, which provides a significant tax shield by reducing U.S. taxable income by approximately $27 million per year for the next 14 years.
- Enercare estimates that it will recognize approximately $26 million to $32 million in current income tax expense for the fiscal year ending December 31, 2018. This estimate assumes corporate tax rates of approximately 26.5% in Canada and 26% in the U.S. Taxable income is principally impacted by changes in revenue, operating expenses, potential acquisitions or divestitures, appropriate tax planning, capital expenditures through the capital cost allowance deduction, changes in tax laws, distribution of sales and earnings by state, and regulations and administrative practices. As additional regulatory guidance is issued by the applicable taxing authorities, the assumptions used to estimate taxable income in the U.S. may be impacted.
- In 2017, Enercare's capital investments of $181 million were in line with previous guidance.

Capital Expenditure[1]	2017
HVAC rentals	$ 49M
Water heater additions	$ 43M
Water heater exchanges	$ 36M
Sub-metering growth	$ 18M
In-house financing[2]	$ 8M
Corporate and building[3]	$ 27M
Total	$181M

(1) Excludes acquisitions.
(2) In-house financing represents the increase in financing receivables related to the program.
(3) Corporate capital includes IT software and hardware, furniture and fixtures and other capital projects. The building relates to a new head office purchased in Q2 of 2016 including renovations during 2017.

- Enercare is targeting a range of between $185 million and $207 million in capital investments in 2018, primarily reflecting higher unit costs due to higher value product originations, higher sales volumes and higher corporate spending on platforms for innovation and growth to enable future product offerings, including its smarter home offering.
- Enercare announced an increase in its monthly dividend to $0.0832 per Share, an increase of approximately 4%, effective in respect of the dividend payable to shareholders of record on the applicable date in April 2018. The increase reflects Enercare's strong overall performance and our confidence in the future of the Enercare Home Services, Service Experts and Sub-metering businesses.

