

# Safe Secure **SMART**



**sms**plc

**Smart Metering Systems plc**  
Annual results for the year ended  
31st December 2016

# INTRODUCTION & AGENDA

## Business Review

- ▶ Our history 4
- ▶ Our integrated service 6
- ▶ Financial highlights 7
- ▶ Operational highlights 8

## Financial Review

- ▶ Income Statement 10
- ▶ Segmental Asset Installation 11
- ▶ Segmental Asset Management 12
- ▶ Segmental Energy Management 13
- ▶ Cash Flow 14
- ▶ Balance Sheet 15

## Our Strategy

- ▶ Our Market 17
- ▶ Our Asset Installation strategy 18
- ▶ Our Asset Management strategy 19
- ▶ Our Energy Management strategy 20
- ▶ Our business and investment case 21
- ▶ Our clients 22
- ▶ Outlook 23

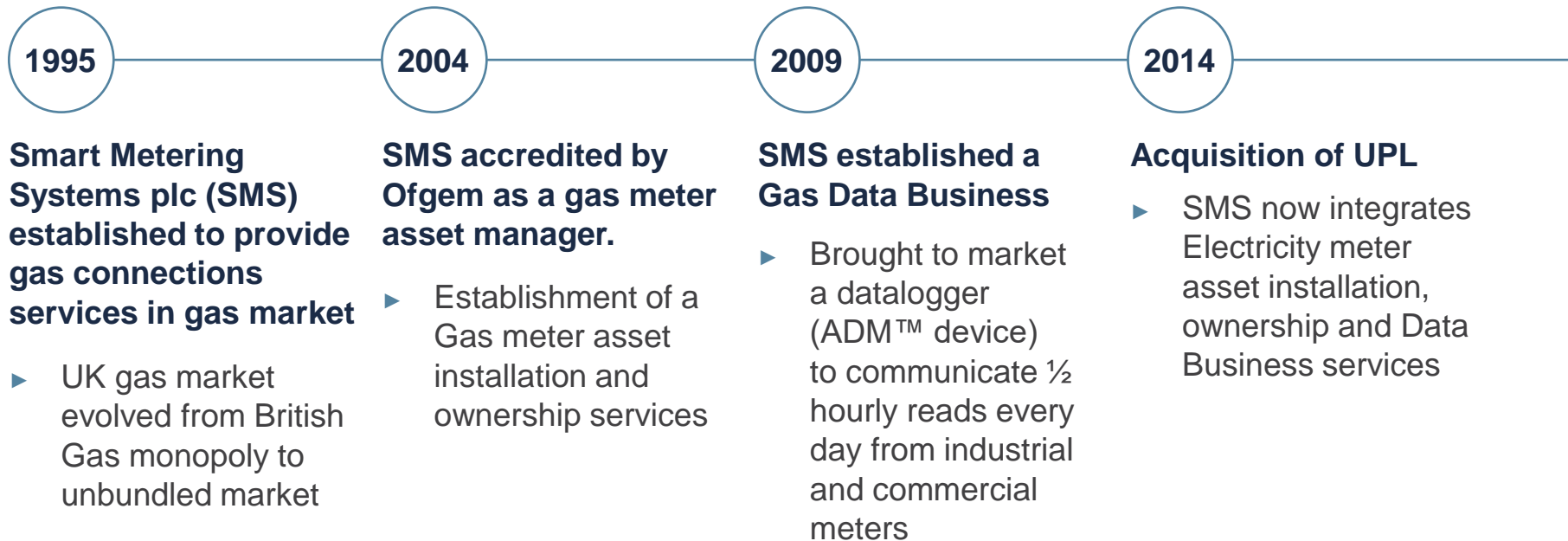
## Q&A

# BUSINESS REVIEW



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## Our history



## Our history

**2015**

**Grown to just under 1 million gas and electricity metering and data assets generating £34.7m in annual rents**

**2016**

**Grown to c.1.25 million gas and electricity metering and data assets generating £41.3m in annual rents**

- ▶ Acquired asset installation businesses CH4 Gas Utility and Maintenance Service Limited, Trojan Utilities Limited and IT and data security specialists Qton Solutions Limited
- ▶ SMS now has full in house control over direct labour to install meters and additional IT resource and the IPR rights to the field services software used by the installation workforce, in particular for the domestic smart meter roll out

**1,251,000**  
meter assets

**£67.19m**  
turnover

**714**  
staff

## Our integrated service

SMS installs, owns and manages utility metering assets and provides energy management solutions.

