Enabling a low-carbon energy future

H1 2021 results

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Agenda

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   Alan Foy, CEO

2. Operational review

   Tim Mortlock, COO

3. Financial review

   Gavin Urwin, CFO

4. Summary & Outlook

   Alan Foy, CEO

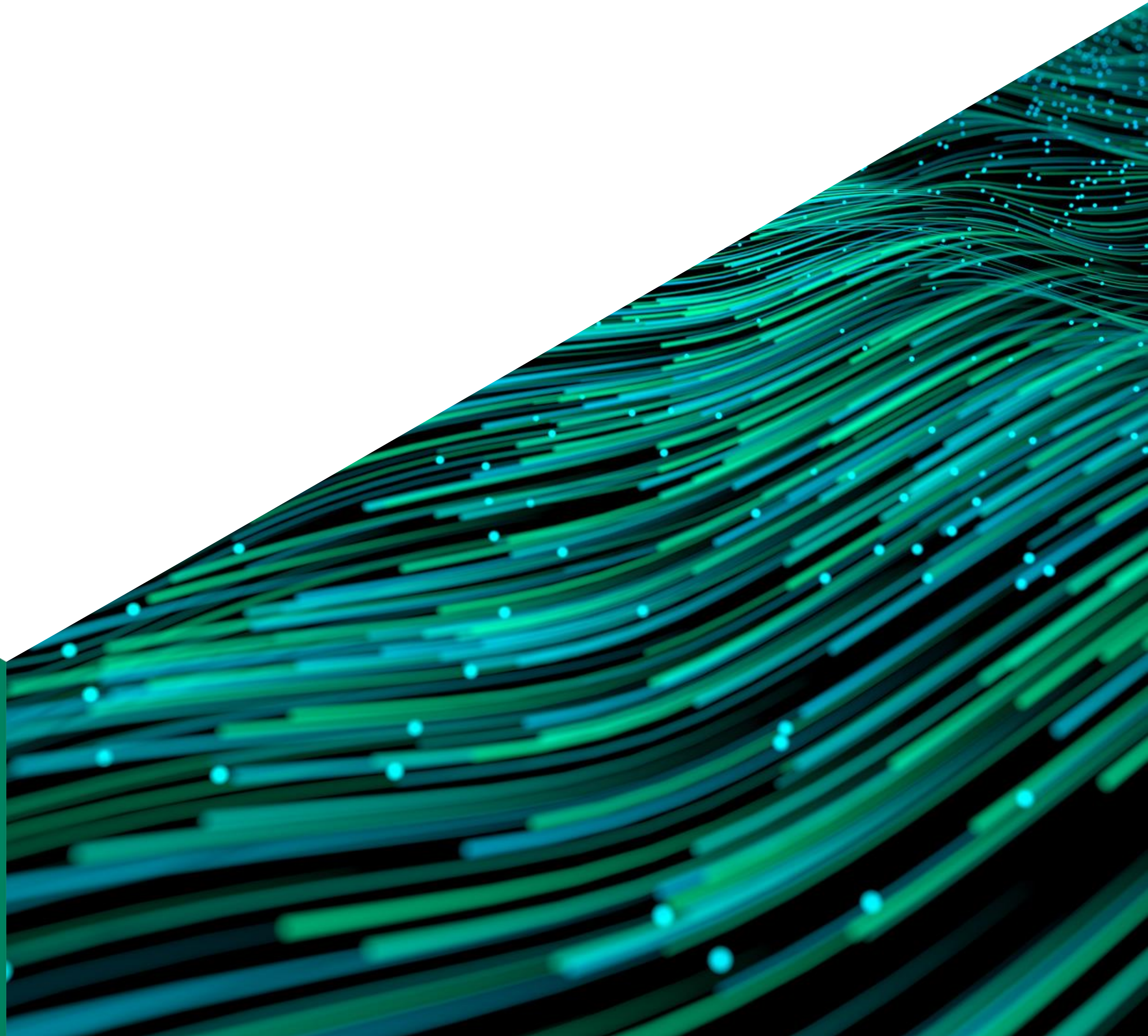
5. Q&A

6. Appendix

Image from SMS's ReFLEX Orkney project

1. Overview

Alan Foy, CEO

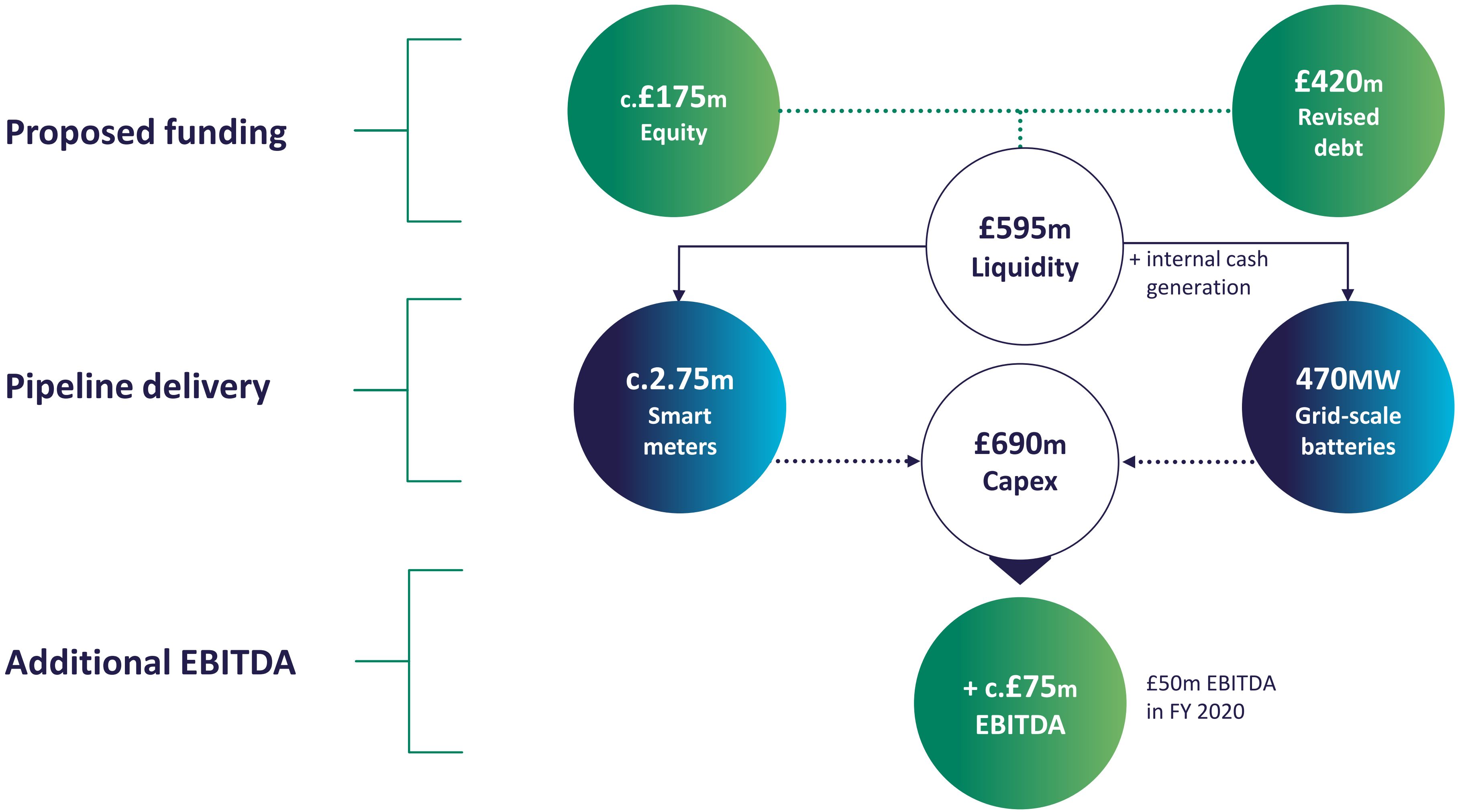


Overview

- **H1 2021 highlights: strong, resilient financial performance**
  - ILARR[1] grew 11% to £84.2m (30 June 2020: £75.9m) and underlying PBT +5% to £9.6m
  - Board expects FY 2021 underlying PBT to be marginally ahead of its previous expectations
- **Strong momentum in expanding the CaRe assets[2] pipeline**
  - Net increase in contracted smart meter order pipeline to c.2.75m[3] (31 December 2020: c.2.0m)
    - c.900k meter contract wins in 2021
    - More than 30,000 meters installed per month over the June to August period, c.20% increase on pre-COVID-19 run rate
  - Acquired an I&C[4] Half Hourly (HH) electricity meter portfolio & data service contracts, initially generating c.£3.1m ILARR
