

# FY22 Interim Results & Capital Markets Day Summary



November 2021

**UW** Utility  
Warehouse

**TelecomPlus**

# H1 summary

## Profit & loss (£m)

|  | H1 FY22         | H1 FY21         | Variance |
|--|-----------------|-----------------|----------|
| Revenue  | 371.3           | 349.4           | 6%       |
| Gross Profit<br><i>Gross margin</i>                                    | 85.0<br>22.9%   | 82.6<br>23.7%   | 3%       |
| Distribution expenses<br><i>% of revenue</i>                           | (12.7)<br>3.4%  | (13.5)<br>3.9%  | (6)%     |
| Administrative expenses<br><i>% of revenue</i>                         | (40.6)<br>10.9% | (36.3)<br>10.4% | 12%      |
| Bad debt<br><i>% of revenue</i>  | (5.1)<br>1.4%   | (4.6)<br>1.3%   | 10%      |
| Net interest & other income  | (0.6)           | (0.6)           | -        |
| <b>Profit before tax</b><br>(pre amortisation & share incentive costs) | <b>26.2</b>     | 27.7            | (5)%     |
| EPS<br>(pre amortisation & share incentive costs)                      | <b>26.1p</b>    | 28.6p           | (9)%     |

Distribution and Administrative expenses, PBT and EPS are adjusted to exclude share incentive scheme charges (£0.6 in H1 FY22, £0.6m in H1 FY21). PBT and EPS exclude amortisation of the energy supply contract intangible asset (£5.6m in H1 FY22 and H1 FY21).

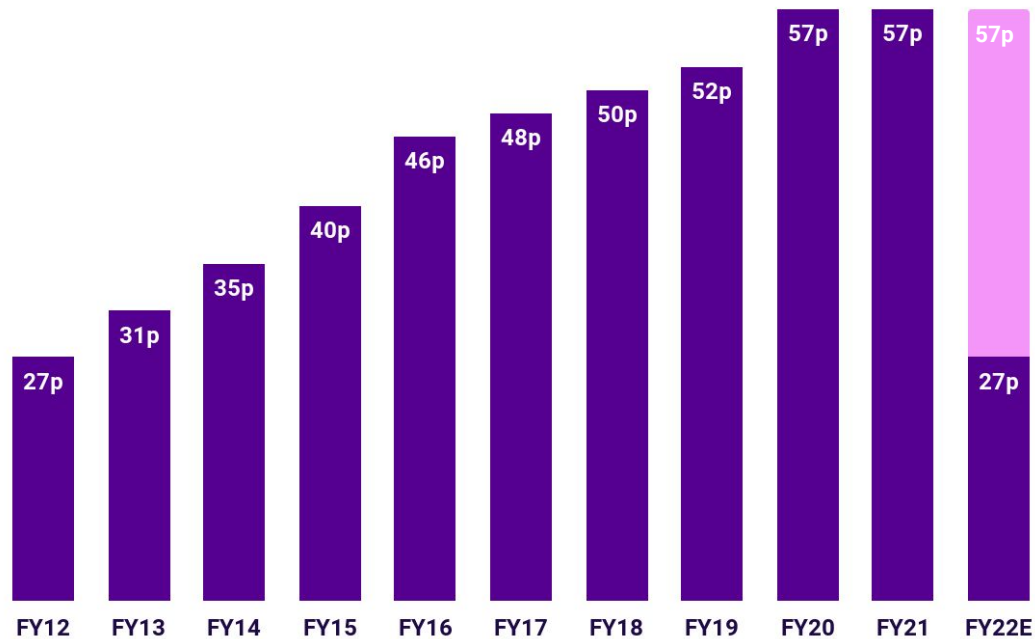
## Balance sheet (£m)

|                    | 30 Sep 21    | 30 Mar 21    | 30 Sep 20    | Var vs 30 Mar 21 |
|--------------------|--------------|--------------|--------------|------------------|
| Fixed Assets       | 41.5         | 43.4         | 45.4         | (2.0)            |
| Non-current assets | 192.5        | 194.5        | 198.3        | (2.0)            |
| Net current assets | 47.7         | 45.8         | 18.4         | 1.9              |
| (Net Debt)         | (77.8)       | (71.4)       | (46.1)       | (6.4)            |
| <b>Total</b>       | <b>203.9</b> | <b>212.4</b> | <b>216.0</b> | <b>(8.5)</b>     |
| Share capital      | 4.0          | 4.0          | 4.0          | -                |
| Share premium      | 145.3        | 145.1        | 144.6        | 0.2              |
| Other reserves     | (7.1)        | (7.0)        | (7.0)        | (0.1)            |
| Retained earnings  | 61.7         | 70.3         | 74.5         | (8.6)            |
| <b>Total</b>       | <b>203.9</b> | <b>212.4</b> | <b>216.0</b> | <b>(8.5)</b>     |

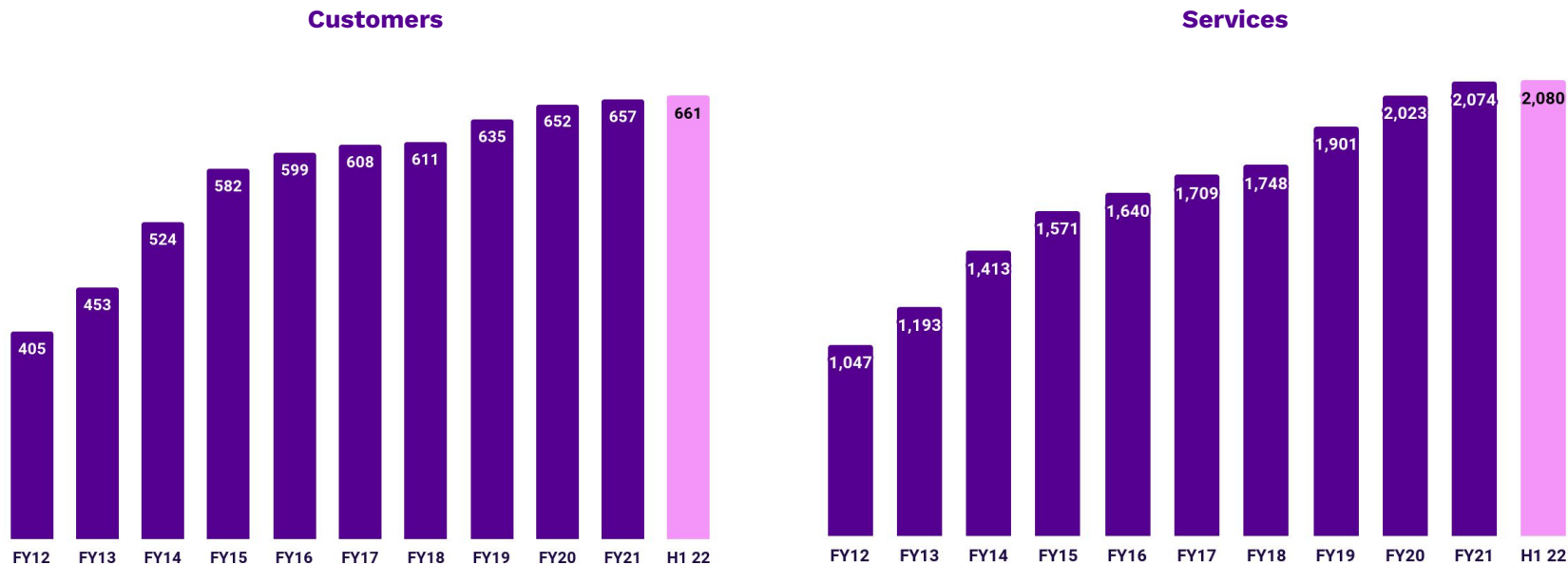
# Cashflow (£m)

