



LEADING THE **ENERGY** REVOLUTION

Smart Metering Systems plc

Interim Results for the 6 months to 30 June 2018



Forward-looking statements

Certain matters in this presentation and being discussed today that are not statements of historical fact constitute forward-looking statements relating to current or future financial performance, management's plans and objectives for future operations, growth ambition and performance, management's assessment of market factors, expectations of market growth, and statements regarding the strategy and plans of the Company. Such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are not guarantees of SMS's future performance. The Company does not intend and does not assume any obligation to update or revise any forward-looking statements in this presentation after the date they are made. Listeners are cautioned that all forward-looking statements are subject to a number of risks and uncertainties that could cause the Company's actual results in the future to differ materially from these forward-looking statements. These risks and uncertainties are detailed in the Company's filings available on www.sms-plc.com.

Agenda

- ▶ Market update
- ▶ Strategy update
- ▶ Financial results
- ▶ Future outlook
- ▶ Q&A

MARKET UPDATE



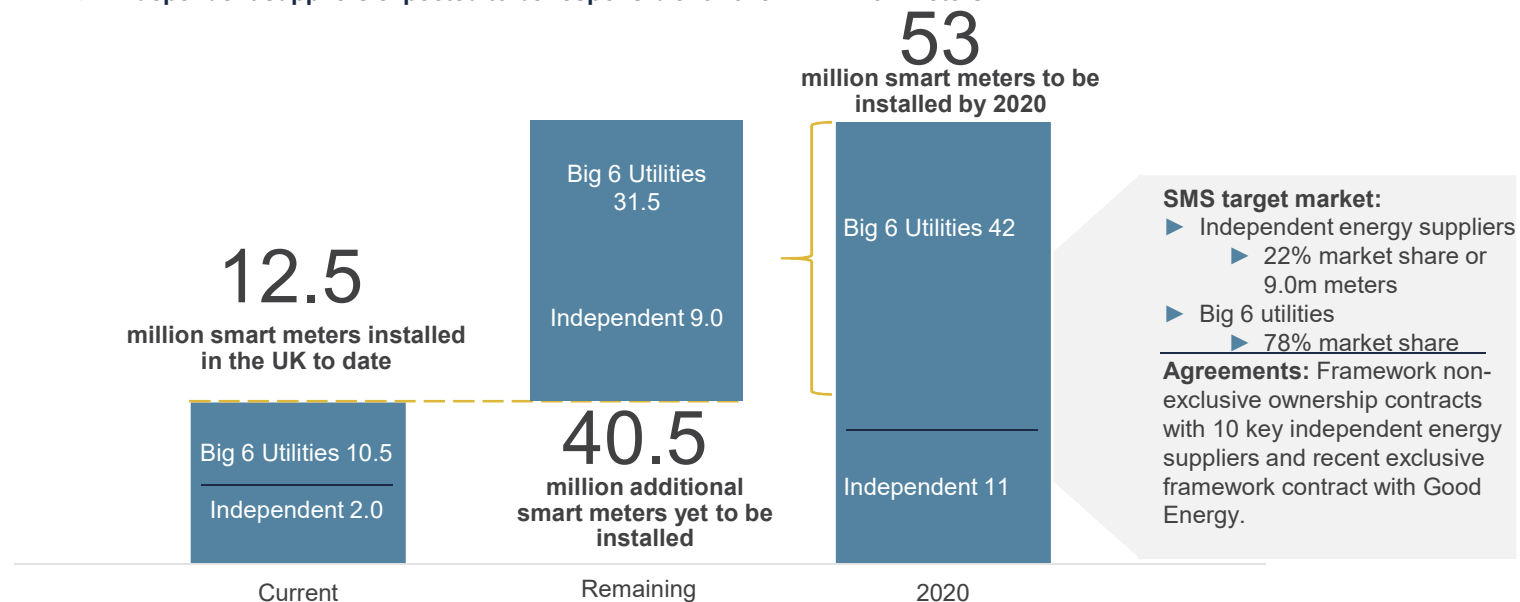
Market update

- ▶ SMS has over 2.5 million metering and data assets under management, up 24% from December 2017 generating £69.3m of annualised recurring revenue.
- ▶ The Government is committed to the UK Domestic Smart meter target rollout by end of 2020.
- ▶ Number of smart meters under SMS ownership now 690,000.
- ▶ SMS continues to work with energy suppliers and other industry bodies, including DCC, to achieve their regulatory targets.
- ▶ Framework non-exclusive ownership contracts with 10 key independent energy suppliers and recent exclusive framework contract with Good Energy.
- ▶ These framework agreements are with energy suppliers with a combined customer base of over 3.5 million representing up to 6.5 million meters of which 5 million meters are yet to be converted.