A comprehensive end-to-end service offering.



### **Asset Installation**

Direct field force  
management and  
installation



### **Asset Management**

Investing in assets  
and providing remote  
reading solutions



### **Energy Management**

Providing energy  
efficiency strategies

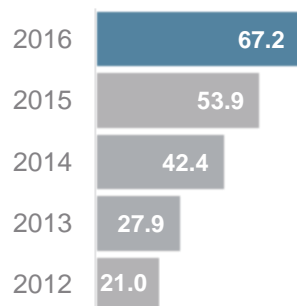
# Financial highlights

## Revenue

£m

# £67.2m

## +25%

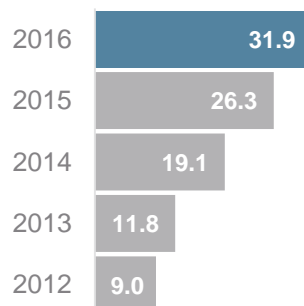


## Underlying\* EBITDA

£m

# £31.9m

## +21%

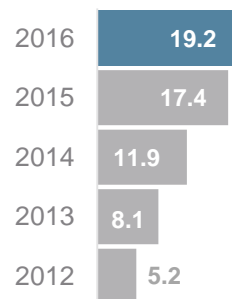


## Underlying\* earnings per share

p

# 19.2p

## +10%

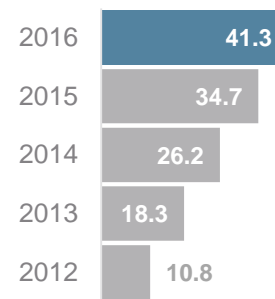


## Annualised Recurring Revenue\*\*

£m

# £41.3m

## +19%



- ▶ A final dividend of 2.73p per ordinary share totalling 4.1p for the full year (2015: 3.3p), an increase of 24%
- ▶ Gas: meter recurring rent increased by 13% to £31.5m (2015: £27.8m) and data recurring income increased by 17% to £2.6m (2015: £2.2m)
- ▶ Electricity: meter recurring rent increased by 125% to £2.9m (2015: £1.3m) and data recurring income grew 23% to £4.3m (2015: £3.5m)

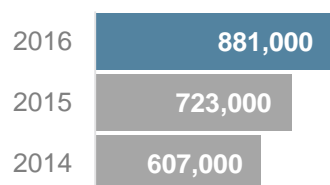
\*Underlying EBITDA and EPS are before deduction of exceptional items (£455k - 2015: £Nil), other operating income (£1,075k 2015: £1,546k) and intangible amortisation (£1,991k 2015: £1,459k)

\*\*Annualised recurring revenue - the annual index-linked revenue from our meter and data income streams at a point in time

# Operational highlights

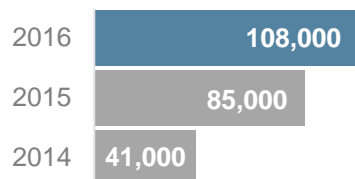
## Gas Meters

**881,000**  
**+22%**



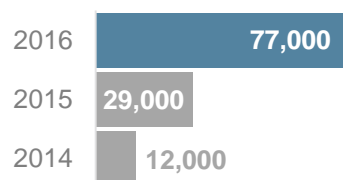
## Gas Data

**108,000**  
**+27%**



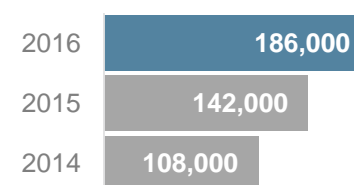
## Electricity Meters

**77,000**  
**+166%**



## Electricity Data

**186,000**  
**+31%**



- ▶ Recurring revenue from our 1.25m installed asset base (2015: 979,000) increased by 19% to £41.3m (2015: £34.7m)
- ▶ Capital expenditure on meters was £42.5m (2015: £41.1m), reaching a monthly run rate of approximately £4.0m in December 2016
- ▶ ADM™ installations up 23% to 91,000 units at 31 December 2016 (2015: 74,000)
- ▶ Completed the acquisition of CH4 Gas Utility and Maintenance Service Limited (CH4), Trojan Utilities Limited (Trojan) and Qton Solutions Limited (Qton), to further strengthen the Group ahead of the UK's Domestic smart meter roll out programme with the full UK-wide direct installation and IT support capacity



