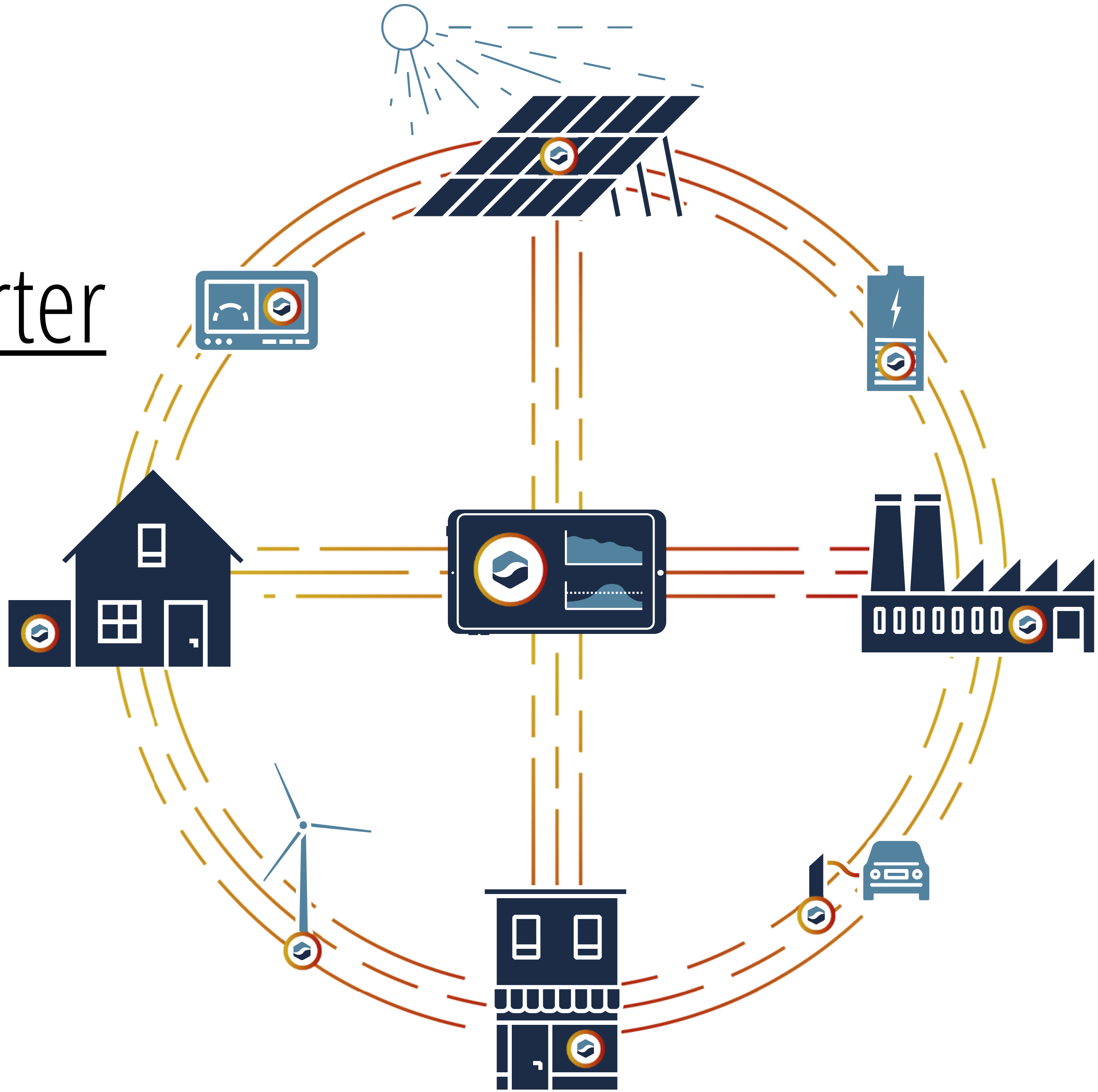
Enabling smarter solutions



Smart Metering Systems plc

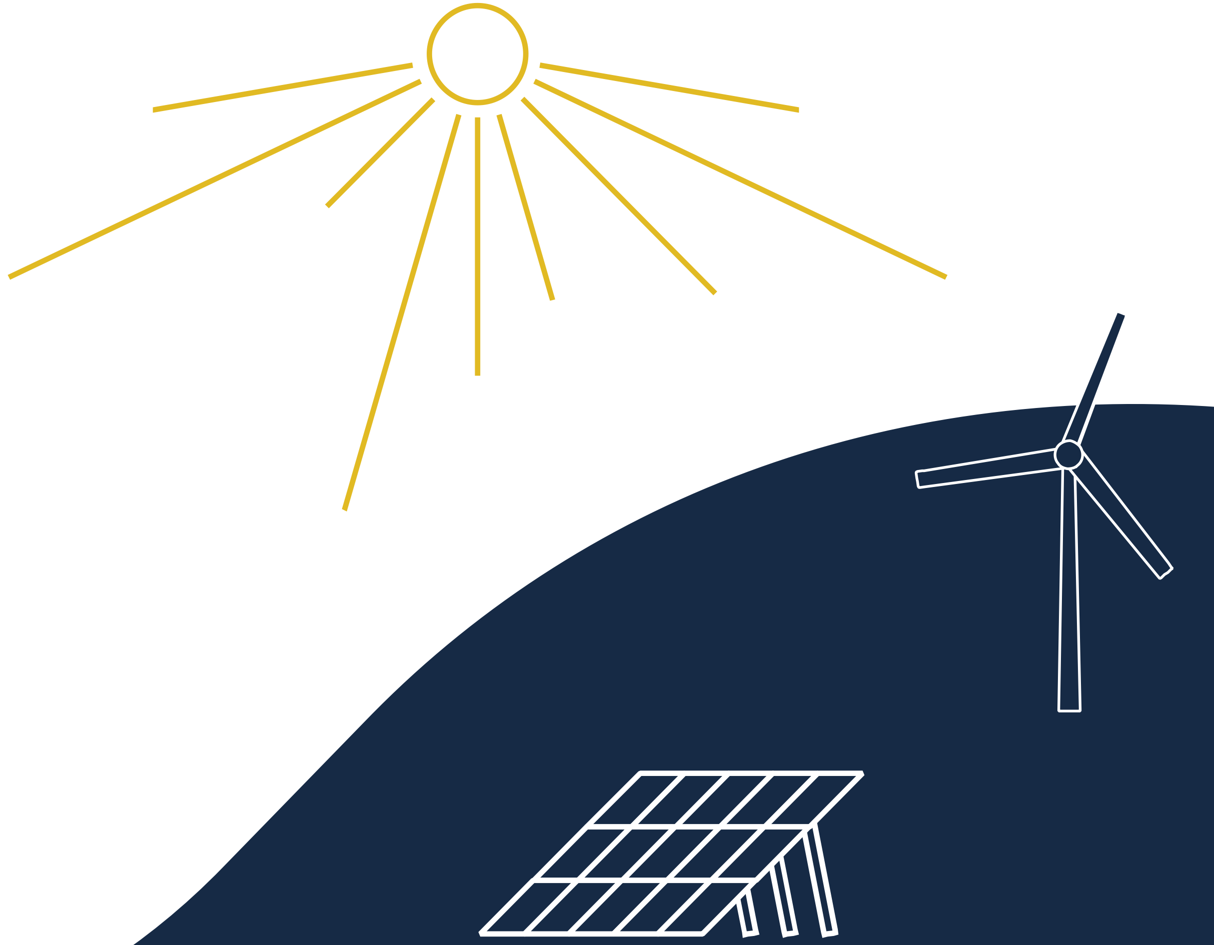
H1 2020 results

Agenda

1. **Overview and Group strategy**
   Alan Foy, CEO
2. **Operational review**
   Tim Mortlock, COO
3. **Financial review**
   David Thompson, CFO
4. **Outlook**
   Alan Foy, CEO
5. **Q&A**
6. **Appendix**

Overview

Alan Foy, CEO



Overview

- H1 2020 highlights: Performance in line with Board's previous expectations reflecting resilience of business model
  - ILARR(1) grew 4.6% to £75.9m in the six months to 30 June on a like-for-like basis(2)
  - ILARR further increased to £76.6m as at 31 August 2020
  - Pre-exceptional EBITDA up 8% period-on-period to £27.8m
- Strong liquidity to fund at least 2 million smart meter installations which will add c.£40m ILARR
  - £44.5m net cash at 30 June 2020 and access to £300m Revolving Credit Facility (RCF)
- Encouraging progress in CaRe assets
  - Partnership with ESIF(3) provides funding options for CaRe assets allowing development of these assets to be immediately value accretive
  - 117.5MW grid-scale battery storage "shovel-ready" sites under exclusivity with further pipeline of projects at various stages of development
  - Behind the Meter (BTM) "solar plus battery" trials to be delivered for up to 1,500 households
  - Key partner in management of 1,200 EV charging points in UK to be rolled out with a global telco company
- Dividend policy proposed at 25p per share for FY 2020 with 10% growth per annum until 2024
  - Existing ILARR underpins the dividend
  - Execution of the contracted smart meter order pipeline and delivery of CaRe assets provides additional upside
- ESG and sustainability remain at the heart of our operations and culture

(1) ILARR: Index-linked annualised recurring revenues
