

Smart Metering Systems plc

Interim Results
For the half year ended
30 June 2015



Introduction and agenda

◆ **Business review**

Alan Foy, CEO

- ◆ SMS story
- ◆ Financial
- ◆ Operational

◆ **Financial review**

Glen Murray, CFO

- ◆ Highlights
- ◆ Segmental analysis
- ◆ Cash flow
- ◆ Balance sheet

◆ **Strategic review**

Alan Foy, CEO

- ◆ Strategy
- ◆ Summary

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: Current strategic opportunities**
 - ◆ Build out order book in I&C market
 - ◆ Emphasis on recurring rental income
 - ◆ Cross-selling model: gas and electricity

Financial highlights

- ◆ Revenue increased by 36% to £25.8m (H1 2014: £18.9m)
- ◆ Total annualised recurring income within asset management increased by 39% to £30.5m (H1 2014: £22.0m)*
 - ◆ Gas: meter recurring rent increased 33% to £25.0m and data recurring income increased to £1.5m
 - ◆ Electricity: meter recurring rent more than doubled to £0.9m and data recurring income increased to £3.1m
- ◆ Gross profit increased by 41% to £17.2m (H1 2014: £12.2m)
- ◆ Gross profit margin at 67% (H1 2014: 65%)
- ◆ Underlying EBITDA** increased by 40% to £12.2m (H1 2014: £8.7m)
- ◆ Underlying EBITDA** margin at 47% (H1 2014: 46%)
- ◆ Underlying PBT*** increased by 37% to £8.0m (H1 2014: £5.8m)
- ◆ Underlying earnings per share**** increased 72% to 6.90p (H1 2014: 4.02p)
- ◆ Interim dividend of 1.1p per ordinary share increased by 17%
- ◆ Available cash and unused debt facility of £35.1m at 30 June 2015
- ◆ Capital expenditure on meters increased by 37% to £21.2m

* Additional revenue streams incorporated in 2014 resulting from the acquisition of Utility Partnership Limited (UPL).

** Underlying EBITDA is before exceptional items.

*** Underlying PBT is before exceptional items and intangible amortisation.

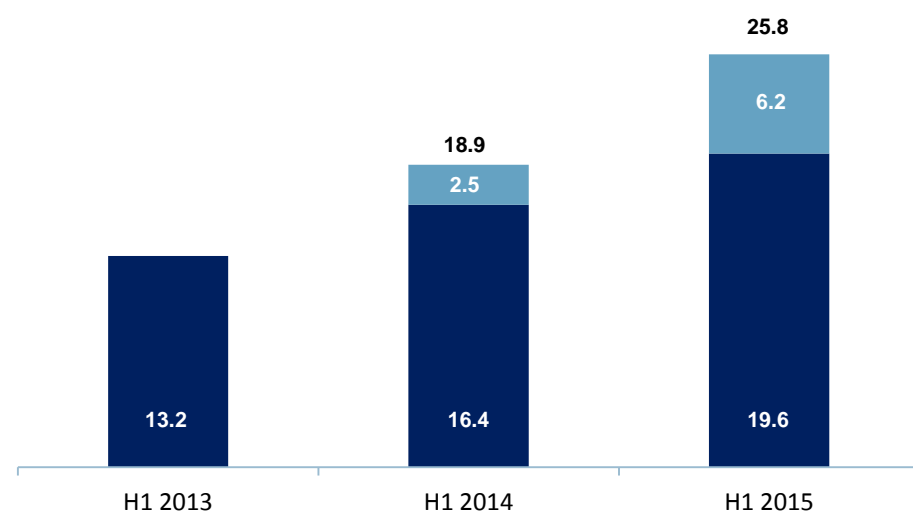
**** Underlying earnings per share is profit after taxation but before exceptional items and intangible amortisation, divided by the weighted average number of ordinary shares in issue.