Domestic smart meter market progress

Supportive regulatory backdrop

- ▶ By the end of 2020, the UK Government and OFGEM have plans for 80% of households and businesses to have a smart meter.
- ▶ With a programme requirement of 53 million meters to be installed, SMS is strategically positioned to provide an end-to-end installation and ownership service to energy suppliers.
- ▶ Independent suppliers expected to be responsible for over 11 million meters.



Significant opportunity as market leader amongst independents

STRATEGY UPDATE



Our progress to date

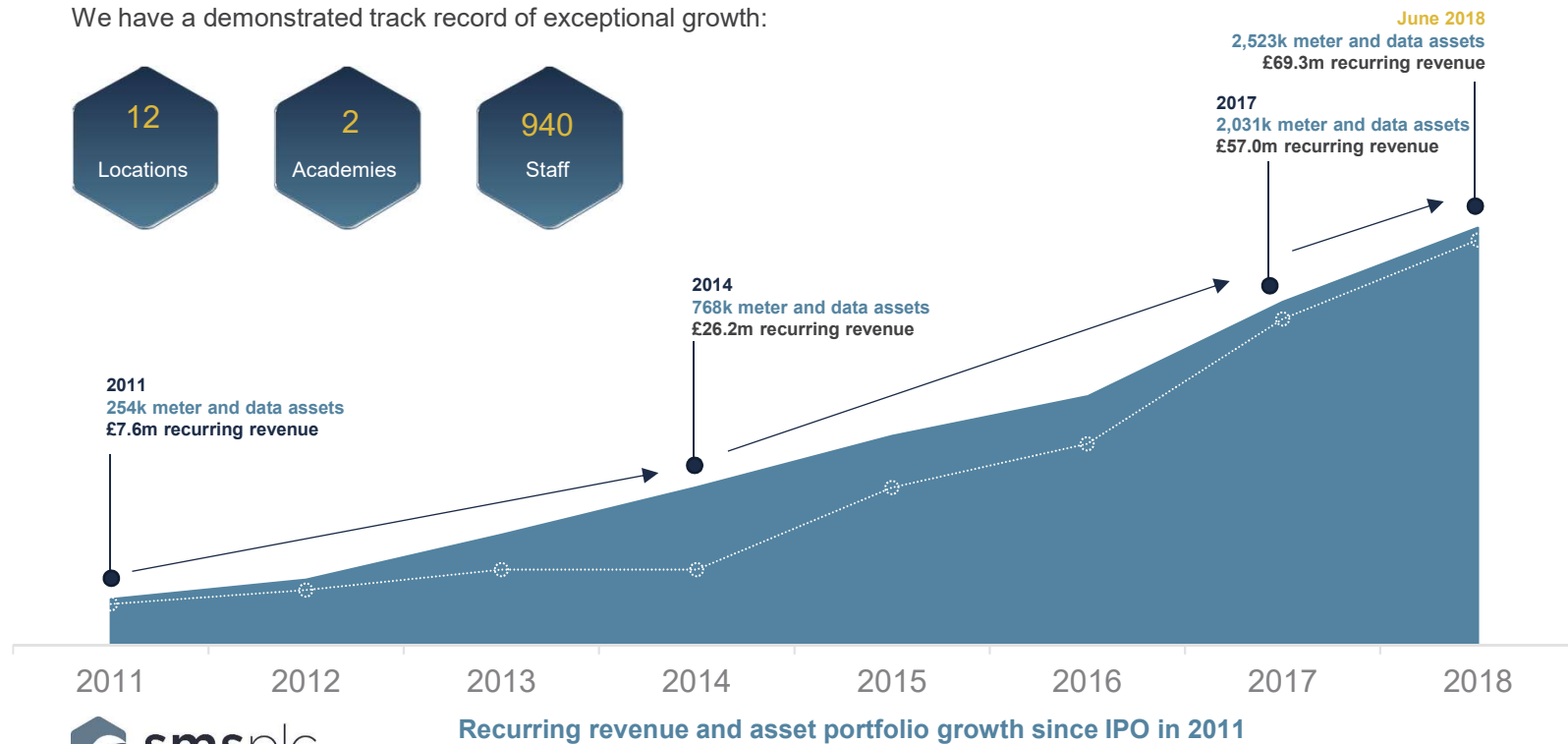
Since 1995 we have transitioned from an energy services business into a diversified energy/infrastructure business.

