Calisen 2020 Half Year Results

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2020 Half Year Results

Bert Pijls

CEO

Welcome and thank you for joining the Calisen 2020 Half Year Results Presentation. We have not sat still these last few months through COVID and as you will see from the presentation, we are on track to exit the COVID crisis stronger than when we entered it.

Strong performance and improved commercial position

I am very happy to report a strong performance for the first six months of 2020 and our commercial position has further improved during that timeframe. And we are emerging from COVID-19 stronger than at its start.

When looking at our results, there are three factors which impact the comparability of the first half of this year with the first half of 2019. Firstly, Lowri Beck was only consolidated once acquired in August 2019. Secondly, we listed in February 2020 which had a significant impact on our balance sheet. And lastly of course, we have the impact of COVID-19 in the first half of this year with the temporary suspension of non-essential meter installations.

Now, let me briefly describe the five highlights that we will present in this presentation. The first one is the really strong trading performance in the first half despite COVID-19 with a 31% increase in our cash flow or funds from operations.

The second highlight is that we have increased our meter portfolio and we have also protected more of our meters in case consumers switch supplier.

The third highlight is the accelerated Lowri Beck restructuring which we announced a few weeks ago. As a result, we're now on track for a 2021 EBITDA breakeven and in the medium term, a positive contribution for Lowri Beck to the group.

Highlight number four for us is the fact that Lowri Beck now has EV charging installation capability. This is a small but strategic step for the group into other assets than metering and will further contribute to our ESG credentials which have already been recognised by being awarded the London Stock Exchange Green Economy Mark.

And the last highlight but definitely not the least is the £1.1 billion refinancing we announced a few weeks ago. As a result, our debt now has longer tenor, we have much greater flexibility and we benefit from recurring lower costs of debt.

Performance demonstrates resilience of the business model

Now, let me take you to page 4. This page is a quick snapshot of the key financial metrics of the business. Of course, Sean will cover this in more detail in his finance section, but I wanted to share the key numbers with you now.

Starting at the top left hand side, you can see a revenue increase from £93 million in the first half of 2019 to £117 million in the first half of 2020. As I said at the start, the 2019 numbers did not have the consolidation of Lowri Beck in them because we bought Lowri Beck in August of 2019. And of course, this year's first six month numbers do. Given the COVID, these are very solid revenue numbers.

If you go to the right and look at underlying EBITDA, you can see that underlying EBITDA for the first six months of this year was £87 million versus £86 million last year. I have to put that into context for you.

The £87 million includes the impact of COVID and it includes the fact that Lowri Beck was slightly loss-making for those six months. So I feel pretty good about the £87 million number versus the £86 million number from the same period last year.

If I go to the bottom left hand side of the page, you can see CAPEX deployed. Of course, due to the meter installation suspension in the first six months of this year, we spent less CAPEX than the year before. We spent £146 million in the first half of 2019 versus only £64 million in the first half of 2020, so that is not a surprise.

If I go to the right hand side, you can see FFO, funds from operations, which is our preferred measure to assess the amount of cash we generate in the business. You can see its substantive increase from £55 million in the first six months of last year to £73 million in the first six months of this year.

If I look at those numbers and we look at them in aggregate, it just shows the resilience of the business and the resilience of the business model. And we can now say due to the coronavirus that that has been tested and it has been proven to be true.

Improvement in all key meter portfolio metrics

Now, let me take you to page 5 where I'm going to talk about some metering metrics. I am happy to report an improvement in all key meter portfolio metrics for the first six months of 2020 and confirmation of the new SMIP.

In June, the UK government confirmed that it remains committed to the smart meter implementation programme with the introduction of a new regulatory framework to cover a further four-year SMIP. Following a six-month extension of the current regime to allow for COVID-19, this means that the deadline for the completion of the SMIP which had been expected to be at the end of December 2024 has now been fixed for the end of June 2025.

The new regulatory framework from July 2021 will see all energy retailers set annual installation targets on a trajectory towards market-wide rollout, subject to an annual tolerance level which the government is consulting on this year.

In my view, this new framework with annual installation targets represents a more rigorous obligation on energy retailers to roll out smart meters than the previous one.

In the top left of the slide, I am going to start with our revenue-generating smart meter portfolio. As you can see, we have grown the portfolio from 5.2 million meters at the end of last year to 5.5 million meters at the end of June 2020, which given that we have suspended smart-meter installation since the third week of March is actually a really solid result. We have grown the portfolio by 300,000 in the first six months despite the COVID situation.

If you look at our total meter portfolio which is one graph to the right, you will recognise the 5.2 and the 5.5. We also have a traditional meter portfolio which is the 3.3 million and the 3.2 million and that means that our portfolio has grown from 8.5 million meters at the end of last year to 8.7 million meters at the end of June 2020.

It is really important that we have this traditional meter portfolio because it acts as a natural hedge against a slowdown in the smart meter roll out. And that of course is exactly what happened due to the suspension of smart non-essential meter installations as a result of COVID. What that means is that whilst we're not installing new smart meters, we continue to receive the rentals for the traditional meters that would have otherwise been removed. That natural hedge has contributed to the financial results and the stability of those results for the first six months of the year. So, I am really pleased that we have that portfolio mix at Calisen.

If I take you to the bottom of the page, on the bottom left, we have the total smart meter pipeline. At the end of the rollout, there will be no more traditional meters so those numbers have been extinguished. And if you look at the two stacks, you will again recognise the 5.2 and the 5.5. At the end of December last year, we had a total expected meter portfolio at the end of the rollout of 11.7 million meters. Included in that, there were 1 million that were in advanced negotiations. As we told you at the full year results, we signed that contract for 1 million meters in March and therefore, it is now in our solid contracted pipeline.

I am also pleased that our expected end state portfolio has increased from 11.7 to 11.9 million meters and that is due to the fact that some of our customers with whom we have exclusive contracts have grown their customer bases. Therefore, it's reasonable to expect that we will install more meters for them.

At this point, I do want to point out that our pipeline is a conservative, bottom-up estimate, contract-by-contract of how many meters we expect to install for that contract. It is not the same as the maximum number of meters that we in theory could install under each contract. So, there is a level of prudence already built in by management, but I am happy that the number is A) more solid; and B) has gone up.

Then if I take you to the bottom right hand side, you can see that we have a higher percentage of smart meters that are protected against early removal other than in limited circumstances such as product fault, which typically happens as a result of customers switching energy supplier. At the end of last year, 83% of our smart meter portfolio was protected against early removal and I am happy to say that at the end of June 2020, that number has increased to 85% and we will continue to work on increasing that number in the second half of this year.

Overall, I am very happy with the progress that we have made on metering. We have not sat still during COVID-19. There are some things we could not directly control during lockdown such as non-essential meter installations which were suspended. However, the things we could and can control, we have improved.

