

# Delivering smart energy solutions

Strong performance, executing on our growth plans

H1 2022 results

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# Agenda

## 1. Overview

Tim Mortlock, CEO

## 2. Operational review

Tim Mortlock, CEO

## 3. Financial review

Gavin Urwin, CFO

## 4. Summary

Tim Mortlock, CEO

## 5. Q&A

## 6. Appendix

# 1. Overview

Tim Mortlock, CEO



# H1 2022 Overview

## Financial

### ILARR<sup>(1)</sup>

- +8%<sup>(2)</sup> to £93.1m
  - Including annual RPI adjustment
- End-August: £94.4m

### EBITDA, PBT <sup>(3)</sup>

- EBITDA: +11% to £29.1m
- PBT: +7% to £10.3m
- FY 22 in line with guidance<sup>(4)</sup>
- FY 23 EBITDA marginally upgraded; PBT in line<sup>(5)</sup>

### Liquidity & Dividends

- Cash of £38.6m
- £420m undrawn facility at 30 June 2022
- DPS +10%, in line with policy

## Operational

### Meters

- Continued contract wins
- Strengthened installation run-rate
- c.2.42m meter pipeline<sup>(6)</sup>

### Grid-scale batteries

- 760MW total portfolio
- 50MW operational
  - c.£0.1m/MW annualised EBITDA
- 710MW additional pipeline

### Other CaRe

- Continue to develop offering
- Strategic investments in EV and Energy Data platforms
- Progressing other CaRe assets

(1) Index-linked annualised recurring revenue

(2) The comparison is versus 31 December 2021 ILARR of £85.9m

(3) EBITDA excludes exceptional items and PBT excludes exceptional items and amortisation of certain intangibles

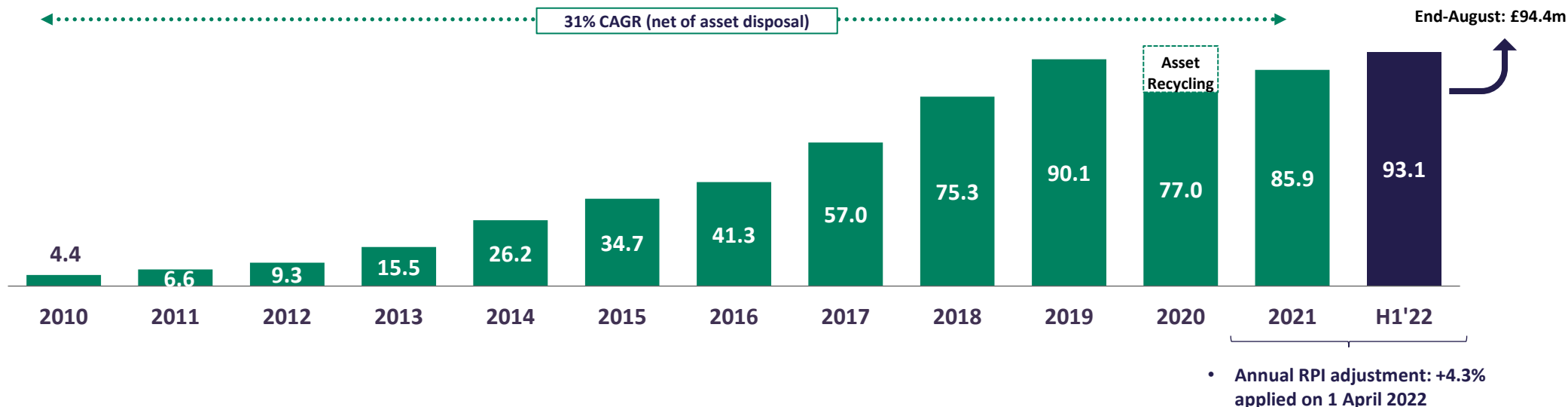
(4) The Board expects pre-exceptional EBITDA and underlying PBT to be in line with the upgraded guidance in our announcement on 27 July 2022

(5) The Board expects pre-exceptional EBITDA to be marginally ahead of its previous expectations; and underlying PBT to be in line with its previous expectations

(6) 0.1m contract win offset by meter installs in H1 2022

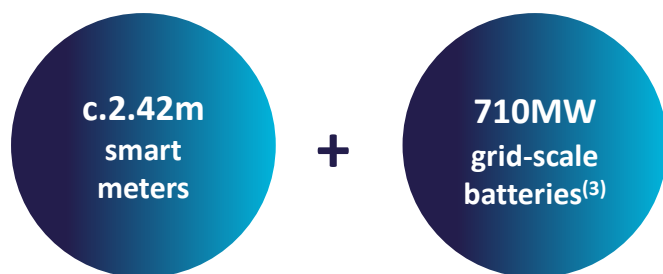
# Originating long-term, sustainable cashflows

More than a decade of strong growth in long-term index-linked annualised recurring revenue ("ILARR")<sup>(1)</sup>



