

Annual Results

For the year ended
31st December 2015



Introduction & Agenda

Business Review

Financial

Operational

Alan Foy, CEO

Financial Review

Highlights

Segmental Analysis

Cash flow

Balance Sheet

Glen Murray, CFO

Strategic Review

Strategy

Summary

Alan Foy, CEO

Alan Foy, Chief Executive Officer

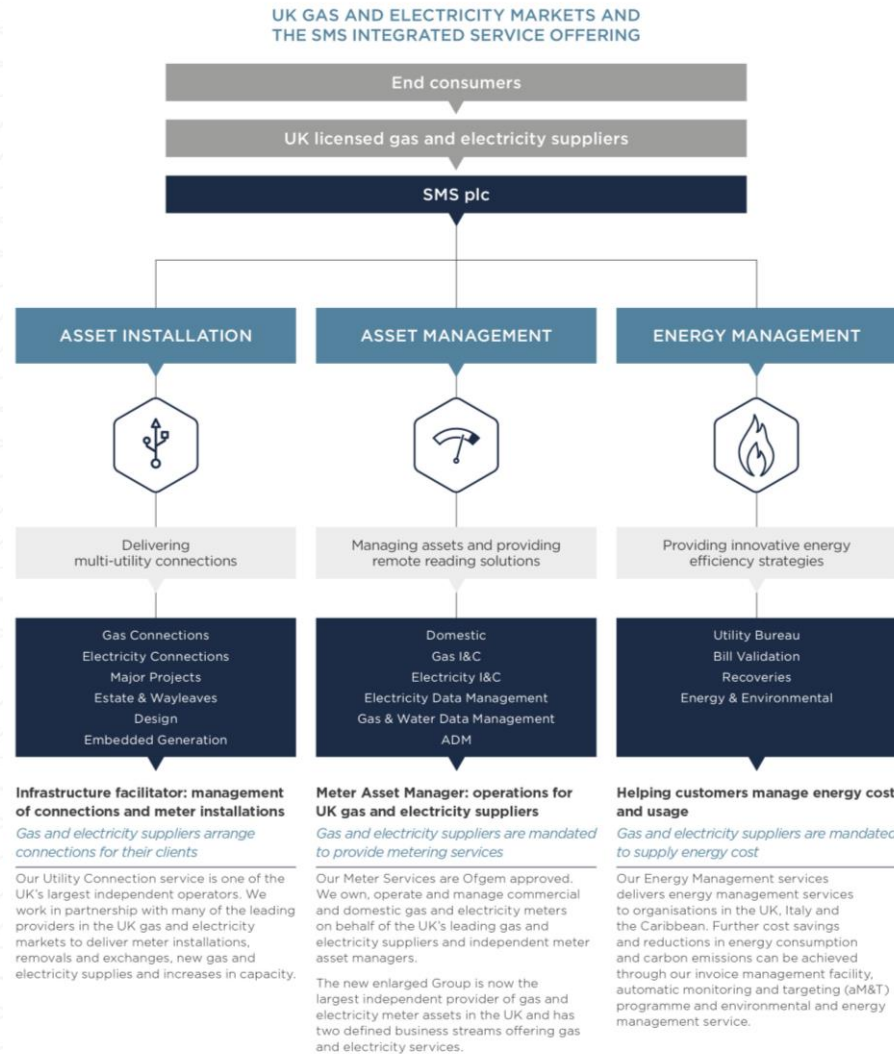
Business Review



Our story, business model and vision – 20 year anniversary

- ◆ **1995:** Group established to provide services in gas market
 - UK gas market evolved from British Gas monopoly to unbundled market
- ◆ **2004:** SMS started a UK wide contracting business
 - Establishment of a meter asset management service (OFGEM approved)
- ◆ **2009-2011:** Meter asset portfolio created
 - Built with gas suppliers and then smart metering and data management offering for the I&C market
- ◆ **2014:** Acquisition of UPL
 - SMS now provides gas and electricity customers with a total end-to-end dual-fuel gas and electricity service: connections, metering, asset installation, ownership and data management
- ◆ **2015:** Grown to just under 1 million metering and data assets generating £34.73m in annual rents
- ◆ **2016:** Current strategic opportunities
 - Continue to install and own gas meters and data contracts
 - Maximise recurring rents from the current contracted order book in the I&C and domestic meter market
 - Target the new domestic smart meter market opportunity requiring 22 million gas and 27 million electricity meters to be installed by 2020