|  | H1 FY22      | H1 FY21     |
|--|--------------|-------------|
| EBITDA                                   | 31.8         | 32.7        |
| Working capital movement                 | (3.2)        | 15.8        |
| Taxation                                 | (5.8)        | (5.9)       |
| Capex                                    | (4.8)        | (5.3)       |
| Interest & fees                          | (1.4)        | (1.1)       |
| Other                                    | 0.5          | 0.7         |
| <b>Free Cash Flow</b>                    | <b>17.1</b>  | <b>36.8</b> |
| Dividends                                | (23.6)       | (23.5)      |
| <b>(Increase) / decrease in net debt</b> | <b>(6.4)</b> | <b>13.3</b> |

## Full Year dividend



# H1 growth quiet in the aftermath of the pandemic



# Improving market dynamics



## The recent energy crisis

In just 10 weeks half of the UK's energy retail suppliers have failed



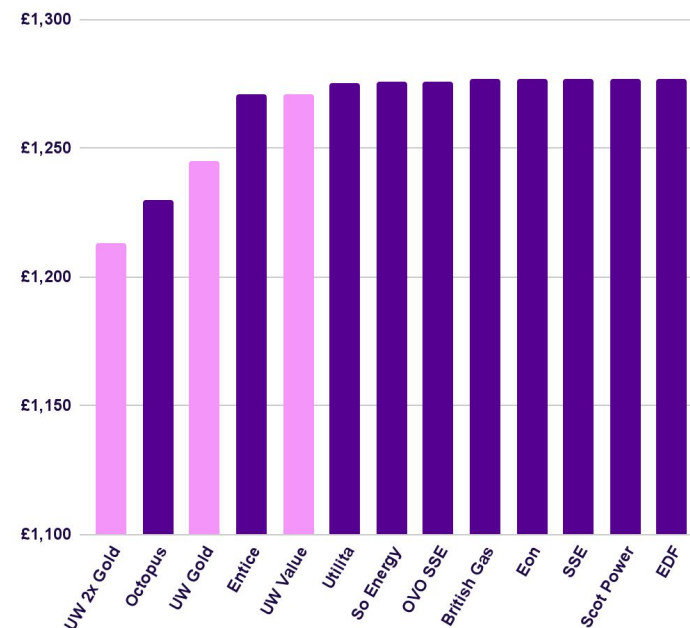
# The recent energy crisis

The headwinds UW has faced for 7 years have disappeared

Impact of rising wholesale prices on the energy savings gap



Current market pricing



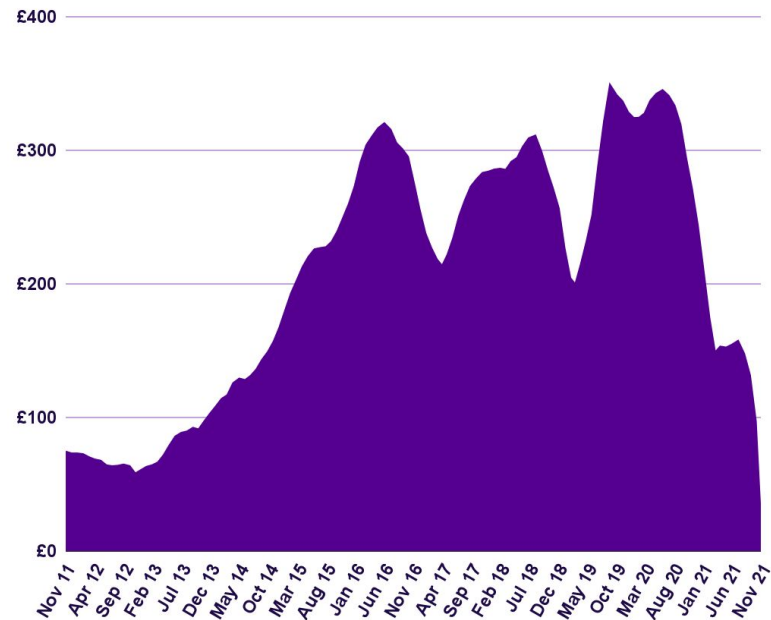
# The recent energy crisis...

## A genuine paradigm shift in the retail markets

### Market set to return to pre-price war sustainability

- The 7 year price war has ended
- Unsustainable Savings Gap has already disappeared
  - Expected to return to sustainable pre-2013 levels in due course
- Ofgem taking regulatory action to ensure long term market stability
  - 'sustainable and resilient supplier business models'
  - support transition to net zero
- Future retail market landscape currently being re-designed
  - Likely to be extremely beneficial for UW growth

### The savings gap between tariffs has all but disappeared



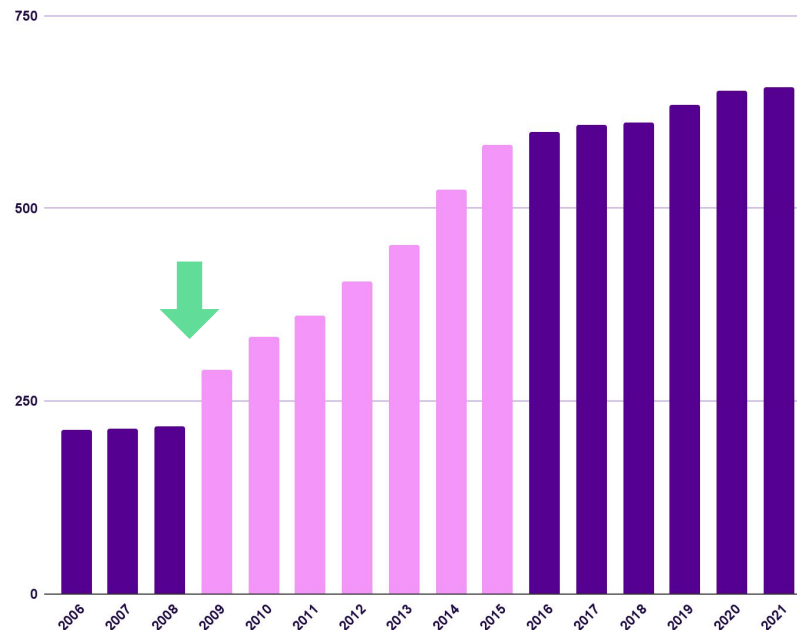
# Entering a period of sustained upward pressure on the cost of living

