



smart metering
systems plc

Interim Results
for the half-year ended 30 June 2014
September 2014



smart metering
systems plc

Alan Foy
Chief Executive Officer

Review of the period

Financial highlights

- ◆ Revenue increased by 44% to £18.9m (H1 2013: £13.2m) – increase of 24% excl. UPL
- ◆ Recurring meter rental increased by 43% to £8.6m (H1 2013: £6m) representing 46% of total revenue
- ◆ Gross profit increased by 52% to £12.2m (H1 2013: £8.1m) – increase of 38% excl. UPL
- ◆ Adjusted EBITDA* increased by 59% to £8.7m (H1 2013: £5.5m) – increase of 50% excl. UPL
- ◆ Basic earnings per share increased 23% to 4.02p (H1 2013: 3.27p)
- ◆ Interim dividend of 0.94p per ordinary share increased by 34%
- ◆ Net debt of £48.6m and net debt to EBITDA 2.8x
- ◆ Available cash and unused debt facility of £56.4m
- ◆ £14m acquisition of Utility Partnership Limited (UPL) on 14 April, 2014: addition of c.£2m EBITDA annual run rate adding Electricity connections, meters, data and energy services to SMS's services

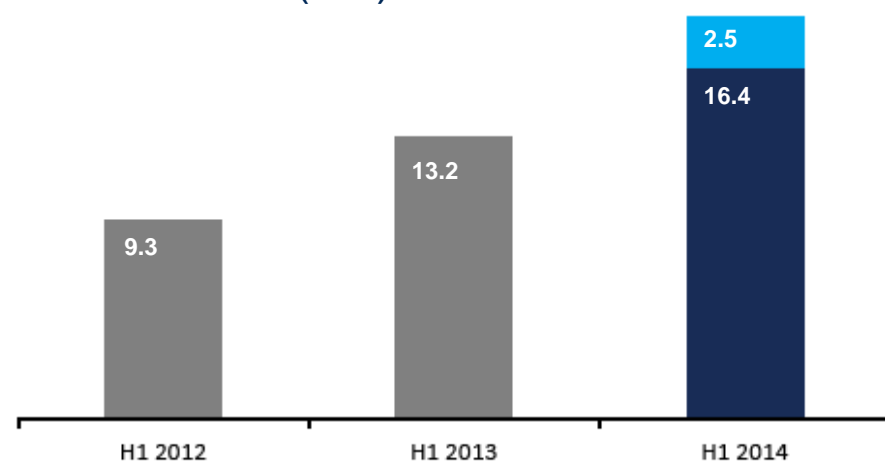
* Excluding exceptional items and fair value adjustments.

Operational highlights

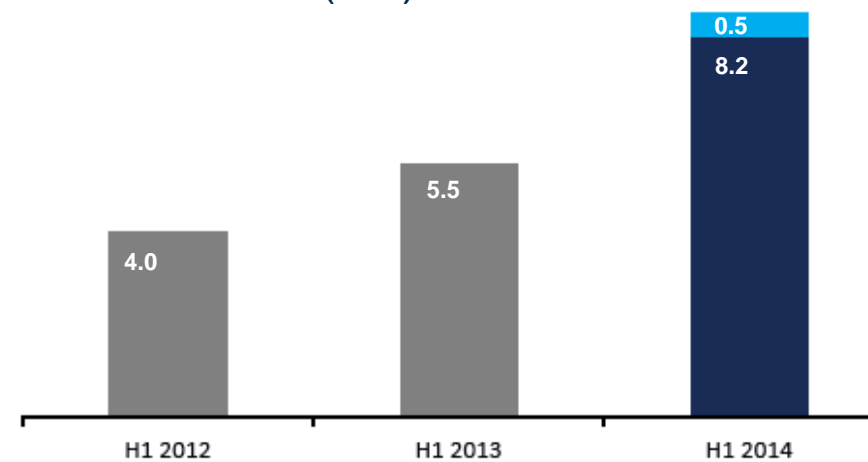
- ◆ Total meter portfolio increased by 13% to 534,000 (Dec 2013: 469,000)
- ◆ Increase of 48% in capital investment in meter assets to £15.5m (H1 2013: £10.5m)
- ◆ Increase in annualised recurring gas meter rental at 30 June 2014 of 42% to £18.8m (H1 2013: £13.2m)
- ◆ Contract extensions or additions from a number of major customers, including British Gas Business (after half year end on 23 July 2014) which will result in a positive impact over the next three years
- ◆ Acquisition of UPL with current £2m EBITDA run rate from Electricity market providing connections, meters, data and energy services
- ◆ ADM™ installations increased to over 24,000 units to date
 - ◆ Received full accreditation for Water market in the UK
 - ◆ International trials continuing
- ◆ Asset installation
 - ◆ Increase of 32% in asset installation revenue to £9.5m (H1 2013: £7.2m) of which Gas Connection business reduced by 13% to £3.6m (H1 2013: £4.1m) and UPL contributed £1.1m.
- ◆ Strengthened Board with the appointment of energy sector expert Willie MacDiarmid as Non-Executive Director