  - 470MW of grid-scale battery storage assets pipeline
    - Construction commenced on 90MW, acquired additional 150MW and 230MW under exclusivity
  - Continued progress in further expanding the established and developing CaRe products and services
- **Proposed equity raise, coupled with revised debt and internal cash, provides liquidity to deliver existing pipelines**
  - Liquidity position enhanced, with the proposed equity and revised debt providing £595m of funding
  - Maintain leverage at prudent levels
- **Continued progress on Environmental, Social and Governance (ESG) initiatives**
  - Tangible progress towards 2030 net-zero target
  - Several new social initiatives launched
  - Highest scoring for corporate governance by MSCI

(1) Index-linked annualised recurring revenues
(2) Carbon Reduction ("CaRe") assets include meters, grid-scale batteries, energy data, behind-the-meter solar and storage, ADM™ Australia, electric vehicle (EV) charging infrastructure, heat meters & networks, energy efficiency assets
(3) The total increase from new contact wins is offset by installs over the same period
(4) Industrial & Commercial

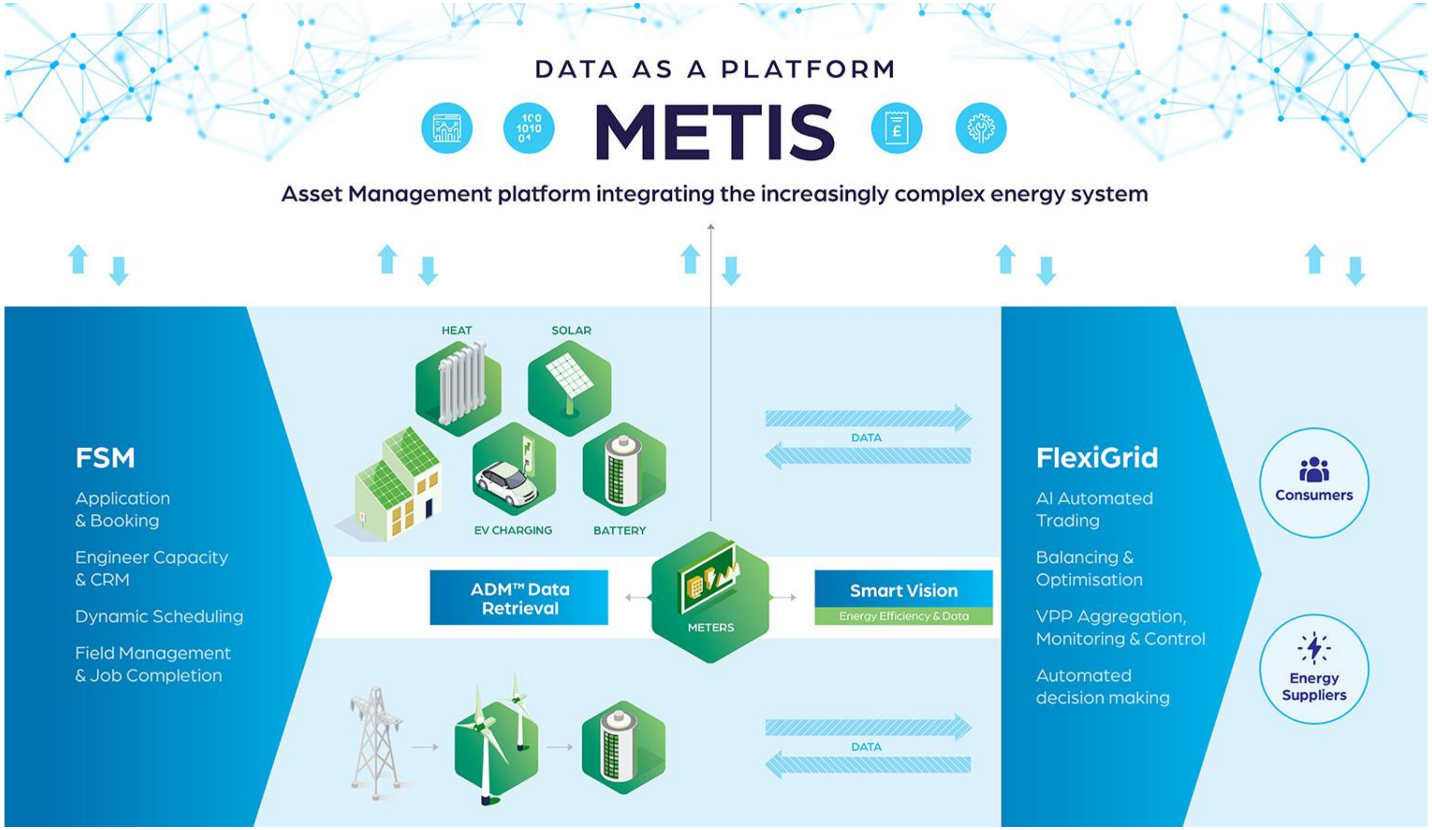
Financing provides liquidity to deliver pipeline