(2) After accounting for disposal of £18.4m ILARR from I&C meter asset portfolio
(3) ESIF: Columbia Threadneedle European Sustainable Infrastructure Fund

COVID-19: Supporting all stakeholders

UK's energy system

- Supported the nation's critical energy infrastructure
- 24/7 emergency callout service provided
- Training in house to support remobilisation

Energy suppliers

- Maintained supply to vulnerable customers
- Proactively provided solutions in response to the challenges faced during lockdown

Communities

- Business Pledge to support challenges caused by C-19
- Supported furloughed staff with 100% salary top-up
- Returned all furlough grants in June 2020

Employees

- Initiative to support mental, financial and physical wellbeing
- Became Disability Confident Employer

Environment

- Maintained an overall net positive carbon footprint
- Decision to move to electric fleet over next five years
- Progress towards adopting a net zero target ambition

Shareholders

- FY 2020 guidance in line; strong balance sheet and dividend policy
- Proactively managing recovery in meter installation run rate
- Continued progress in CaRe assets

Group strategy

Alan Foy, CEO

Strategic framework to deliver shareholder value

1 Structural growth drivers

Fully integrated and scalable platform

Meter and data assets	CaRe assets

2 Recurring cash generation

Long-term, index-linked, highly resilient cash flows

3 Dividends

c.2x cash cover, growing 10% p.a. at least until 2024

Reinvestment

Residual cash reinvested in revenue-generating assets

4 Capital allocation

H1 2020 net cash £44.5m. Target net debt to EBITDA <3.0x

Meter and data assets – funded by residual cash, RCF	CaRe assets – funded by separate funds

ESG at the heart of SMS operations

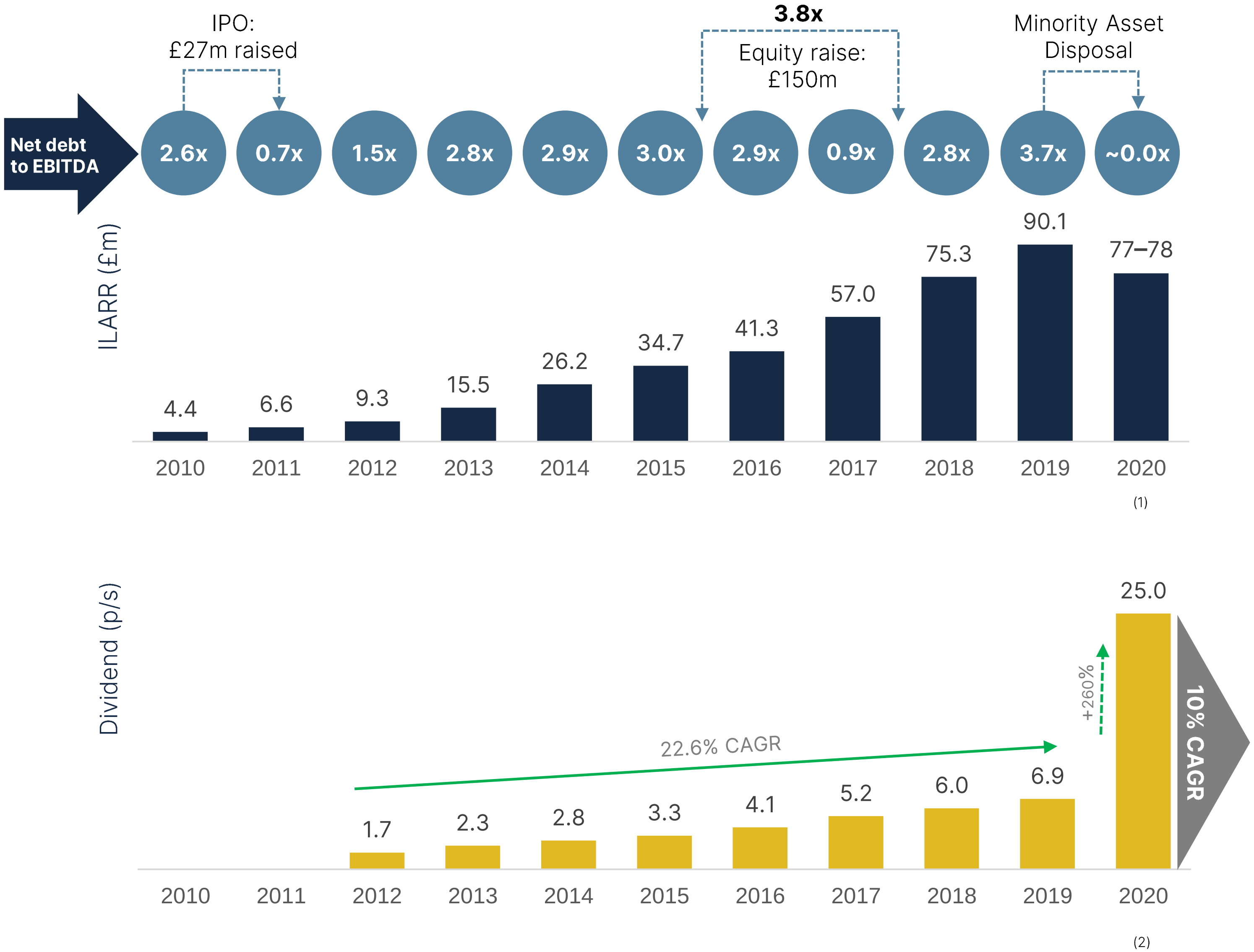
Strong growth delivered with disciplined leverage and attractive dividends