## The emerging cost of living crisis

### Momentum building within UW Partner community

- More people turning to UW in response to squeezed household budgets
  - Rising cost of living
  - Stagnating post-tax incomes
- New Customer Bonus offers Partners immediate earnings potential
  - <£300 per new customer
  - Meets rising demand head on
- Improved Energy competitive positioning
- Flexible working model fits with post-pandemic 'Great Resignation'
- New Partner recruitment has doubled since the summer

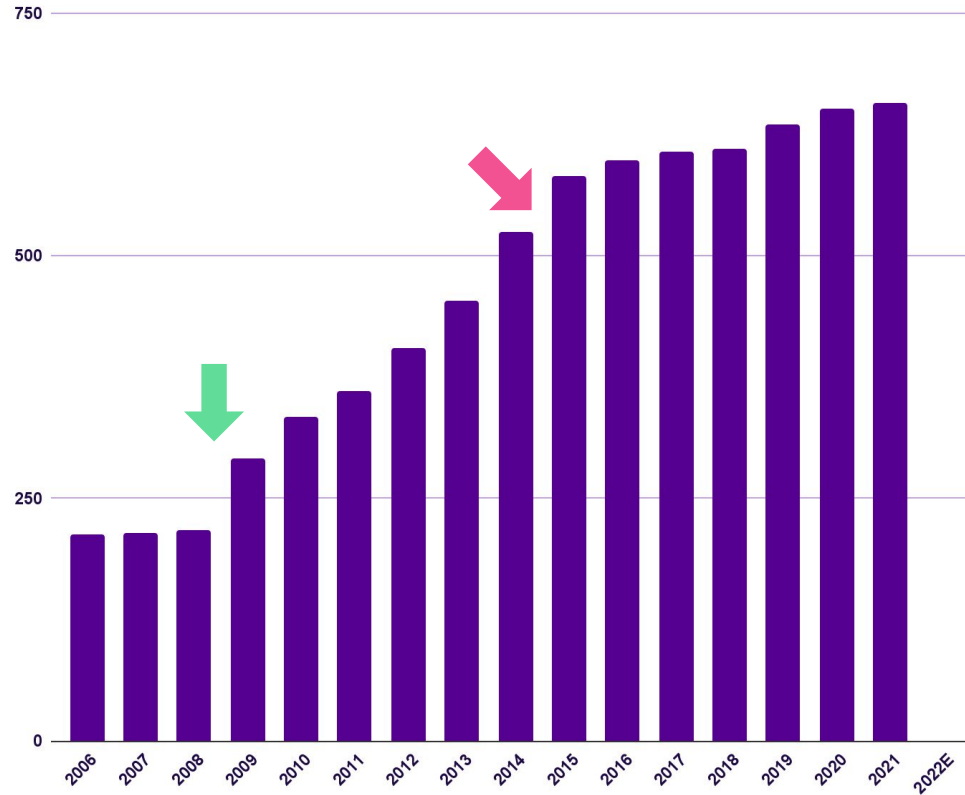
### Cost of living as the catalyst for customer growth in 2008



# Outlook

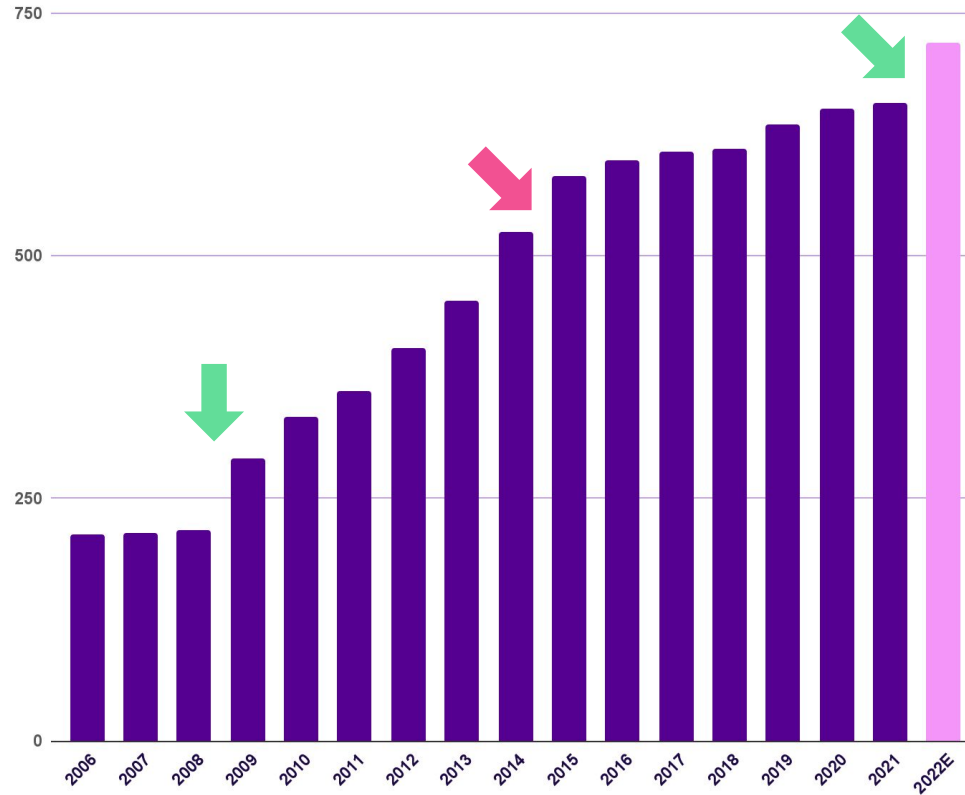
## Clear inflection points in our customer growth trajectory

UW customers  
(000's)