Positions SMS to take advantage of additional growth opportunities and maintain leverage at prudent levels

METIS at the heart of originating long-term, sustainable cash flows

SMS METIS platform is at the heart of enabling and integrating CaRe assets and energy data solutions…



…which generates long-term sustainable cash flows with strong inflation linkage

EBITDA and cash flows
(30 June 2021)

- **£26.1m[1] EBITDA**
- **£34.4m[2] FCF**

Liquidity
(June 2021)

- **£37.3m[3] Cash at bank**
- **£266m[3] Undrawn RCF**

Current pipeline

Meters	Grid-scale batteries
c.£55m[4] EBITDA	c.£20m[5] EBITDA

Addressable market

Established CaRe products	Developing CaRe products
c.£1.2bn EBITDA	Being assessed

1. Pre-exceptional EBITDA
2. Free Cash Flow (FCF) is defined as cash generated from operations as per the statutory cash flow
3. Excludes the proposed equity raised and revised debt post June 2021
4. Related to the c.2.75m contracted smart meter order pipeline
5. Related to the 470MW grid-scale battery pipeline

ESG is integrated across our business

Health & Safety
'Vision Zero' – zero accidents and employee wellbeing

SMS

- SHEQ forums
- International standards
- Internal audit
- Vision Zero

Environment

Sustainability integration across the entire organisation

- Net-zero by 2030
- Carbon negative beyond
- Interim targets
- Long-term goals

Social

Delivering for our people and the communities we serve

- Diversity & inclusion
- Our people and culture
- Supporting our communities
- Customer excellence

Governance

Strong corporate governance policies supported by independent board

- Board composition
- Accountability
- Corporate risk register
- Compliance

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

SMS are aligned with the UN Sustainability Development Goals

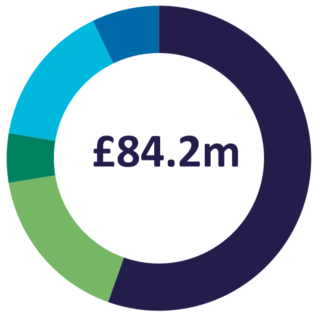
2. Operational review

Tim Mortlock, COO

ILARR and assets under management

- Total ILARR at 30 June 2021: £84.2m (31 December 2020: £77.0m)
  - Increased to £84.8m at 31 August 2021
- Total meter and data assets under management(1) at 30 June 2021: 4.0 million (31 December 2020: 3.8 million)
- Total smart meter portfolio at 30 June 2021: 1.49 million (31 December 2019: 1.35 million)

ILARR as at 30 June 2021



Smart meters	£46.6m
Data assets	£14.3m
I&C meters	£4.5m
Traditional meters	£12.8m
Third-party assets	£6.0m(2)

Meter and data assets under management ('000)(3)

	30 June 2021	31 December 2020
I&C meters	105	87
Smart meters	1,493	1,347
Data assets	501	481
Traditional meters	295	311
Third-party assets	1,566	1,587
Total meter and data assets under management	**3,960**	**3,813**

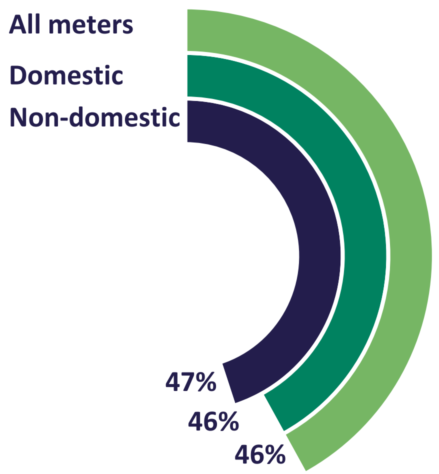
Quality of cash flows(4)