Operational highlights

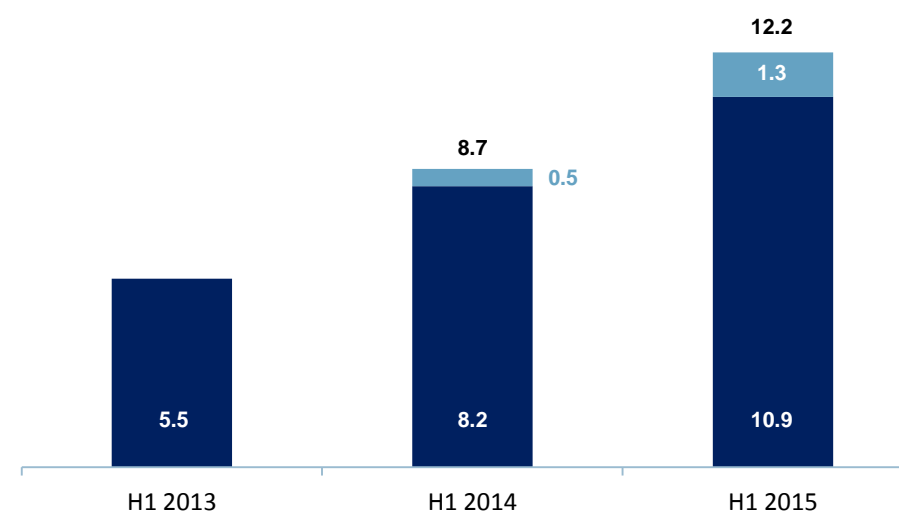
- ◆ Total gas meter portfolio increased by 9% to 661,000 (December 2014: 607,000), with industrial and commercial (I&C) meters increasing by 37% to 89,000 (December 2014: 65,000). Gas data portfolio increased by 51% to 62,000 (December 2014: 41,000)
- ◆ Total electricity meter portfolio increased by 64% to 19,700 (December 2014: 12,000). Electricity meters up by 64% to 19,700 (December 2014: 12,000). Electricity data portfolio increased by 8% to 116,643 (December 2014: 107,990)
- ◆ ADM™ installations up 42.8% to 59,000 units at 30 June 2015 (December 2014: 41,000)
 - ◆ International trials continuing
- ◆ Celebrated 20 years in operation in June 2015 and first anniversary of the integration of the electricity business, having acquired UPL in April 2014
- ◆ Completed rebranding of the business, bringing all group subsidiaries under the single SMS brand, setting out a simplified integrated gas and electricity offering to clients

Three-year progress

REVENUE (£m)



EBITDA* (£m)