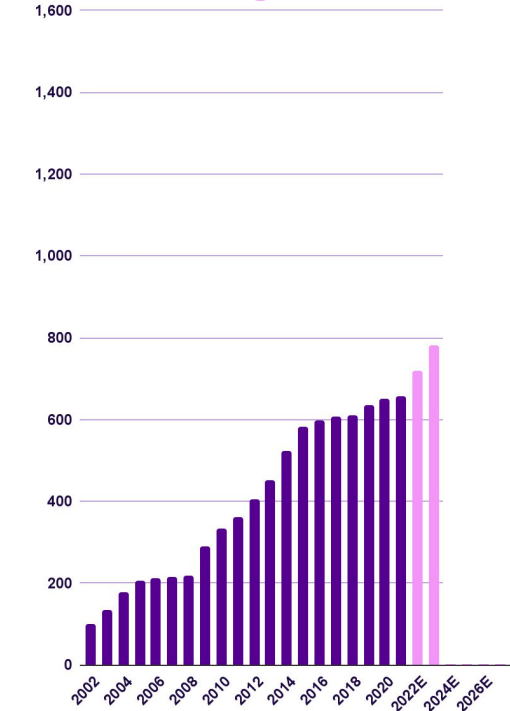
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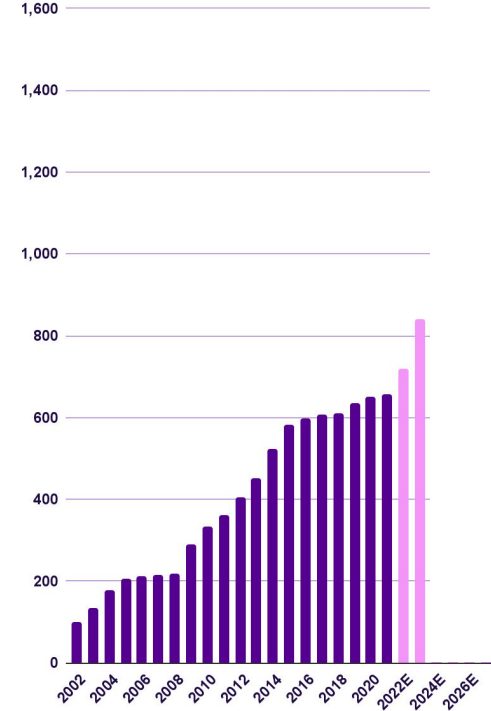


# Illustrative future customer growth scenarios

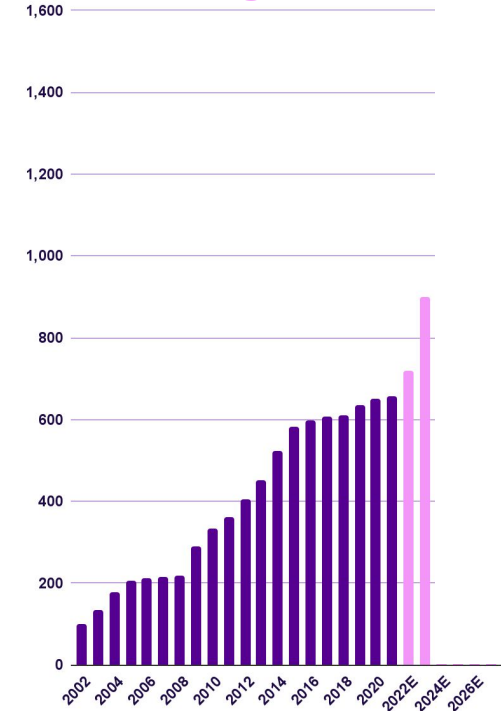
+5k pcm = 60k pa  
8% growth



+10k pcm = 120k pa  
16% growth



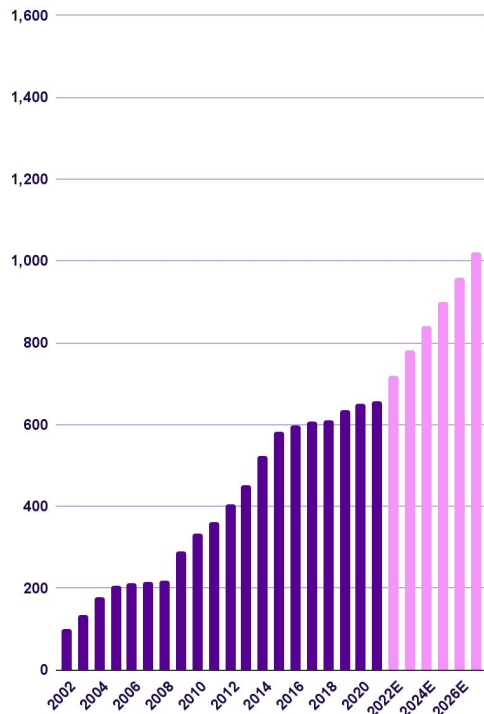
+15k pcm = 180k pa  
25% growth



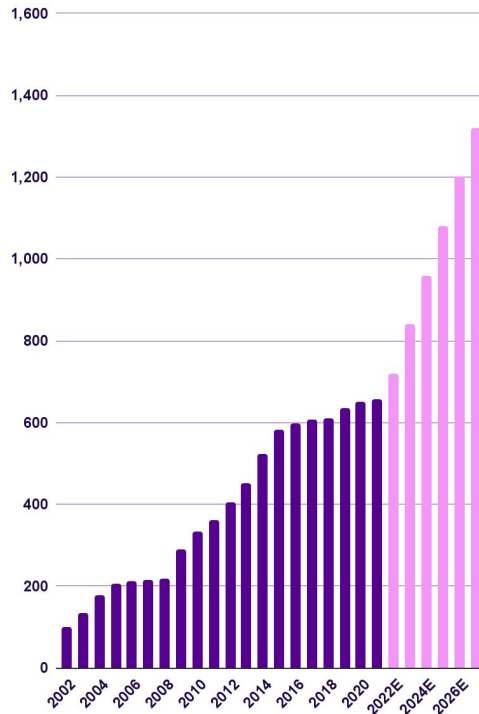


## Illustrative future customer growth scenarios

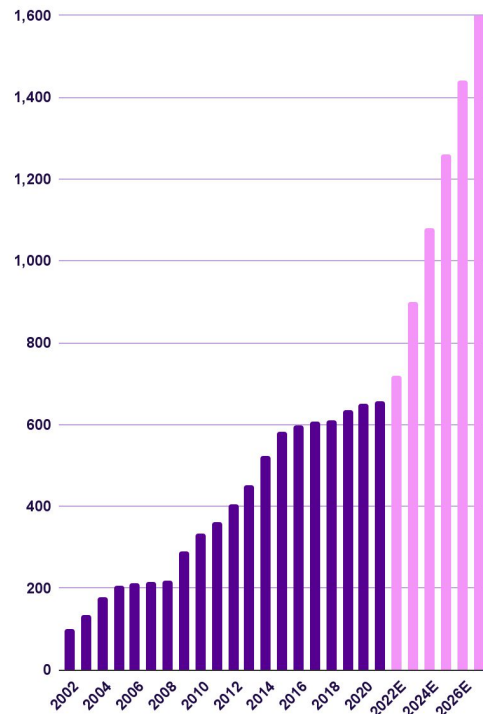
**+5k pcm = 60k pa**



**+10k pcm = 120k pa**



**+15k pcm = 180k pa**



# About us

# All your home services in one

660,000 households taking over 2m services



Energy



Broadband



Mobile



Insurance

# UW at a glance

As at March 2021

## Customers

- Households supplied 660,000
- Services supplied 2.1m
- Multi-service penetration 30% take all core services
- Market leading retention churn < 10%

## Unique customer proposition

- 'All your home services in one'
- Energy, Broadband, Mobile and Insurance

## UK market opportunity

- <2% share in each of energy, telecoms and insurance
- Addressable market: £60bn+ revenues