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

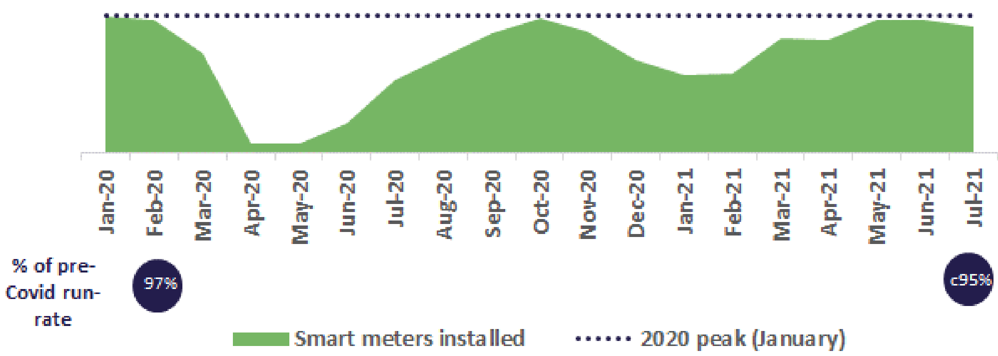
(1) The disposed I&C meter assets in 2020 are managed by SMS and classified under third-party assets
(2) Includes £3.5m relating to third-party traditional meters
(3) Includes the acquired I&C HH portfolio in April 2021
(4) Owned meter and data assets

UK smart meter rollout update

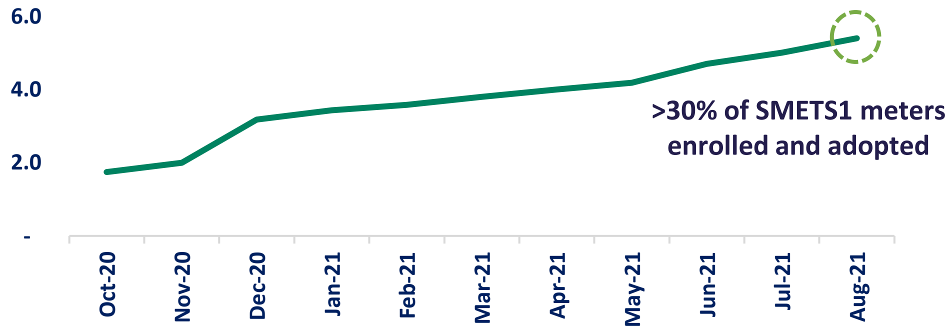
Smart meter progression (30 June 2021)



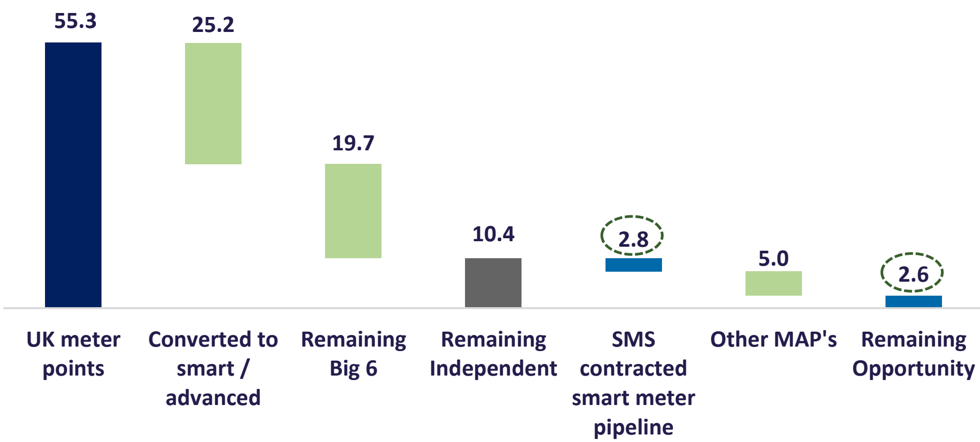
UK smart meter industry installation rates



SMETS1 meters enrolled and adopted into DCC (in millions)



Remaining smart meter opportunity for SMS (in millions)



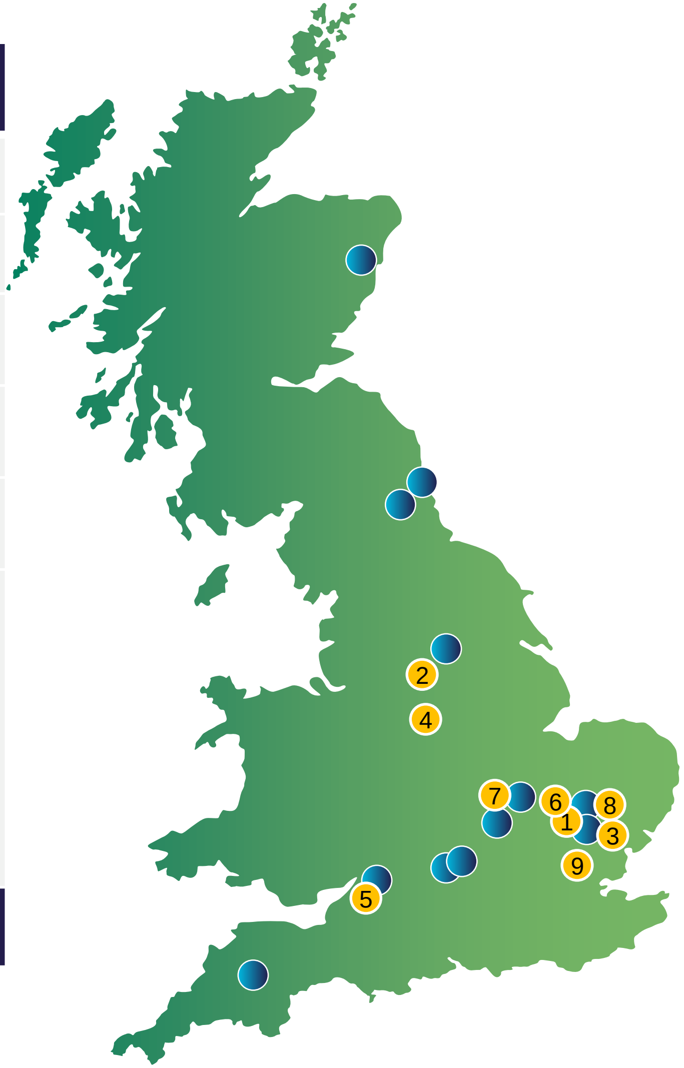
Source: Smart DCC, OFGEM, Elexon, SMS

Pipeline overview

Asset		Size *(MW)*	Ownership	Ownership status	Construction status	Energisation date
1	Burwell	50	100%	Acquired	Construction	Apr-22
2	Barnsley	40	100%	Acquired	Construction	Apr-22
3	Brook Farm	50	100%	Acquired	Pre-construction	Jan-23
4	Newtonwood	50	100%	Acquired	Pre-construction	Jan-23
5	Berkeley	50	100%	Acquired	Pre-construction	Oct-23
6	Four Sites	230	100%	Exclusivity	Undergoing detailed due diligence	By end 2025
7						
8						
9						
Pipeline		**470**	**100%**	**–**	**–**	**–**

