

Interim Results

for the half-year ended 30 June 2013

September 2013



smart metering
systems plc

Alan Foy
Chief Executive Officer

Review of the period



Financial highlights

- ◆ Revenue increased by 42% to £13.2m (H1 2012: £9.3m)
- ◆ Recurring meter rental increased by 43% to £6.0m (H1 2012: £4.2m) representing 46% of total revenue
- ◆ Gross profit increased by 40% to £8.1m (H1 2012: £5.8m)
- ◆ Adjusted EBITDA* increased by 37% to £5.5m (H1 2012: £4.0m)
- ◆ Basic earnings per share increased to 3.27p (H1 2012: 2.60p)
- ◆ Interim dividend of 0.70p per ordinary share increased by 40%
- ◆ Available cash and unused debt facility of £25.5m

* Excluding exceptional items and fair value adjustments.

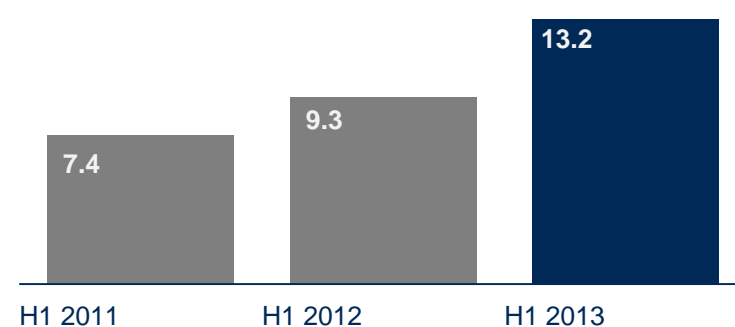
Operational highlights

- ◆ Total meter portfolio increased by 18% to 401,000 (Dec 2012: 341,000)
- ◆ Increase of 78% in capital investment in meter assets to £10.5m (H1 2012: £5.9m)
- ◆ Increase in annualised recurring meter rental at 30 June 2013 of 43% to £13.0m (H1 2012: £9.1m)
- ◆ Contract extensions or additions from a number of major customers
- ◆ Energy Brokers served increased to 11 from 5 at December 2012
- ◆ ADM™ installations increased to over 7,000 units to date
 - ◆ Advanced Trials commenced in the Water and LPG markets in the UK
 - ◆ International trials commenced but at early stage
- ◆ Asset installation
 - ◆ Increase of 41% in asset installation revenue to £7.2m (H1 2012: £5.1m) of which Gas Connection business increased turnover by 37% to £4.1m (H1 2012: £3.0m)

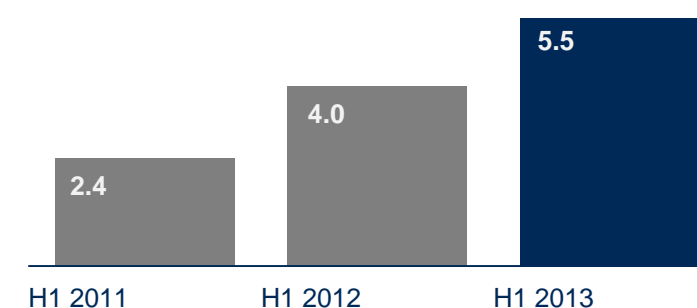


Three year progress

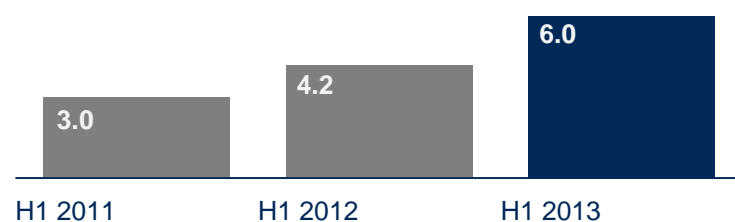
Revenue (£m)



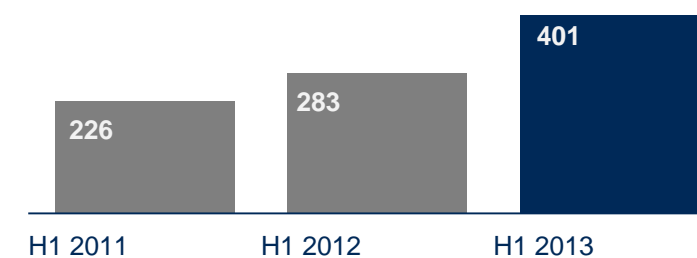
EBITDA* (£m)



Recurring revenue (£m)



Installed assets ('000)



* Excluding exceptional items and fair value adjustments

Glen Murray
Finance Director

Financial review

Financial highlights

	Period ended 30 June 2013 £'m	Period ended 30 June 2012 £'m	Increase
Sales	13.2	9.3	42%
Gross profit	8.1	5.8	40%
Gross profit margin	61%	62%	
EBITDA*	5.5	4.0	37%
EBITDA Margin	41%	43%	
PBT*	3.6	2.9	24%
Basic Earnings per share	3.27p	2.60p	26%

* Excluding exceptional items and fair value adjustments.

