

# Capital Markets Event

Analysts and investors virtual presentation

Strategies for Growth

23 June 2021

# Notice to recipients

This presentation has been prepared on behalf of the Smart Metering Systems plc corporate group (SMS) solely for information and should not be considered to be an offer or solicitation of an offer to buy or sell or subscribe for any securities, financial instruments or any rights attaching to such securities or financial instruments. In particular, the information contained within this presentation is given in summary form and does not purport to be complete. This presentation does not contain all the information that is or may be material to investors or potential investors in respect of the holding, purchasing or selling of securities or other financial products or instruments; the information contained, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments.

The contents of this presentation should not be considered to be legal, tax, investment or other advice, and any investor or prospective investor considering the purchase or disposal, and before acting on any information should consider the appropriateness of the information having regard to these matters, any relevant offer document and should seek independent advice.

The presentation is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the publication or availability of the presentation is prohibited. Persons in respect of whom such prohibitions apply must not access the presentation.

The presentation is intended for use by professional and business investors only.

This presentation contains certain forward-looking statements. Statements, other than of historical fact, regarding our future results of operations, financial condition, cash flows, business strategy, plans and future objectives are forward-looking statements. Words such as targets, ambition, believe, expect, aim, intend, plan, seek, will, may, should, anticipate, continue, predict or variations of these words, as well as other statements regarding matters that are not historical facts or regarding future events or prospects, constitute forward-looking statements.

SMS have based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of SMS.

SMS believes that the estimates and projections reflected in the forward-looking statements are reasonable, however they may prove materially incorrect and actual results may materially differ due to a variety of factors, including, but not limited to energy consumption, energy trading values, government policy and legislation, development in power, coal, carbon, gas, oil, currency and interest rate markets, changes in legislation, regulation or standards, the renegotiation of contracts, changes in the competitive environment in our markets and reliability of supply. As a result you should not rely on these forward-looking statements.

SMS is under no duty and undertakes no obligation to update or revise any forward-looking statement after the distribution of this presentation, whether as a result of new information, future events or otherwise.

This presentation has not been approved by an authorised person in accordance with section 21 of the Financial Services and Markets Act 2000 (as amended) of the United Kingdom. As such, this presentation is only being distributed to, and is only directed at, qualified investors who are: (i) investment professionals falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as relevant persons).

This presentation and its contents are confidential and proprietary to SMS, and no part of it or its subject matter may be reproduced, redistributed or passed on, or the contents otherwise divulged, directly or indirectly, to any other person (excluding the relevant person's professional advisers) or published in whole or in part for any purpose without the prior written consent of SMS. If this presentation has been received in error it must be returned immediately to SMS.

This presentation should not be relied on by its recipients, their advisers or any other person. No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of SMS or any of its Directors, officers, partners, employees, agents, advisers or any other person as to the accuracy, completeness or adequacy of the information or opinions contained within this presentation and no responsibility or liability is accepted by any of them for any such information or opinions.



# Agenda

1. Introduction
2. Carbon Reduction (CaRe) products overview
3. Established CaRe products
4. Developing CaRe products
5. Business support services
6. Summary and outlook

# 1. Introduction

Alan Foy, CEO





Serving our customers,  
protecting the environment

## 25 years supporting customers to reduce energy

SMS logo and technology platform inspired from the name 'METIS' described as:

- Good counsel, prudence/compliance and wisdom/experience
- **Blue** for staff training and investment practices
- **Green** for provision of sustainable energy solutions
- **White** flow for flexible and compliant service delivery

## Environment

- Supporting customers to reduce carbon emissions
- Committed to 2030 net-zero target; carbon negative beyond

## Social

- Investing in staff to deliver customer and shareholder value
- Championing diversity and inclusion, supporting our communities

## Governance

- Highest relative score for corporate governance from MSCI
- Health, Safety & Sustainability Committee headed by Group Chair

# Today's presenting team

## Management



**Alan Foy**  
CEO



**Tim Mortlock**  
COO



**Gavin Urwin**  
CFO

## Operations



**John Hall**  
Director,  
Meter assets



**Hayley Cloud**  
Director, Energy data  
management



**Lily Coles**  
Director,  
Grid-scale batteries



**Mark Hamilton**  
Director,  
Behind-the-meter



**Guy Bartlett**  
Director, Electric Vehicle  
charging infrastructure



**Sean Keating**  
Director,  
Energy services



**John Flaherty**  
Director, Electrification  
of heat infrastructure

## Support



**Tony McCandless**  
CIO



**Judy Keir**  
Director,  
Human Resource



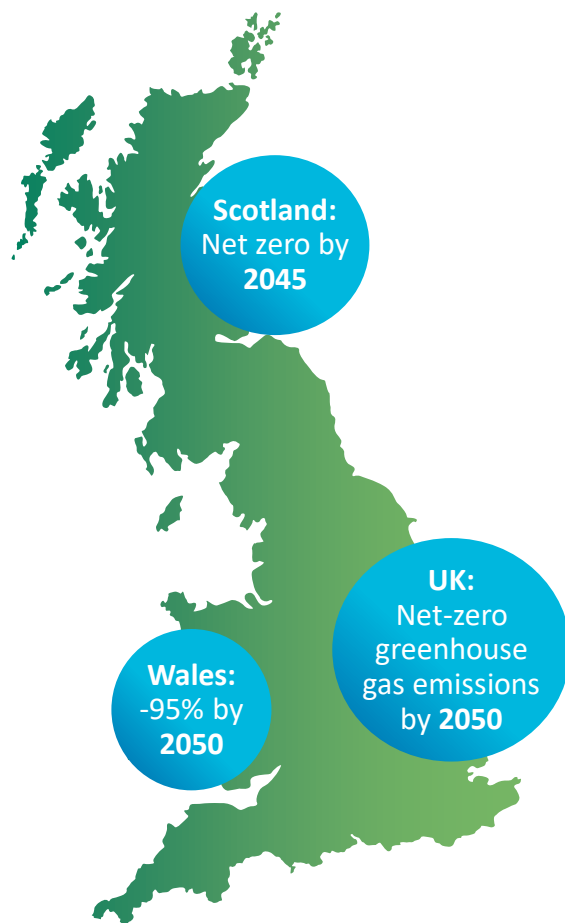
**Iain Hyslop**  
Director,  
Health & Safety



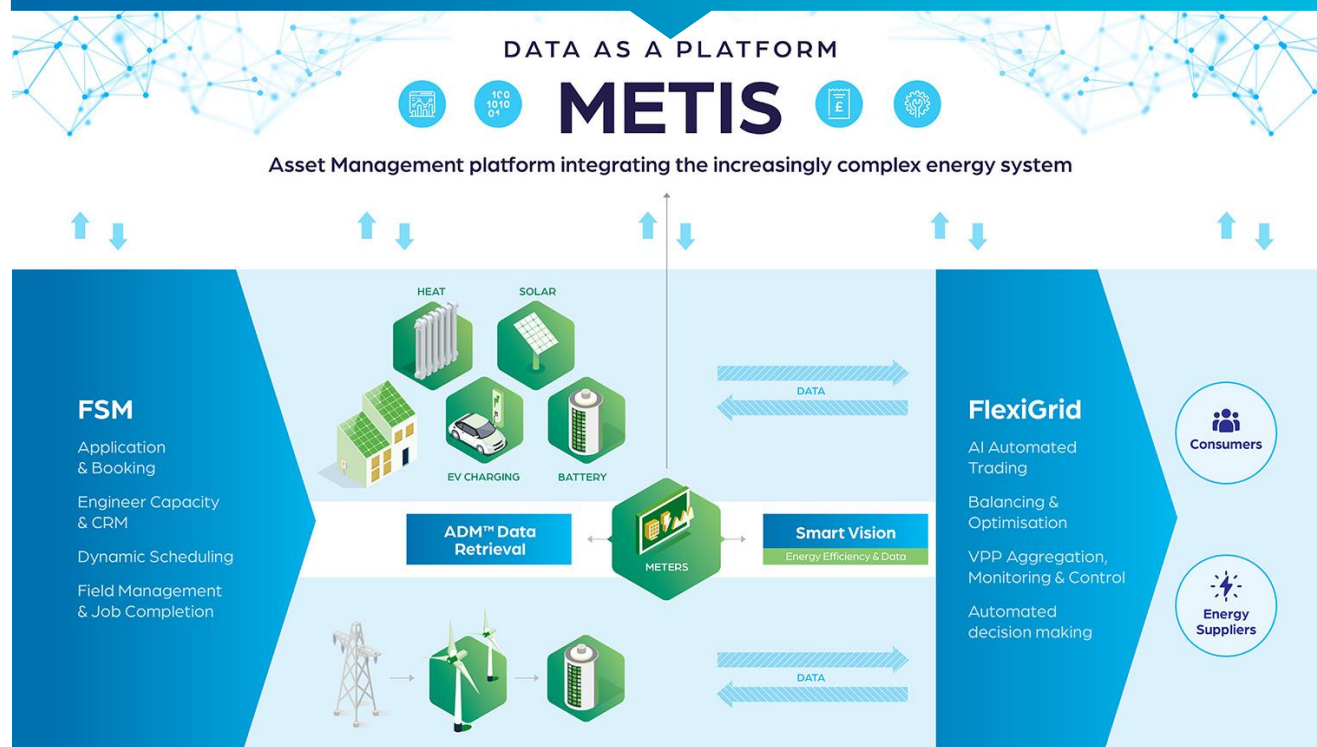
**Charlotte Gregory**  
Head of Sustainability

# METIS at the heart of originating long-term, sustainable cash flows

UK at the forefront of decarbonisation and...



...SMS METIS platform is at the heart of enabling and integrating carbon reduction (CaRe) assets and energy data solutions



...which generates long-term sustainable cash flows with strong inflation linkage

Existing EBITDA and cash flows  
(31 December 2020)

£49.9m<sup>1</sup>  
EBITDA

£43.9m<sup>2</sup>  
FCF

Current meter and  
grid-scale battery  
pipeline

£70m<sup>3</sup>  
EBITDA

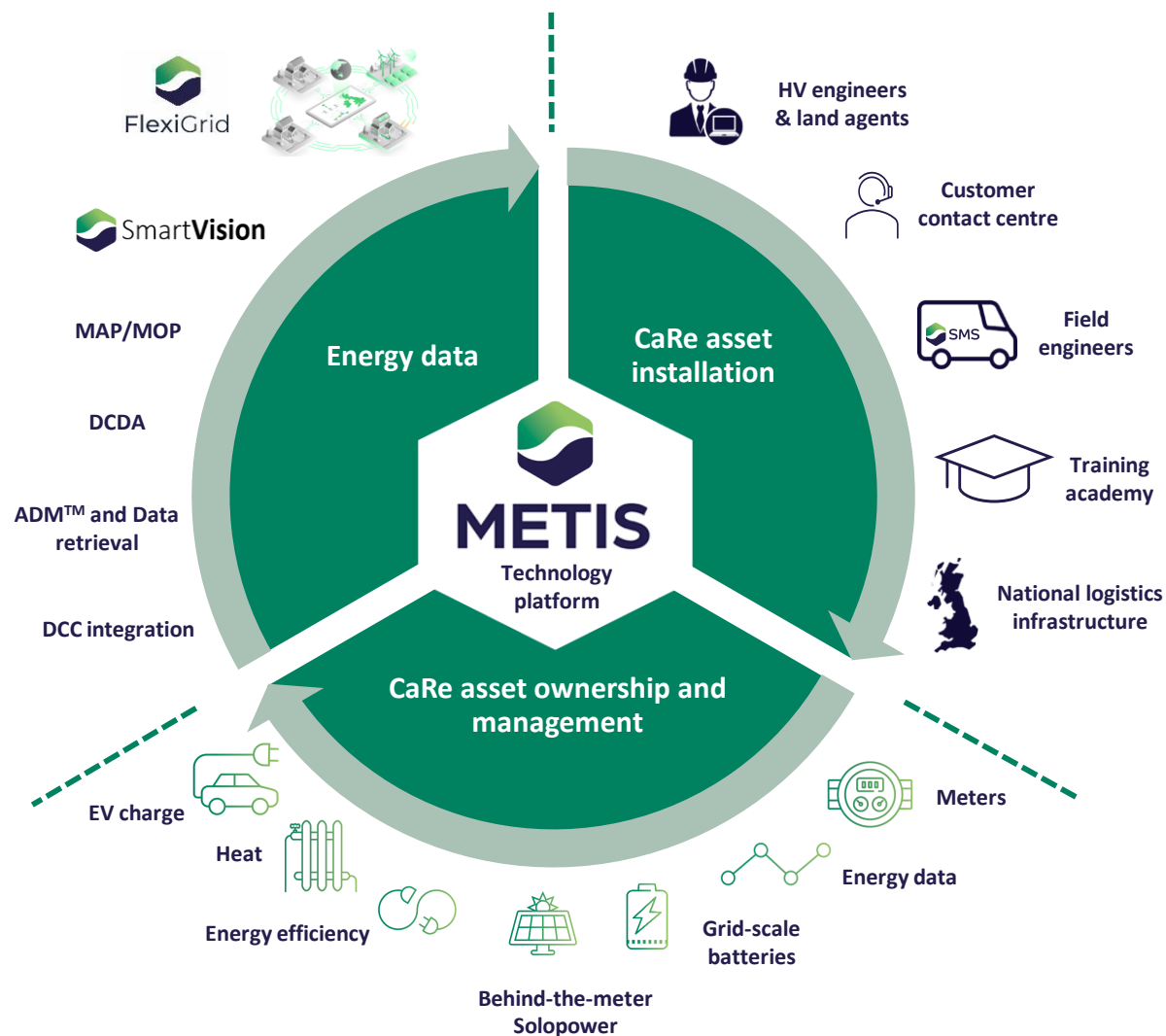
Addressable market  
Established CaRe products    Developing CaRe products

£1.2bn<sup>4</sup>  
EBITDA

Being  
assessed

1. Pre-exceptional EBITDA
2. FCF is defined as Cash Generated from Operations as per the statutory cash flow
3. £70m consists of 2.5m contracted smart meter order pipeline and 470MW grid scale battery pipeline
4. Refer to slides 5,6

# Fully integrated and scalable technology platform



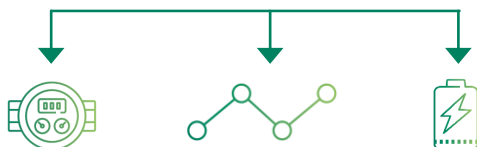


## 2. CaRe products overview

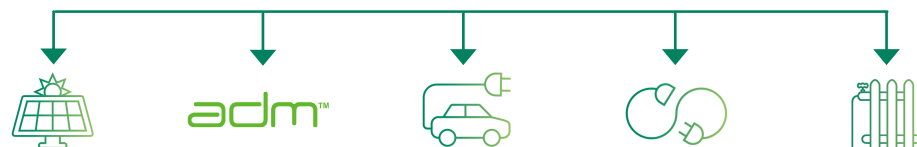
Tim Mortlock, COO

# Positioning across several CaRe products

## Established CaRe products



## Developing CaRe products



Market	Meters	Energy data	Grid-scale batteries	Behind-the-meter	ADM™ Australia	Electric Vehicle (EV) charge	Energy efficiency	Heat
	55m <sup>1</sup>	31m <sup>5</sup>	30GW <sup>7</sup>	c.27m homes <sup>9</sup>	>8m meters <sup>12</sup>	5.4m charge points <sup>3</sup>	1.8m non-domestic buildings <sup>14</sup>	5m meters <sup>16</sup> 19m pumps <sup>17</sup>
	3m <sup>2</sup>	26m <sup>6</sup>	25GW <sup>8</sup>	4m homes <sup>10</sup>	>1.2m meters <sup>12</sup>	As above	1.5m <sup>3</sup>	As above
	£555m <sup>3</sup>	Nil	£9.5bn <sup>3</sup>	Nil <sup>11</sup>	>£180m <sup>13</sup>	£9.3bn <sup>3</sup>	£12bn <sup>15</sup>	>£150bn <sup>3</sup>
SMS	Existing assets	£68.9m ILARR <sup>4</sup>	190MW construction/pre-construction 280MW in exclusivity	In development				
	Capex, starting EBITDA yield	£185/meter 11% yield	No capex ILARR: £6/meter <sup>3</sup>	In development				
	Contracted pipeline, EBITDA	2.5m meters £460m capex £50m EBITDA	Mandated HH opportunity 470MW £180m capex £20m EBITDA	1,500 homes trial	Establishing trial	VPAC lead coordinator	LED, smart heating control	Aberdeen Doric project

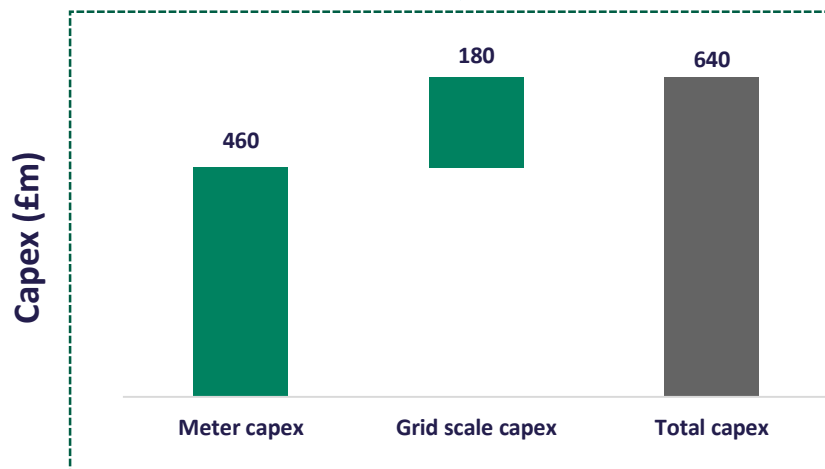
1. Energy suppliers reporting to BEIS. Includes domestic and non-domestic  
2. SMS internal estimates of remaining non-contracted independent market  
3. SMS internal estimates  
4. As at 30 April 2021  
5. Energy suppliers reporting to BEIS, Elexon  
6. Of the total market size, c.0.3m meters are already HH and SMS estimates 15% will remain traditional at 2025

7. National Grid forecasts need for c.30GW of electricity storage by 2050 - calculated as average of National Grid's four forecast scenarios in its Future Energy Scenarios 2020  
8. 25GW includes in-construction projects  
9. Office for National Statistics  
10. Local Authorities, Housing Associations. Solutions being developed for rest of market  
11. Capex funded by 3rd party social landlords, infra-funds, mortgage lenders  
12. Domestic market. SMS internal estimates

