



Calisen 2019 Annual Results

Tuesday, 21st April 2020

Transcript produced by Global Lingo
London - 020 7870 7100
www.global-lingo.com

Opening Remarks

Adam Key

Investor Relations Director, Calisen Group

Good morning everybody. I just wanted to outline the shape of the call before we start. Bert Pijls, our CEO, will start with the Executive Summary, some words around the impact of COVID-19 and the operational review of 2019. Sean will then go through some more detail on the financials, including the impact of our IPO since year-end and Bert will wrap up with an outlook. In addition to being able to ask questions through using your telephone keypad, you can also ask questions online if you are using the audio webcast. I will then put those to management at the end.

Operational Review

Bert Pijls

CEO, Calisen Group

Welcome

Good morning everybody. Welcome on to this call. I am pleased that we are giving Calisen's first results presentation since our listing as a public company. I am of course saddened that we have to do this remotely and that I cannot see you, which is of course because of COVID-19 which I will talk about later in this presentation. However, welcome on to this call.

Calisen Overview

Leading player in British domestic metering market benefitting from Government-mandated smart meter rollout

I am going to start on page three of the presentation which is a quick recap of Calisen. Some of you on the call may not know us because we are a newly listed entity but we are a leading player in the British domestic metering market. Our business has five key attributes. The first one is very high quality contracted, annuity-like cash flows and in the current environment that is of course very important. Secondly, we have a very secure ramp-up of growth. We have a lot of meters installed on the wall already but even more to go and we have made good progress on that in 2019 as well as actually in Q1 2020. We are a scaled player which is important because it drives scale benefits that allow us to be competitive when we tender and win more work. We are using that to good effect. We have really good technology and operations. We keep track of millions and millions of little assets really accurately which means we bill accurately and keep track of all of the data related to those assets as well. Then, finally we have got a very good team of people at Calisen and that is now including very much our new plc board led by Phil Nolan.

Those are the five key attributes that I wanted to start with. The bottom right-hand side of that page you see the Green Economy mark from the LSE. We are very proud to have been awarded that Green Economy mark upon listing on 7th February. That is in recognition of the fact that more than half of our revenues come from activities that reduce usage of carbon. We feel proud and it is a confirmation of our ESG credentials as a business.

Executive Summary

Resilient business model and robust balance sheet to sustain Group through 2020

I am now taking you to page four which is the executive summary. The rest of the presentation will go through this in much more detail but it is fair to say that we have had a really good 2019, both operationally and financially. More details on that will follow shortly but it has been an exceptionally good year for us, a record year in 2019. We have de-levered the balance sheet by raising £300 million at IPO. In these circumstances that is important so we feel very pleased about having achieved that. Our business is cash-generative and we have a very strong liquidity position. That is again in this situation a strength of the business model. Then also important is that the longer-term strategy and growth expectations are unchanged. We are a business where if meters do not get installed there is a delay. There will be a catchup later in time for those meters. We are not a business where any business lost in 2020 means that it is forever lost. There is a catchup mechanism in our business which is important to note. Therefore, in summary we really have a resilient business model and a robust balance sheet to sustain the Group through 2020 on the back of an excellent year in 2019.

Impact of COVID-19

Calisen's priority is the safety and wellbeing of its staff, customers and consumers

That takes me to page five and even though this is a 2019 results presentation I will start with the impact of COVID-19 because it is on the forefront of all of our minds. Needless to say but I am going to say it anyway, of course the health and safety of our employees, of our customers and the end consumers is paramount. That has been forefront of our minds which is why we have decided in March to suspend all non-essential installations, fieldwork and field services at Lowri Beck. We announced it at the time. We do still have a small part of the business up and running which is for essential work and is mainly related to meter breakdowns. We do emergency callouts if a meter breaks and a customer has lost supply. We have a three-hour SLA to go and fix that so that part of the business is still up and running because it is considered essential but we have stopped all non-essential fieldwork as a result of the COVID-19 crisis.

If you then look at the top right-hand box of that page you will see what the impact on our employees has been of that. 85% of our Lowri Beck colleagues are on government furlough. That opened up yesterday so that request has gone in. That is because it is not safe to go into someone's house and also consumers are not letting us into their house anyway. That is sadly a decision that we had to take but given the circumstances, the right one. Calvin Capital which is the part of business that owns and manages meters is still functioning. We are working from home which is working very well. We are completely set up to do so and we have actually continued to work effectively during the last couple of weeks, as you will see later in the presentation. That is good to know. Then the Executive have taken a 20% salary cut and the NEDs have taken a 20% director's fee cut. We are donating that to the NHS Charities Together COVID-19 cause to help out the NHS, which is doing fantastic work to keep us all safe. That is basically the impact on staff.

If you look at the bottom left-hand side of the page we are in contact with our customers on a daily basis and they have made very similar decisions. Smart meter installations have been halted completely. Some of our customers have taken similar decisions to ours and

furloughed staff. It depends often if they have an engineer workforce or not. There has been some concern written about in the media about maybe end consumers not paying their direct debit and that having a knock-on effect on the creditworthiness of our customers. I have to say that I have seen no evidence of that at all. We are in constant dialogue with our customers. We are watching our billing like a hawk and all bills are being paid as normal so far by all of our customers. When we speak to them we are not picking up any noises that they are seeing an increase in direct debits bouncing from the end consumers. That is encouraging for us to know at this stage of the crisis.

Then the bottom right-hand is really important because we have a really resilient business and a resilient position in this crisis. Our cash flows are annuity-like and our balance sheet remains strong, particularly following the IPO where we raised \$300 million of fresh equity. We have almost £1 billion of committed undrawn facilities available to us and we have no refinancing or no maturities before October 2022. We have no cliff ahead of us in any way, shape or form. We are in a strong position there. The one thing we have done is we have suspended guidance for 2020 installations given that we cannot predict how many meters will be installed in 2020. In summary, COVID-19 has impacted our business, particularly the Lowri Beck arm where we had to furlough employees but our core business which is the ownership of meters is resilient. We continue to attract rentals for the meters that have already been installed.