We have a demonstrated track record of exceptional growth:

12
Locations

2
Academies

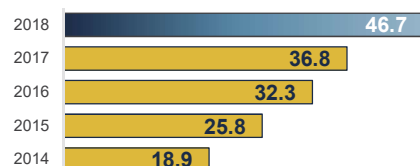
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Staff



Continued strong growth in an expanding market

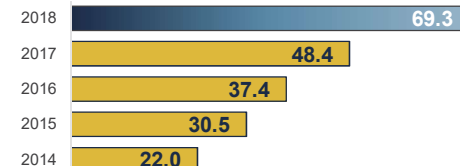
Revenue (£m)

£46.7 +27%



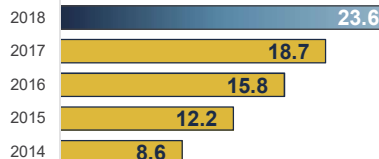
Annualised Recurring Revenue¹ (£m)

£69.3 +43%



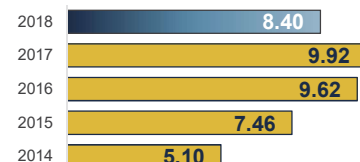
Pre-exceptional EBITDA³ (£m)

£23.6 +26%



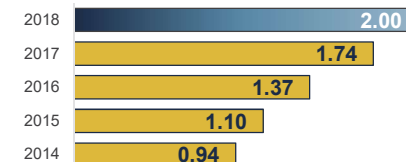
Underlying earnings per share²

8.40p +13% CAGR



Interim dividend per share

2.00p +21% CAGR



The decrease in underlying EPS from 2017 to 2018 is largely attributable to the increase in share capital following the issue of new shares in the year to 31 December 2017.

¹ Annualised recurring revenue - the annual index-linked revenue from our meter and data income streams at a point in time.

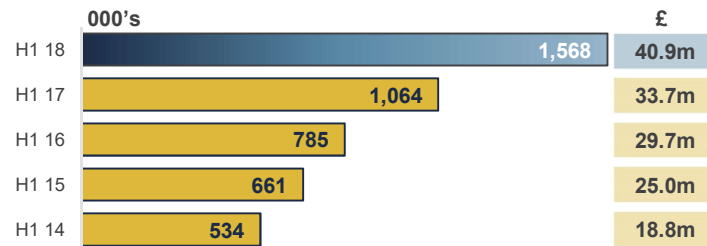
² Underlying EPS is before deduction of exceptional items (2018: £0.2m; 2017: £0.6m), and intangible amortisation (2018: £1.1m; 2017: £1.0m).

³ Pre-exceptional EBITDA is presented under our revised approach adopted in 2017 to include other operating income.

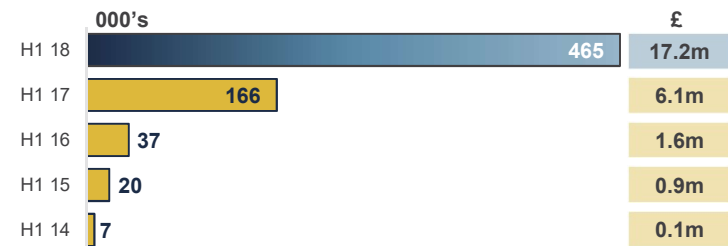
Growth in assets under management

Total smart meter portfolio at 30 June 2018 – 690,000

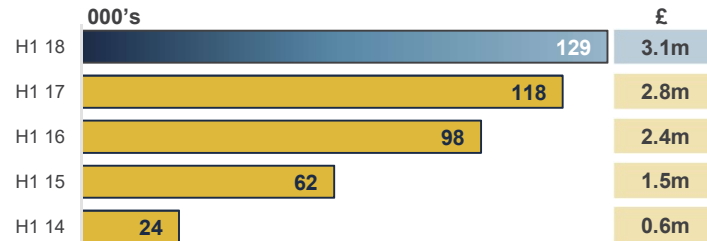
Gas meters 1.57m assets* / £40.9m recurring revenue



