



Meeting the energy challenge

H1 2023 results

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Agenda

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Tim Mortlock, CEO

2. Operational review

Tim Mortlock, CEO

3. Financial review

Gail Blain, CFO

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Tim Mortlock, CEO

5. Q&A

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1. Overview

Tim Mortlock, CEO

H1 2023 Overview

Financial performance

ILARR¹

- +13%² to £110.0m
 - Higher average rental per meter
 - Annual RPI adjustment applied on 1 April 2023
- End-August: £111.0m

Earnings

- Strong H1 2023:
 - EBITDA³: +24% to £36.1m
 - PBT³: +9% to £11.2m
- FY23 EBITDA, PBT in line with expectations
- FY24 EBITDA marginally ahead, PBT in line with expectations
- EBITDA expected to more than double⁴ in c.4 years

Capital allocation and Dividends

- Current pipeline⁵ can be fully funded from internal cash flows and debt facilities
 - Net debt: £96.3m
- May consider asset recycling to maintain prudent leverage and to support growth
- DPS +10% y-o-y until 2024
 - Expected to continue with progressive dividend policy thereafter

Operational performance

Meter and data assets

- Higher volumes of engineering activity
- Increased capacity expected to accelerate meter installation run rate in H2
 - on track to achieve at least 500,000 installs in 2023
- c.1.95million⁶ meter pipeline
- Continued market opportunities

Grid-scale battery storage

- 860MW total portfolio⁷
- 240MW⁸ operational
 - 140MW operational during H1 2023
 - additional 100MW became operational in H2 2023
- 370MW secured
 - 50MW to be operational in Q4 2023
- 250MW under exclusivity

Other CaRe assets

- Continue to build delivery capability, commercial models and pipelines
 - acquired domestic services division of Evergreen Energy
 - development of METIS Energy, currently piloting behind-the-meter CaRe asset solutions
 - installed first EV charging hubs operated by Clenergy EV platform

1. Index-linked annualised recurring revenue

2. The comparison is versus 31 December 2022 ILARR of £97.1m

3. EBITDA excludes exceptional items and PBT excludes exceptional items and amortisation of certain intangibles

4. In comparison to FY 2022 EBITDA

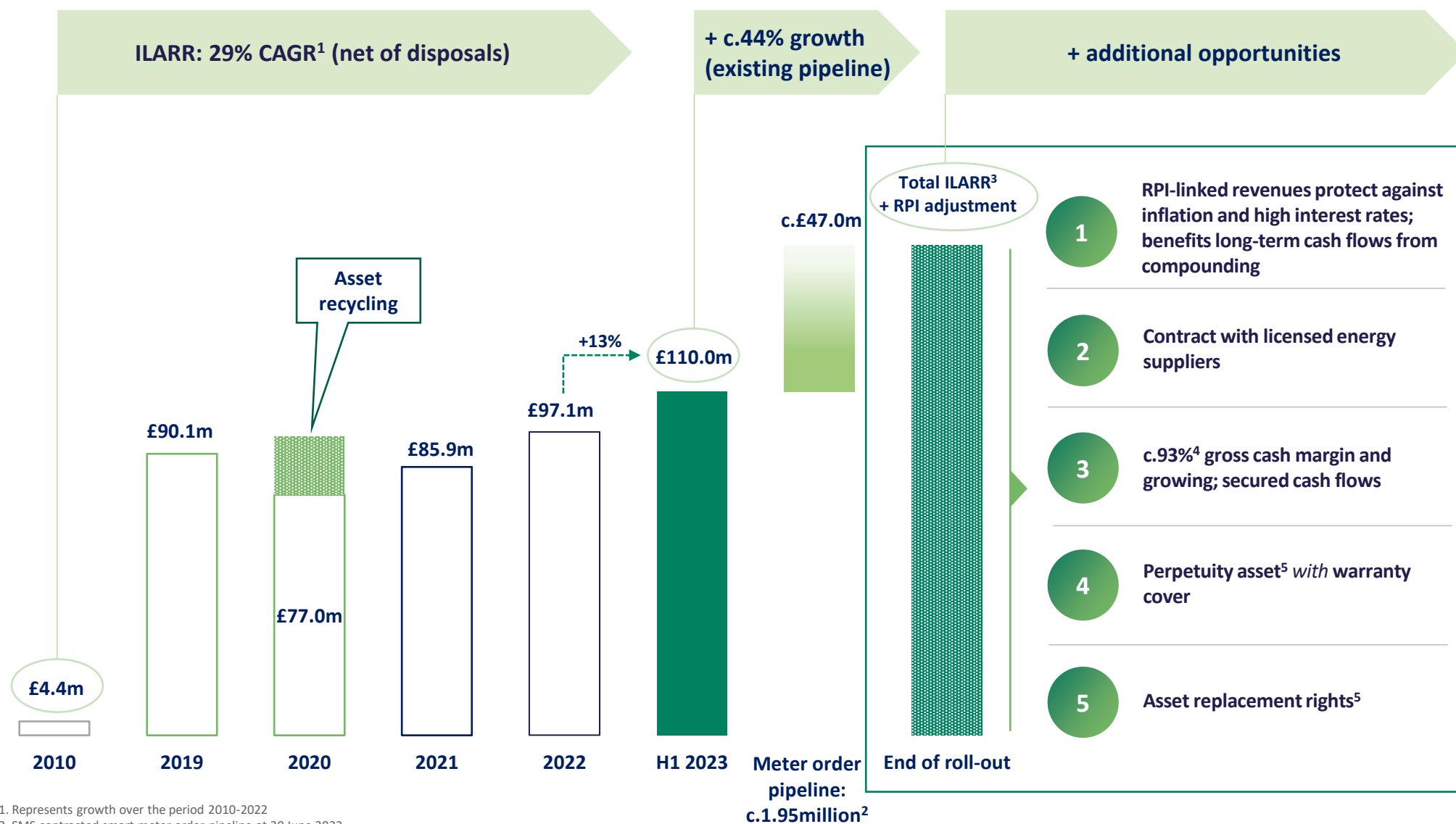
5. Includes the existing c.1.95million meter order pipeline and 620MW 1 hour duration grid-scale battery pipeline