1.3 million smart meters added to portfolio in 2019

I am now going into the operational review which is page seven. This is a key page. It is a page that describes what has happened over the last five quarters with our meter portfolio. I am going to start with the dark blue bars on that page which is the cumulative growth our smart meter portfolio in that timeframe. You can see that we have had steady growth and that over the five quarters we installed just shy of 1.5 million meters. A couple of things I wanted to point out on this slide. The first one is that there is a level of seasonality in installations. Typically the second and third quarters of the year are the strongest and the first and fourth quarters of the year are the weakest. You can see some of that seasonality when you look at the numbers on this page.

If you look at the first quarter of 2020 you can see that we had a change in our portfolio of 150,000 meters which is on the low side. I need to explain why that has happened. First of all, the fourth quarter of 2019 in my view was actually more of an anomaly than the first quarter of 2020 because it was exceptionally strong. You can see a change in smart of 423,000 meters in one quarter. That is exceptional and it is to a large extent because of Brexit. Brexit was at the end of January. That seems like a long time ago now but at that moment in time meter installations were brought forward in order to get ready for Brexit. It is fair to say that Q4 installations were much higher than we anticipated. Some of that volume came from Q1 2020. Of course if you install a meter once you cannot install the same meter a second time which means if you had a very favourable quarter then it is not unusual to have a quarter afterwards that catches up.

From me, the real message is more over the longer-term rather than the quarter-by-quarter. You can see that we installed just shy of 1.5 million meters over the 15-month period and that is very much in line with what we guided to earlier. I feel good about that. It is a tick in the box, in my opinion, in terms of growth of meter portfolio. It is also fair to say of course

that in March of 2020 we had seen and we did see the first impact of COVID-19 even before the strict social distancing measures came into effect. Some consumers did not want people to cross their doorstep so that has impacted March installations as well. That's it on the smart meter side. Very pleased with that out-turn.

If I look at our traditional meter portfolio which is the brown/beige stack on this slide, it is of course to be expected that that portfolio decreases over time as smart meters get installed and traditional meters get removed. What I would like to point out of course is in the third quarter of 2019 we bought Lowri Beck. Lowri Beck has about 400,000 traditional meters so that increased our traditional meter portfolio. If you add all that up you can see that at the end of 2019 our total meter portfolio was 8.5 million meters and 8.6 million at the end of the first quarter 2020. It has been a solid year for us, a solid 15 months, as far as smart meter installations are concerned.

Pipeline de-risked by converting preferred bidder status to contracted

Minimum volume contract for 1 million meters moves from preferred bidder to fully contracted

If I then take you to page eight that is a bit more of a forward-looking element to this which is our pipeline. There are two things I really want to point out on this slide. The first one is that our pipeline has continued to grow. At the top of each stack you can see the total number which is the meters-installed plus the pipeline. That has grown from 10.9 million to currently 11.7 million which is great. That is a dynamic number. It can go up, it can go down, but given our strength in the market and the relationships that we have with our customers, you can see that number has increased. Our current expectation is that by the end of smart meter rollout we are on track to have 11.7 million meters. There are still more meters to be won, by the way, but at the moment 11.7 million meters is the number.

Second thing I am pleased about is the fact that we have been able to turn contracts from preferred bidder status into fully contracted. I am very pleased to announce that in the first quarter of this year we signed a contract for an additional one million meters. We signposted that already in a preferred bidder status as of December 2019. You can see the slightly lighter blue number there of one million. Happy to announce that we have signed that now and that is fully contracted. That is with a leading independent energy supplier in the UK with whom we did not have a contract before. This is a new customer for us and it is adding to the pipeline. We feel good about the growth and the prospects of our business.

Calvin Capital: strong operational performance

Best-in-class MAP solutions at scale underpin competitive advantages and high barriers to success

If I then go into a bit more operational detail looking at Calvin Capital, there are three points I want to cover. First of all, we have high levels of meter protection which is protection against meter removal. 83% of our smart portfolio is protected. The 17% which is not we do attract a slightly higher rental, as you know, so we feel very good about that. We are constantly working with customers who sign more, what we call, churn contracts to protect our meters. The traditional meter portfolio, those numbers are different. Not unsurprisingly given that traditional meters will be removed, customers are not willing to sign a contract that protects that meter against removal. That is what it is but that is fine and very much in line with expectations.

We have very high quality meters and they stay on the wall. Asset losses are still circa 1% of our portfolio. That 1% is meters that are removed that we do not get compensated for or that we cannot reinstall. That is a small number. We know what that number is. It is pretty stable over time and we price those expected losses into our new contracts when we bid.

Then at the bottom, it is really important, timely and accurate billing. We bill exceptionally accurately, well north of 99% accuracy and that is important because it means you get paid on time. In these times with COVID-19 that is a real strength to have as a business, to be able to bill on time and accurately so that you get paid. The fundamentals of Calvin remain strong and pretty much in line with what we have seen historically.

Lowri Beck: route to market to independent energy retailers

Acquisition secured a key capability enhancement for Calisen

That takes you to page ten which is an update on Lowri Beck. I did want to on this page outline why we bought Lowri Beck. I want to start there. That was very much a strategic acquisition. A lot of independent suppliers do not have their own meter installation workforce. We have had an agreement with Lowri Beck for the last two years where we jointly approached the market and have been very successful in signing independent contracts. As the result of that partnership Lowri Beck's owner wanted to sell so we stepped in and bought Lowri Beck for a small amount really and that has given us access and a route to market to the independent sector. Very much a strategic acquisition.

That business was loss-making in 2019. We knew that. We had already flagged to you that the business was expected to remain loss-making in 2020 whilst we were undertaking remedial activities. We have taken a lot of those remedial activities. We put in new management. Dave Taylor is the new CEO of that business and has real, very solid engineering background. He himself was an engineer and previously ran his own engineering business. He has the right pedigree to run a business such as Lowri Beck. We also put a new Finance Director in, Tim Gibbs. He used to be Finance Director at Calvin Capital. We have made the necessary management changes.

We started the commercial turnaround. It is fair to say we started to see some green shoots early in the year before COVID-19 hit us. We did quite a lot of work on repricing. Some of the contracts were not in line with our cost base whilst some of the contracts needed to be repriced because they had not been repriced for some time. A lot of work had gone in there and that was starting to have its effect until COVID-19 halted all installations.

In terms of operational performance 221,000 meter installations in 2019 is a bit lower than 2018 and a lot of that happened before we took control in August of 2019. 6.4 million billable meter reads and importantly for us, quite a significant improvement, off a low base, of reported injuries versus 2018. That is because health and safety is paramount in an engineering business like Lowri Beck. That was it from me on the operational side. Happy of course to take questions later. I am not going to hand over to Sean who will take you through the financials.