- Leverage maintained <4x since IPO whilst delivering growth
- Future target leverage <3x Net Debt / EBITDA

- 40% ILARR CAGR until 2019
- c.£40m ILARR growth from contracted smart meter order pipeline
- Additional value accretion to come from CaRe assets

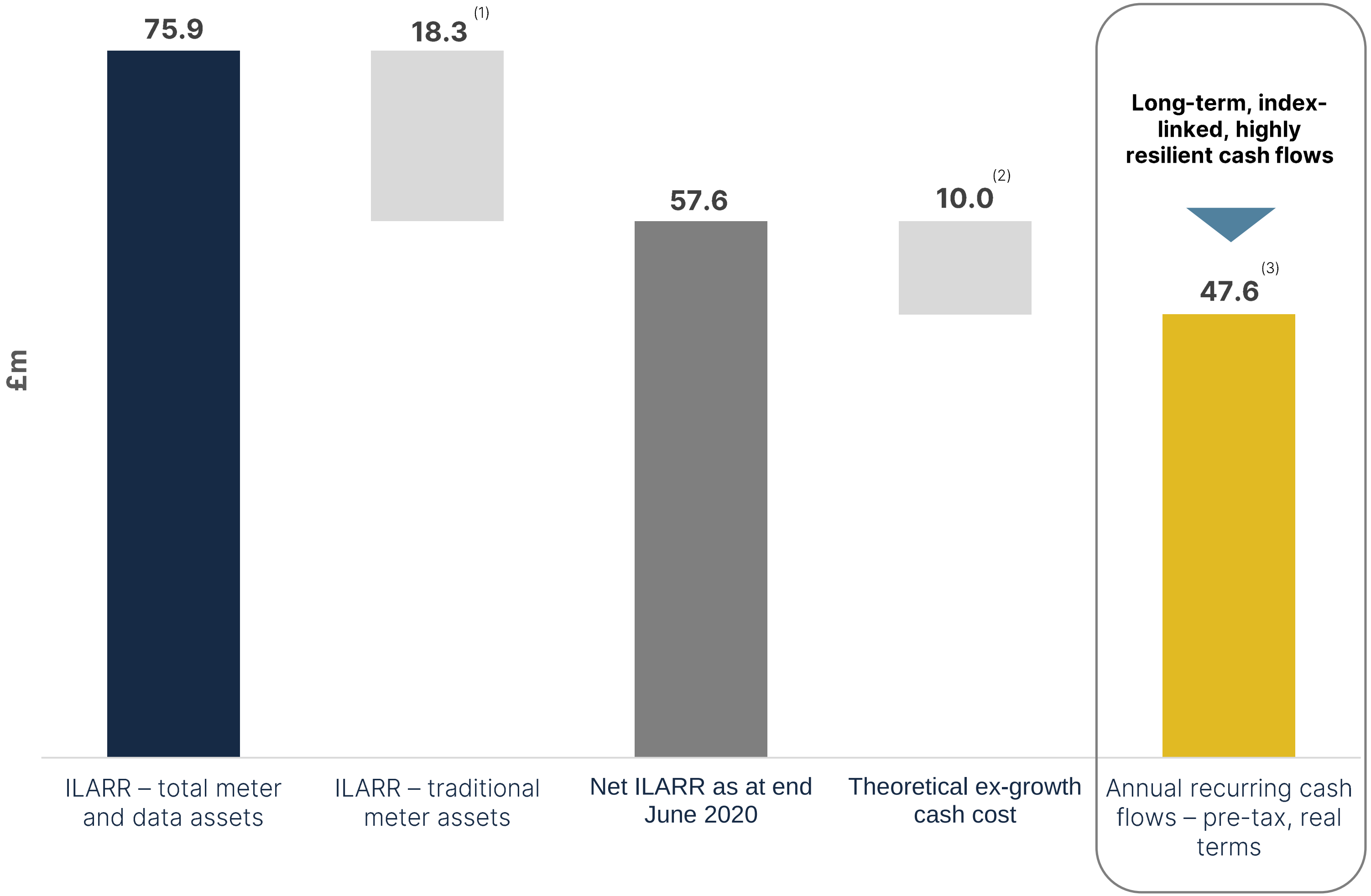
- Disciplined dividends since 2012
- Enhanced >3x in 2020 with 10% p.a. growth until 2024

- Dividends covered by existing ILARR
- Average future dividend cash coverage ~2x