Good progress strategically at Lowri Beck

Now, let me take you to page 6 where I am going to talk about Lowri Beck. As you may recall, we bought Lowri Beck in August of 2019 and we put new leadership into the business at the beginning of the year. It is fair to say that the new leadership team has started to make really good progress in the business.

We knew that Lowri Beck was loss-making when we bought it and that corrective action might be required. The business had a very encouraging start to the year before the coronavirus outbreak. However, it has, of course, been impacted by COVID-19 and that has accelerated our thinking and corrective actions in this regard. When non-essential meter installations were suspended in March, we put the majority of Lowri Beck employees on furlough. And in total, we received £5.8 million from the scheme in the first half of the year.

As we announced in June, non-essential meter installations have restarted in July and we are in the process of remobilising staff under an appropriate safety protocol. Also in June, we announced a restructuring of the business where sadly, up to 250 of our employees may lose their jobs. We are still in the consultation process, so I cannot give any further detail at this time. This decision was not taken lightly as we are aware of the detrimental impact it has on the livelihoods of those who are affected.

The aim of this restructuring is really twofold. First of all, an improved density for installation engineers and secondly, a more efficient back office. If you look at the impact of both of those, we expect to be at least breakeven for 2021 at an EBITDA level. And we are expecting a positive contribution from Lowri Beck in the medium term.

In the bigger scheme of things in comparison to Calvin, those numbers will not be massive. But it is very helpful that Lowri Beck is now on track to give a positive contribution to the group in the medium term.

The second thing I am really pleased about with Lowri Beck is that we have added electric vehicle charging installation capability. We have obtained the required certifications to become a trainer for electric vehicle charging points and have already amended our training centre so that we can practice and train the installation of EV charging points.

Additionally, we have been chosen and approved as installer for the first charging point manufacturer. And therefore, we hope in the very near future to do our very first EV charging point installation. Now, this is a small step. It is not going to have a material impact on the group's numbers in the short term. It will help Lowri Beck to create more density and drive more revenue at the margin from each engineer and that will be helpful for that business. However, I think it is quite an important strategic step for the group.

This if the first time that we are venturing outside of metering assets into an asset class which, as I mentioned earlier, will further contribute to our ESG credentials. Hopefully on the back of the installation and maintenance capabilities that Lowri Beck can offer, we can open up opportunities to fund and own those assets in a model which may look similar to the metering model.

So it is an important step and the team at Lowri Beck is doing a very good job in turning that business around and looking at the future and increasing its capabilities.

So this is where I am going to hand over to Sean who is going to talk about the £1.1 billion refinancing and drill deeper into the half yearly numbers.

£1.1 Billion Refinancing and Half Year Results

Sean Latus

CFO

£1.1 billion refinancing and new financing platform put in place

Thanks, Bert. Before I get to the half year numbers, I would just like to spend a little time on the refinancing we have just completed. The financial close was 22nd July so it will have an impact on our second half numbers.

So turning to slide 8, some of you will know from my previous presentations, we have been incrementally changing our funding techniques over the last few years to drive lower funding costs, give greater flexibility and to stretch repayment terms which result in earlier cash flows for equity.

I am pleased to say that despite difficult financial markets, we have been able to implement a large refinancing of the majority of our funding facilities that support contracts still in the installation phase.

We have only been able to achieve these improved terms due to the support we have had from our banking partners who understand the credit strength of our business and now, by introducing a number of institutional lenders into our funding pool.

I am not going to go through this slide in detail, but I would like to point out two key features. Firstly, our overall group cost of debt has reduced, driving interest savings and lowering our WACC. And secondly, we have introduced longer-term institutional debt to sit alongside our bank facilities. This brings two advantages: A) it stretches the average life of the debt therefore releasing more free cash flow earlier in a contract's life; and B) it gives us access to a deeper pool of capital, broadens the markets we can tap for liquidity which increases competitive tension on price and terms. This plays to our ability to keep our funding cost competitive going forward.

Longer weighted average debt maturity boosts cash returns

Turning to the next slide to illustrate the change graphically, most of you will have seen the top chart before as the basis for how we price contracts and look at the cash flows on a per-one-meter example.

The chart below shows the illustrative example of what the refinancing achieves using the same one-meter example. You can see in the green part of the columns in years one to five the impact of the equity cash flow coming forward. This does not change the unlevered IRR but does improve levered IRRs.

£1.1 billion refinancing increases flexibility and reduces cost of capital

Turning over the page to slide 10, where does this now take our funding strategy? On the left hand side of the slide, I show the previous funding structure – a combination of projects and pool facilities with the group RCF; on the right hand side of the slide, the updated position. Nothing changes above the dotted line. We still have two project finance facilities covering traditional and some older smart meters amortising over the next few years. We also have the group £240 million RCF and a small facility with Lowri Beck.

Below the line, we have the new funding platform – a combination of longer and shorter-term facilities and project CAPEX and RCF facilities with availability periods that will allow draw down of funds throughout the SMIP rollout period. Our intention is to draw funds from CAPEX and the RCF as required to meet our rollout targets and then recycle these facilities by continuing to issue longer-term institutional debt as we go along. The aim being to continue to stretch debt tenors maximising our ability to recycle cash earlier in a contract's life.

Financial Overview

If I could now turn to the first half financial results and moving to the financial overview slide, slide 12, it is worth repeating Bert's earlier comments that the period comparisons are impacted by three areas:

Firstly, Lowri Beck was acquired in the second half last year so is not in the 2019 numbers but is in the 2020 numbers. Secondly, the business IPOed in Q1 2020. And thirdly, we have had COVID which resulted in meter installation suspension.

Having said that, I am pleased to say, whilst the economic situation has been tough, our financial performance has been resilient reflecting the robust nature of our business. Revenues are up over 25% compared to the same period last year, driven by the acquisition of Lowri Beck last August and the continuing growth in the meter portfolio.

Underlying EBITDA also held up well with ongoing EBITDA losses at Lowri Beck of £1.7 million offset by EBITDA growth in Calvin Capital. EBITDA margin has reduced in line with our expectations, again, as a result of the Lowri Beck acquisition in the second half of 2019.

Funds from operations, FFO, has been strong in the first half. This is in part due to the sharp focus on working capital management as the business activity slowed in Q2 but is also reflective of the resilience of the cash flows generated by the 8.7 million meter fleet.

CAPEX has been subdued as a result of the suspension of business-as-usual meter installation activity across the industry. CAPEX per meter has stayed largely flat as anticipated although we are starting to see some upward pressure on installation costs which may be exacerbated by the impact of COVID-19 on operating density and installation timings.

Income Statement Overview

Turning to the income statement, slide 13, further details on the segment breakdown and individual lines are included in the appendix. But at a high level, revenue growth has been strong, approximately £20 million related to the inclusion of Lowri Beck results in the first half with like-for-like growth in Calvin at approximately £5 million.