Key battery milestones

Acquisition → Commence on site → Batteries delivered → Grid connection → Energisation



Battery sites *(site number)*

Active discussions with sites owners

Case study: Burwell

Project	**Burwell** *(Cambridgeshire)*
Size	50MW
Status	Construction
Exclusivity date	Jul-20
Acquisition date	Dec-20
Construction start date	Mar-21
Expected energisation date	Apr-22
Expected asset life	c.40 years (battery cell replacement every 10 years)
Warranties	Usage *(2x daily cycles for 10 years)* Availability *(98% for 10 years)*
Asset management	In house via experienced team
Capex	£19m (based on £380k/MW)
EBITDA yield *(base case)*	11%
EBITDA margin (base case)	75%

Pre-construction

Battery installation *(August 2021)*

SMS' first grid-scale battery site is on track to be delivered on time and on budget

Attractive revenue drivers

Revenue drivers

- Power prices
- Intermittent renewable generation
- Battery availability
- Government policy
- Increased power demand
- Carbon pricing

Revenue streams (counterparties)

Balancing mechanism	• Availability payment for balancing UK grid *(National Grid)*
Wholesale market	• Inter/intra day power trading *(EPEX)*
Embedded benefits	• Use of system network payments *(DNO)*
Capacity market	• 15yr fee for 'generating' capacity for the grid *(National Grid)*
Firm frequency response *(FFR)*	• Fee for helping maintain UK grid frequency *(National Grid)*
New FFR products	• Roll out of new system support products *(National Grid)*
Dynamic containment	• Usage fee for fast response in event of grid imbalance *(National Grid)*
Local DNO services	• Availability and utilisation payments for supporting local constraints *(DNO)*

Base cash flows *Additional upside*

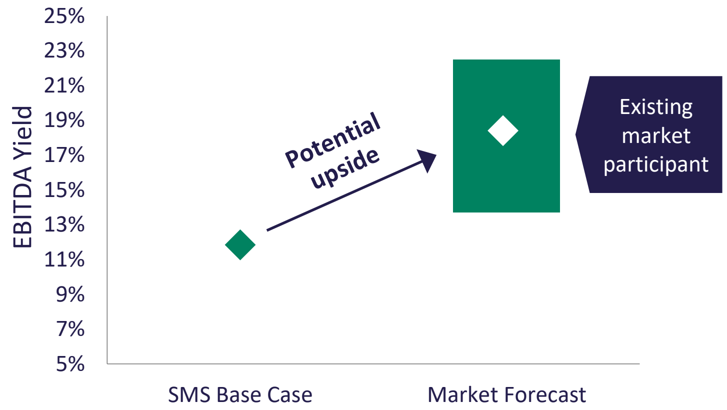
Earnings

£380k/ MW × **470** MW

c.£20m EBITDA

(11–14% starting EBITDA yield)

Material upside



Continued momentum in developing other CaRe products

Energy data

- Acquired an I&C large power HH electricity meter portfolio (to add c.£3.1m ILARR)
- SMS well positioned for HH opportunity by leveraging on its existing technology and nationwide infrastructure

Behind-the-meter

- Solopower solution launched in 2021
- Pilot projects in up to 1,500 homes in Scotland; pipeline development in progress across UK
- Assets to be funded by third party with SMS generating one-off construction fee and an asset-linked management fee

EV charge

- Developing solutions in the domestic and destination market
- Lead coordinators on the Virgin Media Park and Charge project; up to 600 charging sockets to be installed by mid-2022
- SMS training academy now able to train engineers to install domestic EV chargers