(1) FY 2020 consensus range
(2) Stated dividends for FY 2020

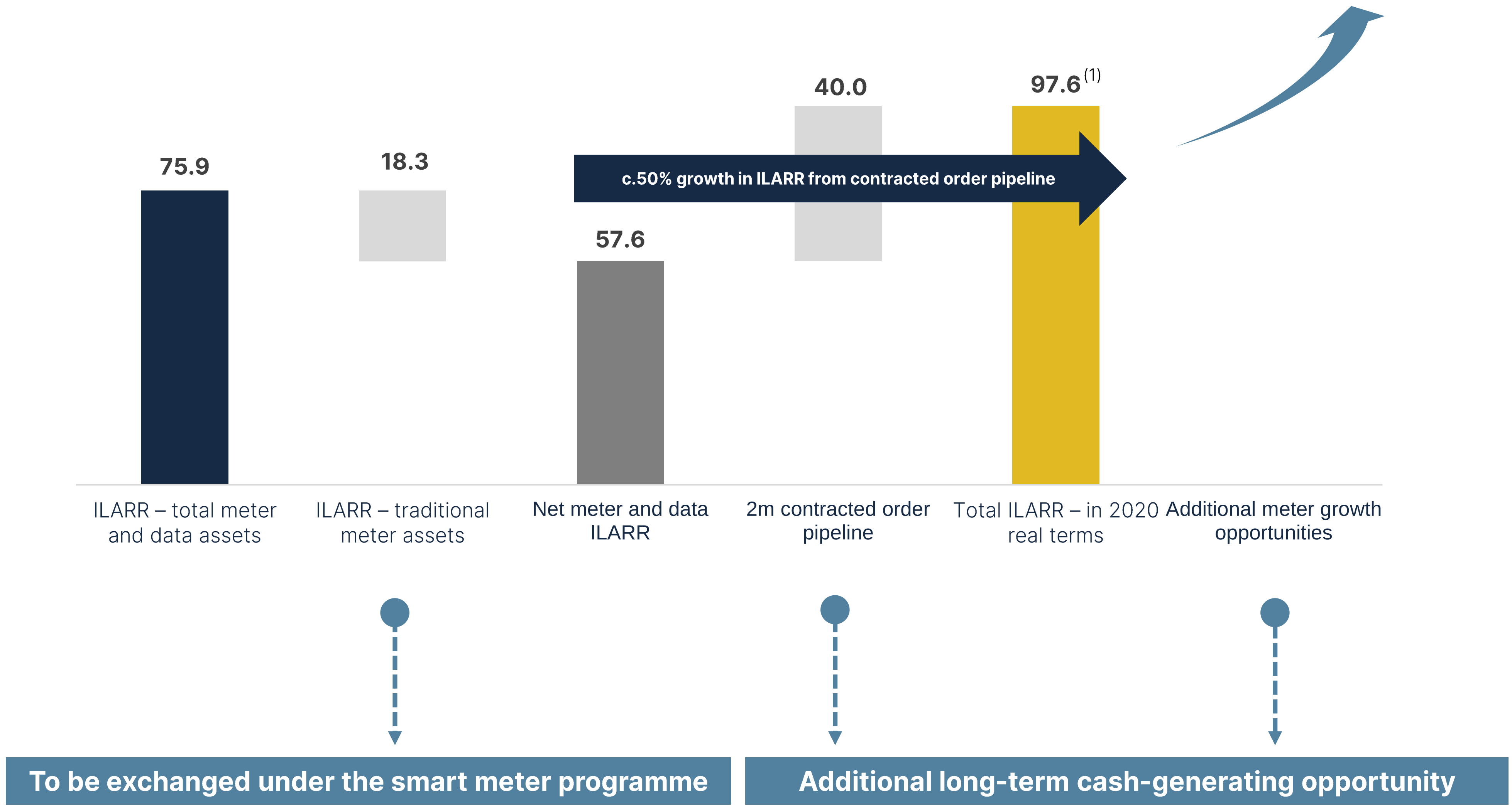
Theoretical steady state: 10% p.a. dividend growth underpinned by existing long-term cash flows



1. Assumes no additional value for the energy management or asset installation segments
2. Recurring cash flows from existing assets alone support 10% p.a. dividend growth until 2024
3. The existing annualised recurring cash flows are debt free
4. Residual cash coupled with the undrawn RCF to be reinvested in meters and grow the ILARR further
5. Cash costs expected to remain mostly stable at c.£10m irrespective of growth in ILARR

(1) The traditional portfolio will be exchanged with smart meters, in which case SMS would receive one-off termination income. SMS continues to receive rental income until these meters are exchanged
(2) Maximum costs estimated to manage the existing portfolio of meter and data assets. The costs mostly includes SIM card costs (associated with data assets) and ongoing O&M
(3) SMS meter rental contracts are linked to RPI. However, for simplicity, this ILARR calculation is based on real terms and does not incorporate any annual RPI escalations

Significant growth in meter ILARR: contracted order pipeline and additional opportunities



(1) SMS meter rental contracts are linked to RPI. However, for simplicity, this ILARR calculation is based on real terms and does not incorporate any annual RPI escalations

Funding strategy: de-risked, self-funding model

Meter assets

Funded with SMS balance sheet, internal cash flows

- Generate long-term recurring revenues

CaRe assets

Capital allocation based on asset-by-asset basis

Funding secured in advance of asset development
(reduces development risk for SMS)

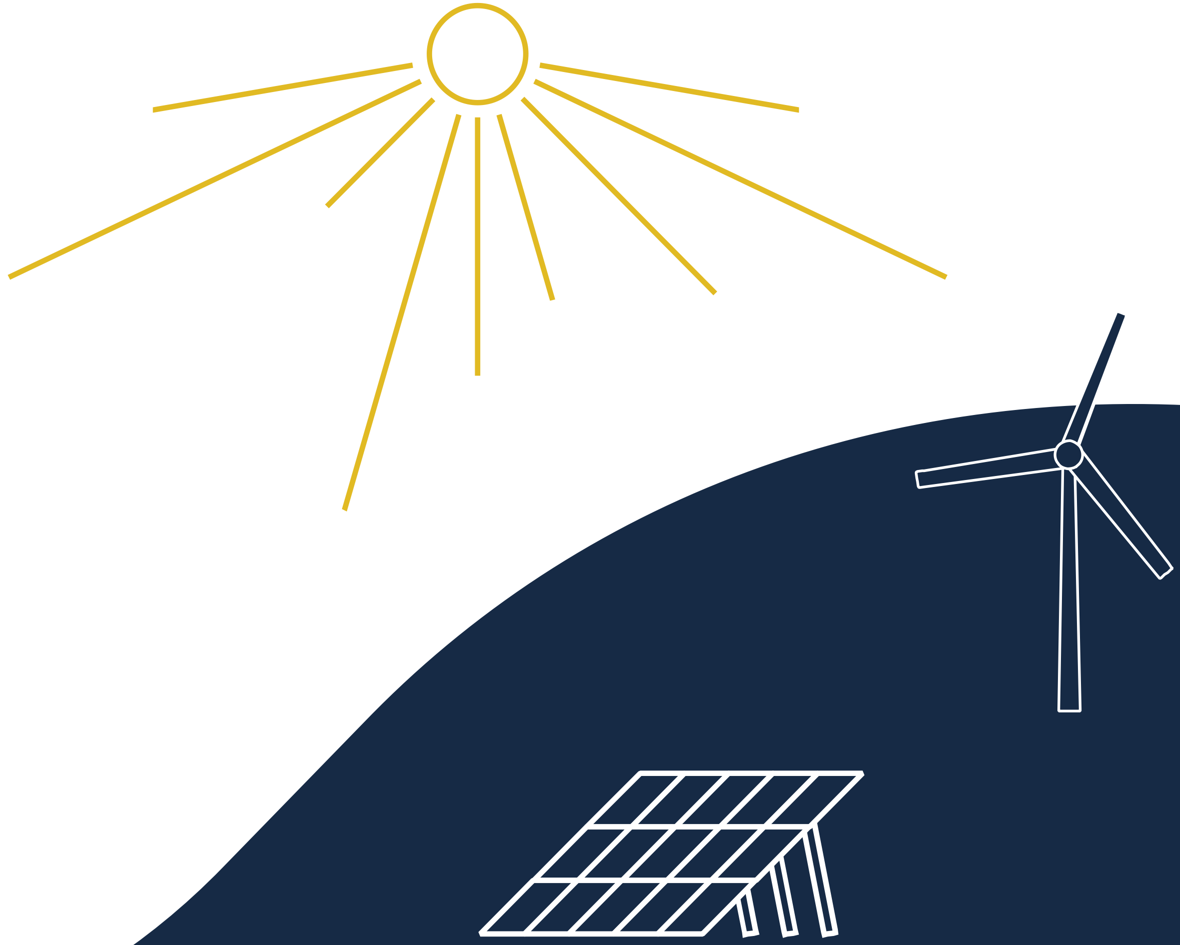
Divest stake once projects are partially or fully developed
(maximises exit value for SMS)

