

Smart Metering Systems plc

Annual Results
For the year ended
31 December 2014



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Introduction and agenda

◆ **Business review**

Alan Foy, CEO

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- ◆ Operational

◆ **Financial review**

Glen Murray, CFO

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- ◆ Cash flow
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◆ **Strategic review**

Alan Foy, CEO

- ◆ Strategy
- ◆ Summary

Alan Foy, Chief Executive Officer

Business review



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Financial highlights

- ◆ Revenue increased by 52% to £42.4m (2013: £27.9m) – increase of 25% excl. Utility Partnership Limited (UPL)
- ◆ Total annualised recurring income increased by 43% to £26.2m (2013: £18.3m)*
 - ◆ Gas: meter recurring rent increased 41% to £21.9m and data recurring income reached £1.0m
 - ◆ Electricity: meter recurring rent doubled to £0.6m and data recurring income grew 29% to £2.7m
- ◆ Gross profit increased by 55% to £27.6m (2013: £17.8m) – increase of 42% excl. UPL
- ◆ Gross profit margin at 65% (2013: 64%)
- ◆ Underlying EBITDA** increased by 64% to £19.3m (2013: £11.8m) – increase of 49% excl. UPL
- ◆ EBITDA** margin at 46% (2013: 42%)
- ◆ Underlying PBT** increased by 66% to £12.8m (2013: £7.7m)
- ◆ Underlying earnings per share*** increased 77% to 14.36p (2013: 8.10p)
- ◆ Final dividend of 1.88p per ordinary share making 2.82p for the full year (2013: 2.31p), an increase of 22%

* Two additional revenue streams incorporated in 2014 resulting from the acquisition of UPL, SMS' Electricity division.

** Underlying PBT & EBITDA is before deduction of exceptional items and intangible amortisation.

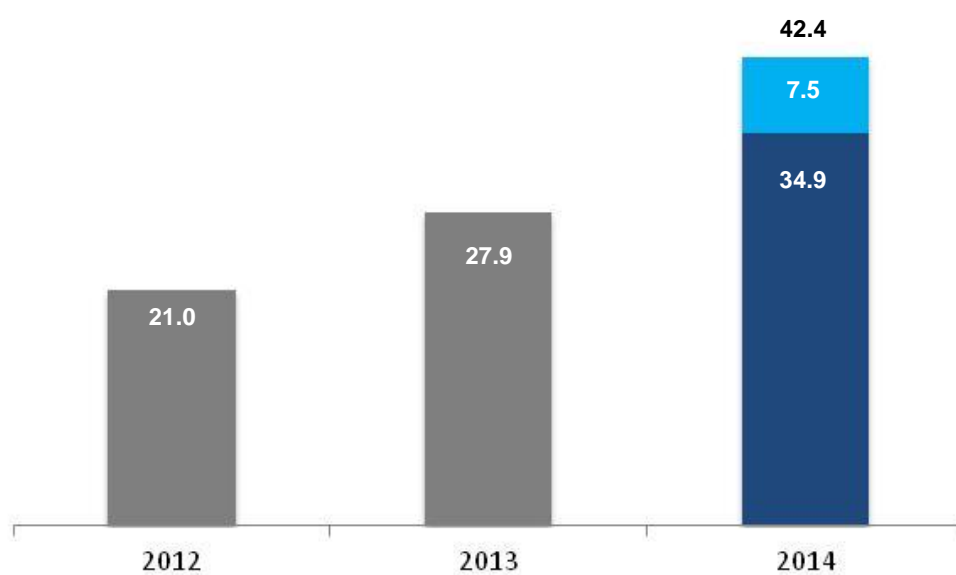
*** Underlying earnings per share is profit after taxation but before exceptional items and intangible amortisation, divided by the weighted average number of ordinary shares in issue.

