



# LEADING THE **ENERGY** REVOLUTION

2 0 1 7

**Smart Metering Systems plc**

Annual results for the year ended  
31<sup>st</sup> December 2017



# INTRODUCTION AND AGENDA

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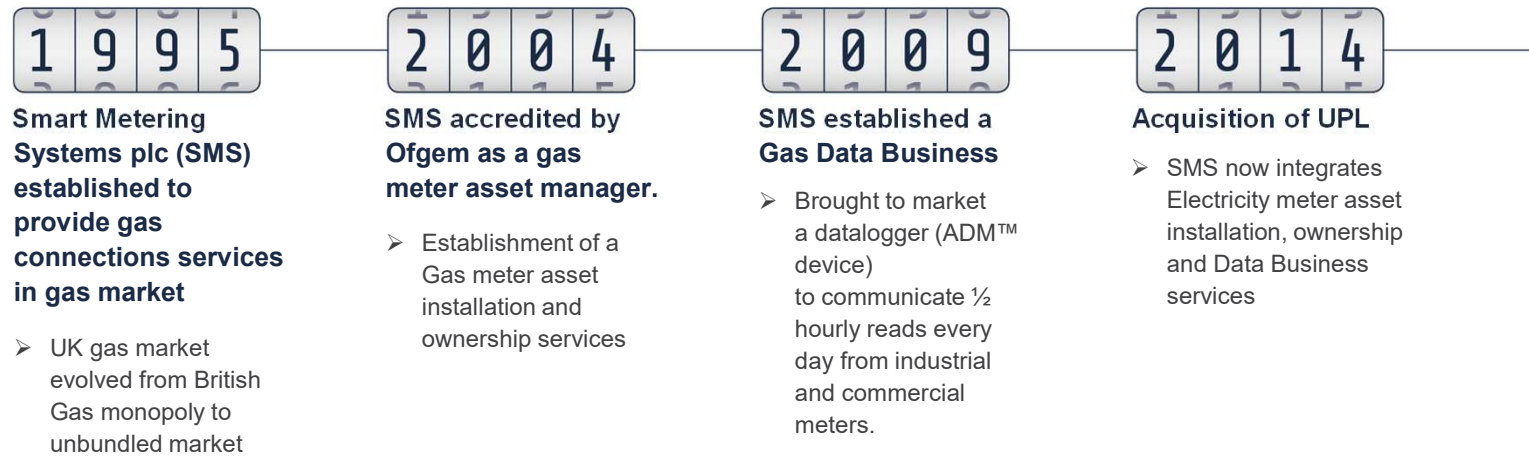
## **Q&A**