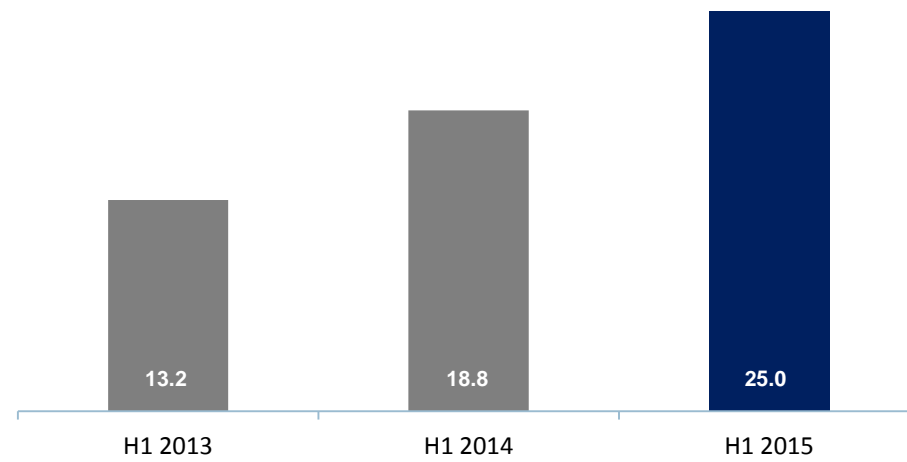


Electricity
Gas

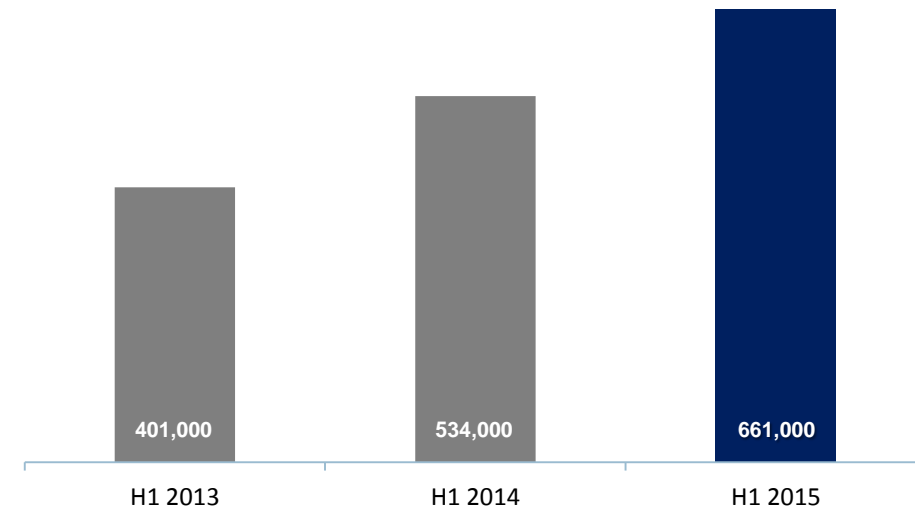
* Excluding exceptional items

Annualised recurring revenue analysis – Gas

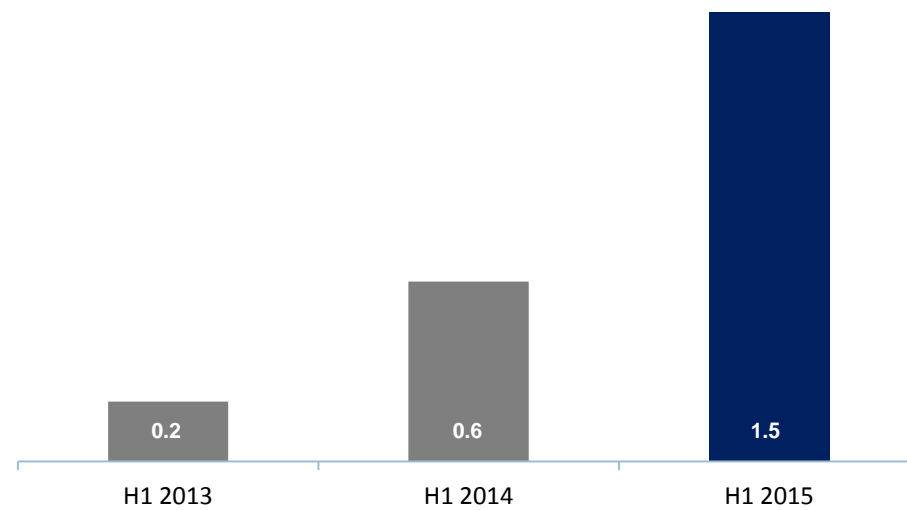
GAS METERS (£m)



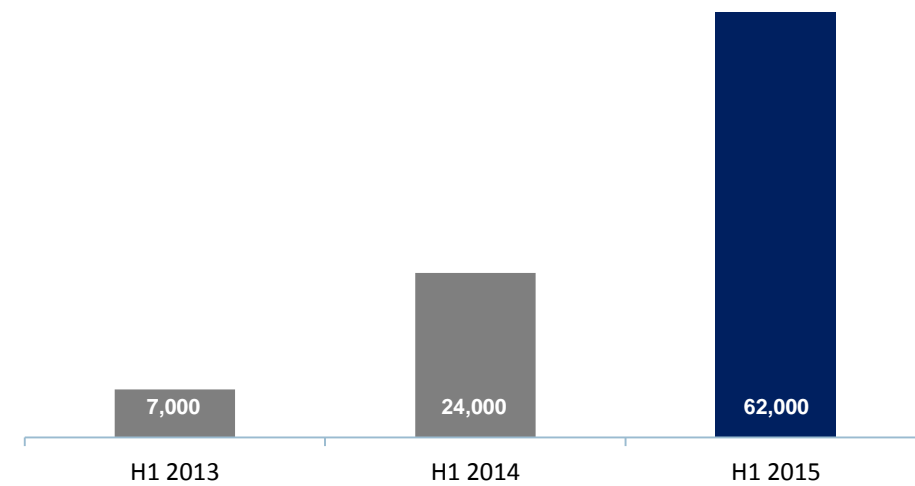
NUMBER OF INSTALLED ASSETS



GAS DATA (£m)