UK Gas & Electricity Market



Financial Highlights

- Revenue increased by 27% to £53.9m (2014: £42.4m)
- Total annualised recurring income* increased by 33% to £34.73m (2014: £26.2m)
 - Gas: meter recurring rent increased 27% to £27.8m (2014: £21.9m) and data recurring income more than doubled to £2.2m (2014: £1.0m)
 - Electricity: meter recurring rent doubled to £1.25m (2014: £0.6m) and data recurring income grew 28% to £3.45m (2014: £2.7m)
- Gross profit increased by 32% to £36.5m (2014: £27.6m)
- Gross profit margin at 68% (2014: 65%)
- Underlying EBITDA** increased by 38% to £26.3 (2014: £19.1m)
- Underlying PBT** increased by 38% to £17.4m (2014: £12.6m)
- EBITDA** margin at 49% (2014: 45%)
- Underlying earnings per share*** increased 67% to 17.46p (2014: 10.46p)
- Final dividend of 2.2p per ordinary share making 3.3p for the full year (2014: 2.82p), an increase of 17%

* Recurring revenue refers to revenue generated by meter rental and data contracts. Annualised recurring income refers to the revenue being generated at a point in time.

** Underlying PBT & EBITDA is before deduction of exceptional items, other operating income and intangible amortisation.

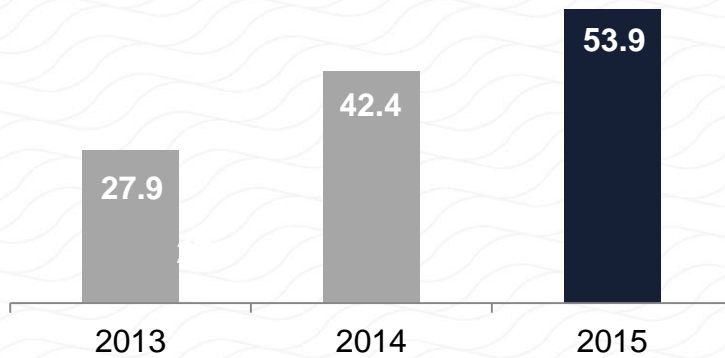
*** Underlying earnings per share is profit after taxation but before exceptional items, other operating income and intangible amortisation, divided by the weighted average number of ordinary shares in issue.

Operational Highlights

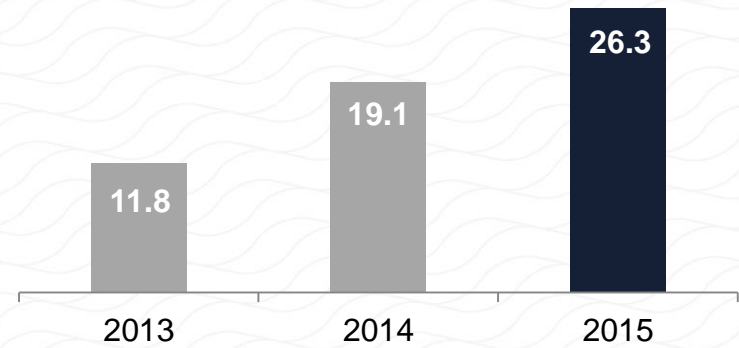
- Total Gas and Electricity metering and data assets increased by 211,000 to just under 1 million under management at 31 December 2015 (December 2014: 768,000)
 - Total gas meter portfolio increased by 19% to 723,000 (December 2014: 607,000), with industrial and commercial (“I&C”) meters increasing by 75% to 114,000 (December 2014: 65,000). Gas data portfolio increased by 107% to 85,000 (December 2014: 41,000)
 - Total electricity meter portfolio increased by 142% to 29,000 (December 2014: 12,000). Electricity data portfolio increased by 31% to 142,000 (December 2014: 108,000)
- ADM™ installations up 80% to 74,000 units at 31st December 2015 (December 2014: 41,000) with international trials continuing
- Capital expenditure on meters increased by 15% to £41.2m, reaching a monthly run rate of approximately £3.5m in December 2015
- Celebrated 20 years in operation in June 2015 and first anniversary of the integration of the electricity business, having acquired UPL in April 2014, now SMS ES
- Completed rebranding of the business in June 2015, bringing all group subsidiaries under the single SMS brand, setting out a simplified integrated gas, electricity and dual fuel offering to clients
- Strong start to 2016 with new agreements and acquisitions:
 - With the opening of the domestic smart meter market, SMS signed five framework agreements with independent energy suppliers including RHE, Green Energy, Flow Energy, Spark Energy and Our Power
 - Strategic acquisitions of meter installation suppliers, CH4 Gas Utility and Maintenance services Limited and Trojan Utilities Limited, and IT specialists, Qton Solutions Limited