Cost of sales includes approximately £18 million from Lowri Beck, not included in 2019. Cost of sales in Calvin reduced by approximately £7 million partly as a result of our change in traditional meter depreciation policy. Following the BEIS announcements, we now depreciate traditional meters through to June 2025 rather than end 2021 per our previous policy. You can see the impact of this in the appendix but it is positive from a P&L perspective.

Admin expenses include £4 million for Lowri Beck, with the rest of the increase compared to last year representing an increase in overhead reflective of the group post-IPO.

Other expenses are the one-off adjustments for the IPO of just over £5 million and £3.5 million restructuring reserve for Lowri Beck.

The interest line shows a significant improvement following the post-IPO capital restructure part way through the year in mid February 2020. And we did see a large swing in the taxation line driven by the change in our deferred tax position as a result of the government's change in approach on corporation tax rates retaining a rate of 19% rather than the drop to 17% as previously indicated.

Impact of non-trading items on statutory result

Turning to the next slide, looking at the impact of non-trading items on our statutory results, I thought it would be helpful to provide a bridge to show the movement from the statutory loss in the period to the underlying performance as a number of one-off items have impacted the numbers in the first half.

From the statutory loss of approximately £34 million, Lowri Beck had a trading loss of approximately £4 million and a restructuring reserve of £3.5 million in the period. We also had £5 million of additional IPO costs, £7 million of residual shareholder and equity bridge loan interest and the £11 million impact of the tax adjustments.

After adjusting for these, these would leave a small, approximately £4 million underlying loss at Calvin Capital. At an underlying level therefore, the loss at Lowri Beck was approximately £4 million and £4 million at Calvin.

Continued Strong Cash Generation

Turning to the next slide, solid cash generation is a key feature of our business model. And I am pleased to say this has continued despite the difficult market conditions at the moment. EBITDA and FFO are therefore key metrics for our business so this is an important slide.

I have set up here a bridge from the statutory loss through to EBITDA and FFO. Starting at the left, we have got the non-cash and non-recurring items that bridge the £34 million loss to a £93 million positive EBITDA in the period. We received cash compensation for removed meters of approximately £5 million.

Stripping this out gives an underlying EBITDA of £87 million. Adjusting for working capital movements, third-party interest and cash tax paid gives us a £73 million FFO for the period. This is the cash available for the business to reinvest, repay debt or distribute.

Resilient revenue generation from the MAP business

Turning to slide 16, a little more detail on revenue. A reminder that the key revenue drivers are the number of meters multiplied by the average revenue per meter. The meter portfolio continues to generate resilient revenues.

The key item on the top left graph is revenues from the smart meter portfolio which grew 16% to £65.6 million. Top right, you can see the impact of the suspension of meter installation activity earlier in the year. Net growth in the smart meter portfolio has been less than we have seen in recent years although we are now starting to see activity pick up.

Bottom right, average revenues per smart meter have dropped slightly to £25.70 per annum, in line with our expectations of low single digit percentage reductions as the portfolio mix changes over time reflecting new meters on longer contract terms.

And on the bottom left, you can see that we also retained a large traditional meter portfolio which continues to be a good hedge in the business against any installation delays as we continue to collect rental if those traditional meters are not replaced.

Balance sheet shows deleveraging impact of IPO

Turning to the next slide, slide 17 is just a reminder that the first half was a transition period for us and that the IPO occurred part way through the period. The result was a significant strengthening of our balance sheet.

I wanted to point out that the highlighted lines here on this slide will not feature in our numbers on an ongoing basis as shareholder loans were converted to equity and equity bridge loans and associated letters of credit repaid.

Senior debt draw down reflects lower capex in 1H 2020

Turning to slide 18, to finish, I would like to talk through how the business is de-levered over the period. This was an important feature of our IPO giving the business cash and debt capacity to fund our contracted pipeline over the next few years.

On the left hand side of the slide, you can see that at the end of last year, we had gross third party debt of £855 million and cash of £50 million with a leverage multiple of 4.3 times. During the six months, we have had our business-as-usual senior debt repayments of 49 million and the one-off repayment of £230 million from IPO proceeds.

In the other direction, we drew £58 million for capital costs. Now at the time of the IPO, we put in place a £240 million group RCF and as a precaution, we drew £48 million from this facility at the start of the COVID crisis and have continued to hold those funds as cash. As a result, we end the period with gross debt of £680 million with cash of £149 million. This gives us a closing leverage of 2.8 times.

As installation activity picks up, we expect leverage levels to increase as we use cash and facilities to cover the growth in our portfolio. We are working to a plan that sees leverage levels increase to no more than four times then reduce back to a business-as-usual three to 3.5 times over the medium term. These levels are comfortably within our banking covenant requirements and below levels we have been operating with prior to listing.

To summarise then before handing back to Bert, financial performance in the first half has been resilient with revenue growth, stable EBITDA generation and increasing funds from operations during the six-month period. Back over to you, Bert.

Outlook

Bert Pijls

CEO

2020 guidance and medium-term outlook

Thank you, Sean. Now, let me take you to the last two pages of the presentation starting with page 20, which is the 2020 guidance and medium-term outlook. Before I go through that guidance, I do want to state that there remains uncertainty due to the coronavirus outbreak. If there were to be a second spike and subsequent lockdown or an increase in local lockdowns, it could adversely affect our guidance and outlook, so this page needs to be seen in that context.

Let us turn to the outlook for the remainder of this year. Firstly, we are not proposing to pay an interim dividend. Given the current uncertainty, we believe it is prudent to retain liquidity in the company at this time. We do, however, intend to stick to our dividend policy and recommend a final dividend in respect of 2020.

Our guidance for non-essential smart meter installations were suspended in March 2020 due to the COVID-19 crisis. What we are now seeing is a gradual resumption or smart meter installations in Q3 and we expect that to steadily increase into Q4 when we expect to approach the level of smart meter growth that we had previously guided to with an average in Q4 of 80,000 to 100,000 meters per month.

In terms of CAPEX per meter, we expect the average capital expenditure for SMETS2 meters to be £165, which is consistent with previous guidance. There could be potential upside if installation costs increase, which they may, and then of course that 165 number would slowly drift up and increase our CAPEX per meter. But at the moment, we are still guiding to £165.

If I look at beyond 2020, as far as the average revenue per smart meter is concerned, we expect it to decrease by a long single digit percentage per annum reflecting the changing mix of the portfolio towards SMETS2 meter installation contracts with 15-year terms.

In terms of growth, we do not expect the impact from COVID-19 to be material in the medium term. A meter that has not been installed in the last few months will be installed in the coming months. And that means that our growth is not cancelled; it is delayed. And if you express that in NPV terms, because the outgoing as well as the ingoing cash flows are delayed by the same amount of time, it has virtually no NPV impact. We would, of course, like to grow faster rather than slower but the COVID-19 impact does not seem material in the medium term.

The second thing really that is very positive for us is the turnaround in Lowri Beck. We expect it to reach at least breakeven at an EBITDA level for the full year 2021 and to make a positive contribution in the medium term. That is very helpful for the group.

