

**TelecomPlus**

# Half-year Report

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Telecom Plus PLC  
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# TelecomPlus

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22 November 2022

**Telecom Plus PLC**

## **Half-Year Results for the Six Months ended 30 September 2022**

***"Record number of UK households joining UW to save on their bills"***

Telecom Plus PLC (trading as Utility Warehouse), which supplies a wide range of utility services to UK households, today announces its half-year results for the six months ended 30 September 2022.

### **Financial highlights:**

- Revenue up 51.5% to £562.4m (2021: £371.3m)
- Adjusted profit before tax<sup>[1]</sup> up 22.5% to £32.1m (2021: £26.2m)
- Statutory profit before tax up 46.2% to £29.1m (2021: £19.9m)
- Interim dividend increased to 34p per share (2021: 27p)

### **Operating highlights:**

- Record growth - annualised customer growth rate of almost 24%
- Customer numbers up by 86,004 to 814,684 (March 2022: 728,680)
- Total services supplied up by 292,343 to 2,557,252 (March 2022: 2,264,909)
- Insurance services increased by 67% from 44,834 to 74,948
- Unique multiservice model delivers energy bill savings of over £30m to UW customers this year
- Broadband agreement with TalkTalk extended on improved commercial terms

### **Current trading and outlook:**

- Net customer growth remains at record levels
- Partner recruitment increasing in response to the cost of living crisis
- We are upgrading our previous guidance and now expect full-year adjusted profit before tax for FY23 of at least £95m, leading to a full year dividend of at least 80p per share (2022: 57p)
- On track to deliver an additional one million customers in the next 4-5 years

**Commenting on today's results, Andrew Lindsay, Co-CEO, said:**

"As the pressures on household budgets mount, we continue to offer UK families what they want: the lowest priced energy on the market, savings on their mobile, broadband and insurance bills, cashback on their daily spend, and additional earnings for recommending UW to their friends and families.

"The business is growing faster than ever, at an annualised rate of almost 24%. With inflationary pressures showing no signs of easing, we expect demand for what we offer to remain high, supporting our progress towards our target of welcoming an additional one million customers in the next 4-5 years."

**Stuart Burnett, Co-CEO, added:**

"UW is now the only meaningful energy switching option in the UK, with the rest of the market offering customers little to no difference in price or service. Our unique multiservice proposition enables us to provide households with energy savings of up to £125 a year below the new Energy Price Guarantee, sustainably and profitably, underpinning our long-term strong competitive position.

"These energy savings are expected to put over £30m back into the pockets of UK households this financial year alone. With financial pressures on families due to increase over the next few years, we expect demand for the savings and earnings that we offer to continue to grow."

***There will be a meeting for analysts today at 9.00am. Please contact MHP Communications at: [telecomplus@mhpc.com](mailto:telecomplus@mhpc.com) for details.***

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**About Telecom Plus PLC ("Telecom Plus"):**

Telecom Plus, which owns and operates the Utility Warehouse brand, is the UK's only fully integrated provider of a wide range of competitively priced utility services spanning the energy, broadband, mobile and insurance markets.

Customers benefit from the convenience of a single monthly bill, consistently good value across all their utilities and exceptional levels of service. The business relies on word of mouth recommendation by existing satisfied customers and Partners in order to grow its market share.

Telecom Plus is listed on the London Stock Exchange (Ticker: TEP LN). For further information please visit [telecomplus.co.uk](https://telecomplus.co.uk)

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**Cautionary statement regarding forward-looking statements**

*This Announcement may contain "forward-looking statements" with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance, strategic initiatives, objectives and results. Forward-looking statements sometimes use words such as "aim", "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "seek", "may", "could", "outlook" or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they are based on numerous assumptions regarding the Company's present and future business strategies, relate to future events and depend on circumstances which are or may be beyond the control of the Company which could cause actual results or trends to differ materially from those made in or suggested by the forward-looking statements in this Announcement, including, but not limited to, domestic and global economic business conditions; market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments in the jurisdictions in which the Company and its respective affiliates operate; the effect of volatility in the equity, capital and credit markets on profitability and ability to access capital and credit; a decline in credit ratings of the Company; the effect of operational risks; an unexpected decline in sales for the Company; any limitations of internal financial reporting controls; and the loss of key personnel. Any forward-looking statements made in this Announcement by or on behalf of the Company speak only as of the date they are made. Save as required by the Market Abuse Regulation, the Disclosure Guidance and Transparency Rules, the Listing Rules or by law, the Company undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may occur due to any change in its expectations or to reflect events or circumstances after the date of this Announcement.*

## **Interim Management Report**

### **Financial and Operating Review**

The business has delivered both record financial results and customer growth during the first half of the year, against an economic background where UK household finances are under significant and increasing pressure.

These conditions have driven heightened demand for both the savings we offer our customers, and the additional earnings we offer our Partners: and with 97 out of every 100 households across the UK still with suppliers other than UW, there is considerable scope for our current profitable growth trajectory to continue building over the years ahead.

At the heart of our business model is a sustainable competitive advantage that results from two fundamental points of differentiation: firstly, the inherent cost advantage we derive from providing multiple services to our customers from a single, integrated customer service and management platform. And secondly, our word of mouth route to market: real people explaining the convenience and savings we provide, and unlocking high levels of multiservice take-up across our four core markets.

Our competitive position as the lowest priced supplier in a highly commoditised energy marketplace is underpinned by the contribution we generate in our mobile, broadband and insurance businesses. The returns we make in each of our core markets are expected to increase as we continue to scale, and in the absence of any significant capital investment requirements this means that our levels of cash conversion are expected to remain high, supporting our progressive dividend policy.

As the macro-economic outlook for UK households worsens, and budgets come under further pressure, so demand for what UW offers will clearly rise: the business is well positioned to capitalise on these dynamics, and we are increasingly confident in delivering on our goal of adding a further one million customers in the next four to five years. Managing our rapid growth is critical to achieving this goal, and requires appropriate investment to ensure successful operational delivery; to this end we continue to prioritise our time and effort in three key areas:

**Building a great culture and environment for our people** - the hard work of our team of over 2,000 employees underpins everything we do, and our highest priority is to attract and retain the talented individuals that we need to achieve our goals.

**Looking after our customers as we grow** - earning genuine personal recommendations from our customers is critical to our ongoing growth: we continue to invest heavily in the people, systems and processes required to deliver the hassle-free experience that our customers seek from UW.

**Maximising high quality customer growth** - we have ambitious growth targets, but will not compromise quality for quantity. We continue to evolve our customer and Partner propositions to attract multiservice homeowners via our word of mouth route to market.

