

# FY22 Results



June 2022

# FY22 Results

## A return to growth

### Customer growth

- 10% growth, largely achieved in H2 - ie 20% annualised
  - All organic - no participation in SOLR processes
- H2 net growth greater than previous 5 years combined

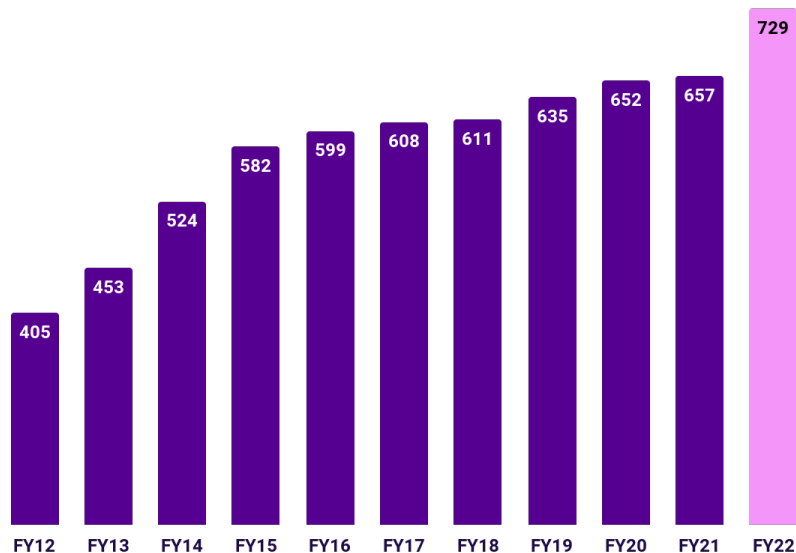
### Financial results

- PBT: £61.9m - ahead of consensus
- Dividend: 57p - maintained

### The UW disruptive business model is back in play

- Fundamental reset of energy retail markets
  - UW the best value, sustainable supplier in the UK
- Inflation and rising cost of living driving demand for what we offer
  - Savings on essential household bills
  - Additional income opportunity

### 10% Customer growth... in H2 alone



# Nick Schoenfeld

CFO



## Profit & loss (£m)

	FY22	FY21	Variance
Revenue	<b>967.4</b>	<b>861.2</b>	12%
Gross Profit <i>Gross margin</i>	<b>188.5</b> 19.5%	<b>173.1</b> 20.1%	9%
Distribution expenses <i>% of revenue</i>	<b>(29.7)</b> 3.1%	<b>(27.8)</b> 3.2%	7%
Administrative expenses <i>% of revenue</i>	<b>(96.0)</b> 9.9%	<b>(88.0)</b> 10.2%	9%
Net interest & other income	<b>(0.9)</b>	<b>(1.1)</b>	
<b>Profit before tax</b> (pre amortisation & share incentive costs)	<b>61.9</b>	<b>56.1</b>	10%
EPS (pre amortisation & share incentive costs)	<b>63.2p</b>	<b>57.4p</b>	10%

Administrative expenses are shown including the charge for bad debts of £(11.6)m in FY22 and £(11.2)m in FY21.

Distribution and Administrative expenses, PBT and EPS are adjusted to exclude share incentive scheme charges (£1.0m in FY22, £1.4m in FY21).

Administrative expenses, PBT and EPS exclude the amortisation of the energy supply contract intangible asset (£11.2m in both FY22 and FY21).

In FY22 PBT and EPS also exclude: (i) the loss on the disposal of UWHS (£1.1m), (ii) the write-off of goodwill associated with the conditional disposal of Glow Green (£1.5m); and (iii) the profit on disposal of a freehold property (£0.6m).

## Balance sheet (£m)

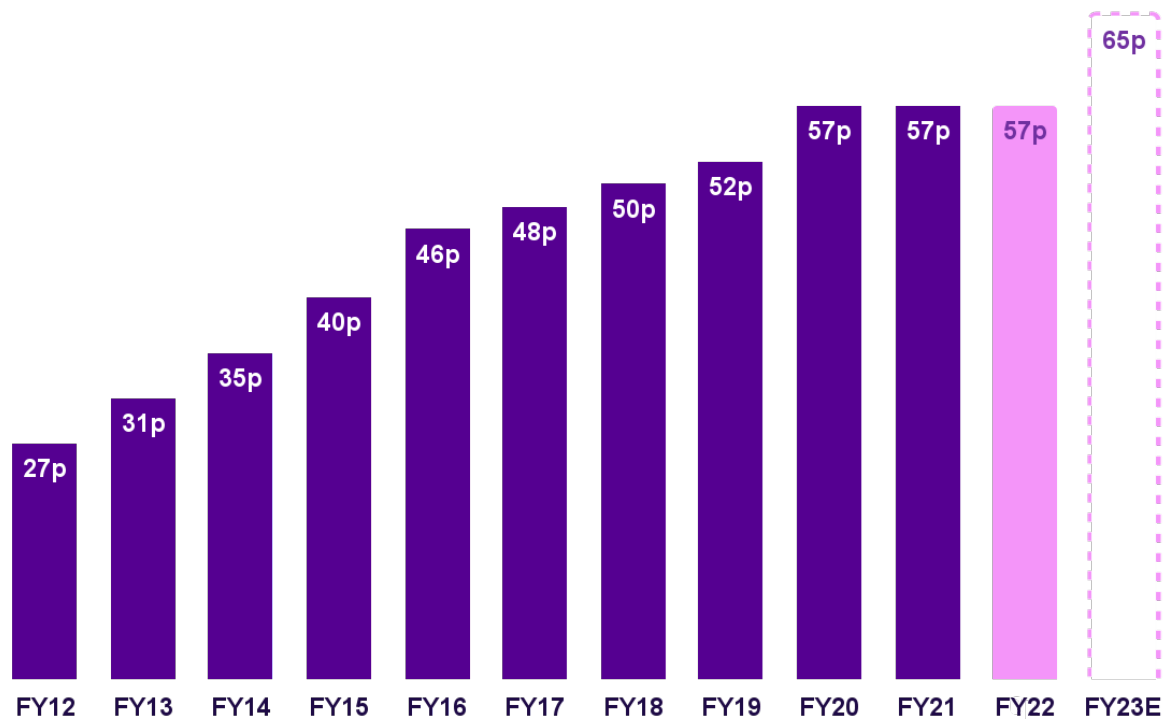
	31 Mar 22	31 Mar 21	YoY Variance
Fixed Assets	34.5	43.4	(8.9)
Non-current assets	189.0	194.5	(5.5)
Net current assets	52.4	45.8	6.6
(Net Debt)	(70.3)	(71.4)	1.1
<b>Total</b>	<b>205.6</b>	<b>212.4</b>	<b>(6.8)</b>
Share capital	4.0	4.0	-
Share premium	147.1	145.1	2.0
Other reserves	(7.5)	(7.0)	(0.5)
Retained earnings	61.9	70.3	(8.4)
<b>Total</b>	<b>205.6</b>	<b>212.4</b>	<b>(6.8)</b>

