FY21 Interim Results

November 2020

Utility Warehouse | TelecomPlus

Profit & loss (£m)

	H1 FY21	H1 FY20	Variance
Revenue	**349.4**	353.2	(1)%
Gross Profit *Gross margin*	**82.6** *23.7%*	79.3 *22.4%*	4%
Distribution expenses *% of revenue*	**(13.5)** *3.9%*	(13.2) *3.7%*	2%
Administrative expenses *% of revenue*	**(40.9)** *11.7%*	(38.4) *10.9%*	6%
Net interest & other income	**(0.6)**	(0.2)	
Profit before tax (pre amortisation & share incentive costs)	**27.7**	27.5	0.5%
EPS (pre amortisation & share incentive costs)	**28.6p**	27.5p	4%

Distribution and Administrative expenses, PBT and EPS are adjusted to exclude share incentive scheme charges (£0.6 in H1 FY21, £0.7m in H1 FY20)
PBT and EPS exclude amortisation of the energy supply contract intangible asset (£5.6m in H1 FY21 and H1 FY20).

Balance sheet (£m)

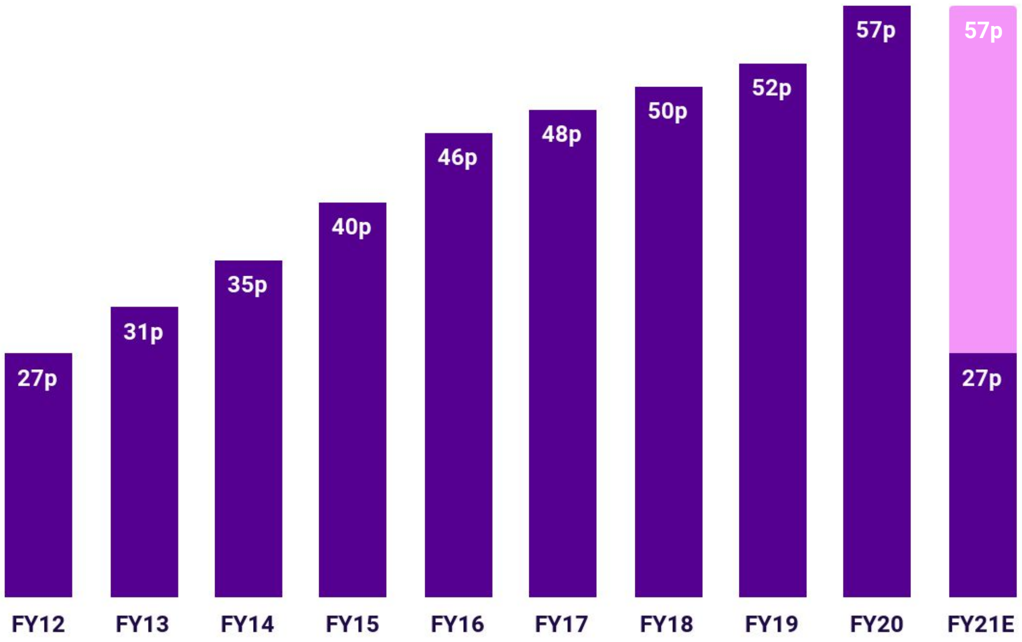
	30 Sep 20	30 Mar 20	30 Sep 19	Var vs 3/20
Fixed Assets	**45.4**	46.2	43.4	(0.8)
Non-current assets	**198.3**	198.2	197.4	0.1
Net current assets	**18.4**	36.9	20.3	(18.5)
(Net Debt)	**(46.1)**	(59.4)	(40.7)	13.3
Total	**216.0**	222.0	220.3	(5.9)
Share capital	**4.0**	4.0	4.0	-
Share premium	**144.6**	143.9	142.4	0.7
Other reserves	**(7.0)**	(7.0)	(6.9)	-
Retained earnings	**74.5**	81.1	80.9	(6.6)
Total	**216.0**	222.0	220.3	(5.9)

The impact from the IFRS 16 leases accounting standard on fixed assets and net debt in Sep 20 is £3.2m and £(3.2)m respectively (£3.4m and £(3.4)m in Mar 20; £3.6m and £(3.6)m in Sep 19)

Cashflow (£m)

	H1 FY21	H1 FY20
Operating profit	**22.6**	21.9
Depreciation & Amortisation	**9.7**	8.7
Working capital movement	**15.8**	7.0
Taxation	**(5.9)**	(11.1)
Capex	**(5.3)**	(3.8)
Dividends	**(23.5)**	(21.1)
Interest & fees	**(1.1)**	(1.1)
Debt drawdown / (repayment)	**(15.7)**	9.5
Other	**1.3**	1.4
Increase / (decrease) in cash	**(2.2)**	11.4