GLOSSARY OF TERMS

Defined Term	Definition
AIF	Annual Information Form of Enercare dated March 31, 2017.
Aramendia	Aramendia Plumbing, Heating & Air Ltd. acquired by Service Experts on August 15, 2017, which provides HVAC and plumbing services, with locations in San Antonio and McKinney, Texas.
Attrition	Termination of customer relationships, including buyouts, in the Rentals portfolio.
BBB	Better Business Bureau.
Bureau	Competition Bureau.
Bill 55	*Stronger Protection for Ontario Consumers Act*, 2013.
Billable	Enercare services that are deemed to be billing (see Non-IFRS Financial and Performance Measures – Measures of Financial Performance).
Church Services	CS Operating LLC, acquired by Service Experts on February 13, 2017, which provides HVAC and plumbing services in Austin, Texas.
Competition Act	*Competition Act* (Canada).
Convertible Debentures	6.25% convertible unsecured subordinated debentures of Enercare (formerly the Fund), which matured on June 30, 2017, in the original aggregate principal amount of $27,883. Each Debenture was convertible into Shares at the option of the holder at a conversion price of $6.48 (or 154.3210 Shares per $1,000 principal amount of Convertible Debentures).
DBRS	DBRS Limited.
DC&P	Disclosure Controls and Procedures as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
DE	Direct Energy Marketing Limited.
DE Acquisition	The acquisition of the OHCS business of DE by Enercare on October 20, 2014 through EHCS LP.
DRIP	Dividend Reinvestment Plan
EBITDA	This measure is comprised of net earnings plus income taxes, interest expense and amortization expense. It is one metric that can be used to determine Enercare's ability to service its debt, finance capital expenditures, and provide for the payment of dividends to shareholders. Previously EBITDA excluded investment and other income and beginning the first quarter of 2016, the calculation of EBITDA includes investment and other income.
ECI	Enercare Connections Inc. (formerly Stratacon, EECI and Triacta).
EECI	Enbridge Electric Connections Inc. (now ECI).
EHCS LP	Enercare Home and Commercial Services Limited Partnership, the limited partnership formed to own OHCS following the closing of the DE Acquisition, an indirect wholly-owned subsidiary of Enercare.
EGD	Enbridge Gas Distribution Inc.
Enercare	Enercare Inc., formerly the Fund.
Enercare Home Services	Enercare business, which provides rental water heaters, furnaces, air conditioners and other HVAC products and, as of October 20, 2014, also provides protection plans, HVAC sales and related services.
Enercare Solutions	Enercare Solutions Inc., formerly the Trust.
ESLP	Enercare Solutions Limited Partnership (formerly Waterheater Operating Limited Partnership).
Fund	The Consumers' Waterheater Income Fund, predecessor to Enercare prior to the conversion of the Fund from an income trust to corporate structure pursuant to a plan of arrangement on January 1, 2011.
Guarantors	ESLP, Rentco and WGP Inc., EHCS LP, EHCS GP, SE Canada Inc., SEHAC and its operating subsidiaries and affiliates.
Hammond	Hammond Plumbing & Heating Inc., acquired by Service Experts on May 24, 2017, which provides residential and commercial plumbing and heating services in Kitchener, Ontario.
HVAC	Heating, ventilation and air conditioning.
IASB	The International Accounting Standards Board.
ICFR	Internal Control Over Financial Reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.
IFRS	International Financial Reporting Standards as adopted by the IASB.
Incurrence Test	2012 Notes and 2013 Notes Incurrence EBITDA to Net Interest Expense.
MD&A	Management's Discussion and Analysis.
Merger Agreement	The agreement dated March 7, 2016 between, among others, Enercare Solutions and Service Experts regarding the SE Transaction.
NCIB	Enercare's normal course issuer bid.
OHCS	The Ontario home and small commercial services business of DE acquired by Enercare on October 20, 2014 in the DE Acquisition.
Origination Agreement	The origination agreement dated December 17, 2002 between Rentco and DE providing for the sale to ESLP of rental water heaters originated by DE, as amended on January 1, 2005, December 29, 2006, January 1, 2013 and August 1, 2013, as assigned by DE to EHCS LP on October 20, 2014.
Rentals	Component of the Enercare Home Services business that provides rental water heaters, furnaces, air conditioners and other HVAC products.
Rentco	4483588 Canada Inc. (formerly Direct Waterheater Rentals Inc.).
SE Canada	SE Canada Inc.
SE Subscription Receipts	$231,947 (net of underwriters' fees) of subscription receipts issued by Enercare on a bought deal basis in relation to the SE Transaction.
SE Transaction	The acquisition of Service Experts by Enercare through an indirect wholly-owned subsidiary of Enercare Solutions, pursuant to the Merger Agreement which was completed on May 11, 2016.
SEHAC	SEHAC Holdings LLC (formerly SEHAC Holdings Corporation).
Senior Unsecured Indenture	The trust indenture dated as of January 29, 2010 between the Operating Trust, as issuer, the Guarantors, as guarantors, and Computershare Trust Company of Canada, as indenture trustee, as supplemented by the first supplemental indenture dated as of January 29, 2010, the second supplemental indenture dated as of February 19, 2010, the third supplemental indenture dated as of December 1, 2010, the fourth supplemental indenture dated as of January 1, 2011, the fifth supplemental indenture dated as of September 30, 2012, the sixth supplemental indenture dated as of November 21, 2012, the seventh supplemental indenture dated as of February 1, 2013, the eighth supplemental indenture dated as of October 20, 2014, the ninth supplemental indenture dated as of May 11, 2016, the tenth supplemental indenture dated as of June 10, 2016, the eleventh supplemental indenture dated as of February 21, 2017 and the twelfth supplemental indenture dated as of as of February 21, 2017 the same may be amended, modified, supplemented, restated or replaced from time to time.
Service Experts	Enercare business operating under the brand "Service Experts", which provides HVAC products and servicing to residential and light commercial customers, primarily operated by SEHAC and SE Canada.
SG&A	Selling, general and administrative expenses.
S&P	Standard and Poor's Rating Services.
Shares	Common shares of Enercare.
Stratacon	Stratacon Inc. (now ECI).
Stratacon Debt	Secured debt assumed with the acquisition of Stratacon.

Sub-metering	Business division that provides sub-metering equipment and billing services.
Triacta	Triacta Power Technologies Inc., now ECI pursuant to an amalgamation effective July 15, 2015.
Trust	The Consumers' Waterheater Operating Trust.
TSX	Toronto Stock Exchange.
WGP Inc.	4113152 Canada Limited
2012 Notes	$250,000 of 4.30% Series 2012-1 Senior Unsecured Notes of Enercare Solutions, which were redeemed on March 23, 2017.
2013 Notes	$225,000 of 4.60% Series 2013-1 Senior Unsecured Notes of Enercare Solutions, which mature on February 3, 2020.
2014 Debt Financing	The debt financing of Enercare Solutions in respect of the DE Acquisition consisting of an unsecured (i) 4-year variable rate, non-revolving term loan facility in the amount of $210,000 and (ii) 5-year variable rate, revolving credit facility in the maximum amount of $200,000.
2014 Revolver	The 5-year variable rate, revolving credit facility in the maximum amount of $100,000 issued under the 2014 Debt Financing. In December of 2016, the revolving credit facility was increased to a maximum amount of $200,000, maintaining the same terms.
2014 Term Loan	The 4-year variable rate, non-revolving term loan facility in the amount of $210,000 issued under the 2014 Debt Financing, which was repaid on February 23, 2017.
2016 Term Loan	Two 4-year non-revolving, non-amortizing variable rate term credit facilities in the aggregate amount of US $200,000.
2017-1 Notes	The $275,000 of 3.38% Series 2017-1 Senior Unsecured Notes of Enercare Solutions, due February 21, 2022.
2017-2 Notes	The $225,000 of 3.99% Series 2017-2 Senior Unsecured Notes of Enercare Solutions, due February 21, 2024.
2017 Notes	The Series 2017-1 Notes and Series 2017-2 Notes.