And then if I look at our strategy, we continue to explore opportunities beyond the smart meter rollout. We have now taken those first steps by putting in place the EV charging installation capability at Lowri Beck.

So that is the outlook which I am confident about. I am now going to take you to the final page, which is page 21.

Conclusion

In conclusion, we are a very resilient business with a very resilient business model, with a very robust balance sheet and exceptionally strong cash flows. Based on that, I remain confident in the performance throughout the remainder of 2020. Let me break this down into the final three points I wish to make to you in this presentation.

First of all, we are emerging from COVID-19 in a stronger position than when we went in. Our pipeline has increased, more meters are protected, and we have secured a very advantageous £1.1 billion refinancing of our debt facilities.

The way I look at it is that we have controlled the controllables. We cannot control everything. We cannot control COVID. But the things we can control – our meter pipeline, our meter removal protection, our financing – all of those things, we have improved during the lockdown and during the COVID crisis.

The second point is that we have a very resilient revenue and cash-generating capability from our existing meter portfolio, and our traditional meter portfolio acts as a natural hedge. Our FFO or funds from operations have significantly increased from £55 million in the first six-month of 2019 to £73 million in the first six-months of 2020. And that just shows you the resilience of our cash flows and the annuity-like nature of our cash flows. Not many businesses have a model whereby cash generation and their cash position improves during a slowdown, but we do.

And then the last point is really exciting for us and that is that we have taken our first step towards our longer-term strategy to expand beyond metering – a small step but an important one nonetheless. We are now capable of doing EV installations and given where the country is going with the electrification of mobility, it is going to be a growth market for us. Hopefully on the back of this, our first step, we can take subsequent steps including funding and owning those assets.

So, I feel really good about the first six months of the year notwithstanding the difficult times we have had through COVID. Our teams and our employees have really been exemplary. They have worked exceptionally well remotely via video as a team, but also with our customers and suppliers and our supply chain. I am very grateful for their continued support, commitment and passion for the business. I feel good about the business going forward.

Q&A

Adam Key: Good morning, everybody. Thank you for taking the time to dial in. I hope that some of you have had the chance to view the results and perhaps even watch the presentation that we uploaded earlier this morning. This call is going to be a question-and-answer session with Bert, our CEO, and Sean, our CFO. So looking forward to hearing from you all. And with that, maybe we can go to the first question.

Chirag Vadhia (HSBC): Hi, thank you. Morning, guys. Just a few from me. I just wanted to ask a little bit more about the slight increase in contract assets that we have seen on the balance sheet and just if you could walk us through this. That is my first one. And then my second is that, you know, you have increased the percentage of smart meters that benefit from early removal protection by 2%. Could you give some more colour on how those negotiations went? Do you envision that increasing even further? And then finally just in terms of the leverage and the adjusted net debt to EBITDA expectancy four times throughout the SMIP rollout, could you just give us a thought or view on how you envision that over the year, following years? Thanks.

Bert Pijls: Thank you, Chirag. Taking the questions sort of in the order that you have asked them – one around the balance sheet, the other one around churn and the final one on leverage. On the first one, Sean, would you like to take that one?

Sean Latus: Sure. Contract assets really in effect, that is the debt is coming from the accrued interest or the accrued rental, as a result of the contracts we signed and the number of meters on the wall. That has just increased in line with business-as-usual activity purely as a result of this period compared to last period, which has got a bigger portfolio of meters in effect. So, nothing particularly on that side in terms of that line.

If you are looking at the tangible assets line, just the – to be clear on that, tangible asset is effectively the depreciated net book value of the meters on the wall. So, getting that changes over time as the portfolio grows, traditional meters getting depreciated and removed so they come down with smart meters are going up. So there are pluses and minuses in those two lines. But nothing particularly controversial coming through on those numbers. They are largely driven by business-as-usual growth in the portfolio.

Bert Pijls: Does that answer that part of your question, Chirag?

Chirag Vadhia: Yes, perfect.

Bert Pijls: Okay. Then let me just talk about churn. The percentage of meters in our total portfolio that benefits from early removal protection went up from 83% to 85%. Just a quick sort of backdrop, how we achieve that is by negotiating what in the industry is known as a churn contract with energy retailers. So it is one of the meters that we installed or if the customer with whom we have got one of our meters switches to a new energy supplier, then we need to sign a churn contract in order to get the early removal protection from that supplier. So that number has indeed gone up which we are pleased about. And that is basically, you have to negotiate with every single energy retailer and put a contract in place in order to protect that meter from early removal.

The benefit for the energy retailer in that by the way is that that will reduce their rental. We operate a risk-based pricing structure so if a meter is not protected from early removal, then we charge quite a high rental for that meter. That starts adding up as more and more customers switch to that energy supplier. They typically then contact us and say, 'Is there any way we can reduce the rental?' We say, 'Yes, you can but in return, we would like to have that early removal protection.' And that is how that happens.

So, if you look at the 2% increase, that is just us signing contracts in the industry for churn. I do expect that number to go up, Chirag. I expect it to continue to go up in the remainder of the year.

However, I do not think you can ever get to exactly 100%, and that is just because if there is a new energy supplier that starts up and you have a customer switching to that energy supplier, then of course at that moment in time, you will not have that removal protection.

So, the objective is not to get to 100 because you cannot. The objective is just to keep working away contract-by-contract and make sure you will have churn protection in place for every single energy retailer.

If we do not, by the way, that is not at all a disaster, on the contrary sometimes because we do, of course, get the higher rental. And often, by the way, we get the higher rental without any more of our meters being removed. So, there is possibly some upside, actually in not signing a churn contract on the rental but given that we are an infrastructure company, we would like to take the risk out. We would like to protect the long-term cash flows to the best of our ability. So therefore, yes, we are following up with everybody in the industry because our objective is to sign as many churn contracts as possible.

And that is really it on churn, so I am happy that it has increased and I expect that to continue over time.

And then your final question was in relation to leverage and the four times. And for that one again, I am just going to hand back to Sean.

Sean Latus: We have seen leverage come down post the IPO down to 2.8 times at the end of June. Clearly as we have not been installing the number of smart meters that we anticipated during these last six months, during that delay, we continued to collect revenues from our existing portfolio and then are not deploying that cash, so now drawing down on our facilities because we are not installing as many meters. So effectively, the leverage levels have not gone up at this point as much as we would have anticipated had we have been installing meters. But as we get back to a process where smart meter installations start to ramp up, as we go over the next few years, as we install meters, we will be drawing down on our banking facilities and deploying cash towards that growth. That will mean our debt levels will climb in line with expectations and in line with the growth in the meter portfolio. So, we do expect that leverage level to go up. We are guiding to it being no more than four times as we climb through the installation phase over the next few years.