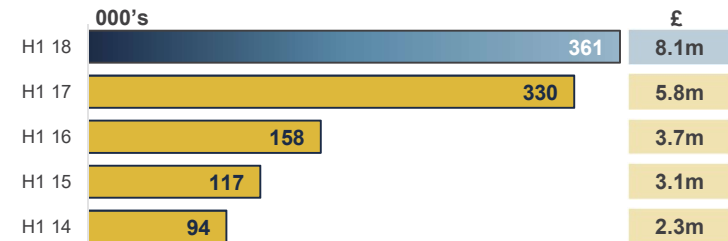
Electricity meters 465k assets / £17.2m recurring revenue



Gas data 129k assets / £3.1m recurring revenue



Electricity data 361k assets / £8.1m recurring revenue



* Includes third party managed assets

Our Asset Management strategy



Key strategic priorities

- ▶ Grow our assets under management in the utility and metering space through our energy service and asset installation businesses, being our internal sources of new asset origination.
- ▶ Maximise market share in current domestic smart meter market.

Our Origination Platform strategy

Asset Installation

Direct field force
management and
installation



Key strategic priorities

- ▶ Build our industrial and commercial meter assets and target the domestic smart meter opportunity.
- ▶ Continue to grow and build capacity, lead and drive innovation and deliver efficiency improvements.
- ▶ Manage the mass rollout of smart meters safely.
- ▶ Increase installation capacity organically through our established in-house training centres and align to our customer requirements.

Energy Management

Providing energy
efficiency strategies



Key strategic priorities

- ▶ Reducing customers carbon footprint, delivering consultancy and turnkey solutions.
- ▶ Continue to develop long-term customer relationships and maximise increased data recurring revenue from our energy services activity.
- ▶ Provide investment in new utility and energy reduction assets, which, along with energy expertise, technology and data services help to transform and decarbonise the UK energy system.

FINANCIAL RESULTS



Income Statement

	2018 £m	2017 £m	
Revenue	46.7	36.8	27%
Annualised recurring revenue	69.3	48.4	43%
Gross profit	22.5	19.0	18%
Gross profit margin	48%	51%	(6%)
Pre-exceptional EBITDA	23.6	18.7	26%
Pre-exceptional EBITDA margin	51%	51%	-%
Underlying PBT	11.4	10.9	5%
Underlying earnings per share	8.40	9.92	(15%)

- ▶ Revenue increase driven by revenue-generating asset portfolio growing from 1.68m meter and data points at June 2017 to 2.52m at June 2018.
- ▶ Annualised recurring revenue growth weighted towards electricity asset revenue due to historical gas-weighted portfolio.
- ▶ Margin reduction of 3 percentage points arising mainly from changing mix of external sales activity in our Installation and Energy Services businesses, despite underlying growth in profitability in absolute terms.
- ▶ EBITDA growth driven by increasing profitability in our meter and data rental portfolio.
- ▶ Underlying PBT increase of 5% demonstrates the leveraging of our investment in operating cost structure.
- ▶ Decrease in underlying earnings per share despite PBT growth reflects increase in issued share capital in November 2017 to fund additional growth.

Balance Sheet

	June 2018 £m	June 2017 £m
Assets		
Non-current	351.0	214.7
Current	46.5	33.5
Cash at bank	46.8	7.8
Total assets	444.3	256.0
Liabilities		
Bank loan < 1 year	17.0	17.0
Current liabilities	49.9	42.7
Bank loan > 1 year	133.2	112.8
Non-current liabilities	11.9	9.4
Total liabilities	212.0	181.9
Net assets	232.3	74.1

- ▶ Significantly strengthened balance sheet following equity placement of £150m in November 2017.
- ▶ Increase in non-current assets arising mainly from increase in revenue-generating assets (£78.3m). Our portfolio reached 2.52m metering and data assets in June 2018.
- ▶ Increase in current assets reflecting growth in trading levels and investment in metering inventory to ensure customer demand is met.
- ▶ Last year saw the opening of a 12,500 sq ft warehouse and logistics hub to provide storage for growing meter inventory.
- ▶ Cash cycle carefully managed with net debt at £103.3m at June 2018.
- ▶ Closing loan balance at June 2018 was £150.2m.
- ▶ Facility in place until the end of 2020, having been extended from March 2019.