6. Net of meters installed in H1 2023

7. Portfolio at 30 June 2023

8. Of the 240MW operational, 50MW is energised and will be trading by the end of September

Long-term, sustainable cash flows from meter and data assets



1. Represents growth over the period 2010-2022

2. SMS contracted smart meter order pipeline at 30 June 2023

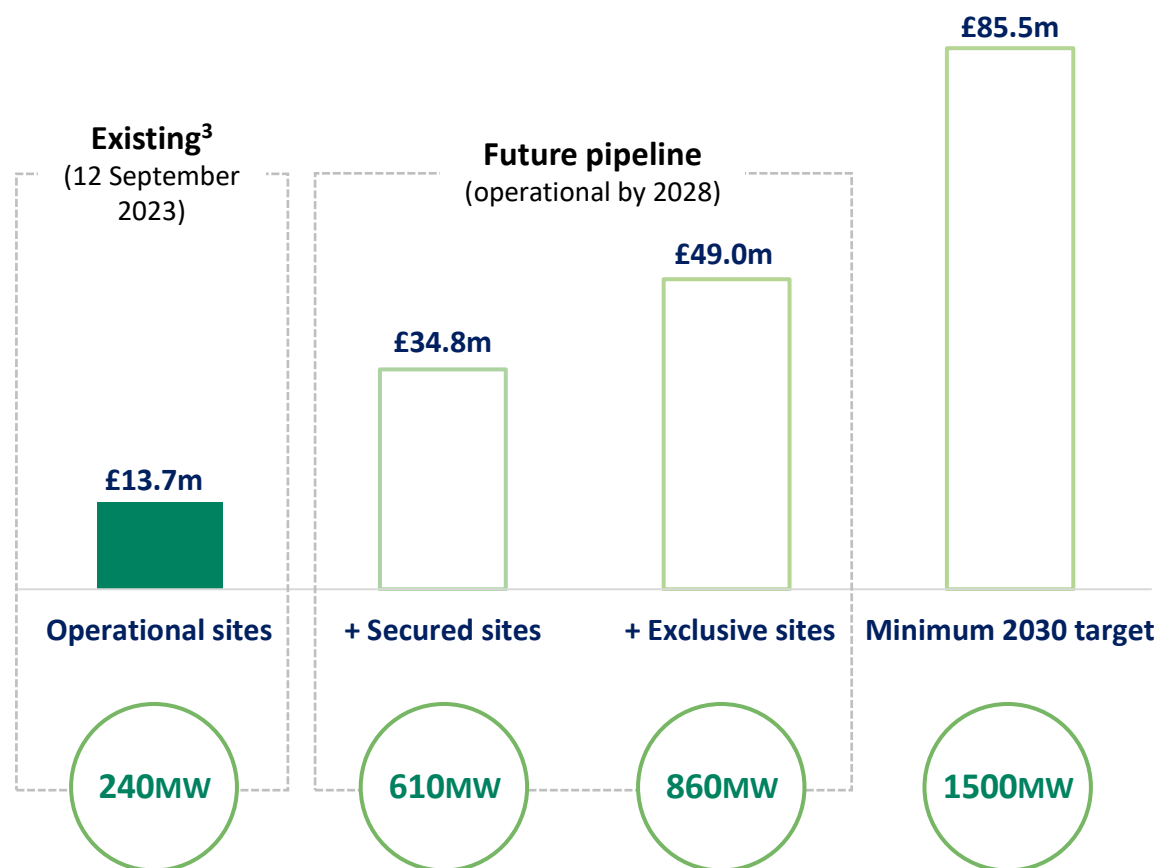
3. This calculation includes ILARR from the traditional meters and third-party assets which are expected to be exchanged with smart meters during the roll-out programme

4. This represents H1 2023 gross cash margin in the asset management division. Gross cash margin is calculated by adding back depreciation to asset management gross margin

5. Where SMS is appointed as MOP and/or MAM at end of the asset life

Significant growth in grid-scale battery storage assets

Significant growth in annualised EBITDA from grid-scale battery storage^{1,2}



1

EBITDA guidance⁴ £57,000-65,000/MW, driven by balancing services

2

Additional services and conversion to 2MW/hour duration represents upside

3

Strong throughput warranty provision

4

Core electrical infrastructure with 40+ year life

1. In addition, SMS has also secured the option to increase the duration of at least 290MW 1 MW/hour sites to 2 MW/hour sites