## Results

Half year to 30 September	Adjusted			Statutory		
	2022	2021	Change	2022	2021	Change
Revenue	£562.4m	£371.3m	51.5%	£562.4m	£371.3m	51.5%
Profit before tax	£32.1m	£26.2m	22.5%	£29.1m	£19.9m	46.2%
Basic earnings (per share)	33.9p	26.1p	29.9%	30.5p	18.3p	66.7%
Interim dividend (per share)	34.0p	27.0p	25.9%	34.0p	27.0p	25.9%

*In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges of £0.7m (2021: £0.6m), the loss for the period attributable to the non-controlling interest of £0.3m (2021: £0.1m), and the amortisation of the intangible asset of £5.6m (2021: £5.6m) arising from entering into the energy supply arrangements with Eon (formerly npower) in December 2013; this decision reflects both the relative size and non-cash nature of these charges. In H1 FY23 adjusted profit before tax and adjusted basic EPS also excludes the profit on the disposal of Glow Green (£3.6m). The reconciliations for adjusted profit before tax and adjusted EPS are set out in notes 3 and 9 respectively.*

Adjusted profit before tax increased to £32.1m (2021: £26.2m) on revenues of £562.4m (2021: £371.3m). Adjusted earnings per share increased to 33.9p (2021: 26.1p). Statutory profit before tax increased to £29.1m (2021: £19.9m), including the profit on disposal of Glow Green of £3.6m, energy supply contract intangible amortisation of £5.6m (2021: £5.6m), the loss for the period attributable to the non-controlling interest of £0.3m (2021: £0.1m), and share incentive scheme charges of £0.7m (2020: £0.6m).

We will be paying an increased interim dividend of 34p per share (2021: 27p) on 16 December 2022 to shareholders on the register on 2 December 2022; the Company's shares will go ex-dividend on 1 December 2022.

### *Revenues*

The increase in revenue primarily reflects higher energy prices combined with the significant increase in the number of services we are supplying, following a 12-month period of strong customer growth.

Gross margin fell to 19.9% (2021: 22.9%), mainly reflecting the sharp rise in retail energy prices, resulting in a higher proportion of our revenues coming from supplying lower margin energy services.

### *Costs*

Distribution expenses increased to £17.2m (2021: £12.7m), reflecting the higher levels of customer acquisition and Partner activity during the period.

Although administrative expenses (excluding the amortisation of the energy supply contract intangible and share incentive scheme charges) fell as a proportion of sales, in absolute terms they increased by £12.6m to £53.2m (2021: £40.6m). This increase was mainly a result of increased staff and technology costs to manage the significantly increased level of customer growth.

The bad debt charge for the period increased to £8.5m (2021: £5.1m) representing 1.5% of revenues (2021: 1.4%).

### *Cash Flow and Borrowings*

Operating cash flow of £78.6m (2021: £22.7m) was significantly higher year on year, mainly reflecting the timing of receipts from Government for the Energy Bills Support Scheme ("EBSS"). Underlying operating cashflow excluding the receipt of EBSS funds was £31.1m, broadly reflecting the level of profit for the period. Capital expenditure of £4.9m (2021: £4.8m) related primarily to our ongoing technology investment programme.

Net debt (including lease liabilities) fell to £19.6m at the period end following the early receipt of EBSS funds from Government. Underlying net debt (excluding EBSS funds) fell marginally to £67.2m (31 March 2022: £70.3m). At this level, our underlying net debt to EBITDA ratio (on a 12-month rolling basis) remains low at around 0.8x, underpinning our progressive dividend policy.

### *Tax*

Our effective tax rate for the first half was 18.1% (2021: 28.3%). The overall level during the period was marginally below the underlying rate of corporation tax due mainly to the profit on the disposal of Glow Green and the tax deduction available to the Company from the exercise of employee share options; partially offset by the ongoing amortisation charge on our energy supply contract intangible asset (which is not an allowable deduction for tax purposes).

### **Investing in our Customers**

A record number of UK households joined UW to save on their bills in the first half of the year, taking the total number of customers we supply to 814,684 as at 30 September 2022 (31 March 2022: 728,680).

This increase of 86,004 new customers (H2 2022: 67,980) equates to an annualised growth rate of almost 24%, consistent with our medium-term growth target of adding one million additional customers over the next four to five years.

The long-term value of our multiservice customer proposition, combined with consistently offering the lowest priced energy in the market, means we are uniquely positioned to help consumers tackle the market-wide inflationary pressures they are experiencing in each of the commoditised household services we supply.

Our position as the UK's cheapest energy supplier has remained intact throughout the turbulent market conditions of the last 12 months following the end of the energy price war in September 2021, with UW customers receiving ongoing annual savings of up to £125 relative to the Government Price Cap, with the amount depending on the number of services they take from us. Across the full financial year, we expect UW customers to collectively save over £30m on their energy bills - funded through our innovative and sustainable multiservice business model.

We remain disciplined in our approach to maximising high value growth against a backdrop of exceptionally strong demand, ensuring that we strike the right balance between quantity and quality. Whilst energy prices continue to dominate the headlines, it is important to recognise that we are not simply an energy business, and the inflationary pressures being felt by consumers in all of our markets make the savings we offer across each of them increasingly attractive.

As a result we saw strong levels of multiservice take up by new customers during the first half, leading to growth across all our core services; this resulted in an overall increase in the number of services we supply to our customers of 292,343 (H1 FY22: 5,959) to over 2.5 million in total.

	H1 FY 2023	FY2022	H1 FY 2022
<b>Partners</b>	52,062	47,620	44,325
<b>Customers</b>			
Residential	792,674	705,634	637,553
Business	22,010	23,046	23,147
<b>Total</b>	<b>814,684</b>	<b>728,680</b>	<b>660,700</b>
<b>Core services</b>			
Energy	1,388,932	1,219,836	1,090,319
Broadband	341,392	323,623	316,276
Mobile	364,062	324,773	306,738
Insurance	74,948	44,834	35,608
<b>Other services</b>			
Cashback Card	364,960	327,949	305,875
Legacy services	22,958	23,894	24,940
<b>Total</b>	<b>2,557,252</b>	<b>2,264,909</b>	<b>2,079,756</b>



Whilst energy services have grown the most in absolute terms, we were particularly pleased with the strong relative growth in mobile and insurance services, as both new and existing customers sought to maximise their energy savings by switching additional services to UW. In March 2022 we integrated Insurance into our bundle proposition, triggering a marked acceleration in take-up of this service.

Demand for our Cashback card also remains high. It is a unique point of differentiation for UW, and represents a further, meaningful way in which we can help our customers tackle the rising cost of living. During the first half of the year, our customers received over £3.5m (2021: £3.0m) deducted from their UW bills by using their Cashback card.

### **Supporting our customers**

In order to deliver on our promise of helping our customers to save time and money on their household bills, and to genuinely earn their recommendations, it is vital that we continue to invest in them - not solely in the value of our proposition, but also, critically, in how we look after them: we must deliver a consistently high standard of service, treat them fairly, and live up to our promise of letting them get on with their lives.