## Cashflow (£m)

	FY22	FY21
EBITDA	73.7	66.4
Working capital movement	(10.4)	(12.5)
Taxation	(11.5)	(10.9)
Capex	(9.9)	(10.0)
Interest & fees	(3.3)	(2.2)
Dividends	(44.8)	(44.7)
Other <sup>1)</sup>	7.3	1.8
<b>(Increase) / decrease in net debt</b>	<b>1.1</b>	<b>(12.0)</b>

1) Includes in FY22 the removal of the lease liabilities for the vans associated with the sale of UWHS and the disposal of a freehold property

## Continued upward trend in dividends



# Stuart Burnett

Co-CEO





# A return to long-term, sustainable double-digit growth



## The energy market reset

The return of a rational, sustainable marketplace



## The cost of living squeeze

Growing demand for UW from customers and partners



## Our business fundamentals

Structural cost advantage from multi-service model

# The recent energy crisis

Only a handful of energy retail suppliers remain



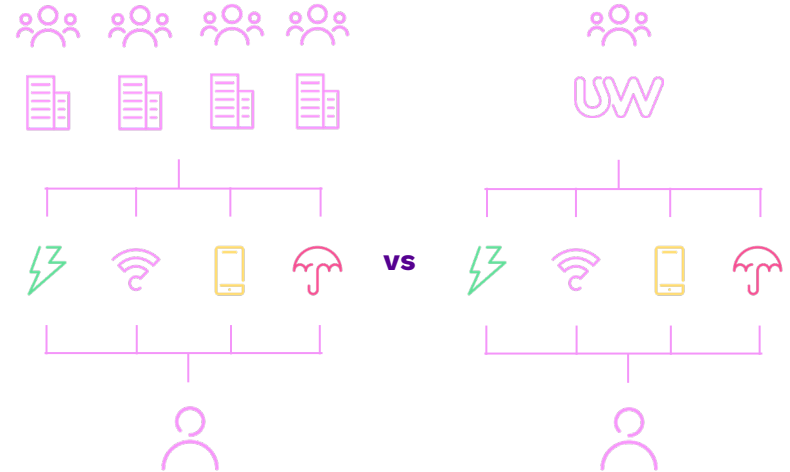
# Energy market reset...

## The return of a rational, sustainable marketplace

### Market has now returned to pre-price war sustainability

- 7 year price war has ended and only c. 15 retail suppliers remain
- No more irrational pricing or unsustainable business models; remaining suppliers focussed on rebuilding balance sheets rather than investing in acquisition
- Ofgem has taken regulatory action to ensure long term market stability
  - Financial resilience / stress tests
  - Quarterly Price Cap
  - Protection of credit balances
- UW is uniquely positioned to outcompete due to multi-service business model and structural cost advantage