Cash Flow

	June 2018 £m	June 2017 £m
Operating profit	12.3	11.1
Depreciation and amortisation	11.1	7.0
EBITDA	23.4	18.1
Working Capital	(2.2)	4.7
Other	0.4	0.4
Operating cash flow movement	21.6	23.2
Tax	(0.1)	(0.9)
Net interest	(2.2)	(1.7)
Net outflow for intangible and fixed assets	(82.4)	(47.3)
Cash outflow	(63.1)	(26.7)
Dividends	(3.9)	(2.5)
Changes in equity	0.2	1.0
Net cash flow	(66.8)	(28.2)
Net cash flow in borrowings	(37.0)	28.0
Net decrease in cash and cash equivalents	(103.8)	(0.2)

	June 2018 £m	June 2017 £m
Net decrease in cash and cash equivalents	(103.8)	(0.2)
Cash flow from movement in debt	37.0	(27.6)
Changes in net debt arising from cash flow	(66.8)	(27.8)
Net debt at beginning of period	(36.5)	(94.2)
Net debt at end of period	(103.3)	(122.0)

- £83.2m invested in fixed assets in the 6 months to June 2018.
- Year-end dividend paid along with capital repayments of bank funding.

Segments – Asset Management

Asset Management

Investing in assets and
providing remote reading
solutions



	June 2018 £m	June 2017 £m	Reported change
Revenue	31.6	22.1	+43%
Cost of sales	(13.0)	(8.4)	+54%
Gross profit	18.6	13.7	+36%
Gross profit margin	59%	62%	

- ▶ Revenue and annualised recurring revenue increased by 43% on prior year with annualised recurring revenue increasing to £69.3m.
- ▶ Additions of c.780,000 metering and data assets in 2017 with a further c.492,000 metering and data assets added in 6 months to June 2018.

Segments – Asset Management

Asset Management

Adjusting for depreciation
reveals underlying cash
profitability of segment



	June 2018 £m	June 2017 £m	Reported change
Cash Margin			
Revenue	31.6	22.1	+43%
Cash cost of sales	(3.5)	(2.8)	+26%
Cash gross profit	28.1	19.3	+45%
Cash gross margin	89%	87%	

- ▶ Meter asset depreciation is included within cost of sales, in line with other operators in the industry.
- ▶ The above table removes £9.5m (2017: £5.7m) of depreciation to give cash gross margin.
- ▶ The cash cost of sales relates to sim card costs and third-party rental costs.
- ▶ Cash gross margin continues to grow with the benefits of both investment in our portfolio and index linkage.

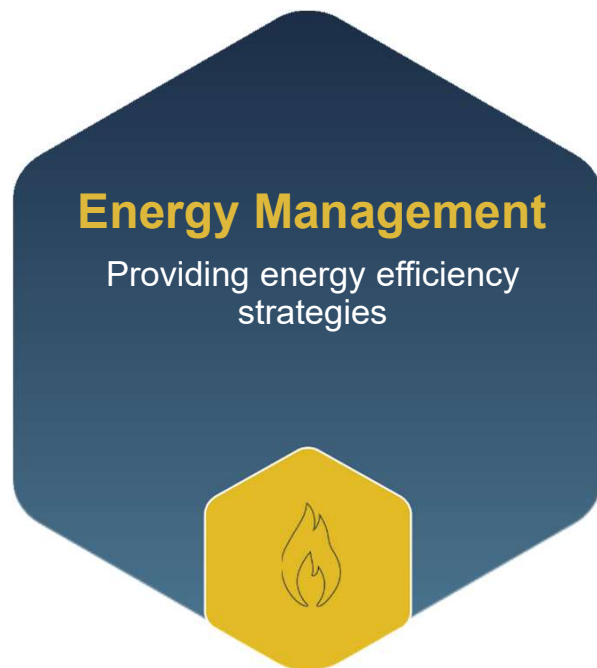
Segments – Asset Installation



	June 2018 £m	June 2017 £m	Reported change
Revenue	12.1	13.1	(7%)
Cost of sales	(8.9)	(8.4)	+6%
Gross profit	3.2	4.7	(32%)
Gross profit margin	26%	36%	

- ▶ Opened new headquarters and new 12,500 sqft warehouse and logistics hub in year to December 2017.
- ▶ Additional capacity from internally controlled training centre.
- ▶ Completes connections and emergency call outs.
- ▶ Customer base growing for repeat connections management activity, including national telecommunications companies.
- ▶ Internally generated installation costs capitalised, with only external installation and connection activity shown.