The increase in the Government Price Cap to £1,971 in April 2022, and the ongoing energy-related media headlines throughout the first half of the year, led to significantly heightened concern amongst consumers. Our customers were no exception and we experienced unprecedented levels of customer contact during the period. At the same time a record number of new customers have joined UW, switching multiple essential household services to us. The £2,500 Government Energy Price Guarantee announced in September, whilst temporarily quelling affordability concerns, led to widespread consumer confusion, and more recent changes have further exacerbated this.

Whilst we continue to invest in providing customers with self-service capabilities for each of the household services they are taking from us, these external market dynamics mean that we are facing unprecedented numbers of customers wishing to speak to us directly. In response, we have increased our front line customer support teams, taking the total number of UW employees to over 2,000 at the end of the period. This expansion of our employee base represents a significant additional investment, but it is one that we are delighted to make and are pleased to be creating jobs against such a challenging broader economic backdrop.

This expansion in our workforce includes an initiative to develop regional centres of customer service excellence, with our first hub opening in Burnley in October, aimed at providing new UW customers with dedicated support as they switch their services to us. We intend to open further hubs during the second half of the year, each with a focus on a particular aspect of our business, to help our teams build deep, specialist knowledge, and to provide our customers with the highest level of support.

It is not only the efforts and hard work of our colleagues that are integral to supporting our customers: the systems they use are vital, and we have made further progress during the period to develop these to help our teams perform the critical role they play in looking after our customers, resolving their problems and answering their questions.

With the steep increase in energy bills being experienced by everyone, we are especially focussed on supporting our vulnerable customers, and have increased our Payment Support Team by around 40%

year on year. We seek to provide unparalleled support for customers facing payment difficulties, and were pleased with our rating in Ofgem's recent Market Compliance Review into customers struggling to pay their bills.

Customer churn remains at record low levels, primarily reflecting our position as the lowest priced energy supplier in the market, but also the long term value we offer across all our core services, and our commitment to looking after our customers.

## **Our Services**

### *Energy*

Over the last six months we have seen a period of enforced stability in the energy market with no suppliers entering or leaving and little differentiation in what they are able to offer to customers. With all other suppliers priced within c.£10 of the Government Energy Price Guarantee, we have consistently offered savings of up to £125 per year, funded through our sustainable cost advantage, and as a result have become the fastest growing energy provider in the UK.

The relative stability of the competitive retail supply market sits in stark contrast to the regulatory environment. There have been a series of Government interventions aimed at shielding consumers from the volatility in wholesale energy prices including most notably, the Energy Bills Support Scheme (EBSS) and Energy Price Guarantee. In the business sector where we supply over 20,000 SME customers, the Energy Bill Relief Scheme (EBRS) is also starting to deliver significant bill reductions. Whilst the details of these schemes continue to evolve along with government policy, providing ongoing operational challenges to all suppliers, our competitive advantage has been unaffected by the changes, and we have shown resilience in being able to adapt quickly to the changing circumstances without compromising our growth.

Whilst the amount of government subsidy is significant, most customers' bills are still more than double what they were a little over a year ago. As a result, customers are seeking to lower their outgoings by reducing their consumption, with average usage down by around 10% over the summer, and with a larger reduction expected over the coming winter months.

Across the market more customers are falling into arrears, and whilst we are not immune to this challenge, the nature of both our multiservice proposition and our word of mouth acquisition channel means our business is less susceptible to higher bad debts, reflecting our customer demographic.

Smart meters are a key component in the UK's plans to achieve its net zero targets, and we continue to have one of the highest smart meter penetration rates in the UK of 65% despite our increased growth. A shortage of trained engineers during the period has reduced our previously high rate of installation, but we anticipate this will accelerate again in the new year and remain committed to investing in the roll-out.

This summer saw the implementation of Ofgem's Faster Switching programme, enabling customers to switch their energy supplier in as little as two working days. Whilst lower levels of overall switching have reduced the significance of this large, industry-wide investment, we have seen the benefits of the more streamlined onboarding experience for the record numbers of customers switching to UW over the period.



### *Broadband and Mobile*

Our mobile service, spearheaded by our highly competitive unlimited data SIM proposition, continued to grow rapidly during H1 (+12%). We have invested in improvements to both the provisioning experience, with better automation of our activation processes, and the in-life account management experience to drive advocacy amongst our mobile service users. We also extended our long-standing supply agreement with EE until 2028.

Broadband growth was relatively muted across the period (+5%) when compared with the growth of our other services. This reflects both the increasingly high reliance consumers place on their connectivity and the perceived risk of disruption associated with switching, and the redesigned bundle proposition that we launched in March 2022 (allowing customers to access our lowest energy prices by taking insurance as one of their qualifying services, with a knock on effect on broadband take up). We are continuing to invest in the automation of our provisioning processes in order to assure customers of a seamless switching process, and anticipate that Ofcom's 'One Touch Switch' programme will further reduce switching friction for consumers.

The ongoing full fibre roll-out continues to underpin market activity focussed on the 'tease and squeeze' acquisitional pricing tactics that have been, or are being, addressed by regulation in Financial Services and Energy. The majority of the big suppliers subject all their customers (including those in contract) to automatic CPI-plus annual price rises, which drove a c.9% increase to many consumers' bills in the spring. With current inflation forecasts, we expect this will rise even further over the coming months, and our strategy of guaranteeing no in-contract price rises leaves us well placed to grow in response to this dynamic.

We signed a new, long-term agreement with TalkTalk in October. The significantly improved terms will help us accelerate our broadband growth whilst maintaining an increasingly profitable proposition over the medium to long term. We are excited that this new agreement will enable us to benefit from TalkTalk's growing network of alt-net fibre relationships, giving UW customers access to the widest range of full fibre connectivity in the market in due course.

At a time when cost of living pressures continue to rise, and other major broadband providers are imposing automatic inflation-linked price rises on their customers, we have not only maintained our existing fibre broadband prices throughout 2022, but have also committed to freezing them throughout the winter ahead.

### *Insurance*

Our Insurance book increased from 44,834 to 74,948 policies, an uplift of 67% in H1 alone. This healthy growth was driven by two main catalysts: firstly, strong customer growth in our core business and secondly, the redesigned bundle proposition that we launched in March 2022, which led to over 22% of new customers taking an insurance product when they signed up to UW.

Our approach of rewarding customer loyalty and focus on delivering customer value meant that we have been well prepared for the impacts of the FCA pricing interventions, as well as the upcoming Consumer Duty requirements. Our retention at renewal has held steady at around 95%.