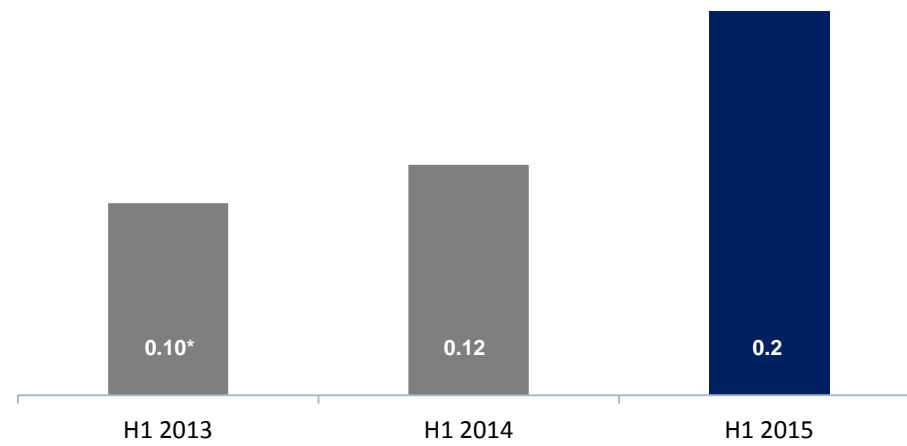


NUMBER OF INSTALLED ASSETS

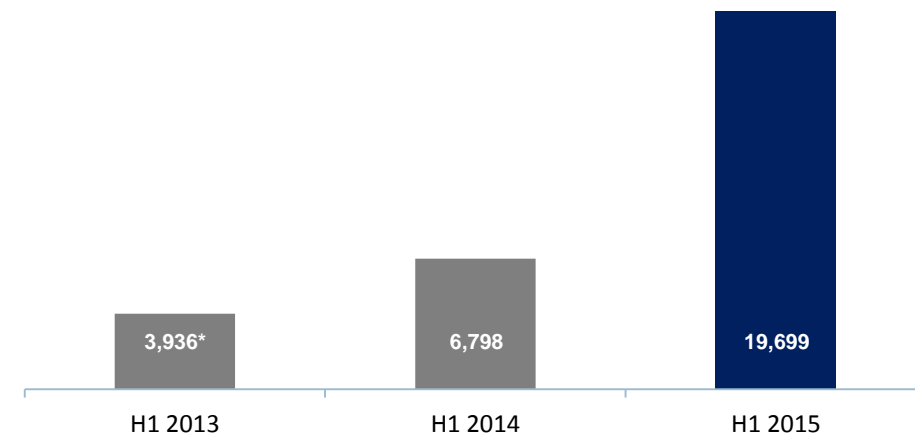


Annualised recurring revenue analysis – Electricity

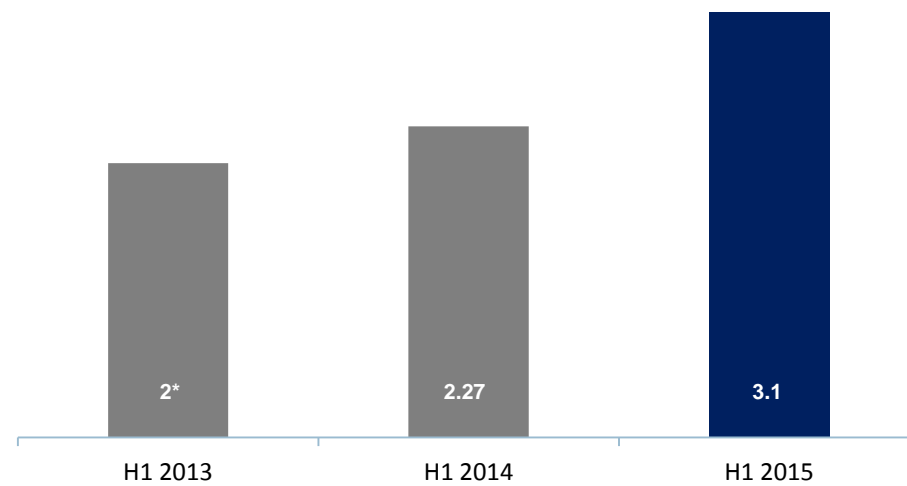
ELECTRICITY METERS (£m)