Then as we peak out from the installation phase towards the back end of the rollout, you get to a point where actually installation starts to slow down a little bit. EBITDA is still picking up the pace. So the leverage levels will start to drop. And then by the end of the rollout, of course, CAPEX comes down fairly materially. If we are not in a rollout phase and we are still generating a lot of cash at that point, that will allow us to de-lever the business and use some of that cash to repay some of the debts.

And so our expectation is that our business-as-usual leverage level in the medium term is more in a three to 3.5 times range. But we do expect it to grow beyond that up to no more than four times before dropping back down to thee to 3.5 times as we get towards the end of the rollout and in the next few years following the end of the rollout, as we become cash generative at that point.

Bert Pijls: Okay. Does that answer your question, Chirag?

Chirag Vadhia: Thanks very much.

Sean Latus: Our pleasure, thanks.

Mark Freshney (Credit Suisse): Hi, just a couple of questions firstly on EV charging. You mentioned on the call that you could own them or finance EV charging points. Can you give us a little bit more on what the roadmap to that might be whether you would work with someone like BP Chargemaster or a utility or how you would go about that?

And secondly on the government SMIP, as I understand it, they consulted in September. They were due to finalise that earlier this year. It got delayed and then they basically almost tore it up and said we will come back to you and re-consult again in the autumn which in government parlance probably means November or December. So I was just wondering in your conversations with government, what exactly is going on there and what is it that you expect or would like to see in this new consultation that comes out?

Bert Pijls: Hi, nice to hear your voice again. I am going to tackle both. Let us start with the EV charging one. So yes, we announced that at Lowri Beck, we now have the capability to train our engineers into the installation of EV chargers. Out training centre has been adjusted in order to do that. We have all the right certifications in place and we also have also reached agreement although the contract is still being finalised with our first EV charging point operator to install on their behalf. So that is a very small step for us. Mark, it is not going to change the numbers in the short term in any big way. But it is our first venture after 18 years of being in business into assets outside of metering.

And I do believe that on the back of the Lowri Beck's capability which is currently just to install the asset but I can see that expand into servicing, maintenance and then on the back of that, funding and owning. We are at early stages. I think it is too early to say exactly what that roadmap looks like.

As far as your questions are concerned, are we talking to EV charging operators or are we talking to energy retailers? It is fair to say we are talking to both. And also by the way, the operators will be talking to – itself is talking to energy retailers and we may very well do some of their installs for the energy retailers with whom they have a partnership. So it is a bit too early to tell to give you a concrete roadmap for that.

I think it is important for us though, as a group, to have that installation and maintenance and servicing capability because I think it is on the back of that that we have a much better opportunity to get into an ownership structure similar to what we have in metering at this moment in time. If we were to just offer funding, then in some ways you are competing with bank funding which is always hard. But now that we have Lowri Beck in the group, we have a really important capability that we can bring to bear for our customers in these assets. So it is a first step. We will of course keep reporting going forward. It is not going to make a difference in the short term at a group level. It helps Lowri Beck obviously at the margin because the same engineers that install a smart meter will also install EV chargers. So the income of that is really at the margin because you do not need a second van and you do not need another engineer. So if in addition to the smart meter installation engineers can also do a few EV charging installations, that revenue is really at the margin which is great for us and will help Lowri Beck with its profitability.

But for us, the more interesting bit is really this is our first step. It is fair to say the market is getting ready, I think, for a more significant rollout of EV charging infrastructure. That is on the back of the government's commitment to the electrification of mobility. So we see this clearly as a growth market for us beyond metering and this is our first little step in that regard. But very, very pleased that we were able to do that during COVID by the way. So whilst we were all in lockdown, we did this nonetheless.

As far as BEIS is concerned, I will give you my views. There are some subtleties to it. So first of all, if you look at what actually really happened, at some level, all (in inverted commas) that has happened – but there are some subtleties to it that I will get to later – because everything got delayed by sort of six months. The consultation that you referred to was supposed to end in the second quarter of this year. It has now been postponed to the fourth quarter of this year. The existing regime was supposed to end at the end of this year. It now ends at the end of June next year. And the expected end date of the SMIP, which was December 2024 has been postponed by six months to the end of June 2025. So at some level, that is all (in inverted commas) that has happened but there are some subtleties to it.

The BEIS when it started its consultation last year mentioned its commitment to a full rollout and it has still done that in the recent announcement. However, at the end of last year, they mentioned an 85% sort of target because it is impossible to get to exactly 100% at the end of the rollout. There has been some pushback in the industry on that, pushback everything from what is the starting point. So the – the new regime is going to be more onerous, I believe, on energy retailers so there is a bit more pushback because they do not want to get caught out and get sort of stuck with targets that are unachievable or wrong and then risk getting fined.

There is also a pushback from the industry back to BEIS to say you need to make life easier for us. So if it was possible to mandate the roll out of smart meters, that would be very helpful. Is it possible to price differently for a smart meter versus a traditional meter because ultimately, having two different sets of systems, traditional meters and smart meters, will add to the overall cost. So why shouldn't we be able to charge for example somebody who insists to keep their traditional meter? Those conversations are taking place.

And for me, that pushback just shows that the new regime is going to be tougher than the old 'all reasonable steps' regime which is in place at the moment. Where that will end up, of course, remains to be seen. I am encouraged by the fact that the government has reiterated its commitment to a full rollout of smart meters. Especially before all this COVID stuff kicked off, climate change was probably the number one item on the agenda, and I think it still will be when we come out of this COVID crisis. So the commitment from the government remains there.

Another angle into this from me is some subtleties in the wording. Up until now, BEIS has never ever considered mandating the rollout of smart meters and it is not suggesting at the moment that it does it sort of unilaterally. But for the first time, it is proposing in some circumstances that a smart meter can be mandated. And that is sort of threshold crossing [inaudible] even though it is only a very, very small percentage at the moment which I think is quite interesting to see because they had never ever really gone there.

And then when I look at it on the other side and I look at the clients who we speak to, I speak to, of course senior executives in the utilities sector, everybody is just ramping up. Everybody wants to hit the ground running as hard as possible coming out of COVID. Nobody wants to have stop-start, stop-start moments in their rollout. Putting in place a smart meter installation machine, because that is really what it is, takes time. It takes effort. You cannot turn it on and cannot turn it off again.

So the industry really wants a steady rollout. It is a bit like an oil tanker, right? It takes a bit of time to get up to speed and then you just need to let it sail in a straight line. That is what the industry really wants. That is what they are pushing for. So the guidance has been postponed. Exactly what will come out in terms of the percentages remains unclear. But the government has not deviated yet from the 85%. By the way, the 85% is very consistent for several years now in what they have said. It should be achievable. There are energy retailers out there that already have a penetration of smart which is north of 70%. So it is not as if it is impossible to get these types of numbers.

But we have to wait and to see until the end of the rollout. For us, we keep doing what we are doing which is talking to our customers and installing meters. We had an encouraging start, by the way, in July with the resumption of smart meter installations. But I am not overly worried that the government is suddenly going to completely change its tack on this front. It has reconfirmed its commitment. It is hard to see how you cannot if you are serious about climate change, so we remain confident in the medium term growth in smart meters. So Mark, does that answer your two questions by the way or have you got any follow-up questions?