Three-year Progress

REVENUE (£m)



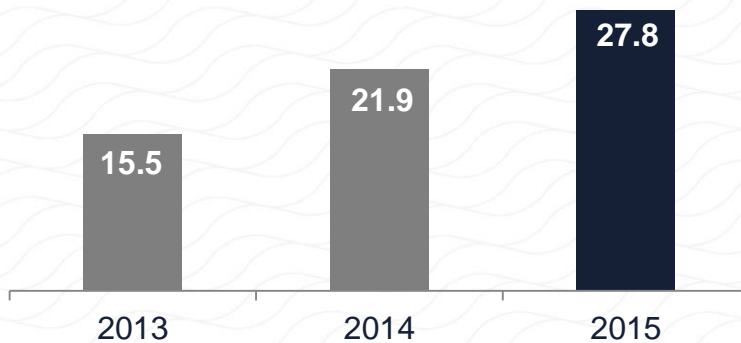
EBITDA* (£m)



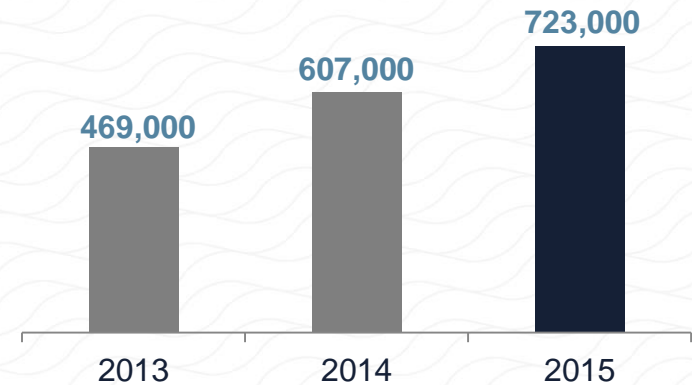
* Excluding exceptional items and amortisation on intangibles.

Annualised recurring revenue analysis - Gas

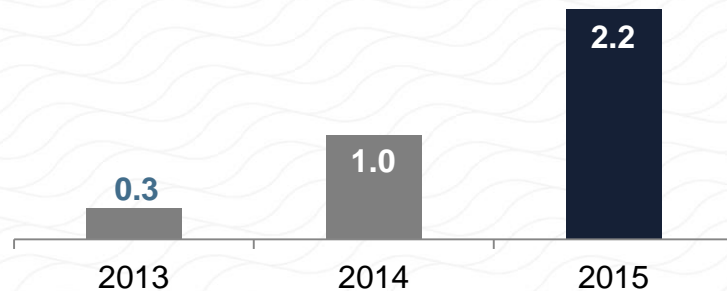
GAS METERS (£m)



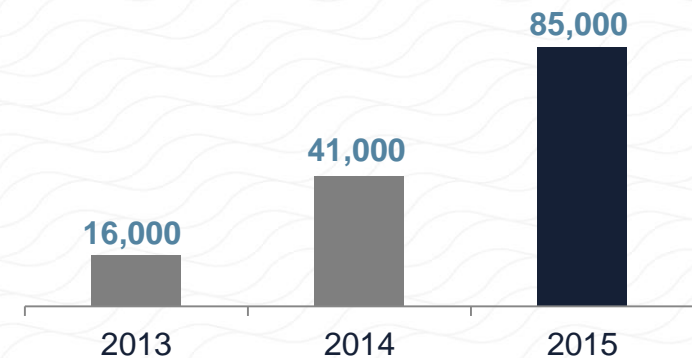
NUMBER OF INSTALLED ASSETS



GAS DATA (£m)