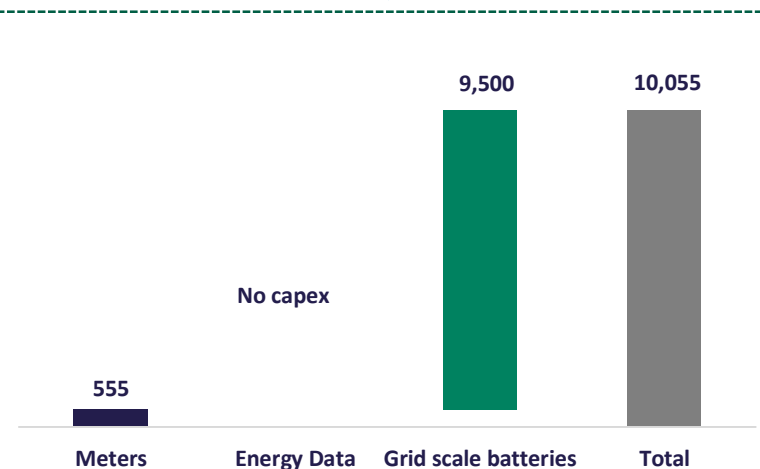
13. Based on £150 per ADM™ device. SMS internal estimates.  
14. GOV.UK, SMS internal estimates  
15. The Climate Change Committee  
16. The Heat Network (Metering and Billing) Regulations  
17. OFGEM, The Climate Change Committee

# CaRe - addressable EBITDA opportunity

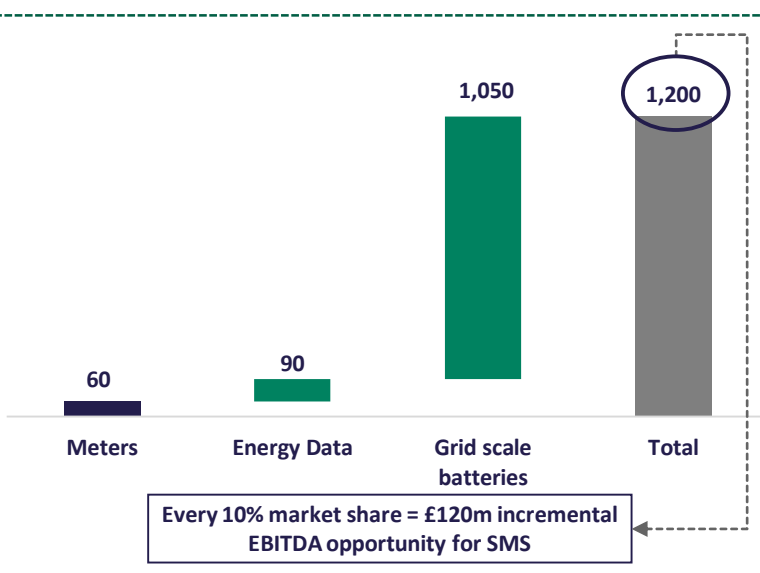
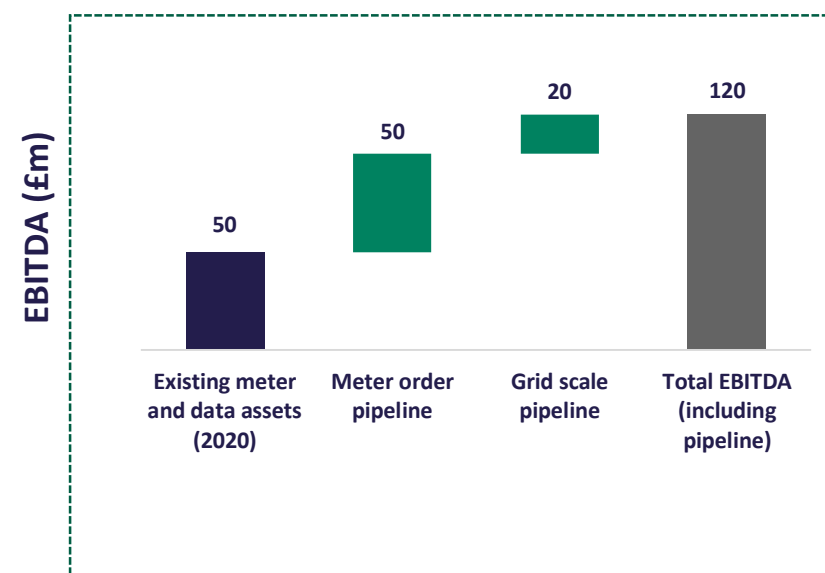
SMS – Current meter and battery pipeline



SMS – Established CaRe products (addressable)



SMS – Developing CaRe products

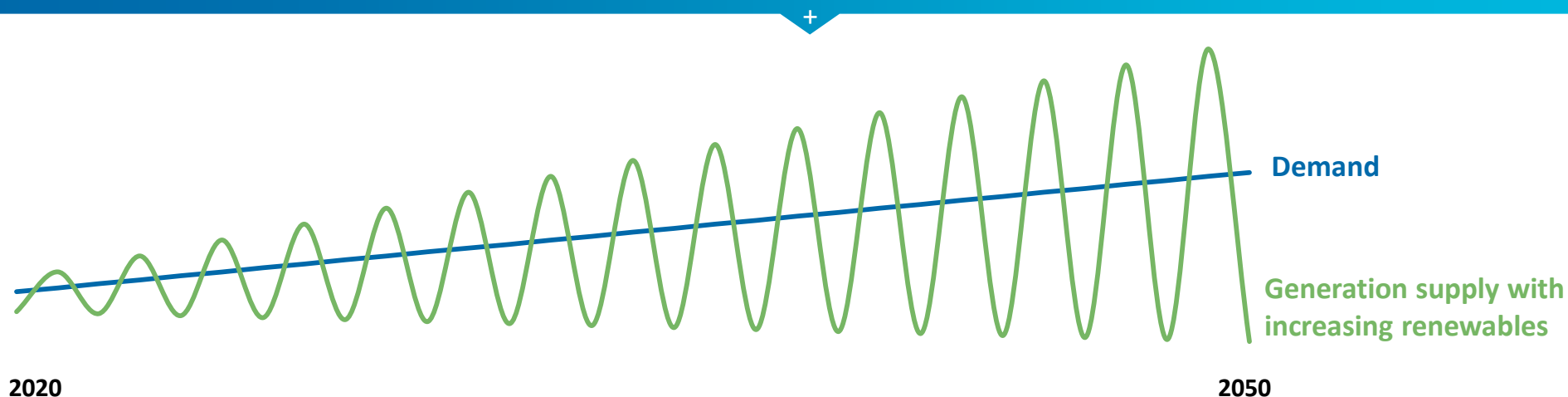


Significant potential from developing CaRe products being addressed



# Battery technology core to future energy flexibility

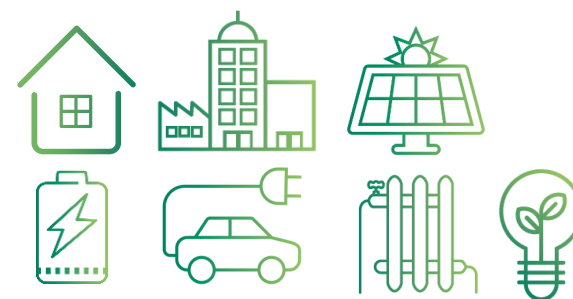
Electricity demand versus supply (illustrative)



Grid-scale batteries



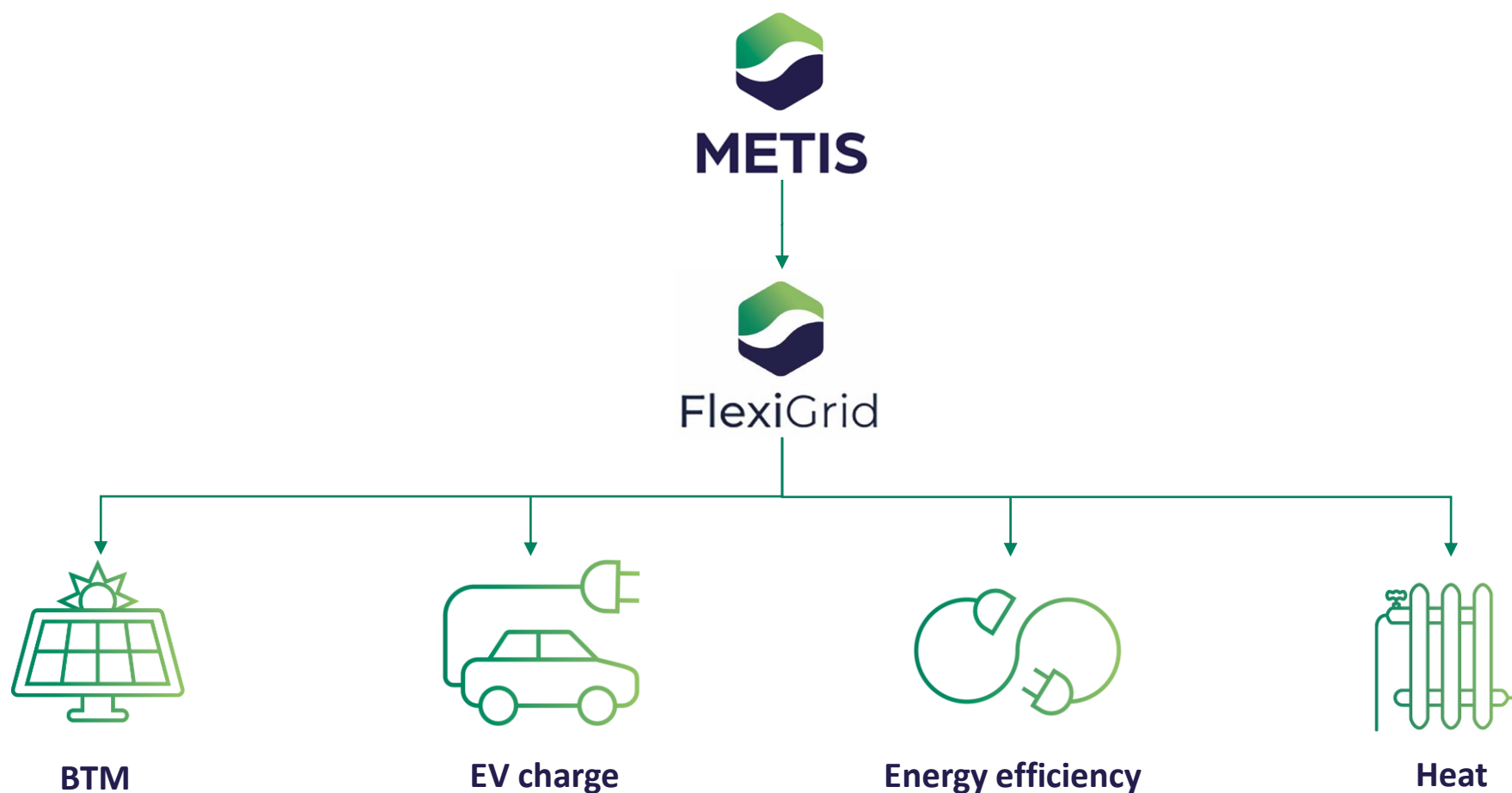
Behind-the-meter



National Grid forecasts a requirement for c.30GW<sup>(1)</sup> of electricity storage by 2050

1. Calculated as the average of National Grid's four forecast scenarios in its Future Energy Scenarios 2020

# Positioning for the 'Developing' CaRe products



Several projects delivered historically with SMS now positioned for additional market opportunity

# 3. Established CaRe products

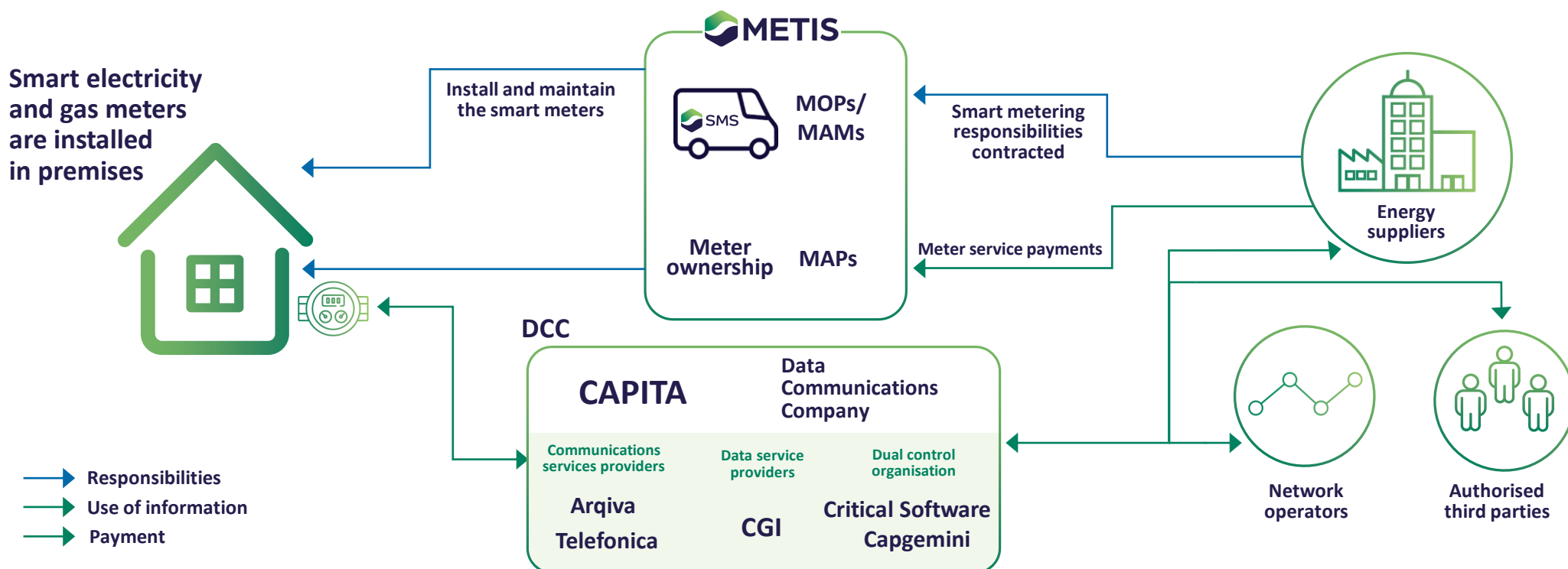
- I. Meters
- II. Energy data
- III. Grid-scale batteries



# I. Meters

John Hall, Director, Meter assets

# UK smart meter infrastructure



Substantial value for consumers, environment and future energy systems

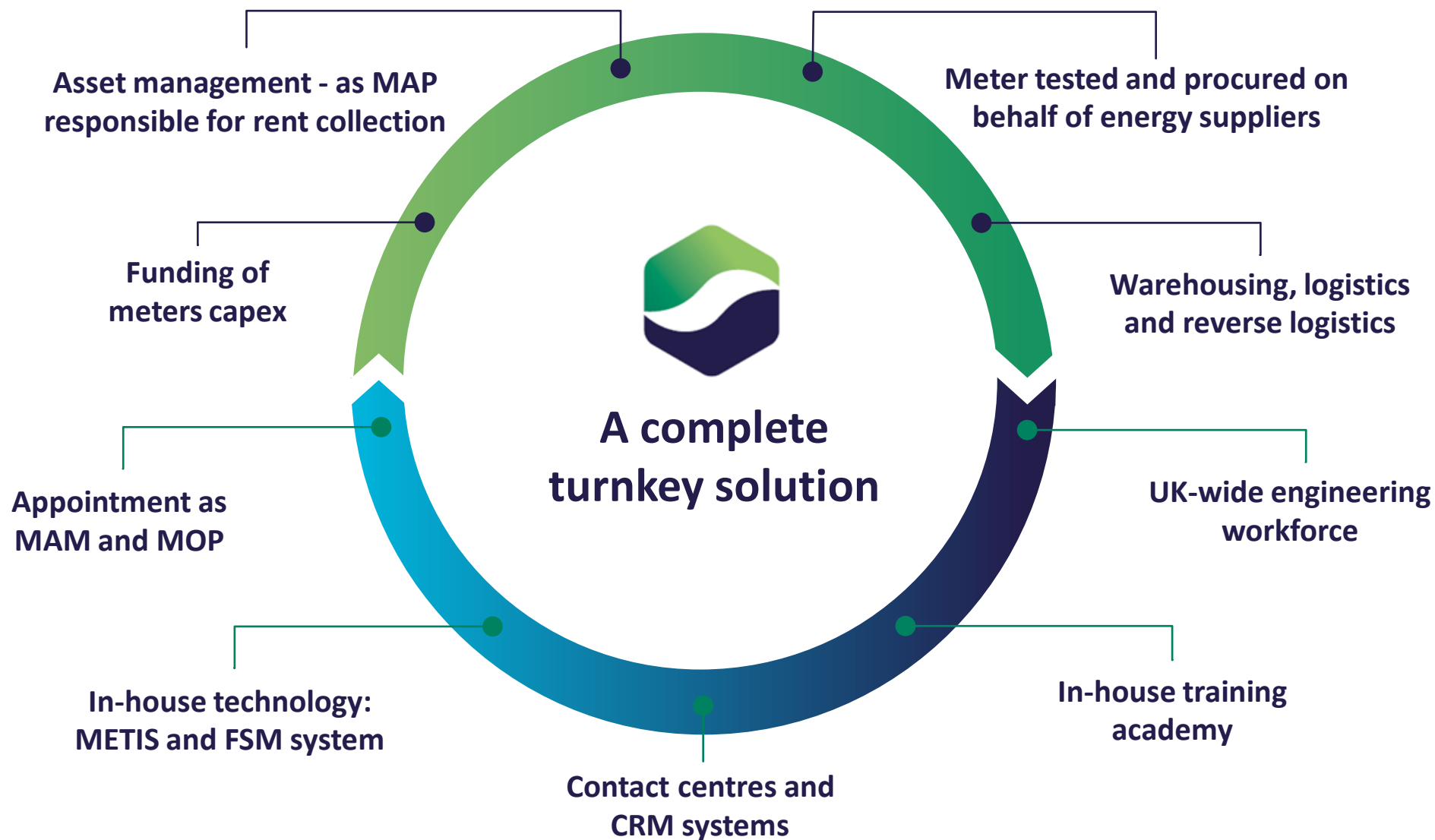
1 Enabler of smart grid

2 Accelerate distributed generation

3 Consumer savings







4 Cost reduction for energy suppliers

# SMS best-in-class turnkey solution





# Competitive landscape (in-house capability)

								
MAP <sup>1</sup>	Big	✓	✓	✓	✓	X	X	X
	Independent	✓	✓	X	✓	✓	✓	✓
MAM <sup>2</sup>	Complex <sup>3</sup>	✓	X	X	X	X	X	X
	Standard	✓	✓	X	X	X	X	X
MOP <sup>2</sup>	Complex <sup>4</sup>	✓	X	X	✓	X	X	X
	Standard	✓	✓	X	✓	X	X	X
Installation capability	Gas	✓	✓	X	X	X	X	X
	Electricity	✓	✓	X	*5	X	X	X
	Smart	✓	✓	X	X	X	X	X

1. MAP: owns the meter; responsible for making available a meter at a meter supply point; the MAP owns and finances the meters; there is no accreditation requirement for MAPs