Operational highlights

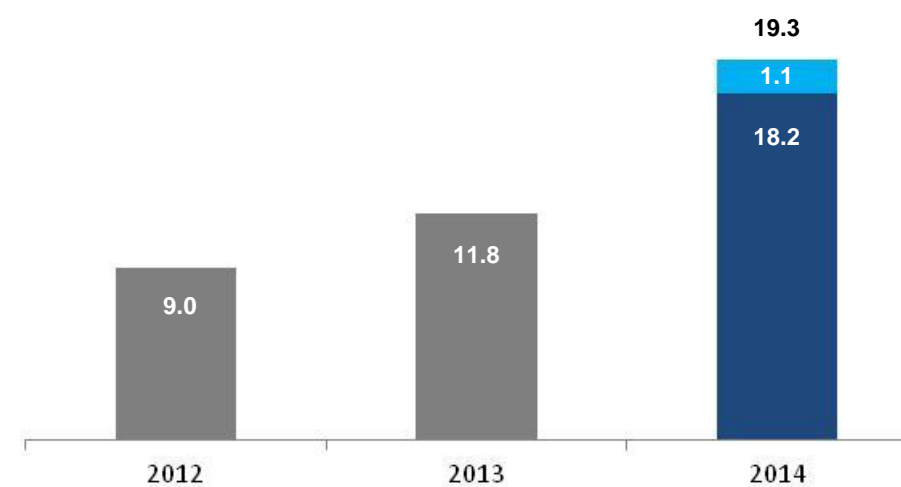
- ◆ Total gas meter portfolio increased by 29% to 607,000 (December 2013: 469,000), with industrial and commercial (I&C) meters nearly trebling. Electricity meter numbers more than doubled to 12,000 (December 2013: 5,000)
- ◆ Capital expenditure on meters increased by 52% to £35m, reaching a monthly run rate of c.£3m in December 2014
- ◆ £14m acquisition of UPL on 14 April 2014 adding in excess of £2.0m EBITDA annual run rate adding electricity connections, meters, data and energy services to SMS's services
- ◆ Appointed Rhys Wynne, co-founder of UPL, to the newly created role of Chief Operating Officer
- ◆ Strengthened Board with the appointments of energy sector and corporate finance experts Miriam Greenwood and Willie MacDiarmid as Non-Executive Directors in February 2014 and April 2014 respectively
- ◆ Contract extensions or additions with major customers, including BES Utilities (BES) and Total Gas & Power Ltd (TGP) (both after full year in February 2015), British Gas Business (BGB), DONG Energy Services Limited (DONG Limited) and Opus Energy (Opus)
- ◆ ADM™ installations more than doubled to 41,000 units by 31 December 2014 (December 2013: 16,000)
 - ◆ Received full accreditation for water market in the UK
 - ◆ International trials continuing

Three-year progress

REVENUE (£m)



EBITDA* (£m)

