

Safe Secure **SMART**



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Smart Metering Systems plc
Interim results for the period ended
30 June 2017

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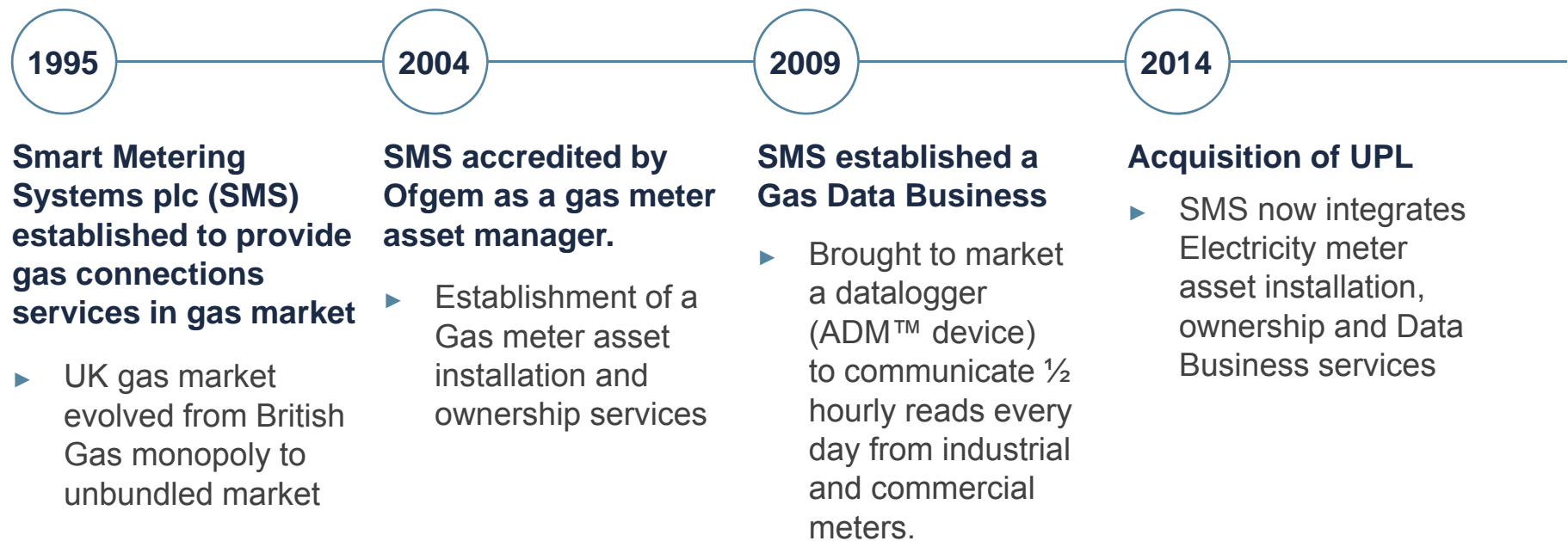
Q&A

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 recurring income

2016

Grown to c.1.25 million gas and electricity metering and data assets generating £41.3m in recurring income

- ▶ Acquired CH4, Trojan and Qton

H1
2017

Grown to c.1.68 million gas and electricity metering and data assets generating £48.4m in recurring income

- ▶ During 2017 we signed a further contract for the installation and ownership of gas and electricity domestic smart meters bringing our total contracts to 9 energy suppliers who currently supply c. 2.5m consumers