2. MAM/MOP: an accredited role; manages the meter assets, which involves installation, replacement, maintenance, and repair responsibilities; MAMs (gas sector) are governed by MAMCoP and MOPs (electricity sector) are governed by Elexon's Balancing and Settlement Code; MAMs/MOPs can have contractual relationships with suppliers and MAPs; there can only be one MAM per meter supply point

3. High pressure asset management (gas)

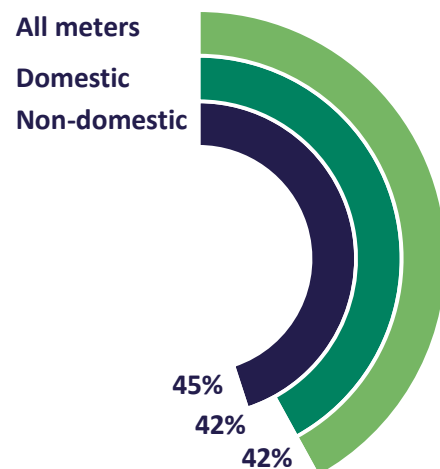
4. All types of installations

5. Information not available

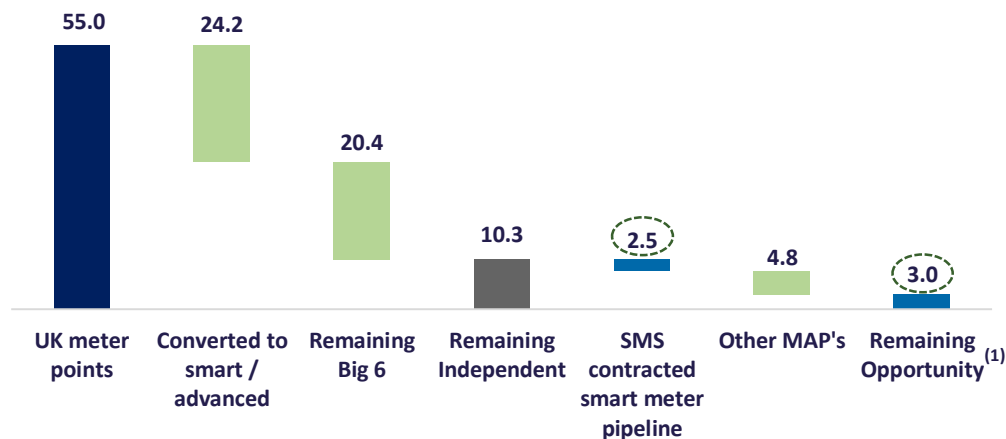
Source: Based on SMS understanding of the market

# Smart meter industry dynamics

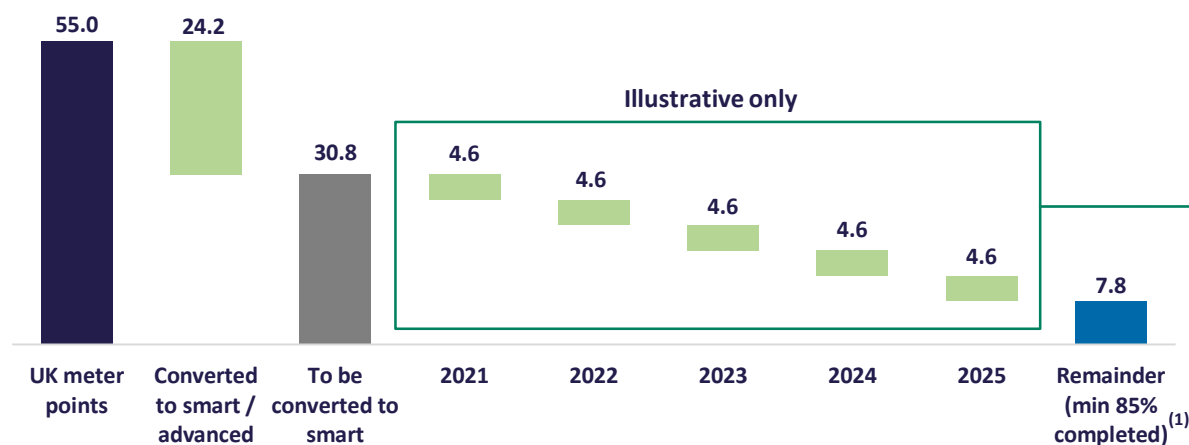
## Smart meter progression (Dec 2020)



## Remaining meter opportunity for SMS (in millions)



## Mandatory obligation on energy suppliers (85% completion by 2025) (in millions)



Current market installation run-rate needs to increase significantly to achieve 2025 target (SMS estimates)

Source: Energy Suppliers reporting to BEIS, SMS internal estimates

1. Of the domestic smart meters

# Quality of metering cash flows

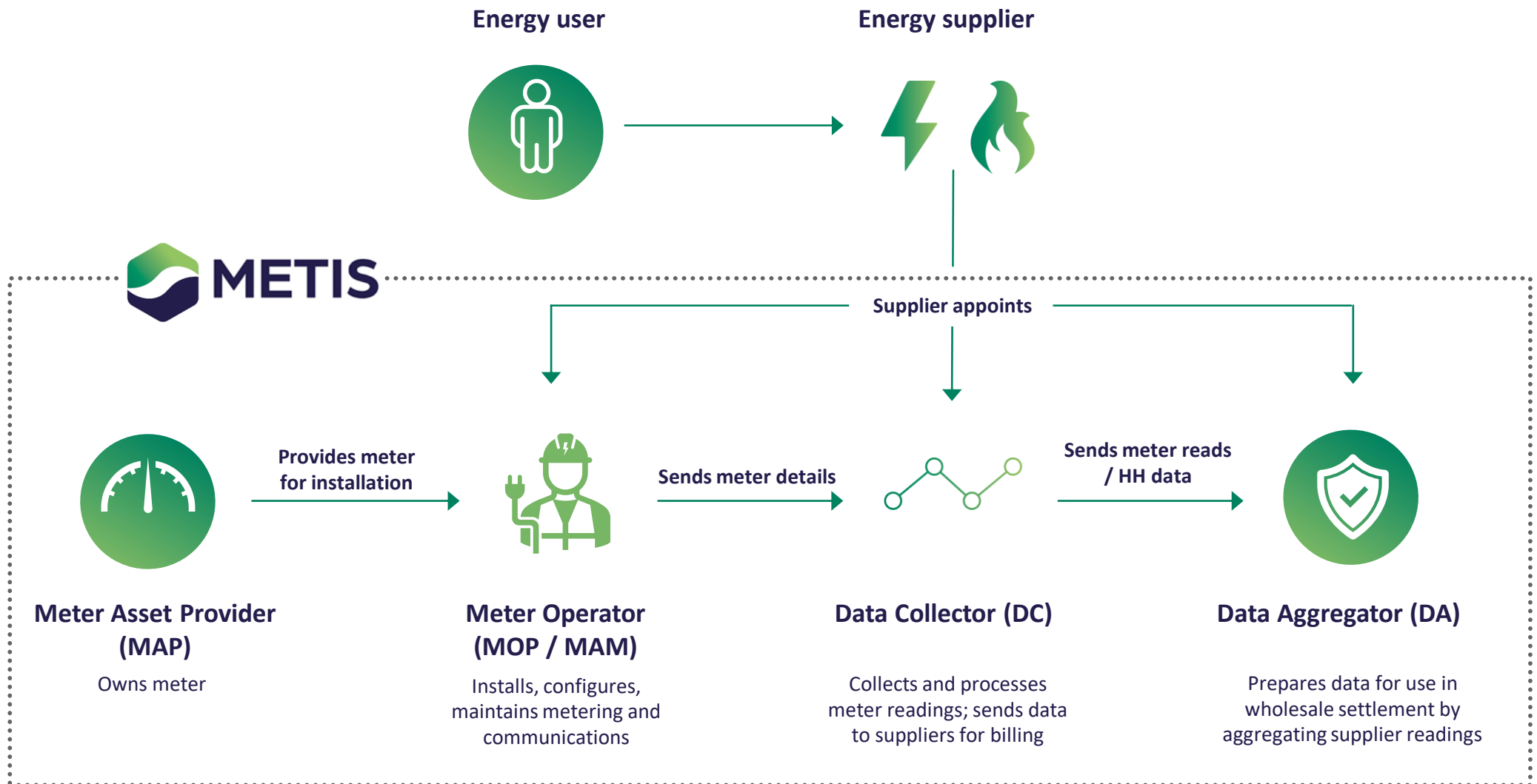
<b>High cash flow visibility</b>	<ul style="list-style-type: none"><li>• Significant visibility over cash flows given the fixed contracted nature of meter services payments</li><li>• Long-term contracts in place</li></ul>
<b>Strong inflation linked contracts</b>	<ul style="list-style-type: none"><li>• RPI linkage provides strong protection against inflationary environment</li><li>• Historical average RPI escalation (2012-21) on SMS contracts at 2.7%</li></ul>
<b>Asset backed with no volume or power price risks</b>	<ul style="list-style-type: none"><li>• Assets are purely availability-based with no volume, throughput or power prices risks</li><li>• Minimal maintenance once meters are installed with &gt;95% cash margin</li></ul>
<b>Contracts with energy suppliers with no exposure to end-consumers</b>	<ul style="list-style-type: none"><li>• Contracts with energy suppliers provides strong counterparty protection</li><li>• Strong termination protection throughout the life of the assets</li></ul>
<b>Counterparty protection with supplier of last resort provision</b>	<ul style="list-style-type: none"><li>• Proven Supplier of Last Resort (SoLR) mechanism provides protection against supplier failure</li><li>• In event of energy supplier failure, future rentals transferred to incoming supplier</li></ul>
<b>Strong meter warranty provisions</b>	<ul style="list-style-type: none"><li>• 10 years warranty in the event of single meter failure</li><li>• 15 years warranty from batch failure</li></ul>








## II. Energy data

Hayley Cloud, Director, Energy data management

# Industry structure



# Sector regulation and structure

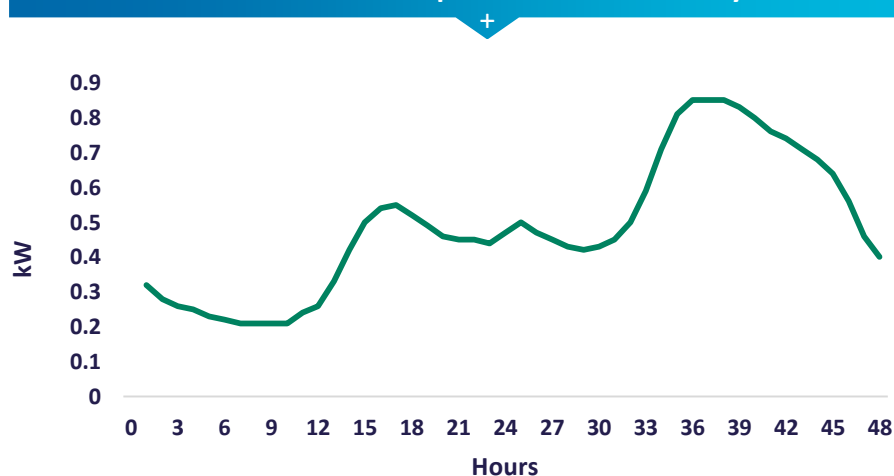
Current structure					Regulation
	Application	Metering points	Predominant Meter Type	Current regulation	New regulation
	Transmission & Generation	3K	Half hourly	HH Data Collection	None
	Large Industrial & Commercial	133K	Half hourly		
	Medium enterprise	200K	Advanced		
	Small enterprise	2,100K	Part Advanced, Part traditional moving to Smart	NHH Data Collection	Introduction of Elective for all smart and advanced meters
	Residential (electricity)	29,000K	Traditional moving to Smart		

**In 2025, all supply points will be settled as HH with the option of settling HH prior to then**

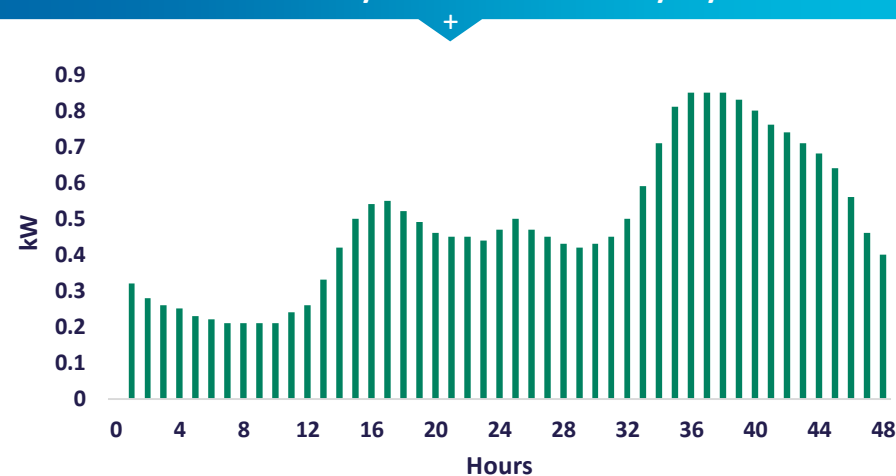
Source: Energy Suppliers reporting to BEIS, Elexon together with SMS internal estimates

# Market size and opportunity

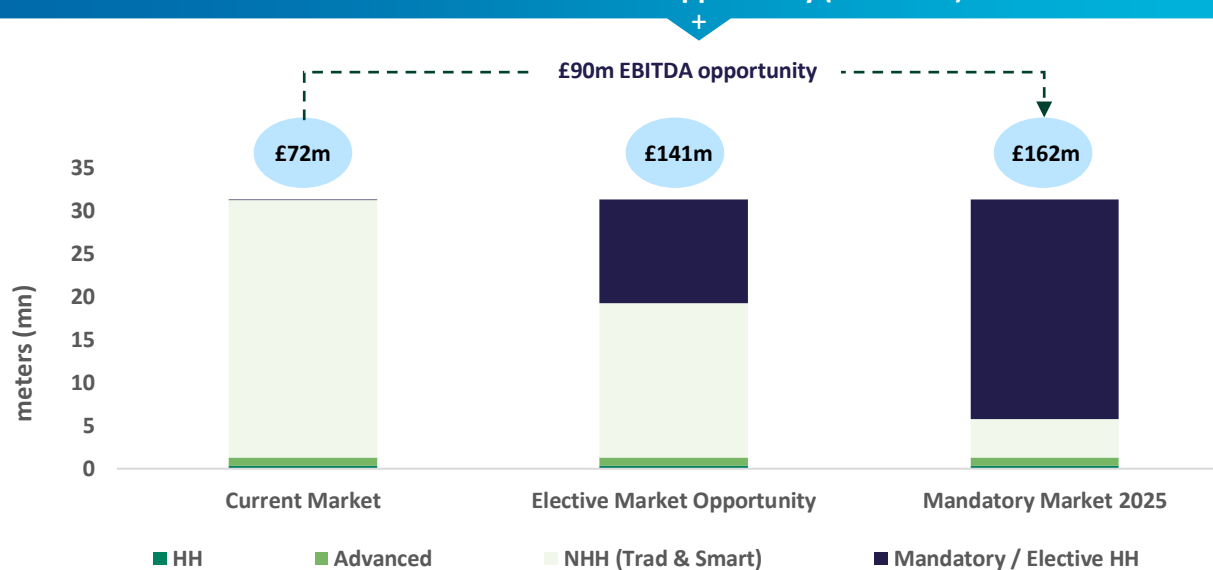
Current settlement profile: once or twice a year



48 Half Hourly settlement reads every day



Market size and opportunity (in EBITDA)

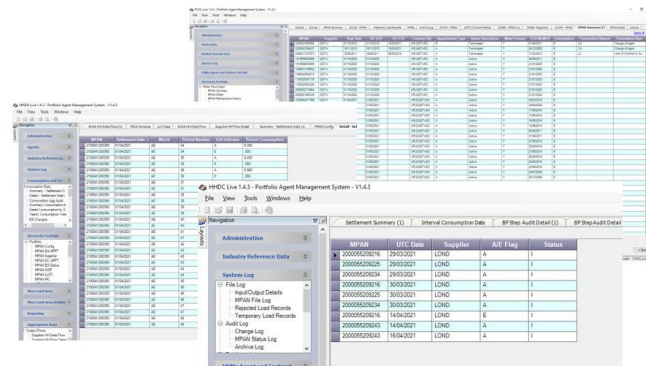


Source: Elexon, SMS internal estimates



# SMS platforms and systems

Smart Vision  
Pro – Energy data  
analytics



Settlement data sent  
to energy suppliers as per  
industry codes



Energy supplier

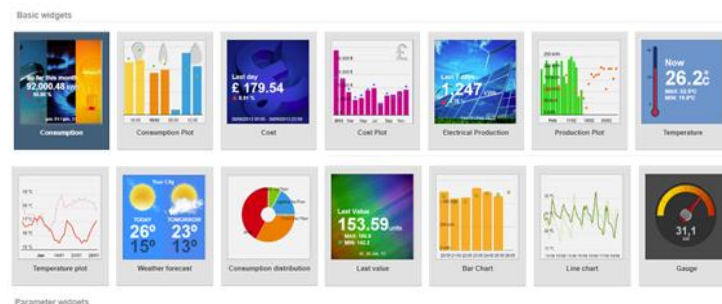


Data collected from meter

Or via DCC



Portfolio Manager –  
Electricity industry  
data systems



Data available to consumers  
via SMS's Smart Vision portal






Energy user



# Quality of energy data cash flows

High cash flow visibility	<ul style="list-style-type: none"><li>• Significant visibility over cash flows given the fixed contracted nature of data services payments</li><li>• Framework contracts under which energy suppliers appoints SMS as agent</li></ul>
Strong inflation linked contracts	<ul style="list-style-type: none"><li>• RPI linkage provides strong protection against inflationary environment</li><li>• Historical average RPI escalation (2012-21) on SMS contracts at 2.7%</li></ul>
Industry Accredited Agent Status	<ul style="list-style-type: none"><li>• Fixed service payments for being the appointed agent, supplier must always appoint an agent</li><li>• Technology systems based approach</li></ul>
Contracts with energy suppliers with no exposure to end-consumers	<ul style="list-style-type: none"><li>• Contracts with energy suppliers provides strong counterparty protection</li><li>• ADM™ devices can only be operated by SMS; strong incentives on suppliers to retain appointed agent</li></ul>
Counterparty protection with supplier of last resort provision	<ul style="list-style-type: none"><li>• Proven Energy Supplier of Last Resort (SoLR) mechanism provides protection against supplier failure</li><li>• In event of energy supplier failure, new energy supplier likely to appoint own preferred agent</li></ul>
Proven and scalable platform	<ul style="list-style-type: none"><li>• Industry accredited and audited and ADM™ systems entirely owned by SMS</li><li>• Scalable to manage exponential increase in data packets</li></ul>

