



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⁽³⁾ 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



(1) Subject to completion expected on 22 April 2020
(2) Net EBITDA = £17.7m
(3) Weighted by ILARR

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⁽¹⁾ (£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⁽²⁾ and excess cash from operations
- Maintain leverage at prudent 3-4x net debt / EBITDA through the meter growth phase
- Options to fund further growth



(1) Subject to completion expected on 22 April 2020

(2) On attractive terms: Interest costs at 1.85% over 3M LIBOR and 5.75x leverage covenant

- **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



Trading Update and Market Outlook

- **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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