- Generate one-off development margin
- Long-term asset management fee
- Potential equity stakes to generate long-term recurring revenues

Target leverage <3.0x

Operational review

Tim Mortlock, COO



Encouraging developments in the UK smart meter industry

- SMETS2 solution and DCC platform matured for mass deployment
- SMS first in industry to install SMETS2 three-phase meter

5,061,866

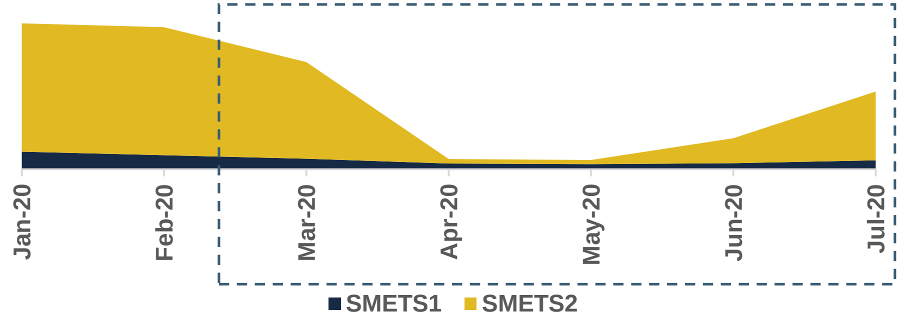
Total SMETS2 meters installed as at 10 September 2020

- Enrolment & Adoption of SMETS1 meters accelerating
- Secure meters specific E&A programme now commenced

313,119	750,405	919,422
29 May 2020	14 August 2020	7 September 2020

Total SMETS1 meters migrated

- Industry and SMS installation run rates beginning to return to pre-COVID-19 levels
- Ofgem fined energy suppliers a further £1.2m for missing 2019 smart meters targets

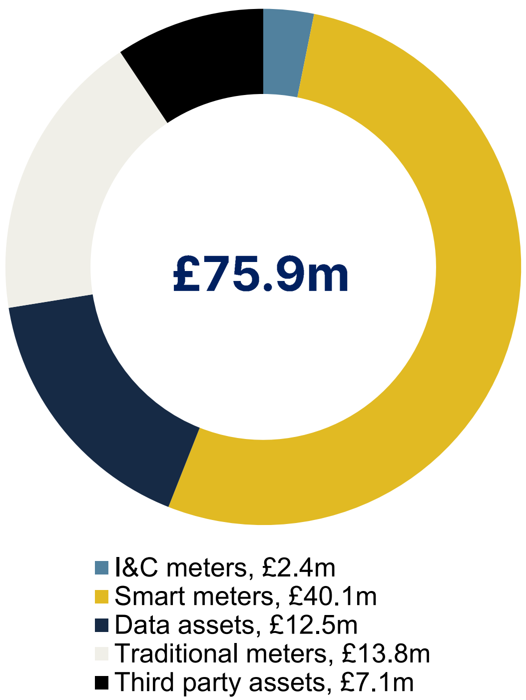


Source: Smart DCC, OFGEM

ILARR and assets under management

- Total ILARR at 30 June 2020: £75.9m (31 December 2019 post disposal: £72.6m)
  - Increased to £76.6m as at 31 August 2020
- Total meter and data assets under management at 30 June 2020: 3.7 million (31 December 2019: 3.7 million)
  - Increased to 3.8 million as at 31 August 2020
- Total smart meter portfolio as at 30 June 2020: 1.269 million (31 December 2019: 1.215 million)
  - Increased to 1.285 million as at 31 August 2020

ILARR as at 30 June 2020



Meter and data assets under management

Asset type (no. meter/data points)	30 June 2020	31 December 2019
I&C meters	83,132	266,622
Smart meters	1,268,743	1,214,966
Data assets	469,847	455,417
Traditional meters	327,306	346,608
3rd party assets	1,589,765	1,445,427
Total meter and data assets	**3,738,793**	**3,729,040**

Significant progress made during H1 2020 in developing CaRe assets pipeline

1 Grid-scale battery storage

- 117.5MW grid-scale battery storage “shovel-ready” sites under exclusivity
- Further pipeline of sites at various stages of development

2 Behind the Meter smart generate and store

- Trials of Behind the Meter “solar plus battery” for five local authorities and housing associations for up to 1,500 homes
- Reduces carbon emissions and fuel poverty by optimising use of renewable energy

SMS: fully integrated offering

Data Strategy Delivery

Funding Operations

3 Electric vehicle charging infrastructure

- Key partner in management of 1,200 EV charging points in UK to be rolled out with a global telco company
- Appointed to the Crown Commercial Service framework for vehicle charging solutions

4 Heat networks and meters

- Delivering a smart heating controls project for a nationwide hotel chain
- Addressing the requirements from the Heat Network (Metering and Billing) Regulations for heat meters to be installed at all existing and new heat networks

Technology and digitisation of energy driving change

Control over IT and data platform, coupled with end-to-end turnkey solutions, provides significant competitive advantage and enables asset management and optimisation

Data analytics and half-hourly settlements platform

FlexiGrid platform optimises in real-time renewable generation and battery storage with demand

Provision of firmware management services to energy suppliers to manage SMETS2 devices and integration into other energy asset classes

Sustainability: progressing towards establishing policies and targets

Development in H1 2020

Leadership and governance

- Sustainability remains at the heart of SMS's operations, culture and mission
- Established Health, Safety & Sustainability Board Committee
- Transitioned health and safety management systems to ISO 45001 from OHSAS 18001.