Energy efficiency

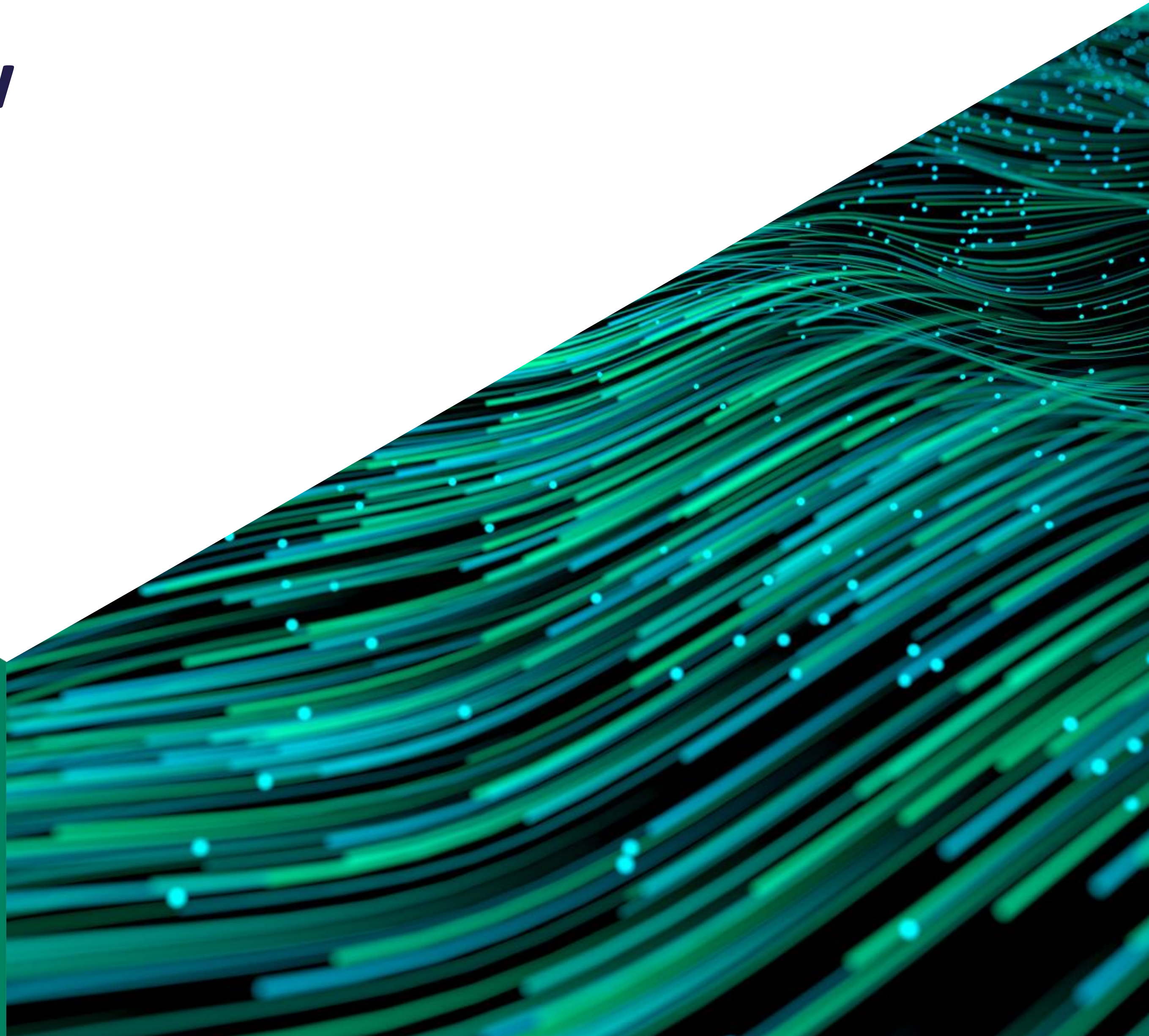
- More than 20 years of energy efficiency consulting and project delivery experience
- Smart energy control solutions for energy management; LED lighting project recommencing post COVID-19 restrictions

Heat

- Piloting a solution for a nationwide hotel chain for smart heating controls
- Piloting with other existing and potential customers to explore alternative heat solutions
- Signed partnership with Aberdeen City Council to roll out fabric retrofits and air sourced heat pumps to 100 homes

3. Financial review

Gavin Urwin, CFO



Update on proposed equity raise and enhanced debt facilities

- **Proposed new capital structure**
  - £175m proposed equity raise
  - £420m revised debt package at attractive terms
    - Revolving credit facility
    - Pricing: SONIA + 185bps
    - End date: December 2025
- **Enhanced liquidity coupled with internal cash generation allows pipeline delivery with controlled leverage**
  - Existing pipeline of c.2.75m smart meters and 470MW of grid-scale batteries expected to add c.£75m EBITDA
  - Enables maintaining leverage at prudent levels
- **Well positioned for significant additional growth opportunities**
  - c.£1.2bn EBITDA opportunity within the established CaRe products
  - Additional opportunities within the developing CaRe products, with several trials currently underway

Consistent growth in key metrics through H1 2021

- **Core businesses mostly restored post-COVID-19, further demonstrating resilience of the SMS business model**
  - Strong momentum in new meter contract wins and grid-scale battery pipeline
- **Growth across all key metrics, when adjusted for H1 2020 disposed I&C meter portfolio**
  - ILARR: +11%
  - Revenue: +8%
  - Underlying EBTIDA: +22%
  - Underlying PBT: +87%
- **Operational efficiency within our installation resource as run rates increased during H1 2021**
- **Proposed capital structure to deliver future growth**
- **The Board expects FY 2021 underlying profit before taxation (PBT) to be marginally ahead of its previous expectations**

H1 2021 income statement

	June 2021 £m	June 2020 £m
Group revenue	**51.7**	**54.2**
Pre-exceptional EBITDA	**26.1**	**27.8**
Exceptional operating items	(3.7)	186.3
Statutory EBITDA	**22.4**	**214.1**
Depreciation and amortisation	(15.8)	(16.4)
Interest including exceptional finance costs	(1.6)	(3.2)
Statutory profit before taxation	**5.0**	**194.5**
Underlying profit before taxation*	**9.6**	**5.7**

* Excluding exceptional items and amortisation of certain intangibles

- Excluding the effect of the disposed I&C meter portfolio in H1 2020, both revenue and pre-exceptional EBITDA grew period-on-period
- £3.7m of exceptional items, details on next slide
- £0.6m decrease in depreciation and amortisation, primarily due to the disposed I&C meter portfolio in H1 2020
- Lower interest charge reflects the Group's undrawn position on its revolving credit facility up to April 2021

Divisional revenues:

	June 2021 £m	June 2020 £m
Asset Management	**39.4**	**42.0**
Asset Installation	**10.4**	**9.4**
Energy Management	**1.9**	**2.8**
Group revenue	**51.7**	**54.2**

- Asset Management revenues decreased due to the asset disposal. Excluding disposal, revenue improved reflecting increased meter installations at end of 2020 and into 2021
- Asset Installation revenues increased as non-essential field activities improved, including utility connections and infrastructure services, after lifting of COVID-19 restrictions
- Energy Management revenues decreased with key energy management projects running at a lower capacity due to the slow recovery of the hospitality industry post COVID-19

