



smart metering
systems plc

Final Results

for the year ended 31 December 2013

March 2014



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Alan Foy
Chief Executive Officer
Business Review

Introduction and Agenda

▶ **Business Review**

Alan Foy CEO

- ▶ Financial
- ▶ Operational

▶ **Financial Review**

Glen Murray CFO

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- ▶ Segmental Analysis
- ▶ Cashflow
- ▶ Balance Sheet

▶ **Strategic Review**

Alan Foy CEO

- ▶ Focus
- ▶ Progress
- ▶ Summary

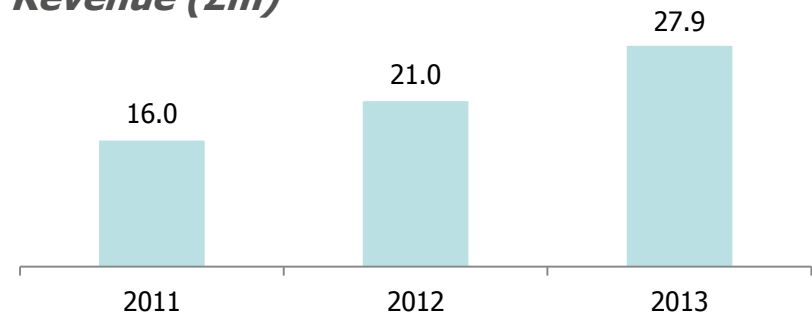
Financial (1 of 2)

- ▶ **Revenue** increased by 33% to £27.9m (2012: £21.0m)
- ▶ **Annualised recurring meter rental** increased by 44% to £15.5m (2012: £10.8m)
- ▶ **Gross profit** increased by 34% to £17.8m (2012: £13.3m)
- ▶ **Adjusted EBITDA*** increased by 31% to £11.8m (2012: £9.0m)
- ▶ **Basic earnings per share** increased by 52% to 7.86p (2012: 5.18p)
- ▶ **Final dividend** of 1.61p per ordinary share making 2.31p for the full year (2012: 1.65p), an increase of 40%

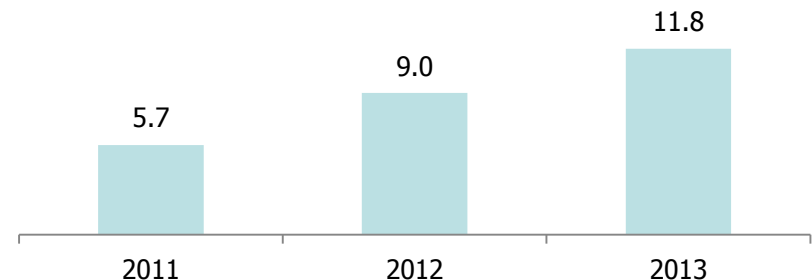
▶ *Excluding exceptional items and fair value adjustments.

Continuing 3 years of progress

Revenue (£m)



EBITDA (£m)



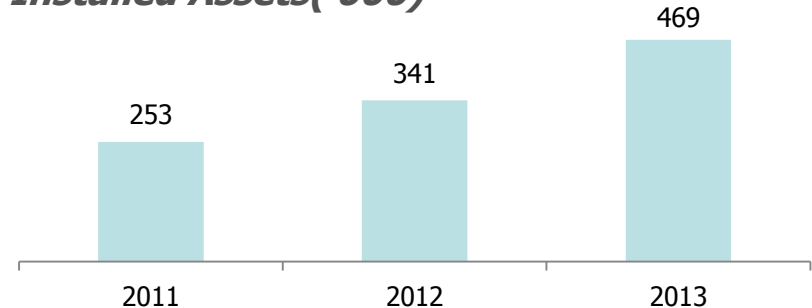
Financial (2 of 2)

- ▶ **Increased and improved banking facilities** with Barclays Bank PLC (lead bank), Clydesdale Bank PLC and Bank of Scotland PLC announced on 12 March 2014
 - ▶ Increase in available facilities from £45 million to £105 million
 - ▶ Improvement in interest margin to 1.9% over LIBOR
 - ▶ Up to £20 million corporate facility, within the £105 million, to provide additional financial flexibility
 - ▶ Headroom of £66 million (as at 14 March 2014) to continue investment in meter asset portfolio
- ▶ **Gas meters** owned of £55.8 million with net debt of £33.3 million (2012: £35.6 million and £13.9 million)
- ▶ **Gross profit margin** of 64% (2012: 63%)
- ▶ **EBITDA margin** of 42% (2012: 43%)