Three year progress

REVENUE (£m)



EBITDA* (£m)

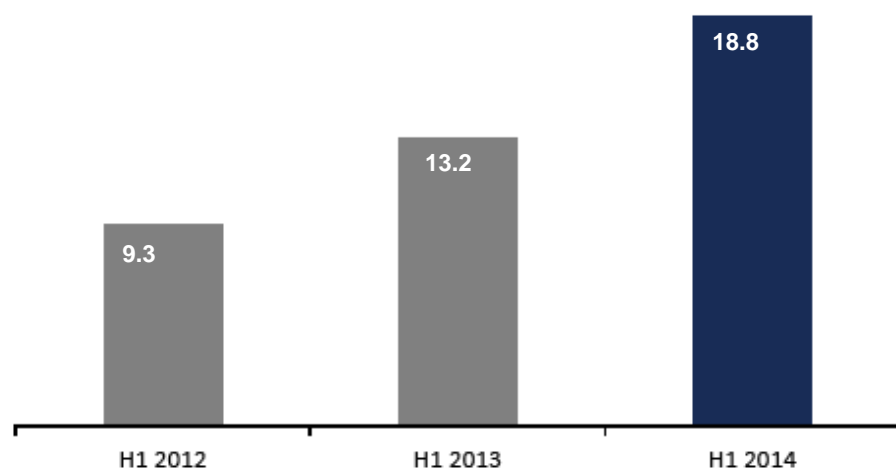


* Excluding exceptional items and fair value adjustments

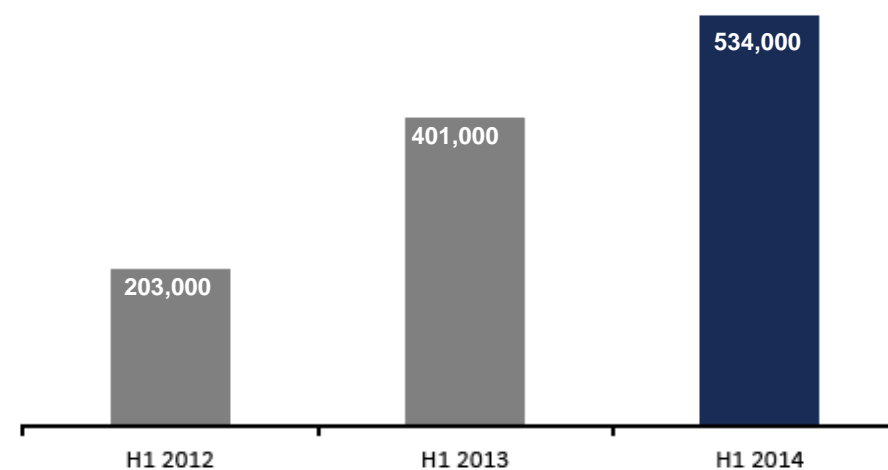
■ UPL contribution from date of acquisition, 14 April 2014