2. Based on lower end of the £57,000-65,000/MW guidance range

3. Annualised EBITDA

4. 1 MW/hour duration only

Additional opportunities in developing CaRe assets

Developing CaRe assets

Progress in 2023

1

Data services
(Technology platforms)



Smart**Vision**

n3rgy

FlexiGrid



- Largest independent aggregator into National Grid Demand Flexibility Service
- METIS participating as an early adopter in system testing for half hourly settlement

2

Public EV charging infrastructure

3,500 UK Charge points¹

Significant additional pipeline

- Increase in charge points operating on Clenergy EV
- Installed first public EV charging hub, operated by the Clenergy EV platform

3

Behind-the-meter



Solar



EV charging
(domestic, workplace)



Battery



Heat

- Acquisition of Evergreen Energy division
- Development of METIS Energy, currently piloting behind-the-meter CaRe asset solutions
- Partnered with Samsung to deliver a UK Government funded heat pump trial

4

Energy services



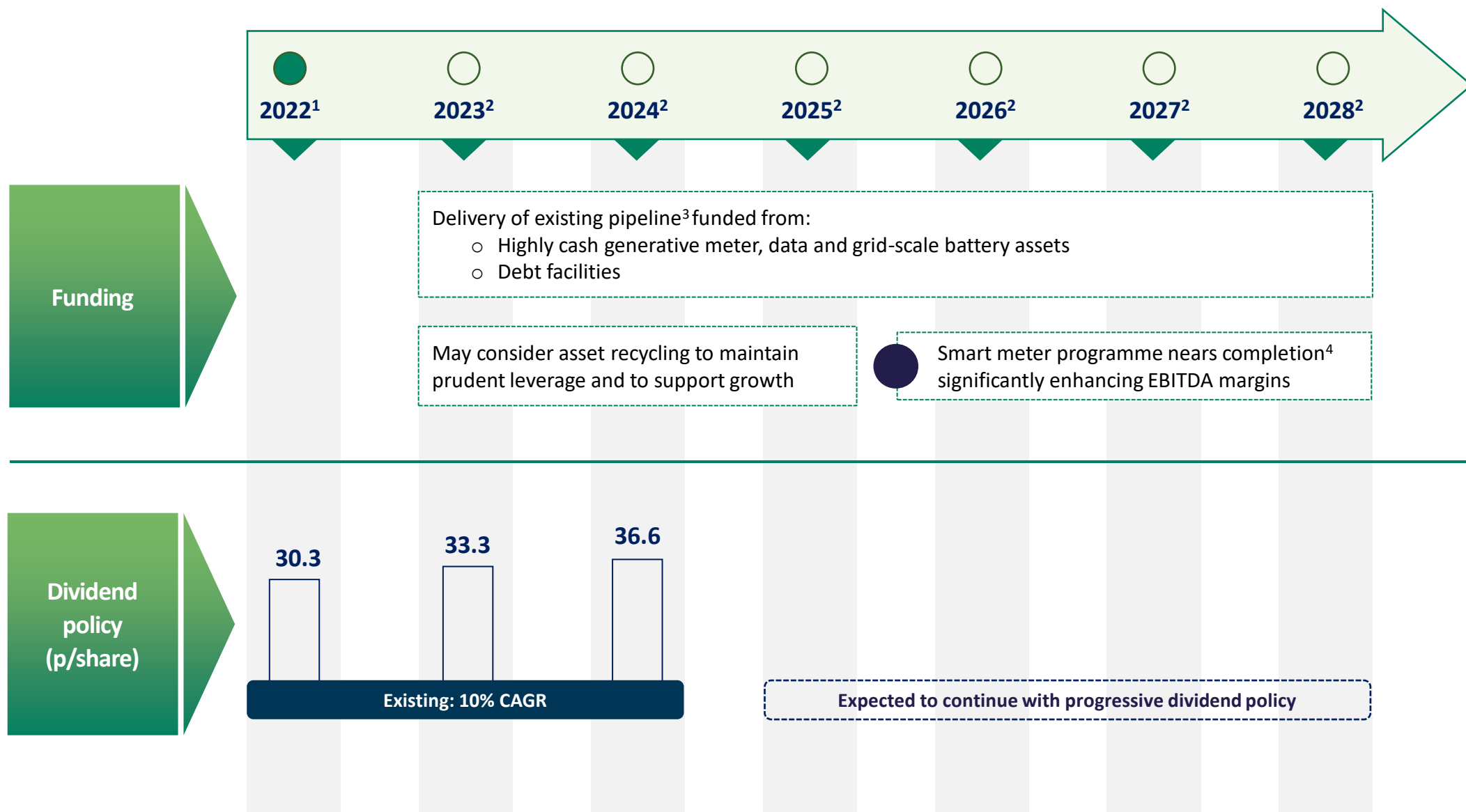
Energy efficiency

- Continued growth in energy services

Fully integrated and scalable platform provides significant potential in other CaRe assets high growth areas