### UW's structural cost advantage



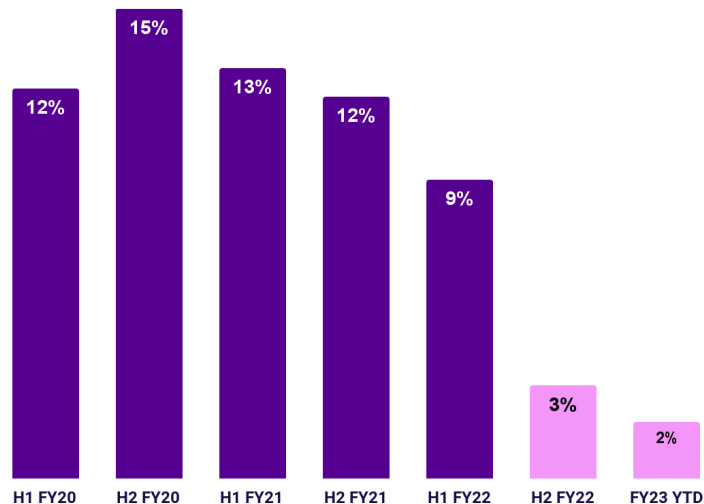
# Cost of living squeeze

## Growing demand for UW

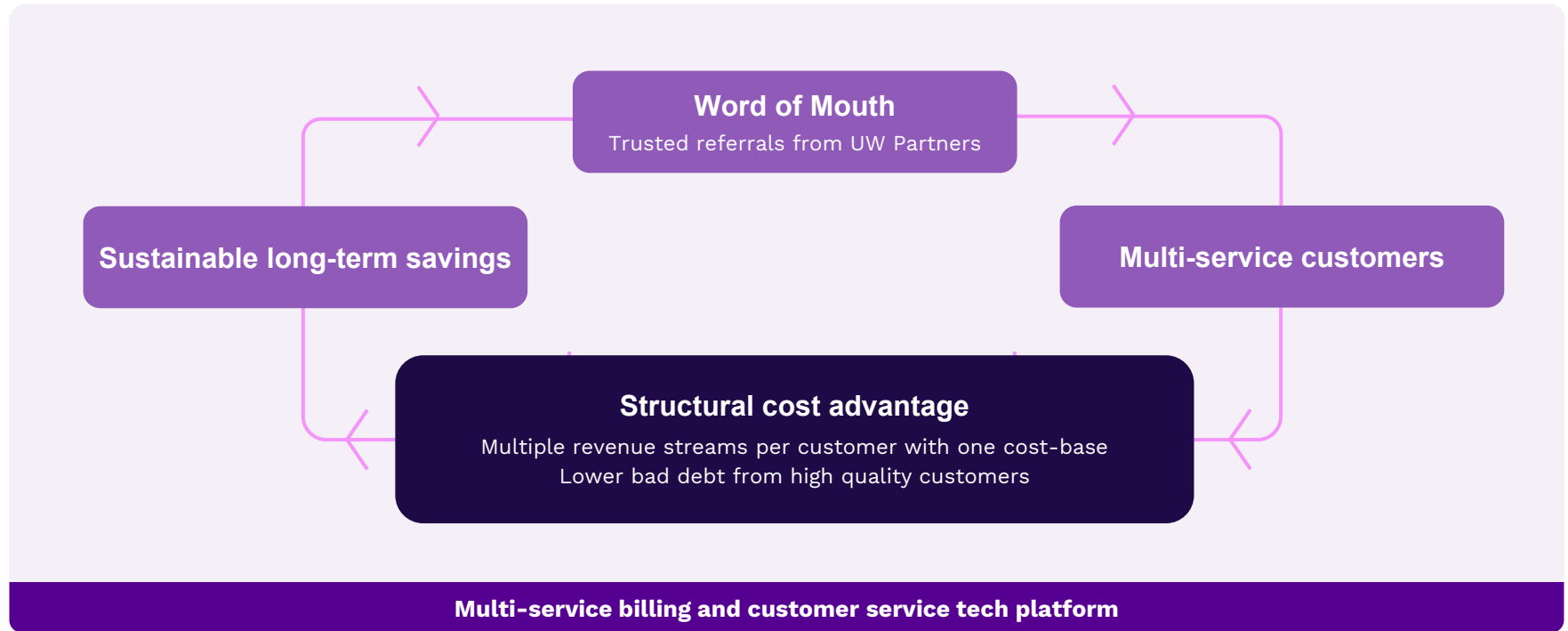
### More people looking to save and earn through UW

- Price cap expected to hit £2,800 in October, with energy prices expected to stay “higher for longer”
- UW offering UK’s best value energy, as well as highly competitive broadband, mobile and insurance products
- Simpler bundle proposition making multi-service more scalable
- Churn now at historic lows (around 3% pa) and set to stay low
- More people turning to UW due to squeezed household budgets
  - Focus on simplifying opportunity so anyone can do it
  - Accelerate word of mouth recommendation and referrals

### Customer churn set to remain well below historic levels



## Structurally self-reinforcing business model



# Scaling the business for 1m+ additional customers over the next 4-5 years

## Managing the growth



### Investing in our teams

Across all areas of the business, but with focus on Customer Service and Tech



### Streamlined operations

Sold GlowGreen and UWHS  
Ended “free LED” install scheme

## Maximising the growth



### Investing in brand awareness

Targeted PR and media activity to support word of mouth model



### Enhancing proposition

Simpler bundling, accessible to more people  
Re-launch customer referrals



### Leveraging unique Cashback card

£375m of spend & £6m of cashback  
More people looking to save on their weekly shop



### Growing Insurance as 4th core service

>50,000 Home & Boiler policies  
+£10bn addressable market

# Andrew Lindsay

Co-CEO



# Outlook - FY23

## Very positive environment for continued growth

<b>Energy market dynamics</b>	<ul style="list-style-type: none"><li>● Further ~£800 price increase in Oct price cap review<ul style="list-style-type: none"><li>○ Energy prices will remain highly topical for the foreseeable future</li></ul></li><li>● Regulatory intervention to ensure supplier sustainability<ul style="list-style-type: none"><li>○ Low market appetite to compete for customers</li></ul></li></ul>
<b>Rising cost of living driving demand</b>	<ul style="list-style-type: none"><li>● We offer households savings on their homes services<ul style="list-style-type: none"><li>○ UK's best value energy supplier</li></ul></li><li>● We offer individuals an additional income as a UW Partner<ul style="list-style-type: none"><li>○ Recommending the UK's best value energy supplier</li></ul></li><li>● 98 out of every 100 UK households is with another supplier</li></ul>

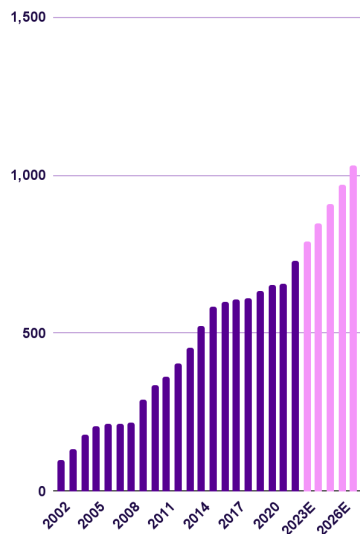
FY23 Guidance	
<b>Customer growth</b>	Continuation of current trends ~ 20% organic growth
<b>PBT</b>	~ £75m
<b>Dividend</b>	At least 65p



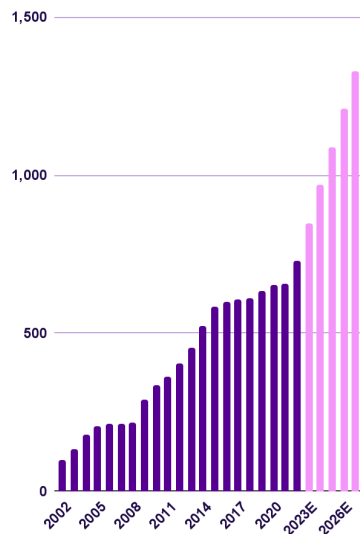
# Outlook - illustrative 5 year customer growth scenarios