Annualised recurring revenue analysis – Gas

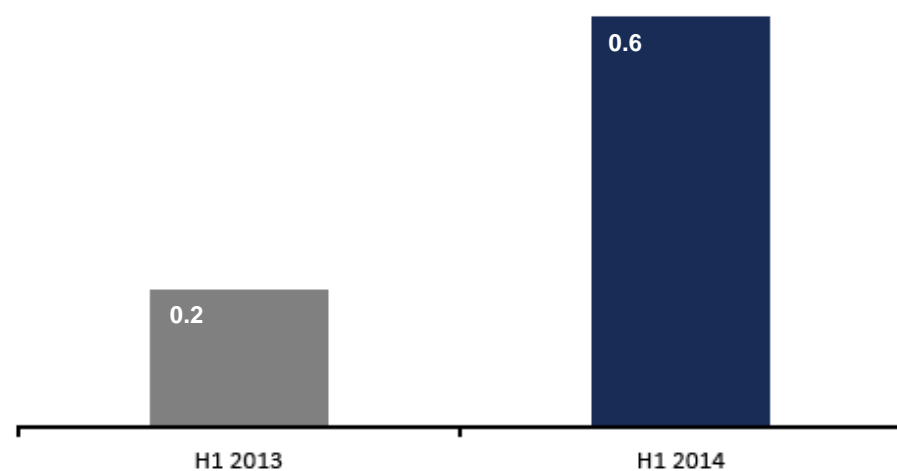
GAS METERS (£m)



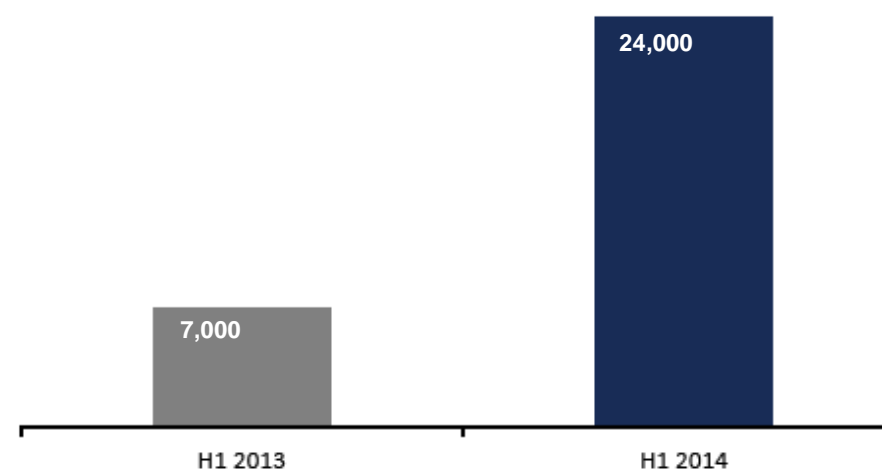
No. INSTALLED ASSETS



GAS DATA (£m)