1. Managed through Clenergy EV charge point operator platform

Capital allocation



2. Operational review

Tim Mortlock, CEO

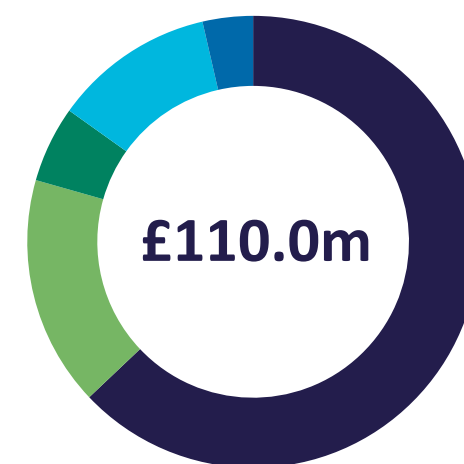
Meters and Data: ILARR and assets under management

- Total ILARR at 30 June 2023: £110.0m (31 December 2022: £97.1m)
 - Annual RPI adjustment on 1 April 2023; higher average rental per meter
 - ILARR increased to £111.0m at 31 August 2023
- Total meter and data assets under management¹ at 30 June 2023: c.4.50 million (31 December 2022: c.4.45 million)
- Total smart meter portfolio at 30 June 2023: 2.3 million (31 December 2022: 2.1 million)

Meter and data assets under management ('000)

	30 June 2023	31 December 2022
Smart meters	2,302	2,108
Data assets	431	410
I&C meters	107	106
Traditional meters	240	251
Third-party assets	1,424	1,575
Total meter and data assets under management	4,504	4,450

ILARR as at 30 June 2023



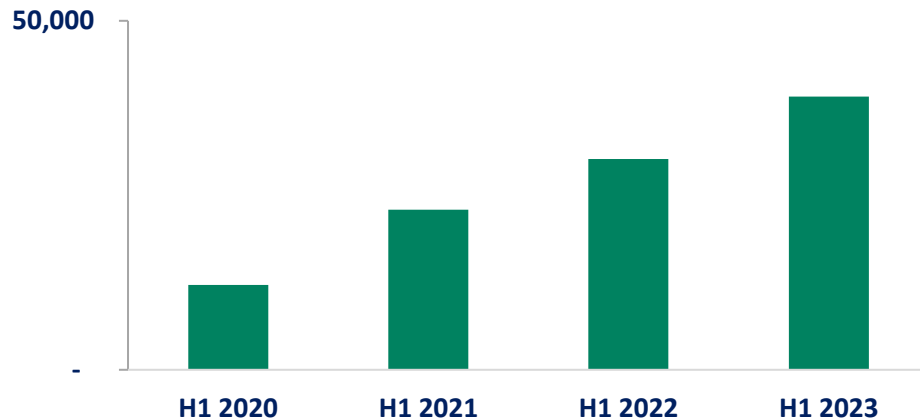
Smart meters	£71.5m
Data assets	£16.9m
I&C meters	£6.2m
Traditional meters	£11.8m
Third-party assets	£3.6m ²

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

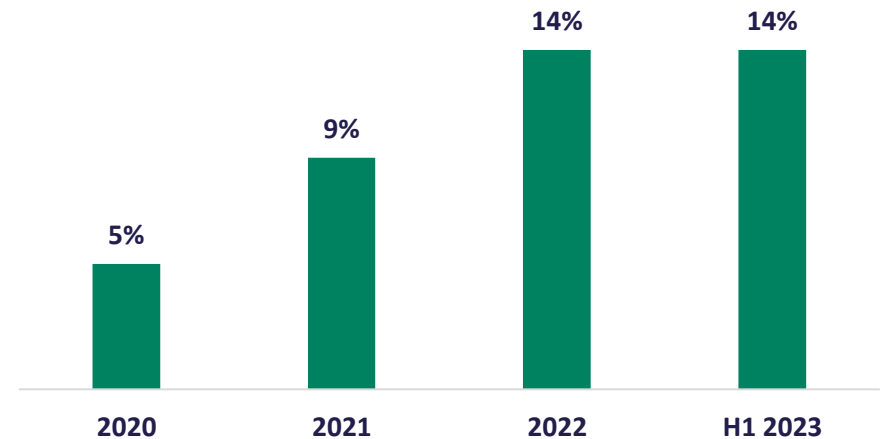
2. Excludes pass-through third-party rental