Targeting 1m+ additional customers over the next 4-5 years

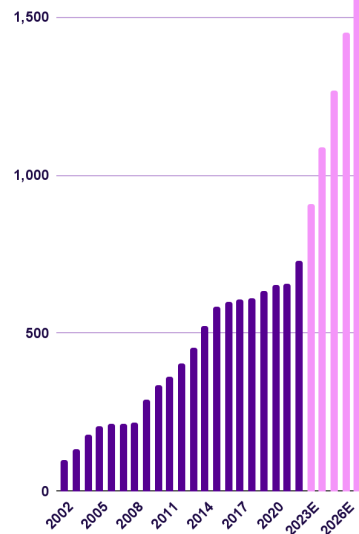
**+60k pa**



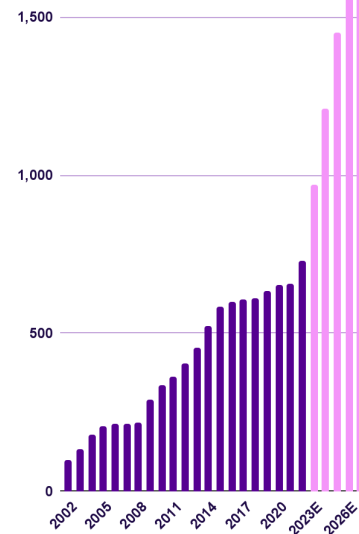
**+120k pa**



**+180k pa**



**+240k pa**



# Supporting materials



# All your home services in one

750,000 households taking over 2m services



Energy



Broadband



Mobile



Insurance



# UW at a glance - significant cash generative growth ahead

As at year end 31/3/2022

## Growth

- 10% customer growth in H2 FY22
- 20% customer growth expected for FY23
- Rising cost of living is a near term stimulus for growth

## Sustainable cost advantage

- Reset of retail energy markets has enabled our disruptive multiservice business model to thrive again
- Inherent cost advantage of having a single set of overheads but multiple revenue streams per customer

## Customers

- Households supplied 728,000
- Services supplied 2.25m

## FY22 financial highlights

- Revenue £967m
- EBITDA £74m
- Adj PBT £62m
- Dividend yield 3.3%

## Historic P&L dynamics

- Revenue split 80/20, energy/telco
- Gross profit split 50/50, energy/telco

## UK Markets

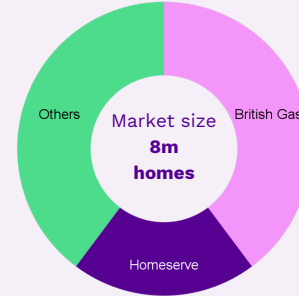
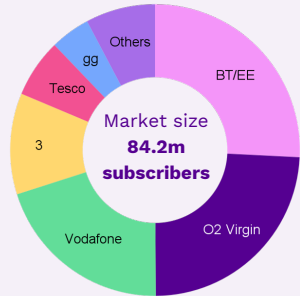
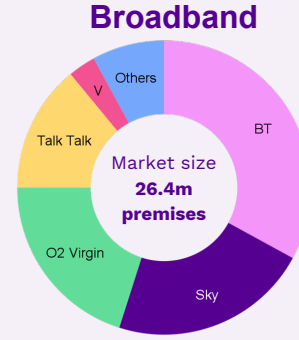
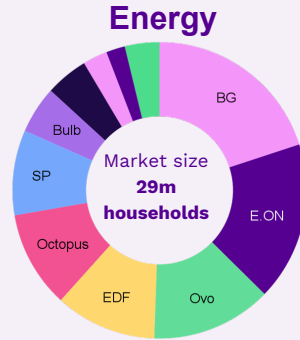
- ~2.5% market share in both energy and telecoms
- Addressable market: £50bn+ revenues
- Significant opportunity to grow insurance business