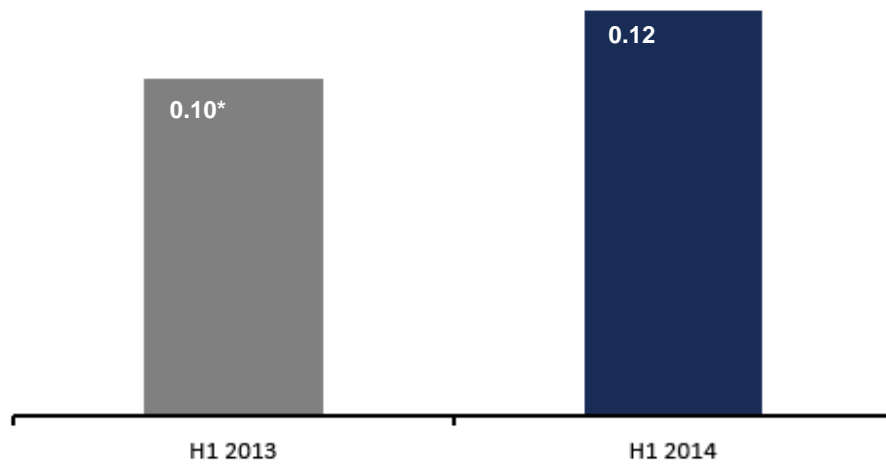


No. INSTALLED ASSETS

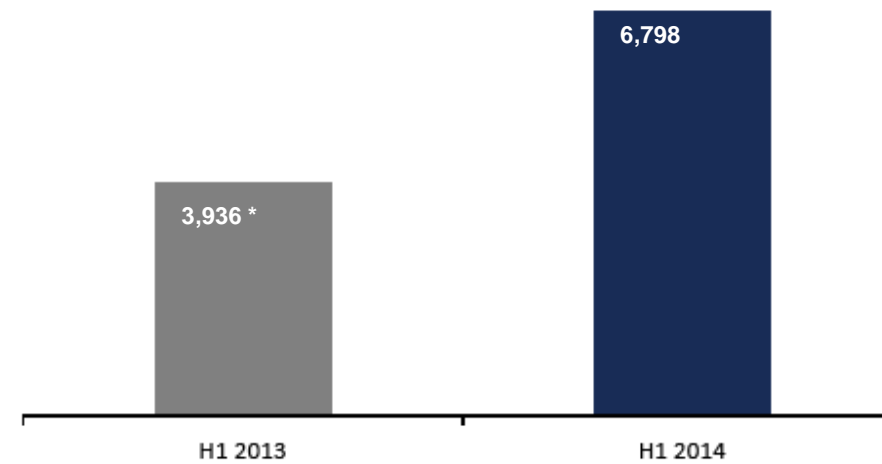


Annualised recurring revenue analysis – Electricity (UPL acquisition)

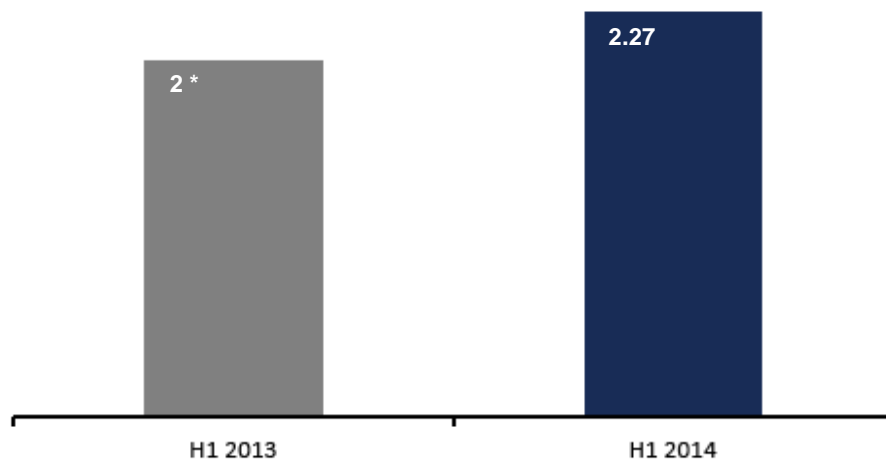
ELECTRICITY METERS (£m)



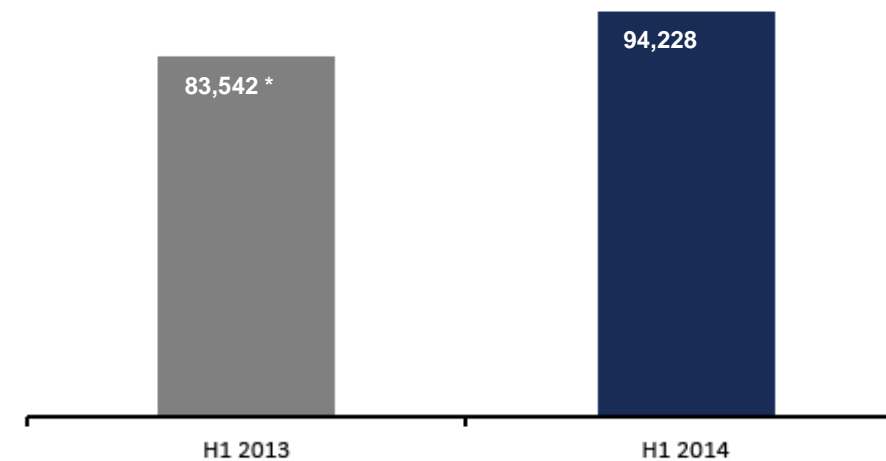
No. INSTALLED ASSETS



ELECTRICITY DATA (£m)