Financial Results

Sean Latus

CFO, Calisen Group

Financial overview

Stable growth and good cash conversion

It is a great pleasure for me to introduce our financial results at this inaugural results presentation. I am going to start on slide 12 and I am going to start top-left and work my way clockwise around this slide. Starting with revenue, revenue growth has been strong for us in 2019 with 29% year-on-year growth. £19 million's worth of that increase was as a result of the Lowri Beck acquisition. However, even adjusting for that growth would still have been 17% year-on-year, which is above our long-term trend of low double-digit growth.

Moving to top-right, underlying EBITDA growth was also strong. At that underlying level growth is 16% year-on-year to £174 million. In addition we collected £15 million as compensation for the early removal of some of our meters. EBITDA margins reduced in line with our expectations and again that is directly as a result of starting to consolidate the Lowri Beck business into Group numbers.

Bottom-right, conversion of EBITDA into cash, which is our preferred metric, Funds From Operations ("FFO"), again was consistent with previous years with the business generating just over £150 million in cash in 2019. Then bottom-left as you can see we have also had a record year for investing in our portfolio, £274 million's worth of capex. Capex per meter has stayed relatively stable over the year, averaging around £165 per installed meter. In summary, I have got to say I am pleased with the financial performance of the business in 2019.

Calisen Group: Income statement overview

Turning to slide 13, included here more for reference, I am going to take you through each of these different sections in more detail: revenue, cost of sales, expenses and interest, but not to shy away from the fact that we did make an operating loss of £80 million in 2019. As a private company we have previously been comfortable with a net loss position, principally because this does not really reflect the operational performance of the business. It is more the corporate structure and to talk a little bit about that in more detail, turning to slide 14.

PBT loss not reflective of strong cash conversion

What I wanted to do was spend a minute bridging from that bottom line annual loss to our key performance metrics which are around underlying EBITDA and FFO. The reason we have these KPIs rather than saying net income is that the key driver for our business is cash generation. This determines how much we have to invest. It determines our leverage levels and ultimately once we have got a mature portfolio then the amount of cash available for distribution will ultimately drive our share price.

Starting from the left-hand side there with the £80 million loss, if you add back total interest expenses and the series of non-cash items such as depreciation, amortisation of intangibles, we have also added back £11 million which is part of the one-off cost of the IPO. That gets us to an adjusted EBITDA number of £189 million. Taking a conservative approach to long-term EBITDA we have taken off the impact of the compensation income of £15 million. We do

expect that to reduce over time as traditional meters age and/or come off the wall. We track underlying EBITDA which [inaudible] with £174 million in 2019. Historically we find this a useful benchmark number as it is the common number used in valuation metrics. Bridging to an underlying EBITDA to funds from operations adjusting for changes in working capital and then deducting third party interest cost of our cost and senior debts, £26 million. A little bit of cash tax paid gets us to an FFO on an underlying basis of £136 million and just to be clear, we did not make any shareholder distributions in 2019.

Segment reporting overview

Calvin Capital remains the primary driver of Group results

Turning to slide 15 looking at segments, we report two segments, Calvin Capital, which is predominantly the owner of the assets, and Lowri Beck which is predominantly the operator/installer of assets. Calvin is the core of the business and dominates the financials. It is really the driving force of the numbers. We have not yet split out Group or plc overheads. These are captured at the moment within the Calvin Capital segment. The Lowri Beck numbers are small and were consolidated post-acquisition on 16th August. In line with expectations it was loss-making at the year-end and whilst we have started to see some commercial and operational improvements already we do expect that business to continue being loss-making in the short-term. To reiterate Bert's point, the primary driver of the acquisition was to drive meter growth, particularly with independents, and that will go to increase revenue and profits in the Calvin Capital part of our business. The net benefits of that strategic acquisition are more likely to come in the Calvin Capital side.

Top-line growth driven by record new meter numbers

Moving on to slide 16, to talk about our numbers in slightly more detail. The predominant driver for performance of the business is revenue, top-line. This is determined by number of meters in the portfolio multiplied by the average revenue per meter. Bert has already covered growth in our smart meter portfolio in 2019. In addition the average revenue per smart meter has also held up well. You can see that on the bottom-right at £26 per annum. As a result, even smart meter revenue grew more like 40% overall which is the combination of meter growth and holding that average revenue per meter steady.

The traditional meter portfolio has also stayed at the same level, partly as we acquired 380,000 meters from Lowri Beck. These meters continue to provide a natural hedge in our business against delays to the rollout which is clearly helpful at the moment. The average revenue per traditional meter has also stayed pretty constant for us.

Elements of cost of sales

Moving on to slide 17 and cost of sales. Predominantly cost of sales are driven by depreciation and the net impact of meter removals. Depreciation top-left is in line with our expectations. Smart meters we depreciate over 15 years, traditional meters we are depreciating out to 2021. Top-right in terms of when we remove meters early to the extent they are not fully depreciated at that point we will write them off. This is partly offset by the compensation income we receive which you can see bottom-left. In addition, we do write off smart meters as soon as they are moved from the wall, which is a conservative approach given that quite a number of these, more than half in fact, end up being reinstalled.

However, we do take a conservative position. Bottom-right you can see the impact of consolidating the Lowri Beck results on cost of sales also at £19.4 million.

Other expense items

Moving on to slide 18 and other expense items. Admin expenses this year slightly increased, reflecting the plc costs. We would expect a more material increase in 2020 to reflect full plc operating costs. We have broken out and included the Lowri Beck impact there. Other expenses in the middle that £11.3 million relates to transaction costs for the IPO, the one-off. Total third party costs for the IPO are likely to be around £15 million so the difference there we expect to take in 2020 in line with guidance. Amortisation which is the non-cash write-down effectively of the KKR acquisition costs, increased slightly following acquisition of Lowri Beck. However, those numbers expecting to stay relatively stable going forward.