Mark Freshney: Perfect, thank you very much.

Bert Pijls: Yes, my pleasure, Mark.

James Allen (Liberum): Hi, guys. Just on appointments, I was just wondering how you have seen appointments ramping up so far since you started at the start of July to look to install smart meters again because obviously that is an indicator of how your installations are going to go over the next few months with the appointments being booked in advance.

Bert Pijls: Yes, that is correct.

James Allen: And then the second question related to that, have you seen much pushback from customers when trying to book the appointments and are you seeing any particular regions which are being put back into lockdown like Greater Manchester and places like that? Were you finding it difficult to book appointments because of that?

Bert Pijls: So there were several questions in there. The first one with appointments, it is fair to say that before the formal end of the lockdown, which I believe was, if I recall correctly, 4th July, we started making appointments. So did the industry by the way, not just ourselves, right? And that went okay but after the sort of easing of the lockdown, at that moment in time, the level of appointments has increased. And we, as well as others in the industry, are sort of getting back to more normal levels, probably, of appointment setting.

Interestingly in that context as well, James, is of course that the number of aborts that we see as a result of a customer not being present is much lower than before the COVID crisis because everybody is at home. And that is a benefit.

So at the same time, there are probably still some people out there who would rather not have a stranger over the threshold. All I can say is that we have seen so far in July has been encouraging and that is both directly for us as well as the other partners we work with in terms of installation and the energy retailers themselves. And then what were you saying? There was a second element to your question.

James Allen: Yes. It is just, are you seeing any difficulties with booking appointments than before in certain regions?

Bert Pijls: Not at the moment. Of course, the biggest issue for us really with these local lockdowns is the possible impact that it has on consumer confidence. We have not seen any of that yet, I have to say. But in all honesty, it is may be too early to tell, right, because we had Leicester and now we have got Manchester for example. It is too early to tell whether that will have an impact or not. At the same time, I have not, to this day, seen any impact of that. So fingers crossed that it will remain like that but you will have noticed that we have restarted our guidance on smart meter installations for the reminder of the year. There is a bit of a health warning on there because obviously if we do get into a proper second spike and subsequent lockdown or if there are a large number of local lockdowns, then that will have a negative impact on that guidance. But if things stay as they are, then I am actually optimistic as far as the remainder of the year is concerned vis-a-vis what happened in the first six months. So we are seeing a gradual resumption. And into Q4, that should go back to an average number of meters installed per month of between 80,000 and 100,000 which given everything that has happened this year is the number that we feel good about.

James Allen: Brilliant, thanks very much.

Bert Pijls: My pleasure, James. Thanks for the question.

Dominic Nash (Barclays): Good morning. So, two questions from me, please. The first one, I think in your results, you mentioned the pool of uncontracted meters is shrinking or has shrunk over the last 12 months. I think when we had that 11.2 million target of contracted and meters already under installation, I think we had a pool of about 5 million.

Bert Pijls: That is correct, yes.

Dominic Nash: Is it possible to give us an update of where that pool currently sits in your view?

Bert Pijls: Yes, was there another question, a second question?

Dominic Nash: Yes, there is. The second question I have got is on Lowri Beck. It lost £4 million I think in half one on an underlying basis. What would these losses have been without the furlough scheme? I think you said it was about like over 5 million or so. And can you give us guidance on what you think the EBIT loss range will be in 2020 on that division, please?

Bert Pijls: Yes. So I am going to start with the pool of uncontracted. You are right, about a year ago, we had a pipeline of 11.2 million meters. At that time, there were – according to the market data that we had based on external help because we had advisers give us those numbers – we felt at the time that we would get our fair market share of that which at the time I believe was 22%. So at the moment, I have not rerun that data. So I do not know exactly how that 5 million has evolved over time. What I, of course, can see is that we have gone from 11.2 to 11.9 so that is very helpful.

If I look at our business development activity, we are more working on contract extension with existing clients than new contracts. Not all of our clients sort of farmed out 100% of their rollout in their initial tenders. So there is a tail. We are negotiating for that tail and if and when we do that, then our number will continue to creep up. So we are engaged in several conversations. And the moment I have more to say on that, then of course I will.

I remain optimistic though that we will achieve this sort of our fair share of the uncontracted market that we spoke about, about a year ago. So on the back of the envelope, if you say 20% of 5 million is a million, 11.2 plus 1 million is 12.2. We are currently at 11.9. We are involved in conversations, but I remain optimistic on that.

What was your second question again?

Dominic Nash: Yes, it was basically on Lowri Beck trying to sort of work out what the actual...

Bert Pijls: It is difficult to sort of say what would have happened if. What I can say is we had a very encouraging start to the year actually at Lowri Beck and that was before COVID hit. And then COVID made us rethink. COVID has had an impact on that business. We did take furlough and that is ultimately led to our decision to plan a restructuring which we announced a few weeks ago.

We flagged – Sean, help me out here – before COVID, we had flagged a marginal sort of negative number for Lowri Beck for the year. I don't know if we disclosed at that time what that was, Sean?

Sean Latus: We did not. We said we were expecting it to continue to be loss making in 2020. I mean, I am happy to help with a bit of guidance on that Bert if you wish...

Bert Pijls: Sure. If you want to take that one, sure. Go ahead.

Sean Latus: Just covering your two points, Dom, we did take £5.8 million in furlough money in Lowri Beck in the first half. As Bert said, if that furlough scheme had not been in place, we would have had to curtail the number of employees in that business and look at those resources in a different way. But fortunately, the furlough scheme was in place. That has allowed us to keep more people in our business than we might otherwise have had to have done had the furlough scheme not been in place. So that has been good that the government has put that in place because it allowed us to keep more employees in place.

Guidance for 2020 as a whole in Lowri Beck, I think all I can say at this point is we would probably expect the second half to be similar to the first half at this point. We are doing a restructuring. We are making changes but clearly, the business has still got to bounce back out from the current COVID close down. So that is coming back online. We are starting to see activity pick up as we said. But our expectations are second half for Lowri Beck would probably be similar to the first half.

Bert Pijls: Yes. And as far as Lowri Beck is concerned by the way, Dominic, about half the employees, just over half of the employees that we did furlough in the beginning have already returned back to work. And we will see a gradual continuation of that over the coming weeks as the smart meter rollout starts ramping up again. And that also means then of course that we get revenue rather than furlough payment.

Dominic Nash: Okay, thank you.

Bert Pijls: My pleasure, Dominic.

Mark Freshney: Hi, thank you. Can I ask on the proposed dividend, it is a very small opening dividend, the first year 7 million less of course – adjusted for the number of trading days, should I say? Would you consider not paying it given the sensitivity surrounding paying dividends, and also accepting the furlough scheme? Thank you.