For the time being, our insurance business remains firmly in growth mode. Whilst it is currently only making a modest contribution to our bottom line, we see a clear path to making a material contribution as we continue to scale, and we will continue to invest in this area as a key strategic driver of future growth for the overall business.

### *Cashback*

Our Cashback card is ideally suited to help UK households looking for ways to combat the rising cost of living: by enabling our customers to earn up to 10% cashback on their everyday spending, the Cashback card takes the savings that UW offers beyond our four core utilities, and is another key differentiator compared to any other home services provider.

Demand for the card continues to rise with cardholder growth of over 10%, and spending exceeded £238m in H1 (H1 FY21: £199m). In total, our customers received £3.5m of cashback during the period, taken straight off their bills.

We continue to invest in improving the cardholder experience at every touch point - for example instantly push notifying them of how much cashback they have received each time they spend. We have also extended our portfolio of retail partners to include brands such as Boohoo and Dobbies, and anticipate further additions over the course of the year.

With no obvious signs of inflationary pressures abating, we expect the Cashback card to become increasingly relevant to our customers over the foreseeable future.

### **Investing in our Word of Mouth Model**

Our rapid growth in customers has been underpinned by high levels of activity amongst our growing community of Partners. They are one of the key strengths of our business. Through UW, our Partners can create real financial security for themselves and their families by signing up new customers and introducing our income opportunity to others. They do so in their own time and on their own terms, earning meaningful short-term financial rewards as well as a long-term residual income.

Confidence has risen during the period, as Partners have embraced the strength of our customer proposition and the growing consumer demand for the savings it offers. Recommending UW is both significantly easier and more enjoyable for our Partners when they know that they are genuinely helping their friends, families and neighbours. This has evidently been the case given our consistent position as the lowest priced energy supplier in the UK over the last year, and has reinforced the other ways we can help tackle the broader rise in the cost of living that households are facing, such as through the savings offered by our Cashback card.

Growing awareness of the UW brand amongst consumers - resulting from increased media recognition, our consistent top-of-table position in energy price comparisons and other third-party endorsements - has further boosted their confidence.

Combined with heightened and proactive consumer demand for what Partners can offer through UW, this has driven record levels of activity and growth amongst our Partner base, in turn leading to greater earnings, particularly in the form of bonuses for signing up new multiservice customers. These earnings of up to £250 per referral totalled over £7m in the first half, and - in addition to the savings offered by our

core customer proposition - are increasingly attractive to people seeking to offset the rise in daily living costs that we are all facing.

We continually seek to make it easier to succeed as a Partner by ensuring the competitive positioning of our services, providing market-leading levels of customer care, and raising awareness of the UW brand. We have further invested in the tools we provide to them during the period, introducing enhanced personalised websites, simplifying the sharing of online links with people they meet, and directing prospective new customers to active Partners who are local to them.

With the financial pressure on UK households continuing to rise, and an increasing recognition that the scope to mitigate the impact of steep and widespread inflation through savings alone is limited, we anticipate that increasing numbers of people will turn to UW over the coming years to help them earn their way out of the cost of living crisis.

In order to broaden the scope of the UW income opportunity we are relaunching our customer referral proposition, which not only enhances our tried-and-tested word of mouth model, but extends it to all our existing customers, giving them the opportunity to boost their income at a time when their financial outgoings are increasing.

### **Investing in Our Employees**

We have made significant investment and progress in improving the culture and environment for our employees. Our efforts were acknowledged in our most recent company-wide Heartbeat survey in July, which saw our employee Net Promoter Score increasing to +20.

In response to the acceleration in new customer growth, we have stepped up our recruitment of new colleagues and developed all aspects of our onboarding journey creating a positive experience for any new starter long before their first day on the job.

We have enhanced our learning and development offer for all employees, while increasing the dedicated support we provide in our Customer Services teams, and have seen over 70% of all staff access our improved resources online. We have also started to deploy guided digital journeys for different types of leaders across the business, to help them develop in their roles.

In addition to opening our first regional hub in Burnley, we have continued to invest in our working environment more broadly, opening an office in Paddington with space for nearly 100 staff to regularly meet and collaborate. We have also taken steps to better engage with our growing employee base, especially those working remotely, running regular company-wide events to help people build on their remote relationships, better understand the business, and connect with peers in and beyond their core teams.

Access to existing benefits and support resources has been improved with the launch of a new online benefits platform. As well as dedicated mental health and wellbeing modules, we have expanded our resources to include financial wellbeing support. This is on top of enhancements to our sick pay policy, a one-off cost of living payment we are paying to all employees this winter, and a support fund we have set up to help employees in real financial difficulty to access supermarket vouchers or additional funding.

In order to better leverage our growing team's professional network and boost internal talent movement, we have replaced our recruitment platform, providing greater visibility on job opportunities and applications, as well as fuelling word of mouth recommendation from within our business.

## Outlook

The combination of our sustainable multiservice cost advantage - enabling us to consistently undercut the competition as the lowest priced supplier in the market - and rising consumer demand for the savings and convenience we offer, means we expect to see further strong organic growth over the months and years ahead.

The recent political upheaval and subsequent changes to the Government's Energy Price Guarantee, mean that energy prices are once again front page news. Despite being a major contributor towards the wider inflationary pressures and cost of living squeeze that is being felt by households across the country, there is little competition between energy suppliers (other than ourselves) who all face the same costs and have next to no points of differentiation from one another.

In contrast, we are proud of the savings we offer our customers on their energy bills - which are set to total over £30m this year - a figure that will continue to grow as more households choose UW as their supplier. But our ability to help our customers reduce their monthly outgoings is not restricted to their energy: we also do so on their mobile, broadband and insurance.

In the face of rising costs, we are uniquely positioned to offer UK consumers multiple ways to save. Everyday general shopping, in particular the rising cost of food, is a further key pressure point on household budgets, and our Cashback card helps UW customers meet this challenge: with spending on our card now running at over £40m per month, we expect this will generate meaningful further savings for our customers in future. And unlike the majority of other broadband and mobile providers, who impose annual inflation-linked price rises on their customers, we have committed not to increase our prices this winter.

At the same time, we continue to experience strong levels of new Partner recruitment, as more people turn to UW to earn an extra income in response to the deepening cost of living crisis. In launching our customer referral scheme, we are excited to be bringing the UW income opportunity to a broader audience - all our customers - as the financial pressures faced by all UK households continue to mount. We expect momentum to build in our word of mouth model through the second half, further supporting our strong organic customer growth rate as we move into FY24.

Household energy bills are expected to remain high for the foreseeable future. On top of ongoing elevated wholesale prices, we are yet to see the full impact of the predicted £6.5bn bail-out of Bulb, anticipated higher bad debts across the industry, and the cost of transitioning to net zero, all of which will need to be factored into future bills. This leaves us uniquely positioned to offer both new and existing customers significant savings through our sustainable multiservice model and to continue growing our market share significantly over the coming years.

