

Final Results

for the year ended 31 December 2012

March 2013



smart metering
systems plc

Alan Foy
Chief Executive Officer

Review of the period



Financial highlights

- ◆ Revenue increased by 32% to £21.0m (2011: £16.0m)
- ◆ Recurring meter rental increased by 40% to £9.3m (2011: £6.6m) representing 44% of total revenue
- ◆ Gross profit increased by 50% to £13.3m (2011: £8.9m)
- ◆ Adjusted EBITDA* increased by 59% to £9.0m (2011: £5.7m)
- ◆ Basic earnings per share increased by 77% to 5.18p (2011: 2.93p)
- ◆ Final dividend of 1.15p per ordinary share making 1.65p for the full year
- ◆ New banking club arrangement announced on 2 August 2012 for £45m with Barclays Bank PLC (lead bank), Clydesdale Bank PLC and Lloyds Bank PLC, replacing all existing facilities
- ◆ Available resources of £31.1m

* Excluding exceptional items and fair value adjustments.

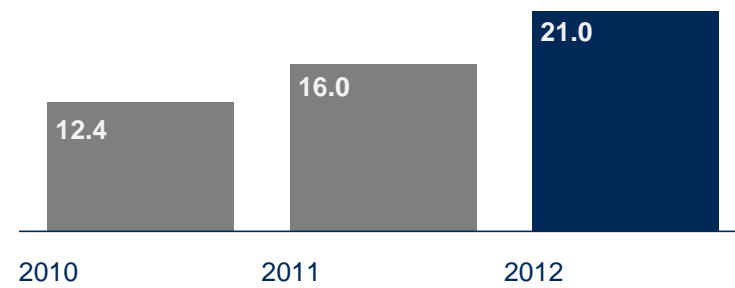
Operational highlights

- ◆ Total meter portfolio increased by 34% to 341,000 (2011: 254,000) of which 95% are domestic
- ◆ Increase of 74% in capital investment in meter assets to £16.0m (2011: £9.2m)
- ◆ Increase in annualised recurring meter rental at 31 December 2012 of 42% to £10.8m (2011: 7.6m)
- ◆ Significant new contracts :
 - ◆ Gas Suppliers
 - ◆ Scottish and Southern Energy: c180,000 domestic meters
 - ◆ Scottish and Southern Energy: Initial order of 760 I&C meters and ADM™ devices
 - ◆ Total Gas and Power: Initial quantity of 15,000 I&C meters and ADM™ devices
 - ◆ Contract Natural Gas: Initial quantity of 1,475 I&C meters and ADM™ devices with exclusive arrangement to the balance of the portfolio estimated at over 20,000 I&C meters
 - ◆ Dong Energy Sales for I&C meters and ADM™ devices
 - ◆ E.ON Energy Solutions for Gas Metering Services for both domestic and I&C sectors
 - ◆ Energy Brokers: providers of brokerage services to small, medium and large gas consumers
 - ◆ BIU, Solis, Energi, Imserve and ISS for meters and ADM™ devices
- ◆ ADM™
 - ◆ First sales post-trial periods with a number of customers of over 2,000 units
 - ◆ Trials commenced in the Water and LPG markets in the UK
- ◆ Asset installation
 - ◆ Increase of 26% in asset installation revenue to £11.8m (2011: £9.4m) of which Gas Connection business increased turnover by 10% to £6.5m (2011: £5.9m)

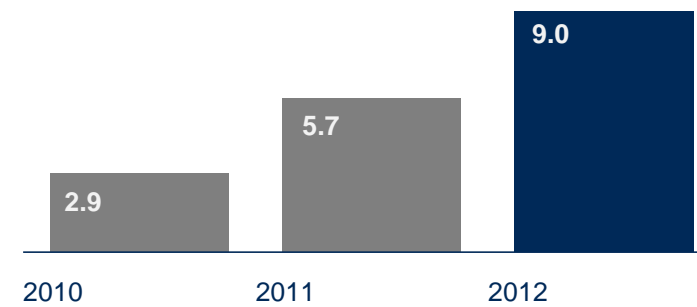


Three year progress

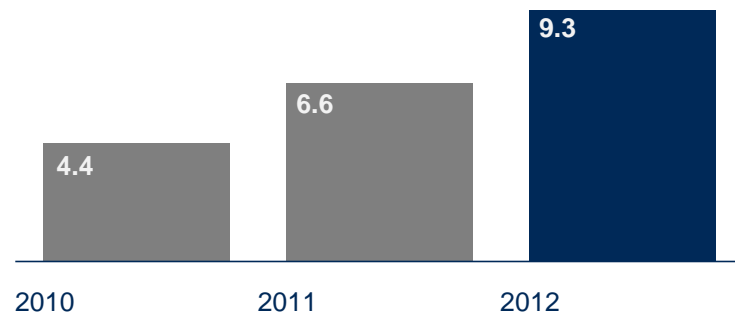
Revenue (£m)