# FINANCIAL REVIEW



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# Income statement

	2016 £m	2015 £m	
Revenue	<b>67.2</b>	53.9	+25%
Gross Profit	<b>36.9</b>	30.1	+23%
Gross Profit Margin	<b>55%</b>	56%	-1%
Underlying* EBITDA	<b>31.9</b>	26.3	+21%
Underlying* EBITDA margin	<b>48%</b>	49%	-1%
Underlying* PBT	<b>19.6</b>	17.4	+13%
Underlying* earnings per share	<b>19.20p</b>	17.38p	+10%

- ▶ Net Debt £94.2m
- ▶ Net Debt to EBITDA x 2.89
- ▶ Available cash and unused debt facility £55.8m at December 2016
- ▶ In March 2017, a new £280 million revolving credit facility with a syndicate of banks which comprises Barclays Bank PLC, Santander UK PLC, HSBC UK, Clydesdale Bank Plc and Bank of Scotland PLC replaces the Group's existing £150 million facility

\*Underlying EBITDA, PBT and EPS are before deduction of exceptional items (£455k - 2015: £Nil), other operating income (£1,075k 2015: £1,546k) and intangible amortisation (£1,991k 2015: £1,459k)

## Segmental analysis



### Asset Installation

Direct field force  
management and  
installation

	<b>2016</b> <b>£'000</b>	2015 £'000	Reported change
Revenue	<b>26,115</b>	19,535	+34%
Cost of Sales	<b>(13,735)</b>	(10,891)	+26%
Gross Profit	<b>12,380</b>	8,644	+43%
Gross Profit Margin	<b>47%</b>	44%	

- Additions of 272,000 metering and data assets in 2016 and gained direct control of installations capability through acquisitions

## Segmental analysis



### Asset Management

Investing in assets  
and providing remote  
reading solutions

	<b>2016 £'000</b>	2015 £'000	Reported change
Revenue	<b>37,359</b>	30,233	+24%
Cost of Sales	<b>(14,441)</b>	(10,526)	+37%
Gross Profit	<b>22,918</b>	19,707	+16%
Gross Profit Margin	<b>61%</b>	65%	

- Strong year with annualised recurring revenue increasing 19% to £41.3m

Depreciation of £9,235k (2015: £6,378k) in relation to meter assets is now recorded within cost of sales to align with other operators in the industry. If this reallocation did not occur gross profit would have been £32,153k in 2016 and £26,085k in 2015, with gross margin 86% in 2016 and 86% in 2015

## Segmental analysis



### Energy Management

Providing energy  
efficiency strategies

	2016 £'000	2015 £'000	Reported change
Revenue	<b>3,714</b>	4,177	-11%
Cost of Sales	<b>(2,081)</b>	(2,388)	-13%
Gross Profit	<b>1,633</b>	1,789	-9%
Gross Profit Margin	<b>44%</b>	43%	

- Large one off project in 2015; 2016 returned to normal run rates

# Cash flow

	2016 £m	2015 £m
Operating Profit	<b>20.5</b>	19.6
Depreciation & Amortisation	<b>12.0</b>	8.3
EBITDA	<b>32.5</b>	27.9
Working Capital	<b>(1.1)</b>	(3.4)
Other	<b>0.4</b>	0.3
Operating cash flow movement	<b>31.8</b>	24.8
Tax	<b>(0.4)</b>	(0.3)
Net interest	<b>(2.6)</b>	(2.1)
Purchase of fixed assets	<b>(42.9)</b>	(41.5)
Proceeds from fixed assets disposal	<b>2.5</b>	0.2
Purchase of intangibles	<b>(1.1)</b>	(0.5)
HP repayments	<b>(1.0)</b>	(0.1)
Acquisitions	<b>0.4</b>	-
Cash Out Flow	<b>(13.3)</b>	(19.5)
Dividends	<b>(3.1)</b>	(2.6)
Changes in Equity	<b>1.2</b>	0.4
Net Cash Flow	<b>(15.2)</b>	(21.7)
Opening debt	<b>(79.0)</b>	(57.3)
Closing debt	<b>(94.2)</b>	(79.0)