# BUSINESS REVIEW

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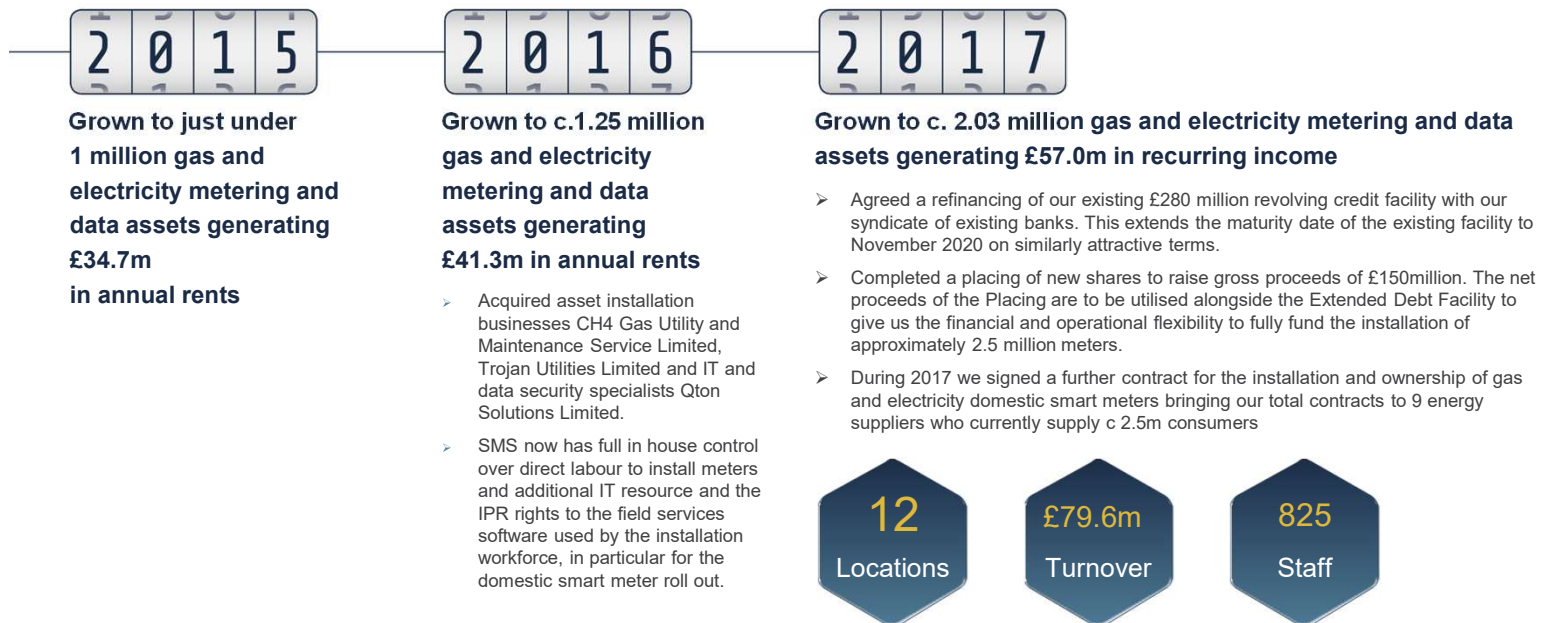
## INTRODUCTION

# Our journey



## INTRODUCTION

# Our continued growth story



## INTRODUCTION

# Our integrated service

SMS install, 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



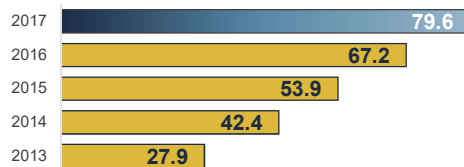
### **Energy management**

Providing energy efficiency strategies

# Financial Highlights

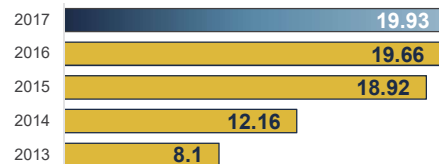
## Revenue (£m)

**£79.6** +18%



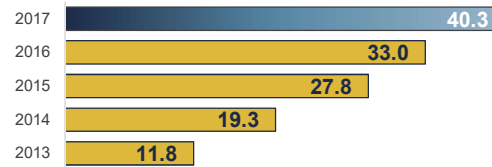
## Restated underlying<sup>1, 2</sup> earnings per share

**19.93p** +1%



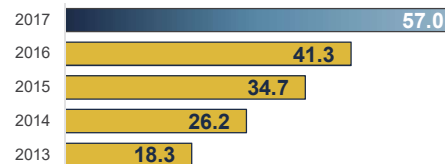
## Pre exceptional EBITDA<sup>1</sup> (£m)

**£40.3** +22%



## Annualised Recurring Revenue<sup>3</sup> (£m)

**£57.0** +38%



► Gas: meter recurring rent increased by 15% to £36.1m (2016: £31.5m) and data recurring income increased by 15% to £3.0m (2016: £2.6m)

► Electricity: meter recurring rent increased by 283% to £11.2m (2016: £2.9m) and data recurring income grew 56% to £6.7m (2016: £4.3m)

► A final dividend of 3.46p per ordinary share totalling 5.20p for the full year (2016: 4.10p), an increase of 27%

<sup>1</sup> Pre-exceptional EBITDA and underlying EPS are presented under the revised approach to include other operating income

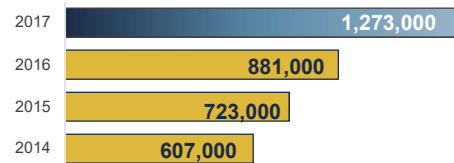
<sup>2</sup> Underlying EPS is before deduction of exceptional items (2017: £2.0m, 2016: £0.5m), and intangible amortisation (2017: £2.2m, 2016: £2.0m).