# Competitive landscape

	 SMS	 ENERGY assets	 MORRISON Data Services	 LOWRI BECK	IMServ	SIEMENS	STARK	 TMA
NHH MOP <sup>(1)</sup>	✓	✓	✓	✓	✓	✓	X	✓
NHH DCDA <sup>(2)</sup>	✓	✓	✓	✓	✓	✓	✓	✓
HH MOP SVA <sup>(3)</sup>	✓	✓	✓	✓	✓	✓	X	✓
HH MOP CVA <sup>(4)</sup>	✓	X	X	X	X	✓	X	X
HH DCDA <sup>(5)</sup>	✓	X	✓	X	✓	✓	✓	✓
Elective HH Optimiser <sup>(6)</sup>	✓	X	X	X	X	X	X	X
Pedestrian Reads <sup>(7)</sup>	X	X	✓	✓	X	X	X	X

1. **NHH MOP:** the operation and maintenance of non-half hourly meter points for profile classes 1-4 (domestic and microbusiness consumers)

2. **NHH DCDA:** the collection, validation and settlement of non-half hourly meter reads for profile classes 1-4 (domestic and microbusiness consumers)

3. **HH MOP SVA:** the operation and maintenance of meter points within the half hourly market (medium sized business consumers)

4. **HH MOP CVA:** the operation and maintenance of meter points within the half hourly market (large business and industrial sized consumers)

5. **HH DCDA:** the collection, validation and settlement of meter reads from half hourly meter reads (medium sized business, large business and industrial sized consumers)

6. **Elective Half Hourly Optimiser:** the ability to profile half hourly data with the aim to determine the benefit in settling a NHH meter in the HH market

7. **Pedestrian Read Service:** the ability to collect reads from site where remote connectivity is not possible with the meter

Source: Based on SMS understanding of the market

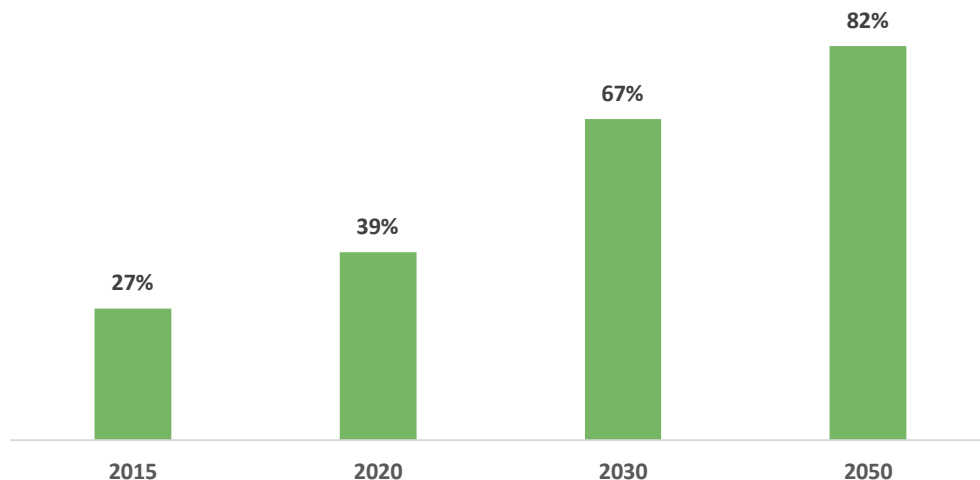
# III. Grid-scale batteries

Lily Cole, Director, Grid-scale batteries

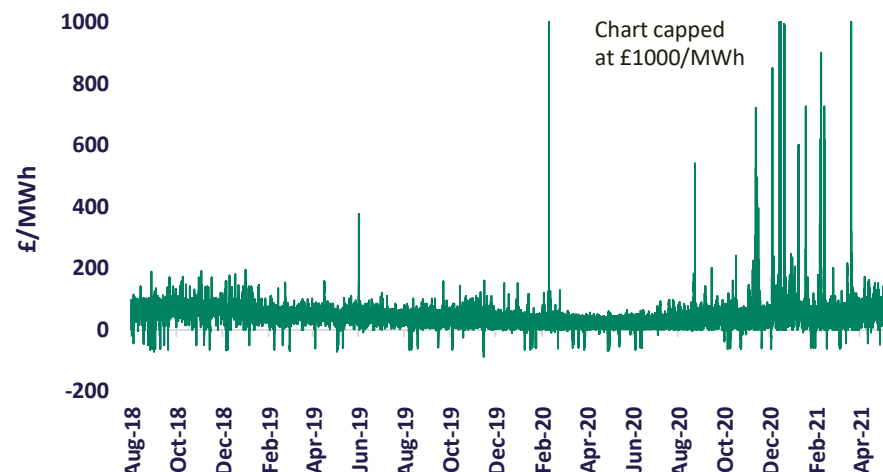


# Increasing renewables is widening base-peak load spreads

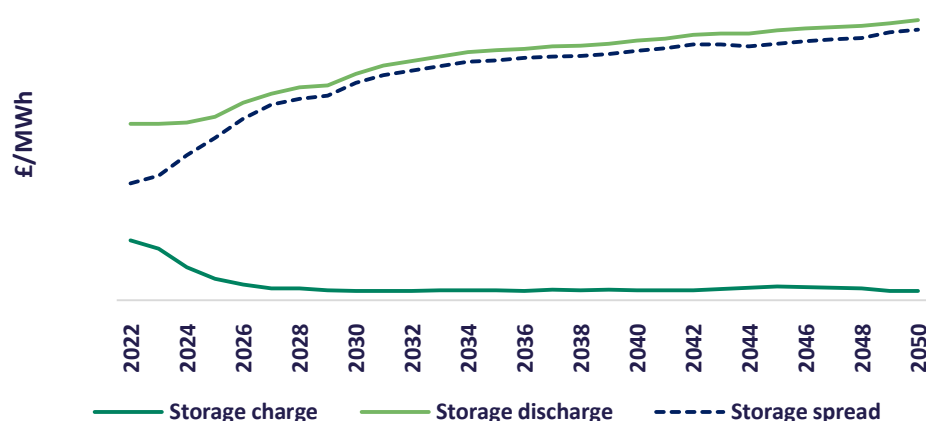
Renewables as % of total generation capacity<sup>1</sup>



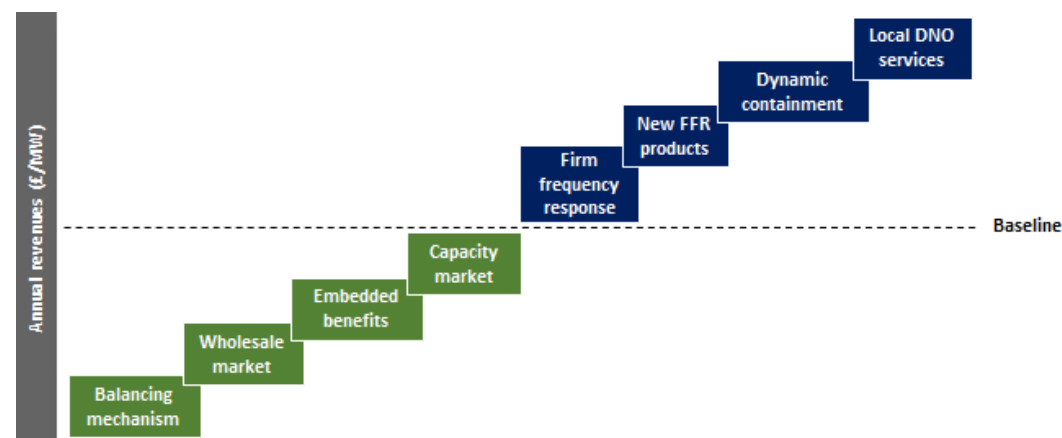
Rising volatility: UK half hourly power prices<sup>2</sup>



Widening spread with increasing renewables<sup>3</sup>



Access to all revenue streams (illustrative)

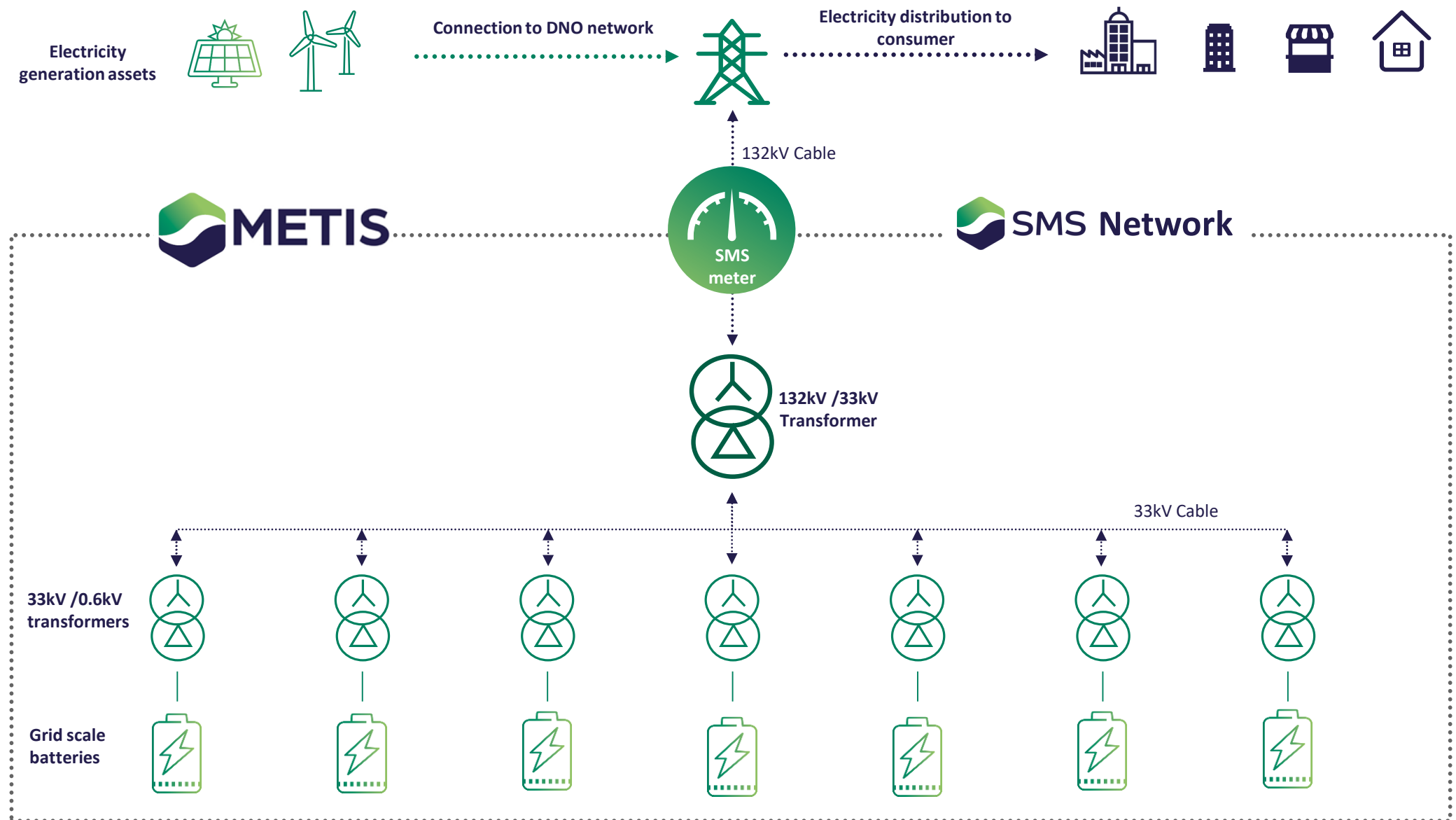


1. Average of National Grid Future Energy Scenario's. Calculation excludes battery storage and interconnectors

2. Elexon

3. SMS internal estimates

# Grid-scale battery storage infrastructure

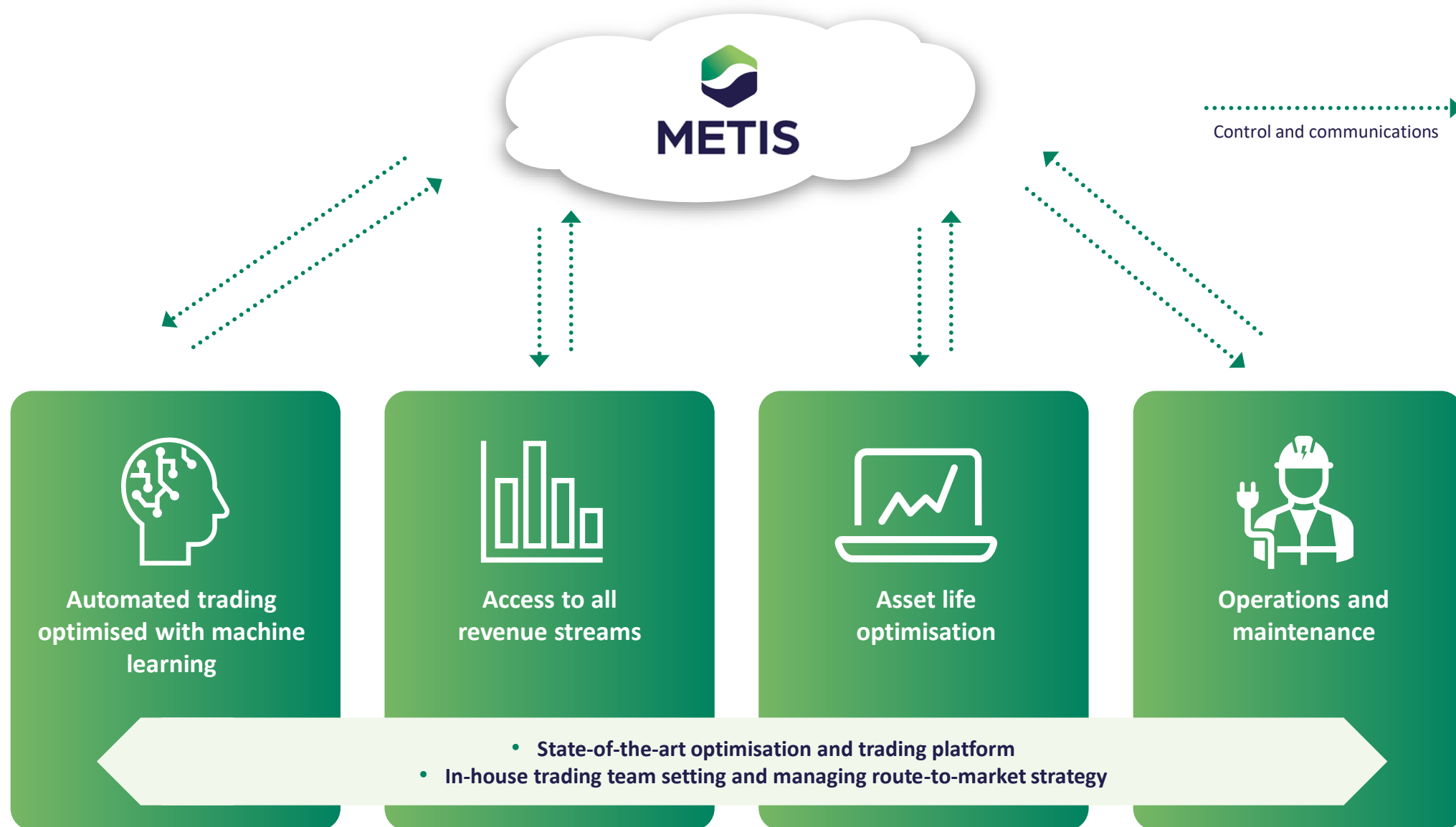


\* Two directional arrows highlights charge and discharge of batteries

# Best-in-class platform in grid-scale batteries

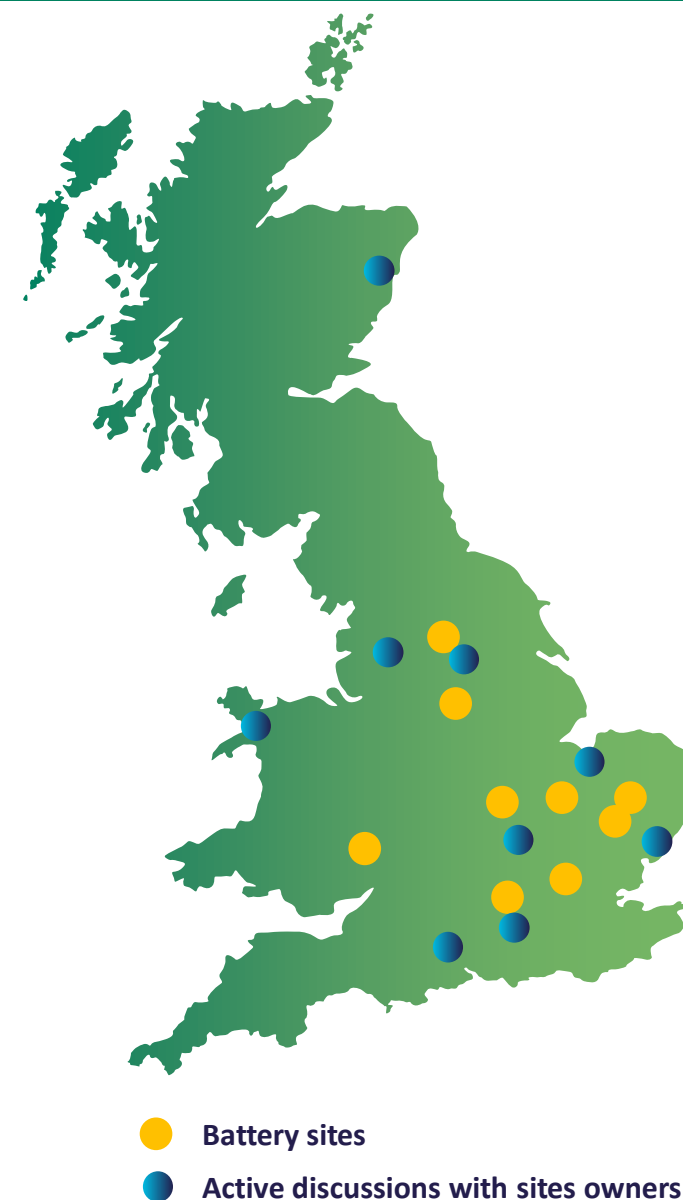


# SMS trading and digital optimisation





# Existing grid-scale batteries pipeline



1. Timeline to be provided once further progress is made

# Quality of grid-scale batteries cash flows

<b>High cash flow visibility</b>	<ul style="list-style-type: none"><li>• Baseline forecast revenues driven by balancing/wholesale services</li><li>• These services are always required to balance the energy system</li></ul>
<b>Visible growth in demand for services</b>	<ul style="list-style-type: none"><li>• Known growth in intermittent renewable generation driving increasing volatility and substantial increased system requirement for battery storage solutions</li></ul>
<b>Asset backed with no trading exposure</b>	<ul style="list-style-type: none"><li>• Revenues are not linked to wholesale energy prices, but underpinned by the always-existing 'spreads' between import and export pricing driven by network generation/demand imbalance</li></ul>
<b>System operator counter party</b>	<ul style="list-style-type: none"><li>• Contracts with system operators (National Grid, DNOs and wholesale market) provides strong counterparty protection</li></ul>
<b>Additional revenue opportunities</b>	<ul style="list-style-type: none"><li>• Assets can access additional range of system operator revenues (e.g. frequency response), all of which provide upside to base case projections</li></ul>
<b>Strong battery warranty provisions</b>	<ul style="list-style-type: none"><li>• Throughput warranty of 7,300 cycles allows for average of 2 cycles per day for 10 years; 98% uptime warranty</li><li>• Potential to operate beyond minimum warranty cycle/10 year life to increase revenues and/or extend life</li><li>• Core electrical infrastructure equivalent to DNO electricity networks with established 40 year + life</li><li>• Diversified supply chain; sourcing batteries from two tier-1 manufacturers</li></ul>