1,678,000
meter assets

£36.8m
turnover

753
staff

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

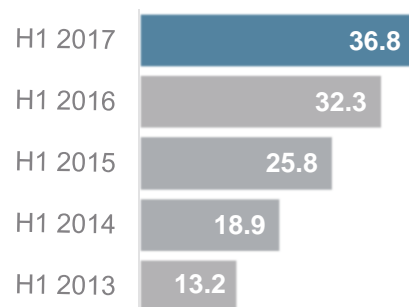
Financial highlights

Revenue

£m

£36.8m

+14%



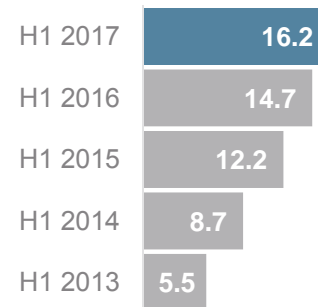
Underlying*

EBITDA

£m

£16.2m

+10%



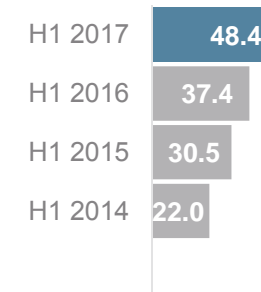
Annualised Recurring

Revenue**

£m

£48.4m

+29%



- ▶ A interim dividend of 1.74p per ordinary share an increase of 27%
- ▶ Gas: meter recurring rent increased by 13% to £33.7m (H1 2016: £29.7m) and data recurring income increased by 17% to £2.8m (H1 2016: £2.4m)
- ▶ Electricity: meter recurring rent increased by 281% to £6.1m (H1 2016: £1.6m) and data recurring income grew 57% to £5.8m (H1 2016: £3.7m)

*Underlying EBITDA and EPS are before deduction of exceptional items (£556k – H1 2016: £369k), other operating income (£2,473k – H1 2016: £1,155k) and intangible amortisation (£1,048k – H1 2016: £896k).

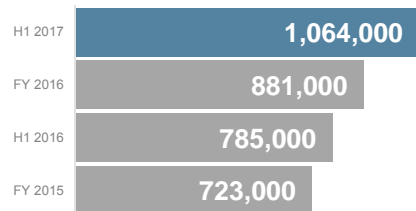
**Annualised recurring revenue - the annual index-linked revenue from our meter and data income streams at a point in time.

Smart Metering Systems plc Interim results for the year ended 30 June 2017

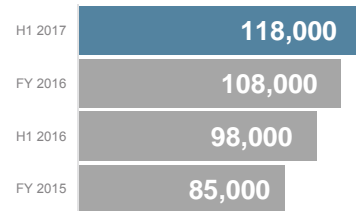
Operational highlights

TOTAL PORTFOLIO 1,678,000

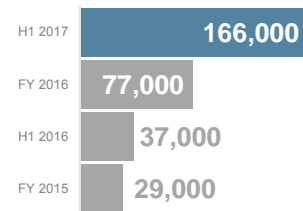
Gas Meters
1,064,000
+21%



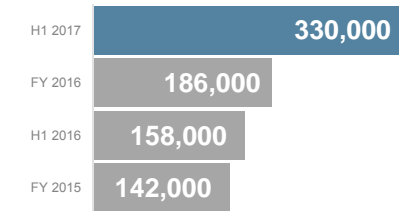
Gas Data
118,000
+9%



Electricity Meters
166,000
+116%



Electricity Data
330,000
+77%



- ▶ Recurring revenue from our 1.68m installed asset base (H1 2016: 1.08m) increased by 29% to £48.4m (H1 2016: £37.4m)
- ▶ Capital expenditure was £48.9m (H1 2016: £14.8m)
- ▶ ADM™ installations up 9% to 99,000 units at 30 June 2017 (FY 2016: 91,000)

FINANCIAL REVIEW



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Income statement

	H1 2017 £m	H1 2016 £m	
Revenue	36.8	32.3	+14%
Gross Profit	19.0	18.4	+3%
Gross Profit Margin	51%	57%	-6%
Underlying* EBITDA	16.2	14.7	+10%
Underlying* EBITDA margin	44%	45%	-1%
Underlying* PBT	8.4	9.2	-9%
Underlying* earnings per share	7.68p	8.55p	-10%

Net Debt £122m

Net debt to underlying annualised EBITDA ratio of 3.76 times

Available cash and unused debt facility £158m at June 2017

In March 2017, a new £280 million 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 replaced the Group's existing £150 million facility

*Underlying EBITDA, PBT and EPS are before deduction of exceptional items (£556k – H1 2016: £369k), other operating income (£2,473k – H1 2016: £1,155k) and intangible amortisation (£1,048k – H1 2016: £896k).

Smart Metering Systems plc Interim results for the period ended 30 June 2017

Segmental analysis



Asset Installation

Direct field force
management and
installation

	H1 2017 £'000	H1 2016 £'000	Reported change
Revenue	13,083	12,791	+2%
Cost of Sales	(8,431)	(6,529)	+29%
Gross Profit	4,652	6,262	-26%
Gross Profit Margin	36%	49%	

- Clear focus on domestic smart metering whilst continuing to deliver its order book converting I&C to remotely read meters.