No. INSTALLED ASSETS



* Pre-acquisition



smart metering
systems plc

Glen Murray
Finance Director

Financial review

Financial highlights

	Period ended 30 June 2014 £'m	Period ended 30 June 2013 £'m	Increase
Sales	18.9	13.2	44%
Gross profit	12.2	8.1	52%
Gross profit margin	65%	61%	
EBITDA*	8.7	5.5	59%
EBITDA Margin	46%	41%	
PBT*	5.5	3.6	52%
Basic Earnings per share	4.02p	3.27p	23%

* Excluding exceptional items and fair value adjustments.

Income statement segmental analysis for the period ended 30 June 2014

	Asset Management			Asset Installation		
	P/E 30 June 2014 £'m	P/E 30 June 2013 £'m	Increase	P/E 30 June 2014 £'m	P/E 30 June 2013 £'m	Increase
Revenue	9.4	6.0	57%	9.5	7.2	33%
Cost of Sales	(1.5)	(1.1)	36%	(5.2)	(4.0)	30%
Segment Gross Profit	7.9	4.9	61%	4.3	3.2	36%

- ◆ Asset Management recurring revenue up 57% on 2013. Current annual equivalent recurring income at 29 August 2014 for the Group is £23m, broken down as:
 - Gas meter rent £19.8m
 - Gas data rent £0.7m
 - Electricity meter rent £0.18m
 - Electricity data rent £2.32m
- ◆ Asset installation income up 33% to £9.5m (H1 2013: £7.2m) of which I&C gas and electricity connection business increased turnover by 12% to £4.6m (H1 2013: £4.1m)

Cash flow highlights - for the period ended 30 June 2014

	P/E 30 June 2014 £'m	P/E 30 June 2013 £'m
Operating cash flow	7.9	5.5
Working capital movement	4.3	1.1
Tax and interest	(0.7)	(0.6)
Capex	(16.2)	(10.9)
Acquisition of subsidiary	(9.8)	—
Cash acquired with subsidiary	0.6	—
Dividends	(1.4)	(1.0)
Share issue	—	0.3
Total movement	(15.3)	(5.6)
Opening net debt	(33.3)	(13.9)
Closing net debt	(48.6)	(19.5)

Balance sheet as at 30 June 2014

	HY 30 June 2014 £'m	HY 30 June 2013 £'m	FY 31 December 2013 £'m
Assets			
– Non-current intangible	10.4	1.9	2.0
– Non-current tangible	73.9	45.7	57.4
– Current	18.8	10.8	10.8
Total Assets	103.1	58.4	70.2
Liabilities			
– Current	23.7	12.9	12.7
– Non-current	48.6	26.3	34.9
Total Liabilities	72.3	39.2	47.6
Net Assets	30.1	19.2	22.6

Net debt as at 30 June 2014 was £48.6m (H1 2013: £19.5m)



smart metering
systems plc

Alan Foy
Chief Executive Officer
Strategic overview

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
- ◆ Seek out new domestic and international markets for our gas, electricity and water products and services