Income statement segmental analysis for the period ended 30 June 2013

	Asset Management			Asset Installation		
	P/E 30 June 2013 £'m	P/E 30 June 2012 £'m	Increase	P/E 30 June 2013 £'m	P/E 30 June 2012 £'m	Increase
Revenue	6.0	4.2	43%	7.2	5.1	41%
Operating Costs	1.1	1.0	15%	4.0	2.5	57%
Segment Profit	4.9	3.2	53%	3.2	2.6	25%

- ◆ Recurring revenue up 43% on 2012. Current annual equivalent recurring meter rental at 31 August 2013 is £13.6m
- ◆ £10.5m invested in meter assets during the first half of 2013. With corresponding increase in assets from 341,000 at December 12 to over 401,000 at 30 June 2013.

Cash flow highlights

for the period ended 30 June 2013

		P/E 30 June 2013 £'m		P/E 30 June 2012 £'m
Operating cash flow		6.5		4.0
Investing activities				
– Meter assets	(10.8)		(5.9)	
– Others	(0.1)	(10.9)	(0.2)	(6.1)
Financing activities				
– Net proceeds from new borrowings less capital repaid	5.6		(0.7)	
– Finance costs	(0.5)		(0.3)	
– Net proceeds from share issue	0.3		-	
– Dividend	(1.0)		-	
– Others	-	4.4	-	(1.0)
Increase/(decrease) in cash & cash equivalents		-		(3.1)
Cash & cash equivalents at the beg. of the period		6.5		7.3
Cash & cash equivalents at the end of the period		6.5		4.2

Balance sheet

	HY 30 June 2013 £'m	HY 30 June 2012 £'m	FY 31 December 2012 £'m
Assets			
– Non-current	47.6	28.5	38.0
– Current	10.8	6.9	9.9
Total Assets	58.4	35.4	47.9
Liabilities			
– Current	12.9	9.5	10.5
– Non-current	26.3	11.2	20.8
Total Liabilities	39.2	20.7	31.3
Net Assets	19.2	14.7	16.6

Net debt as at 30 June 2013 was £19.5m (H1 2012: £10.1m)

Alan Foy
Chief Executive Officer

Strategic overview



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Strategic focus

- ◆ Remains unchanged
- ◆ Core focus is on gas meters in the UK where we aim to:
 - ◆ be market leader in the independent ownership of industrial and commercial meters
 - ◆ establish ADM™ as the industry standard smart metering solution for industrial and commercial clients
 - ◆ grow our domestic meters business organically and potentially through new contracts
- ◆ We will also seek out new domestic and international markets for our products and services

Strategic progress

- ◆ Continue progress with meter installations and exchanges with our contracted gas supplier customers
 - ◆ Increased average monthly run rate of meter installations to £1.7m investment in H1 2013 (2012: £1.3m)
 - ◆ Increased recurring annualised rental from meters to £13.0m at June 13 (Dec 12: £10.8m)
 - ◆ At 31 August 13 recurring annualised rental from meters increased to £13.6m
- ◆ Maintain all KPI's and service standards
- ◆ Negotiations and trials continuing with all other gas supplier customers to SMS plc to secure ownership of available meter asset portfolios
 - Negotiations with major suppliers outstanding
 - Dong Energy and Opus Energy contracted on preferred supplier status for meter portfolio and Data Management with ADM solution
- ◆ Seek out trials and opportunities for ADM data services internationally in gas, electricity, water and LPG markets and Water and LPG markets in the UK
 - Advanced trials with potential water and LPG clients
 - Trials in South Africa, Asia and pre marketing continuing in the USA

Summary

- ◆ Further good progress across all KPIs
- ◆ 18% growth in numbers of meters under management
- ◆ Increase in meter installation from existing contracted customers with further substantial potential to be gained
- ◆ Annualised meter recurring revenue increasing month on month to £13.6m at 31 August 2013
- ◆ Funding in place with adequate head room for future growth (Net Debt/EBITDA 1.84)
- ◆ Dividend increased by 40%
- ◆ Growth across all sectors and look forward with confidence