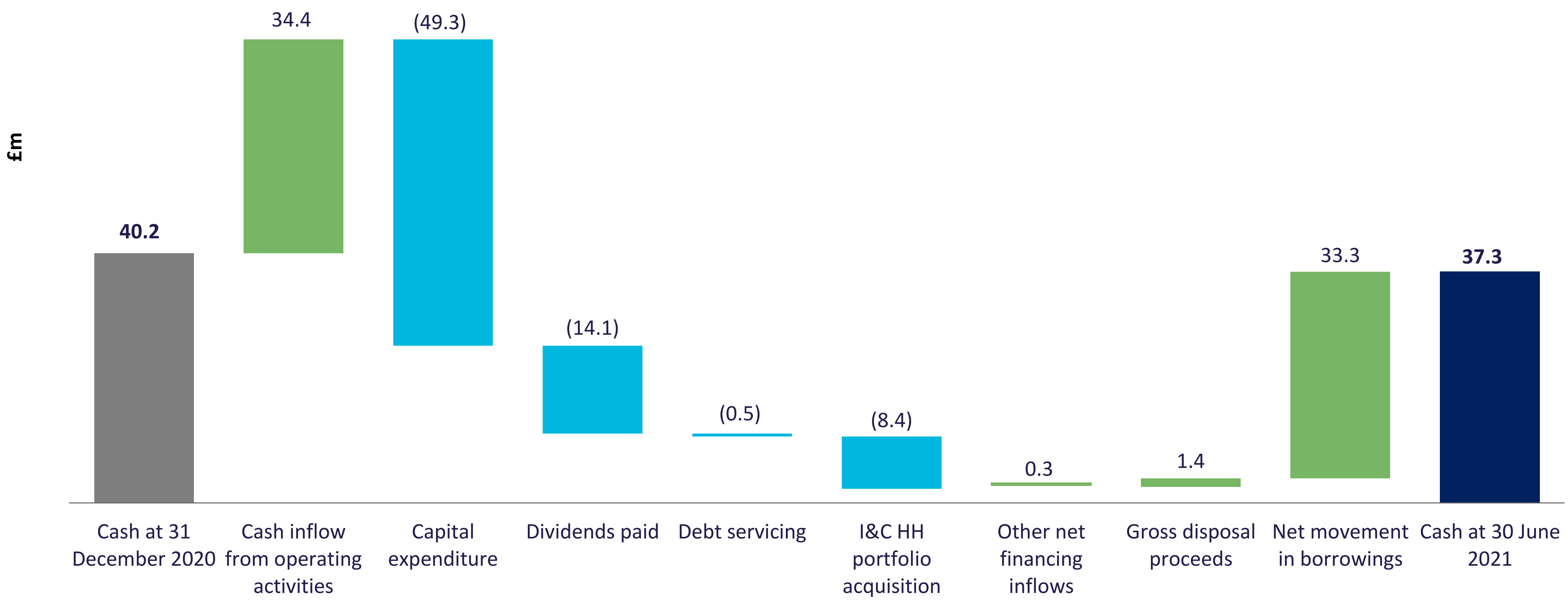
H1 2021 exceptional items

	June 2021 £m	June 2020 £m
Gain on disposal of subsidiary	—	194.7
Costs attributable to COVID-19	(0.5)	(5.6)
Losses on the traditional and SMETS1 meter portfolio	(3.0)	(2.6)
Other	(0.2)	(0.2)
Exceptional operating items	**(3.7)**	**186.3**
Facility fees	—	(0.1)
Exceptional finance items	**—**	**(0.1)**
Total exceptional items	**(3.7)**	**186.3**

Transaction specific:	June 2020 £m
Gain on disposal of subsidiary:	
Gross gain excluding deferred taxation	**195.3**
Less: transaction costs	(6.9)
Net gain excluding deferred taxation	**188.4**
Add: deferred taxation	6.3
Net gain including deferred taxation	**194.7**

- The £0.5m costs attributable to COVID-19 represent a net figure comprising:
  - £0.8m of costs that would ordinarily have been capitalised as directly attributable to the installation of meter assets, offset by
  - £0.2m release of the COVID-19 bad debt provision, and
  - £0.1m insurance claim for COVID-19
- Losses on the traditional and SMETS1 meter portfolio continue to be classified as exceptional as these removals are attributable to the temporary industry transition
- In June 2020 disposal of I&C meter assets resulted in a net gain of £194.7m