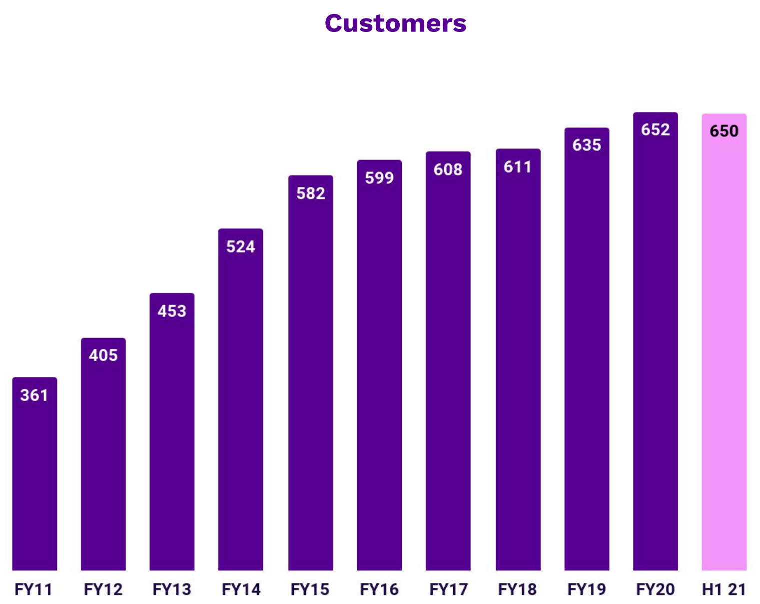
Full Year dividend

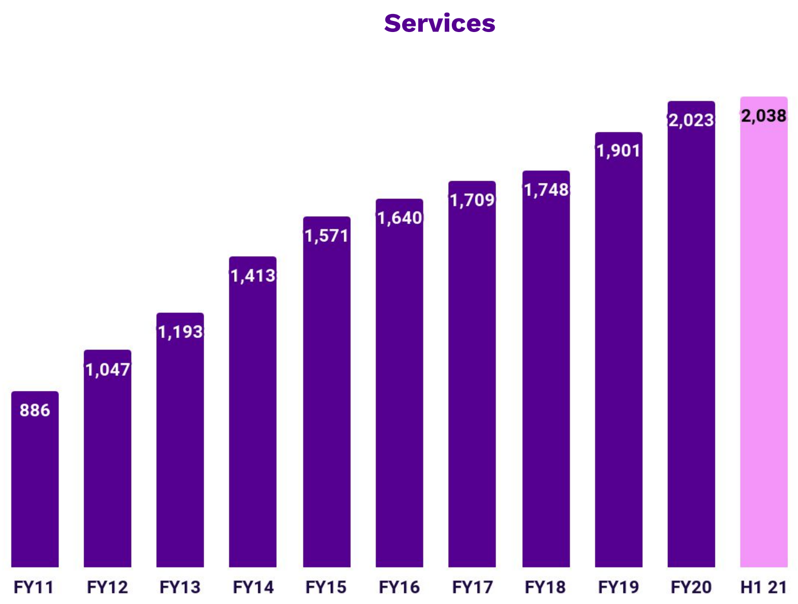


Operations review & outlook

Utility Warehouse | TelecomPlus

A temporary, covid-induced pause in growth...

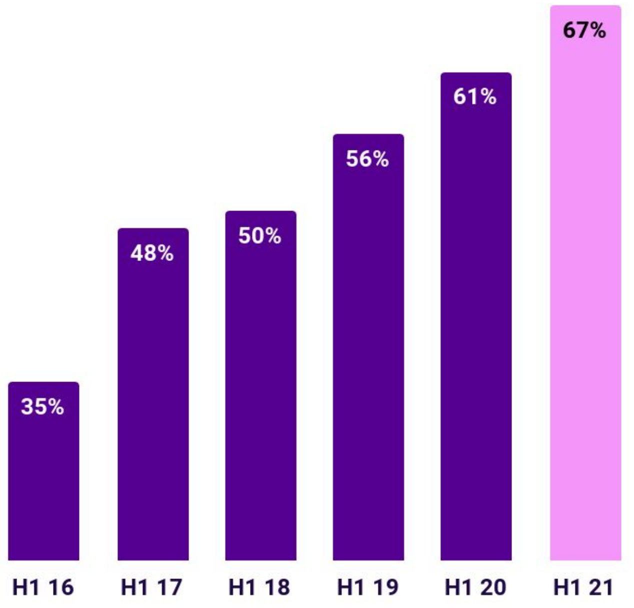




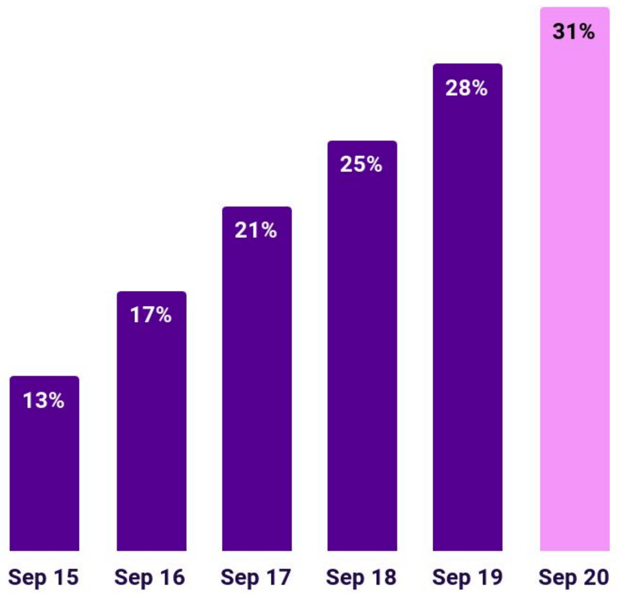
Figures in thousands, excluding TML.

Further improvements in quality

% new customers switching all three core services to us



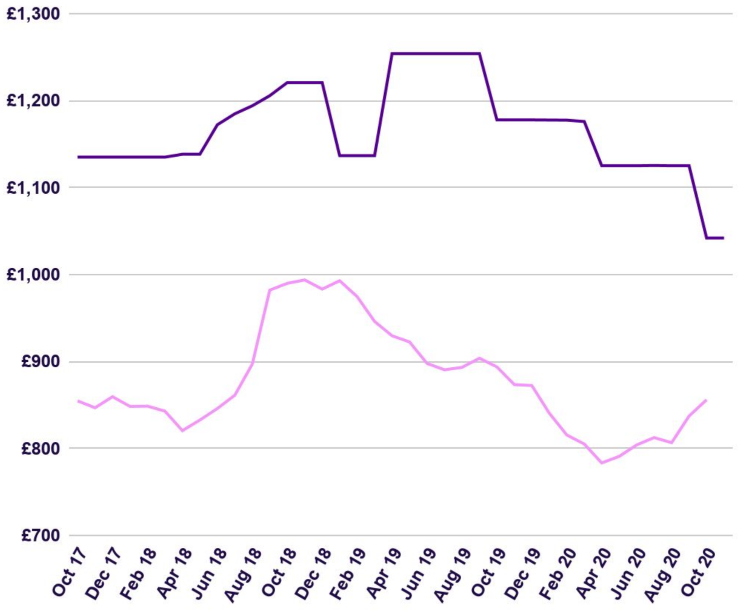
% of customer base taking all three core services from us



