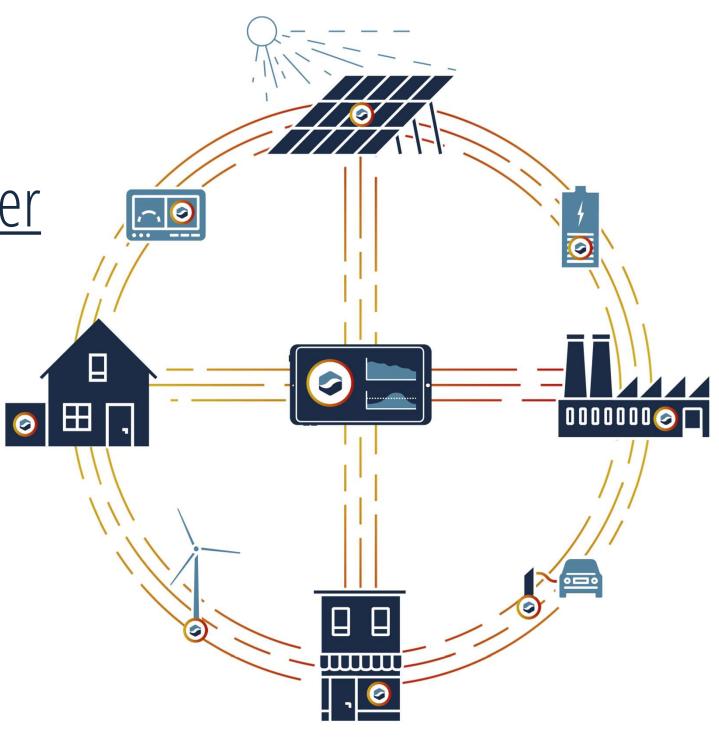


Enabling smarter solutions

**Smart Metering Systems plc** 

Minority Asset Disposal & Business Positioning





# Minority Asset Disposal

- •£291m gross proceeds from asset disposal(1), 16.4x multiple of net EBITDA(2)
  - Disposed portfolio includes minority £18.4m ILARR from I&C meter assets (4.7<sup>(3)</sup> years average age)
  - Retained index-linked management fee of £0.8m p.a.
  - At 29 February 2020, total Group ILARR pre Disposal is £90.9m
  - Post Disposal, retained Group ILARR (including 3rd party management fees) is £73.2m
- Business positioning
  - Growth: Maximise growth in the UK smart meter roll-out
  - Capital structure: Maintain prudent leverage through the meter growth phase
  - Dividends: Increase dividends to 25p and growing at least in line with RPI



### Business Positioning (1/2)

#### Growth

- Existing c.2m smart meter order book expected to add c.£40m ILARR
- £18.6m of traditional meter ILARR to be exchanged for smart results in £21.4m net growth
- Potential pipeline beyond order book overall market had c.37m meters to be exchanged at 30 September 2019
- Existing SMS customers have, in addition to contracted pipeline, c.4m to be exchanged, not yet committed

#### Capital structure

- Leverage reset; net cash positive on completion<sup>(1)</sup> (£282m net proceeds compares to December 2019 net debt position of c.£220m)
- c.£400m investment required for 2m smart meter order book to 2024
- Order book satisfied by amended £300m RCF<sup>(2)</sup> and excess cash from operations
- Maintain leverage at prudent 3-4x net debt / EBITDA through the meter growth phase
- Options to fund further growth



# Business Positioning (2/2)

### Dividend policy

- Proposed dividend policy
  - Meter revenue streams are long-term, RPI-linked and highly stable, providing strong visibility
  - FY20 dividends increased to 25p growing at least in line with RPI p.a. during the meter growth phase to 2024
  - During the meter growth phase sufficient operating cash to dividend ratio of c.2.0x, beyond the growth phase we expect this to increase; earnings cover expected to improve over time
  - Dividends payable quarterly, starting October 2020; scrip alternative up to 30%, providing options to shareholders
- Further dividend upside potential
  - Optionality to increase dividends further during and after the meter growth phase



# <u>Trading Update and Market Outlook</u>

### Trading update

- 2019 results in line with market expectations as confirmed in RNS 31 January 2020
  - Results will be published as previously announced on 17 March 2020

#### Market outlook

 Industry technical issues that resulted in 2019 slowdown of the UK smart meter exchange programme now resolved

#### COVID-19 impact assessment

- Potential reduction in engineering workforce meter installation capability due to restrictions imposed
- Monitor and manage the situation closely, continue to scenario plan
- Existing ILARR and Asset ownership activities not affected, operations can be operated securely out with existing office locations in accordance with current business continuity procedures



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