Smart meters: run-rate, pipeline and addressable opportunities

Average monthly jobs completed



SMS domestic smart meter installation market share¹



Pipeline and addressable market opportunity

Existing order pipeline

Addressable opportunities²

c.1.95m
meters

+

c.2-3m
meters

Industry SMETS1 enrolled and adopted³



December 2022

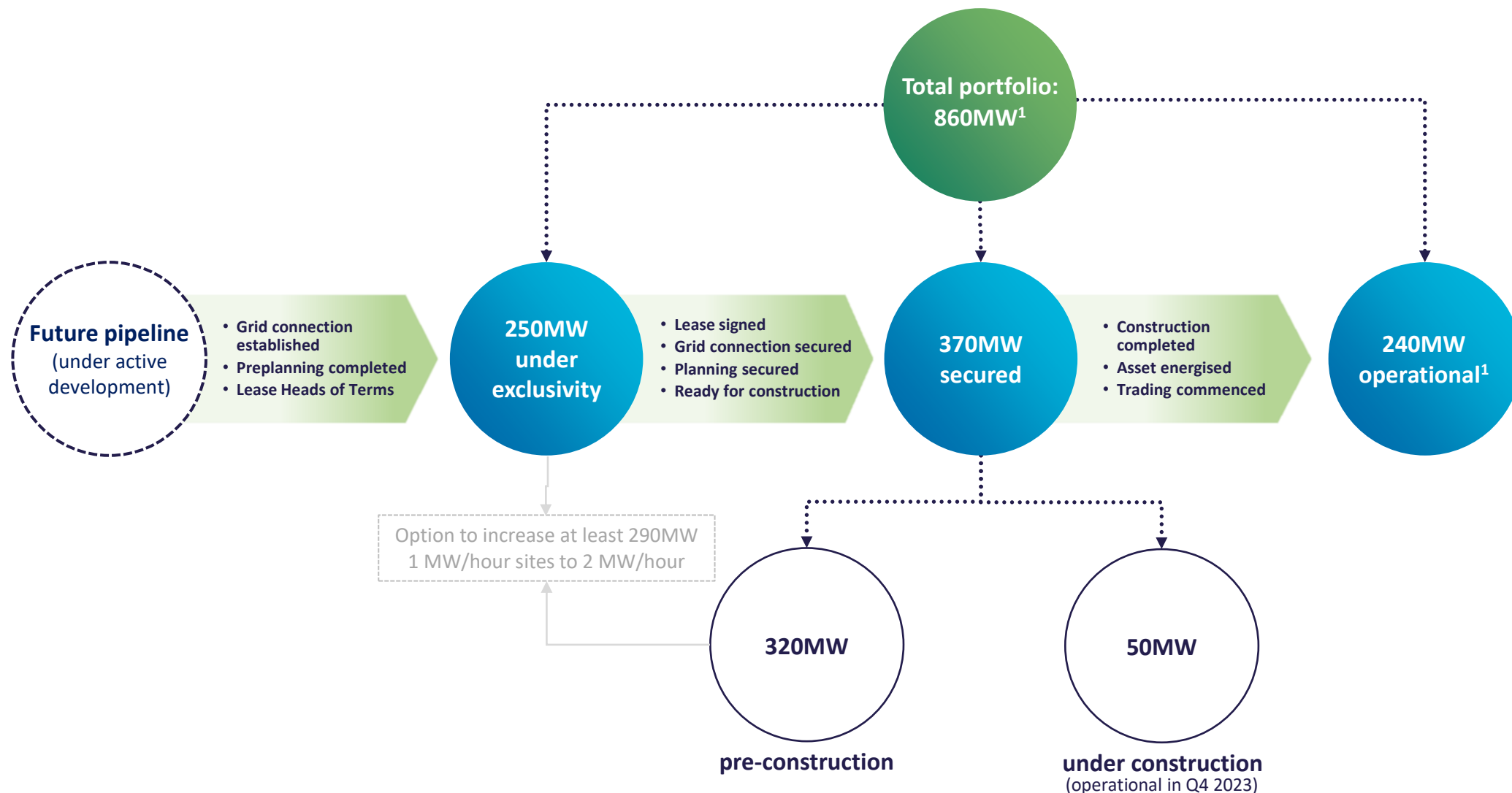


June 2023

- c.77% of industry SMETS1 enrolled and adopted
- SMS marginally ahead at c.82%

Grid-scale battery storage: strong portfolio

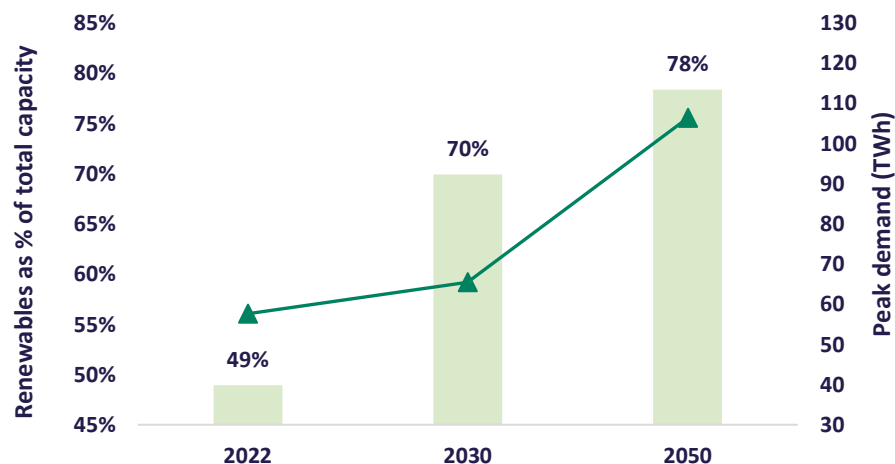
Continued progress in developing the portfolio of grid-scale battery storage assets