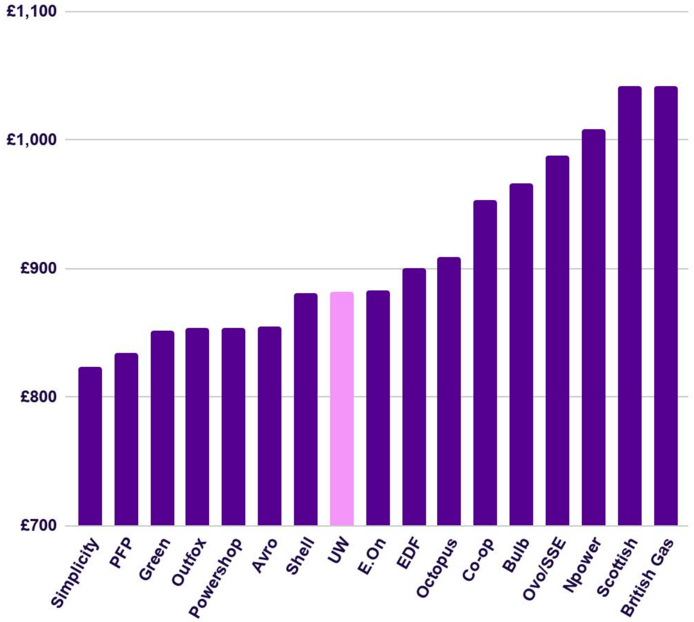
'All 3 core services' means energy, broadband and mobile. This excludes insurance which is not available at sign up. % of customer base relates to our residential customers only.

Energy retail market dynamics

Impact of October Price Cap on market delta



Current market pricing



Price Cap / Big 6 av Standard Variable Tariffs in dark purple; Average of 10 cheapest tariffs in market in pink. Assumes Dual Fuel & Ofgem's typical medium domestic consumer profile. Source: Ofgem. Energy pricing as at 09.11.20, UW includes Daffodil savings.

Telecoms & Financial Services

Improving service offerings across all services

Mobile

- 5 year MVNO extension signed with EE
    - significantly improved commercial terms
- Multi-sim, unlimited data tariff launched in September
    - material incremental profit opportunity

Broadband

- Temporary uplift in fixed line call volumes in lockdown
- FttP - Full Fibre proposition
    - launching nationwide during H2

Financial Services

- FCA Insurance Broker Authorisation received in October
    - greater flexibility on selling policies in future
- FCA intervention re 'price walking'
    - renewal pricing must align with new business pricing

Outlook

Healthy and improving

Upward growth trajectory resumed

- Team Purple firmly ‘back on their feet’
- Improved energy market dynamics post Oct 20 Price Cap review
- Important Telco/Financial Services developments in H2

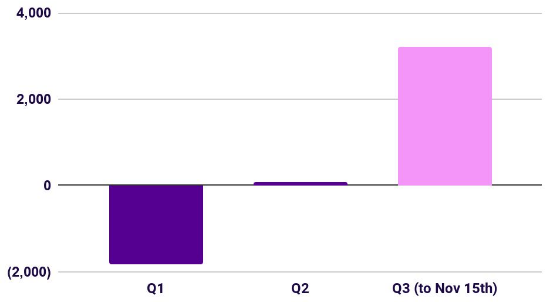
Momentum building within Team Purple

- New Partner recruitment at record levels
    - increased economic pressure
    - flexible income opportunity
- Ongoing adaptation of the model to meet this demand
    - remote appointments now the norm
- Will emerge from covid with a significantly improved model

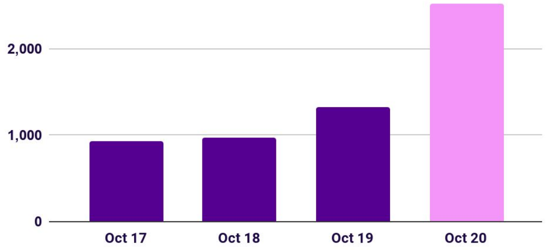
FY21 guidance - unchanged

- Continued uncertainty due to social distancing restrictions
- Customer / service growth   low single digit %
- PBT   ‘marginally below’ FY20 PBT of £60.8m
- Dividend   maintained at 57p

Net customer growth



Partner recruitment



Our strategy - driving organic growth

Doubling the size & profitability of our business over 5 years

Increase customer growth	**1. Scale Team Purple**	• Meet rising demand for flexible, gig-economy style income	
	2. Enable Team Purple	• Make it easier to be a Partner through investing in tools	- **MyPlanner app**
		• Simplify customer proposition to improve referability	
		• Open up significant additional multi-service markets	- **Tenants (PAYG)** - **SMEs (in due course)**
	3. Supplement Team Purple	• Increase ARPU through systematic upsell campaigns	
Reduce churn	**1. Drive multi-service penetration**	• Segmented upsell marketing campaigns	
		• Rationalise retail bundling proposition to drive multi-service	
	2. Improve customer experience	• Frictionless digital self-service experience	
		• Remote working - increase staff retention	