Interest expense and debt balances reflect pre-IPO capital structure

Senior debt costs lower in 2019 despite higher debt balance due to successful refinancing in late 2018

Slide 19 interest expense and debt balances, there is a lot of detail on this page and I am going to go into the debt balances in more detail on later slides. It is an important slide. There are a few key items to point out. Firstly, top-left you will see that our senior debt did increase year-on-year to £622.9 million in 2019 and reflects the increase in the funding for meters. Looking at that top-right you will see that our interest expense senior debt actually reduced in 2019 to £17.3 million from £19.4 million. That's as a direct result of the refinancing of part of the portfolio we [under]took at the end of 2018. We do review our funding structures and terms on a regular basis, pretty much every year actually. I have refinanced the business every year for the last five years. We do look for opportunities to improve our funding efficiencies as we are going along. We will continue to do that, notwithstanding the market at the moment.

I have circled up a number of rows there you can see with dotted lines. They are items that are specific to 2019 and the 2019 funding structure. I am going to talk a little bit more about how that has changed post the IPO and I will cover that in the next slide. Bottom-right another line to point out is the mark-to-market movements. That is another non-cash item and reflects adjustments to the value of our interest rate hedging portfolio, which ultimately provides us with long-term protection for changes in interest rates.

Business will de-lever in absence of capex in 2020

On slide 20 to give you a little bit more detail here on how the debt balances have moved during the year. Starting at 2018 we repaid £96 million during the year of amortisation. We drew £211 million going in the opposite direction to fund capex, the small facility in Lowri Beck. At the end of 2019 senior debt balances of £855 million with £15 million's worth of cash.

Beyond 2019: De-levered capital structure following IPO

Then turning to the next slide to show how those debt balances have moved on a pro forma basis post the IPO. Clearly the IPO had a material change in the way that we fund our business. To talk you through that, starting on the left-hand side for the balances at the end of 2019 which is the £855 million's worth of third party debt plus the shareholder loans. We capitalised the shareholder loans into equity so that reduced the shareholder debt balance by

£583 million. We raised £300 million of primary proceeds, the vast majority of which went to repay the equity bridge loans. Those equity bridge loans are a part of our senior debt portfolio which historically have been supported by letters of credit provided by our shareholders. As well as repaying equity bridge loans, we will no longer have a requirement to pay back £10 million per annum in letters of credit costs.

Ultimately the pro forma total debt as we saw at the IPO, reduced to £628 million. We have £50 million's worth of cash on the balance sheet at the end of the year. We had an additional £60 million's worth of cash left over post the IPO so on a net basis £518 million's worth of net debt which resulted in our leverage multiple reducing from 4.3x to pro forma 2.8x. We do expect that net debt leverage to increase over time as we deploy additional funding to grow the meter portfolio. We have guided previously for that to peak at no more than 4.0x, reducing over time back to being a 3.0-3.5x range, and you can see from the two slides that ultimately if we are not spending capex, we are not drawing down capex into the facility we are generating cash so we become cash flow positive in the absence of capex.

Well-positioned to fund resumption of growth later in 2020

Almost £1 billion of committed undrawn debt facilities and no meter funding facility matures before Q4 2022

Moving to slide 22, to talk a little bit about our funding facilities. We effectively pool our existing portfolio of meters into two different sections. We have a funding pool of meters that are already on the wall, largely made up of traditional meters and smart meters. They have facilities in place already. They do not have any undrawn parts to those facilities because those contracts are already mature. We are not installing meters under those contracts. Those facilities do amortise over time in line with the revenue that we generate from that pool and you can see the maturities of those in the middle of the chart here on slide 22, the maturities in March 2026, June 2024. The second pool covers smart meter contracts that are still in the installation phase. These have a combined drawn debt balance and an undrawn committed element. That undrawn commitment remains available to us to draw down as meters are installed.

Again, you can see the maturity of those facilities in the middle. Then on top of that we have £240 million RCF which is available to support meter installation costs and for other general corporate purposes. Then on the far-right, as I have already mentioned, we have got an existing portfolio of meters generating ongoing cash flow and you can see June 2019 just over £150 million's worth of cash. We continue to keep our funding lines under review, as I have mentioned. We do have regular dialogue with banks and institutional lenders who remain supportive of our business given the underlying credit strength. That takes me to the end of the finance section so just to summarise from a finance perspective, we have had a good 2019 performance. We do have strong liquidity and we have good ongoing cash generation. On that I will hand back over to Bert.

Outlook

Bert Pijls

CEO, Calisen Group

2020: Preparations for lifting of COVID-19 restrictions

Planning already underway for eventual resumption of installation activity

I have a few pages on outlook and I have split that into two different sections mainly because of the COVID-19 crisis that we find ourselves in. If I could take you to page 24, the first thing I really want to talk to you about is what we are doing to get ready to resume normal activity. There are a couple of things that I want to share with you there. First of all, all meter installations start with a customer appointment and that you have to make typically upfront. We are operating a rolling appointment book on that. We still have appointments in our calendar, for example, for May. If we cannot install in May due to social distancing restrictions then we will call that customer and roll that appointment into June and so on. We are operating a rolling calendar at Lowri Beck. That is important because smart installations start with an appointment and if you start reinstalling but you have no appointments in your book it takes much longer for you to get back to normal. That is the first thing I wanted to share with you.

Second thing from me is that we are in constant dialogue with customers as well as suppliers. Let me start with the latter first. At the beginning of this crisis there was a concern maybe that the supply chain would be affected and that we would have insufficient meters to keep installing them. That is mainly due to China being affected and some of our meters having components that were partially sourced in China. It is fair to say that that has not come true and that we are in an opposite situation. Due to the fact that we are not installing smart meters means we have meters in warehouses. We have meter orders, some of which are still being delivered although we have been able to reduce some of those. Therefore we are in a different situation where we are probably carrying a bit more inventory than we normally do.

We are also in constant dialogue with our customers, more so than normally. It is fair to say that with our key customers we speak daily. They are having their own issues to deal with. We are of course trying to help them out. Most of the conversations we are having are indeed about what we are doing with the meters that we have in inventory because they are not being installed. We are doing what we can to help our customers and be reasonable because ultimately we have got to do the right thing. This is a long-term relationship that we want to have with our customers so we are being lenient where we can be. None of this has any material impact on our business or on our ability to generate revenues but we are working on a daily basis particularly on meter inventory.

Also, when speaking to our customers they are expecting, as are we, that once the restrictions are lifted and the world gets more back to normal that it will take about three months to ramp up. You cannot go from a standing start to 100% of capacity in a very short period of time. It requires the setting up of appointments, slowly coming back with the workforce, making sure you have got the right equipment on the right vans from a logistics perspective. It will take some time and the consensus at the moment seems to be about three months from when the restrictions get lifted. I of course do not know when the

restrictions will get lifted but what I can tell you is that when they do we expect it to take about three months to get back to a full level.