## Our route to market

- >40,000 UW Partners
- Earning more than an income
- UW brand advocates in every UK neighbourhood
- >1,000 joining each month

## Financial highlights

- Revenue £861m
- EBITDA £66m

## Revenue & margins

- Revenue split 75:25, energy:other (telco & insurance)
- Gross margin split 50:50, energy:other (telco & insurance)

# The UK's only multi-service provider



# Why customers choose us

To forget about their utilities



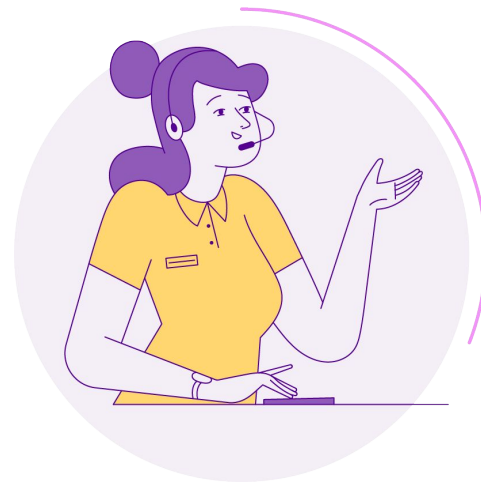
## Savings

The more services you take,  
the more you save



## Simplicity

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

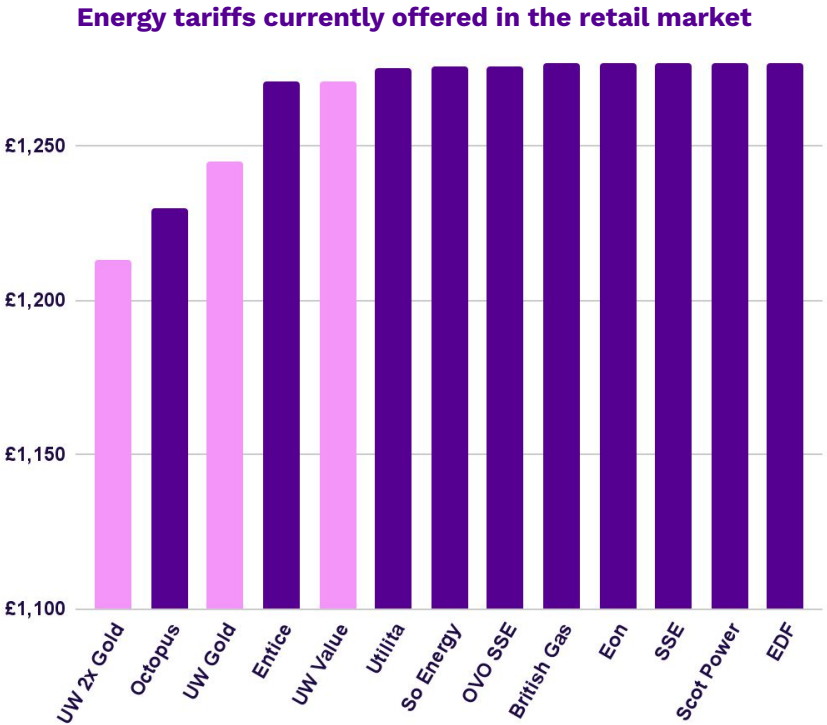


## Service

Award-winning customer service  
from our UK-based team

# Savings

Long-term, fair pricing across all our services

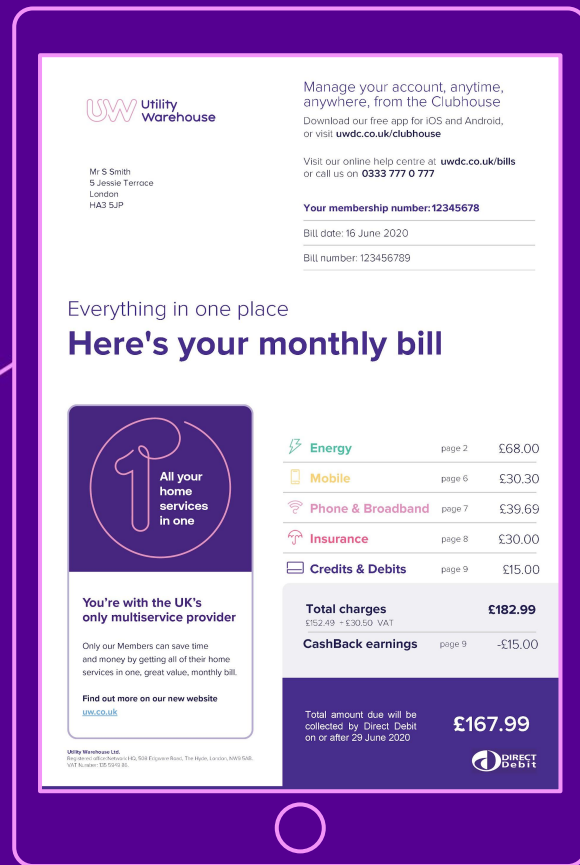


Energy pricing as at 25.10.21, assuming Ofgem standard user profile.

About us

# Simplicity

One supplier. One bill.