# Balance sheet

	2016 £m	2015 £m
Assets		
Non-Current	<b>173.3</b>	136.7
Current	<b>29.9</b>	17.0
Total Assets	<b>203.2</b>	153.7
Liabilities		
Bank loan < 1 year	<b>14.5</b>	8.5
Current liabilities	<b>26.8</b>	15.5
Bank loan > 1 year	<b>87.6</b>	76.2
Non current liabilities	<b>7.9</b>	6.1
Total Liabilities	<b>136.8</b>	106.3
Net Assets	<b>66.4</b>	47.4

- ▶ Net Debt £94.2m
- ▶ Available cash and unused debt facility £55.8m at December 2016

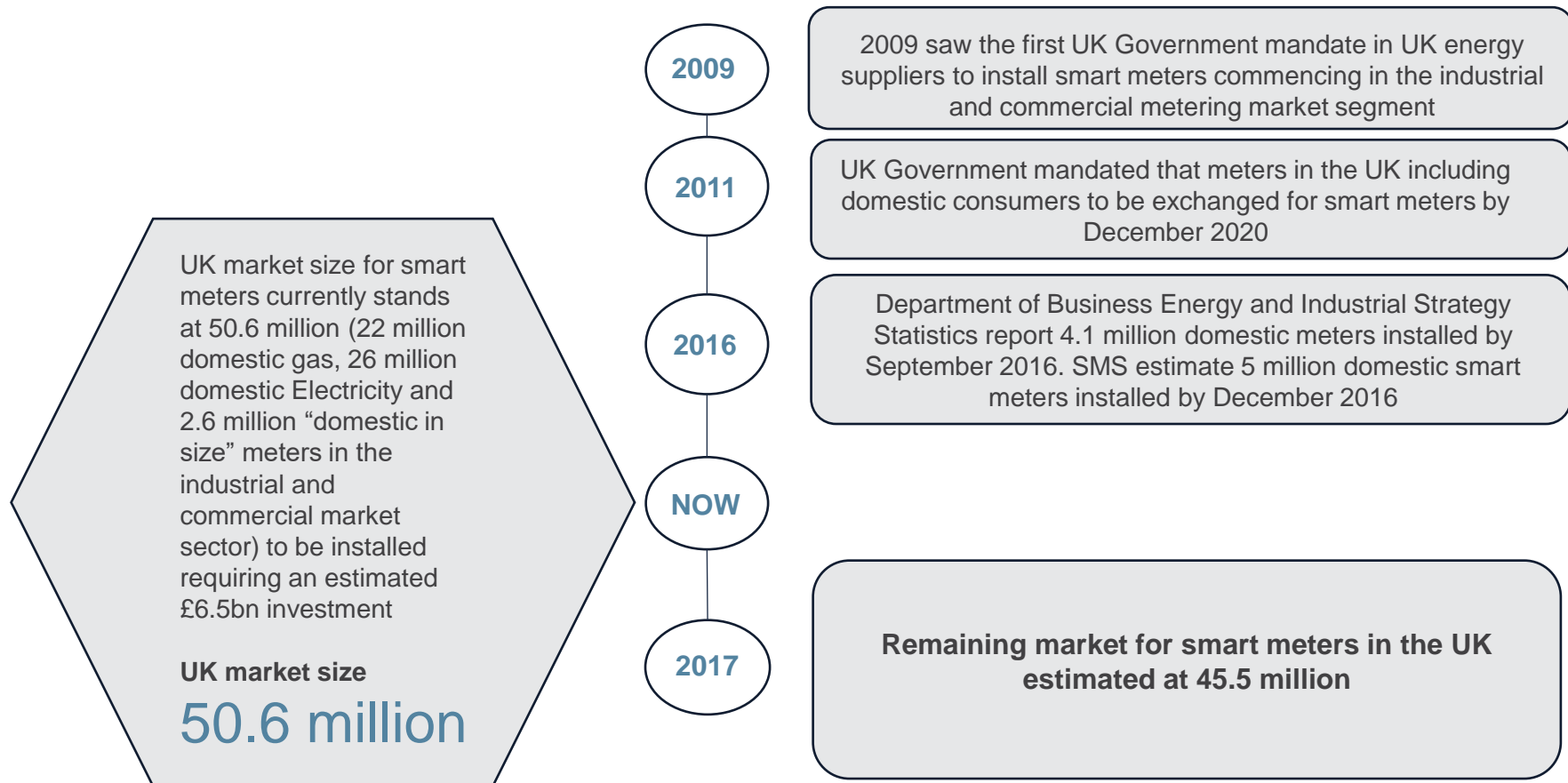
# OUR STRATEGY



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## Our market – evolution of smart meters