Delivery of existing pipeline to more than double EBITDA <sup>(2)</sup>

Additional opportunities



(1) ILARR relates only to the meter and data assets

(2) FY 2022 consensus EBITDA

(3) Excludes 50MW of operational Burwell site

# Sustainability integrated across our business

## Health & Safety

### 'Vision Zero' – zero accidents and employee wellbeing

- ✓ Maintained all ISO certifications with no major non-conformances recorded
- ✓ No injury RIDDORs<sup>(1)</sup>
- ✓ LTIFR<sup>(1)</sup> at 0.23 against target of 0.33
- ✓ TRIFR<sup>(1)</sup> 0.55 against target of 0.69

## Environment

### Sustainability integration across the entire organisation

- ✓ Continued progress towards 2030 net-zero target
- ✓ Decarbonisation measures commenced at first office premise
- ✓ Successful trial of plug-in hybrid; transition to commence in 2023
- ✓ Continued improvement in external ESG scores

## Social

### Delivering for our people and the communities we serve

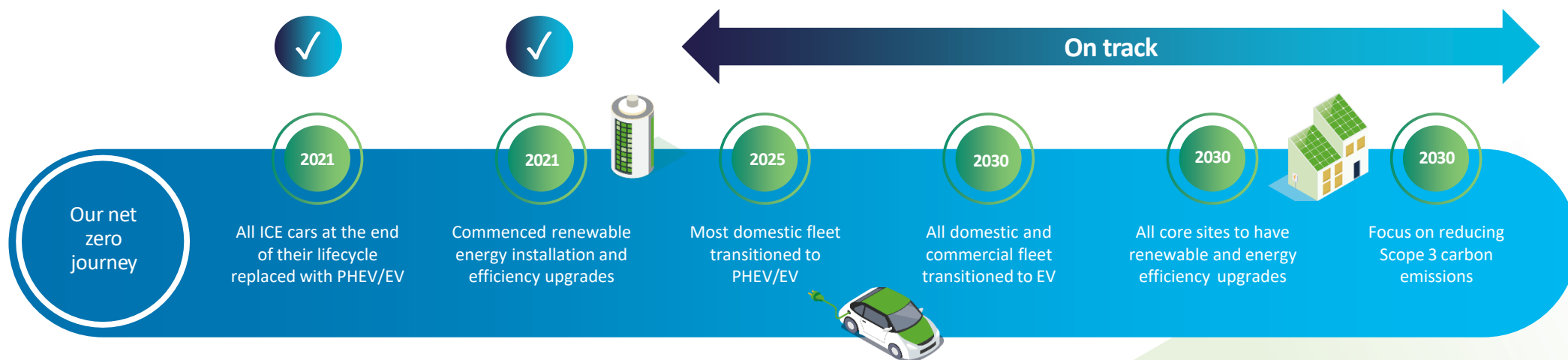
- ✓ Living Hours Accredited employer
- ✓ Member of the Women's Engineering Society
- ✓ Supported local school career days in Glasgow & Doncaster
- ✓ Partners on UK Levelling Up
- ✓ Continuing to support The Aleto Foundation mentoring programme

## Governance

### Corporate governance policies supported by independent board

- ✓ Chairman acts as Chair of the Health, Safety and Sustainability Committee
- ✓ Continue to expand the SHEQ Digital Management platform to continually improve governance practices
- ✓ Highest relative score for corporate governance from MSCI

## SMS 'Net Zero' roadmap



## 2. Operational review

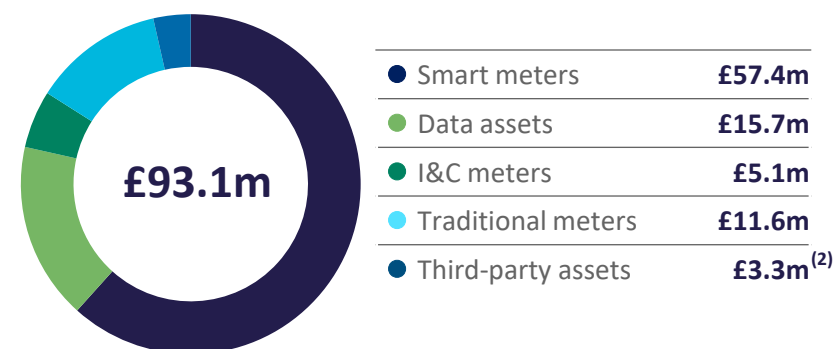
Tim Mortlock, CEO



# ILARR and assets under management

- Total ILARR at 30 June 2022: £93.1m (31 December 2021: £85.9m)
  - ILARR increased to £94.4m at 31 August 2022
- Total meter and data assets under management<sup>(1)</sup> at 30 June 2022: 4.3 million (31 December 2021: 4.2 million)
- Total smart meter portfolio at 30 June 2022: 1.9 million (31 December 2021: 1.7 million)

## ILARR as at 30 June 2022



## Meter and data assets under management ('000)

	30 June 2022	31 December 2021
Smart meters	1,879	1,668
Data assets	457	449
I&C meters	106	105
Traditional meters	262	277
Third-party assets	1,551	1,746
<b>Total meter and data assets under management</b>	<b>4,255</b>	<b>4,245</b>