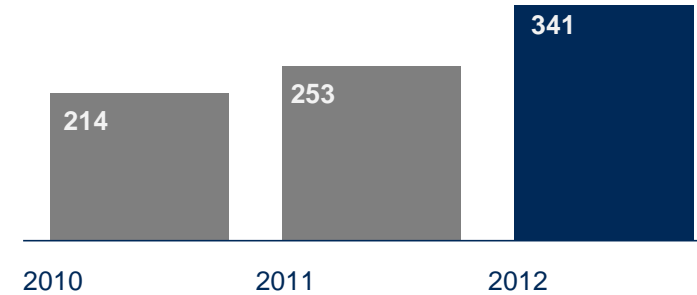
EBITDA (£m)



Recurring revenue (£m)



Installed assets ('000)



Glen Murray
Finance Director

Financial review



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Financial highlights

	Y/E 31 December 2012 £'m	Y/E 31 December 2011 £'m	Increase
Sales	21.0	16.0	32%
Gross profit	13.3	8.9	50%
Gross profit margin	63%	55%	
EBITDA*	9.0	5.7	59%
EBITDA Margin	43%	36%	
PBT*	6.5	4.0	62%
Basic Earnings per share	5.18p	2.93p	77%

* Excluding exceptional items and fair value adjustments.

Income statement segmental analysis for the year ended 31 December 2012

	Asset Management			Asset Installation		
	Y/E 31 Dec 2012 £'000	Y/E 31 Dec 2011 £'000	Increase	Y/E 31 Dec 2012 £'000	Y/E 31 Dec 2011 £'000	Increase
Revenue	9,254	6,614	40%	11,775	9,350	26%
Operating Costs	2,194	1,973	11%	5,565	5,136	8%
Segment Profit	7,060	4,641	52%	6,210	4,214	47%

- ◆ Recurring revenue up 40% on 2011. Current annual equivalent recurring meter rental at 28 February 2013 revenue is £11.5m
- ◆ £16m invested in meter assets during 2012 and over £4.5m to date in 2013, with corresponding increase in assets from 254,000 at Dec 11 to currently over 365,000.

Cash flow highlights

for the year ended 31 December 2012

	Y/E 31 Dec 2012 £'m		Y/E 31 Dec 2011 £'m	
Operating cash flow		7.6		5.0
Investing activities				
– Meter assets	(16.0)		(9.2)	
– Others	(0.6)	(16.6)	(0.3)	(9.5)
Financing activities				
– Net proceeds from new borrowings less capital repaid	9.3		1.9	
– Finance costs	(0.7)		(0.5)	
– Net proceeds from share issue	—		8.8	
– Dividend	(0.4)		(0.2)	
– Others	(0.1)	8.1	—	10.0
Increase/(decrease) in cash & cash equivalents		(0.9)		5.5
Cash & cash equivalents at the beg. of the period		7.3		1.8
Cash & cash equivalents at the end of the period		6.4		7.3

Balance sheet

	FY 31 December 2012 £'m	FY 31 December 2011 £'m
Assets		
– Non-current	38.0	23.2
– Current	9.9	9.0
Total Assets	47.9	32.2
Liabilities		
– Current	10.5	8.0
– Non-current	20.8	11.7
Total Liabilities	31.3	19.8
Net Assets	16.6	12.4

Net debt as at 31 December 2012 was £13.9m (2011: £3.9m)

Alan Foy
Chief Executive Officer

Strategic overview



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Strategic focus

- ◆ Core focus is on gas meters in the UK where we aim to:
 - ◆ be market leader in the independent ownership of industrial and commercial meters
 - ◆ establish ADM™ as the industry standard smart metering solution for industrial and commercial clients
 - ◆ grow our domestic meters business organically and potentially through new contracts
- ◆ We will also seek out new domestic and international markets for our products and services

Strategic progress

- ◆ Continue progress to complete the initial order book (c. 390,000 domestic equivalent meters to add to existing 341,000 installed at December 12)
 - ◆ Increased average monthly run rate of meter installations to £1.3m investment in 2012 (2011: £0.76m)
 - ◆ Increased recurring annualised rental from meters to £10.8m at December 12 (2011: £7.6m)
 - ◆ At February13 recurring annualised rental from meters increased to £11.5m
- ◆ Maintain all KPI's and service standards with objective of securing the additional available meters over and above the initial quantity received from gas supplier customers noted above
- ◆ Negotiations and trials continuing with all other gas supplier customers to SMS plc to secure ownership of available meter asset portfolios
- ◆ Seek out trials and opportunities for ADM data services internationally in gas, electricity, water and LPG markets and Water and LPG markets in the UK