# Competitive landscape

			 			 	    	   
Origination	✓	✓	✓	✓	✓	X	X	X
Design, Project manage	✓	✓	✓	✓	✓	✓	X	X
Independent Connection Provider	X	X	X	X	X	✓	X	X
Supply and install	✓	✓	X	X	✓	✓	X	X
Operate and maintain	✓	✓	X	X	✓	✓	X	X
Optimise	✓	X	X	X	X	X	✓	X
Funding	✓	X	✓	X	X	X	X	✓

Source: Based on SMS understanding of the market

## 4. Developing CaRe products

- I. Behind-the-meter
- II. ADM<sup>TM</sup> Australia
- III. EV charging infrastructure
- IV. Energy services
- V. Electrification of heat infrastructure

# I. Behind-the-meter

Mark Hamilton, Director, Behind-the-meter

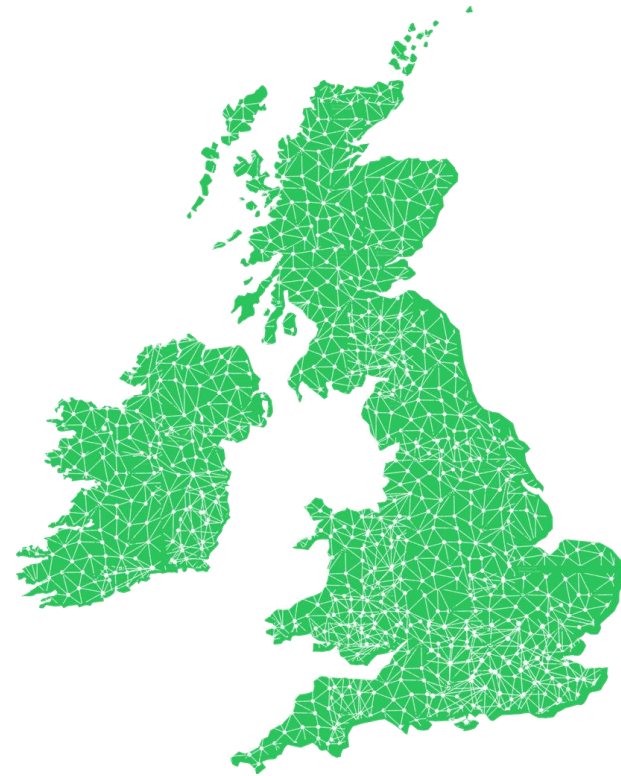


# UK's changing energy landscape

## The *old* way

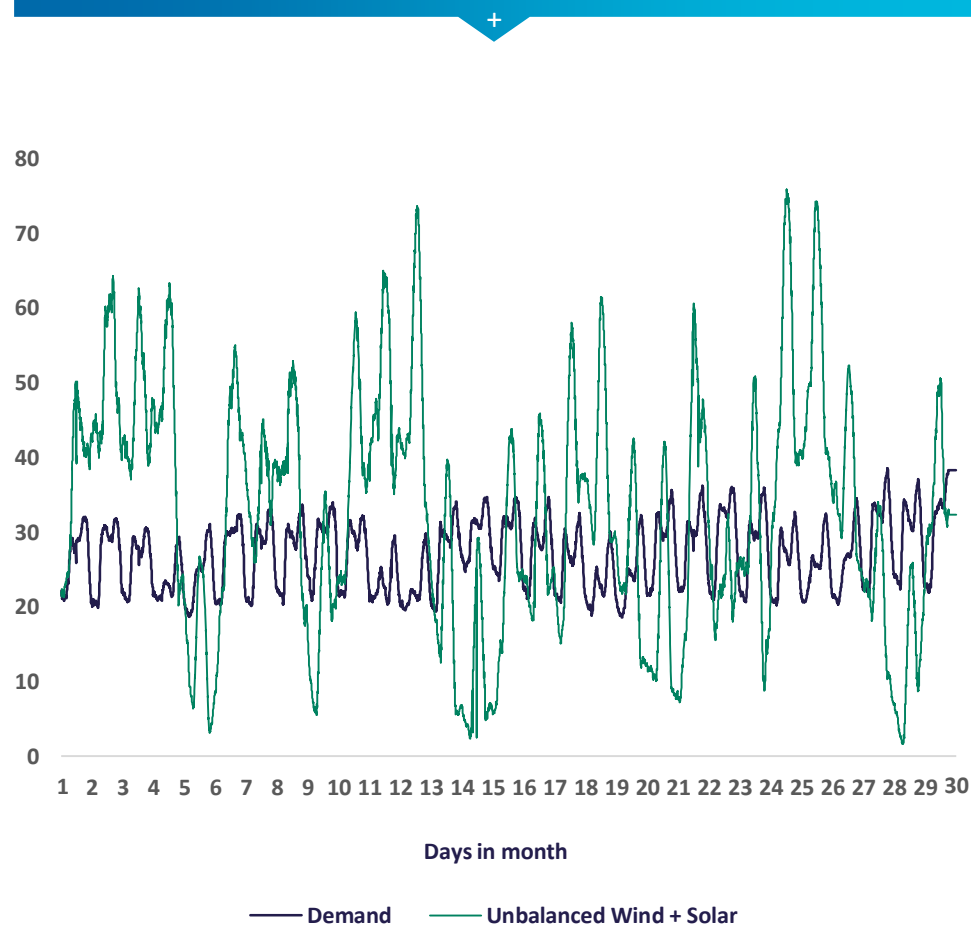


## The *new* way

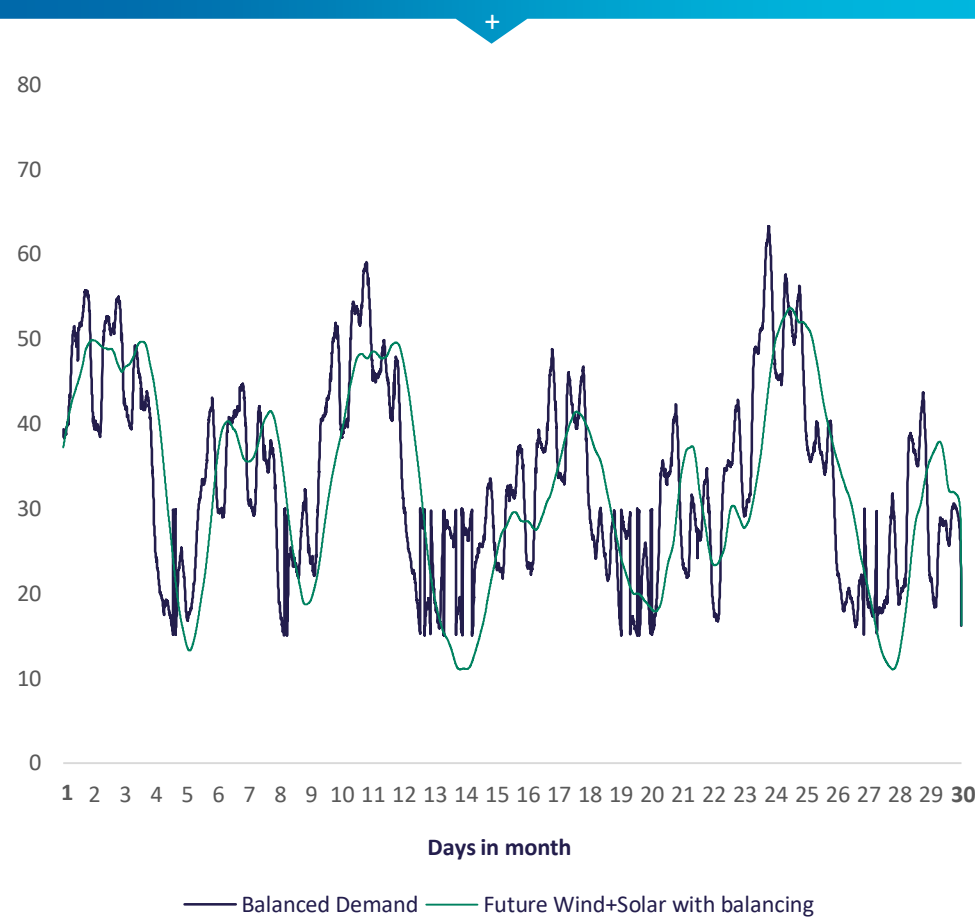


# Introducing flexibility to smooth supply, demand profile

Current electricity demand vs forecast renewables in 2050 (GW)



Shaping the electricity demand and generation through flexibility

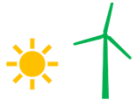


1. SMS internal calculations to show illustrative projections

# SMS Flexigrid platform

## Data Analytics / AI

Weather Forecasting



Data analytics



Grid constraints

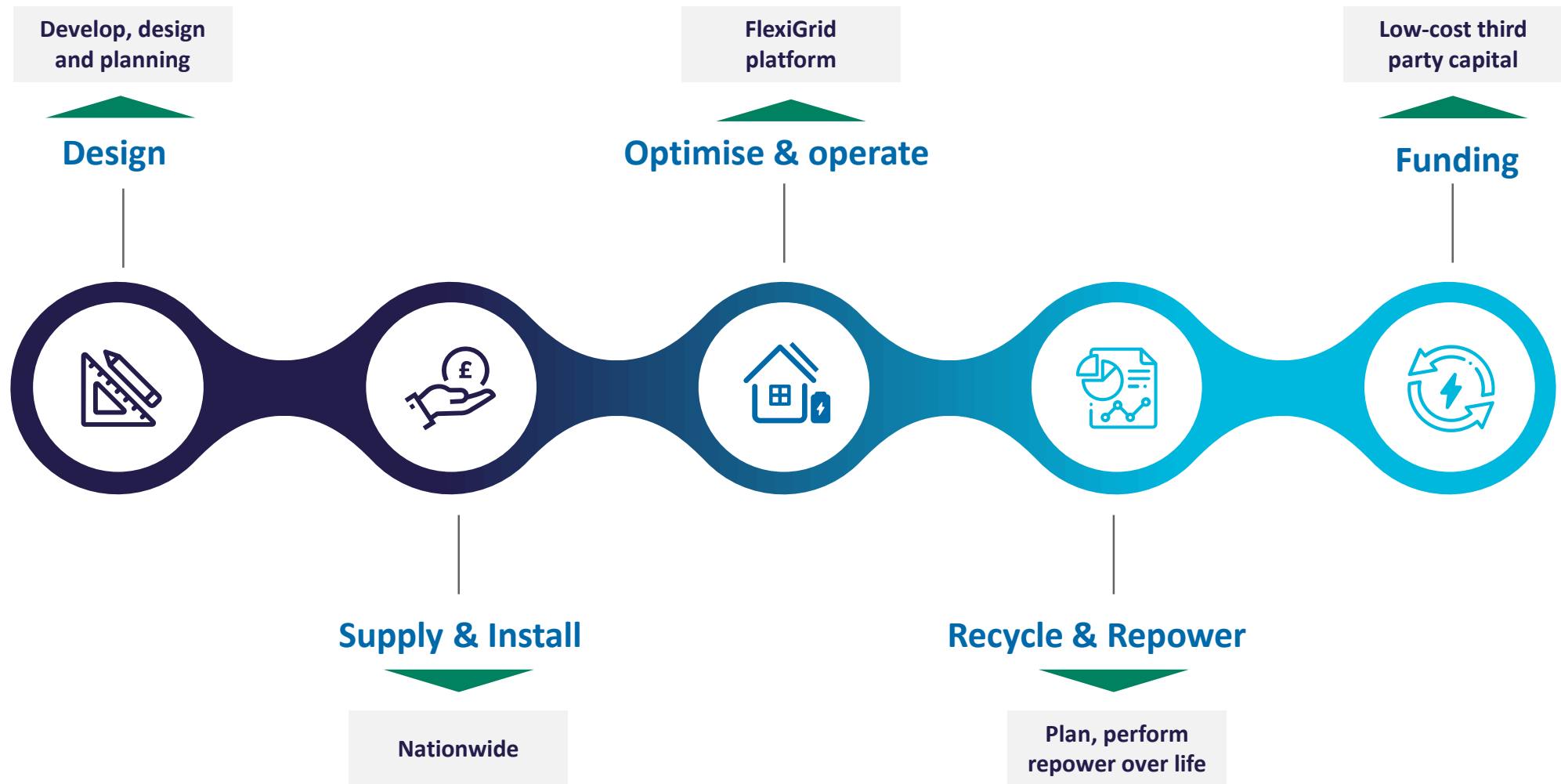


## Flexibility Markets

- Grid Services
- Wholesale trading
- Balancing market
- Local DNO Flexibility



# SMS fully integrated platform



# Solopower and market opportunity



## Reduce carbon emissions

By installing and managing solar and batteries

**Up to 90%, with self-consumption up to 70%**



## Improve the efficiency of homes

Improve SAP at properties resulting in

**Potentially enhancing mortgage rates**



## Savings consumer energy bill

Reduce cost of electricity

**Up to 25%**



## Availability of CAPEX

Third party funded

**PPA based returns**



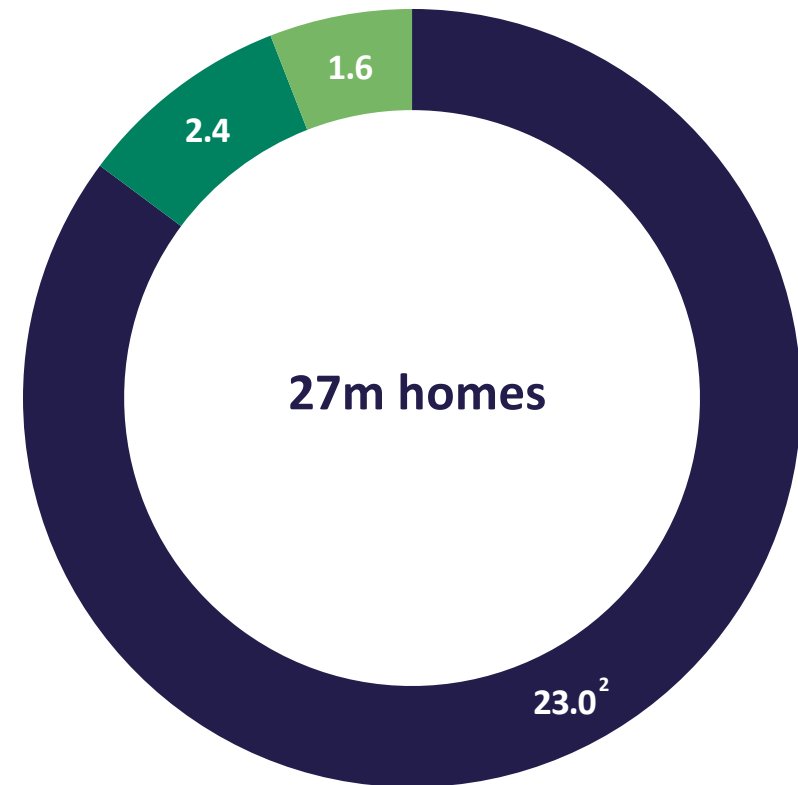
## Energy supplier agnostic

Customer retains

**Scalable**

Domestic market size (in millions)<sup>1</sup>

+



■ Private ■ Housing associations ■ Local authorities

1. Source: GOV.UK

2. Developing solutions to address the housing stock opportunity beyond the 4m Housing Associations and Local Authorities



# SMS pilot projects

1



- Creating Integrated Energy System in Orkney involving up to 700 homes and businesses

2



- 50-home solar + storage project in Aberdeen

3



- 500-home and 100-home solar + storage projects in Aberdeen

4



- 135-home battery only project in Dumfries & Galloway

5



- First-of-its-kind residential VPP project in Ireland (20 homes)

6



- First-of-its-kind to deliver grid services from aggregated residential assets in Ireland

 Active discussions with social landlords



# Case study: ReFlex Orkney











- £28.5m UKRI-funded project
- Developing an Integrated Energy System (IES) in Orkney
- IES optimised using FlexiGrid
- Up to 700 residential, commercial and industrial battery systems
- Solopower model to be delivered to social landlords
- Other assets include smart EV chargers and flexible heating solutions

# Quality of behind-the-meter cash flows

High cash flow visibility	<ul style="list-style-type: none"><li>• Long-term contracted PPA revenues for solar generation underpin investment case</li><li>• Additional revenues from provision of flexibility services to National Grid/DNO energy system operator</li></ul>
Strong counter party	<ul style="list-style-type: none"><li>• Long-term contracted revenue stream with strong counterparties that aligns capital investment case to either the local authorities themselves or 3rd party infrastructure funds</li></ul>
Asset backed service management fee	<ul style="list-style-type: none"><li>• SMS generate an ongoing management charge for optimisation and operation of the assets, linked to the asset life</li></ul>
Management fee	<ul style="list-style-type: none"><li>• Management fee is for provision of Flexigrid platform to optimise time-of-use of energy behind the meter, aggregate assets and access flexibility revenues – only SMS's system can operate the hardware controller</li></ul>
Additional revenue opportunities	<ul style="list-style-type: none"><li>• On-going opportunity to provide O&amp;M services to deployed assets, and to link additional behind-the-meter demand side management assets to the platform</li></ul>
Strong battery warranty provisions	<ul style="list-style-type: none"><li>• No exposure to asset risk, but standard industry warranties over solar panels, inverters and batteries of a minimum 10 years</li></ul>

# Competitive landscape

	 SMS	 socialenergy	 moixa	 KALUZA	 upside	 passivSYSTEMS	 sonnen	 POWERS V AULT
Full funded solution	✓	X	X	X	X	X	X	X
Asset agnostic	✓	X	X	✓	✓	✓	X	X
Energy supplier agnostic	✓	X	✓	*	*	✓	✓	✓
Batteries capability	✓	✓	✓	X	✓	✓	✓	✓
EV charger capability	✓	X	✓	✓	✓	X	X	X
Smart Heating capability	*	X	X	✓	✓	✓	X	X
Integrated metering	*	X	X	✓	X	X	X	X
Local (site) control	*	✓	X	X	X	*	X	X