## Quality of cash flows<sup>(3)</sup>

- ✓ Strong inflation linkage
- ✓ Highly visible and predictable cash flows
- ✓ No volume or price risks
- ✓ Minimal counterparty risk
- ✓ Strong warranty provisions

(1) The disposed I&C meter assets in 2020 are managed by SMS and classified under third-party assets

(2) Excludes pass-through third-party rental

(3) Owned meter and data assets

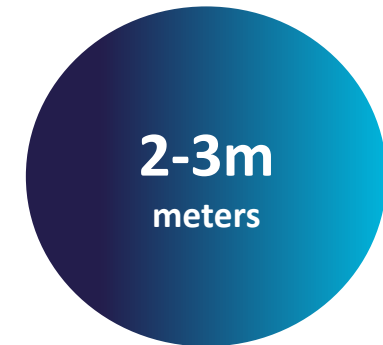
# Smart meter: contract wins and installation rate

## Strong momentum in meter contract wins since 2021

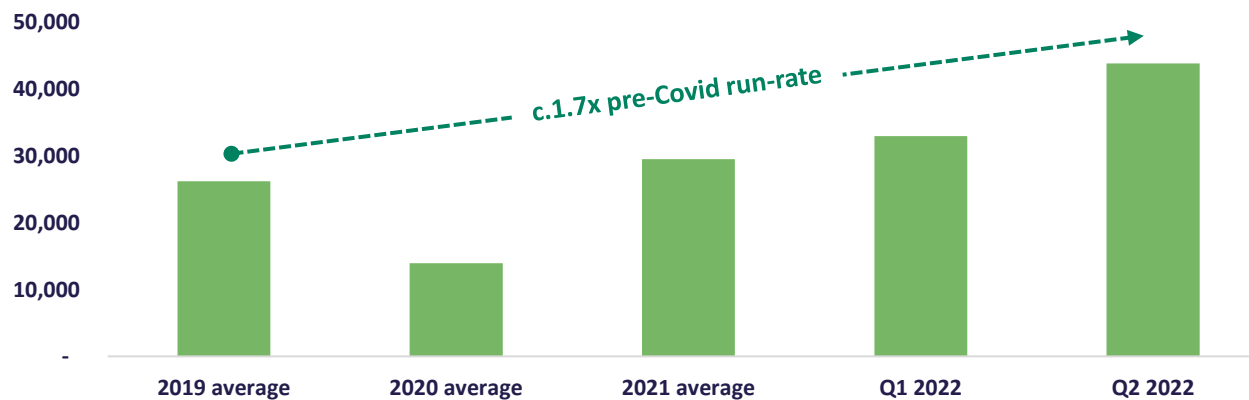


Existing smart meter order pipeline: c.2.42m<sup>(1)</sup>

## Additional market opportunity<sup>(2)</sup>



## SMS average monthly installation run-rate



## Industry SMETS1 enrolled and adopted<sup>(3)</sup>



- c.60% of industry SMETS1 meters enrolled and adopted
- SMS progressing marginally ahead of the industry