Our strategy - further growth opportunities

Recent expansion into additional markets offers significant upside

	Financial Services	**Boiler installation**	**Home Services Team**
2020	• Home/contents insurance • Boiler cover & servicing • ~£50+ annual commission per policy • 30k policies (90% renewal rates)	• Acquired Glowgreen in 2018 • Grown from 250 -> 800 boilers pcm • £700 gross profit per installation • Now profitable (in FY21)	• 300+ smart meter engineers • Nationwide coverage • Installed 10% of all smart meters in the UK YTD
2021	• Increase penetration by bringing into the core UW multi-service proposition • Leverage authorised broker status	• Expand national network of 1,000+ self-employed engineers • Initiate campaigns to UW customers	• Continued UW smart roll-out • Seek to exploit significant opportunity from installing for third parties *-> £10m annual profit opportunity*
2025	**Scaling Financial Services** • Additional personal lines launched • Motor; travel; pet; life • At 200k policies *-> £10m annual profit opportunity*	**Leveraging the UW customer base** • Further organic growth under the Glowgreen brand • At 40% conversion of UW customers *-> £10m annual profit opportunity*	**Unique multi-disciplined field force** • EV charger / solar / battery installs • Broadband & wifi support ('solving all your home connectivity issues') • Gas boiler/heat pump installation and servicing

About us

Utility Warehouse
TelecomPlus

All your home services in one

650,000 households taking over 2m services

Energy

Broadband

Mobile

Insurance

UW at a glance

As at year end 31/3/2020

Customers

- Households supplied 652,000 (+3%)
- Services supplied 2.1m (+9%)
- Multi-service penetration

  % of customers taking Energy, Broadband & Mobile
  - new customers >60%
  - existing base 30%
- Churn

  Market leading low levels 14%

Partners

- 45,000+
- >1,000 joining each month

Financial highlights

- Revenue £876m (+9%)
- EBITDA £67m (+8%)
- Dividend yield 4.1% (+10%)

Revenue

- Split 80/20, energy/telco

Gross margin

- Split 50/50, energy/telco

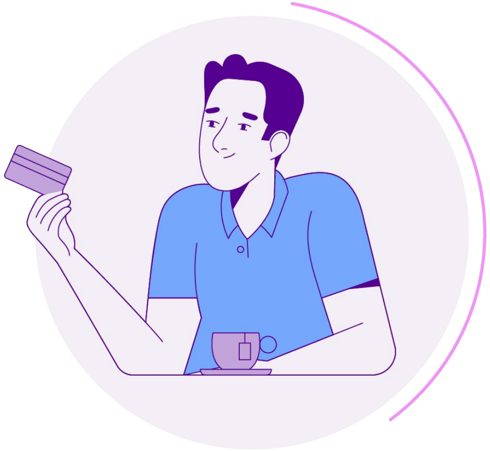
UK Markets

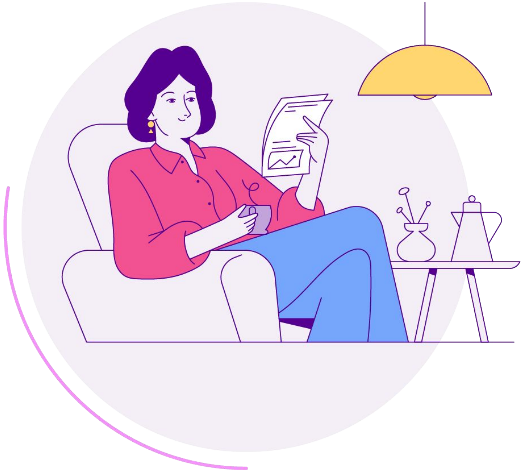
- <2% market share in both energy and telecoms
- Addressable market: £50bn+ revenues
- Significant opportunity to expand insurance book