It is the same with Lowri Beck and of course at Lowri Beck we have an additional concern there because they are more directly responsible for the safety of our staff, our customers and our consumers. Therefore we will make decisions that make sense from that health and safety perspective. Of course, when we do go back to work we will strengthen our measures that we can take in entering the premises to make sure that we do not spread the virus and also reduce the risk for both staff and consumers. There is a process for that in place and again we think it is going to take about three months as well for Lowri Beck to ramp up.

Just to let you know that we are in dialogue with our customers as well as of course internally to get ready to hit the ground running as fast as we can when we come out of this crisis. A lot of short-term focus at the moment is going into those preparations.

2020 Guidance and medium-term outlook

Medium-term outlook unchanged

If I take you to page 25 that is more guidance and medium-term outlook. Taking you through this page, as far as smart meters are concerned we have suspended guidance because we cannot predict how many smart meters will be installed in 2020. We expect Lowri Beck to remain loss-making at an operating level in 2020 which we anticipated even before the COVID-19 crisis. The COVID-19 crisis of course delays some of our remedial activity and our existing meter portfolio continues to drive the vast majority of our revenue, our EBITDA and our cash flow. They are still of course installed on the wall and so far it is fair to say that we have not seen any material impact from measures to tackle COVID-19. The impact of lower capex, as Sean described it, is of course that we become cash-generative which means that in an interesting way our business model is such that the longer the crisis goes on the more we de-lever. That is of course not what we want because we want more meters on the wall but it is a safe place to be in the situation we find ourselves in.

However, that is the shorter 2020 outlook. If I look beyond there are two things I want to point out. First of all, the fact that despite COVID-19, climate change and decarbonisation will remain an agenda and therefore smart meters will keep being installed. BEIS and Ofgem have both written to the industry confirming their commitment to the smart meter rollout, despite COVID-19 and that is encouraging to see and in line with what we were expecting. The other interesting thing for us here is that a delay in a meter installation is indeed a delay. We will play catch up at some moment in time. We have a pipeline of 11.7 million meters. If a meter does not get installed in the second quarter of 2020 that meter will have to be installed at a later time and then we catch up. Our business is quite unique in that the fact that we are not installing meters is not a real loss. It is a delay of that installation. Unlike some other businesses where not doing any business for a while is actually a real loss. We are in quite a fortunate position here and a resilient position with our business model.

Then finally our strategy is of course, as you know, to look at opportunities beyond the smart meter rollout. It is fair to say that that has taken a bit of a back burner in the last couple of months as we have been dealing with COVID-19. However, at the right moment in time I look forward to coming back to you and giving you a bit more of an update on what our

thinking is and what we are doing in terms of electric vehicle charging, batteries and possibly maybe international.

Conclusion

Resilient business model and robust balance sheet to sustain Group through 2020

That is really what we are looking at in terms of medium-term outlook which takes me to page 26 which is a summary of what Sean and I have spoken about. We have had a really good operational and financial 2019. You have seen that in the numbers that were presented. We have a strong balance sheet which is de-levered because of the IPO. Our business is cash-generative through this crisis because we are no longer spending any capex. The longer-term strategy and growth expectations remain unchanged because the smart meter rollout will happen. It may be that the shape of it is slightly different but it will happen. That is it from Sean and me as far as the presentation is concerned. I would like to open it up now to questions and answers.

Q&A

Dominic Nash (Barclays): Good morning everyone and thank you for the presentation. A couple of questions for me, please. Firstly on the furlough scheme, I think [you said you] might anticipate paying a dividend through 2020. If you take government help on the furlough scheme do you think that the dividend should or could be paid in line with that? The second question that I have got is basically on the working capital inventory is quite small and you say you carry more inventory. Is it possible to quantify the scale of this inventory and do you anticipate this unwinding shortly? Is this going to be a permanent backlog because you are receiving meters faster than you will be able to put them into the ground? Thank you.

Bert Pijls: On the dividend side, a couple of things. First of all, we had always flagged that we were not going to pay a dividend for 2019. That was never expected and therefore we are not paying a dividend for 2019. Whether we will pay a dividend for 2020 is ultimately up to the board to decide. You are right, we need to be aware of the situation that society finds itself in. At the same time, there have also been circulation from the Investment Association saying that dividends should not be inappropriately halted. Pension funds count on dividends to pay pensions. A large part of investing is a yield-based investor that would [be looking for] some form of dividend. All I can say now is that I am sure that we, together with the board, will be responsible in that regard. As far as now is concerned, we have not changed our point of view on dividends for 2020. It is pretty much in line with what we announced during the IPO but it is up for review and I am sure the board will make the right decision at the right moment in time on that.

As far as the working capital is concerned and the unwinding of meters we are holding a bit more inventory than we normally do and that is because meters are not installed. Some orders have still come in. That has now of course stopped so what I expect to see is that the meter inventory will remain stable for now. We will not increase it. It will not decrease because we cannot do any installations. At the moment those installations start again then we will start eating into that inventory, commence our metering orders and we will get back to a normal position.

Sean Latus: I would just add a couple of points. One on dividends, of course it was always intended to be a nominal dividend so it was never intended to be particularly large or material. What we are basically saying is that policy has not changed. The vast majority of the cash that we generate we reinvest into the portfolio, into growing the portfolio. [That will] continue to be the case. In terms of context, that dividend is small, just to add that point. Then secondly on working capital, because we have got more inventory in the short-term that will have an impact on working capital but we would expect that to unwind as installations start to come back on track. To reiterate what you said earlier during the presentations, we have had quite a lot of dialogue with manufacturers who have also been able to slow down rate of future manufacture of meters which means we are a bit better able to manage the pipeline. Whilst we have got inventory around now which we can burn through first, we have also got the ability to control to some extent the rate of manufacture of new kit coming down the track. That should allow us to balance that out during the year as installations pick up.

Bert Pijls: At the same time I am not uncomfortable with where we are because when we get back to normal that also means that meter manufacturers will have to ramp up. Who knows, at that time how that will affect their supply chain so sitting on a bit of extra inventory to make sure that when we start installing again we have the equipment ready, to me feels like a prudent approach in this particular situation, Dominic.