Whilst the EPG will mean that the amount customers pay for their energy will remain fixed until April, the underlying Government Price Cap will be reset in January, with a growing likelihood that the new level will exceed £4,000 for an average dual fuel household. This provides greater clarity over our likely financial performance for the final quarter of FY23, albeit that some uncertainty remains over the extent

to which customers either self-regulate their consumption in order to reduce their bills over the peak winter months, or are unable to afford to pay them.

In the context of this greater visibility, and in the absence of unforeseen circumstances, we are upgrading our previous guidance. We now expect full-year adjusted profit before tax for FY23 of at least £95m, leading to a full year dividend of at least 80p (2022: 57p) per share.

These dynamics give us considerable confidence in our ability to achieve the goal we set in the summer of welcoming an additional million customers to UW over the next four to five years, and the further material improvement in our financial performance that this would deliver in FY24 and beyond.

Given on behalf of the Board

**ANDREW LINDSAY**  
Co-Chief Executive

**STUART BURNETT**  
Co-Chief Executive

**NICK SCHOENFELD**  
Chief Financial Officer

22 November 2022

## Principal Risks and Uncertainties

The Group faces various risk factors, both internal and external, which could have a material impact on long-term performance. However, the Group's underlying business model is considered relatively low-risk, with no need for management to take any disproportionate risks in order to preserve or generate shareholder value.

The Group continues to develop and operate a consistent and systematic risk management process, which involves risk ranking, prioritisation and subsequent evaluation, with a view to ensuring all significant risks have been identified, prioritised and (where possible) eliminated, and that systems of control are in place to manage any remaining risks.

The directors have carried out a robust assessment of the Company's emerging and principal risks. A formal document is prepared by the executive directors and senior management team on a regular basis detailing the key risks faced by the Group and the operational controls in place to mitigate those risks; this document is then reviewed by the Audit Committee. Save as set out below, the magnitude of any risks previously identified has not significantly changed during the period.

### *Business model*

The principal risks outlined below should be viewed in the context of the Group's business model as a reseller of utility services (gas, electricity, fixed line telephony, mobile telephony, broadband and insurance services) under the Utility Warehouse and TML brands. As a reseller, the Group does not own any of the network infrastructure required to deliver these services to its customer base. This means that while the Group is heavily reliant on third party providers, it is insulated from all the direct risks associated with owning and/or operating such capital-intensive infrastructure itself.

The Group is able to secure the wholesale supply of all the services it offers at competitive rates, enabling it to generate a consistently fair level of profitability from delivering a great value bundled proposition to its customers. There is an alignment of interests between the Group and its wholesale suppliers which means that it is in the interests of the suppliers to ensure that the Group remains competitive, driving growth and maximising their benefit from our complementary route to market. Furthermore, the group benefits from a structural cost advantage, due to the multiple revenue streams it receives from customers who take more than one service-type, and only having one set of overheads. The Group has alternative sources of wholesale supply should an existing supplier become uncompetitive or no longer available.

In relation to energy specifically, the Group's wholesale costs are calculated by reference to a discount to the prevailing standard variable retail tariffs offered by the 'Big 6' to their domestic customers (effectively the Government price cap), which gives the Group considerable visibility over profit margins.

The Group's services are promoted using 'word of mouth' by a large network of independent Partners, who are paid predominantly on a commission basis. This means that the Group has limited fixed costs associated with acquiring new customers.

The principal specific risks arising from the Group's business model, and the measures taken to mitigate those risks, are set out below.

#### *Reputational risk*

The Group's reputation amongst its customers, suppliers and Partners is believed to be fundamental to the future success of the Group. Failure to meet expectations in terms of the services provided by the Group, the way the Group does business or in the Group's financial performance could have a material negative impact on the Group's performance.

In developing new services, and in enhancing current ones, careful consideration is given to the likely impact of such changes on existing customers.

In relation to the service provided to its customer base, reputational risk is principally mitigated through the Group's recruitment processes, a focus on closely monitoring staff performance, including the use of direct feedback surveys from customers (Net Promoter Score), and through the provision of rigorous staff training.

Responsibility for maintaining effective relationships with suppliers and Partners rests primarily with the appropriate member of the Group's senior management team with responsibility for the relevant area. Any material changes to supplier agreements and Partner commission arrangements which could impact the Group's relationships are generally negotiated by the executive directors and ultimately approved by the full Board.

#### *Information technology risk*

The Group is reliant on its in-house developed and supported systems for the successful operation of its business model. Any failure in the operation of these systems could negatively impact service to customers, undermine Partner confidence, and potentially be damaging to the Group's brand. Application software is developed and maintained by the Group's Technology team to support the changing needs of the business using the best 'fit for purpose' tools and infrastructure. The Technology team is made up of highly-skilled, motivated and experienced individuals.



Changes made to the systems are prioritised by business, Product Managers work with their stakeholders to refine application and systems requirements. They work with the Technology teams undertaking the change to ensure a proper understanding and successful outcome. Changes are tested as extensively as reasonably practicable before deployment. Review and testing are carried out at various stages of the development by both the Technology team and the operational department who ultimately take ownership of the system.

The Group has strategic control over the core customer and Partner platforms including the software development frameworks and source code behind these key applications. The Group also uses strategic third-party vendors to deliver solutions outside of our core competency. This largely restricts our counterparty risks to services that can be replaced with alternative vendors if required, albeit this could lead to temporary disruption to the day-to-day operations of the business.

Monitoring, backing up and restoring of the software and underlying data are made on a regular basis. Backups are securely stored or replicated to different locations. Disaster recovery facilities are either provided through cloud-based infrastructure as a service, and in critical cases maintained in a warm standby or active-active state to mitigate risk in the event of a failure of the production systems.

#### *Data security risk*

The Group processes sensitive personal and commercial data and in doing so is required by law to protect customer and corporate information and data, as well as to keep its infrastructure secure. A breach of security could result in the Group facing prosecution and fines as well as loss of business from damage to the Group's reputation. Recovery could be hampered due to any extended period necessary to identify and recover a loss of sensitive information and financial losses could arise from fraud and theft. Unplanned costs could be incurred to restore the Group's security.

The Group has deployed a robust and industry-appropriate Group-wide layered security strategy, providing effective control to mitigate the relevant threats and risks. The Group is PCI compliant and external consultants conduct regular penetration testing of the Group's internal and external systems and network infrastructure.

The Information Commissioner's Office ('ICO') upholds information rights in the public interest and, where required, companies within the Group are registered as data controllers with the ICO. If the Group fails to comply with all the relevant legislation and industry specific regulations concerning data protection and information security, it could be subject to enforcement action, significant fines and the potential loss of its operating licence.

Information security risks are overseen by the Group's Information Security and Legal & Compliance teams.