Segments - Energy Management

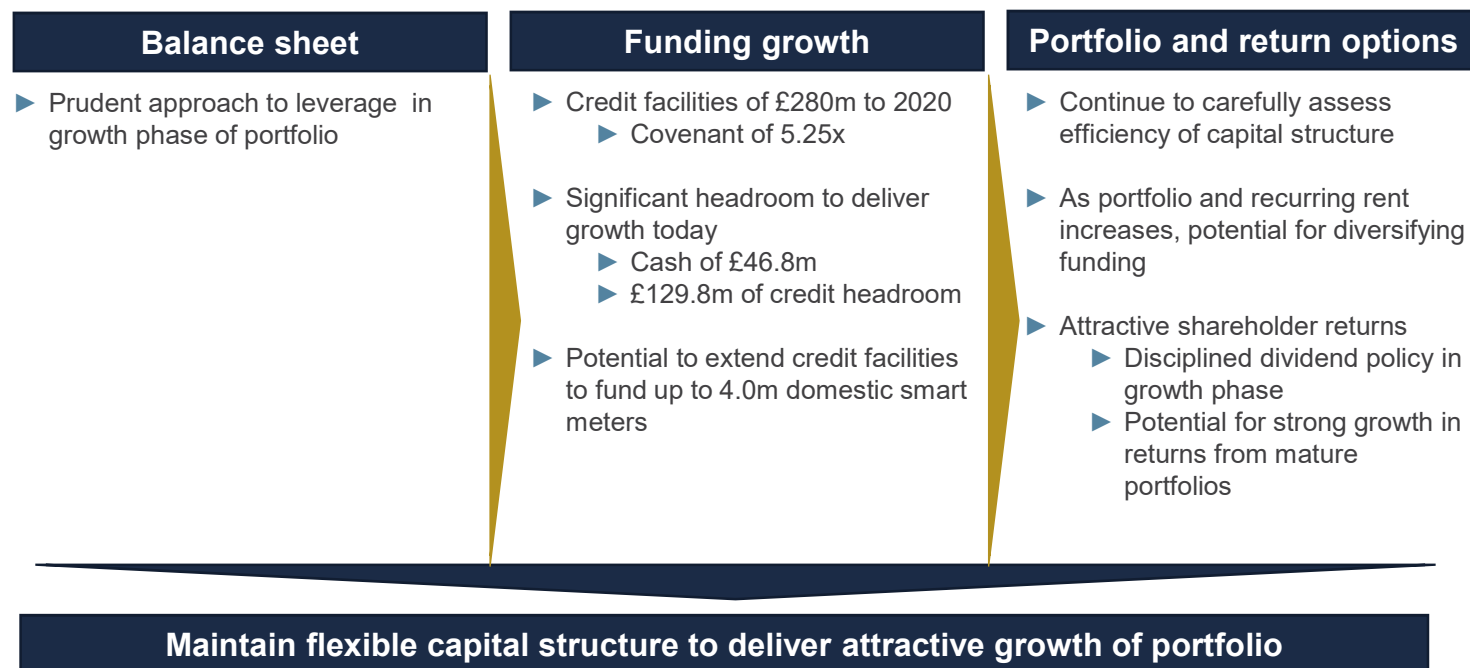


	June 2018 £m	June 2017 £m	Reported change
Revenue	3.0	1.6	88%
Cost of sales	(2.3)	(1.0)	130%
Gross profit	0.7	0.6	17%
Gross profit margin	23%	38%	

- ▶ 2018 focus has been on enlarging our platform for growth and developing longer-term customer relationships.
- ▶ Margin reduction has arisen following the successful tender and commencement of a large-scale energy efficient lighting contract which will span several reporting periods.
- ▶ The contract is driving significant growth in overall revenue but at a lower gross margin.