# The UK's only multi-service provider



# Vast organic growth opportunity

2.5 % market share



UW

# Why customers choose us



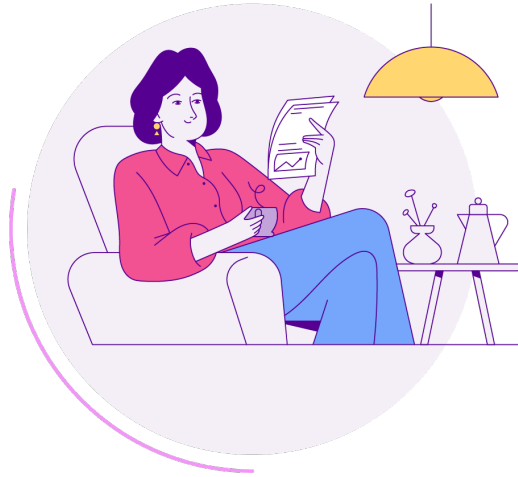


# We make your essential home services simpler, easier and better value



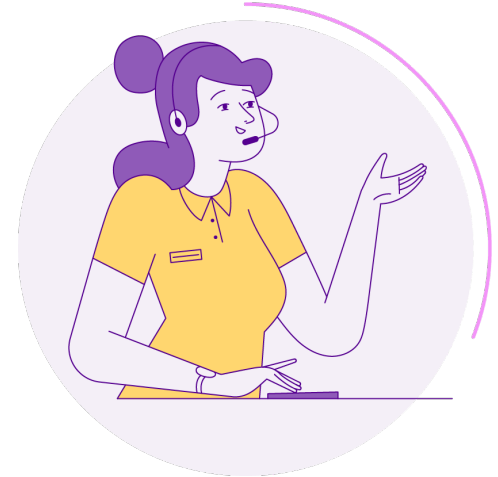
## Savings

The more services you take,  
the more you save



## Simplicity

Keep track of your household spend with  
one monthly bill



## Service

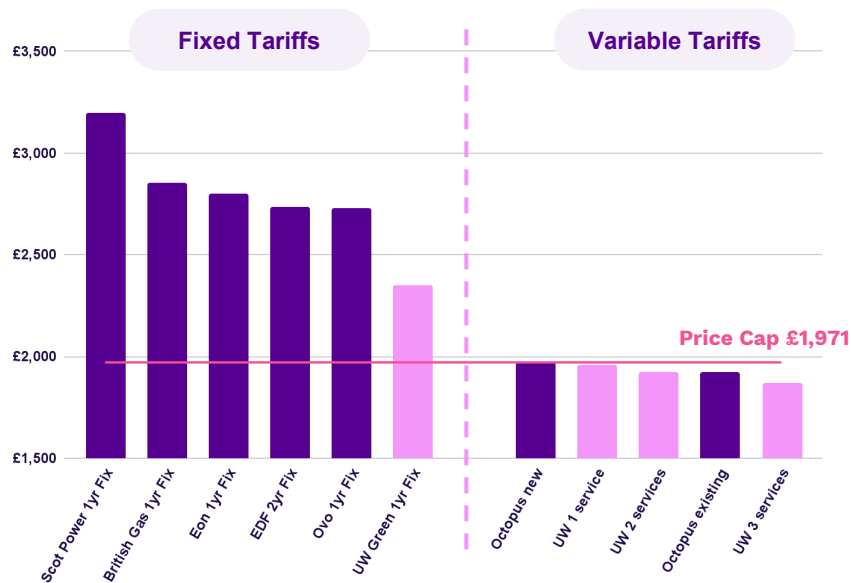
Award winning UK-based  
customer service

# Savings

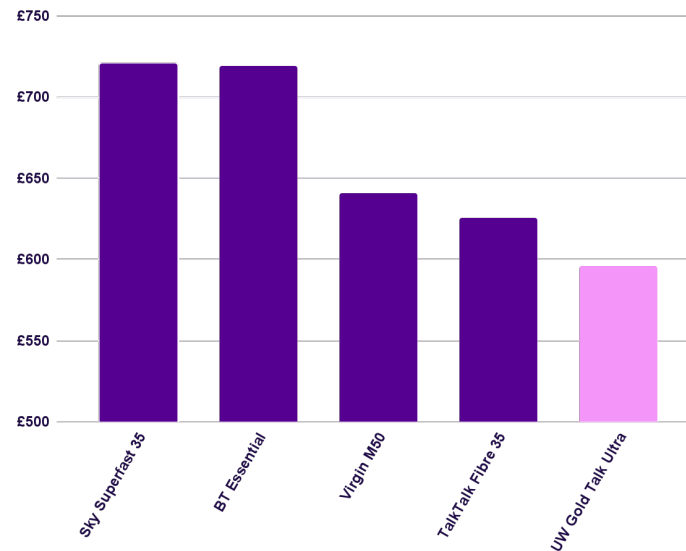
Long-term, fair pricing



Energy



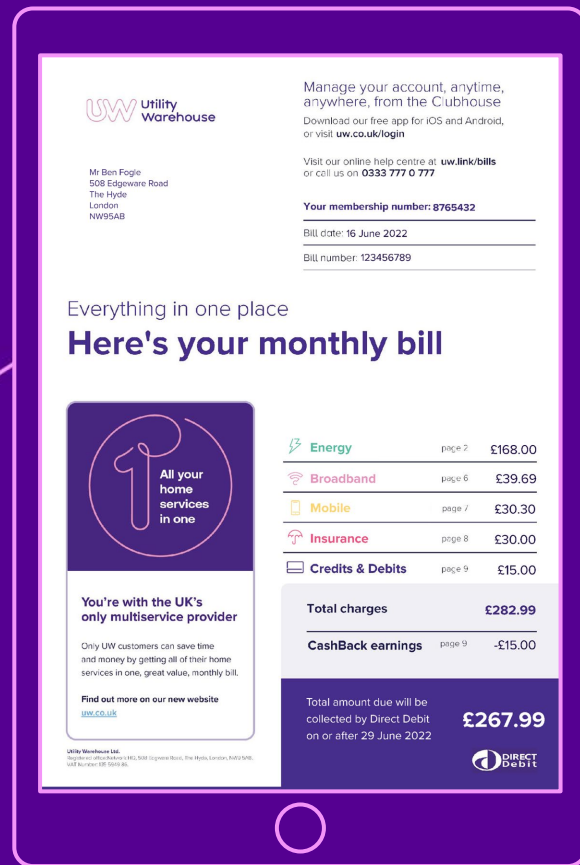
Broadband



Pricing as at 13.06.22. Energy: dual fuel supply at the Ofgem standard domestic consumption profile.  
Broadband comparison of fixed annual cost of our 40/10 Fibre against comparable tariffs from alternative providers, calculated as an average per year across 3 years, including introductory offers, activation charges, rental, and one calling feature.

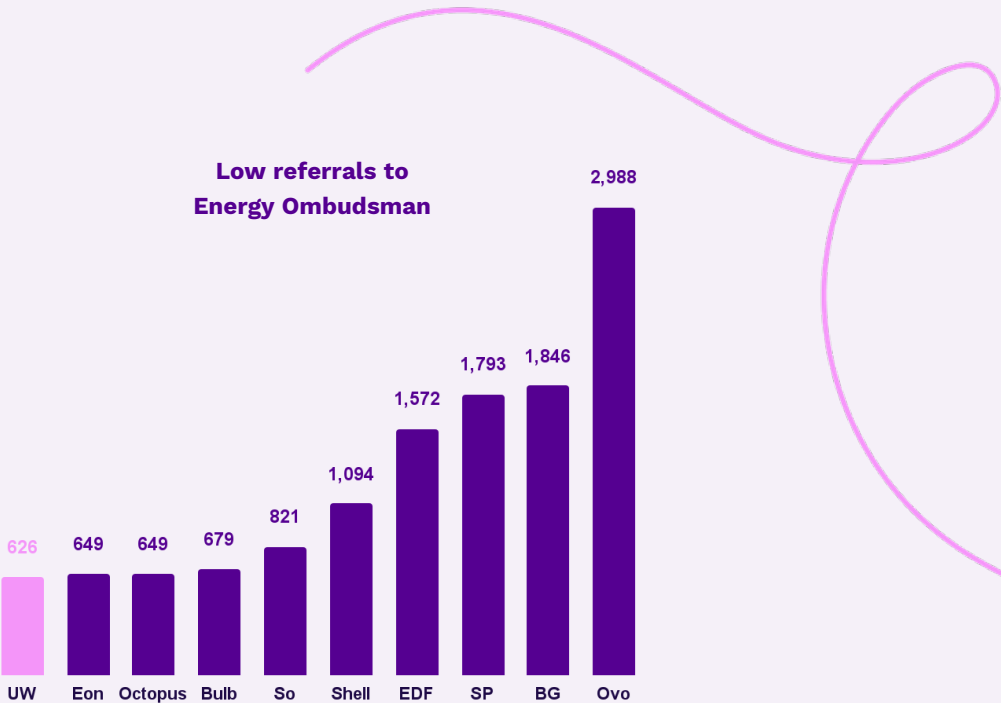
# Simplicity

One supplier. One bill.