#### *Legislative and regulatory risk*

The Group is subject to various laws and regulations. The energy, communications and financial services markets in the UK are subject to comprehensive operating requirements as defined by the relevant sector regulators and/or government departments.

Amendments to the regulatory regime could have an impact on the Group's ability to achieve its financial goals and any material failure to comply may result in the Group being fined and lead to

reputational damage which could impact the Group's brand and ability to attract and retain customers. Furthermore, the Group is obliged to comply with retail supply procedures, amendments to which could have an impact on operating costs.

The Group is a licensed gas and electricity supplier, and therefore has a direct regulatory relationship with Ofgem. If the Group fails to comply with its licence obligations, it could be subject to fines or to the removal of its respective licences.

The regulatory framework for the UK's energy retail market, as overseen by Ofgem, is subject to continuous development. Any regulatory change decision could potentially lead to a significant impact on the sector, and the net profit margins available to energy suppliers. The current pace and extent of regulatory change is more substantial than in previous years. In addition to the industry-wide programmes of work, such as the rollout of smart meters, and a growing range of environmental and social obligations, Ofgem has been implementing a special package of reform measures. These special reforms have arisen in response to the 'energy crisis', which emerged in the autumn of 2021 and is associated with high wholesale energy costs and a consolidation of competition, with many new-entrant suppliers having ceased trading. The reforms cover the future of the price cap, assessing suppliers' financial resilience and compliance performance, and temporary interventions, in part, to protect suppliers from their financial exposures to the wholesale market. The Group tracks this changing landscape closely, to identify risks and opportunities, to prepare for any subsequent operational changes, and also to input directly into Ofgem's work.

The Group is also a supplier of telecoms services and therefore has a direct regulatory relationship with Ofcom. If the Group fails to comply with its obligations, it could be subject to fines or lose its ability to operate. The ongoing implementation of the European Electronic Communications Code has resulted in an increased regulatory burden and an even stronger Ofcom focus on compliance monitoring. Regulatory changes to the fixed line and broadband switching processes for next year are substantial and require cooperation from all fixed telecom providers. The Group is closely engaged in the relevant forums and industry groups to both influence and prepare for the changes.

The Group is authorised and regulated as an insurance broker for the purposes of providing insurance services to customers by the Financial Conduct Authority ("FCA"). In addition, the Group holds consumer credit permissions related to the provision of staff and Partner loans and hire purchases. If the Group fails to comply with FCA regulations, it could be exposed to fines and risk losing its authorised status, severely restricting its ability to offer insurance services to customers and consumer credit services to staff and Partners.

Recent regulatory changes relating to insurance pricing practices and the new Consumer Duty regulation will have a significant impact on the financial services sector as a whole. The business has prepared and the Board has approved an implementation plan which will continue to be informed by any clarifications and additional guidance issued.

In general, the majority of the Group's services are supplied to consumers in highly regulated markets, and this could restrict the operational flexibility of the Group's business. In order to mitigate this risk, the Group seeks to maintain appropriate relations with both Ofgem and Ofcom (the UK regulators for the energy and telecommunications markets respectively), the Department for Business, Energy and Industrial Strategy ('BEIS'), and the FCA. The Group engages with officials from all these organisations

on a periodic basis to ensure they are aware of the Group's views when they are consulting on proposed regulatory changes.

Political and consumer concern over energy prices, broadband availability and affordability, vulnerable customers and fuel poverty may lead to further reviews of the energy and telecoms markets which could result in further consumer protection legislation being introduced. Political and regulatory developments affecting the energy and telecoms markets within which the Group operates may have a material adverse effect on the Group's business, results of operations and overall financial condition.

The Group is also aware of and managing the impact of a developing regulatory landscape in relation to climate change and the Net Zero transition.

To mitigate the risks from failure to comply with legislative requirements in an increasingly active regulatory landscape, the Group's Legal & Compliance team has developed and rolled out robust policies and procedures, undertakes regular training across the business, and continually monitors legal and regulatory developments. The team also conducts conformance and assurance tests on the policies and procedures.

#### *Financing risk*

The Group has debt service obligations which may place operating and financial restrictions on the Group. This debt could have adverse consequences insofar as it: (a) requires the Group to dedicate a proportion of its cash flows from operations to fund payments in respect of the debt, thereby reducing the flexibility of the Group to utilise its cash to invest in and/or grow the business; (b) increases the Group's vulnerability to adverse general economic and/or industry conditions; (c) may limit the Group's flexibility in planning for, or reacting to, changes in its business or the industry in which it operates; (d) may limit the Group's ability to raise additional debt in the long-term; and (e) could restrict the Group from making larger strategic acquisitions or exploiting business opportunities.

Each of these prospective adverse consequences (or a combination of some or all of them) could result in the potential growth of the Group being at a slower rate than may otherwise be achieved.

#### *Bad debt risk*

The Group has a universal supply obligation in relation to the provision of energy to domestic customers. This means that although the Group is entitled to request a reasonable deposit from potential new customers who are not considered creditworthy, the Group is obliged to supply domestic energy to everyone who submits a properly completed application form. Where customers subsequently fail to pay for the energy they have used, there is likely to be a considerable delay before the Group is able to control its exposure to future bad debt from them by either switching their smart meters to pre-payment mode, installing a pre-payment meter or disconnecting their supply, and the costs associated with preventing such customers from increasing their indebtedness are not always fully recovered.

Bad debt within the telephony industry may arise from customers using the services, or being provided with a mobile handset, without intending to pay their supplier. The amounts involved are generally relatively small as the Group has sophisticated call traffic monitoring systems to identify material occurrences of usage fraud. The Group is able to immediately eliminate any further usage bad debt exposure by disconnecting any telephony service that demonstrates a suspicious usage profile, or falls into arrears on payments.

*Wholesale price risk*

Whilst the Group acts as principal in most of the services it supplies to customers, the Group does not own or operate any utility network infrastructure itself, choosing instead to purchase the capacity needed from third parties. The advantage of this approach is that the Group is largely protected from technological risk, capacity risk or the risk of obsolescence, as it can purchase the precise amount of each service required to meet its customers' needs.

Whilst there is a theoretical risk that in some of the areas in which the Group operates it may be unable to secure access to the necessary infrastructure on commercially attractive terms, in practice the pricing of access to such infrastructure is typically either regulated (as in the energy market) or subject to significant competitive pressures (as in telephony and broadband). The profile of the Group's customers, the significant quantities of each service they consume in aggregate, and the Group's clearly differentiated route to market has historically proven attractive to infrastructure owners, who compete aggressively to secure a share of the Group's growing business.