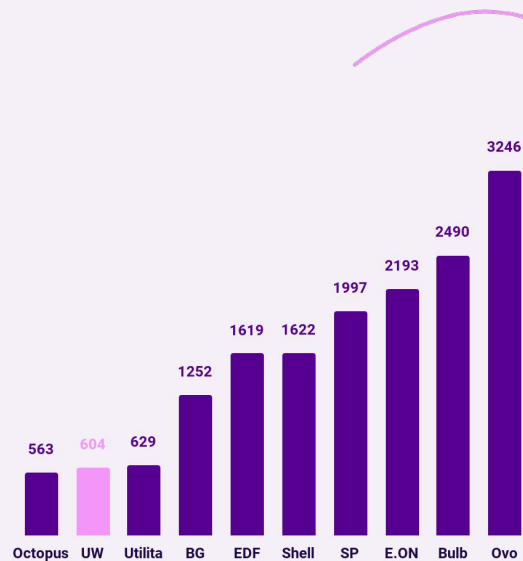




# Service

## Award-winning customer support

### Low numbers of energy complaints



### Consistent third party endorsements



**Which? Recommended Provider  
for over 10 years running**

About us

## How customers hear about us



A unique route to market

Unique route to market

# Team Purple: our 40,000 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

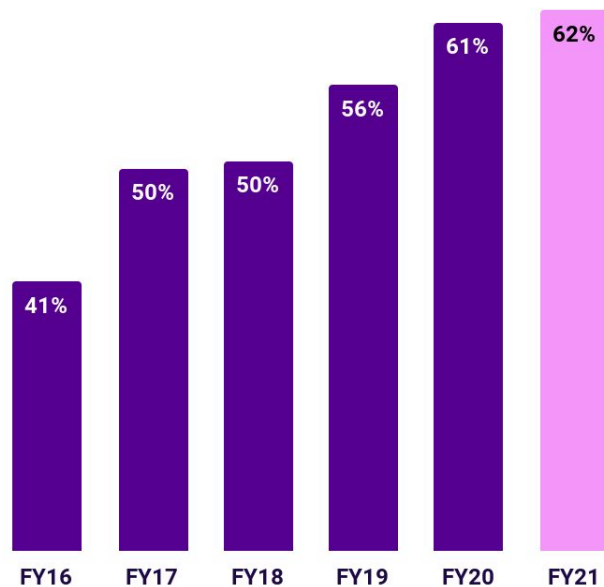
#### Household income vs UK average



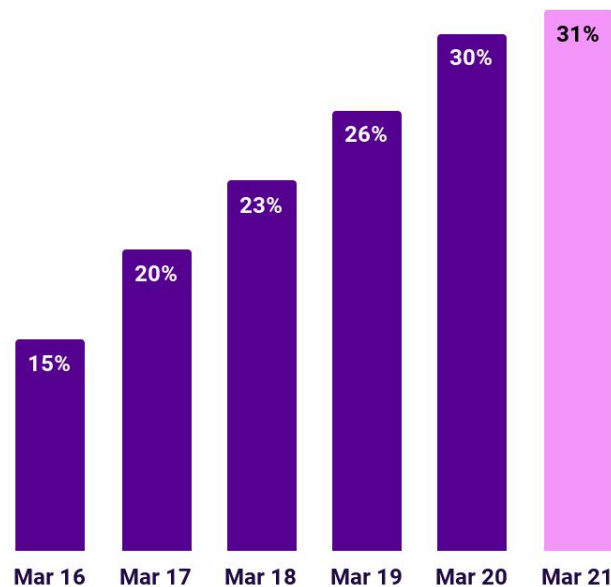
## High multi-service penetration...

... reflecting aligned interests with our Partners

% new customers switching all three core services to us



% of customer base taking all three core services from us





## 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

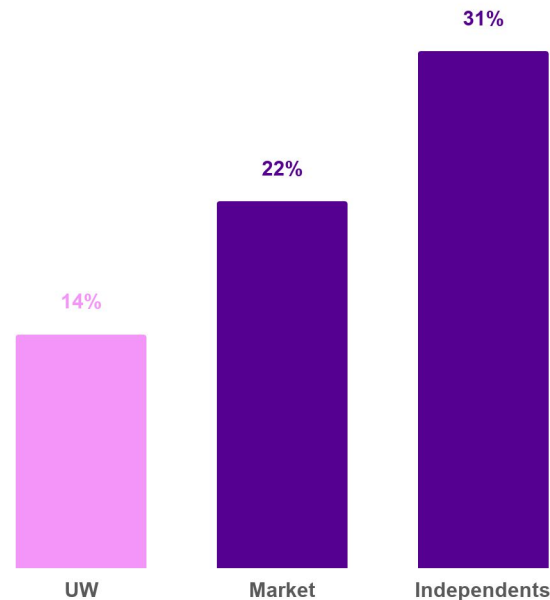
### Encouraging multi-service take up

- 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

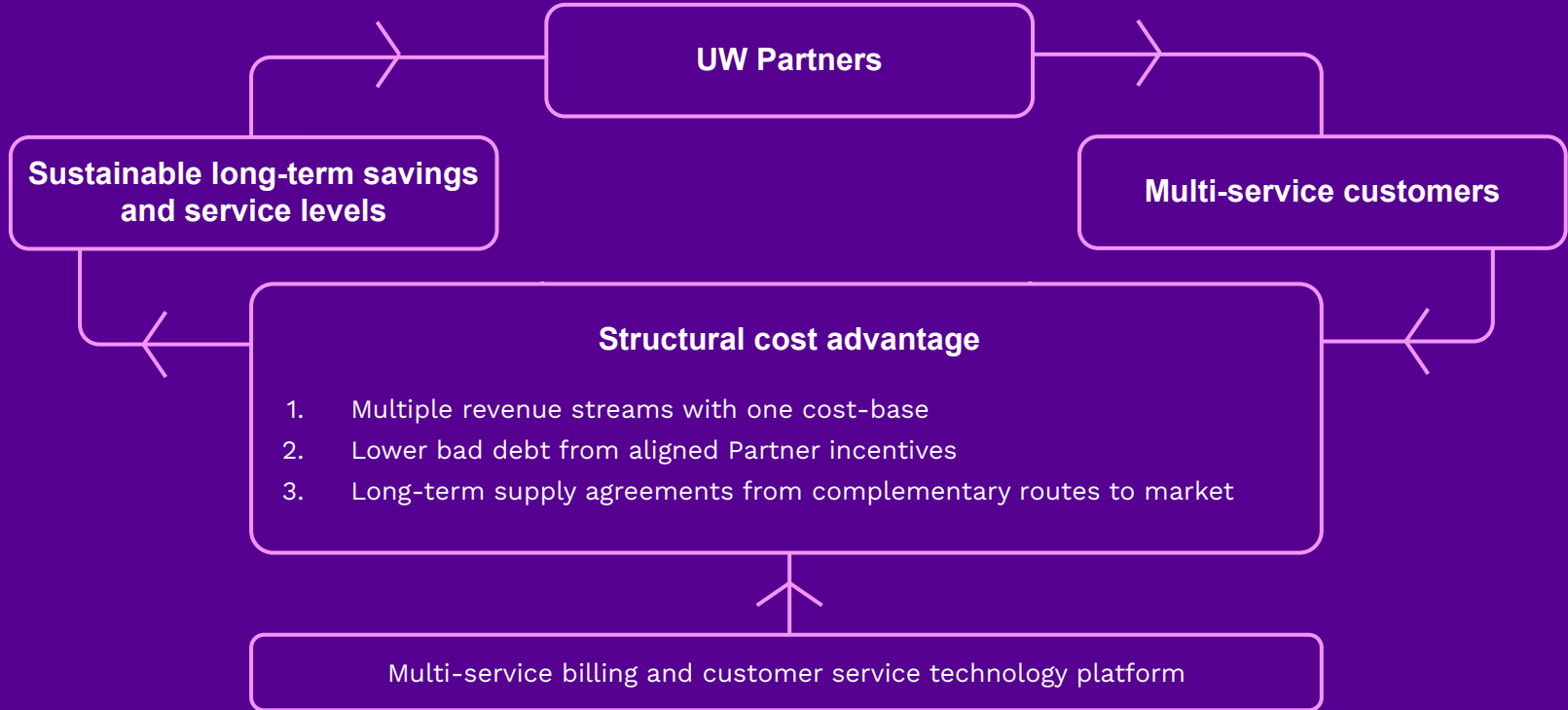
### Clear alignment of interests resulting from multi-service focus