Appendices



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Contracted clients

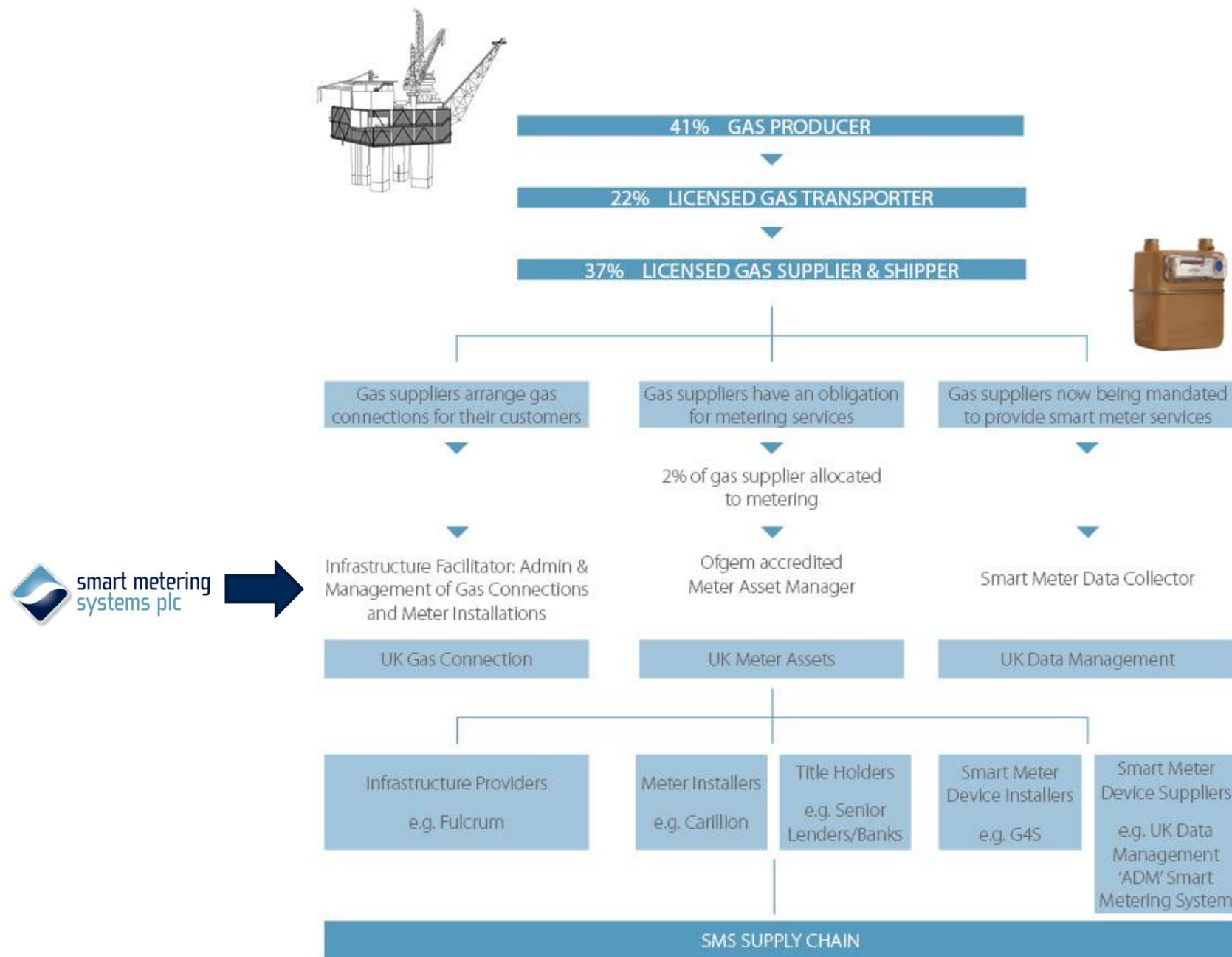
Gas supplier customers



- ◆ Long standing multi-level relationships with suppliers who are responsible for the roll out of smart metering
- ◆ Current gas supplier clients provide potential access to:
 - ◆ Over 40% of UK residential gas meters
 - ◆ Over 80% of UK industrial and commercial gas 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 gas supplier (significant barrier to entry)

UK gas market

Gas supply chain



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