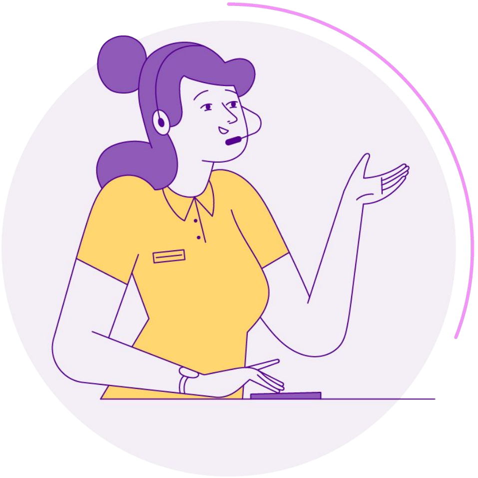
The UK’s only multi-service provider

Why customers choose us

To forget about their utilities







Savings

The more services you take, the more you save

Simplicity

Helping you keep track of your household spend with one monthly bill

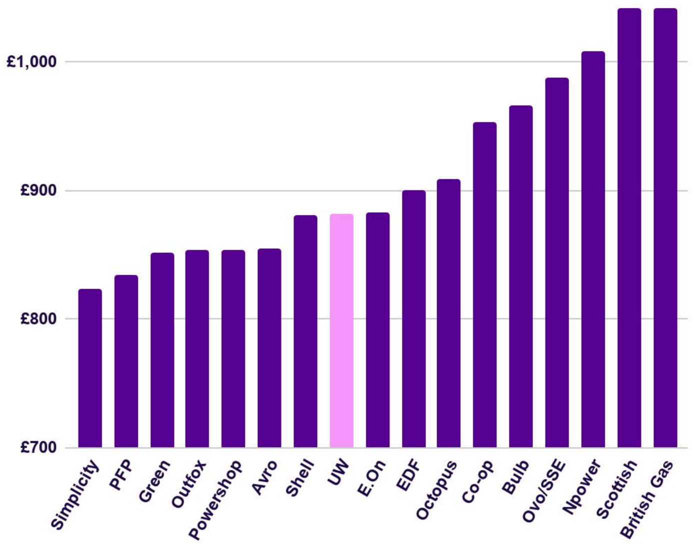
Service

Award winning customer service from our UK-based team

Savings

Long-term, fair pricing

Energy



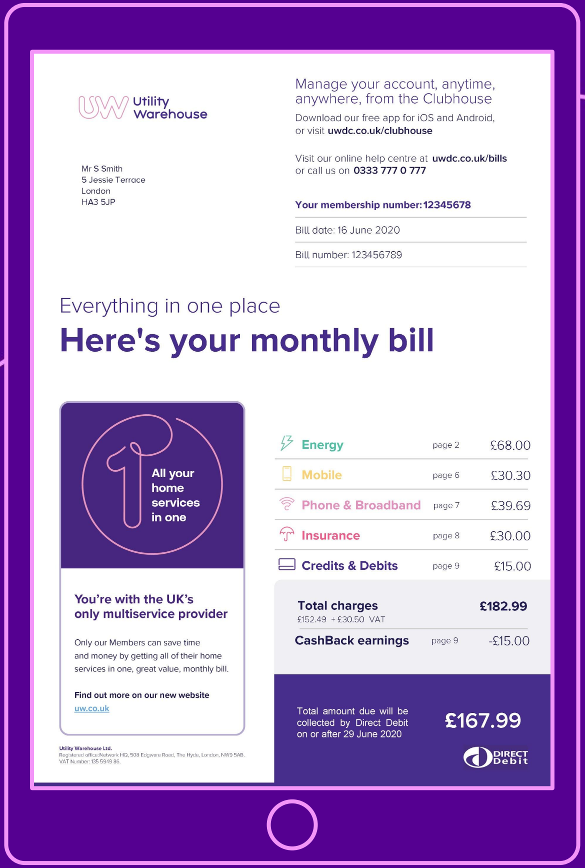
Broadband

	Tariff	Fixed monthly cost	Expected annual costs
UW	Double Gold Ultra	£29.99	£666
TalkTalk	Faster Fibre	£29.95	£732
sky	Superfast	£32.00	£764
Virgin media	M50	£44.00	£844
BT	Superfast Essential	£34.99	£866

Energy pricing as at 09.11.20, UW includes Daffodil savings. Comparison of our Fibre Broadband (40/10) against comparable legacy customer tariffs from alternative providers as at 09.06.20 (assumes the average monthly call usage of our customers).

Simplicity

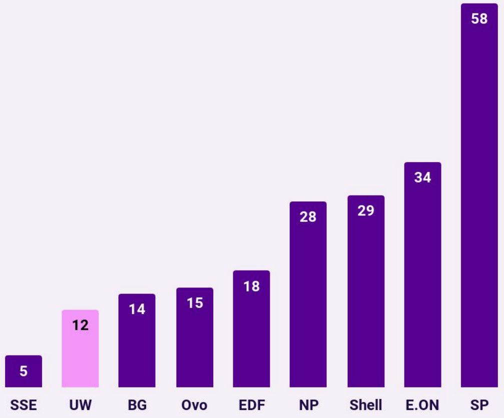
One supplier. One bill.



Service

Award-winning customer support

Low referrals to Energy Ombudsman



Consistent third party endorsements

Which? Recommended Provider for over 10 years running

Energy Services Ombudsman referrals (per 100k supply points) by supplier analysis for the period Oct - Dec 19. UW recorded 120 in total.

About us

How customers hear about us

A unique route to market

Unique route to market

Team Purple: our 45,000+ Partners

A highly targeted customer acquisition model

Self-employed, part-time brand advocates

- Role is simply to refer UW to potential customers
- Provides informal access to less-engaged consumers

Highly cost efficient and scalable customer acquisition model

- Success-only fees paid
- No 'above the line' advertising spend

Above average customer demographic

- Higher spend
- Stronger credit
- Owner-occupiers

High multi-service penetration

- Targeted acquisition of most desirable customers
- 2/3 of new customers switch all their services to us

Above average customer demographic...

...reflecting our Partner demographic

Partners know all of our customers

- Proactive customer selection by our Partners

Stark contrast to competitors

- Reactive Price Comparison Website acquisition models

Benefits of higher-end demographic

- Creditworthy customers
- Above average energy consumption
- Attracted to our ‘fair value’ offer - ‘convenience’ trumps ‘cheapest’
- Receptive to upselling of additional services
- Strong loyalty

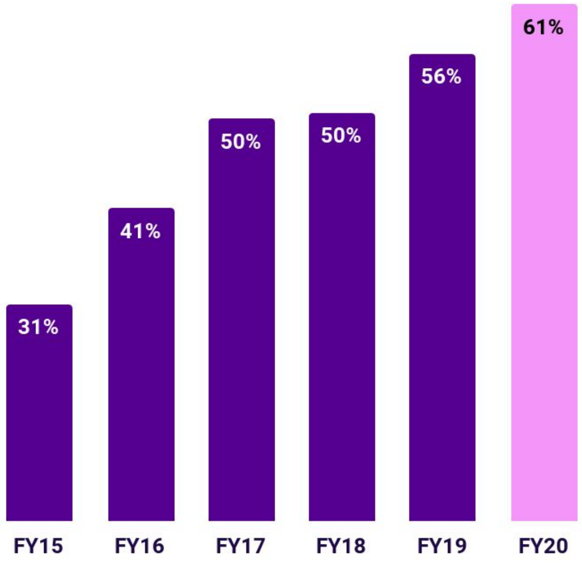
Household income vs UK average

Household Acorn Type weighting relative to UK population: % share of category within UW customers / % share of category within UK population as a whole x 100 as at June 2020.
Mean of UK Population = 100. Nationally 30% of household incomes exceed £40,000.