Progress

- Working towards the goal of adopting a net zero carbon target
- Active ongoing engagement with ESG rating agencies and disclosure frameworks to benchmark credentials
- Achieved C-19 Business Pledge
- Focus on supporting employee wellbeing and mental health
- Various accreditations achieved for high quality employment policies and practices in areas such as healthy working, family and disability

Sustainability commitment

SMS has strong commitment to the UN Sustainable Development Goals (SDGs)

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Social commitment

C-19 BUSINESS PLEDGE

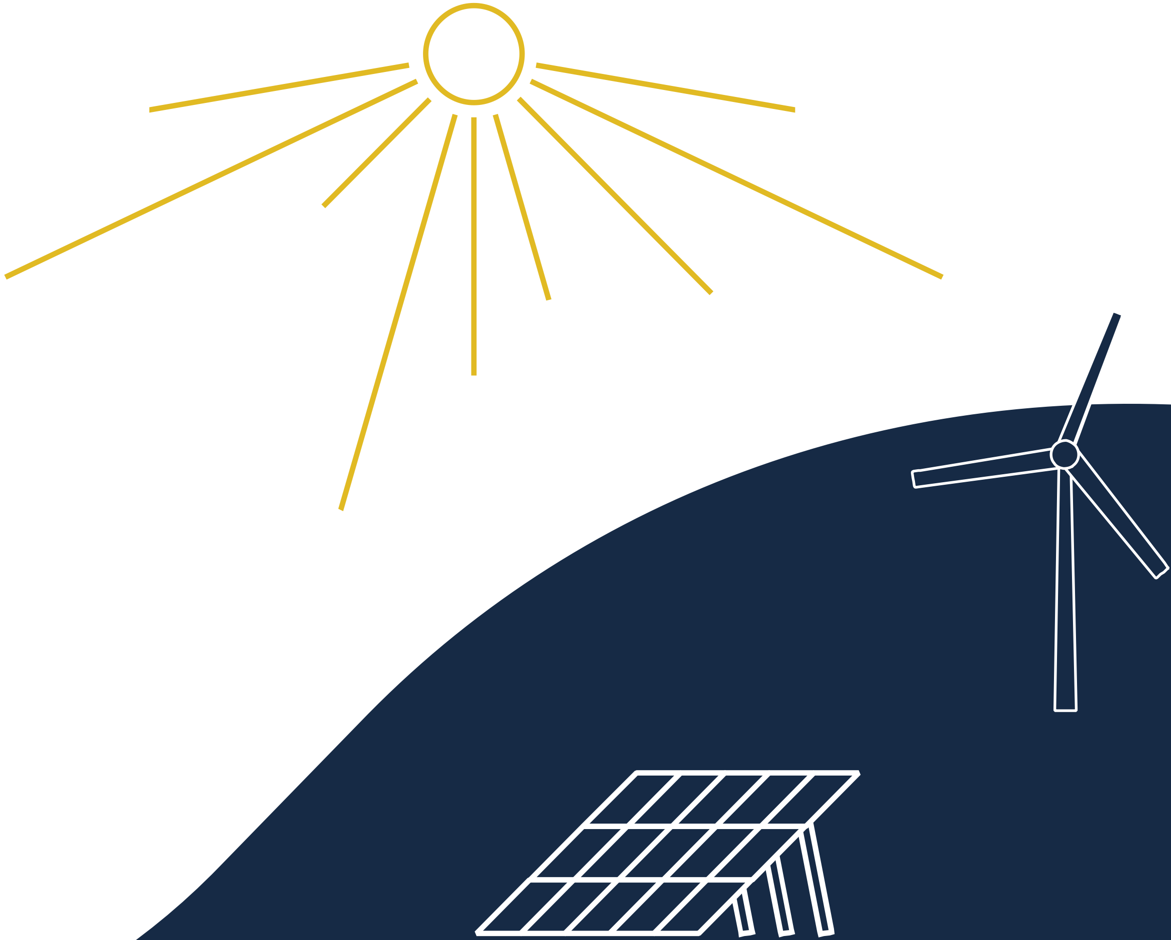
We are a Living Wage Employer

disability confident EMPLOYER

A member of Tommy's Pregnancy at work

Financial review

David Thompson, CFO



Financial performance during COVID-19

Key business drivers underpin H1 2020 performance

- Resilience of rental income
  - Whilst smart meter exchange slowed in Q2, traditional meters remained in situ supporting rental income
  - RPI was applied in April 2020 on the installed asset base providing embedded growth

- Transactional work
  - Our position as MAM/MOP[1] enabled us to remain operational throughout lockdown in an emergency capacity, thereby generating additional transactional revenue

- Capital structure
  - Financial close of the minority asset sale resulted in the repayment of £270m of drawn RCF providing a strong, debt-free balance sheet and significant cash liquidity

(1) Meter Asset Manager (MAM)/Meter Operator (MOP)

H1 2020 income statement

	June 2020 £m	June 2019 £m
Group revenue	**54.2**	54.2
Pre-exceptional EBITDA	**27.8**	25.8
Exceptional items	**186.3**	(5.2)
Statutory EBITDA	**214.1**	20.6
Depreciation and amortisation	**(16.4)**	(18.3)
Interest	**(3.2)**	(4.1)
Statutory profit/(loss) before taxation	**194.5**	(1.7)
Underlying profit before taxation*	**9.1**	4.6

* Excluding exceptional items and amortisation of intangibles

- Pre-exceptional EBITDA improved 8%, benefiting from the Group's strong ILARR, lower direct costs due to the suspension of non-essential field work and a dedicated focus on cost control.
- £186.3m of exceptional items recognised, consisting primarily of a £194.7m gain on disposal of a minority of the Group's meter assets, £5.6m of costs attributable to COVID-19 and £2.8m of losses on the traditional and SMETS1 meters.
- Depreciation and amortisation decreased by £1.9m compared to the prior period primarily as a result of management's revision of the useful economic life of traditional meter assets through to 1 July 2025.
- Lower interest charge reflecting a reduced debt position following a £270m voluntary prepayment of the Group's RCF in April 2020.

Exceptional items

	June 2020 £m	June 2019 £m
Gain on disposal of subsidiary*	**(194.7)**	—
Costs attributable to COVID-19	**5.6**	—
Losses on the traditional and SMETS1 meter portfolio	**2.6**	4.1
Other	**0.2**	1.1
Exceptional operating items	**(186.3)**	5.2
Facility fees	**0.1**	0.1
Exceptional finance items	**0.1**	0.1
Total exceptional items	**(186.2)**	5.3

* Gain on disposal of subsidiary:	June 2020 £m
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 disposal of a minority of the Group's meter assets has given rise to a net gain of £194.7m.
- Of the £5.6m costs attributable to COVID-19, £5.2m relate to costs that would ordinarily be capitalised as directly attributable to the installation of meter assets, left behind in profit and loss as a result of the temporary suspension of all non-essential field work.
- Losses on the Group's traditional and SMETS1 meter portfolio continue to be classified as exceptional as these removals are attributable to the temporary industry transition period.