# Service

## Award-winning customer support



### Consistent third party endorsements



**Uswitch Best Customer Service,  
Most Likely to Recommend  
and Best Rewards**

# Unique route to market



Utility  
Warehouse

| TelecomPlus

# Word of mouth referrals

Trusted, personal recommendations of our business

## Our community of 45,000+ Partners

- Self-employed, part-time brand advocates
- Role is simply to refer UW to potential customers
- Provides informal access to less-engaged consumers

## Targeted acquisition of most desirable customers

- High multi-service penetration
- Owner-occupiers
- Stronger credit
- Above average customer demographic

## Highly cost efficient and scalable customer acquisition model

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

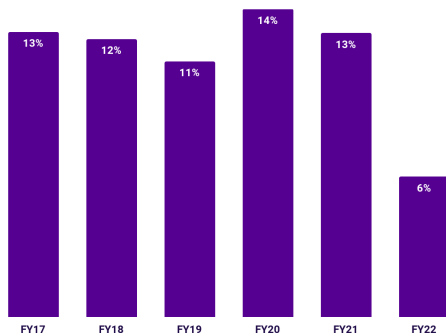


# Our word of mouth route to market...

...is the key to maximising customer lifetime value

## High multi-service penetration increases customer lifetime

### UW customer churn - single digit % per annum

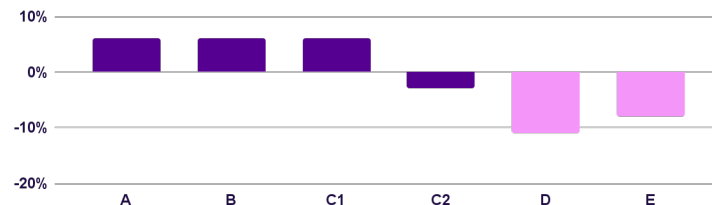


### Clear alignment of interests resulting from multi-service focus

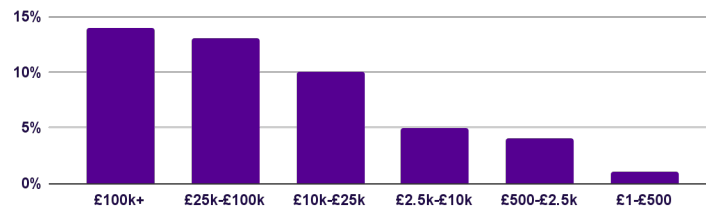
<b>Customers</b>	Ongoing, long-term value
<b>Partners</b>	Ongoing, long-term incomes
<b>Shareholders</b>	Sustainable earnings & dividends