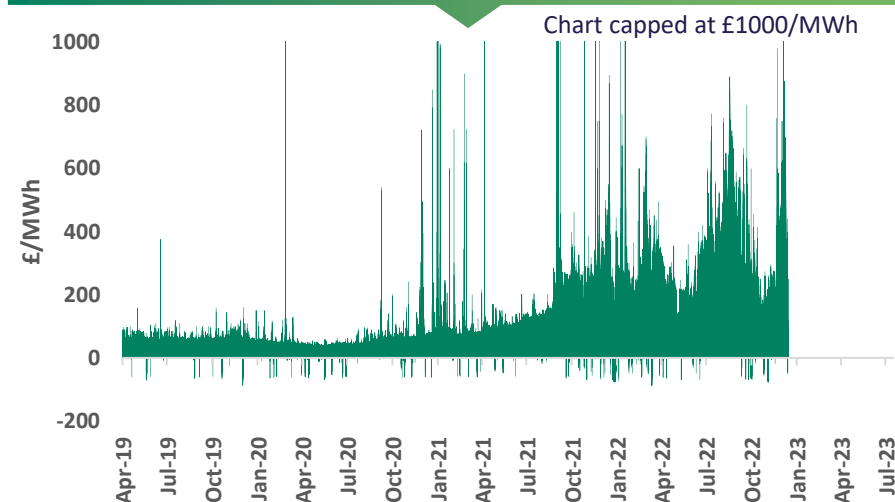
1. By end of September 2023

Grid-scale battery storage: growing renewables widening spreads

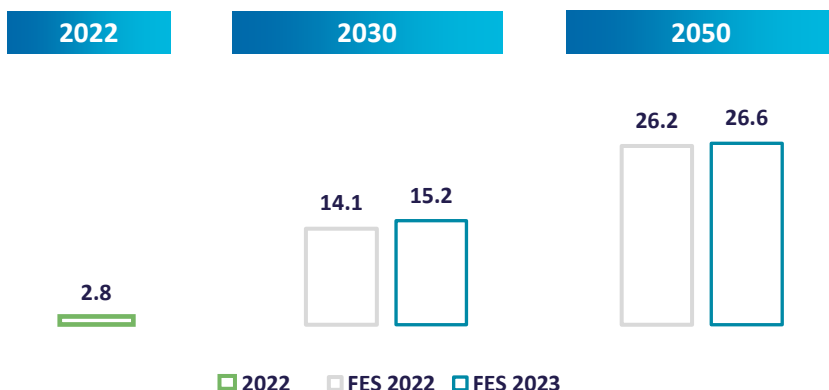
Renewables as % of total generation capacity¹



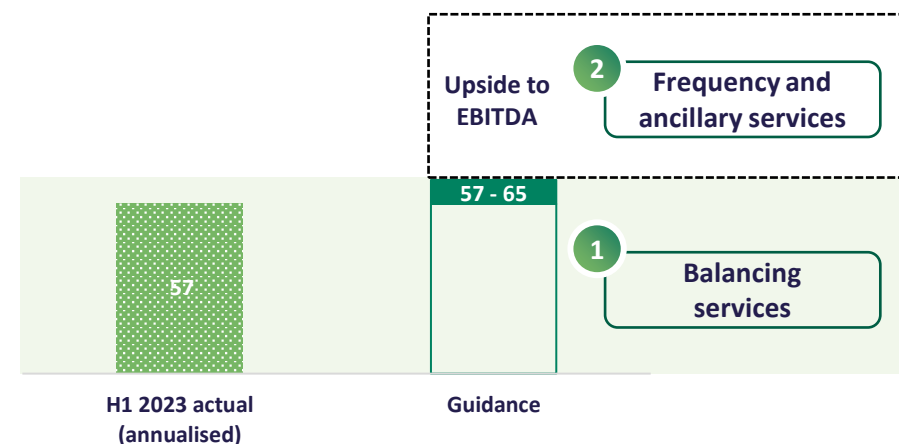
UK power price spread (£/MWh)²



Total battery storage capacity required¹ (GW)



SMS's EBITDA guidance (£'000/MW)



3. Financial review

Gail Blain, CFO

H1 2023 delivers strong financial performance

- **Operational performance drives strong first half financials**

- ILARR growth supported by higher average rental per meter, driven by increased focus on single fuel and I&C smart meter installations
- Performance of operational grid-scale battery portfolio in line with management expectations

- **Growth across all key metrics:**

- ILARR: +13%¹
- Revenue: +26%
- Pre-exceptional EBITDA: +24%
- Underlying PBT: +9%

- **Robust liquidity position at 30 June 2023:**

- Net debt: £96.3m
- Cash: £45.3m
- Undrawn debt facility: £280m

- **FY 2023 pre-exceptional EBITDA and underlying PBT expected to be in line with the Board's expectations**

- **FY 2024 pre-exceptional EBITDA expected to be marginally ahead and underlying PBT in line with expectations**

- **Pre-exceptional EBITDA expected to more than double² in c.4 years**

H1 2023 income statement

	June 2023 £m	June 2022 £m
Group revenue	79.3	62.7
Pre-exceptional EBITDA	36.1	29.1
Exceptional operating items	(2.0)	(3.3)
Statutory EBITDA	34.1	25.8
Depreciation and amortisation	(21.1)	(18.1)
Interest	(4.6)	(1.6)
Share of profit/(loss) of associate	(0.4)	-
Statutory profit before taxation	8.0	6.1
Underlying profit before taxation*	11.2	10.3