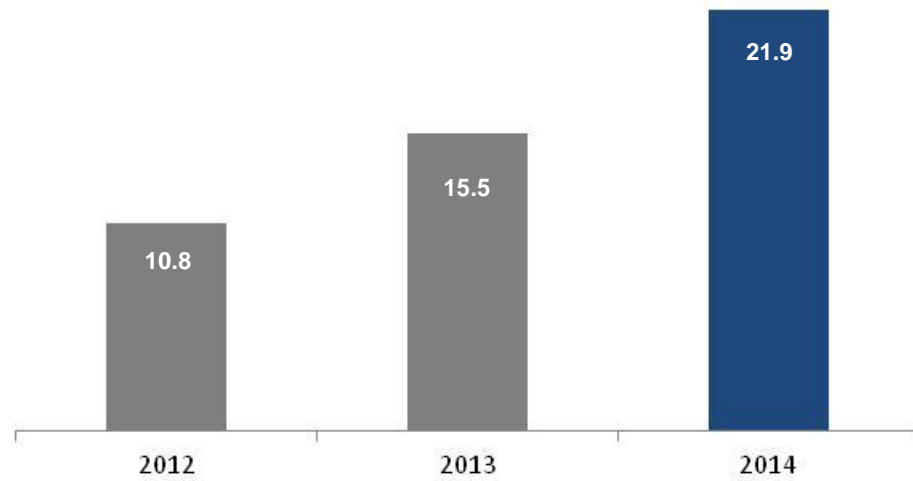


■ UPL contribution from date of acquisition, 14 April 2014

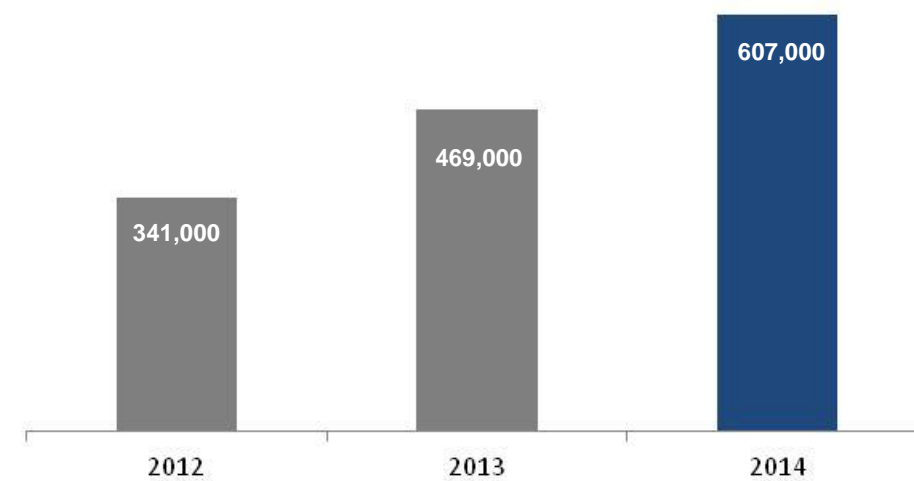
* Excluding exceptional items and amortisation on intangibles.

Annualised recurring revenue analysis – Gas

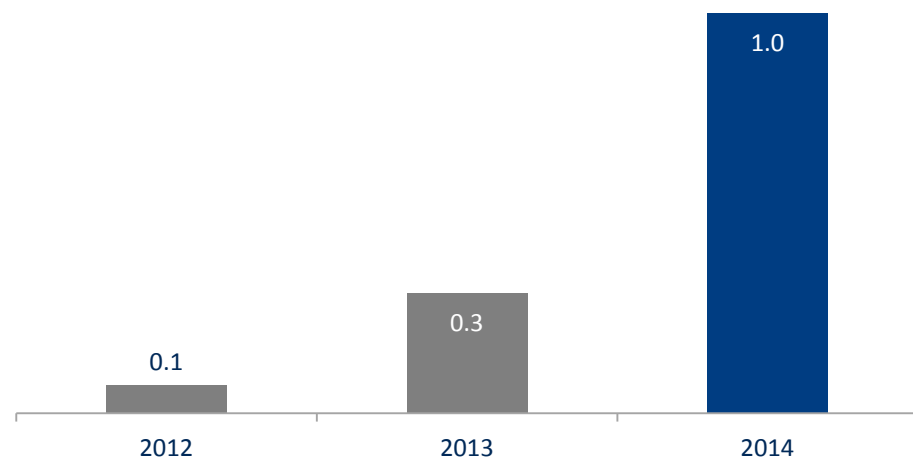
GAS METERS (£m)