Dominic Nash: Great, thank you very much.

Mark Freshney (Credit Suisse): Thanks for taking my questions. I have two questions. Sean, further to what you just said, what is the total amount of meters in inventory? I guess what you are saying is that this will not necessarily be earning in the current year because you may waive the 90-day threshold but it would be in your capex. To get a feel, would you be able to give us that £ million number? Secondly, on the migration of SMETS1 meters to be enrolled and adopted in the DCC, where are we on that now? What was the target before COVID-19?

Sean Latus: On the inventory, Mark, I cannot give you an absolute £million number here. I do not have that number immediately to hand. However, given the current situation we are still working through a lot of these issues. Right now we are trying to assess, as everybody else is, what we think the likely delay is before installations start and what the pace of that installation pickup will be. As we just said, working with manufacturers to reduce the forward order book on that volume coming through. What I will say is that we do not ordinarily carry an awful lot of inventory in any event because we are pretty good working with our customers at forecasting what the likely future requirements will be. Even though we might be delayed three months or six months actually we do not carry an awful lot of inventory anyway. Even if I say we doubled the amount of inventory that we hold across our portfolio whilst in the delay, it is unlikely to have any material impact through our numbers. However, I am happy to take away and have a look to see whether we can pull out a specific number but it is quite live at the moment because there are a number of moving parts in trying to work out what the forward forecast is going to be, which is why we have taken guidance away. The comfort I will give you is that we do not hold ordinarily a lot of inventory in any event we normally run on a three-months forward pipeline. However, even if we doubled that and took a view on a six-months forward pipeline it is unlikely to make much of a difference to our numbers.

Mark Freshney: Thank you.

Bert Pijls: The vast majority of our revenue, EBITDA and cash come from the meters that are on the wall and the level of inventory we carry in relation to that is actually quite small, Mark. It will not materially impact our results for 2020, that particular bit. The stopping of installations is of course more difficult because we cannot forecast how many meters are going to be installed.

Your second question, Mark, was around the [enrolment and] adoption of SMETS1 meters. A couple of things on that. As of 20th March I think there was about 118,00 meters that DCC had reported that had been successfully enrolled and adopted. That was a programme of work that was steadily going on. It is fair to say that since then there has been a slowdown. That is because of COVID-19. Also, in January of this year, Mark, BEIS extended the SMETS1 end-date from 2020 to 2021. Whilst before COVID-19 it was envisaged that by the end of this year all SMETS1 meters would have been migrated, essentially pre-COVID-19 even there was already an extension given by BEIS to the end of 2021, which gives everybody a bit more time to do the migration. Those migrations, for everybody's benefit, will always go relatively slowly and that is because the DCC has built in a security measure. They can only contact a maximum number of meters on a daily basis and that is to protect itself from any sort of cyberattack. You do not want someone coming in and being able to talk to 51 million meters all in one go. However, that is this slow and steady progress. There were three phases that were envisaged for this year, the first, the middle and the final tranche. I am sure that that will be impacted by COVID-19 to some extent but [inaudible] until that moment in time and the deadline has been extended by a year.

Mark Freshney: Okay, thank you.

Joe Brent (Liberum): Good morning, gentlemen. Three questions, if I may. Firstly, at Lowri Beck clearly not much revenue at the moment but costs continue. How do you manage your cost base there? Secondly, on the installations I accept that there is going to be a catchup on work you have not done in the future but given the stop-start nature will that not be a lot less efficient? Thirdly and finally, could you tell us your plans for the expiry of the October 2022 facility?

Bert Pijls: A couple of things on that. First of all, there is some revenue coming in. We are doing emergency callouts and also we are operating remotely via secure VPN a small part of our meter reading business. You know that you can call in as a customer and give your own meter reading. That business is partially still being done over the phone but at a very low level. However, it does drive revenue so it is fair to say that yes we are still getting some revenues in. As far as the cost base is concerned there are two key elements for me. The first one is that some of our costs are very variable, fuel being a good example. Fuel is quite a large line item for a business like Lowri Beck and of course nobody is driving around in vans to install meters or do meter readings and therefore our fuel bill will come down. We do have variable costs which will really come down. Our biggest cost items is of course our staff expense. We have furloughed 85% of our staff so we have applied for the government scheme which opened yesterday. We cannot report back yet to what the success of that is. That should help us carry that cost for a bit longer but, yes, you are right. We will recoup all of that and that means that Lowri Beck will have a drag. Sean, what is that number again in terms of monthly drag probably after furlough?

Sean Latus: After furlough the monthly drag is probably going to be around £1.5 to 2 million a month.

Bert Pijls: That is where you are right, we are not getting the normal revenues coming in. We still have a cost base to support and some of that cost base is fixed. Not all of it is staff expense so yes, it is not helpful in that regard.

Joe Brent: The second one was when installations come back, as I am sure they will. Presumably, it will be a bit stop-start so it will be quite difficult to have the efficiency you would normally had if installations were smoother.

Bert Pijls: Yes, I think that is correct and that is what is going to happen during that three-month timeframe that everybody expects. If it takes three months to get from zero to 100% then once you get to 100% you should be back to normal. However, yes, during those three months it will be more difficult and that is mainly related to density of engineers. The more installs you do in one day with an engineer the more profitable you become and it is likely that as you ramp up that density will not be achieved. At least you will start to get some revenues coming back in and that is helpful but it will not be a normal three months. There will be some inefficiencies as a result, as everybody is ramping back up to normal. However, once you do go back to normal then we should be back at normal and then the meters that we have not installed should be additional volumes of meters that we will install later, which then actually may increase the density of our engineers. Not just our own engineers but also the other engineering channels that we use. We have contracts with third parties and some of our customers install themselves. There will be a benefit there because you are doing a larger number of meters in a shorter period of time, if that makes sense, Joe.

Joe Brent: It does, thank you. The final question was on your October 2022 facility. That will come round soon enough. Any thoughts about what you will do with that?