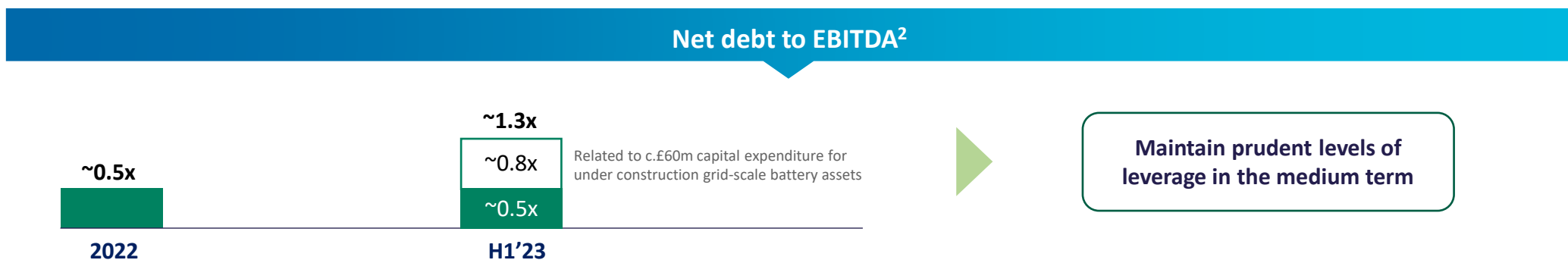
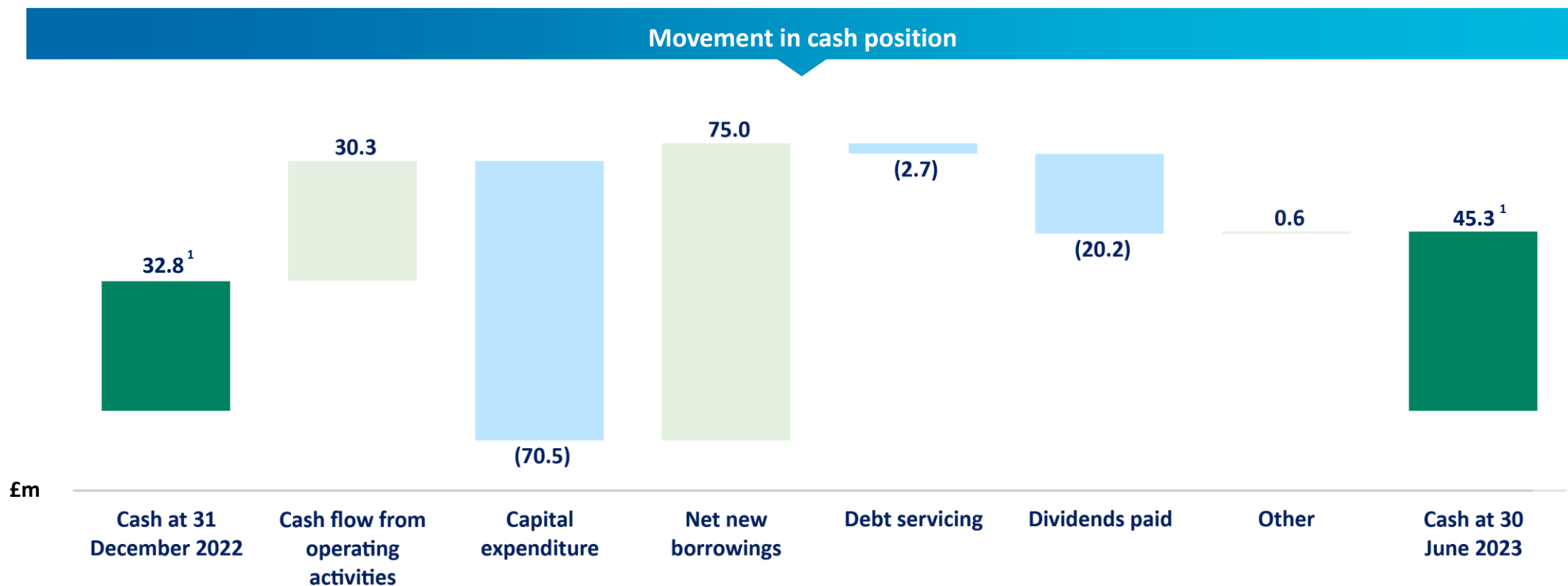
* Excluding exceptional items and amortisation of certain intangibles

Divisional revenues:

	June 2023 £m	June 2022 £m
Asset management	53.6	44.8
Asset installation	17.6	12.3
Energy management	8.1	5.6
Group revenue	79.3	62.7

- Growth in revenues and pre-exceptional EBITDA predominately driven by new meter installations, additional operational grid-scale battery sites and inflation linkage on existing meter and data assets
- £2.0m of exceptional items, largely relates to the loss on the traditional and SMETS1 meters
- Interest charge reflects the interest fees in relation to the £420m facility
- Asset management improvement driven by new meter installations and inflation linkage
 - Depreciation adjusted gross margin at 93%
- Asset installation revenues increased due to a higher volume of transactional activity
- Energy management includes revenue from grid-scale battery assets. Excluding this growth was 46%, driven by energy efficiency projects