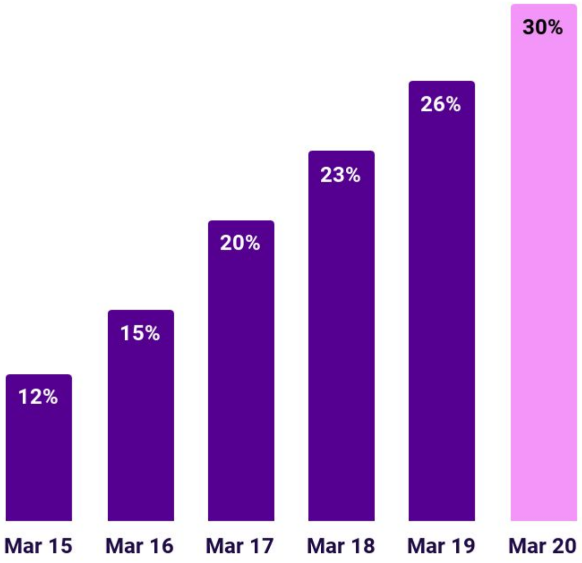
High multi-service penetration...

...reflecting aligned interests with our Partners

% new customers switching all their core services to us



% of customer base taking all 3 core services



'All 3 core services' means energy, broadband and mobile. This excludes insurance which is not available at sign up. % of customer base relates to our residential customers only.

High multi-service penetration...

...as the key to maximising customer lifetime value

Multi-service penetration drives increased customer lifetimes

- Typical customer lifetimes
  - Taking all 3 core services >15 years
  - Taking just Energy services <5 years

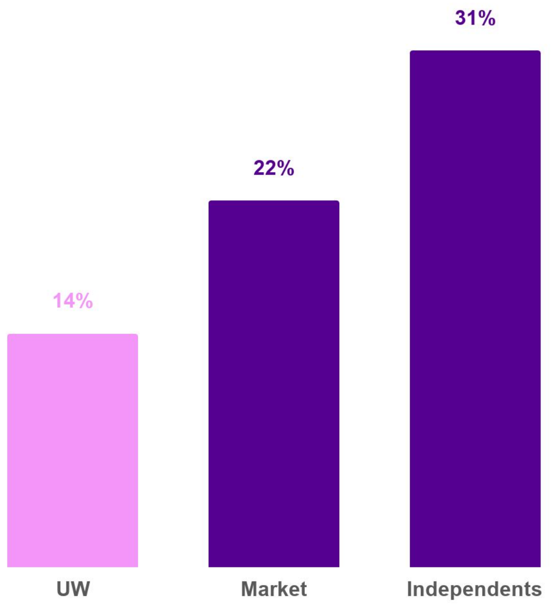
Encouraging multi-service take up

- Incentivise Partners to refer higher quality customers
- Incentivise customers to switch all their services to us
  - Offer best value to most valuable customers
  - Multi-service savings
- Add further points of differentiation
  - Home insurance
  - Boiler installation and insurance
  - Cashback card

Clear alignment of interests resulting from multi-service focus

- Customers ongoing, long-term value
- Partners ongoing, long-term incomes
- Shareholders sustainable earnings & dividends

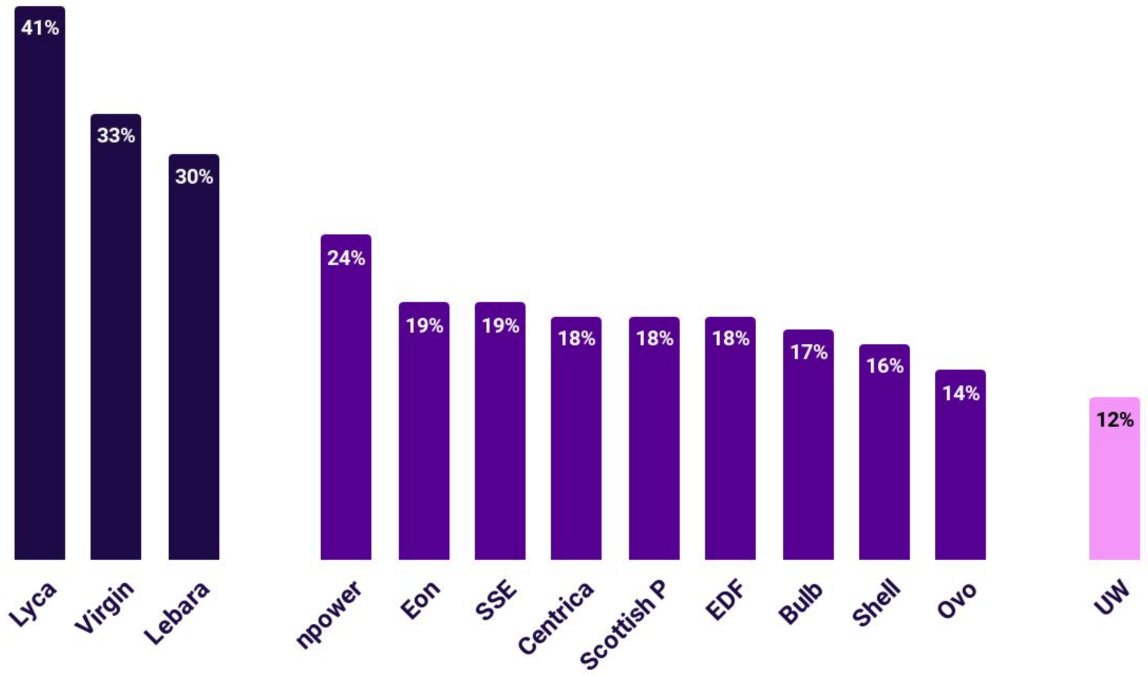
Energy market churn



'All 3 core services' means energy, broadband and mobile. This excludes insurance which is not available at sign up. % of customer base relates to our residential customers only.
Electricity market churn: Last 6 months' average monthly churn rate annualised as at Jul 2020. Source: Energy UK & Cornwall Energy

Our sustainable, multi-service cost advantage

One set of overheads, multiple revenue streams



Indirect costs defined as SG&A, as per Big 6 Consolidated Segmental Statements for retail supply businesses alone (prepared annually for Ofgem).
Other energy supplier / virtual telecoms supplier data from latest published report & accounts. TEP amortisation of intangible excluded.