\* Developing capability

Source: Based on SMS understanding of the market

## II. ADM™ Australia

Hayley Cloud, Director, Energy data management



# Overview of ADM™ opportunity in Australia

## State of the market

+



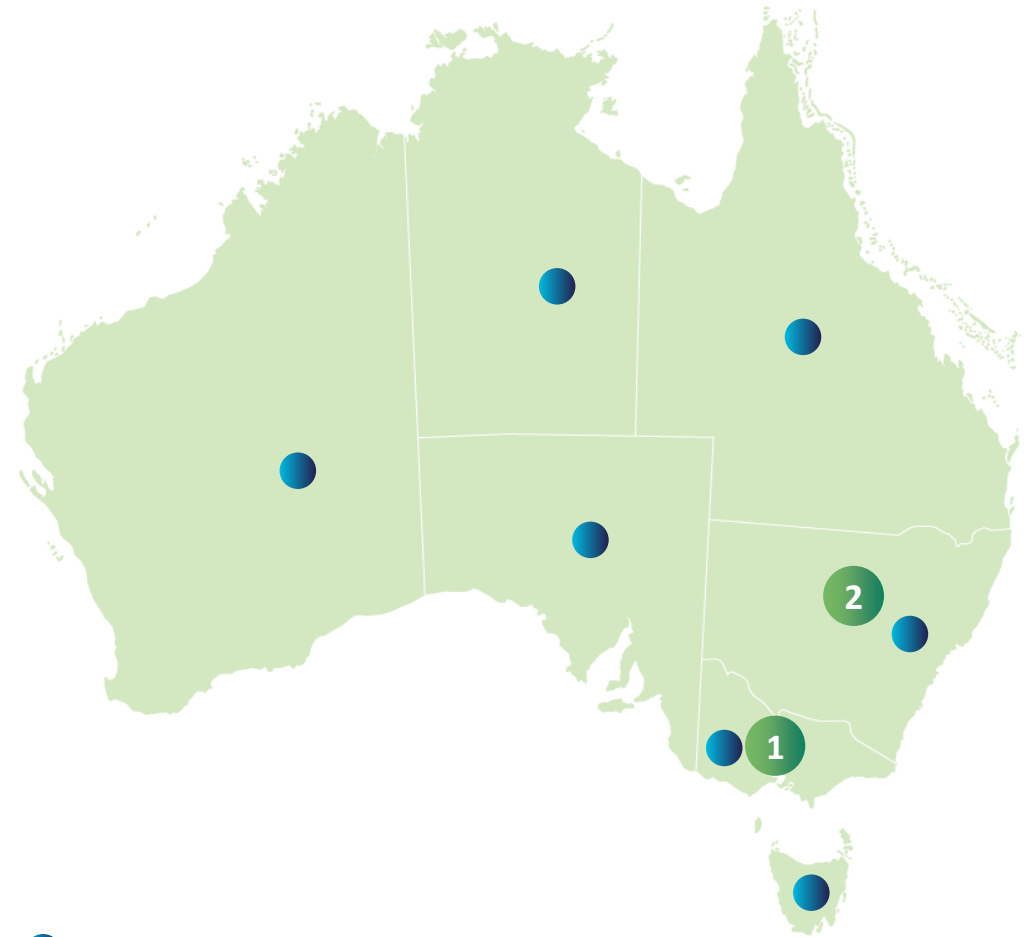
Digital water metering is at early stage of widespread uptake in Australia



Most water utilities are currently establishing the business case

## Total market opportunity

+



● Total addressable market opportunity: >8m

● Active discussions with councils and municipal water utilities: >1.2m

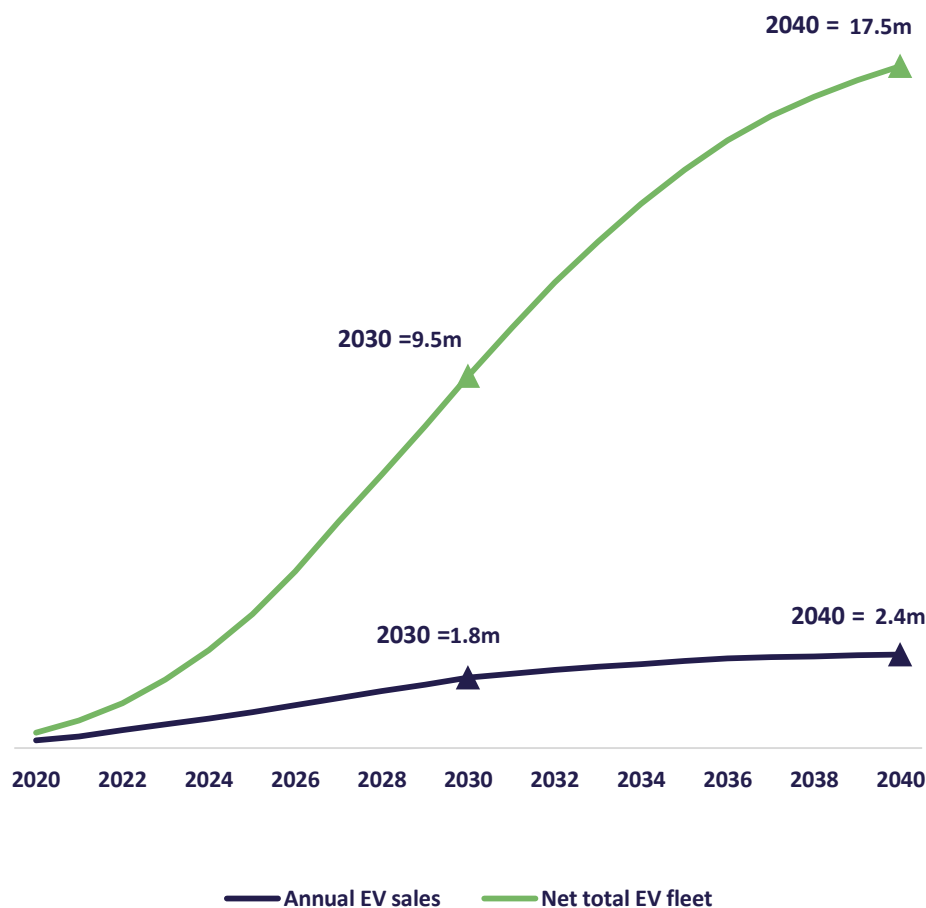


# III. Electric vehicle (EV) charging

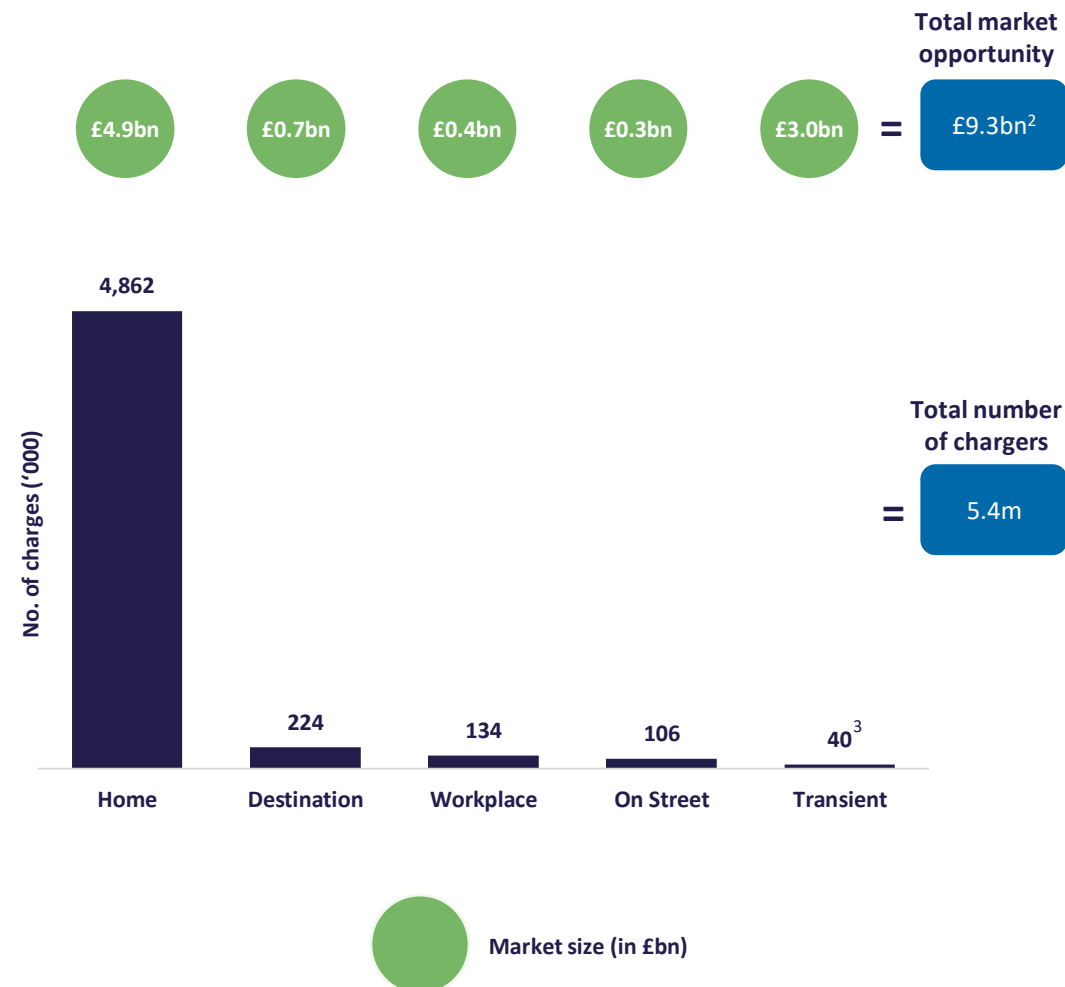
**Guy Bartlett**, Director, EV charging infrastructure

# EV is an accelerating market with strong growth drivers

Projected EV sales in UK<sup>1</sup>



Market size by 2030<sup>1</sup>

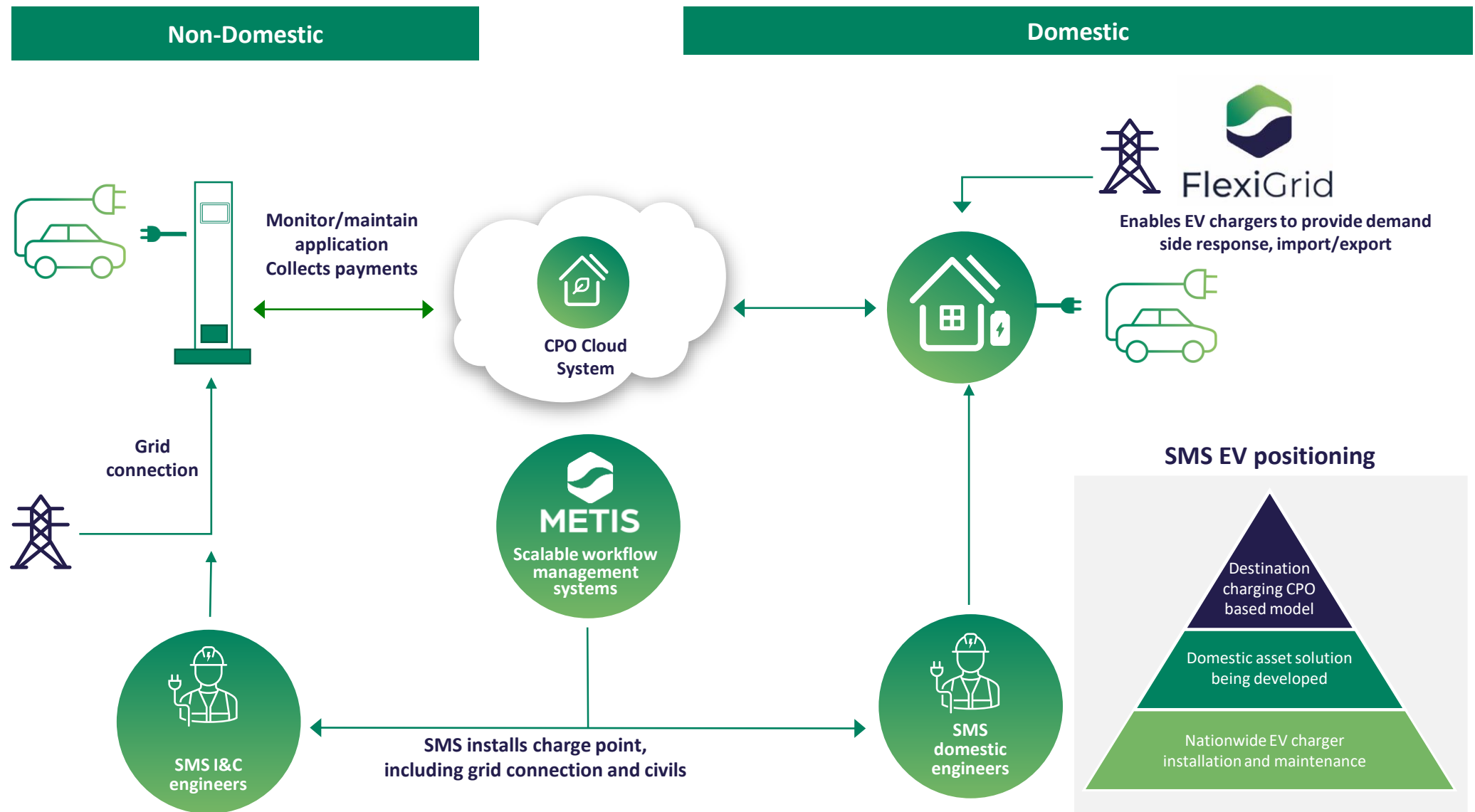


1. SMS internal estimates

2. Total market opportunity = Number of chargers \* SMS estimated per unit cost

3. Transient is charging on major trunk roads using rapid chargers (150kw+) and hence capex high versus others

# SMS charging offering and technology integration





# IV. Energy services

Sean Keating, Director, Energy services

# Energy efficiency: background

## What it is?

- Energy efficiency is at the heart of environmental sustainability
- Projects involve deployment of lighting, heating, hot water, cooling, ventilation, monitoring and controls assets

## Part of the future energy landscape

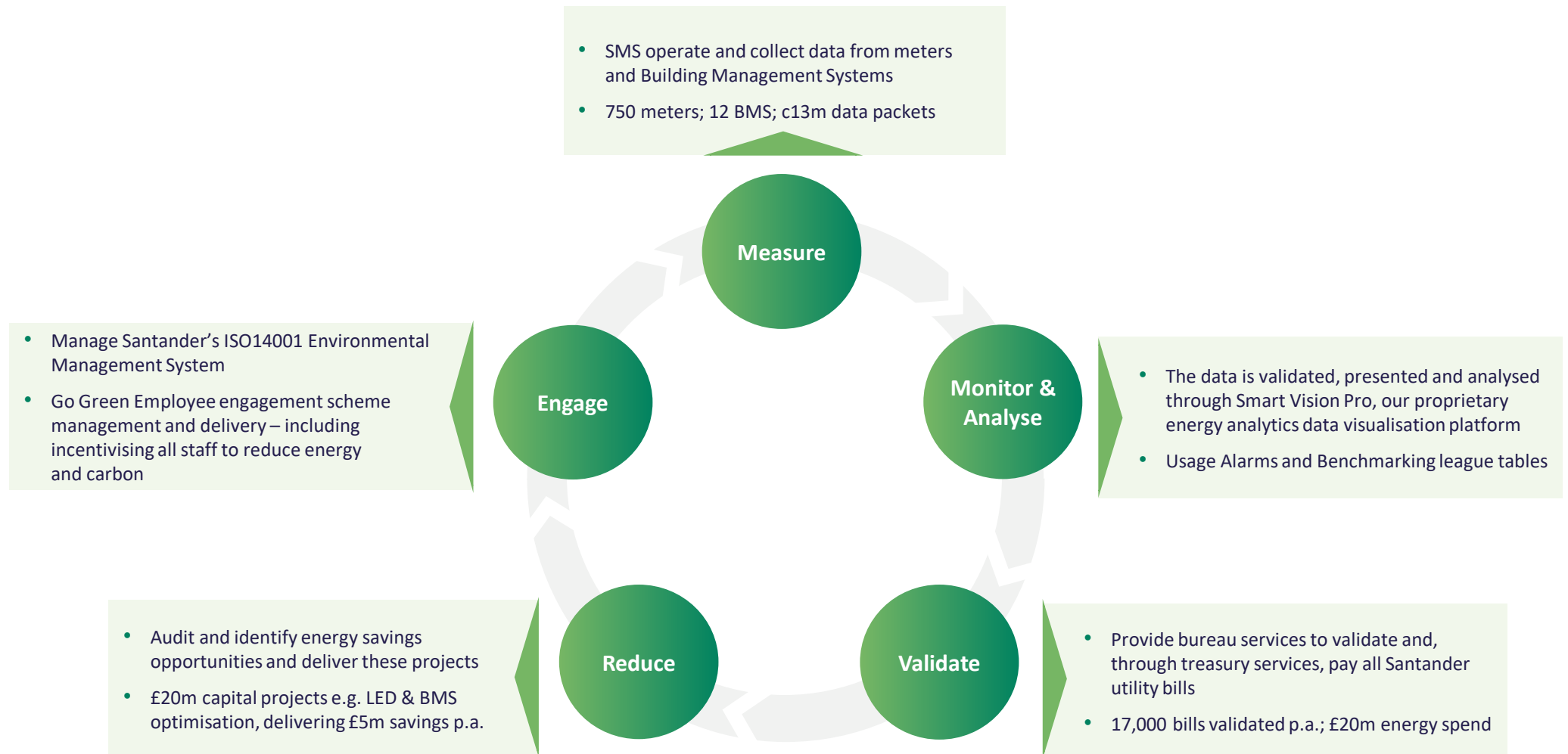
- Substantial improvements required for net zero; failure would drive decarbonisation cost
- According to the Committee on Climate Change, progress on the deployment of energy efficiency measures in buildings is running at <20% of the level recommended

## SMS experience and expertise

- SMS has >20 years of energy efficiency consulting and project delivery experience across infrastructure, hospitality, banking, retail, data centres, local government and industry

# Case study: Santander Bank

Partnered with Santander since 2011 to manage energy data and environmental impact



# Energy efficiency market size

## SMS developed and delivered projects

### Lighting & Lighting Controls



### Smarter Control, Monitoring & Management Systems



### HVAC & Refrigeration Assets



## Investment required<sup>1</sup> in non-domestic buildings

£4.6bn

£4.8bn

£2.6bn

Total market  
opportunity by 2033

=

£12.0bn

1. The Committee on Climate Change. This doesn't represent the full market, but part of the overall market



# V. Heat

**John Flaherty**, Director, Electrification  
of Heat infrastructure



# Heat: background

**Decarbonisation of heat is one of the biggest challenges facing the transition to net zero**

## Heat metering

- Mandated 158,000 retrofit meters on current heat networks as well as 93,000 for new build before 2025
- UK government target of 5 million buildings on district heat networks by 2050, which will all need heat meters

## Storage heaters

- Approx 2 million homes are heated with storage systems
- 12GW of electrical load which can be added to the FlexiGrid platform to access Balancing Mechanism revenues