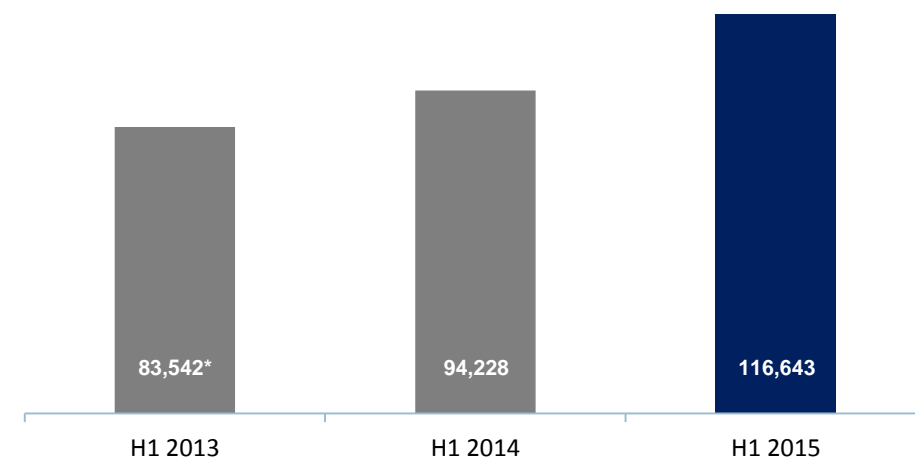
NUMBER OF INSTALLED ASSETS



ELECTRICITY DATA (£m)



NUMBER OF INSTALLED ASSETS



* Pre-acquisition of electricity division

Glen Murray, Finance Director

Financial review



Financial highlights

	Period ended 30 June 2015	Period ended 30 June 2014	Increase
Sales	£25.8m	£18.9m	36%
Gross profit	£17.2m	£12.2m	41%
Gross profit margin	67%	65%	
Underlying EBITDA*	£12.2m	£8.7m	40%
Underlying EBITDA* margin	47%	46%	
Underlying PBT**	£8.0m	£5.8m	37%
Underlying earnings per share**	6.90p	4.02p	72%

* Underlying EBITDA is before deduction of exceptional items (£nil – H1 2014: £890k)

** Underlying PBT and EPS are before deduction of exceptional items (£nil – H1 2014: £890k) and intangible amortisation (£5,76k - H1 2014: £298k)

- ◆ Net debt of £69.9m and net debt to 2.9x EBITDA*** (H1 2014: £48.6m and 2.8x)
- ◆ Available cash and unused debt facility of £35.1m at 30 June 2015

***Net debt EBITDA calculated on a six month historical EBITDA annualised basis.

Income statement segmental analysis

for the period ended 30 June 2015

	Asset Management*			Asset Installation*			Energy Management*		
	P/E 30 June 2015 £'m	P/E 30 June 2014 £'m	Increase	P/E 30 June 2015 £'m	P/E 30 June 2014 £'m	Increase	P/E 30 June 2015 £'m	P/E 30 June 2014 £'m	Increase
Revenue	14.1	9.4	50%	9.6	8.5	13%	2.1	1.0	111%
Cost of sales	2.0	1.5	29%	5.3	4.5	19%	1.2	0.7	77%
Segment gross profit	12.1	7.9	54%	4.3	4.0	5%	0.9	0.3	202%

- ◆ Asset management recurring revenue up 50% to £14.1m (H1 2014: £9.4m) – increase of 40% excluding Electricity asset revenue
- ◆ Asset management: unaudited current annual equivalent recurring income at 31 August 2015 for the Group is £32.0m, broken down as:
 - ◆ Gas meter rent £26.1m
 - ◆ Gas data rent £1.8m
 - ◆ Electricity meter rent £1.0m
 - ◆ Electricity data rent £3.1m
- ◆ Asset installation income up 13% to £9.6m (H1 2014: £8.5m)
- ◆ Energy management recurring revenue up 111% to £2.1m (H1 2014**: £1.0m)

*From its 2015 financial year onwards, SMS is now reporting financial performance across three separate segments of the business. Historically SMS has included energy management within asset installation but has now separated out this segment for greater clarity.
 Asset Management: regulated management of gas and electricity meters and ADM™ units within the UK
 Asset Installation: installation of domestic and I&C gas and electricity meters throughout the UK
 Energy Management: provision of energy advice
 ** From 14th April 2014 only (following acquisition of UPL).