## Our Asset Installation strategy



### **Asset Installation**

Direct field force  
management and  
installation

### **Key strategic priorities**

- ▶ Continue to build our industrial and commercial meter asserts and target the domestic smart meter opportunity

### **Our current position**

- ▶ Secured, through acquisition, direct control of meter installation labour and software applications
- ▶ Our newly acquired businesses had installed over 400,000 domestic smart meters independent of SMS. Integrated with SMS, this creates the UK's most experienced and largest independent domestic smart meter installation workforce

### **Focus for 2017**

- ▶ Increase current capacity of 40,000 domestic smart meter installations per month in line with our customer requirements

# Our Asset Management strategy



## **Asset Management**

Investing in assets  
and providing remote  
reading solutions

### **Key strategic priorities**

- ▶ Increase growth rate of meter assets portfolio and drive recurring revenue

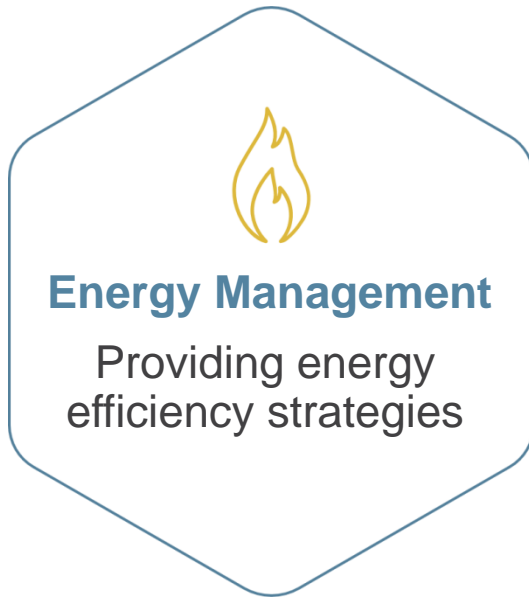
### **Our current position**

- ▶ £41.3m recurring revenue from our 1.25m assets under management

### **Focus for 2017**

- ▶ Build on recurring revenue from assets under management
- ▶ Build on the market share already established through existing contracted energy supplier customers in the UK's domestic smart meter asset installation and ownership opportunity

## Our Energy Management strategy



### **Key strategic priorities**

- ▶ Focus on cross-selling within the SMS group and establish additional energy efficient products and services

### **Our current position**

- ▶ Provides a comprehensive range of energy management and data analysis services on long term contracts to UK and international blue chip companies

### **Focus for 2017**

- ▶ SMS continue to serve its existing industrial and commercial customer base, providing energy strategies and aim to identify new assets to own

## Our business and investment case

- ▶ Established gas and electricity metering and data services company with over 1.25 million assets generating £41.3million in annual rents
- ▶ Proven management team with record of growing recurring index linked long term annually recurring revenues and profits in the utility sector
- ▶ Establishing a position in the sizable market opportunity in the new UK Domestic smart meter market
- ▶ Scalable IT and installation capability to deliver ownership of additional gas and electricity smart meter asset and hence incremental annually recurring rents

## Our clients

### Asset Installation, ownership and management



### Energy Management



- ▶ Long-standing multi-level relationships with suppliers who are responsible for the rollout of smart metering
- ▶ Contracted to provide energy management services for multinational clients

## Outlook

- ▶ Increase long term index-linked rental income from installed utility metering and data assets
- ▶ Maximise recurring rental income from the current contracted order book in the I&C market
- ▶ Add new energy supplier customers in the Domestic smart metering market
- ▶ Build on the initial order book for Domestic smart meters already received from eight energy supplier customers who, in aggregate, supply over 2.5million homes with gas and electricity
- ▶ Further expand the Energy Management offering to the market and investigate both other asset ownership opportunities and further long term rental opportunities
- ▶ Maintain communication with key stakeholders in the UK's water market as, following gas and electricity, it also moves to smart metering

# Q&A



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