Strategically growing our portfolio

Flexible balance sheet to deliver growth and long-term returns

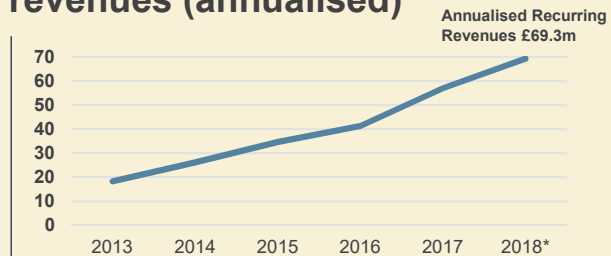


Flexible capital structure

1. Existing portfolio net debt

30 June 2018	£m
Total debt	150.1
Cash	(46.8)
Net debt	103.3

Index-linked recurring revenues (annualised)



* At June 2018.

Leverage ratios (annualised)

Net debt/annualised EBITDA for last 6 months	2.2x
COVENANT: Net debt/annualised EBITDA	5.25x
Leverage headroom	3.05x

2. Future installations

Cash

cash: £46.8m

As at 30 June 2018

+

Debt facility

available headroom: £129.8m

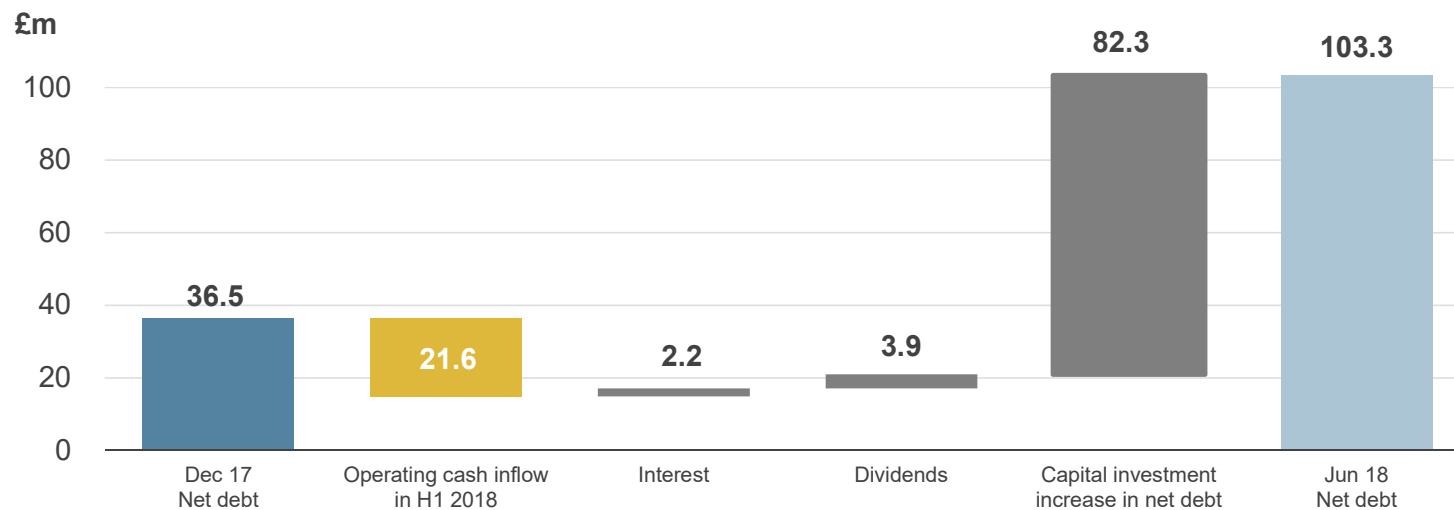
As at 30 June 2018

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Current

£176.6m capacity

Capital Strategy: evolution in H1 2018



- ▶ £150m equity cash inflow in Dec 17 reduced net debt to £36.5m
- ▶ £100m cash used to delever the business in February 2018
- ▶ Operating cash inflow and balance of equity proceeds being utilised for investment and growth

A collage of images related to technology and business, including hands typing on a laptop, a woman wearing a headset, and hands working with electronic components.

FUTURE OUTLOOK

24

Outlook

- ▶ Established energy/infrastructure company currently targeting UK smart meter rollout.
- ▶ Large market opportunity in UK domestic smart meter rollout.
- ▶ In-house platform provides strategic capability in UK utility infrastructure assets.
- ▶ Opportunities and platform to invest, diversify and innovate in data, utility infrastructure, generation, storage, energy and electric vehicle services – all of which help to transform and decarbonise the UK energy system.



Q&A