Bert Pijls: Yes, thank you, Mark. On that one, our guidance has not changed from the IPO. So that is the decision we made at the board when we through the half yearly results. We did of course not pay, plan to pay an interim [dividend]. Mind you, that would have been a really small amount anyway, Mark. But the uncertainty currently that still is out there with COVID just would be the wrong thing to do.

I am fully aware of the debates, so is the board, that are going on about whether it is morally correct to pay a dividend when you have taken furlough payments. Let me just say that the board is fully aware of that responsibility and we will have to cross that bridge at the time when we make the final decision on dividend based on the full year results. It is too early to pre-judge that and that is why we kept the guidance as is. It is not a large amount, you are right. At the same time, we want to be a good investment for our shareholders and therefore the discipline to pay a dividend every year is something that we would like to adhere to. But the board is going to have to make that decision towards the year end, Mark. Sorry, that is a bit vague but that is just the way that it is. But the decision now, at least, is we did not, we are not going to pay an interim dividend.

Mark Freshney: Okay, thank you very much.

Bert Pijls: Thanks, Mark.

Chirag Vadhia: Hi, thanks again, guys. Just two quick ones. Just on the low single digit revenue decline that you have guided for, if smart meters churn, can you start to see this revenue decline to start to increase a bit, so see revenues increasing slightly? And then secondly, just you have increased the time one needs to start to accrue or pay the MPC [meter provision charge] from 90 days to 180 days for your customers. Could you give more detail on that and how those conversations went?

Bert Pijls: Yes, let me start with that one and then I will pass over to Sean to talk about the average revenue per meter trend going forward. Look, as far as when the crisis hit, we wanted to help our customers, right, because I think you have to be close to your customers when the going gets tough. And so we helped them a lot with their inventory really because when you stop installing meters and there are still sort of meters in containers and on trucks and planes coming into the UK and your inventory increases. So we helped them a lot with managing that inventory, warehousing that inventory, reducing the number of orders. We have got daily contacts with all of our customers.

But also, we wanted to help them with the financial impact of that inventory because as you are right, normally we start accruing a rental after 90 days. We have decided that all the orders, for certain orders and certain meters that we have in inventory, we have temporarily increased that from 90 days to 180 days. So this is not, to be really clear, an across the board increase from 90 to 180. This is a COVID-only measure to help our customers which was exceptionally well received, particularly because we made that offer proactively and they did not have to ask for it. And I think that is what good customer relations really are all about. And that is important because those are the same customers with whom we want to negotiate contract extensions. So we need to do the right thing.

That is really what happened. That has had a small cost associated with it, small in terms of if you compare that to our total EBITDA number. I cannot disclose what the number is because it is actually quite commercially sensitive. Suffice to say that that number is included in the results. And of course now, those meters are starting to get to the end of the 180-day period so they will start to accrue rentals. But then again, we started installing smart meters again so that problem should solve itself over time.

So it has been well received. It is a good thing and it shows you hopefully that we understand how to manage customer relationships for the long term. And then I will hand over to Sean to talk about the sort of trend in average revenue per meter. Sean.

Sean Latus: Thanks, Bert. Average, we have guided previously to average revenue per smart meter dropping by low single digit percentages on an annual basis and that is driven by the change in mix of the portfolio. So historically, we sign smart meter contracts under ten-year rental terms. And latterly, we started signing contracts for 15-year rental terms. Our contractual protection for those meters is over a longer period of time so we are contracted for a lot longer period to get that revenue in. And in an absolute sense, we will collect more revenue over 15 years than we would have done over 10.

When you spread the cost of the asset out of that longer period, the rental per meter is actually lower on an annual basis. And just as that mix in portfolio will change over time, so as we start to install more meters on 15-year contracts, that will water down the impact of the existing portfolio with 10-year rentals. That is what is pulling the revenues down by small percentages.

In that forecast, we are also taking into account in that assumption the level of churn that we see in our portfolio. So we have a reasonable view on how much churn we see in the portfolio. As we have talked about before, when a meter churns, it churns to somebody on a contract. We do see generally a small premium for that meter because the contractual terms are not identical to the primary terms. So we are risk adjusting the rentals. So we do see a small premium for those assets. That does have a positive impact.

Clearly, if a lot more meters churned than we anticipated, that would be positive for revenue. But we do, in that small low digit percentage, we are taking into account an assumption on the level of churn that we will get over the next few years.

Chirag Vadhia: Perfect, great. Thank you very much.

Bert Pijls: Thank you.

Dominic Nash: Hi, there. Apologies, a follow-up question for me. In your results and I think in your presentation, you talked about the installation cost potentially going up from £165 per meter.

Bert Pijls: Yes.

Dominic Nash: I think the PPE cost might be going up because of PPE. Could you give us some sort of colour as to why the installation cost is going up and what sort of ranges we could look at? And then a sort of quick follow up on that is, are you able to pass that increased cost through to your customers or is that a cost borne by yourselves?

Bert Pijls: Hey, Dominic, Bert here. Let me just tackle the last one first. And yes, we are able to pass that on. So, when the cost per meter increases be it through the equipment cost or the meter installation cost, then in simple terms, the new rental will reflect that. So if the £165 were to go up, then the rental for that meter will also go up, of course not for the meters that have already been installed because they did not have that cost increase. But yes, we can pass that on. And on the Lowri Beck side by the way, if it were to happen, we would pass it on as well and then all of it gets wrapped up in the rental.

The reason for that is really twofold. So first of all, there is more uncertainty because of COVID. It may be that as we continue through this that installation, it takes longer to install a meter because of the safety precautions you have to take to enter and exit the property safely. You need to have the extra PPE. The customer needs to step away. There is a different protocol from entering a property which may take longer. And ultimately, you have the cost of an engineer per day. And if as a result of the fact that an installation takes longer, an engineer does ever so slightly fewer installs than normally, then to make up for that, you have to increase the price of the installation.

That, I think is one of the reasons that we may see that tick up. Whether that will happen or not, Dominic, I actually don't know which is why the base case guidance is really still the £165. Just wanted to flag that there is a possibility that it may and if it does that £165 will slowly creep up, not going to make massive changes suddenly from one day to the next. And if that happens, our rentals will increase accordingly.

Dominic Nash: Great, thank you.

Adam Key: So we have got two sets of questions from the webcast. The first from Matija Gergolet at Goldman Sachs. And his questions are "I would like to ask about your recent refinancing and recurrent financial charges. What is the guidance for financial charges for the year? Also going forward, you are guiding for a cost of debt of 2.5 to 3%. Is this a 'all-in' cost of debt or should we take into account also further financial costs and what will they be?"

And then secondly, "could you provide any update with regards to potential entry into new business lines either in the UK or internationally?"

Bert Pijls: Adam, thank you and thanks for asking the question. I will hand over to Sean to talk about the impact of the refinancing and then I will talk about our ambitions in entering new business lines.