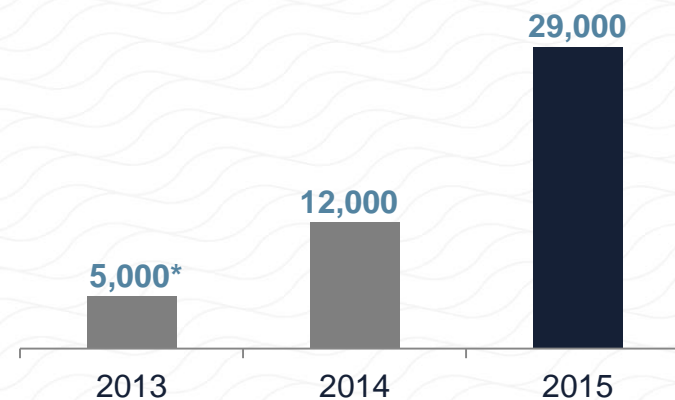
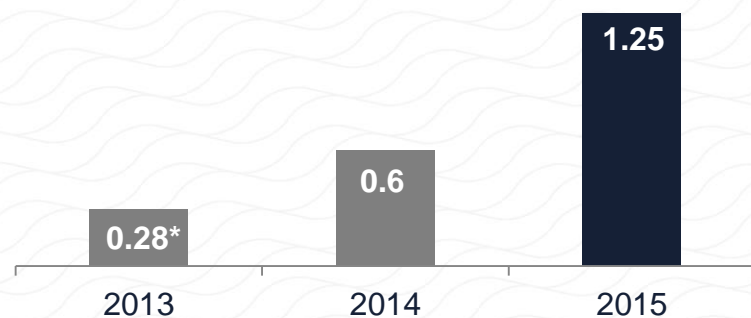
NUMBER OF INSTALLED ASSETS



Annualised recurring revenue analysis - Electricity

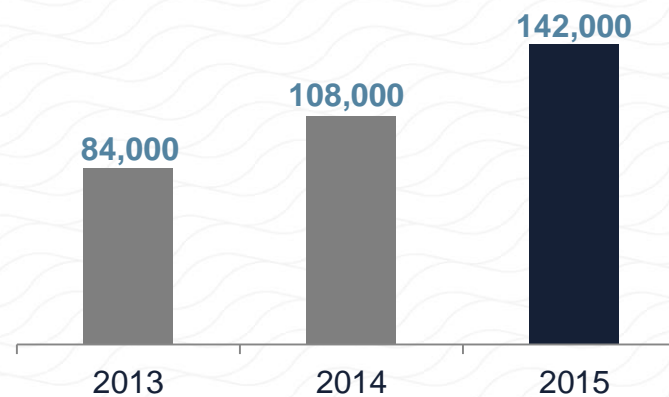
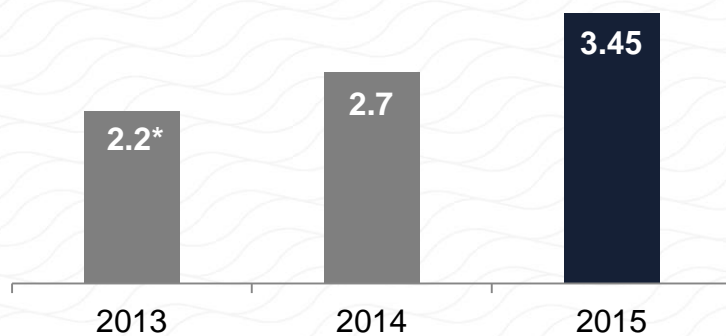
ELECTRICITY METERS (£m)

NUMBER OF INSTALLED ASSETS



ELECTRICITY DATA (£m)

NUMBER OF INSTALLED ASSETS



*Pre-acquisition

Glen Murray, Financial Director

Financial Review



Financial Highlights

	Period ended 31 December 2015 £'m	Period ended 31 December 2014 £'m	Increase
Sales	53.9	42.4	27%
Gross Profit	36.5	27.6	32%
Gross Profit Margin	68%	65%	
Underlying EBITDA*	26.3	19.1	38%
Underlying EBITDA* Margin	49%	46%	
Underlying PBT*	17.4	12.6	38%
Underlying earnings per share*	17.46p	10.46p	67%

*Underlying EBITDA, PBT and EPS are before deduction of exceptional items (£Nil - 2014: £637), other operating income (£1,546k 2014: £215k) and intangible amortisation (£1,459k 2014: £1,155k).