Sean Latus: As I said, we are pretty much in constant dialogue with our lenders in any event. We get a lot of support for our business because lenders like the credit metrics of our business. It is normal practice for me as part of my role to be talking to the lenders on an annual basis. We look for refinancing opportunities as they come along. You will know of course that interest rates have never been so low as they are at the moment. We look for opportunities even in difficult markets to see whether there are ways we can either reduce our overall interest burden and/or stretch our amortisation profile. That is something we have flagged before. It is something we talk to lending institutions about all the time. I am not seeing anything that would stop us from looking at refinancing opportunities even during this difficult market. It is not as if it is a project we would need to pick up in a big style in 2021. We have time to refinance that. It is only part of the facility. It is not all of it. We have various different maturities across our portfolio but we are in dialogue with lenders on a regular basis anyway looking for opportunities. I do not see that as a risk at this point.

Joe Brent: Thank you very much.

Verity Mitchell (HSBC): Morning everyone, I was very interested in [inaudible] 2022 and I was going to ask that you have all these different facilities. Are they for specific suppliers or can you move them around? I can see that there is a maturity for October 2022. Is there any risk that they will not be fully utilised or how much flexibility do you have according to your ramp-up to actually utilise these fully?

Sean Latus: There are a mix, Verity, so it is probably worth talking a little bit about the history of Calvin and its funding. Historically we raised individual facilities that supported individual contracts. We raised project finance, long-term amortising project finance on a facility on a contract-by-contract basis. That is how we have funded our business historically. Over the last couple of years we have moved more on to funding via pools. We do have some facilities that pool contracts and they allow us therefore more flexibility. If some contracts go ahead, some contracts go behind, we have the available financing for whatever contracts we have. We have a combination of those two different things and then of course on top of that we have a fully-flexible RCF which is available as a bit of a catch-all that sits over the top. At the moment the more mature pools from the older portfolios, they are a bit more self-contained. Effectively they can sit within individual special purpose companies and/or in pools but they are a bit more self-contained. Then the pools for the installation contracts again they vary but there is a bit more flexibility around some of those. Then the RCF is fully-flexible.

Verity Mitchell: You have recently fully contracted or fully locked down an additional set of meters. Are they already represented in this financing?

Sean Latus: They are. Yes. If I look at our funding structure now and the combination of the de-leverage and the available funding across our pools, as I think we have covered during the prospectus, we have a fully funded business plan now. If you take the combination of facilities, cash flow that we generate from the existing portfolio and the cash that we have already got on our balance sheet post the IPO, that gives us sufficient flexibility to fund that pool of meters we have already got contracted plus some scope to grow that beyond what we have already got contracted. As you know, we have aspirations to grow that portfolio even further in line with what we disclosed previously and we have sufficient flexibility to allow us to grow within that expectation boundary as well.

Verity Mitchell: Thanks.

Matija Gergolet (Goldman Sachs): Good morning, three questions from my side. Firstly, on page seven where you show basically the installations of new meters in Q1 but also say the uninstalling of old the old meters. There seems to be a bit of acceleration in Q1 which is a little bit surprising given that now you have slowed down your own installations. The second question would be in terms of other meter asset provider I wanted to make sure whether you are seeing other installers have basically also stopped installations or is anybody continuing with the installations? Then thirdly in terms of your revenue per meter, I think that is on page 16, I am a little bit positively surprised by the revenues in 2019 for the smart meters of £26, up almost 4% versus last year. You were guiding back at the IPO that now we should expect the revenue for the smart meters to gradually decrease. What would you guide now for 2020, also considering that you are having a little bit of a delay? Should we still expect a decline in 2020 for the revenue per smart meter or should we be expecting a more flattish revenue year-on-year? Thank you.

Bert Pijls: Thanks, Matija. On page seven as far as traditional meters are concerned you are looking at minus 143,000. It is very difficult to look at this accurately on a per quarter basis and it is because whilst in aggregate over a long period of time the rate at which smart meters are installed should be equal to the rate at which traditional meters come off in relative proportions. It does not always stack up every quarter and that is because a fair

amount of our traditional meters have churned to other suppliers. Therefore it is not literally us taking our own traditional meters off the wall and putting our own smart meters on the wall. Our traditional meters get removed by anybody really who is going into that property and installing a smart meter. Now, over time those numbers should converge because ultimately the two are related but not necessarily on a per quarter basis. Whilst we point out that 143,000 cumulatively looks like a difficult quarter in terms of traditional meter removals you can see that some of the previous quarters are lower, going from 70,000 to minus 20,000 is only 90,000. You should not look at it I believe really on a per quarter basis. It is true that over a longer period of time those two trends should correlate inversely. Smart meters go on, traditional meters come off. I would not worry about that if I were you. In actual fact, we have probably lost fewer traditional meters than we should have normally. Mind you, of course the 400,000 meters from Lowri Beck has helped keep our traditional meter portfolio steady.

As far as installations are concerned, based on the evidence that I have I do not know whether every single MAP is installing or not. What I do know is that all of our customers have stopped installing meters, many of them earlier on installation workflows. I have seen no evidence that anybody is still installing meters at this moment in time. I cannot tell you that with 100% certainty because I am not aware of exactly what everybody does in the market. Then your other question was in relation to the smart meter rental for 2020 so I will pass over to Sean.

Sean Latus: It is a good question, Matija. We were in fact expecting for 2020 the smart meter average revenue to drift down and the reason for that is meters that are going on the wall now, SMETS2 meters, are predominantly under 15-year contracts. The rental for that meter is spread over a longer period of time. In an absolute sense we collect more rental but it is just spread over a longer period. That should mathematically bring the average revenue per smart meter down and I think we guided to low single-digit percentages. For this year it is difficult to tell because we do not know how many smart meter installs we are going to see. As we have removed guidance on the number of meter installs it is hard to guide to what the average would be but in the absence of installing any smart meters we would expect that revenue to stay stable in the same way as it does largely for traditional meters. All I can say is in the absence or on the basis of the slowdown I would not expect to see the same level of reduction in that average smart meter revenue. Principally because we continued to see meters churn and the rental for churned meters if we do not have an underlying churn contract, are generally higher. That helps on the averages. If we are not installing 15-year SMETS2 meters again you will not get the drag of those in the average rentals.

Matija Gergolet: Okay. In principle if in 2018 you have done £24.90 now you have installed new meters, the incremental meters are actually doing more than £26 so if you make no new installations of smart meters your average price for 2020 will be even slightly higher than £26 because the meters brought on in 2019 were above £26. Then [inaudible] for the full year.