<sup>3</sup> Annualised recurring revenue - the annual index-linked revenue from our meter and data income streams at a point in time.

# Operational Highlights

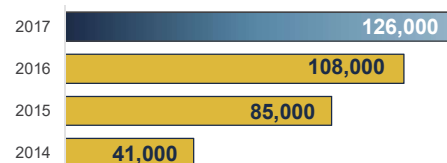
## Gas Meters

1,273,000\* +45%



## Gas Data

126,000 +17%

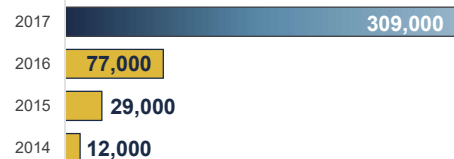


► Recurring revenue from our 2.03m asset managed portfolio (2016: 1.25m) increased by 38% to £57.0m (2016: £41.3m)

► Capital expenditure on meter and data assets was £122.8m (2016: £42.5m)

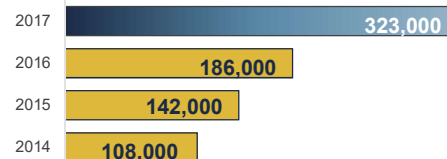
## Electricity Meters

309,000 +301%



## Electricity Data

323,000 +74%



► ADM™ installations up 13% to 103,000 units at 31 December 2017 (2016: 91,000)

\* Includes 3<sup>rd</sup> party meter management appointments



# FINANCIAL REVIEW



## FINANCIAL REVIEW

# Income statement

	2017 £m	2016 £m	
<b>Revenue</b>	<b>79.6</b>	67.2	18%
<b>Gross profit</b>	<b>40.4</b>	36.9	9%
<b>Gross profit margin</b>	<b>51%</b>	55%	(4%)
<b>Pre Exceptional EBITDA</b>	<b>40.3</b>	33.0 <sup>1</sup>	22%
<b>Pre Exceptional EBITDA margin</b>	<b>51%</b>	49%	2%
<b>Underlying<sup>2</sup> PBT</b>	<b>22.2</b>	20.7	7%
<b>Underlying<sup>2</sup> earnings per share</b>	<b>19.93p</b>	19.66p	1%

- Net Debt £36.5m (2016: £94.2m)
- Net Debt to pre-exceptional EBITDA x 0.90
- Available cash and unused debt facility £243.5m at December 2017 (2016: £55.8m)
- During the year we agreed a refinancing of the existing £280 million revolving credit facility (the Extended Debt Facility) with our syndicate of existing banks. The Extended Debt Facility extends the maturity date of the existing facility from March 2019 to November 2020 on similarly attractive terms.

<sup>1</sup> 2016 Pre exceptional EBITDA has been restated to include other operating income

<sup>2</sup> Underlying PBT and EPS are before deduction of exceptional items (2017:£2.0m, 2016: £0.5m) and intangible amortisation (2017: £2.2m, 2016: £2.0m).

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
<b>Previously reported underlying EBITDA</b>	11.8	19.1	26.3	31.9	36.9
<b>Other operating income</b>	0.0	0.2	1.5	1.1	3.4
<b>Pre exceptional EBITDA</b>	11.8	19.3	27.8	33.0	40.3

	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m
<b>Previously reported underlying PBT</b>	7.7	12.8	17.4	19.6	18.8
<b>Other operating income</b>	0.0	0.2	1.5	1.1	3.4
<b>Revised underlying PBT</b>	7.7	13.0	18.9	20.7	22.2

Smart Metering Systems plc Annual results for the year ended 31st December 2017

# Segmental Analysis



	2017 £'000	2016 £'000	Reported change
Revenue	27,517	26,115	+5%
Cost of Sales	(17,970)	(13,735)	+31%
Gross Profit	9,547	12,380	-23%
Gross Profit Margin	35%	47%	

- Opened new headquarters and new 12,500sqft warehouse and logistics hub
- Customer base growing for repeat connections management activity, including national telecommunications companies.