H1 2020 divisional performance

Asset management

	June 2020 £m	June 2019 £m	Reported change
Revenue	**42.0**	39.4	+7%
Cost of sales	**(16.0)**	(18.6)	-14%
Gross profit	**26.0**	20.8	+25%
Gross profit margin	**62%**	53%	

- Revenue has increased, despite loss of c.£4.0m revenue from the asset disposal, due to the flow through impact of installations in 2019 and Q1 2020, together with an annual RPI increase in April 2020.
- Cash profit margin 94% (2019: 92%).

Asset installation

	June 2020 £m	June 2019 £m	Reported change
Revenue	**9.4**	10.2	-8%
Cost of sales	**(9.8)**	(15.1)	-35%
Gross loss	**(0.4)**	(4.9)	-91%
Gross margin	**(5%)**	(48%)	

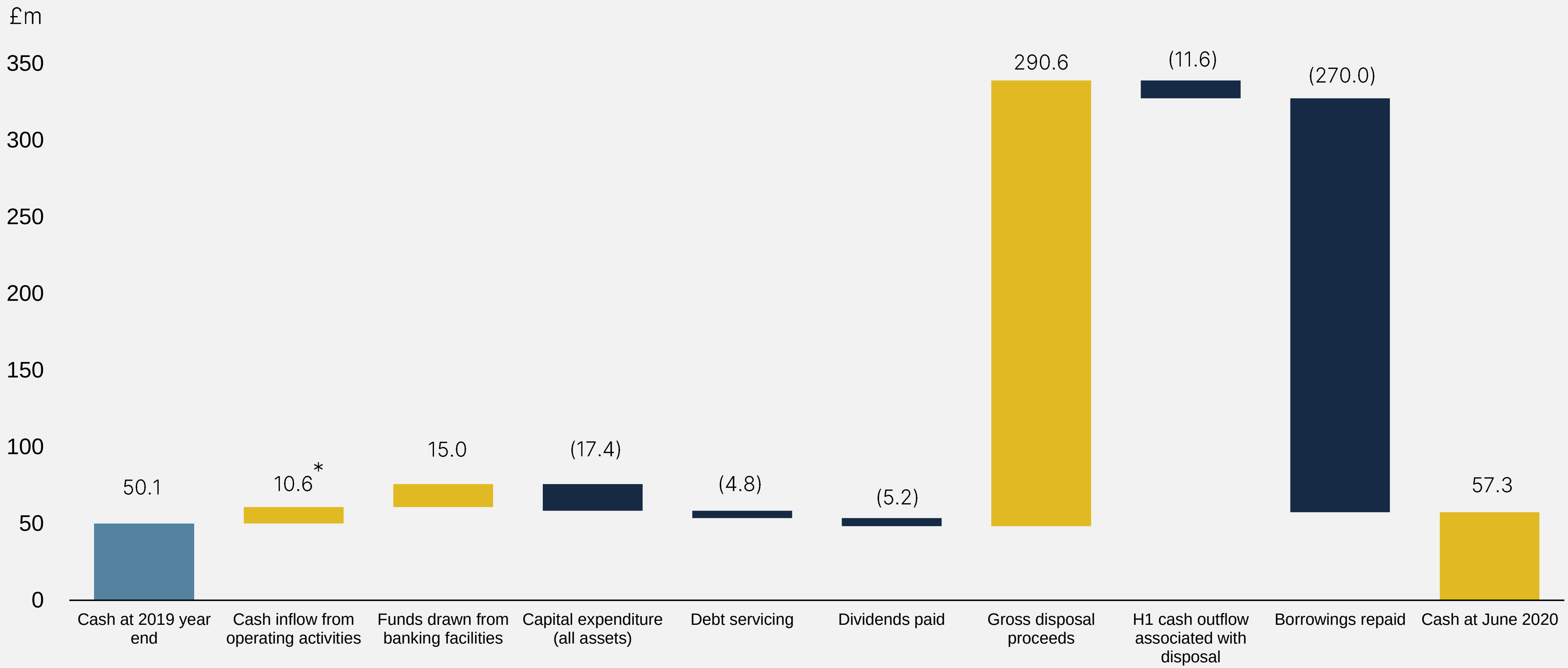
- External smart installation-only work ended in Q1 2019, as planned.
- The suspension of all non-essential field work due to COVID-19 has driven a reduction in revenues from utility connections and infrastructure services.
- Margin improvement as a result of a continued focus on cost control, adapting the Group's engineering capacity in order to meet customer demand efficiently.

Energy management

	June 2020 £m	June 2019 £m	Reported change
Revenue	**2.8**	4.6	-40%
Cost of sales	**(2.0)**	(3.6)	-45%
Gross profit	**0.8**	1.0	-23%
Gross profit margin	**29%**	22%	

- Decrease in revenue as a result of the suspension of hotel-based works due to COVID-19.
- This suspension changes the overall mix to higher margin activity.
- Continuing focus on developing a pipeline of CaRe assets, leveraging on a well-established platform.

H1 2020 Group cash flow



* Net of £4.9m restricted cash balance recognised in H1 2020 related to amounts received from energy suppliers from the I&C disposed assets

Outlook

Alan Foy, CEO

Outlook

- Meter and data ILARR, coupled with net cash position, provides strong foundation and ability to withstand economic shocks

- 10% dividend increase p.a. until 2024 is covered by cash generated from existing meter and data assets
  - Residual cash coupled with the RCF invested back into new meter and data assets to further enhance ILARR
  - Execution of the contracted order pipeline and delivery of CaRe assets provides additional upside

- Existing contracted smart meter order pipeline alone provides significant growth, with additional market potential
  - Only c.40% penetration of smart meters in the UK provides significant potential for SMS with its end-to-end service proposition
  - Installation run rates are beginning to return to a pre-COVID-19 level. This is expected to be achieved in Q4, albeit ongoing local lockdowns continue to be monitored

- Leverage on SMS's well-established platform to accelerate the development of CaRe assets
  - Strong progress in CaRe pipeline development. The UK Government's aim at green recovery from COVID-19 has improved scope
  - Partnership with ESIF provides funding options for CaRe assets allowing development of these assets to be immediately value accretive

- Several ESG initiatives underway, including achieving external ESG ratings and adopting a net zero target ambition

SMS leadership and investor relations

Executive team

Alan Foy
Chief Executive Officer

David Thompson
Chief Financial Officer

Tim Mortlock
Chief Operating Officer

Dilip Kejriwal – Group Strategy & Investor Relations
John Hall – MD Asset Installation
Craig McGinn – Group General Counsel
Judy Keir – Group HR Director
Paul Feaviour – Group Chief Technology Officer
Guy Bartlett – MD Energy Services
Mark Hamilton – MD Solo Energy
Iain Hyslop – Group H&S Director