Segmental analysis



Asset Management

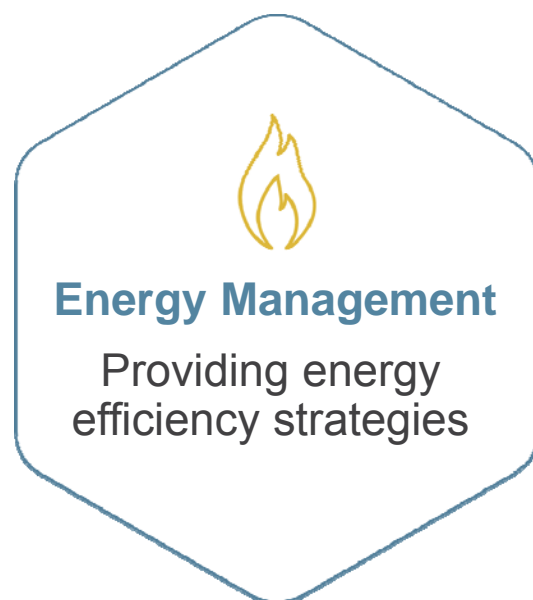
Investing in assets
and providing remote
reading solutions

	H1 2017 £'000	H1 2016 £'000	Reported change
Revenue	22,132	17,699	+25%
Cost of Sales	(8,442)	(6,321)	+34%
Gross Profit	13,690	11,378	+20%
Gross Profit Margin	62%	64%	

- Strong year with annualised recurring revenue increasing 29% to £48.4m

2017 depreciation of £5.6m (H1 2016: £3.9m) in relation to meter assets is now recorded within cost of sales to align with other operators in the industry.

Segmental analysis



	H1 2017 £'000	H1 2016 £'000	Reported change
Revenue	1,627	1,822	-11%
Cost of Sales	(996)	(1,045)	-5%
Gross Profit	631	777	-19%
Gross Profit Margin	39%	43%	

- Large one off project in 2016; 2017 returned to normal run rates

Cash flow

	H1 2017 £m	H1 2016 £m
Operating Profit	11.1	10.3
Depreciation & Amortisation	7.0	5.2
EBITDA	18.1	15.5
Working Capital	4.7	-
Other	0.2	0.1
Operating cash flow movement	23.0	15.6
Tax	(0.9)	(0.3)
Net interest	(1.7)	(1.2)
Purchase of fixed assets	(48.9)	(14.8)
Proceeds from fixed assets disposal	1.7	0.3
Purchase of intangibles	-	(0.4)
HP repayments	-	(0.2)
Acquisitions	-	-
Cash Out Flow	(26.8)	(1.0)
Dividends	(2.4)	(1.9)
Changes in Equity	1.2	0.9
Net Cash Flow	(28.0)	(2.0)
Opening net debt	(94.0)	(79.0)
Closing net debt	(122.0)	(81.0)

Balance sheet

	H1 2017 £m	H1 2016 £m
Assets		
Non-Current	214.7	153.7
Current	41.4	26.9
Total Assets	256.0	180.6
Liabilities		
Bank loan < 1 year	17.0	12.4
Current liabilities	42.7	24.4
Bank loan > 1 year	112.8	77.4
Non current liabilities	9.4	8.3
Total Liabilities	181.9	122.5
Net Assets	74.1	58.1