Summary

- ◆ Further good progress across all KPIs
- ◆ 34% growth in numbers of meters under management
- ◆ Substantial order book to complete with further substantial potential to be gained
- ◆ Annualised meter recurring revenue increasing month on month to £11.5m at February 2013
- ◆ Funding in place with adequate head room for future growth (Net Debt/EBITDA 1.8)
- ◆ Dividend policy established
 - ◆ Maiden interim dividend of 0.5p per ordinary paid 22 November 2012
 - ◆ Final dividend of 1.15p for the current year
- ◆ 2013 expected to be a strong year

Appendices



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Contracted clients

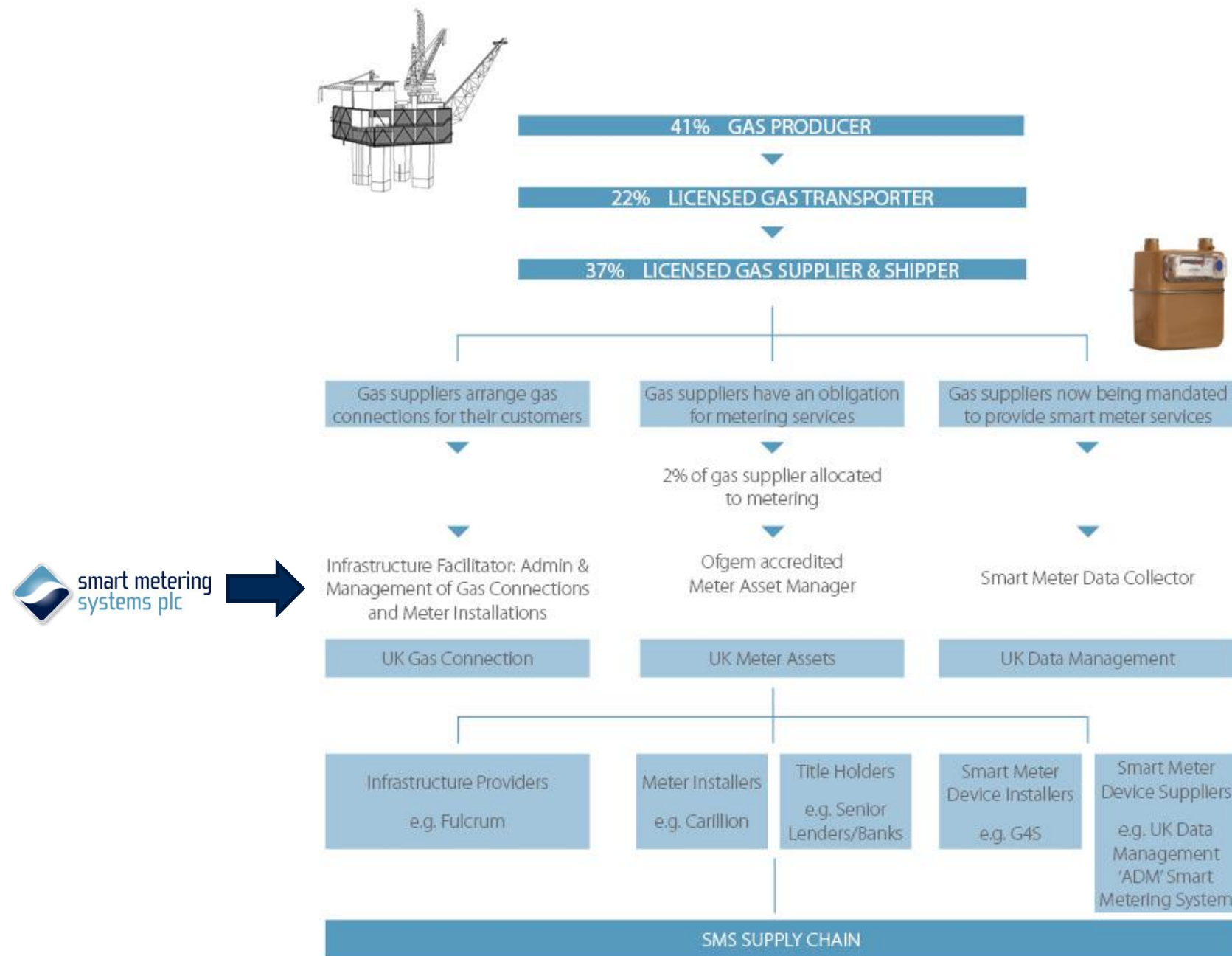
Gas supplier customers



- ◆ Long standing multi-level relationships with suppliers who are responsible for the roll out of smart metering
- ◆ Current gas supplier clients provide potential access to:
 - ◆ Over 40% of UK residential gas meters
 - ◆ Over 80% of UK industrial and commercial gas meters
- ◆ Energy Broker clients provide brokerage and energy management services to small, medium and large group consumers
- ◆ Clients are globally recognised brands with international presence
- ◆ Business processes and IT systems uniquely tailored to each individual gas supplier (significant barrier to entry)

UK gas market

Gas supply chain



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