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 contacts

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 Corporate Broking
+44 (0) 20 7653 4000
Matthew.Coakes@rbccm.com

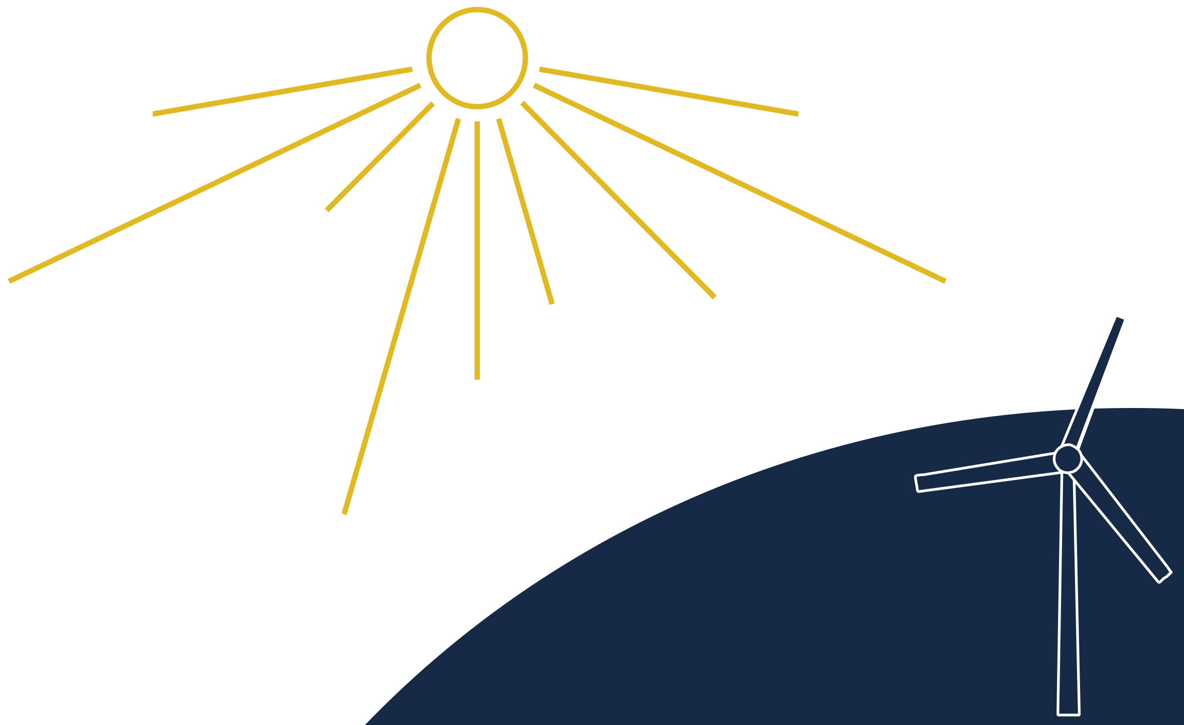
Equity research analysts

Barclays – James Zaremba
Cenkos Securities – Ian McInally
Citi – Charles Mortimer
Investec – Marc Elliott, Michael Donnelly
Liberum – Joe Brent, James Allen
N+1 Singer – Greg Poulton
Peel Hunt – Christopher Bamberry

SMS PR adviser

Instinctif Partners
Adrian Duffield, Managing Partner
+44 (0) 20 7457 2077
adrian.duffield@instinctif.com

Q&A



Appendix

Balance sheet

	June 2020 £m	December 2019 £m
Assets		
Non-current	**347.7**	436.7
Current	**76.8**	70.6
Cash at bank	**57.3**	50.1
Total assets	**481.8**	557.4
Liabilities		
Bank loan <1 year	**-**	1.7
Current liabilities	**45.9**	47.8
Bank loan >1 year	**12.7**	267.6
Non-current liabilities	**11.4**	16.7
Total liabilities	**70.0**	333.8
Net assets	**411.8**	223.6

- Decrease in non-current assets arising mainly from the disposal of a minority of the Group's meter asset portfolio.
- Increase in current assets reflects growth in trading levels.
- Bank loan reduced due to settlement of outstanding balances following disposal of assets.
- Revolving credit facility reduced from £420m to £300m on similar terms through to the end of 2023.
- Net cash position of £44.5m at 30 June 2020 (31 December 2019: net debt of £219.2m).
- £342.3m (2019: £200.8m) of available cash and unutilised facility at June 2020.

Financial calendar

- Record date for first payment of FY 2020 dividend: 2 October 2020
- Payment Date for first FY 2020 dividend: 29 October 2020
- Post-close FY 2020 trading update: 2 February 2021
- FY 2020 results announcement: w/c 15 March 2021

Notice to recipients

This presentation has been prepared on behalf of the Smart Metering Systems plc corporate group (SMS) solely for information and should not be considered to be an offer or solicitation of an offer to buy or sell or subscribe for any securities, financial instruments or any rights attaching to such securities or financial instruments. In particular, the information contained within this presentation is given in summary form and does not purport to be complete. This presentation does not contain all the information that is or may be material to investors or potential investors in respect of the holding, purchasing or selling of securities or other financial products or instruments; the information contained, including forecast financial information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments.

The contents of this presentation should not be considered to be legal, tax, investment or other advice, and any investor or prospective investor considering the purchase or disposal, and before acting on any information should consider the appropriateness of the information having regard to these matters, any relevant offer document and should seek independent advice.

The presentation is not directed to any person in any jurisdiction where (by reason of that person's nationality, residence or otherwise) the publication or availability of the presentation is prohibited. Persons in respect of whom such prohibitions apply must not access the presentation.

The presentation is intended for use by professional and business investors only.

In member states of the European Economic Area which have implemented the Prospectus Directive (each, a Relevant Member State), this presentation is directed exclusively at persons who are "qualified investors" within the meaning of the Prospectus Directive.

This presentation has not been approved by an authorised person in accordance with section 21 of the Financial Services and Markets Act 2000 (as amended) of the United Kingdom. As such, this presentation is only being distributed to, and is only directed at, qualified investors who are: (i) investment professionals falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) other persons to whom it may otherwise be lawfully communicated (all such persons together being referred to as relevant persons).

This presentation and its contents are confidential and proprietary to SMS, and no part of it or its subject matter may be reproduced, redistributed or passed on, or the contents otherwise divulged, directly or indirectly, to any other person (excluding the relevant person's professional advisers) or published in whole or in part for any purpose without the prior written consent of SMS. If this presentation has been received in error it must be returned immediately to SMS.

This presentation should not be relied on by its recipients, their advisers or any other person. No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of SMS or any of its Directors, officers, partners, employees, agents, advisers or any other person as to the accuracy, completeness or adequacy of the information or opinions contained within this presentation and no responsibility or liability is accepted by any of them for any such information or opinions.