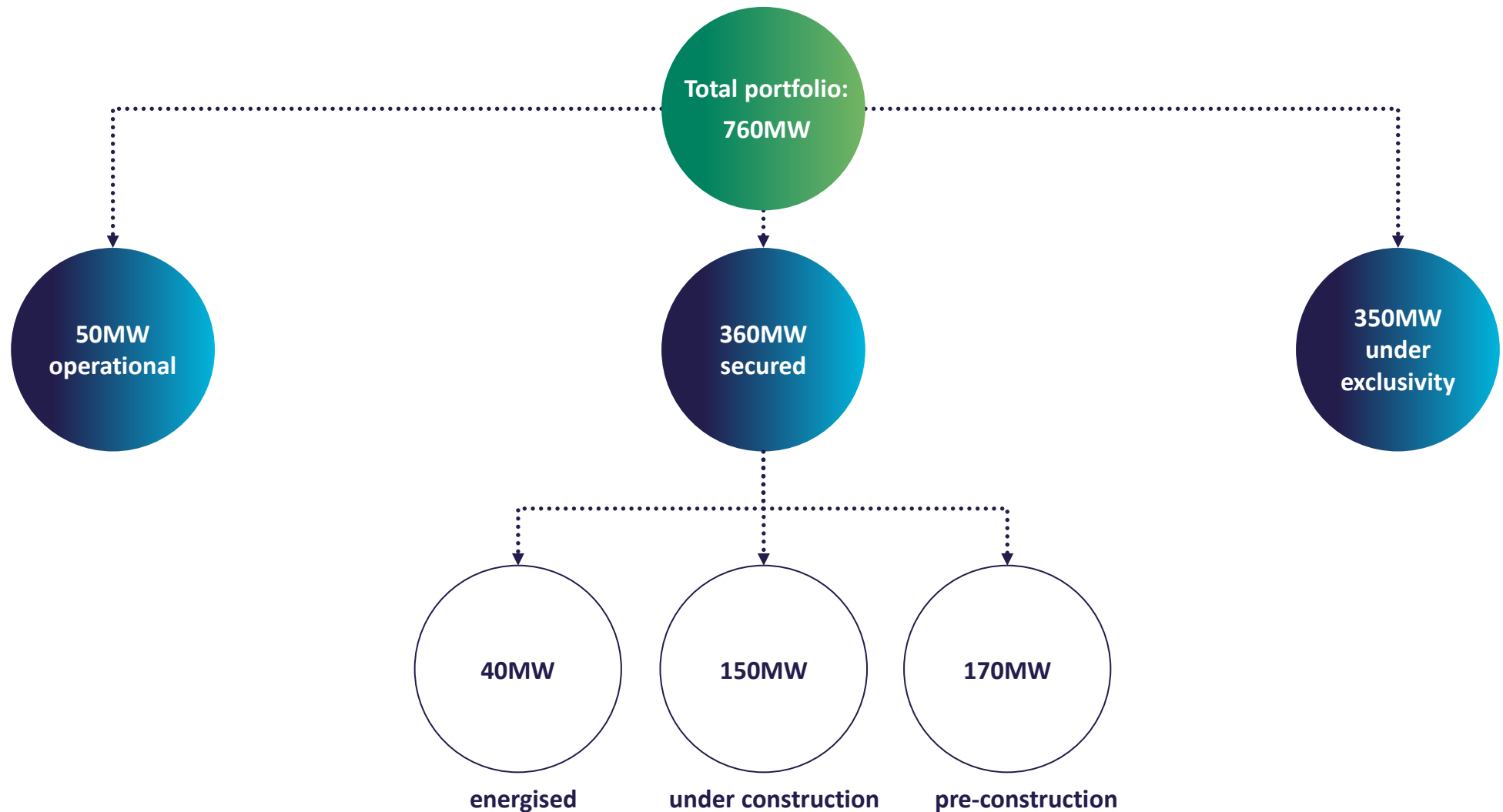
(1) 0.1m contract win offset by meter installs in H1 2022

(2) SMS internal estimates

(3) Source: Smart DCC, BEIS, SMS internal estimates

# Grid-scale batteries: Strong portfolio

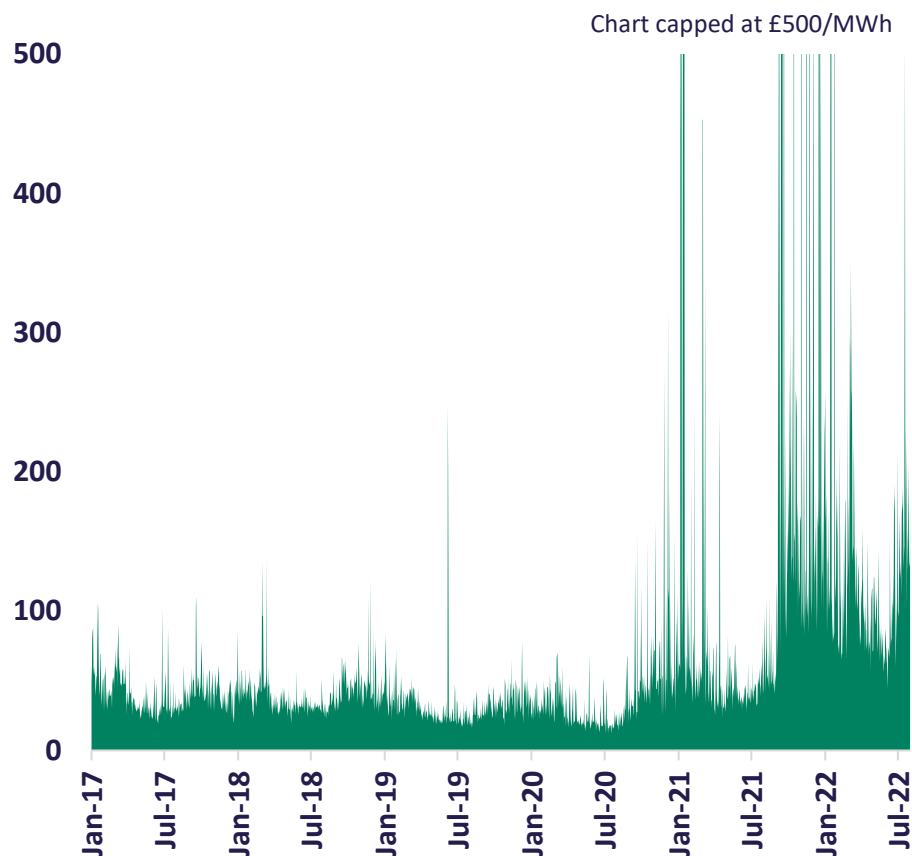
Continued progress in further developing the portfolio of grid-scale battery storage assets





# Increasing requirement for grid-scale battery storage

UK power price spread<sup>(1)</sup> (£/MWh)