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
- ◆ 14% 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
- ◆ Annualised recurring revenue increasing month on month to (all as at 31 August 2014):
 - Gas meters: £19.8m (£18.8m @ 30 June 14)
 - Gas data: £0.7m (£0.6m @ 30 June 14)
 - Electricity meters: £0.18m (£0.12m @ 30 June 14)
 - Electricity data: £2.32m (£2.27m @ 30 June 14)
- ◆ Growth across all sectors and look forward with confidence



smart metering
systems plc

Appendices

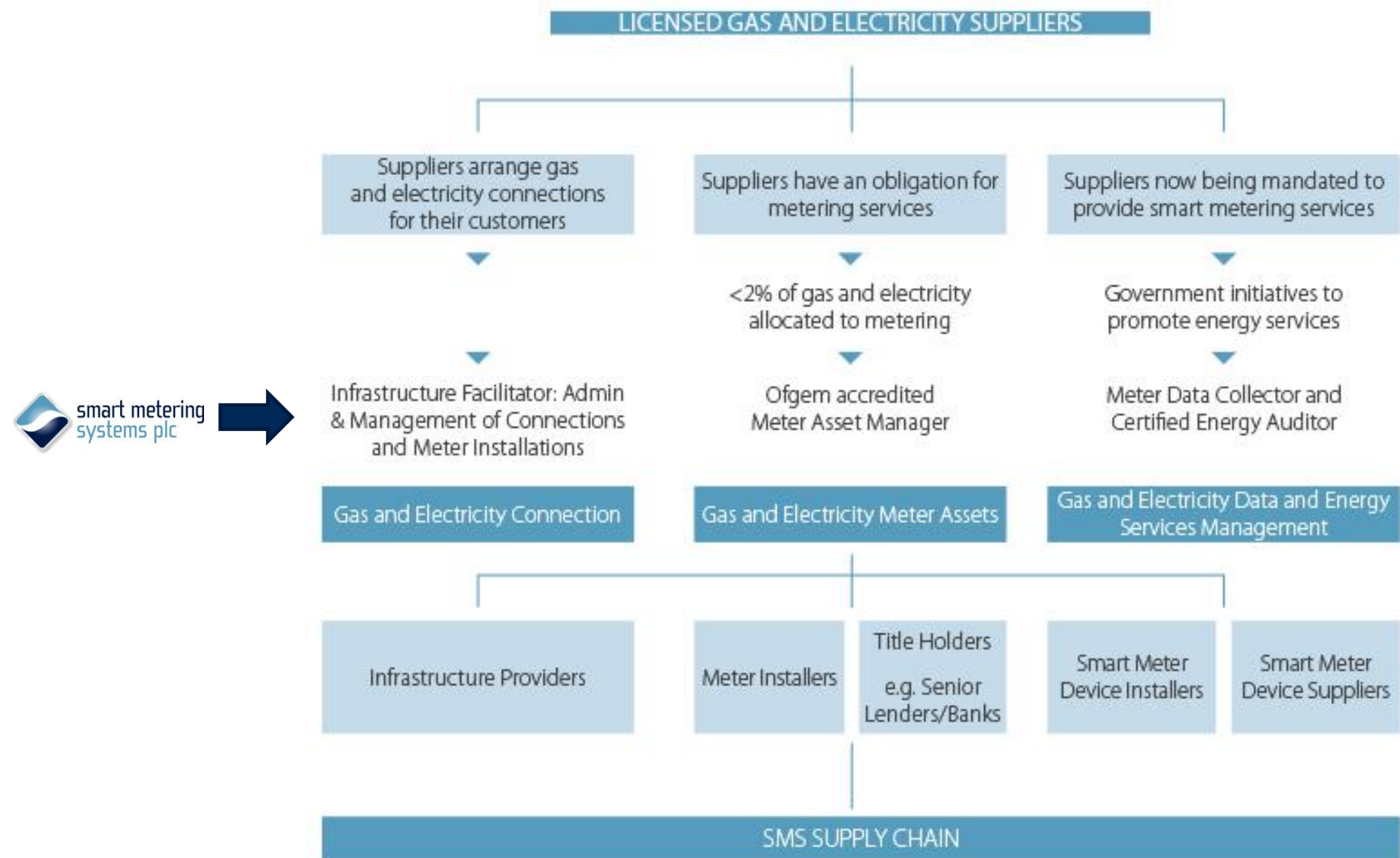
Our clients



- ◆ 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)

UK gas and electricity market

Gas and electricity supply chain



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 market place.

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 2012, 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.