- Net debt of £79m and net debt to 3.0x EBITDA
- Available cash and unused debt facility of £26m at 31 December 2015
- In March 2016, increase of £150m to the club facility with existing club of lenders, Barclays Bank plc (lead bank), Bank of Scotland plc and Santander UK plc, providing further funding flexibility

Income Statement Segmental Analysis

For the period ended 31 December 2015

	Asset Management			Asset Installation			Energy Management		
	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Increase	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Increase	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m	Increase
Revenue	30.2	22.4	34.9%	19.5	17.6	10.7%	4.2	2.3	78.3%
Cost of sales	4.1	3.7	11.7%	10.9	9.7	12.8%	2.4	1.4	70.8%
Segment gross profit	26.1	18.7	39.6%	8.6	7.9	8.3%	1.8	0.9	89.3%

● Unaudited current annual equivalent recurring income at 18 March 2016 for the Group is £34.7m, broken down as:

- Gas meter rent £27.8m
- Gas data rent £2.2m
- Electricity meter rent £1.25m
- Electricity data rent £3.45m

Cash Flow Highlights

For the period ended 31 December 2015

	Period ended 31 December 2015 £'m	Period ended 31 December 2014 £'m
Cash generated from operations	28.1	25.3
Working capital movement	(3.4)	5.1
Tax and interest	(2.4)	(0.8)
Capex	(41.8)	(36.3)
Acquisition of subsidiary	-	3.4
Dividends	(2.6)	(2.2)
Share issue	0.4	0.3
Total movement	(21.7)	(24.0)
Opening net debt	(57.3)	(33.3)
Closing net debt	(79.0)	(57.3)

Balance Sheet

As at 31 December 2015

	As at 31 December 2015 £'m	As at 31 December 2014 £'m
Assets		
- Non-current intangible	10	10.9
- Non-current tangible	126.7	92.5
- Current	17	13.8
Total Assets	153.7	117.3
Liabilities		
- Current	23.9	24.8
- Non-current	82.4	58.1
Total Liabilities	106.3	82.9
Net Assets	47.4	34.4

Alan Foy, Chief Executive Officer

Business Summary



Strategy

- ◆ In the medium term, our strategy is to increase the run rate with our customers, and continue to grow the meter asset portfolio alongside targeting the new I&C and domestic smart meter market.
- ◆ Our priority in 2016 and beyond is to focus on four key strategic areas, reflecting the opportunity of the growing domestic smart meter market:
 - Continue to install and own gas meters and data contracts and maximise the contracted order book in the I&C and domestic meter market organically with existing customers and through new contracts
 - Drive recurring rental income from the I&C market
 - Target the significant domestic smart meter market opportunity in the UK based on our proven business model and established market position
 - Increase levels of business with, and services provided to key gas and electricity suppliers, with a focus on cross-selling between Gas and Electricity across our suite of services

Business Summary

Further good progress across business KPI's

- ◆ Total annualised recurring income increased by 33% to £34.73m (2014: £26.2m); a run rate of c. £3.5m per month. All as at 31 December 2015:
 - Gas meters: £27.8m (£21.9m @ 31 December 2014)
 - Gas data: £2.2m (£1.0m @ 31 December 2014)
 - Electricity meters: £1.25m (£0.6m @ 31 December 2014)
 - Electricity data: £3.45m (£2.7m @ 31 December 2014)

Domestic Smart Opportunity

Market size

- ◆ Every home and small business in the UK to have a smart or advanced meter functionality by 2020
- ◆ 22 million domestic gas and 27 million domestic electricity smart meters are to be installed
- ◆ c. £6.5 billion capital investment
- ◆ Each energy supplier is responsible for contracting with a accredited meter asset manager and performing the installation of the smart meters

SMS domestic smart delivery and capacity model (1)