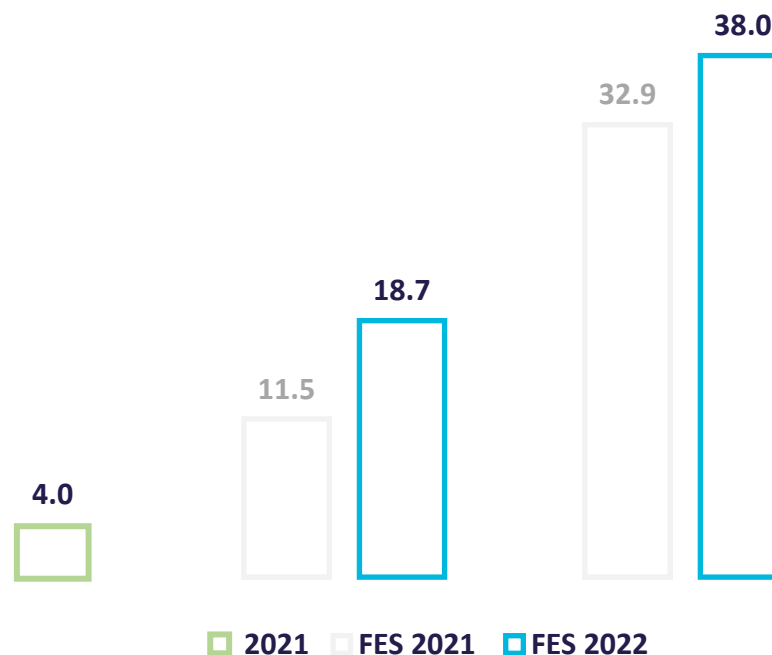


Storage capacity required<sup>(2)</sup> (GW)

2021

2030

2050

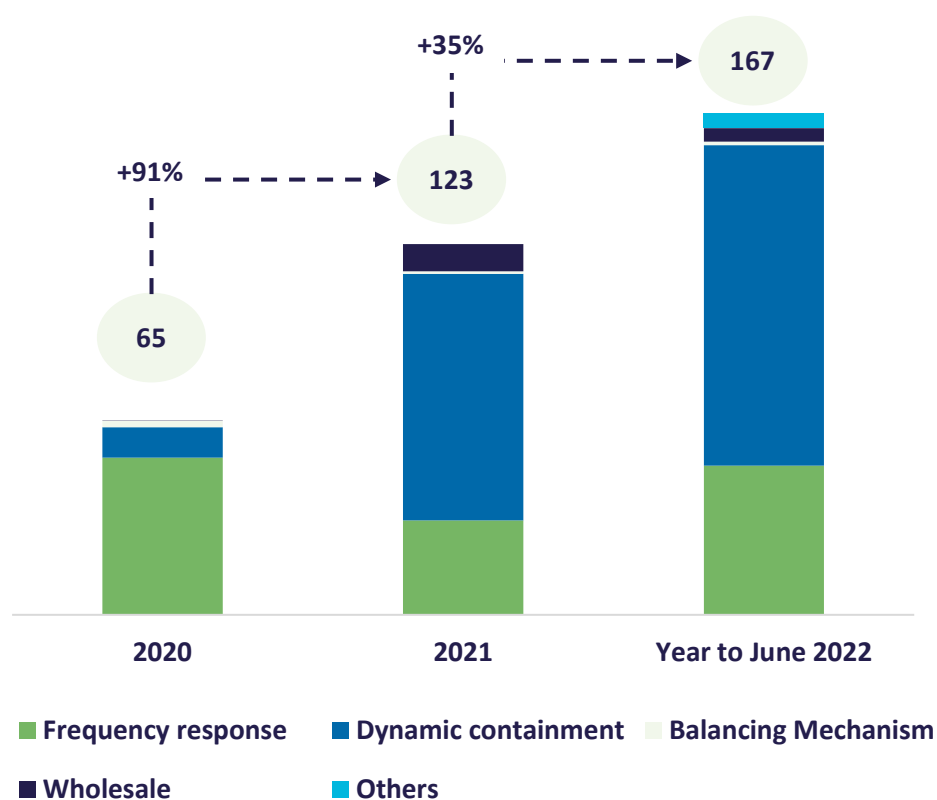


(1) Source: Modo. Spread = Difference between the highest and the lowest price in a day