Operational

- ▶ **Total meter portfolio** increased by 38% to 469,000 with the number of meters in industrial and commercial portfolio growing by over 118%
- ▶ **Meter asset capital expenditure** increased by 46% to £23.3 million, reaching an average monthly run-rate of approximately £2.5 million in December 2013
- ▶ The gas supplier **client base** grew from 13 to 17 representing over 80% of the industrial and commercial market, and the number of energy broker contracts increased from 10 to 24
- ▶ Over 16,000 **ADM devices** deployed in the UK by 31 December 2013, up from 2,000 in 2012
- ▶ 17 trials of the ADM device in 5 different countries, with further trials now committed in 3 additional countries

Installed Assets('000)





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Glen Murray
Finance Director
Financial Review

Financial Highlights

	Y/E 31 December 2013 £'m	Y/E 31 December 2012 £'m	Increase
↑ Sales	27.9	21.0	33%
↑ Gross profit	17.8	13.3	34%
Gross profit margin	64%	63%	
↑ EBITDA*	11.8	9.0	31%
EBITDA Margin	42%	43%	
↑ PBT*	7.7	6.5	20%
↑ Basic Earnings per share	7.86p	5.18p	52%

* Excluding exceptional items and fair value adjustments

Income statement segmental analysis for the year ended 31 December 2013

	Asset Management			Asset Installation		
	2013 £'m	2012 £'m	Increase	2013 £'m	2012 £'m	Increase
Revenue	13.8	9.3	49%	14.1	11.8	20%
Operating Costs	2.6	2.2	17%	7.5	5.6	35%
Segment Profit	11.2	7.1	59%	6.6	6.2	6%

- ▶ Recurring revenue up 49% on 2012. Current annual equivalent recurring meter rental at 28 February 2014 revenue is £16.4m
- ▶ £23.3m invested in meter assets during 2013 and over £5m to date in 2014, with corresponding assets from 341,000 at Dec 12 to currently over 480,000

Cashflow Highlights –

for the year ended 31 December 2013

	Y/E 31 December 2013 £'m	Y/E 31 December 2012 £'m
Operating cash flow	11.8	9.0
Working capital movement	(4.2)	-
Tax and interest	(1.3)	(0.9)
Capex	(24.4)	(16.6)
Dividends	(1.6)	(0.4)
Exceptionals	-	(1.1)
Share issue	0.3	-
Total movement	(19.4)	(10.0)
Opening net debt	(13.9)	(3.9)
Closing net debt	(33.3)	(13.9)

Net debt /EBITDA ratio of 2.8 at 31 December 2013 (2012: 1.5) – well within bank covenant



Balance Sheet

	FY 31 December 2013 £'m	FY 31 December 2012 £'m
Assets		
– Non-current	59.4	38.0
– Current	10.8	9.9
Total Assets	70.2	47.9
Liabilities		
– Current	12.7	10.5
– Non-current	34.9	20.8
Total Liabilities	47.6	31.3
Net Assets	22.6	16.6



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Alan Foy
Chief Executive Officer
Strategic Overview

Strategic Focus

- ▶ SMS's core focus is in the UK where we aim to:
 - ▶ be the market leader in the independent ownership of industrial and commercial gas meters
 - ▶ establish ADM™ as the industry standard
 - ▶ grow our domestic gas meters business
 - ▶ establish electricity connections, metering and data management service provision
 - ▶ be well positioned with suppliers of domestic gas and electricity for the future UK domestic smart metering roll out
- ▶ SMS continues to seek out new domestic and international markets for our products and services

Strategic Progress

- ▶ Continued increased investment in the asset base as capital expenditure increased by approximately 46 per cent to £23.3 million, reaching an average monthly run-rate of approximately £2.5 million in December 2013 (2012: £16 million)
- ▶ Recurring annualised rental from meters increased to £15.5 million at December 2013 (2012: £9.3 million), rising to £16.4 million by February 2014
- ▶ Maintain all KPI's and service standards with objective of securing the additional available meters over and above the initial quantity received from existing gas supplier customers.
- ▶ Negotiations and trials continuing with all other gas supplier customers to SMS 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 both water and LPG markets in the UK

Summary

- ▶ Further good progress across all KPIs
- ▶ 38% growth in number of meters under management
- ▶ Bank facility increase of £60m having utilised the existing £45m in 20 months investing in meter assets
- ▶ Annualised meter recurring revenue increasing month-on-month to £16.4 million in February 2014
- ▶ 2014 expected to be a strong year