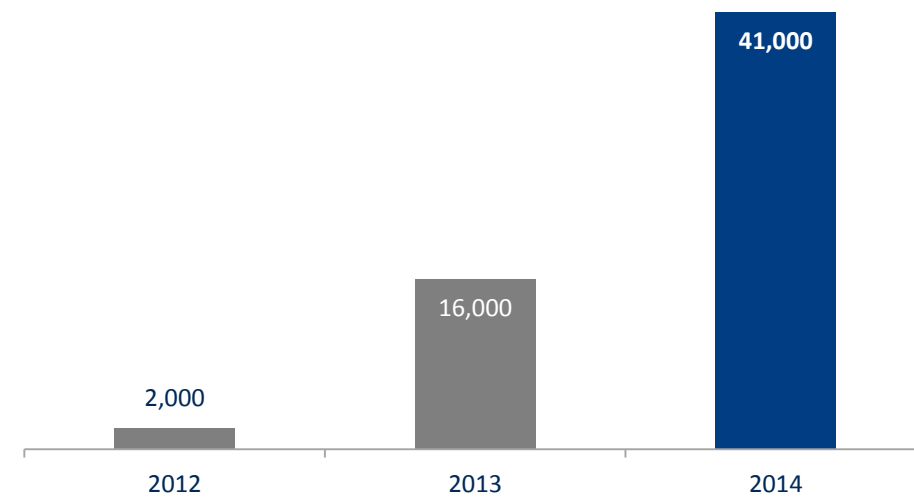
NUMBER OF INSTALLED ASSETS



GAS DATA (£m)

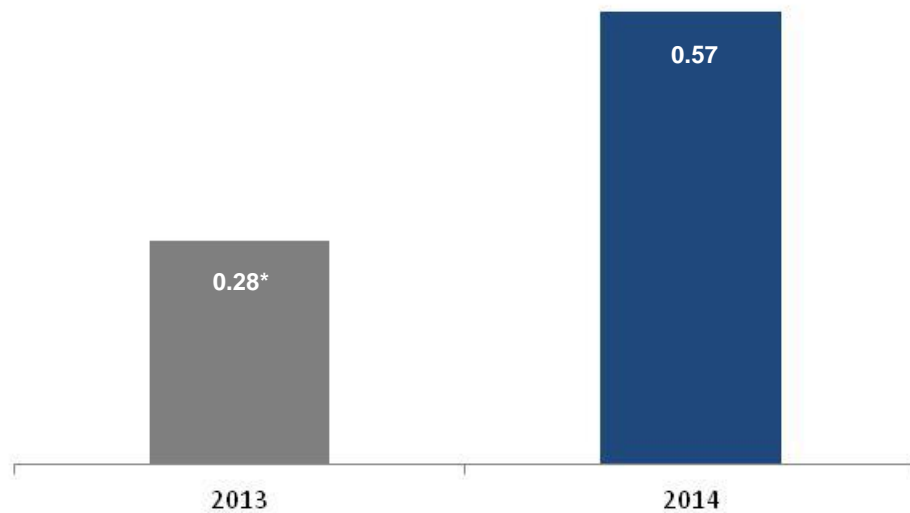


NUMBER OF INSTALLED ASSETS

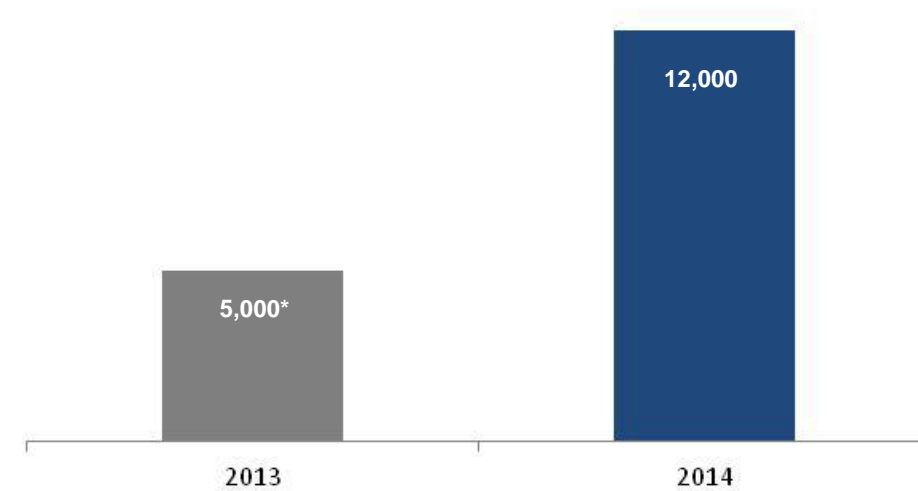


Annualised recurring revenue analysis – Electricity (UPL acquisition)