Net Debt £122m

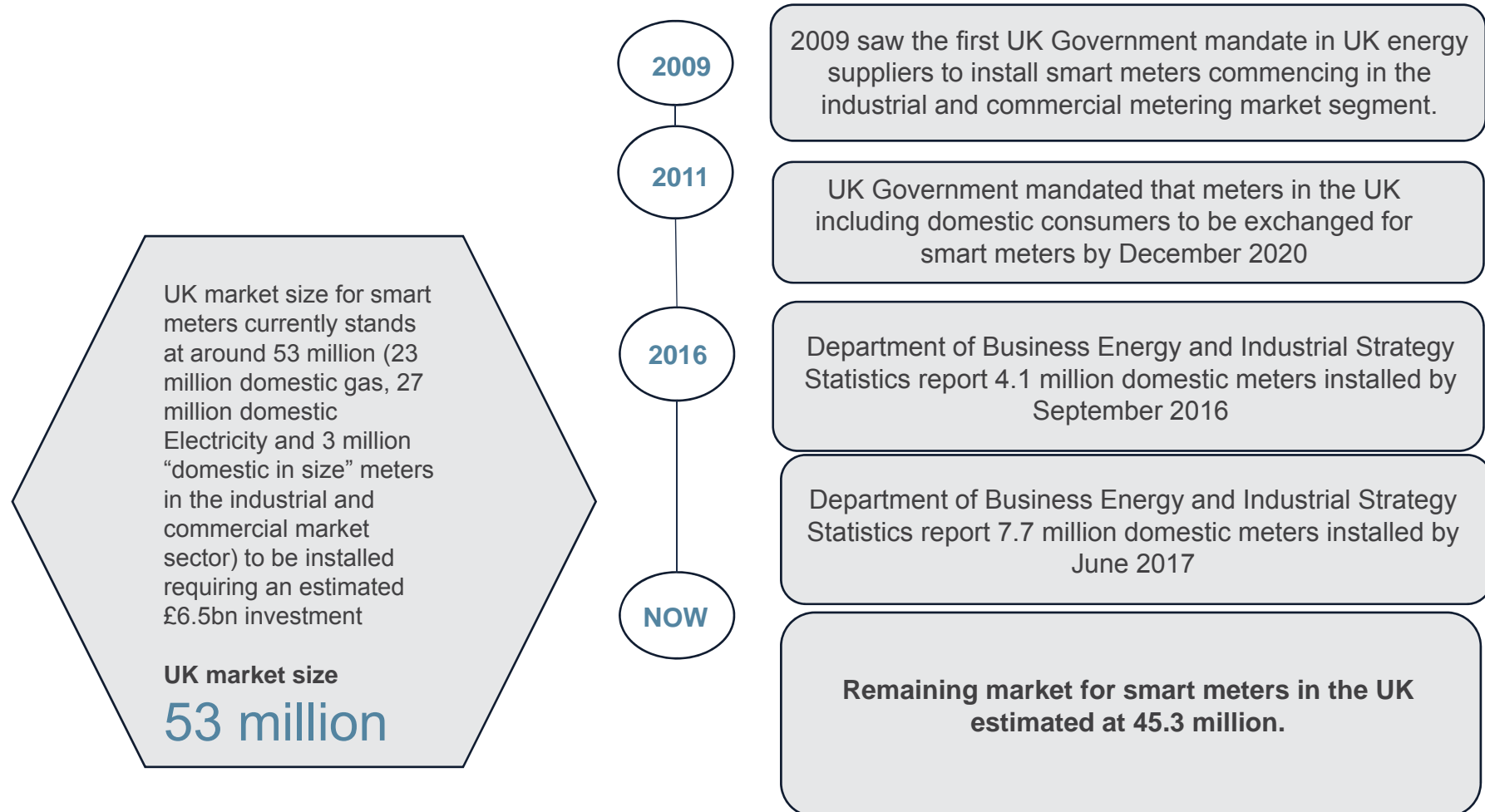
Available cash and unused debt facility £158m at June 2017.

OUR STRATEGY



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Our market – evolution of smart meters



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

Continued focus for 2017

- ▶ Increase current capacity of 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

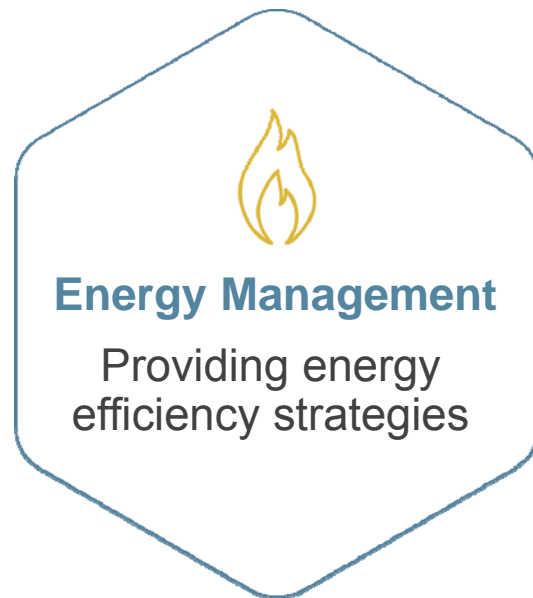
Our current position

- ▶ £51.3m recurring revenue from our 1.82m assets under management as at 31 August 2017

Continued 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

Continued 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 1.82 million assets generating £51.3 million in annual revenue at 31 August 2017
- ▶ 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

Q&A



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