Key competitive advantages

The UK's only genuine multi-utility provider

1

Route to market

Our Partners: low cost, high quality, targeted customer acquisition

2

Virtual 'retail' model

Technology enabled, fully integrated, low cost multi-utility proposition

3

Supply agreements

Long term, sustainable relationships
Complementary route to market

Supply agreements

Complementary route to market attractive to suppliers

Benefits to our suppliers

- Our incremental revenues maximise their infrastructure ROI
- No marketing or customer service costs
- Access to a ‘disengaged’ segment that they can’t reach
- Leveraging our lower operating cost model to gain market share

Upside of our growth outweighs cannibalisation risks, eg

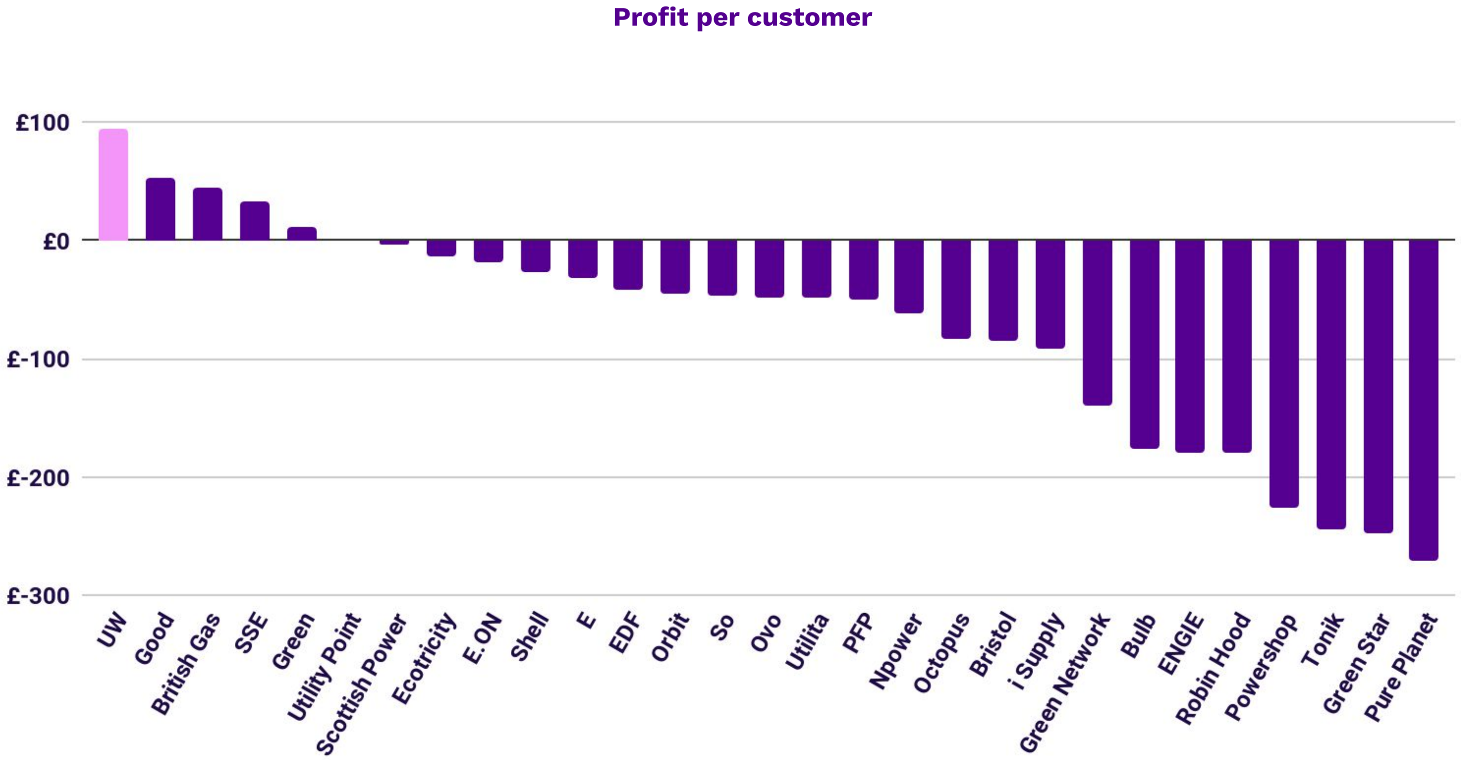
- <1 in 6 UW new customers comes from Talk Talk...
- ... >5 in 6 UW new customers come from their competitors

Energy

Phone & Broadband

Mobile

Energy retail market dynamics



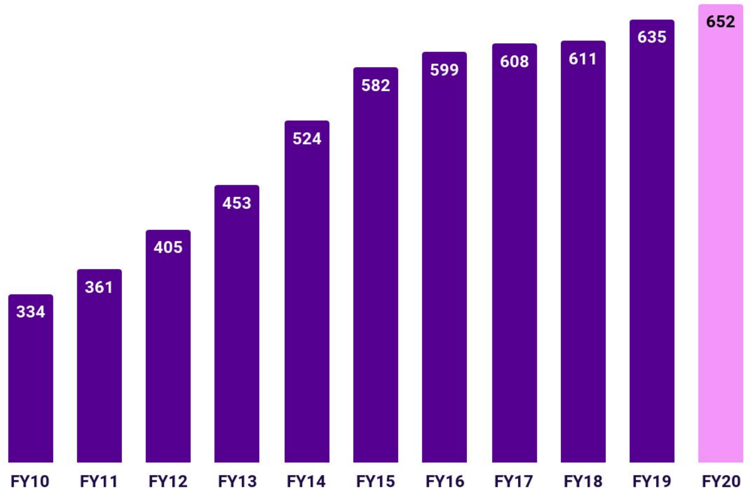
Profit per customer calculated as PBT divided by number of households supplied. UW profit per customer includes all services they take from us as part of our multi-service proposition.