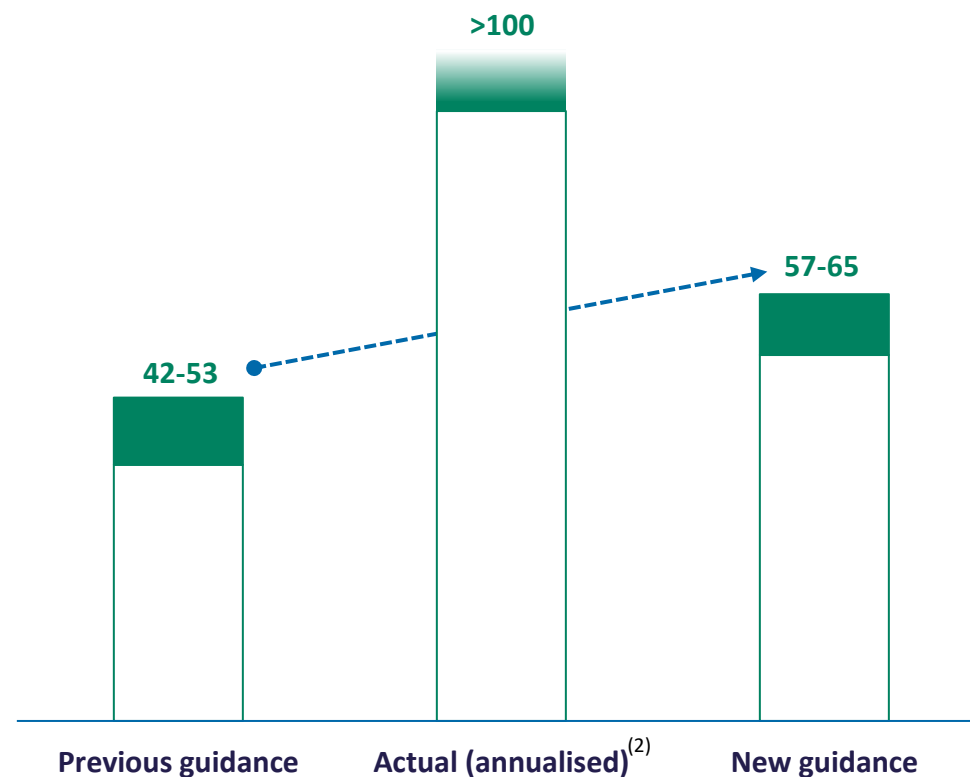
(2) National Grid Average Future Energy Scenario's (FES)

# Attractive and improving returns

Revenues of average grid-scale battery in UK (£'000/MW)<sup>(1)</sup>



EBITDA outperformance of SMS's first 50MW project (£'000/MW)