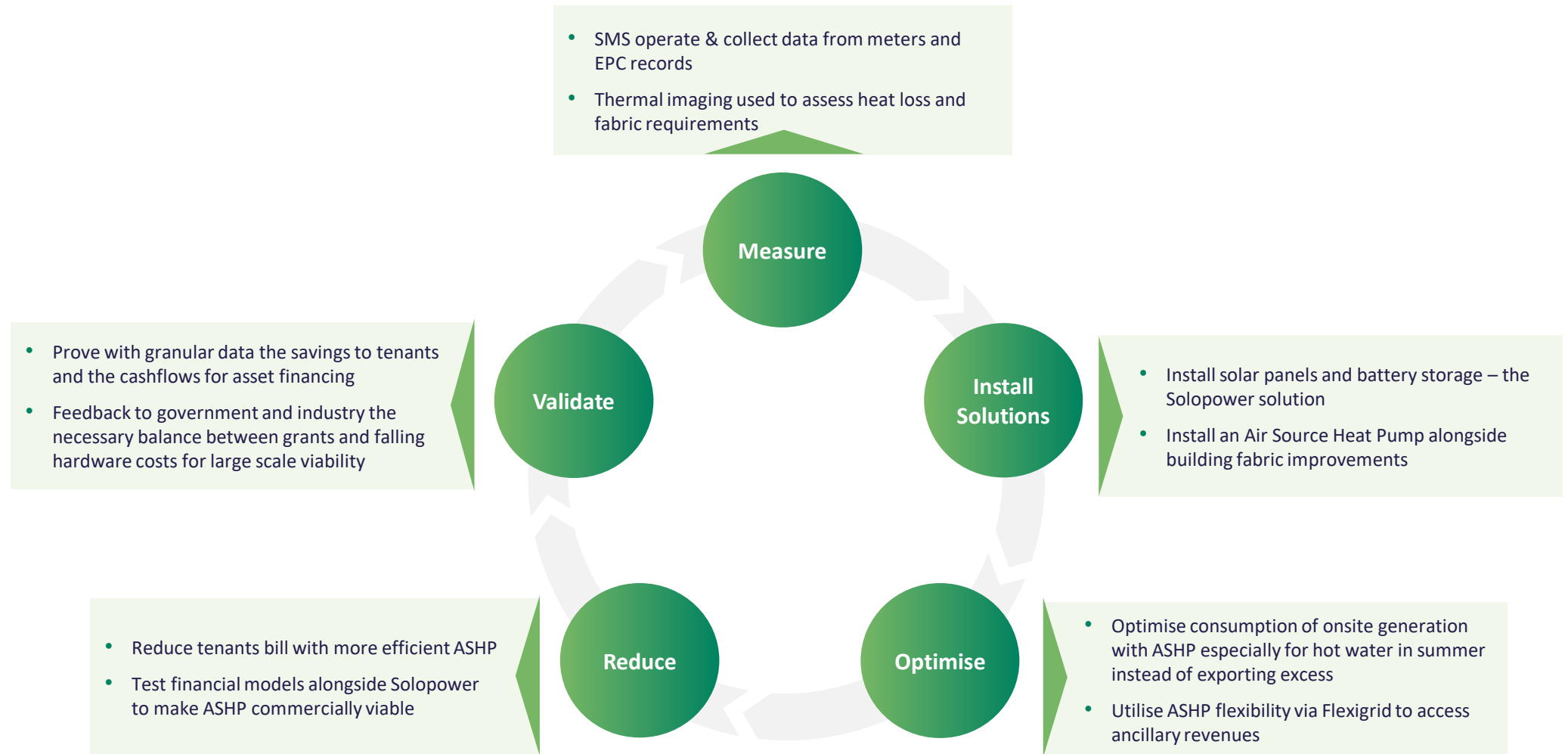
## Heat Pumps

- 19 million heat pumps required by 2050; aim for 600k installed p.a. by 2028
- Potential for 'Heat as a Service' offerings
- Integrated with FlexiGrid to access additional revenue streams from demand side response

Source: The Heat Network (Metering and Billing) (Amendment) Regulations 2020, The Committee on Climate Change, OFGEM, GOV.UK, SMS internal estimates

# Case Study: Doric project

SMS is partnering with Aberdeen City Council for a £5.2m project backed by the Social Housing Decarbonisation Fund Demonstrator



# 5. Business support services

I. Technology

II. ESG

III. Finance

# I. Technology

Tony McCandless, CIO



# Information security



## SMS made seamless transition to working from home since COVID-19, demonstrating business continuity

### Cloud



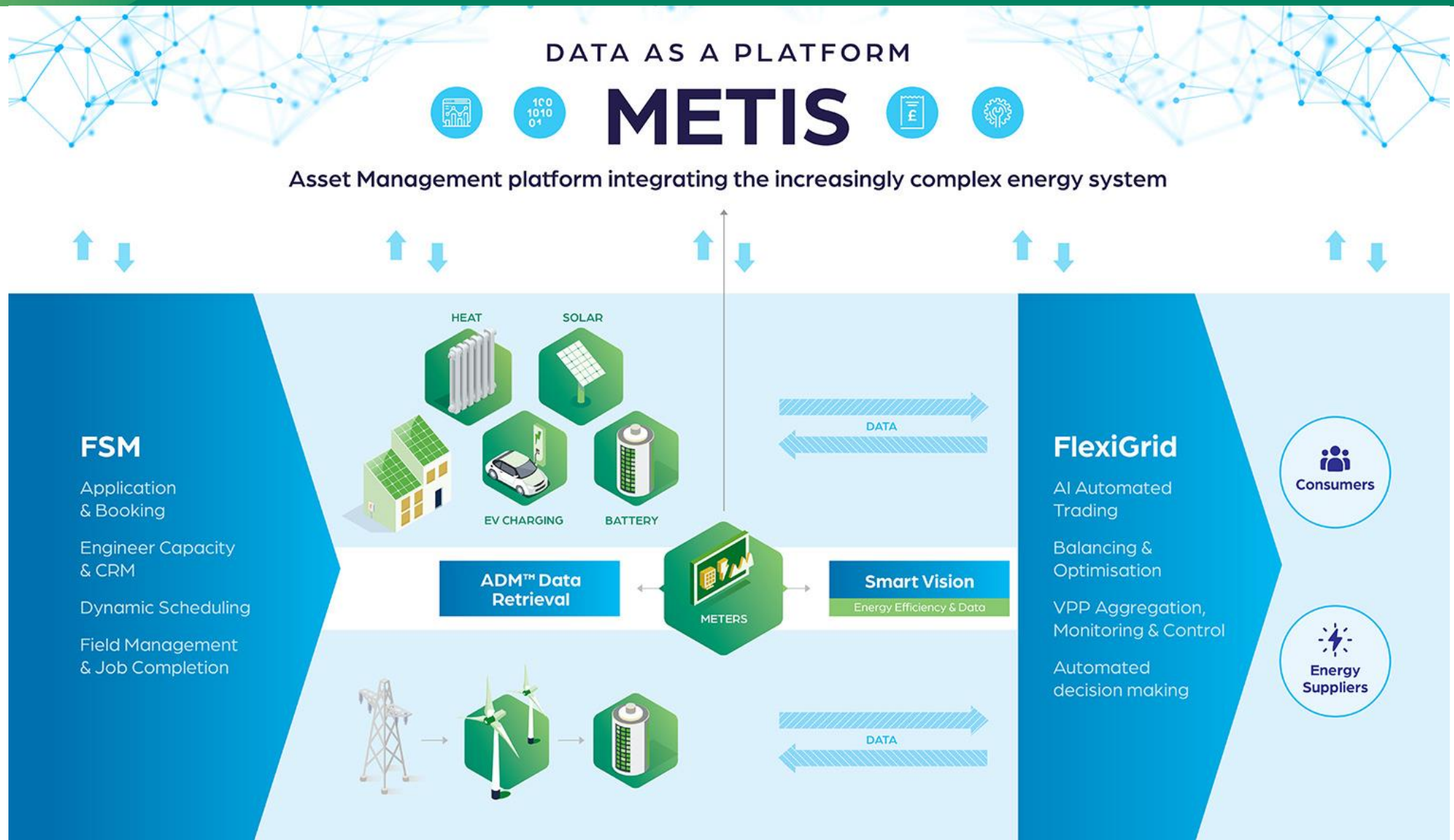
- Significant proportion of digital estate running on Cloud providing access to near-unlimited processing and storage capabilities
- Services running across multiple availability zones (highly available data centers) providing automatic fail-over, additional scalability and reliability

### On-Prem



- Number of key business services are hosted on-premise within a secure tier 3 facility
- More predictable workloads running on dedicated N+1 hardware, with near real time data replication, and full offsite back-ups

# Technology platform: METIS





## II. ESG

**Charlotte Gregory**, Head of Sustainability

**Judy Keir**, Director, Group HR

**Iain Hyslop**, Director, Health & Safety

**Gavin Urwin**, CFO

# Environment: 'net-zero by 2030,' carbon negative beyond

## Ratings



### Rated 'A'

Highest relative score for corporate governance and carbon emissions

### Rated 'B'

Recognised for taking strategic business decisions to mitigate climate change

## Commitments



### Green Economy Classification & Mark

Awarded by the LSE, identifying SMS's contribution to the global green economy



### Signatory to the UN Global Compact

Committed to implement sustainable and socially responsible policies

## Framework of disclosures



### TCFD supporter

Publicly sharing our risks and opportunities relating to climate change



### Commitment to SDG goals

Support alignment to the 'Sustainable Development Goals'

## ISO standards



ISO 14001  
Environmental Management

ISO 50001  
Energy Management

ISO 9001  
Quality Management

ISO 45001  
Health and Safety

ISO 27001  
Information Security

2020

Committed to Net Zero Carbon target

22 Jan 2021

Launched Sustainability page on website

2021

### FLEET

All vehicles at the end of their lifecycle will be replaced with plug-in hybrid's or EV's where possible

2021

### BUILDINGS

Commence roll-out of renewable and efficiency upgrades

2025

### FLEET

All fleet will emit the lowest possible CO<sub>2</sub>/km in their category

2030

### FLEET

All fleet will be EV or emit 0g CO<sub>2</sub>/km where possible

2030

### BUILDINGS

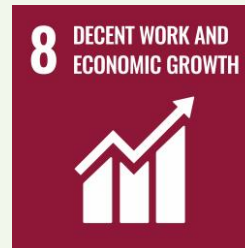
All core sites to have renewable generation, fabric and energy efficiency upgrades completed

**Beyond 2030** Continuously working with suppliers and customers to reduce Scope 3 Emissions

# Aligned with the UN Sustainable Development Goals



- **Achieved all improvement targets in 2020**
- The Accident Frequency Rate **decreased by over 70%** to 0.05 RIDDORs
- **Significant improvement** (0.75 to 0.24) in Lost Time Incident Frequency Rate (LTIFR)



- Reliable **supplier relationships** with clear communications and requirements
- **SMS Supplier Questionnaire** screens suppliers on a range of **ethical conduct**.



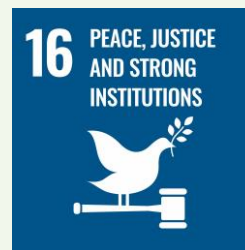
- **Supports and encourages gender diversity** amongst its workforce
- **6% increase in female employees** represented in top quartile



- Energy services and solutions enables **significant carbon mitigation** by customers
- Our smart meters account for **9,718 tCO2e avoided emissions**
- Our energy efficiency projects account for a further **5,291 tCO2e avoided emissions**



- Services centred on delivering energy assets that enable affordable, reliable, sustainable energy
- Solopower to **reduce tenants' energy costs** and decarbonise housing stock **up to 90% of electricity**
- **470MW** pipeline in grid-scale batteries



- SMS adopts the provisions of the **Quoted Companies Alliance's Corporate Governance Code**
- Holds **5 ISO certified management systems**: ISO 9001, ISO 45001, ISO 27001, ISO 14001 and ISO 50001

# Social: Our people and culture





# Social: a number of initiatives in motion

## Diversity and inclusion

- External Medical Director BAME support during pandemic
- Ramadan (healthy heart), fuel poverty, suicide prevention etc.
- Finalist Utility Week Awards 2021 Employer of Year
- Participate in 2 mentoring schemes 'Career Ready' for high school students and 'Aleto Foundation' social mobility charity

## Our people and culture

- Wellbeing and putting our people first
- Engagement Surveys: accredited by Best Companies as 'One to Watch' 2021
- Accredited Living Wage Employer
- Enhanced Maternity and Adoption Scheme
- New Pay and Reward Framework – ensuring equity across Group
- Gender Pay Gap Reporting
- Shortlisted for Best Mental Health Award via 'Working Mums'

## Supporting our communities

- Encouraged employees to support vulnerable people throughout pandemic
- Returned furlough grants to UK government; maintained 100% salary to significant majority of employees during pandemic
- Continued to support three nominated regional cancer charities
- Matched a variety of staff fundraising initiatives for charity and good causes
- Local community and biodiversity support at SMS grid-scale battery sites

## Awards, memberships and accreditations



# Health and Safety: 'Vision zero'

## Internal process and standards

- The business operates to the international standards 9001, 14001 & 45001
- EQMS enables monitoring and reporting of performance – all KPIs are on track or ahead of target
- Our regional SHEQ Forums ensure that the entire business is aligned with our Core Values and SHEQ Targets & Objectives
- Our Internal Audit Plan focuses on key business risks and drives improvement
- Our SHEQ training is comprehensive and is refreshed regularly via our electronic training platform Nimble

## Three breakthrough objectives

- Safety, Health and Wellbeing: 'Vision zero' - for zero accidents, healthy work and employee wellbeing
- Environment and Energy: 'Net-zero' - reduce energy consumption and environmental impact
- Quality: Customer focus - 100% customer satisfaction, zero non-conformance or complaints





# Governance: committed to the highest standards

## Board composition

- 50% female representation on the Non-executive Board of Directors
- Dedicated Health, Safety & Sustainability Board Committee headed by the Group's Chairman



## Accountability

- ESG is embedded into every level of decision making, with targets, objectives and actions integrated into daily activities
- Performance against these values is evaluated within employee bi-annual professional development review



## Corporate risk register

- Corporate risk register is annually reviewed. ESG has been added to the risk register
- Continually review climate related risks and opportunities, which can be seen within SMS's Carbon Disclosure Project (CDP) submission
- Sustainability Accounting Standards Board (SASB) materiality matrix used to support assessment of material issues. Have been integrated into 2020 Sustainability report
- In 2020, SMS became a signatory to the Taskforce for Climate-related Financial Disclosure (TCFD)



## Compliance

- SMS adopted provisions of the Quoted Companies Alliance's Corporate Governance Code in 2018
- SMS had no fines, non-monetary sanctions or cases in the reporting year, and no instances of non-compliance were identified

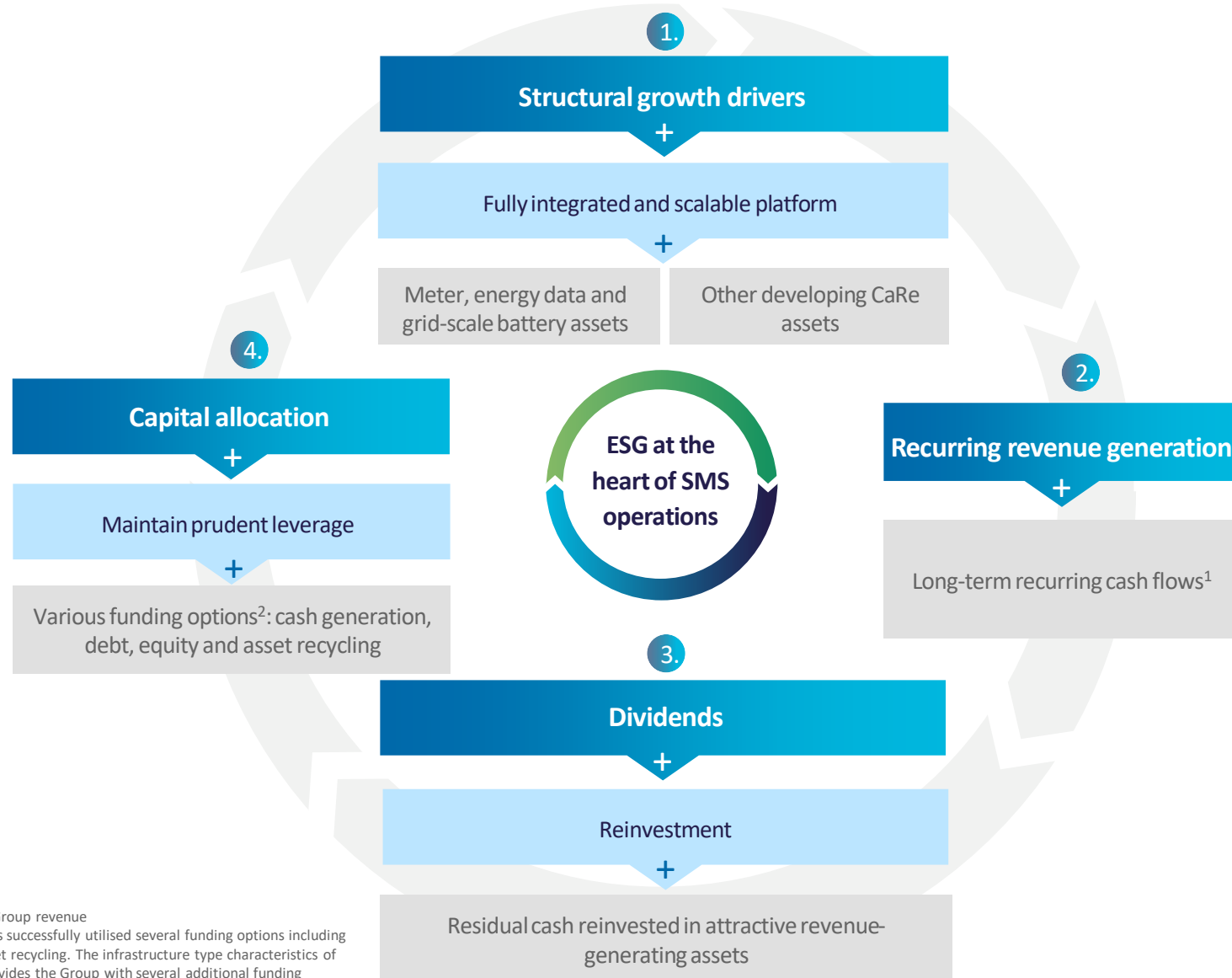


SMS has received the highest scoring range relative to global peers by MSCI for corporate governance