## Higher-end customer demographic reduces bad debt exposure

### UW customer demographic above UK average



### UW customer Savings Value above UK average



# Our fundamental cost advantage



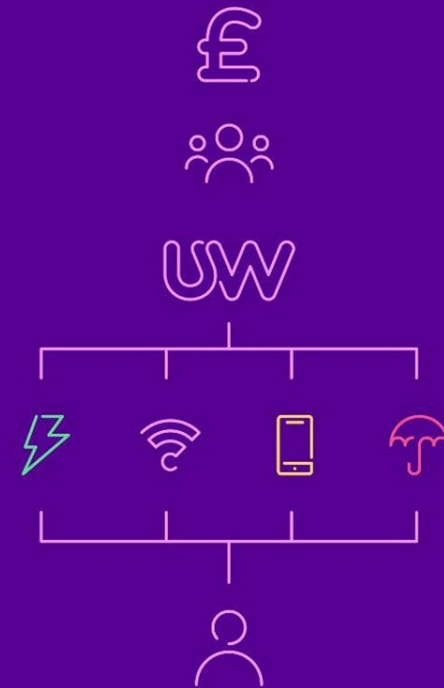


# Our fundamental cost advantage

One set of overheads, multiple revenue streams

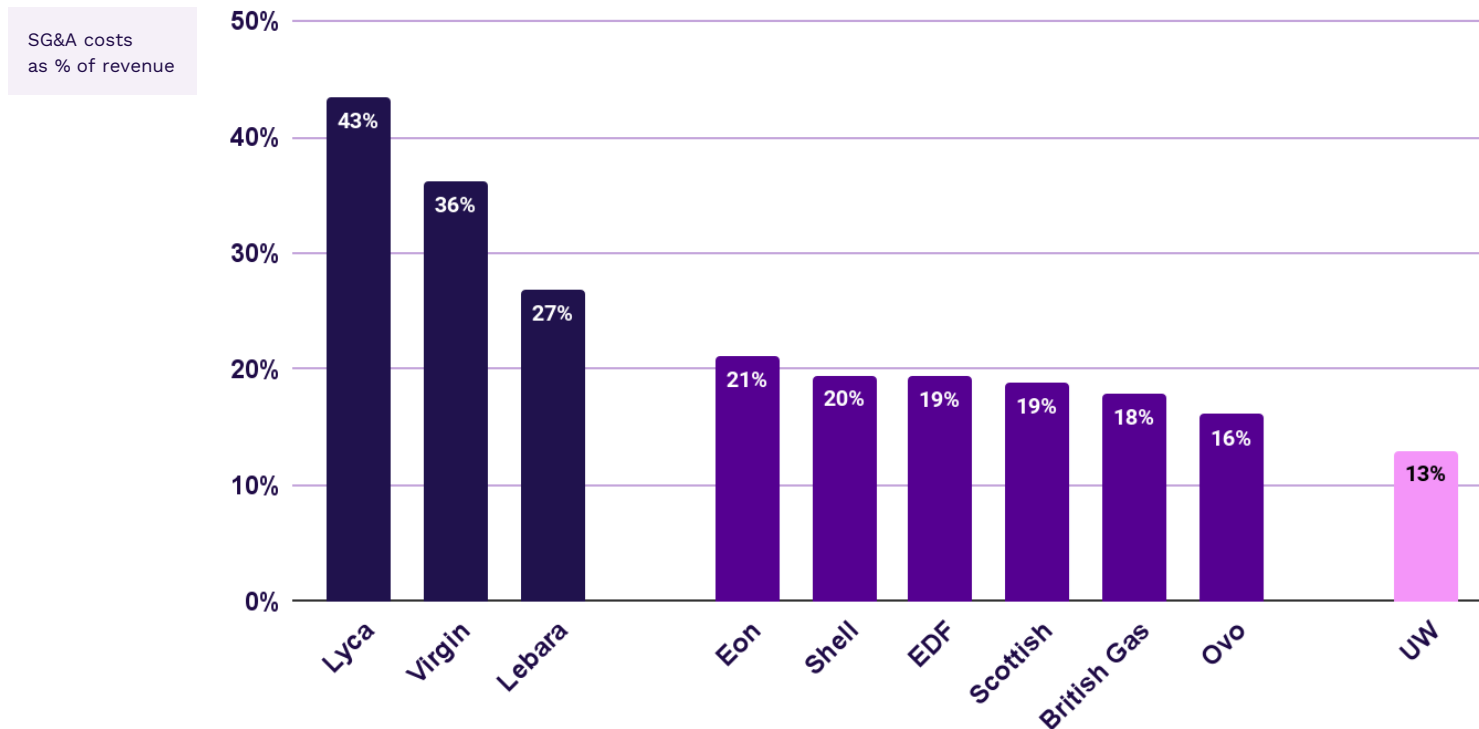


VS



# 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



## **Multi-service customer proposition**

Technology enabled, fully integrated  
multi-service proposition



## **Word of mouth route to market**

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



## **Long term supply agreements**

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

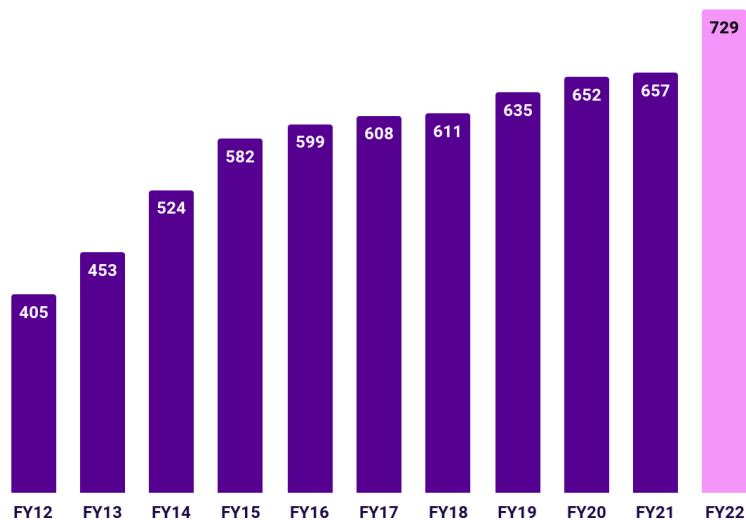
- <1 in 6 UW new customers comes from Talk Talk...
- ... >5 in 6 UW new customers come from their competitors