Cash flow highlights

for the period ended 30 June 2015

	Period ended 30 June 2015 £'m	Period ended 30 June 2014 £'m
Operating cash flow	12.3	7.9
Working capital movement	(0.8)	(4.3)
Tax and interest	(1.1)	(0.7)
Capex	(21.7)	(16.2)
Acquisition of subsidiary	-	(12.6)
Cash acquired with subsidiary	-	3.4
Dividends	(1.6)	(1.4)
Share issue	0.3	-
Total movement	(12.6)	(15.3)
Opening net debt	(57.3)	(33.3)
Closing net debt	(69.9)	(48.6)

Balance sheet as at 30 June 2015

	HY 30 June 2015 £'m	HY 30 June 2014 £'m	FY 31 December 2014 £'m
Assets			
– Non-current intangible	10.5	10.4	10.9
– Non-current tangible	109.7	73.9	91.3
– Current	13.8	18.8	15.0
Total assets	134.0	103.1	117.3
Liabilities			
– Current	24.8	23.7	23.2
– Non-current	68.5	48.6	58.1
Total liabilities	93.3	72.3	81.3
Net assets	40.7	30.8	36.0

- ◆ Net debt as at 30 June 2015 was £69.9m (H1 2014: £48.6m)
- ◆ The Company's available cash and unused debt facility stood at £35.1m at 30 June 2015

Alan Foy, Chief Executive Officer

Strategic review



Business summary

Strong market position and clearly defined strategy operating gas and electricity services to a blue chip client base:

- ◆ Continue to install and own gas and electricity meters and data contracts in the UK I&C market from contracted order book
- ◆ Increase levels of business with, and services provided to, key gas and electricity suppliers, with a focus on cross-selling services between the Gas and Electricity customers and across our horizontal suite of services
- ◆ UPL now fully operationally integrated, and rebranding under the single SMS brand completed in Q2 2015

Further good progress across key business KPI's:

- ◆ Total annualised recurring income increased by 39% to £30.5m (H1 2014: £22.0m) with a further increase to £32.0m as at 31 August 2015; a run rate of c. £750K incremental per month. All as at 31 August 2015:
 - ◆ Gas meters: £26.1m (£21.9m @ 31 December 2014)
 - ◆ Electricity meters: £1.0m (£0.6m @ 31 December 2014)
 - ◆ Electricity data: £3.1m (£2.7m @ 31 December 2014)
 - ◆ Gas data: £1.8m (£1.0m @ 31 December 2014)
- ◆ Growth across all sectors and look forward with confidence

Business opportunity: 2015-2018

Core business case:

- ◆ I&C installation
- ◆ Recurring rental income
- ◆ Cross-selling: Gas and Electricity

Other potential opportunities:

- ◆ UK domestic smart metering
- ◆ Water: full UK accreditation - for data service
- ◆ Consulting energy services
- ◆ Overseas: ongoing trials