Source: Big 6 2019 Consolidated Segmental Statements for retail supply businesses alone (prepared annually for Ofgem). Other energy supplier data from latest published report & accounts. TEP/UW amortisation of intangible excluded.

Sustained long-term organic growth

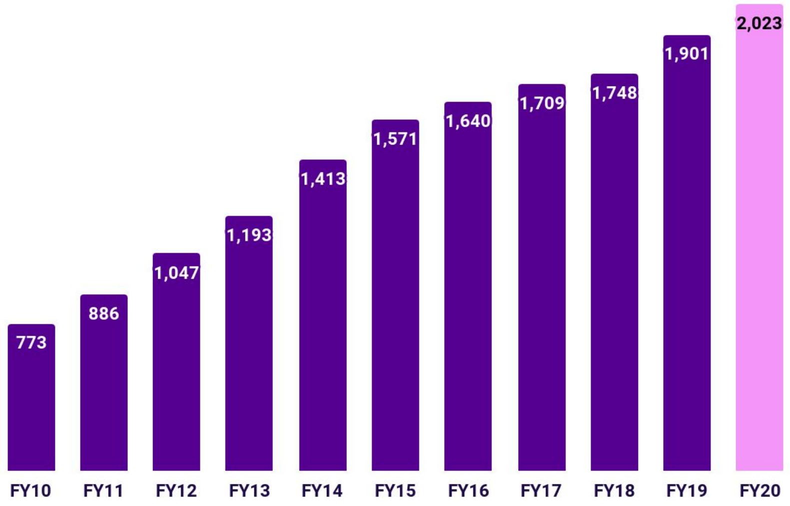
Customers

7% CAGR



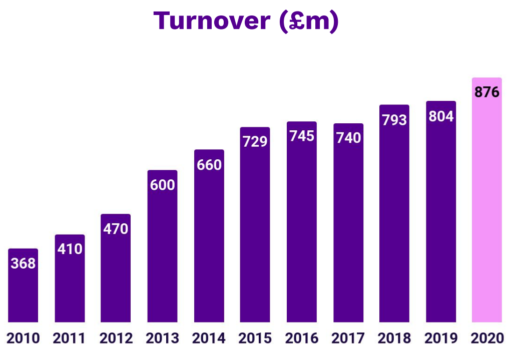
Services

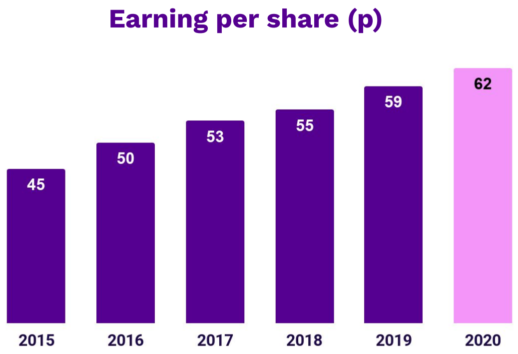
11% CAGR

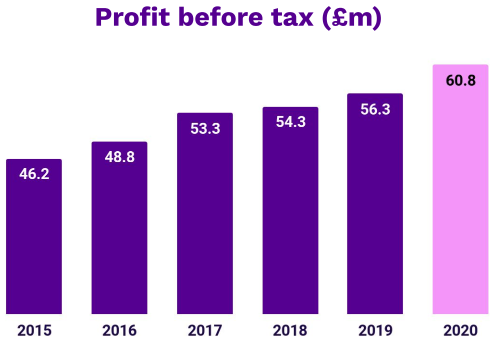


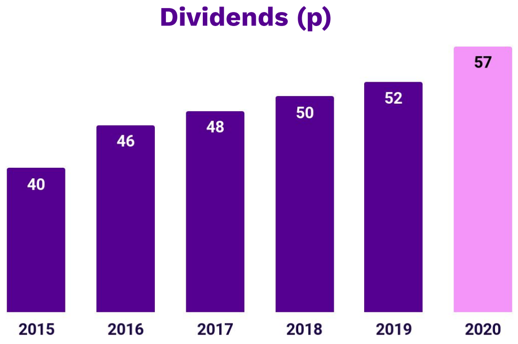
Figures in thousands, excluding TML. Service numbers restated to reflect our decision to stop recognising landline calls, line rental and broadband as separate services where Members are taking more than one of these linked elements; all Broadband customers are still taking all three of these elements, but this is now being recognised as a single service.

Headline Financials









FY10 to FY14 Turnover restated. PBT & EPS figures exclude share incentive and amortisation charges. Opus contributions excluded (sold in Feb 2017).

Investment case

Our core investment case

High-quality earnings, organic growth and progressive dividends

UK's only multi-utility supplier

- A genuine USP
- <2% share of a £50bn+ market
- Huge growth opportunity

Strong customer proposition

- Savings, Simplicity, Service

Differentiated route to market

- Partner network delivering a high-quality customer base
- Significant barriers to entry

Straightforward 'virtual retail' business model

- No infrastructure investment required
- No capacity or technology risks

Sustainable cost advantage

- Lower cost to serve multi-service customers
- Fundamental competitive advantage

Proven financial track record

- Strong organic growth
- Predictable earnings from supplying essential services
- Highly cash generative
- Progressive dividend policy

Management interests aligned with shareholders

- Board ownership >20%

Benefits of a multi-service proposition

Multi-service customers on our lowest energy tariffs are most valuable

	Value	Gold	Double Gold
Energy	£ £ £	£ £	£
Phone & Broadband		£ £ £	£ £
Mobile			£ £ £
Indicative contribution	£ £ £	£ £ £ £ £	£ £ £ £ £ £
Typical lifetime	**~5 years**	**~9 years**	**~15 years**

Typical lifetimes are indicative averages and based on a range of assumptions.

Get in touch

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