 Energy	
 Broadband	
 Mobile	
 Insurance	  

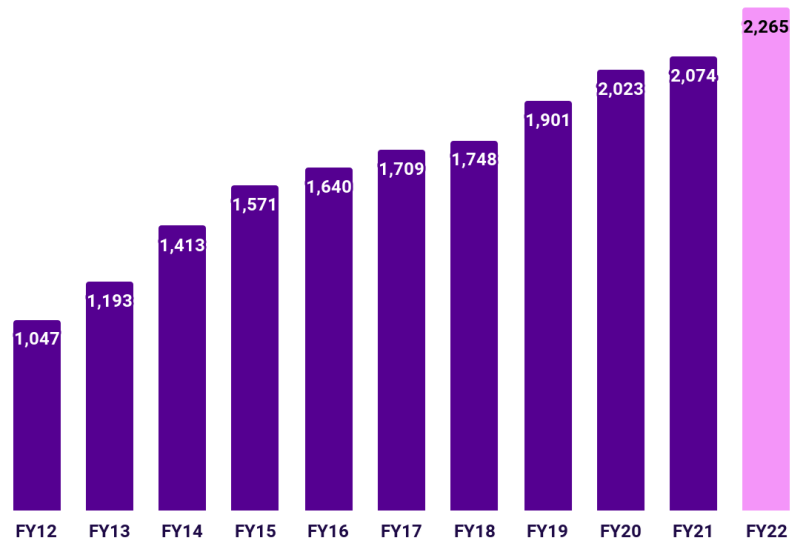
# Sustained long-term organic growth

Material uptick in FY22

## Customers

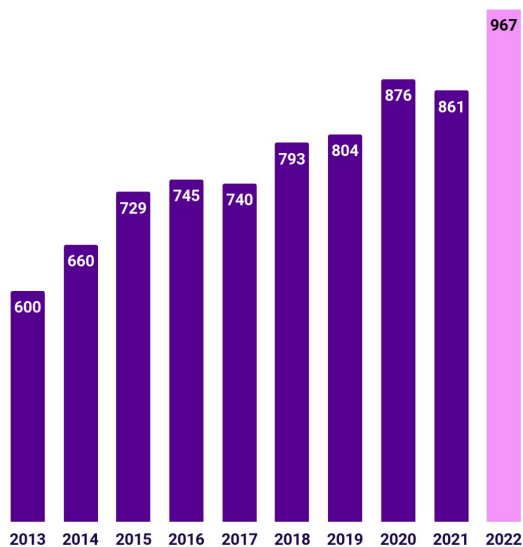


## Services

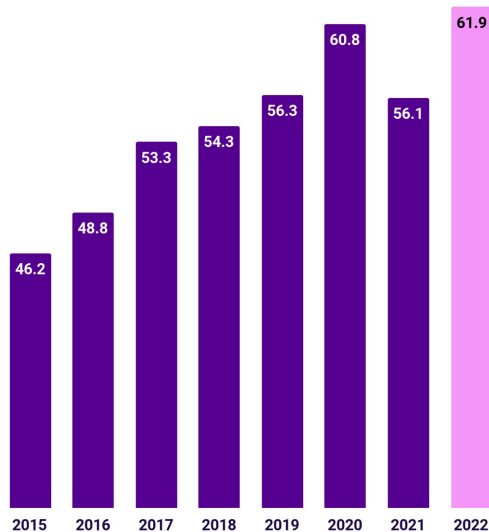


# Historical financial performance

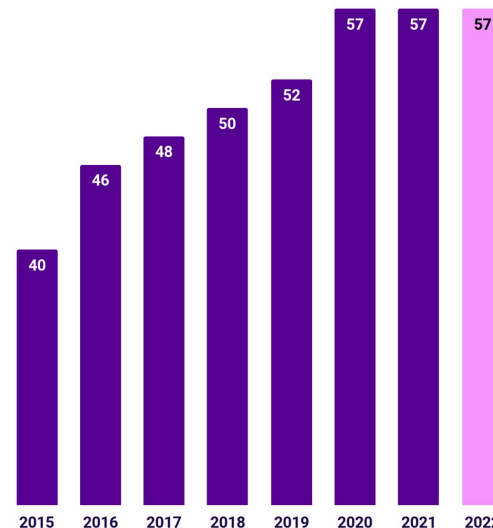
## Turnover (£m)



## Profit before tax (£m)



## Dividends (p)



# Investment case



# Our core investment case

## High-quality earnings, rapid organic growth and progressive dividends

### UK's only multi-service supplier

- Unique customer proposition
  - Energy, Broadband, Mobile, Insurance
- Savings, Simplicity, Service
- 750,000 customers

### Differentiated route to market

- Word of mouth - delivering a high-quality customer base
  - Multi-service, loyal customers
  - Creditworthy customers
- Partner community a significant barrier to entry

### Sustainable cost advantage

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

### Huge growth opportunity

- Current customer growth rate of 20% pa
- 2.5% share of a £50bn+ market

### Straightforward 'virtual retail' business model

- No infrastructure investment required
- No capacity or technology risks

### Proven financial track record

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

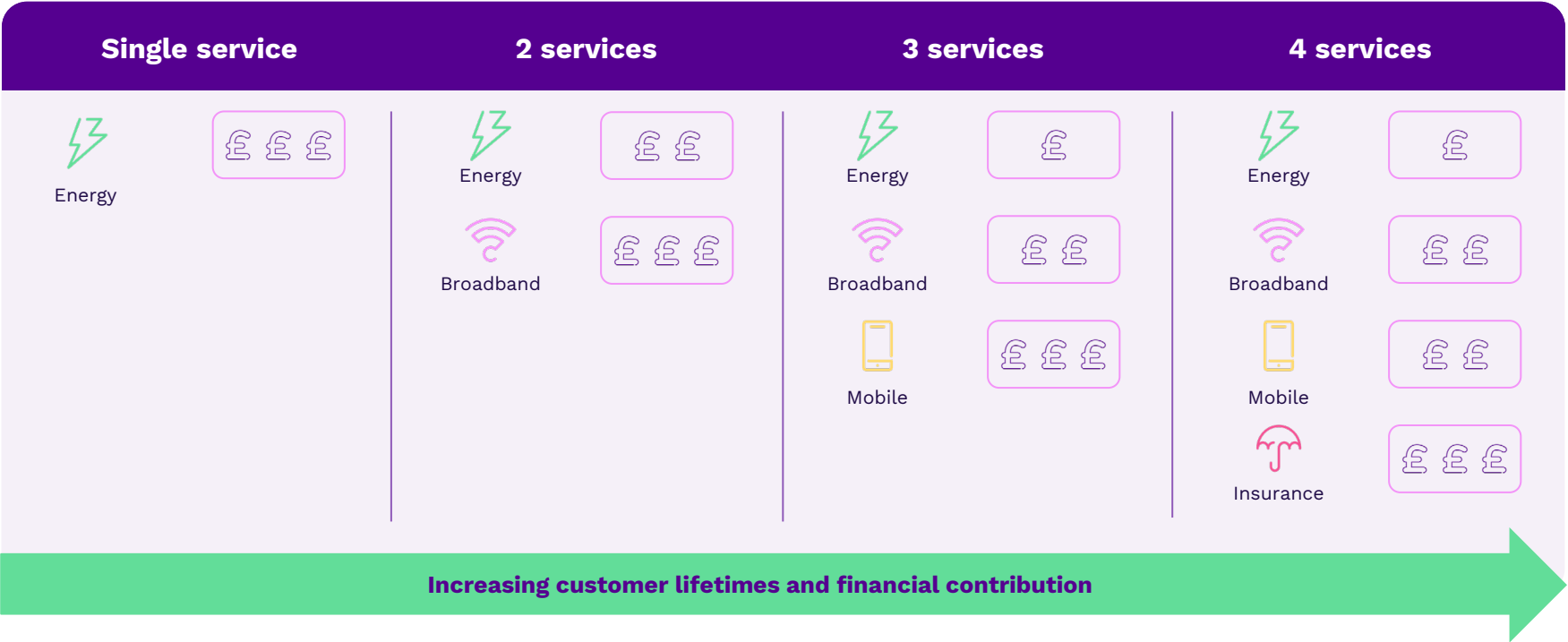
### Management interests aligned with shareholders

- Significant Board ownership ~20%



# Benefits of a multi-service proposition

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



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

## Get in touch

Utility Warehouse  
508 Edgware Road  
London, NW9 5AB

[Telecomplus.co.uk](https://Telecomplus.co.uk)



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