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

### Historic energy market churn

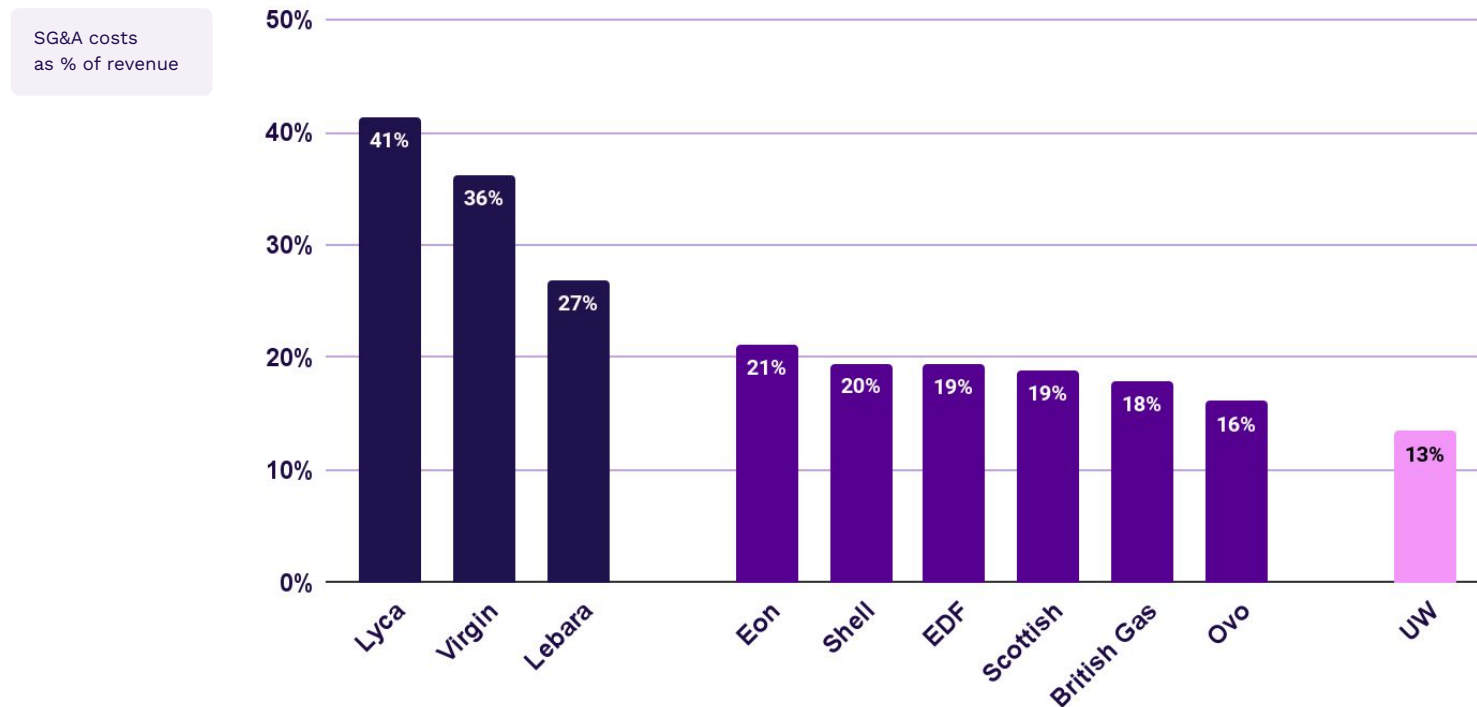


# Structurally self-reinforcing business model



## Our sustainable, multi-service cost advantage

### One set of overheads, multiple revenue streams





## Key competitive advantages

The UK's only genuine multi-utility provider



### Route to market

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



### Virtual 'retail' model

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



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



Energy



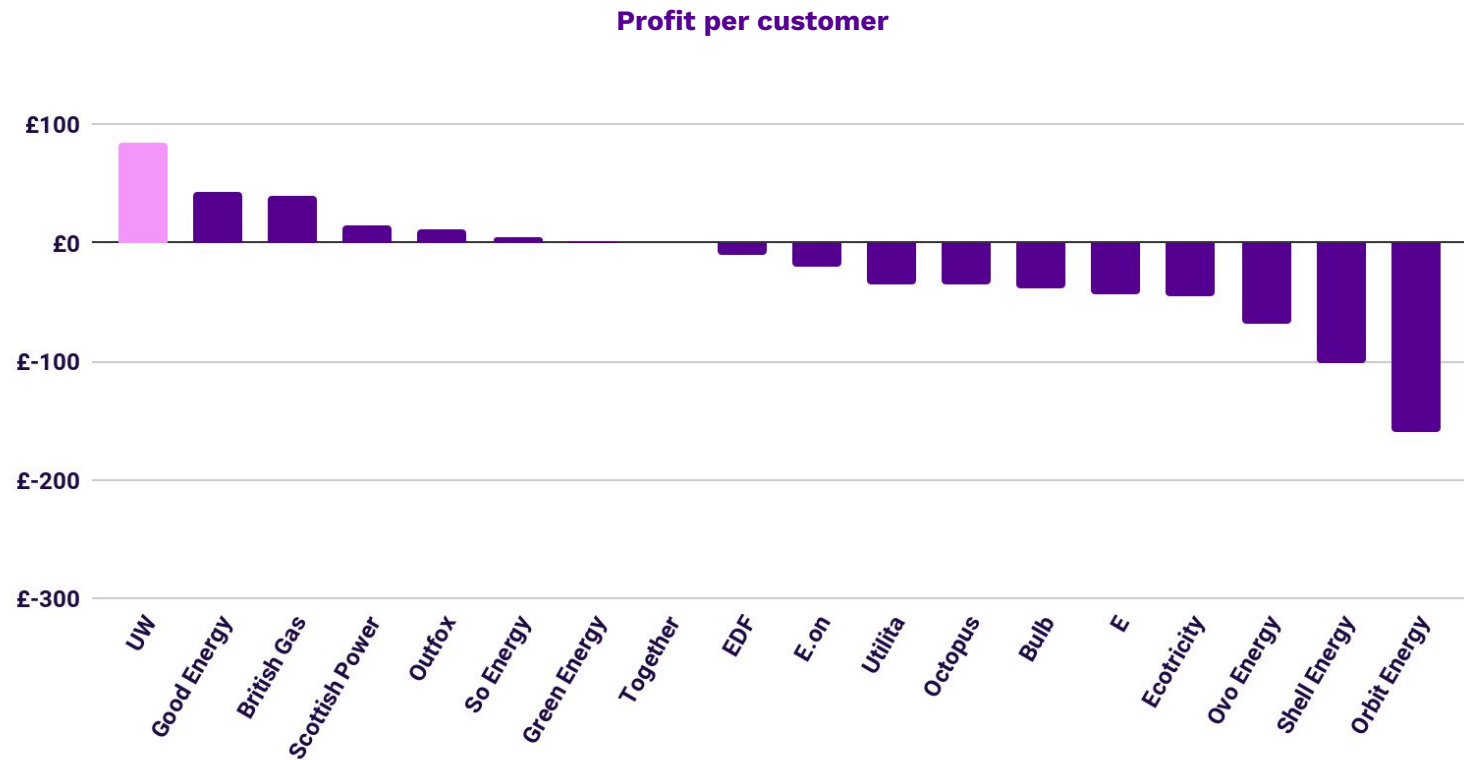
Phone & Broadband



Mobile



# Energy retail market dynamics

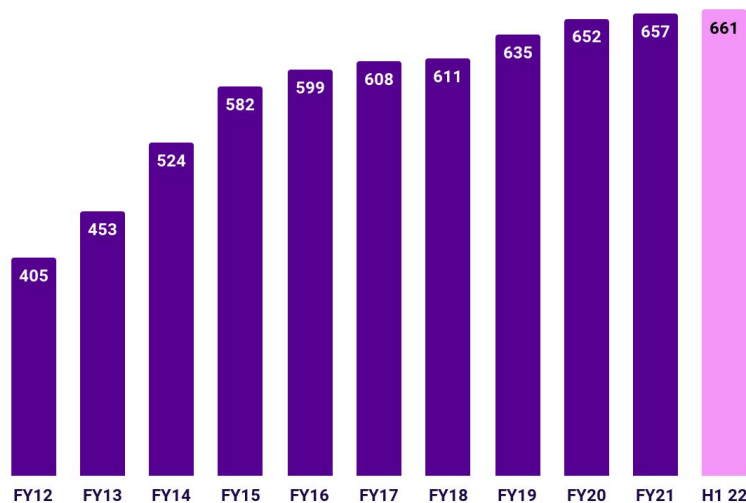


Profit per customer calculated as PBT divided by number of households supplied. UW profit per customer includes all services they take from us as part of our multi-service proposition.  
Source: Big 6 Consolidated Segmental Statements for retail supply businesses alone (prepared annually for Ofgem). Other energy supplier data from latest published report & accounts. TEP/UW amortisation of intangible excluded.

## Sustained long-term organic growth

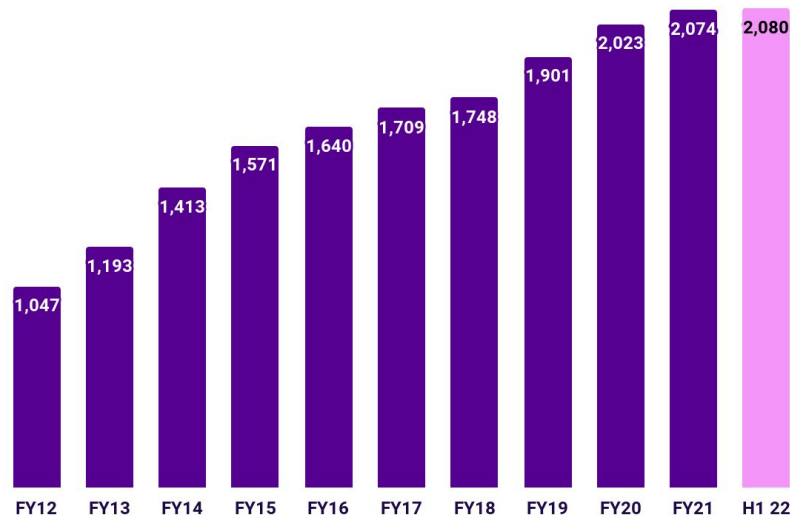
### Customers

7% CAGR

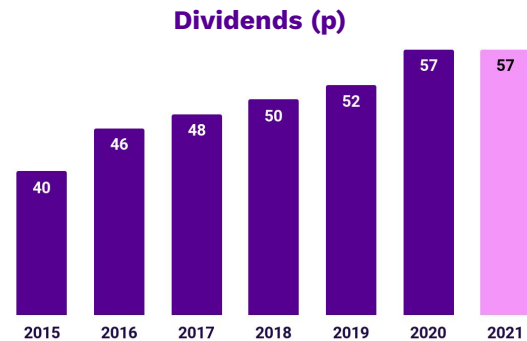
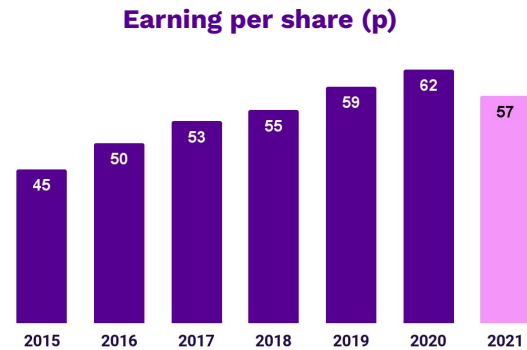