◆ Engineer Capacity

- Acquisition of CH4 Gas Utility and Maintenance services Limited and Trojan Utilities Limited provides full control of over 240 engineers, and in addition to c. 120 engineers from our existing subcontract model provides capacity to install c. 360,000 domestic gas and electricity meters annually once all fully trained (c. 1.44million over 4 years)
- To date CH4 Gas Utility and Maintenance services Limited and Trojan Utilities Limited have fully trained 120 engineers and have installed over 180,000 domestic dual fuel (Gas and Electricity) meters for licensed energy suppliers independent of SMS
- CH4 Gas Utility and Maintenance services Limited 100% own their domestic smart training academy and Trojan Utilities Limited own 35% of an accredited training academy. Access to these academies provides the opportunity to train new engineers in a controlled manner and hence increase capacity within our operations to meet customer demand

SMS domestic smart delivery and capacity model (2)

◆ System capacity

- Acquisition of Qton Solutions Limited provides full end to end control over the work management system currently used by SMS for the end to end delivery of our current order book in the I&C and domestic sector and in the domestic smart metering market.
- Qton Solutions Limited is established with a number of other emerging domestic smart installation contractors and indeed energy supplier as they look for a proven system which gives real time visibility of the appointments and scheduling applications.
- To date, Qton Solutions Limited's systems have provided and continue to provide the embedded functionality to manage consumer appointments, stock, installation records etc. for over 1 million meters on behalf of energy suppliers and installation contractors, and has considerable capacity to grow.

SMS business and investment case

- ◆ Established market position and successful deliver of I&C land-grab
- ◆ Proven management team with record of growing revenues and profits
- ◆ Significant and visible annuity stream from the meter assets
- ◆ Sizable market opportunity in UK domestic smart meter market
- ◆ Scalable IT systems to deliver dual fuel meter service
- ◆ SMS only one of four players in the smart domestic market

Appendices



Our Clients



- ◆ Long-standing multi-level relationships with suppliers who are responsible for the roll-out of smart metering
- ◆ Contracted to provide energy management services for multinational clients in the UK, Caribbean and Italy
- ◆ Current gas supplier clients provide potential access to:
 - ◆ Over 40% of UK residential gas meters
 - ◆ Over 80% of UK industrial and commercial gas meters
- ◆ Current electricity supplier clients provide potential access to:
 - ◆ Over 14% of UK residential electricity meters
 - ◆ Over 55% of UK industrial and commercial electricity meters
- ◆ Energy broker clients provide brokerage and energy management services to small, medium and large group consumers
- ◆ Clients are globally recognised brands with international presence
- ◆ Business processes and IT systems uniquely tailored to each individual supplier (significant barrier to entry)

This company presentation (the “Presentation”) has been prepared by Smart Metering Systems plc (“SMS” or the “Company”). The Presentation has not been reviewed or registered with, or approved by, any public authority, stock exchange or regulated marketplace.

The Company makes no representation or warranty (whether express or implied) as to the correctness or completeness of the information contained herein, and neither the Company nor any of its subsidiaries, Directors, employees or advisors assume any liability connected to the Presentation and/or the statements set out herein. This presentation is not and does not purport to be complete in any way.

The information included in this Presentation may contain certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets” and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or its advisors or any of their parent or subsidiary undertakings or any such person’s affiliates, officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company and its advisors assume no obligation to update any forward-looking statements or to conform these forward-looking statements to the Company’s actual results. Investors are advised, however, to inform themselves about any further public disclosures made by the Company, such as filings made with the London Stock Exchange or press releases.

This Presentation has been prepared for information purposes only. This Presentation does not constitute any solicitation for any offer to purchase or subscribe any securities and is not an offer or invitation to sell or issue securities for sale in any jurisdiction, including the United States. Distribution of the Presentation in or into any jurisdiction where such distribution may be unlawful is prohibited.

This Presentation relates principally to the financial results of the Company for the year ended 31 December 2014, and there may have been changes in matters which affect the Company subsequent to the date of this Presentation. Neither the issue nor delivery of this Presentation shall under any circumstance create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that the affairs of the Company have not since changed, and the Company does not intend, and does not assume any obligation, to update or correct any information included in this Presentation.

This Presentation is subject to Scottish law, and any dispute arising in respect of this Presentation is subject to the exclusive jurisdiction of Scottish courts.

By receiving this Presentation, you accept to be bound by the terms above.