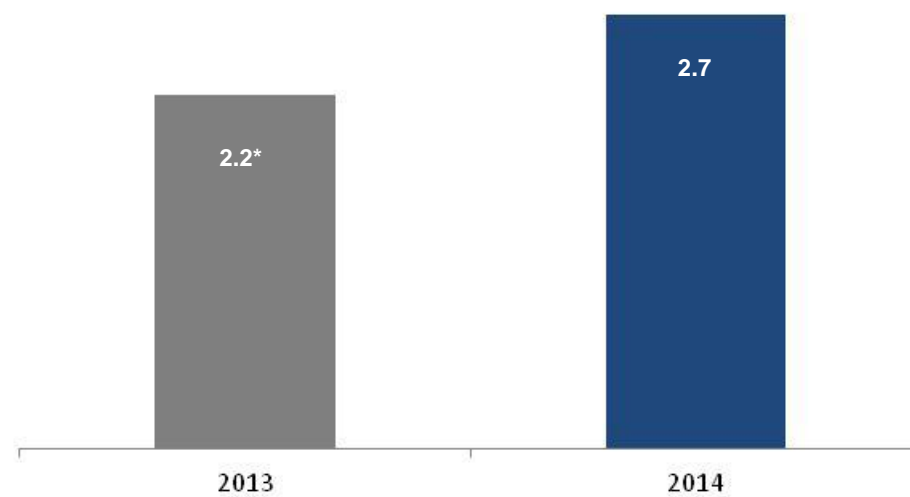
ELECTRICITY METERS (£m)



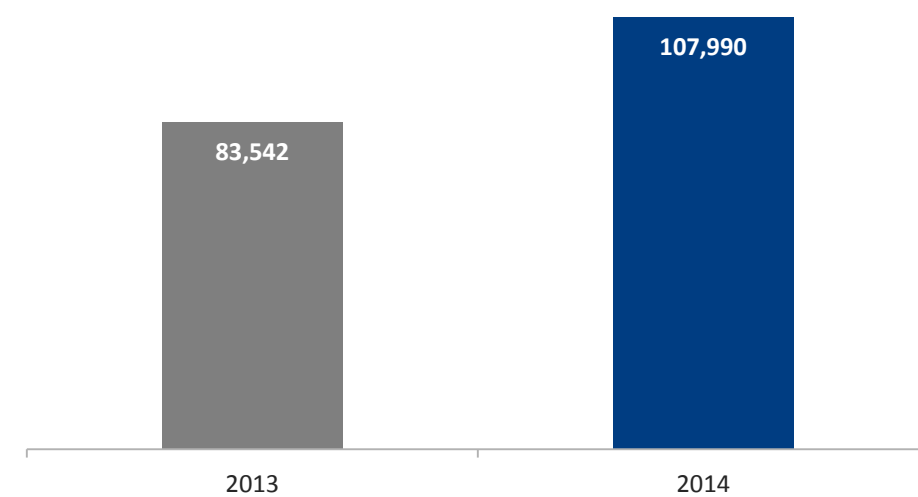
NUMBER OF INSTALLED ASSETS



ELECTRICITY DATA (£m)



NUMBER OF INSTALLED ASSETS



* Pre-acquisition

Glen Murray, Finance Director

Financial review



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Financial highlights

	Period ended 31 December 2014 £'m	Period ended 31 December 2013 £'m	Increase
Sales	42.4	27.9	52%
Gross profit	27.6	17.8	55%
Gross profit margin	65%	64%	
Underlying EBITDA*	19.3	11.8	64%
Underlying EBITDA* margin	46%	42%	
Underlying PBT*	12.8	7.7	66%
Underlying earnings per share*	14.36p	8.10p	77%

* Underlying EBITDA, PBT and EPS are before deduction of exceptional items (£637k - 2013: £nil) and intangible amortisation (£1,155k 2013: £262k).