# Segmental Analysis



	2017 £'000	2016 £'000	Reported change
Revenue	<b>48,655</b>	37,359	+30%
Cost of Sales*	<b>(18,958)</b>	(14,441)	+31%
Gross Profit	<b>29,697</b>	22,918	+30%
Gross Profit Margin	<b>61%</b>	61%	

- Milestone year with annualised recurring revenue increasing 38% to £57.0m
- £150 million equity raise and a new large customer contact win.
- Additions of c.780,000 metering and data assets in 2017

\* Depreciation of £13,368k (2016: £9,235k) in relation to meter assets is recorded within cost of sales to align with other operators in the industry. The cash cost of sales relates to sim card costs and 3<sup>rd</sup> party rental costs. The gross profit excluding depreciation is £43,065k in 2017 and £32,153k in 2016, with a gross margin of 88% in 2017 and 86% in 2016.

# Segmental Analysis



	2017 £'000	2016 £'000	Reported change
Revenue	3,421	3,714	-8%
Cost of Sales	(2,236)	(2,081)	+7%
Gross Profit	1,185	1,633	-27%
Gross Profit Margin	35%	44%	

- ▶ Large one off projects in 2016; 2017 returned to normal run rates
- ▶ 2017 focus has been on providing a platform for growth and developing longer-term customer relationships

## FINANCIAL REVIEW

# Cash Flow

	2017 £m	2016 £m
Operating Profit	22.6	20.5
Depreciation & Amortisation	16.2	12.0
EBITDA	38.8	32.5
Working Capital	2.2	(1.1)
Other	0.2	0.4
Operating cash flow movement	41.2	31.8
Tax	(1.0)	(0.4)
Net interest	(4.5)	(2.6)
Purchase of fixed assets	(123.9)	(42.9)
Proceeds from fixed assets disposal	3.3	2.5
Purchase of intangibles	(1.4)	(1.1)
HP repayments	-	(1.0)
Acquisitions	-	0.4
Cash Out Flow	(86.3)	(13.3)
Dividends	(4.0)	(3.1)
Changes in Equity	148.0	1.2
Net Cash Flow	57.7	(15.2)
Cash inflow from new borrowings	104.1	30.4
Cash outflow from capital repayments	(19.2)	(12.9)
Net increase in cash and cash equivalents	142.6	2.3

	2017 £m	2016 £m
Net increase in cash and cash equivalents	142.6	2.3
Cash outflow from movement in debt	(84.9)	(17.5)
Changes in net debt arising from cash flow	57.7	(15.2)
Net debt at beginning of year	(94.2)	(79.0)
Net debt at end of year	(36.5)	(94.2)

December 2017 YTD Group Cash Flows - Sources and uses			
Cash inflow from operating activities	£41.2 m	Cash outflow on fixed assets	(125.3) m
New finance drawn from banking facilities	£104.1 m	Debt servicing (capital and interest)	(23.7) m
Cash from fixed assets disposals	£3.3 m	Dividends paid	(4.0) m
Cash from issue of new shares	£148.0 m	Cash tax paid	(1.0) m
Total cash inflow to the business	£296.6 m	Total cash outflow	(154.0) m

➤ Cash increased by £142.6m in the year to December 2017

# Balance Sheet

	2017 £m	2016 £m
<b>Assets</b>		
<b>Non-Current</b>	<b>279.9</b>	173.3
<b>Current</b>	<b>42.3</b>	21.9
<b>Cash at Bank</b>	<b>150.6</b>	8.0
<b>Total Assets</b>	<b>472.8</b>	203.2
<b>Liabilities</b>		
<b>Bank loan &lt; 1 year</b>	<b>23.2</b>	14.5
<b>Current liabilities</b>	<b>48.2</b>	26.8
<b>Bank loan &gt; 1 year</b>	<b>163.9</b>	87.6
<b>Non current liabilities</b>	<b>9.9</b>	7.9
<b>Total Liabilities</b>	<b>245.2</b>	136.8
<b>Net Assets</b>	<b>227.6</b>	66.4