Sean Latus: You have got a lot of different factors playing into that average though. You have got a combination of different rental periods for different meters. You have got a combination of different contracts with different capex and different related revenue per smart meter. In there you have got the impact of revenue we receive from churned meters, the rate of churn and whether we are increasing the number of contracts that we sign under

churned contracts. There are a lot of moving parts plus and minus through that. We are trying to simplify the modelling effectively by giving you an average so that you can basically look at number of meters multiplied by average. As a portfolio as a whole that performs relatively well from the modelling perspective and from an analytical perspective. However, underlying that there are quite a few pluses and minuses. It is hard to track individually what each of those will do plus or minus but some balance out.

Matija Gergolet: Okay, clear. That is helpful. Thank you very much.

Mark Freshney (Credit Suisse): Sorry, me again. If I go to slide eight with the backlog on, I remember in the IPO prospectus you issued a notice to terminate a contract for 400,000 meters. Is it right in saying that the gap between September 2019 and December 2019 is basically the 500,000 meters installed and the 400,000 that you issued notice to terminate? Can I assume that that contract has now firmly come out of those numbers?

Bert Pijls: Yes, is the short answer, Mark. Our pipeline is dynamic. It can go up. It normally goes up but it can sometimes go down. Then we added a new preferred bidder as we disclosed to you at that time for one million meters and we have converted that in the first quarter of this year to fully contracted.

Mark Freshney: Okay. My second question is on industry consolidation. There are some of your competitors out there and will not name them but they seem to have very marginal positions in smart metering. They might have blocks of 1, 2 or 3 million smart meters which it does not make sense for them to own and should be part of a larger portfolio. What are your thoughts on that? Do you envisage some of those competitors exiting the market?

Bert Pijls: Our view has not changed since the IPO. If there are consolidation opportunities then, sure, we will take a look at those and when they make strategic and financial sense then we would be interested to transact to further consolidate our position and create even more scale benefits. I do not think though that anybody is going to do a transaction during the COVID-19 crisis because that is going to be too difficult to price. I think the M&A market will be pretty quiet in the coming months until we get out of this. At that moment in time you may be right. There may be things coming to market when we will take a look at them and decide whether that makes sense for us and whether it makes sense for the shareholders. At the same time, we have got the scale so we do not have to desperately participate in order to get to scale. We will be responsible when we go through that but whether people will want to exit the market or not, I do not know. It is difficult to predict but I do not think now is going not be a time that anybody is actually going to do a transaction. I am not suggesting that you were implying that, Mark, but just [inaudible].

Mark Freshney: Okay, thank you.

Sean Latus: I think that is a fair summary. I think I would agree with you though, Mark, that there are a number of smaller scale players. It is difficult to see how that makes economic sense. We are expecting consolidation to be a feature over the next couple of years.

Mark Freshney: Thank you.

Chirag Vardia (HSBC): Good morning. First question, as you work mostly with some of the largest suppliers, do you have any concerns about the solvency of their customers given the challenges from retail suppliers?

Bert Pijls: I have no evidence of any of that. I think when I started the presentation I told you about the fact that we are in contact with our customers on a daily basis including the very large ones but also the smaller ones. We are not picking up any noises that end consumers are having difficulties paying the direct debits, which in turn could lead to a deterioration of the credit quality of our energy retail customers. We are not picking up any of those noises. This is speculation but maybe it is because if people are furloughed, yes, they are on 80% of salary but at the same time they are not spending any money on commuting. Nor are they spending any money on buying lunch and buying coffees during the day. At least for the employed population, the self-employed population may be in a different position, I do not know yet what the real impact is financially on employed workers. However, we are not picking up anything from our energy suppliers, the large or the small. We watch billing like a hawk obviously on a daily basis and again also there we are not seeing any behaviour from customers in terms of when they pay their bills that is any different from what we have seen before the crisis. Whilst I understand the theory of the question, I have no evidence at this moment in time that that is happening.

Speaker: Thanks. Very clear. Could you break down that three-month ramp-up to installations and how you expect it to catch up from that current hiatus?

Bert Pijls: Some of that is work in progress. We are working on that as we speak. There are two main elements. One is the demand side and the other side is the supply side. On the demand side I think the biggest concern I have got there is that even when restrictions get lifted it will take some time before people will let you into their house because they have been educated to be fearful almost of letting any stranger into your house. That may take a bit of time on the demand side. We need to make sure that when we speak to end consumers and we make appointments that we can allay their fears and explain to them what safety measures we take when we do go into their premises to install a smart meter. That is on the demand side what we are concerned about. We are operating a rolling book of appointments. I know that many of our customers do the same. It is not as if our appointment books are empty for the remainder of the year. The appointment books for May and June have appointments in them and we contact customers in advance of the appointment when it is clear that we cannot maintain it. That is rolling. My question there is, how long will it take before people will let you back over their threshold?

On the supply side there are some logistics that you have to manage. We have got about 1,600 people at Lowry Beck in total. You cannot just flick that switch on. Some of them may need some extra help and safety training to make sure that we stay safe and we install our meters. You may have issues that equipment, tools and auxiliary equipment is not on the right van so there are some logistics that we need to get sorted out. We need to start ramping up again. That is how we are looking at it so we are thinking mainly about how we manage the demand side and on the supply side it is the logistics of getting more than 1,000 people back to work which is also going to take a bit of time. Not all of these people are going to be fully productive being back on day one. I think this has had an effect on a lot of people and it is going to take a bit of time. We need to be thoughtful about how we do that

but everybody coming back on a Monday without there being enough work to keep them all busy, is not the right way of doing it. We need to make sure that either we provide extra training or we move out that impact. However, it is still work in progress so I cannot give you any more on that than I just have.

Speaker: Thanks very much, very clear.

Bert Pijls: First of all, thank you very much for joining us on this call. Thank you also for the questions. It is always much appreciated. It is a shame that we cannot do this properly face-to-face, specifically given that it is our first results presentation in our life as a public company. However, I am grateful nonetheless that you joined us. I want to finish by saying that we have had a strong 2019, as you have seen, but I think we have a resilient business model with a de-levered balance sheet, access to significant amounts of liquidity and a business that generates cash as we go through this crisis. That is not an unfortunate position to be in at this particular moment in time. We are working hard to make sure that when things go back to normal we are ready to hit the ground running and get back to our normal course of business. Thank you again very much and I hope that you all stay safe and healthy over the coming weeks and months. Thank you.

[END OF TRANSCRIPT]