- ◆ Net debt of £57.3m and net debt to 2.9x EBITDA
- ◆ Available cash and unused debt facility of £47.5m at 31 December 2014
- ◆ In November 2014, renegotiation of £105m club facility with existing club of lenders, Barclays Bank plc (lead bank), Clydesdale Bank plc and Bank of Scotland plc, providing further funding flexibility

Income statement segmental analysis for the period ended 31 December 2014

	Asset management			Asset installation		
	Year ended 31 December 2014 £'m	Year ended 31 December 2013 £'m	Increase	Year ended 31 December 2014 £'m	Year ended 31 December 2013 £'m	Increase
Revenue	22.4	13.8	62%	20.0	14.1	42%
Cost of sales	3.7	2.6	44%	11.1	7.5	47%
Segment gross profit	18.7	11.2	66%	8.9	6.6	35%

- ◆ Asset management recurring revenue up 62% to £22.4m (2013: £13.8m).
- ◆ Unaudited current annual equivalent recurring income at 28 February 2015 for the Group is £27.7m, broken down as:
 - ◆ Gas meter rent £22.9m
 - ◆ Gas data rent £1.2m
 - ◆ Electricity meter rent £0.7m
 - ◆ Electricity data rent £2.9m
- ◆ Asset installation income up 42% to £20.0m (2013: £14.1m)

Cash flow highlights

for the period ended 31 December 2014

	Year ended 31 December 2014 £'m	Year ended 31 December 2013 £'m
Operating cash flow	19.1	11.8
Working capital movement	5.1	(4.2)
Tax and interest	(0.8)	(1.3)
Capex	(36.3)	(24.4)
Acquisition of subsidiary	(12.6)	—
Cash acquired with subsidiary	3.4	—
Dividends	(2.2)	(1.6)
Share issue	0.3	0.3
Total movement	(24.0)	(19.4)
Opening net debt	(33.3)	(13.9)
Closing net debt	(57.3)	(33.3)

Balance sheet

as at 31 December 2014

	As at 31 December 2014 £'m	As at 31 December 2013 £'m
Assets		
– Non-current intangible	10.9	2.0
– Non-current tangible	91.4	57.4
– Current	15.0	10.8
Total assets	117.3	70.2
Liabilities		
– Current	23.2	12.7
– Non-current	58.1	34.9
Total liabilities	81.3	47.6
Net assets	36.0	22.6

Net debt as at 31 December 2014 was £57.3m (2013: £33.3m).

Non-current intangible assets include £9.5m of intangible assets added through the acquisition of UPL

Alan Foy, Chief Executive Officer

Strategic review



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Strategy

- ◆ Continue to install and own gas meters and data contracts in the UK I&C market from contracted order book
- ◆ Grow electricity data contracts and ownership of electricity meters as policy and with new and existing customer base
- ◆ Continue to grow our domestic meters business organically through combined gas and electricity offering and position business for the UK's current domestic gas and electricity smart meter roll-out plan
- ◆ Increase levels of business with, and services provided to, key gas and electricity suppliers, with a focus on cross-selling between the Gas and Electricity divisions and across our horizontal suite of services
- ◆ Seek out new domestic and international markets for our gas, electricity and water products and services
- ◆ UPL now fully operationally integrated, with completion of rebranding under the single SMS brand in Q2 2015

Summary

- ◆ Further good progress across all KPIs
- ◆ Addition of Electricity for I&C market and positioning for the UK domestic smart meter roll-out opportunity
- ◆ Total annualised recurring income increased by 43% to £26.2m (2013: £18.3m)
- ◆ 29% growth in numbers of gas meters under management
- ◆ Increase in gas meter installation from existing contracted customers with substantial new order from British Gas Business secured
- ◆ Increase in electricity meter installation and related services from existing Gas division clients including DONG Energy, Opus Energy and Total Gas & Power, and with new order from BES Utilities
- ◆ Annualised recurring revenue increasing month on month to £27.7m (all as at 28 February 2015):
 - ◆ Gas meters: £22.9m (£21.9m @ 31 December 2014)
 - ◆ Electricity meters: £0.7m (£0.6m @ 31 December 2014)
 - ◆ Electricity data: £2.9m (£2.7m @ 31 December 2014)
 - ◆ Gas data: £1.2m (£1.0m @ 31 December 2014)
- ◆ Growth across all sectors and look forward with confidence