- Net Debt £36.5m (2016: £94.2m)
- Available cash and unused debt facility £243.5m at December 2017 (2016: £55.8m)

# OUR STRATEGY





## Our market - The Smart Meter Revolution



### The Energy System is fast evolving away from a centralised model...

- ▶ The change in the UK energy market is driving new and innovative solutions to deliver cost savings and to meet carbon reduction commitments.
- ▶ Energy reduction through consumer behaviour is creating a large market for the installation and management of intelligent technology assets.
- ▶ Core to this revolution is data; and **smart meters** are the key requirement to generating this information.
- ▶ As SMS offers a full service from meter ownership through to installation and management, **we are uniquely positioned to be a driving force in the smart meter rollout.**

### The market opportunity

- ▶ By the end of 2020, the UK Government and Ofgem want 80% of households and businesses to have a smart meter.
- ▶ With a requirement of over 40 million meters to be installed, SMS are ideally placed to deliver best-in-class services to energy suppliers and their consumers.

# Our Asset Installation strategy



## Key strategic priorities

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

## Our current position

- ▶ Secured, through acquisition, direct control of meter installation labour and software applications
- ▶ Our acquired businesses integrated with SMS, creates the UK's most experienced and largest independent domestic smart meter installation workforce.

## Focus for 2018

- ▶ We aim to continue to grow the asset installation capacity in line with our customer requirements whilst also improving efficiency of delivery across all aspects of the business
- ▶ Our focus is supported by our in-house training centre which provides confidence to our clients about our ability to ramp up our installation capacity.

# Our Asset Management strategy



## Key strategic priorities

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

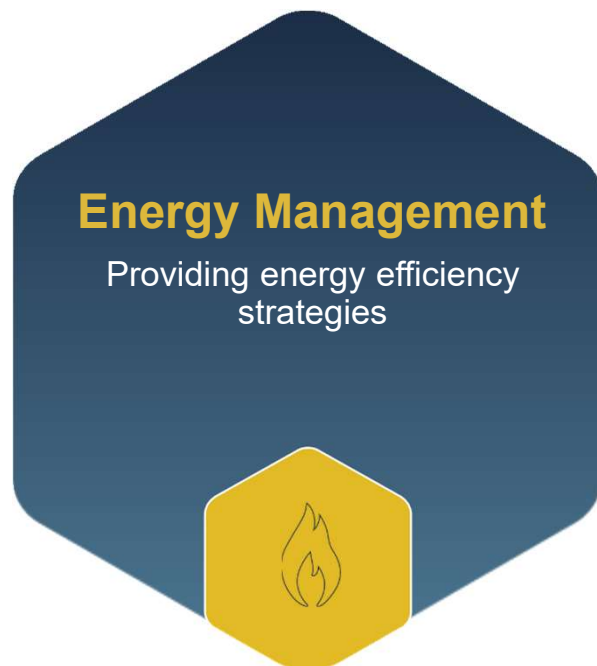
## Our current position

- ▶ £60.7m recurring revenue from our 2.26m meter and data assets under management at the end of February 2018

## Focus for 2018

- ▶ 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
- ▶ We see continued and increased demand for our services, and have been pleased to put in place extended long-term contracts with our entire key customer base.

## Focus for 2018

- ▶ SMS continue to serve its existing industrial and commercial customer base, providing energy strategies and aim to identify new assets to own
- ▶ Continue to develop long-term customer relationships to ensure we maximise opportunities to derive increased data recurring revenue from our energy services activity

# Our business and investment case

- ▶ Established gas and electricity metering and data services company with over 2.26 million meter and data assets generating £60.7 million in annual revenue at 28 February 2018
- ▶ 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

# Q&A