The supply of energy has different risks associated with it. The wholesale price can be extremely volatile, and customer demand can be subject to considerable short-term fluctuations depending on the weather. The Group has a long-standing supply relationship with Eon (formerly npower) under which the latter assumes the substantive risks and rewards of buying and hedging energy for the Group's customers, and where the price paid by the Group to cover commodity, balancing, transportation, distribution, agreed metering, regulatory and certain other associated supply costs is set by reference to the average of the standard variable tariffs charged by the 'Big 6' to their domestic customers less an agreed discount, which is set at the start of each quarter; this may not be competitive against the equivalent supply costs incurred by new and/or other independent suppliers. However, if the Group did not have the benefit of this long-term supply agreement it would need to find alternative means of protecting itself from the pricing risk of securing access to the necessary energy on the open market and the costs of balancing.

*Competitive risk*

The Group operates in highly competitive markets and significant service innovations by others or increased price competition, could impact future profit margins and growth rates. In order to maintain its competitive position, there is a consistent focus on improving operational efficiency. New service innovations are monitored closely by senior management and the Group is generally able to respond within an acceptable timeframe where it is considered desirable to do so, by sourcing comparable features and benefits using the infrastructure of its existing suppliers. The increasing proportion of customers who are benefiting from the genuinely unique multi-utility solution that is offered by the Group, and which is unavailable from any other known supplier, further reduces any competitive threat.

The Directors anticipate that the Group will face continued competition in the future as new companies enter the market and alternative technologies and services become available. The Group's services and expertise may be rendered obsolete or uneconomic by technological advances or novel approaches developed by one or more of the Group's competitors. The existing approaches of the Group's competitors or new approaches or technologies developed by such competitors may be more effective or affordable than those available to the Group. There can be no assurance that the Group will be able to compete successfully with existing or potential competitors or that competitive factors will not have a material adverse effect on the Group's business, financial condition or results of operations. However, as the Group's customer base continues to rise, competition amongst suppliers of services to the Group is expected to increase. This has already been evidenced by various volume-related growth incentives

which have been agreed with some of the Group's largest wholesale suppliers. This should also ensure that the Group has direct access to new technologies and services available to the market.

#### *Infrastructure risk*

The provision of services to the Group's customers is reliant on the efficient operation of third party physical infrastructure. There is a risk of disruption to the supply of services to customers through any failure in the infrastructure e.g. gas shortages, power cuts or damage to communications networks. However, as the infrastructure is generally shared with other suppliers, any material disruption to the supply of services is likely to impact a large part of the market as a whole and it is unlikely that the Group would be disproportionately affected. In the event of any prolonged disruption isolated to the Group's principal supplier within a particular market, services required by customers could in due course be sourced from another provider.

The development of localised energy generation and distribution technology may lead to increased peer-to-peer energy trading, thereby reducing the volume of energy provided by nationwide suppliers. As a nationwide retail supplier, the Group's results from the sale of energy could therefore be adversely affected.

Similarly, the construction of 'local monopoly' fibre telephony networks to which the Group's access may be limited as a reseller could restrict the Group's ability to compete effectively for customers in certain areas.

#### *Smart meter rollout risk*

The Group is reliant on third party suppliers to fully deliver its smart meter rollout programme effectively. In the event that the Group suffers delays to its smart meter rollout programme the Group may be in breach of its regulatory obligations and therefore become subject to fines from Ofgem. In order to mitigate this risk the Group dual-sources (where practicable) the third party metering and related equipment they use.

The Group may also be indirectly exposed to reputational damage and litigation from the risk of technical complications arising from the installation of smart meters or other acts or omissions of meter operators, e.g. the escape of gas in a customer's property causing injury or death. The Group mitigates this risk through using established reputable third party suppliers.

#### *Energy industry estimation risk*

A significant degree of estimation is required in order to determine the actual level of energy used by customers and hence that should be recognised by the Group as sales. There is an inherent risk that the estimation routines used by the Group do not in all instances fully reflect the actual usage of customers. However, this risk is mitigated by the relatively high proportion of customers who provide meter readings on a periodic basis, and the high level of penetration the Group has achieved in its installed base of smart meters.

#### *Gas leakage within the national gas distribution network*

The operational management of the national gas distribution network is outside the control of the Group, and in common with all other licensed domestic gas suppliers the Group is responsible for meeting its pro-rata share of the total leakage cost. There is a risk that the level of leakage in future could be higher than historically experienced, and above the level currently expected.



*Acquisition risk*

The Group may invest in other businesses, taking a minority, majority or 100% equity shareholding, or through a joint venture partnership. Such investments may not deliver the anticipated returns, and may require additional funding in future. This risk is mitigated through conducting appropriate pre-acquisition due diligence where relevant.

*Virus outbreak risk*

In the event of a disease or virus outbreak (or different variants of an existing disease or virus emerging) which are resistant to vaccinations and/or treatments, and which causes serious incapacity amongst those infected, the Company faces a number of risks including: (i) staff may be unable to attend their normal place of work and fulfil their normal duties due to falling ill or being required to self-isolate (either due to exposure to carriers of the virus/disease, or to reduce the likelihood of being so exposed); (ii) the Company may be required to shut its offices to prevent transmission of the virus/disease in the workplace; (iii) the efficiency of our operations may be reduced; (iv) we may be unable to recruit and train new members of staff; (v) customers may find it more difficult to contact the company; (vi) we may be unable to resolve faults and challenges faced by customers which require a visit to their home or other engineering works to be carried out; (vii) customers may stop paying their bills, or we may be required by the Government to offer payment holidays to customers in respect of their utilities (in a similar fashion to the mortgage payment provisions), putting pressure on the Company's working capital; (viii) we may be restricted from carrying out normal debt enforcement procedures including suspension of telephony services and installation of smart meters; (ix) the Company's Partners may find it more difficult to grow their businesses during a period when restrictions on movement are imposed by the Government; (x) we may be unable to visit customers' homes to install smart meters; (xi) the various providers of third party infrastructure used to supply our services may be unable to cope with the increased demands placed upon them; and (xii) churn could increase during periods when customers are isolated at home.

These are mitigated by: (i) the Company has proven technology to enable most employees to carry out their duties remotely; (ii) the demographic mix of our customer base is heavily skewed towards homeowners and older/retired customers; this means we are significantly less exposed to payment issues than most other providers of similar services; (iii) the Company has a strong balance sheet with modest gearing, and access to significant, recently refinanced, additional debt facilities (if required) to cover any temporary pressure on working capital; in extremis, these could be enhanced by a temporary suspension of the dividend; (iv) the Company has developed tools which are now in widespread use, enabling Partners to sign-up new customers, recruit new Partners, and to help existing Partners support new Partners remotely to teach them how to build their own successful UW business; and (v) the wide range of services provided to customers gives us significant resilience from a revenue and profit perspective against an external event which affects any individual revenue stream.