Appendices



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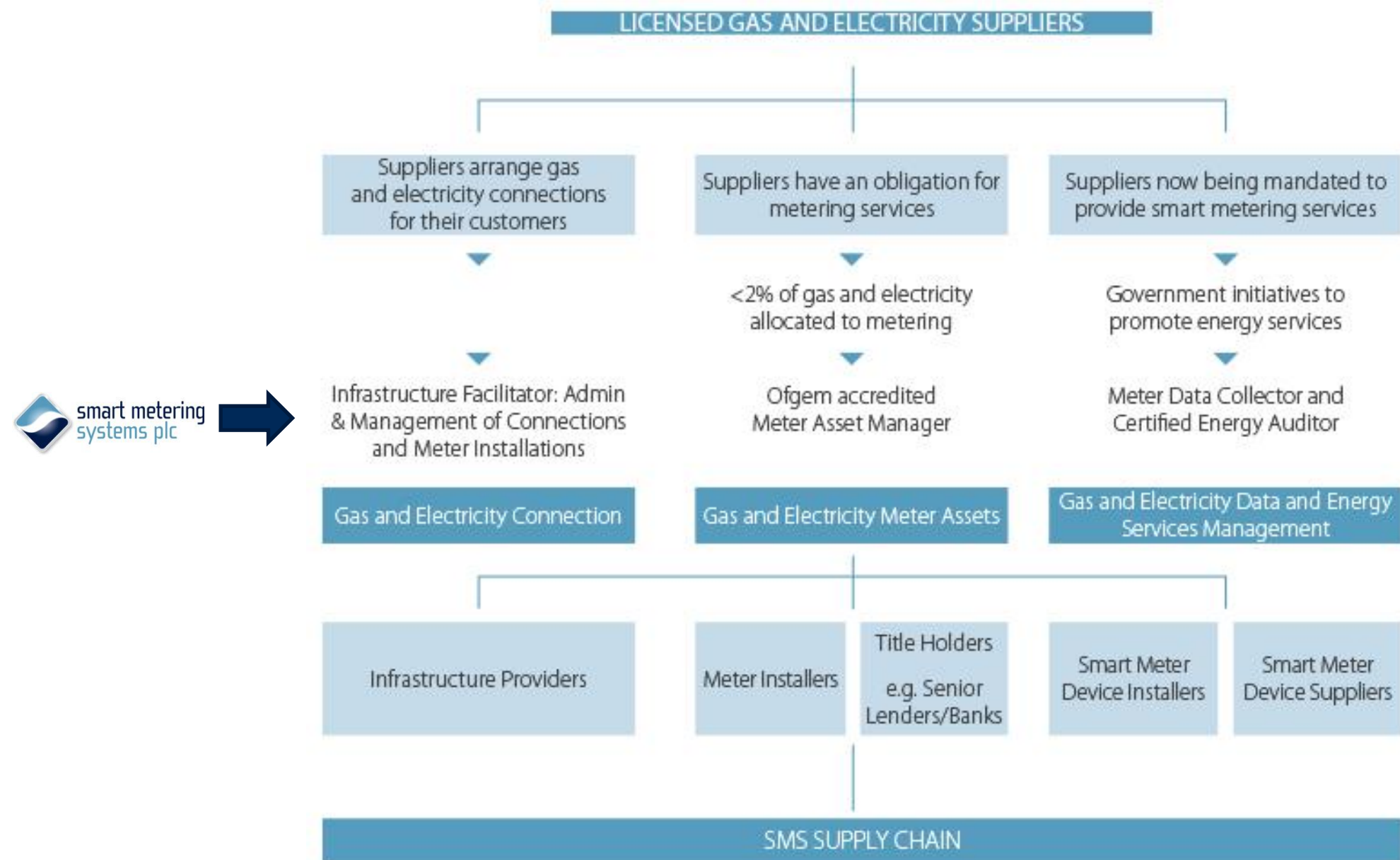
Our clients



- ◆ 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)

UK gas and electricity market

Gas and electricity supply chain



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