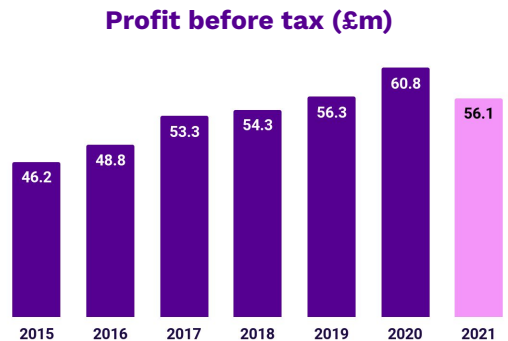
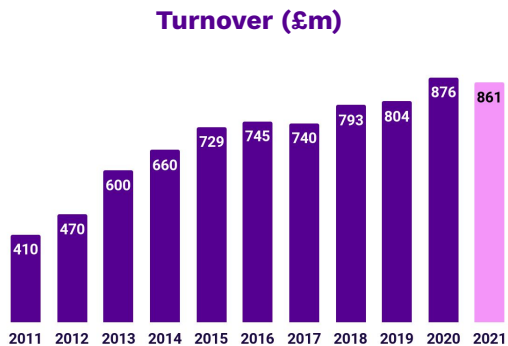


### Services

10% CAGR



# Historic financial performance



# 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 £60bn+ market
- Huge growth opportunity

### Strong customer proposition

- Savings, Simplicity, Service

### Differentiated route to market

- UW Partners delivering high-quality customers
- 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 with progressive dividend policy

### Management interests aligned with shareholders















- Board ownership @ 20%

### At unique growth inflection point in 20+ year history

- Paradigm shift in energy retail market
- Emerging cost of living crisis

# Benefits of a multi-service proposition

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

| Value   | Gold   | Double Gold  |
|---|--|--|
| <br>Energy | <br>Energy            | <br>Energy            |
|            |                      |                       |
|   | <br>Phone & Broadband | <br>Phone & Broadband |
|   |                      |                       |
|   |  | <br>Mobile            |
|   |  |                       |
| <b>Indicative contribution</b>  |                      |                       |
| <b>Typical lifetime</b>   | <b>~9 years</b>  | <b>~15 years</b>   |



## Get in touch

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