# III. Finance

Gavin Urwin, CFO

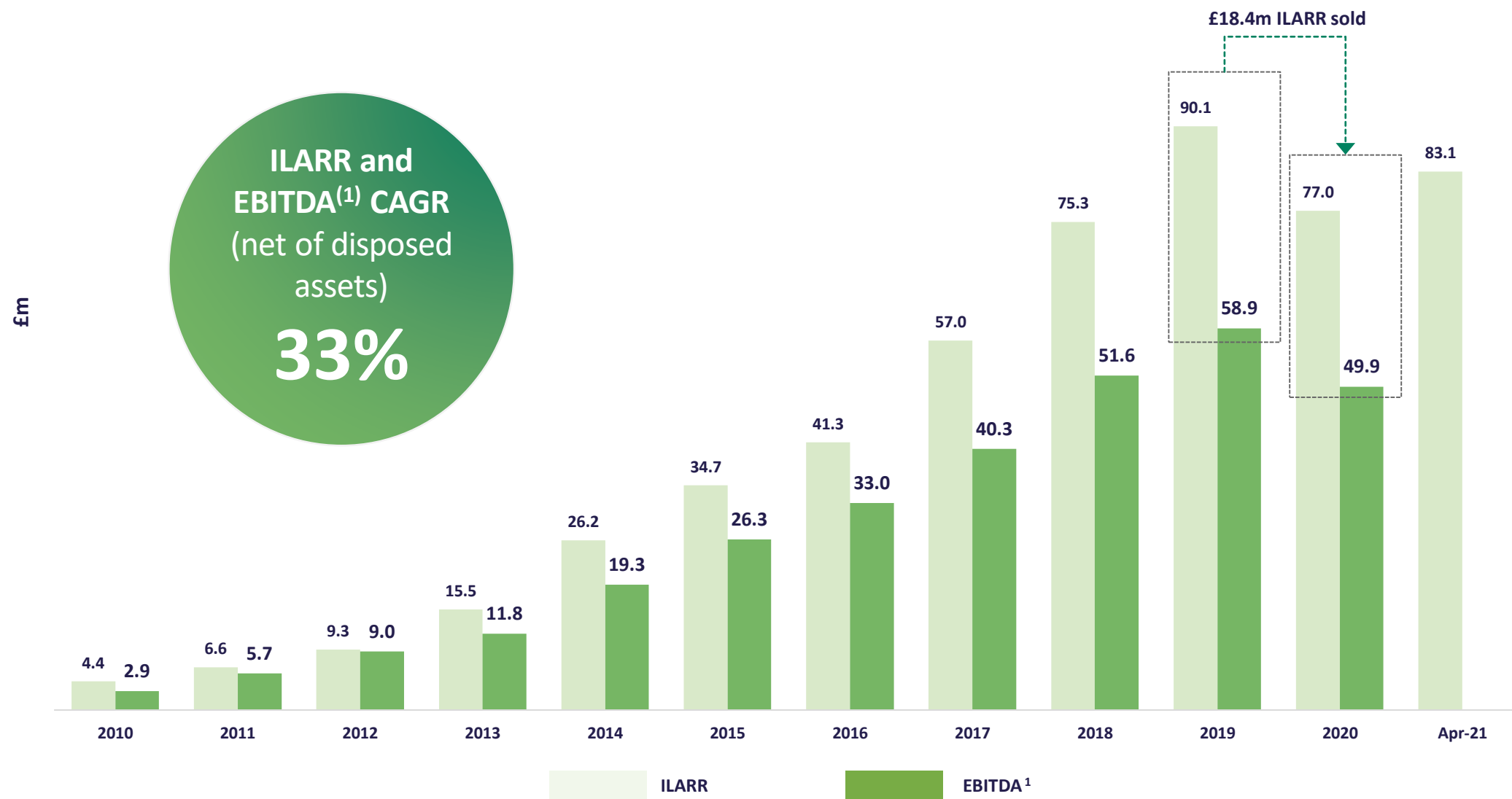
# Our core strategic pillars



1. Significant proportion of Group revenue

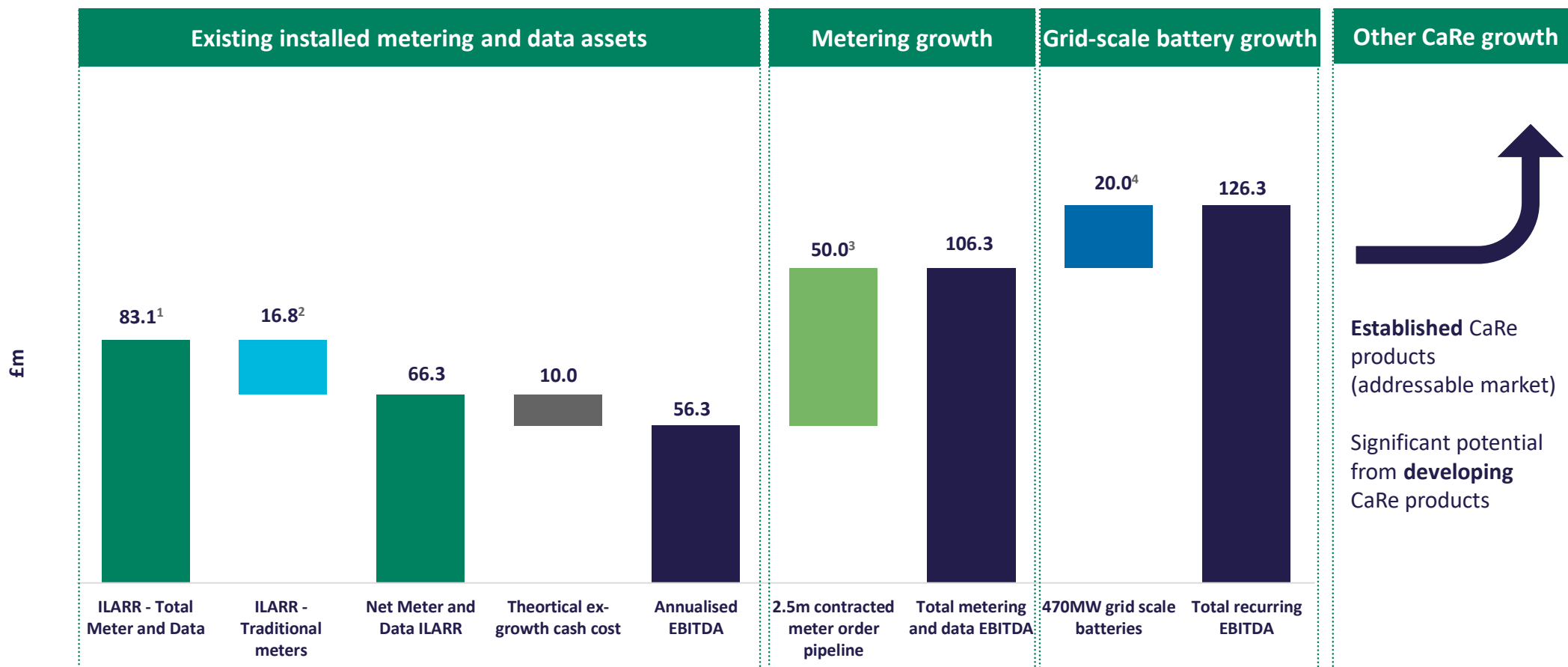
2. Since IPO in 2011, SMS has successfully utilised several funding options including debt, equity raise and asset recycling. The infrastructure type characteristics of SMS-originated assets provides the Group with several additional funding routes in the future

# ILARR and EBITDA: consistent growth since IPO



1. Pre-exceptional EBITDA

# Secured and future long-term cash generation



**Significant growth in recurring earnings and cashflows through c.2.5m contracted smart meter order pipeline, 470MW exclusive grid-scale battery pipeline and developing CaRe products**

1. Meter and data ILARR at 30 April 2021; also includes I&C HH electricity meter portfolio acquired in April 2021

2. Includes £13.1m relating to owned assets and £3.7m relating to third-party assets; assumes 100% removal

3. SMS meter rental contracts are linked to RPI; however, for simplicity, the presented ILARR calculation is based on real terms and does not incorporate any annual RPI escalations

4. Based on 11% starting EBITDA yield contribution and an assumed capex of c.£380k per MW

# Disciplined and prudent leverage





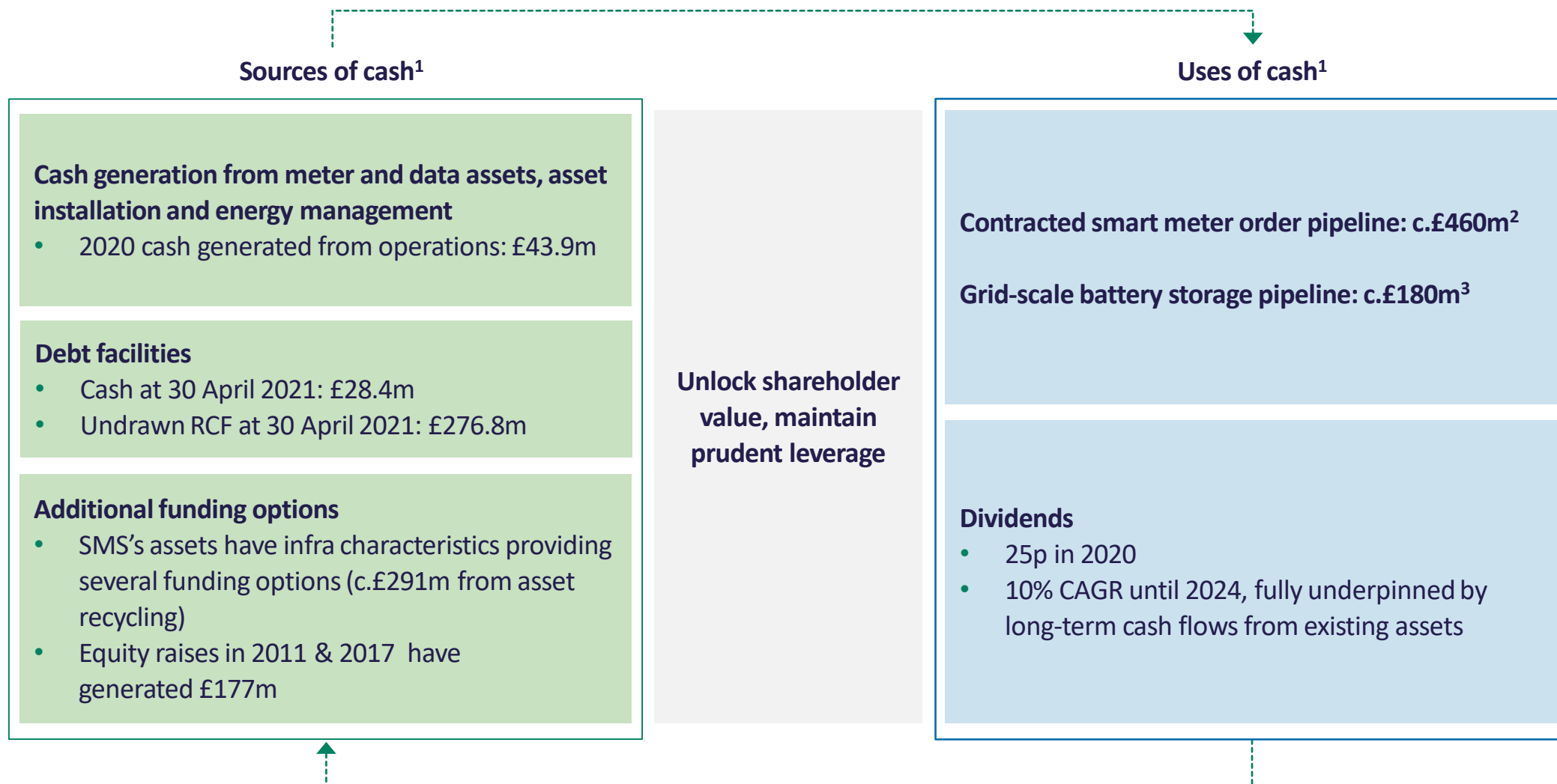
# Asset recycling in 2020 has unlocked significant value

Meter assets gross ILARR sold (Completed April 2020)	£18.4m <sup>1</sup>	Average age 4.7 years <sup>2</sup>
Disposal gross proceeds	£290.6m	
Implied ILARR multiple achieved	16.4x net <sup>3</sup>	
Retained ILARR (at 30 April 2021)	£83.1m	

- ✓ Disposal has reset SMS's balance sheet to net cash and unlocked significant growth potential in meter and CaRe assets
- ✓ Enhanced dividends with intention to grow at 10% CAGR until 2024

1. Disposal of a minority of meter asset portfolio  
2. Weighted by ILARR  
3. Net includes the retained RPI-linked management fee of £0.8m p.a.

# Capital allocation

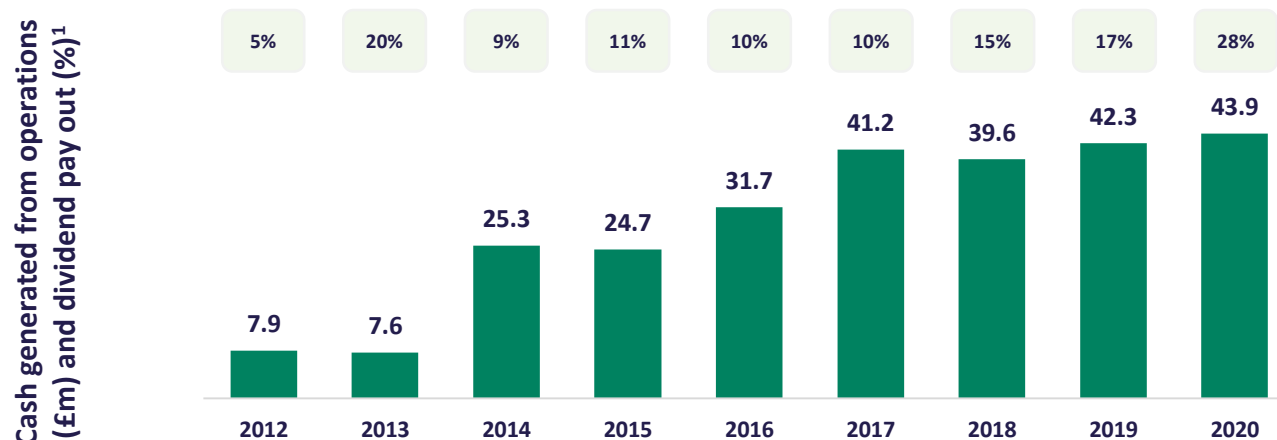
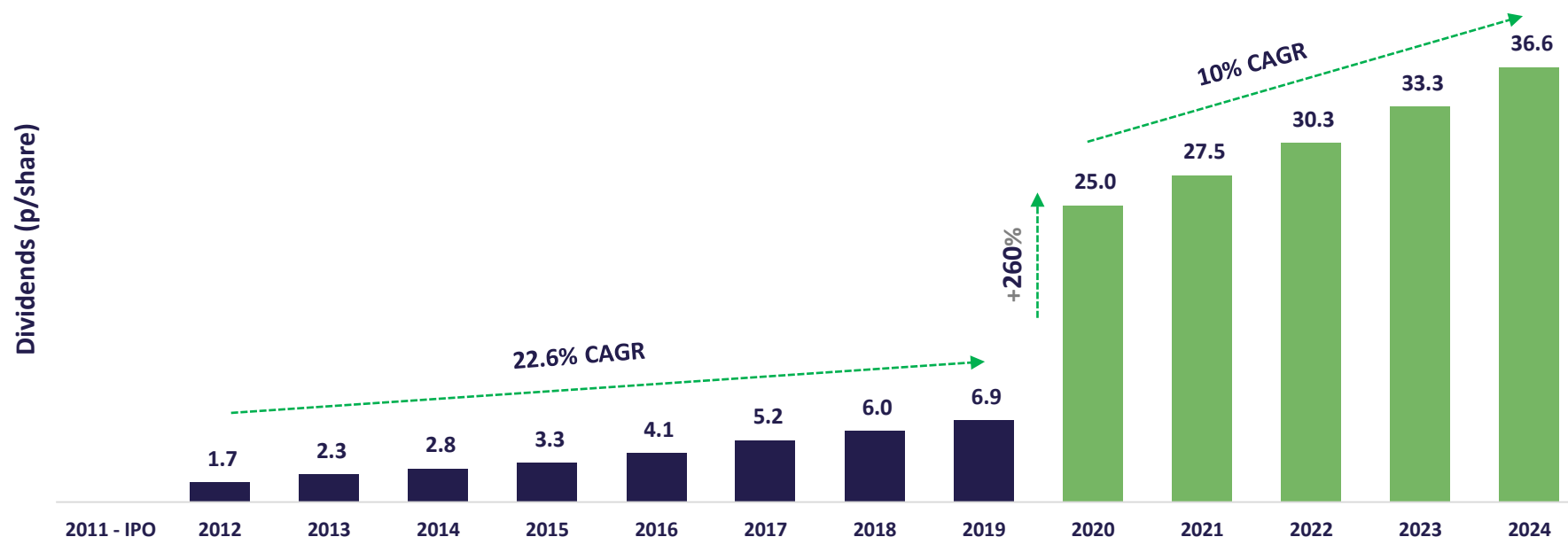


1. Size of charts are purely for illustrative purpose and are not a representation of the actual quantum

2. Contracted smart meter order pipeline of c.2.5m meters

3. Grid-scale battery storage assets pipeline of 470MW; construction commenced on 90MW; rights to a further 100MW acquired

# Dividend policy underpinned by existing long-term cash flows



1. Dividend paid divided by cash generated from operations

# 6. Summary and outlook

Alan Foy, CEO

# Summary and outlook

## **At the heart of low-carbon revolution**

- SMS platform develops and integrates carbon reduction (CaRe) assets and energy data solutions
- Committed to net-zero by 2030; carbon negative beyond

## **Existing ILARR provides strong foundation**

- Existing ILARR of £83.1m provides long-term cash flow visibility with ability to withstand economic shocks
- Inflation linked contracts provides strong protection against inflationary environment

## **Significant growth from decarbonisation agenda: contracted and addressable opportunities**

- Contracted pipeline of c.2.5m meters and 470MW grid-scale battery storage assets alone will significantly grow EBITDA
- Significantly scalable platform with additional addressable £1.2bn EBITDA opportunity in established CaRe products
- Additional market opportunity from developing products for behind-the meter, ADM™ Australia, EV charging, energy efficiency and heat

## **Strong liquidity position; prudent leverage**

- SMS assets have high-quality infra characteristics providing several alternative funding options to maximise value
- Net cash position; maintain leverage at prudent levels

## **Sustainable long-term dividend policy**

- 10% dividend CAGR until 2024 covered by existing meter and data assets; thereafter cash flows continue to grow at RPI
- Further value accretion from additional growth opportunities

## **Safety, customer excellence, innovation, pride, sustainability**

- Serving our customers, protecting the environment



# Q&A

# Financial calendar

Ex-dividend date:	01 July 2021
Record date:	02 July 2021
Payment date:	29 July 2021
<b>Post-close H1 2021 trading update:</b>	<b>28 July 2021</b>
<b>H1 2021 results announcement:</b>	<b>14 September 2021</b>



**Dilip Kejriwal**

Head of Investor Relations

Email: [dkejriwal@sms-plc.com](mailto:dkejriwal@sms-plc.com)

T +44 (0) 796 695 4189

**SMS**

2nd floor

48 St. Vincent Street

Glasgow G2 5TS

[www.sms-plc.com](http://www.sms-plc.com)