Appendices



SMS Plc - Celebrating 20 years in operation



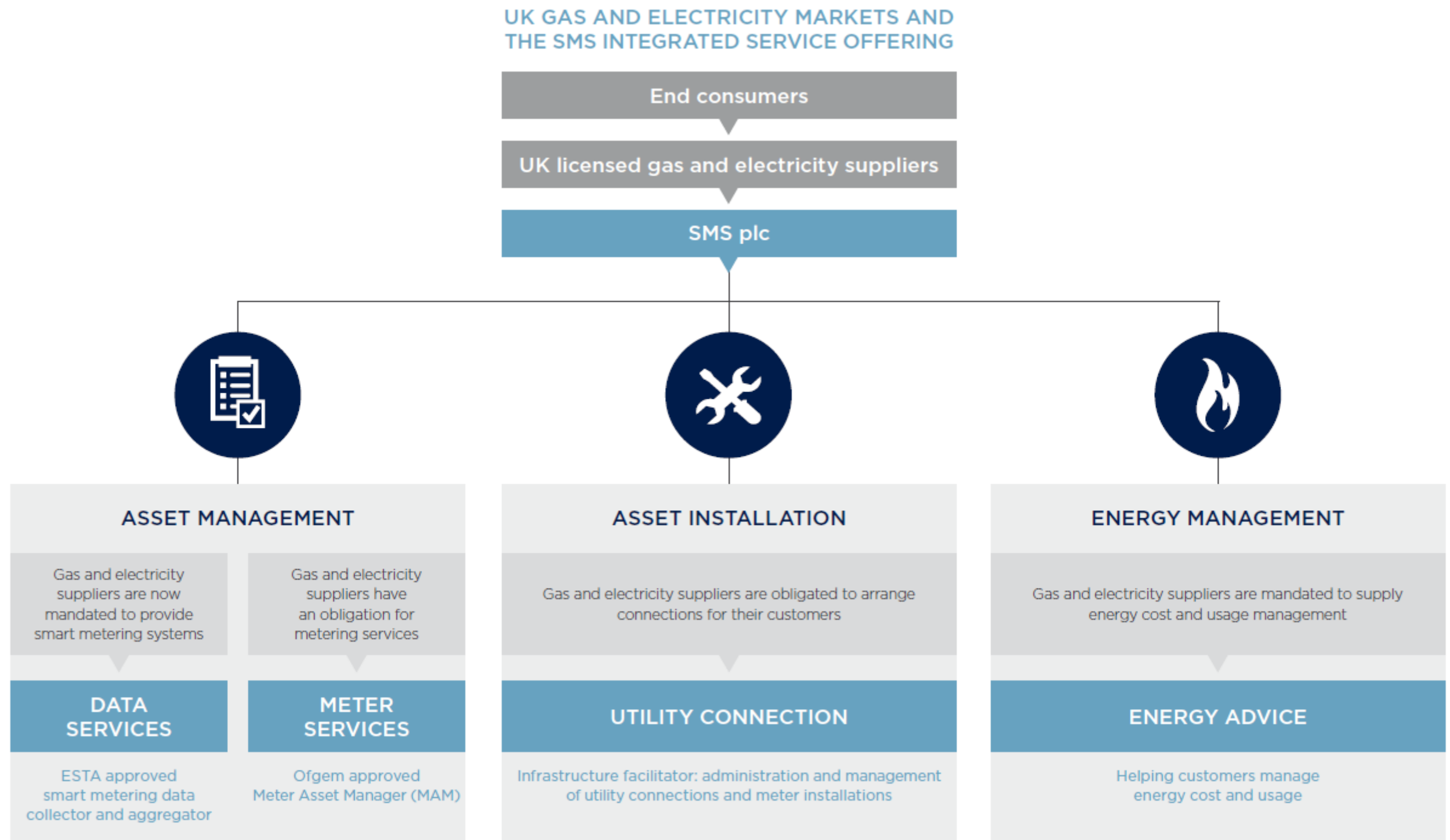
- ◆ **2015: 20th Anniversary - Full integration of UPL and Rebrand**
 - ◆ Rebranding of the Company under the single SMS Plc brand, with three clear business divisions
- ◆ **FY2014: Record results**
 - ◆ Since Admission to AIM SMS has quadrupled annual turnover to over £42m and increased EBITDA from £5.7m to £19.3m with annualised recurring income increased to £32.0m at 31 August 2015
- ◆ **2014: Acquisition of UPL to create a dual fuel business. Received full accreditation for UK water markets**
- ◆ **2012: European patent secured for SMS's ADM™ smart technology device**
- ◆ **2011: Admission to AIM – now firmly in the AIM50**
- ◆ **2009 – 2011: Developed smart metering and data management solutions**
 - ◆ Serving the I&C market in addition to preparing for the potential roll out of smart metering in the domestic market
- ◆ **2004: Became an Ofgem approved Meter Asset Manager (MAM)**
- ◆ **1995: Business established following Ofgem's move to liberalise the UK gas market**
 - ◆ A key driver in transforming the UK gas industry from monopoly-run to an unbundled market

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



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 half year ended 30 June 2015, 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.