Sean Latus: Sure. On the financial guidance, financial costs, if we are talking specifically about the refinancing, there is a slide in the appendix of the presentation that gives the full impact of the refinancing. In the second half, there will be a number of specific items that will need to run through the P&L as a result of refinancing for example such as breaking out of the existing hedges, repaying or effectively putting through the P&L the capitalised debt issue costs. But there is a full breakdown of that second half on slide 27, I think, in the appendix.

The interest cost that we are now guiding to should be used as your assumption on the all-in cost of group finance. So that is the new guidance we are giving for the all-in cost of funding for the business as a whole.

Bert Pijls: So that is the answer to the first question. The second question was about new business line. Our ambition in that regard has not changed really since the IPO. So if you look at our growth strategy, it always had three legs and still does. The first one is really to maximise the opportunity in smart meters in the UK and that is a combination of growing the pipeline and subsequently installing the meters.

The second one is to branch out into different assets. Typically, by the way assets that if you think about it, you almost plug into a meter. We have now made our first foray into EV charging although not with a funding and ownership model. But with an installation model Lowri Beck which I believe will open up opportunities for us in the future to start funding and owning those assets in a model which may be similar to the model that we currently have with smart metering so I am encouraged about that.

There may be opportunities in the future also with residential battery storage. But I think it is a bit too early for that to be – the 'per battery' economics do not work. The cost is still too high. It only really makes sense, I think, at the moment when you have it linked to EV. If you do not, very difficult to see how a residential battery economically could make any sense. But battery prices are falling and there will come a moment in the coming years probably where you get to that inflection point and then actually, yes, you could install batteries in a way maybe similar to what we are doing today with metering.

Again, if that were to happen, you will need somebody to install the battery, maintain the battery, service the battery. That is one of the reasons why Lowri Beck is a strategic acquisition for us. It is important for us to have those skill sets in the group.

The third ambition we have is to grow internationally. Smart meters as you know are not a UK phenomenon. They are being rolled out globally. A lot of markets in the world are not really for us and that is because the regulatory environment is very different. And often, it is the networks that install smart meters and they could dominate a regulated asset base, very difficult for us to compete with that. But there are some markets that are more akin to the UK, Australia being one, New Zealand being another. And who knows, maybe Germany one day will go in a similar direction.

The COVID crisis in this regard hasn't really helped because it has been impossible to travel. And everybody is managing their own sort of fall out from the crisis. So on that last point, that has probably gone a bit further back to the backburner but it is still an ambition that we have. I am, however, happy that despite COVID lockdowns, we have made our first steps albeit small into EV charging.

Adam, any other questions?

Adam Key: Just one more set of questions and these come from Giles Wadman from HSBC. "On Lowri Beck, how far through the restructuring are you? And how many are in the field now installing? And then what are the prospects of new contract wins?"

Bert Pijls: On Lowri Beck, we are still in the consultation period, which should end in the coming days. But that means that I cannot really say anything about the outcome of the restructuring because we have not finished consultation yet. It is fair to say that that has moved along as planned. So, there were not any major surprises coming out of it or any hiccups. And I hope that in the coming days, we can finalise that.

And then at that moment in time, the employees who are regrettably, very regrettably affected will leave the business. And that means then at that moment in time, also we get the benefit on an ongoing basis coming through our P&L.

As far as installations are concerned, we have about half of the engineer workforce back. So that would be probably about 150 people at the moment that are currently doing installs. And we are spending a lot of time bringing them back in a controlled manner. There are two reasons for that.

The first one is health and safety, not just COVID-related but our engineers deal with live gas and live electricity who have not done a single meter installation for four months. You have to make sure that people are ready to come back to work. So, a scenario whereby one day that all the employees come back at the same time is not feasible for that reason alone. And therefore, we have a gradual coming back of people. Every week, more and more engineers are coming back doing meter installations for us. And what was the second part of that question again, Adam? There was another question related to it.

Adam Key: It was "what are the prospects of new contract wins?"

Bert Pijls: I do not know if that is in relation to Lowri Beck or is this in relation to Calvin. I will answer both. On the Lowri Beck side, everybody is looking at re-entering smart meter installations. Lowri Beck has a very highly qualified smart meter engineer workforce. So there has been some demand over the last few months. And therefore, we hope to continue to sign installation contracts. And that is helpful because that creates density for the engineers which in itself drives the profitability on a per FTE level.

And then as far as Calvin is concerned, the focus at the moment is probably more on extending existing contracts. That does not mean that we are not talking at all to new customers, but they tend to be smaller. The bigger customers have already moved but there are still some meters with big clients including our clients that are up for grabs because not everybody tendered 100% of their portfolio the first time they did the tender. So those conversations are going well. And I expect in the remainder of the year to give you an update on that. And that in turn, linking this to Dominic's question I believe, will lead us to achieve the guidance we gave a year ago in terms of the share that we would get from the uncontracted market. So, I am happy that we went from 11.2 to 11.9 and I am sure there is a bit more to come over the coming months. But we will let you know once that has been done. Anything else, Adam?

Adam Key: There are no further questions from the webcast.

Bert Pijls: Shall I just wrap it up then maybe if I may, Adam?

Adam Key: Please.

Bert Pijls: By the way, first of all, thanks everybody for participating and thanks for your questions. It has been, of course, an eventful first half of the year for us starting with the IPO and then subsequently, almost immediately having to deal with COVID. But I think we did well, given the circumstances. We have controlled what we can control. You cannot control everything, but you should control what you can control and we have done so.

Our pipeline has increased. The number of meters that benefit from removal protection has increased. We have done a major refinancing. It is a large one, £1.1 billion. That is going to give us recurring benefits. I also think it is really important to note that we did this successfully during the COVID crisis with, what is it Sean, eight new lenders in total coming into the business.

Sean Latus: Yes.

Bert Pijls: Many of them institutional who had never lent to us before at historically low interest rates. And it just shows you the support that this business has from its lenders, it's a really big deal. So that is another thing that we [inaudible]. So I feel that we have done everything we can in the last six months to use this COVID period to strengthen the business and get ready for a resumption of hopefully a normal situation, whatever that may look like coming out of COVID.

We have accelerated the restructuring at Lowri Beck, on track to be EBITDA breakeven next year and a positive contribution for the group in the medium term. That is great.

I am excited about the small step we made in EV charging. Again, it is not easy to do that when you are in lockdown and people cannot meet but we have done it, nonetheless. So overall, I feel good about the first six months of the year. Our financial results clearly demonstrate the resilience of the business, the business model, the robust nature of the balance sheet and what I would say exceptionally strong cash flows. Not many businesses could go through a crisis like this and actually strengthen their cash position, but we have. And that is sort of the resilience of our business and that gives me, therefore, confidence for the remaining six months of the year. And I would leave it at that for now, Adam. And again, thank you very much all for joining and for asking your questions.

[END OF TRANSCRIPT]