H1 2023 cash flow and leverage



4. Summary

Tim Mortlock, CEO

Summary

- **Strong platform to withstand economic shocks, inflationary and high interest rates environment**
 - Index-linked revenues provide strong hedge against short-term interest rates; significantly benefiting long-term cash flows
- **Existing pipeline of meters and grid-scale battery storage to significantly grow EBITDA**
 - Net meter pipeline of c.1.95million; additional opportunities
 - Grid-scale battery storage assets portfolio of 860MW; attractive returns evidenced from operational sites
 - Progress in further expanding other CaRe products and services
- **Strong liquidity position to support delivery of future growth**
 - Current pipelines can be fully funded from internal cash generation and debt facilities
 - May consider selective asset recycling to maintain a prudent level of gearing and to support future growth
- **Sustainable long-term dividend policy**
 - Expected FY 2023 dividend of 33.275 pence per share
 - +10% y-o-y until FY 2024, in line with stated policy
- **Results and outlook**
 - FY 2023: EBITDA, PBT in line with expectations
 - FY 2024: EBITDA marginally ahead, PBT in line with expectations
 - Confident in medium-term outlook: EBITDA expected to more than double¹ in c.4 years

5. Q&A

6. Appendix

H1 2023 balance sheet

	June 2023 £m	December 2022 £m
Assets		
Non-current	617.6	573.4
Current	101.8	90.9
Cash at bank	45.3	32.8
Restricted cash	0.2	0.3
Total assets	764.9	697.4
Liabilities		
Bank loan <1 year	2.9	0.6
Current liabilities	82.2	71.6
Bank loan >1 year	138.6	63.3
Non-current liabilities	30.3	28.4
Total liabilities	254.0	163.9
Net assets	510.9	533.5

- Increase in non-current assets primarily due to investments in meters and grid-scale batteries
- Increase in current assets driven by investment in maintaining high meter inventory levels
- Cash position of £45.3m (31 December 2022: £32.8m)
 - Net debt was £96.3m
 - £280m undrawn facility

Sustainability integrated across our business

Health & Safety

'Vision Zero' – zero accidents and employee wellbeing

- ✓ Maintained all ISO certifications with no major non-conformances recorded
- ✓ Continued progress across all Vision Zero action plans including an additional SHEQ systems plan
- ✓ IOSH Vision Zero training underway across the Group

Environment

Sustainability integration across the entire organisation

- ✓ Continued progress on our 2030 net-zero roadmap (below)
- ✓ **MSCI** rating upgraded to AA; **S&P** Global performing significantly above average global score; **Sustainalytics** performance in top 4th percentile for 'Global Universe' and 'Subindustry'; **Moody's** performance above sector average across all ESG categories

Social

Delivering for our people and the communities we serve

- ✓ Volunteering Programme (Birmingham Museums Trust supporting autism and refugees)
- ✓ Committed to being a Menopause Friendly Employer
- ✓ Hoyland warehouse support Astrea Academy Dearne work experience
- ✓ 'Best Companies' survey: 1 star rating, high levels of employee engagement

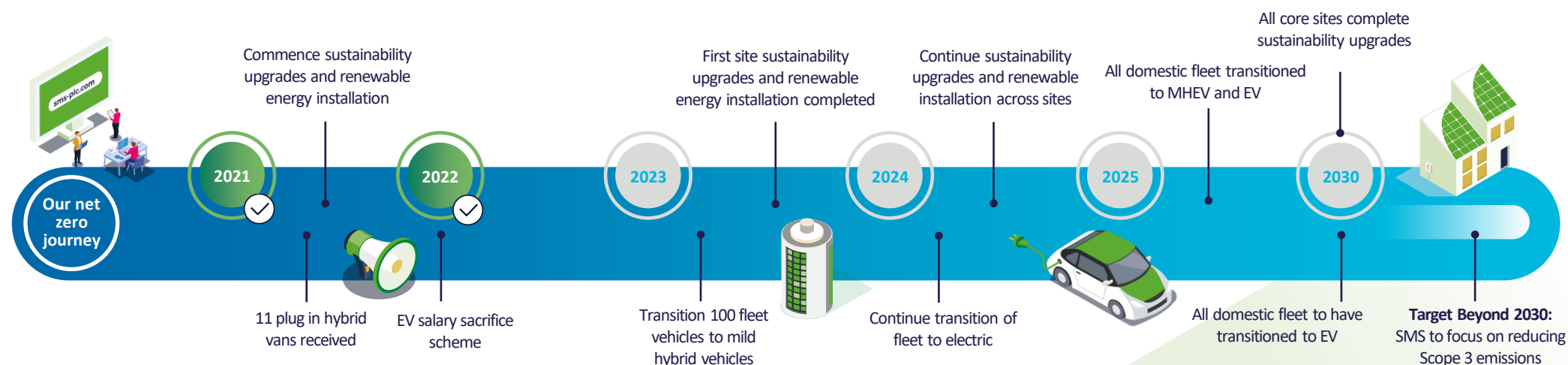
Governance

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
- ✓ Denoted as "leading global peers" on corporate governance by MSCI and "Strong management" by Sustainalytics

SMS 'Net Zero' roadmap

← 2023 – 2030: On track →



SMS leadership and investor relations

Executive team



Tim Mortlock

Chief Executive Officer



Gail Blain

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

Mike Winkel

Independent NED

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