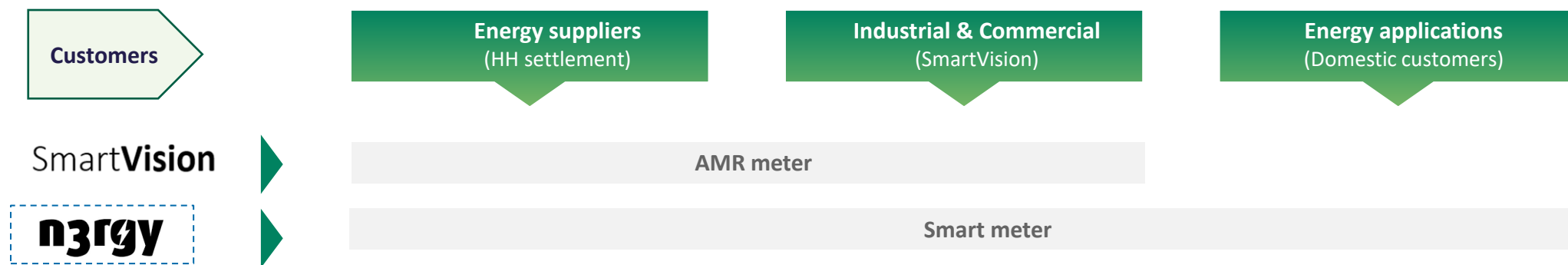
(1) Source: Modo

(2) Annualised for the actual performance during H1 2022

# Other CaRe products and services

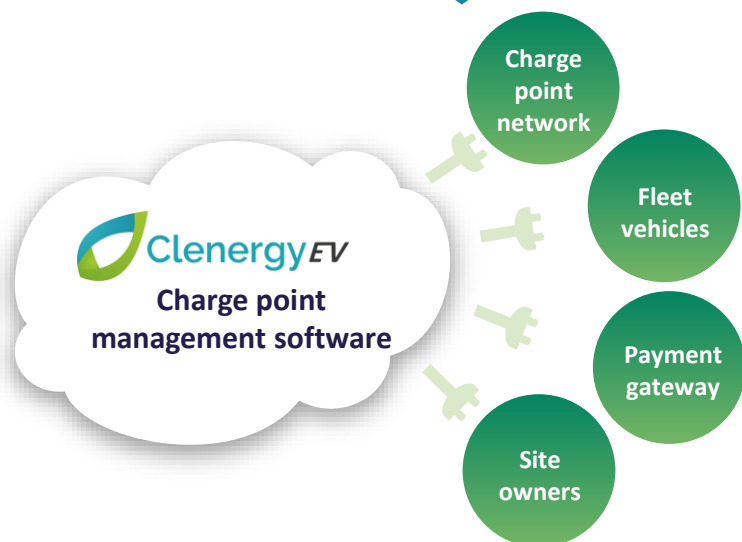
1

Investment in n3rgy expands SMS offering in Energy Data management



2

Clenergy EV enables full end-to-end EV charging platform



3

Other CaRe products: continued progress





# 3. Financial review

Gavin Urwin, CFO

# H1 2022 delivers strong financial performance

- **Operational performance drives strong first half financials**
  - Continued growth in smart meter install rates throughout H1, coupled with inflation increase, drives ILARR
  - Performance of first 50MW battery site well ahead of management expectations
- **Growth across all key metrics:**
  - ILARR: +8% <sup>(1)</sup>
  - Revenue: +21%
  - Pre-exceptional EBITDA: +11%
  - Underlying PBT: +7%
- **Robust liquidity position at 30 June 2022**
  - Cash: £38.6m
  - Undrawn debt facility: £420m
- **FY 2022 pre-exceptional EBITDA and underlying PBT expected to be in line with the upgraded guidance in our announcement on 27 July 2022**
- **The Board expects FY 2023 pre-exceptional EBITDA to be marginally ahead of its previous expectations; underlying PBT to be in line with its previous expectations despite the impact of higher interest rates**

(1) The comparison is versus 31 December 2021 ILARR of £85.9m

# H1 2022 income statement

	June 2022 £m	June 2021 £m
<b>Group revenue</b>	<b>62.7</b>	<b>51.7</b>
<b>Pre-exceptional EBITDA</b>	<b>29.1</b>	<b>26.1</b>
Exceptional operating items	(3.3)	(3.7)
<b>Statutory EBITDA</b>	<b>25.8</b>	<b>22.4</b>
Depreciation and amortisation	(18.1)	(15.8)
Interest	(1.6)	(1.6)
<b>Statutory profit before taxation</b>	<b>6.1</b>	<b>5.0</b>
<b>Underlying profit before taxation*</b>	<b>10.3</b>	<b>9.6</b>

\* Excluding exceptional items and amortisation of certain intangibles

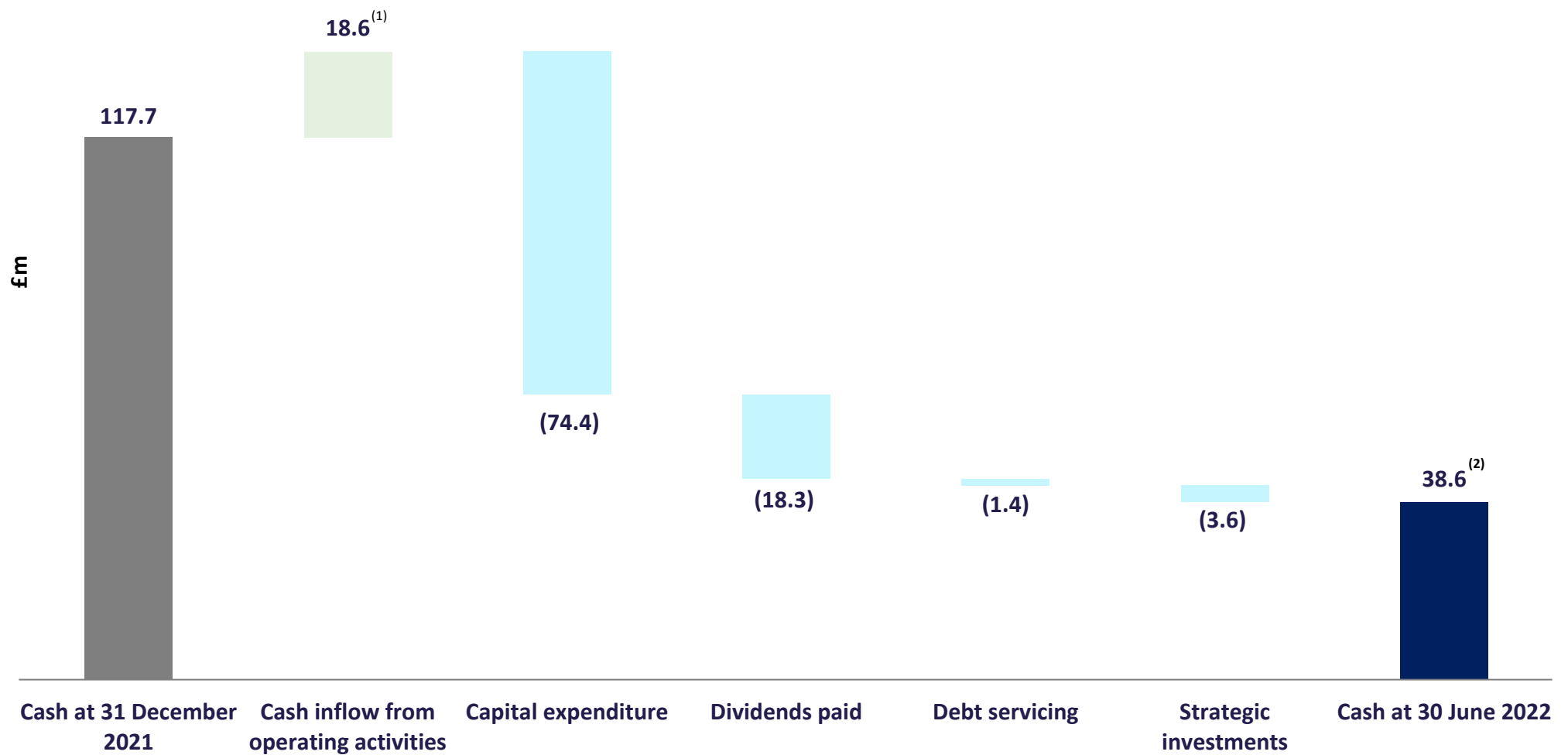
## Divisional revenues:

	June 2022 £m	June 2021 £m
Asset management	<b>44.8</b>	<b>39.4</b>
Asset installation	<b>12.3</b>	<b>10.4</b>
Energy management	<b>5.6</b>	<b>1.9</b>
<b>Group revenue</b>	<b>62.7</b>	<b>51.7</b>

- Revenue and pre-exceptional EBITDA grew year-on-year driven by increased meter installations and trading from first operational 50MW battery site
- £3.3m of exceptional items
- Depreciation increase driven by growth in meter portfolio and first battery site now being operational
- Interest charge reflects the amortisation of the arrangement fee and non-utilisation fees in relation to the £420m facility
- Asset management improvement driven by meter installations and inflation. Depreciation adjusted gross margin at 93%
- Asset installation revenues have increased due to a higher volume of transactional work
- In 2022 energy management includes £2.8m revenue from the first operational battery site. Excluding this revenue energy management grew 47% y-o-y, driven by the recommencement of energy efficiency projects in the hospitality sector



# H1 2022 cash flow



(1) Cash inflow from operating activities impacted by £5.9m cash outflow due to investment in meter inventory

(2) Excludes restricted cash

# 4. Summary

Tim Mortlock, CEO

# Summary

- **Strong platform to withstand economic shocks**
  - Inflation-linked contracts provide protection against inflationary environment
    - c.4.3% RPI adjustment on 1 April 2022
- **Existing pipeline of meters and grid-scale batteries to more than double EBITDA**
  - Net meter pipeline of c.2.42m<sup>(1)</sup>; continued growth in installation rates
  - Grid-scale battery storage assets portfolio of 760MW<sup>(2)</sup>; improved expectations on battery returns
  - Progress in further expanding other CaRe products and services
- **Strong liquidity position to support delivery of existing pipelines**
  - Net cash position of £38.6m at 30 June 2022; undrawn banking facilities of £420m
- **Sustainable long-term dividend policy**
  - FY 2022 dividend of 30.25 pence per share, +10% y-o-y until FY 2024, in line with stated policy
- **The Board expects FY 2023 pre-exceptional EBITDA to be marginally ahead of its previous expectations; underlying PBT to be in line with its previous expectations**

(1) 0.1m contract win offset by meter installs in H1 2022

(2) Including 50MW operational capacity



# 5. Q&A

# 6. Appendix

# H1 2022 balance sheet

	June 2022 £m	December 2021 £m
<b>Assets</b>		
Non-current	<b>500.5</b>	443.1
Current	<b>76.9</b>	71.1
Cash at bank	<b>38.6</b>	117.7
Restricted cash	<b>3.0</b>	1.3
<b>Total assets</b>	<b>619.0</b>	633.2
<b>Liabilities</b>		
Bank loan <1 year	-	-
Current liabilities	<b>61.0</b>	58.1
Bank loan >1 year	-	-
Non-current liabilities	<b>26.3</b>	21.3
<b>Total liabilities</b>	<b>87.3</b>	79.4
<b>Net assets</b>	<b>531.7</b>	553.8

- Increase in non-current assets primarily due to strong installations and investment in battery assets
- Increase in current assets driven by investment in maintaining high meter inventory levels
- Net cash position of £38.6m (31 December 2021: £117.7m)
- No drawn debt at June 2022
- £458.6m (31 December 2021: £537.7m) of available cash and unutilised facility at June 2022

# SMS leadership and investor relations

## Executive team



**Tim Mortlock**  
Chief Executive Officer



**Gavin Urwin**  
Chief Financial Officer



**Dilip Kejriwal**  
Head of Investor Relations

## Non Executive Directors

**Miriam Greenwood**  
Chair of the Board

**Graeme Bissett**  
Senior Independent NED

**Ruth Leak**  
Independent NED

**Jamie Richards**  
Independent NED

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**N+1 Singer**  
Greg Poulton

**Peel Hunt**  
Christopher Bamberry

**RBC**  
John Musk

# Financial calendar

<b>Dividend (1<sup>st</sup> instalment):</b>	
Ex-dividend date:	06 October 2022
Record date:	07 October 2022
Payment date:	28 October 2022
<b>Dividend (2<sup>nd</sup> instalment):</b>	
Ex-dividend date:	05 January 2023
Record date:	06 January 2023
Payment date:	26 January 2023
<b>Post-close FY 2022 trading update:</b>	<b>End-January 2023</b>
<b>FY 2022 results announcement:</b>	<b>Mid-March 2023</b>





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