H1 2021 cash flow



4. Summary & Outlook

Alan Foy, CEO

Summary & Outlook

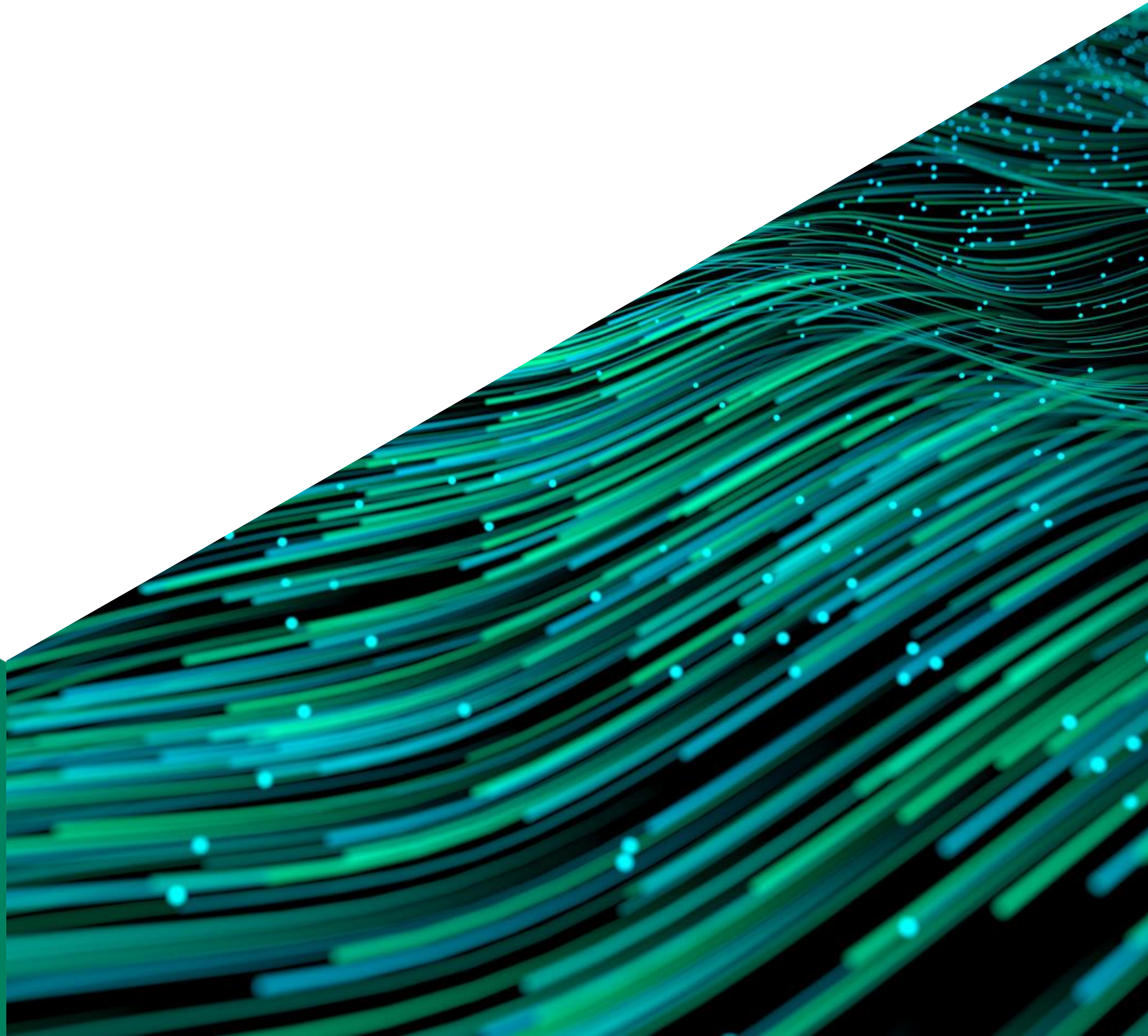
1	**Proposed equity raise, coupled with internal cash generation and revised debt, to enable delivery of existing pipeline** • Capitalise on the strong growth momentum in meters and grid-scale batteries • Maintain leverage at prudent levels • Highly supportive bank lending on attractive terms
2	**Existing ILARR provides strong foundation to withstand economic shocks** • £84.8m existing ILARR (at 31 August 2021) provides long-term cash flow visibility • Inflation-linked contracts provide strong protection against inflationary environment
3	**Significant growth from decarbonisation agenda: contracted and addressable opportunities** • Current contracted meter and grid-scale battery pipeline is expected to add c.£75 million EBITDA over the next 5 years • Scalable platform with further c.£1.2bn addressable EBITDA opportunity in established CaRe products • Additional opportunity from developing CaRe products

4	**Sustainable long-term dividend policy**
	• 10% dividend CAGR until 2024 covered by existing meter and data assets
	  - c.2x cash cover on dividend
	  - 27.5p/sh in FY'21 rising to 36.6p/sh in FY'24

5	**Strong ESG credentials** • Year-on-year improvement in ESG development and scoring • Committed to 'net-zero' by 2030; carbon negative beyond • Highest governance rating by MSCI

5. Q&A

6. Appendix



H1 2021 balance sheet

	June 2021 £m	December 2020 £m
Assets		
Non-current	**393.9**	354.7
Current	**62.1**	66.0
Cash at bank	**37.3**	40.2
Restricted cash	**1.9**	1.6
Total assets	**495.2**	462.5
Liabilities		
Bank loan <1 year	**0.1**	-
Current liabilities	**59.6**	43.3
Bank loan >1 year	**31.6**	-
Non-current liabilities	**15.7**	12.8
Total liabilities	**107.0**	56.1
Net assets	**388.2**	406.4

- Increase in non-current assets primarily due to strong installations recovery post COVID-19
- Decrease in current assets primarily due to reduction in inventories as meter assets used for H1 installations
- £33.3m bank loan drawn down offset by £1.6m arrangement fees, which continue to be amortised over the term of the revolving credit facility
- Current liabilities include £7.1m dividend accrual for the 4th FY 2020 instalment
- Net cash position of £5.6m (31 December 2020: £40.2m)
- £304.1m (2020: £340.2m) of available cash and unutilised facility at June 2021

SMS leadership and investor relations

Executive team

Alan Foy
Chief Executive Officer

Gavin Urwin
Chief Financial Officer

Tim Mortlock
Chief Operating Officer

Non Executive Directors

Miriam Greenwood
Chair of the Board

Graeme Bissett
Senior Independent
Non-executive Director

Ruth Leak
Independent
Non-executive Director

Jamie Richards
Independent
Non-executive Director

SMS investor relations contact

Dilip Kejriwal
+44 (0) 141 249 3895
dkejriwal@sms-plc.com

SMS broker contacts

Cenkos Securities plc (Joint Broker and Nomad)
Neil McDonald
Corporate Finance Director
+44 (0) 131 220 6939
nmcdonald@cenkos.com

Investec Bank plc (Joint Broker)
Christopher Baird, MD
Investment Banking
+44 (0) 20 7597 5970
Chris.Baird@investec.co.uk

RBC Capital Markets (Joint Broker)
Matthew Coakes, MD
MD Corporate Broking
+44 (0) 20 7653 4000
Matthew.Coakes@rbccm.com

SMS PR advisor

Instinctif Partners
Tim Linacre, Deputy Chairman
+44 (0) 20 7457 2052
Tim.Linacre@instinctif.com

Equity research analysts

Barclays
James Zaremba

Cenkos Securities
Ian McInally

Investec
Michael Donnelly

Liberum
Joe Brent

N+1 Singer
Greg Poulton

Peel Hunt
Christopher Bamberry

RBC
John Musk

Financial calendar

Dividends (1st instalment):	
Ex-dividend date:	30 September 2021
Record date:	01 October 2021
Payment date:	28 October 2021
Dividends (2nd instalment):	
Ex-dividend date:	05 January 2022
Record date:	06 January 2022
Payment date:	27 January 2022
Post-close FY 2021 trading update:	**End-January 2022**
FY 2021 results announcement:	**Mid-March 2022**

SMS

Dilip Kejriwal
Head of Investor Relations

Email: dkejriwal@sms-plc.com
T +44 (0) 796 695 4189

SMS
2nd floor
48 St. Vincent Street
Glasgow G2 5TS

www.sms-plc.com