*Climate change risk*

Climate change has the potential to significantly impact the future of our planet. Everyone has a role to play in reducing the effects of harmful GHG emissions in our atmosphere and ensuring that we meet a 1.5°C target in line with the Paris Agreement. No business is immune from the risks associated with climate change as it acts as a driver of other risks and affects government decision-making, consumer demand and supply chains. In recognition of this, the Group has designated climate change as a standalone principal risk for our business and has assigned the Legal & Compliance Director as the owner for managing climate change risk.



The Group is committed to continuing to implement the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD'). The Group's first TCFD disclosures can be found in the 2022 Annual Report. The Group is working to develop its disclosures further this year to build a deeper appreciation of the specific risk implications to the Group arising from climate change.

The Group is developing a Net Zero transition plan to achieve Net Zero by 2040 in line with the Science Based Target initiatives ('SBTi'). To assist with this, the Group is working with third parties and has invested in software to develop and manage progress against the targets.

### **Going Concern**

Recent developments in the Group's business activities, together with the factors likely to affect its future development, performance and financial position are set out above.

The Group has revolving credit facilities of £175.0 million with Barclays Bank PLC, Lloyds Bank PLC and Bank of Ireland Group PLC for the period to 30 June 2024. As at 30 September 2022, £100.0 million of this facility was drawn down and the Company had a cash balance of £80.6 million.

Under the Group's energy supply arrangements, the Group benefits from its relationship with Eon (formerly npower) who fund the principal seasonal working capital requirements relating to the supply of energy to the Group's customers.

The Group has considerable financial resources together with a large and diverse retail and small business customer base and long-term contracts with a number of key suppliers. As a consequence, the directors believe that the Group is well placed to manage its business risks.

On this basis the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of the approval of the interim financial statements. The interim financial statements have therefore been prepared on a going concern basis.

### **Directors' Responsibilities**

The Directors are responsible for the preparation of the condensed set of financial statements and interim management report comprising this set of Half-Yearly Results for the six months ended 30 September 2022, each of whom accordingly confirms that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" and provides a true and fair view of the assets, liabilities, financial position and profit of the Group as a whole;
- the interim management report includes a fair review of the information required by the Financial Statements Disclosure Guidance and Transparency Rules (DTR) 4.2.7R (indication of important events during the first six months and their impact on the financial statements and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosures of related party transactions and changes therein).

The Directors of Telecom Plus PLC are:

Charles Wigoder	Chairman
Andrew Lindsay	Co-Chief Executive Officer
Stuart Burnett	Co-Chief Executive Officer
Nick Schoenfeld	Chief Financial Officer
Beatrice Hollond	Senior Non-Executive Director
Andrew Blowers	Non-Executive Director
Carla Stent	Non-Executive Director
Suzi Williams	Non-Executive Director

## Independent Review Report to Telecom Plus PLC

### Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of cash flows, the condensed consolidated interim statement of changes in shareholders' equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

### Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

### Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

### The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**Robert Seale**

**for and on behalf of KPMG LLP**

*Chartered Accountants*

15 Canada Square

London E14 5GL

United Kingdom

22 November 2022

## Condensed Consolidated Interim Statement of Comprehensive Income

	Note	6 months ended 30 September 2022 (unaudited) £'000	6 months ended 30 September 2021 (unaudited) £'000	Year ended 31 March 2022 (audited) £'000
Revenue		562,431	371,275	967,433
Cost of sales		(450,777)	(286,295)	(778,958)

<b>Gross profit</b>		111,654	84,980	188,475
Distribution expenses		(17,175)	(12,697)	(29,686)
Administrative expenses		(53,175)	(40,574)	(84,423)
Share incentive scheme charges		(741)	(585)	(960)
Amortisation of energy supply contract intangible	5	(5,614)	(5,614)	(11,228)
Total administrative expenses		(59,530)	(46,773)	(96,611)
Impairment loss on trade receivables		(8,467)	(5,071)	(11,566)
Impairment of goodwill		-	-	(1,536)
Other income		648	669	1,844
<b>Operating profit</b>		27,130	21,108	50,920
Financial income		143	26	136
Financial expenses		(1,764)	(1,272)	(2,709)
<b>Net financial expense</b>		(1,621)	(1,246)	(2,573)
Profit/(loss) on disposal of subsidiaries		3,595	-	(1,139)
<b>Profit before taxation</b>		29,104	19,862	47,208
Taxation		(5,271)	(5,623)	(12,205)
<b>Profit for the period</b>		23,833	14,239	35,003
Profit and other comprehensive income for the period attributable to owners of the parent		24,098	14,383	35,467
Loss for the period attributable to non-controlling interest		(265)	(144)	(464)
<b>Profit for the period</b>		23,833	14,239	35,003
Basic earnings per share	9	30.5p	18.3p	45.1p
Diluted earnings per share	9	30.0p	18.3p	45.0p
Interim dividend per share		34.0p	27.0p	

## Condensed Consolidated Interim Balance Sheet

As at	As at	As at
30 September	30 September	31 March
2022	2021*	2022
(unaudited)	(unaudited)	(audited)

<b>Assets</b>	<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non-current assets</b>				
Property, plant and equipment		26,056	33,009	26,180
Investment property	4	8,385	8,463	8,345
Intangible assets	5	147,306	156,997	152,418
Goodwill		3,742	5,324	3,742
Other non-current assets		36,258	30,215	32,855
<b>Total non-current assets</b>		<b>221,747</b>	<b>234,008</b>	<b>223,540</b>
<b>Current assets</b>				
Inventories		3,714	6,451	4,152
Trade and other receivables		51,955	52,641	50,463
Current tax receivable		2,110	1,402	-
Accrued income		129,861	81,515	134,917
Prepayments		7,397	7,345	4,077
Costs to obtain contracts		19,487	14,824	15,151
Cash		80,632	23,175	29,647
Assets classified as held for sale		-	-	3,838
<b>Total current assets</b>		<b>295,156</b>	<b>187,353</b>	<b>242,245</b>
<b>Total assets</b>		<b>516,903</b>	<b>421,361</b>	<b>465,785</b>
<b>Current liabilities</b>				
Trade and other payables		(86,161)	(33,365)	(38,101)
Accrued expenses and deferred income		(119,644)	(81,419)	(113,493)
Current tax payable		-	-	(8)
Liabilities held for sale		-	-	(7,551)
<b>Total current liabilities</b>		<b>(205,805)</b>	<b>(114,784)</b>	<b>(159,153)</b>
<b>Non-current liabilities</b>				
Long term borrowings	6	(99,513)	(94,554)	(99,215)
Lease liabilities		(713)	(6,465)	(766)
Deferred tax		(756)	(1,695)	(1,078)
<b>Total non-current liabilities</b>		<b>(100,982)</b>	<b>(102,714)</b>	<b>(101,059)</b>
<b>Total assets less total liabilities</b>		<b>210,116</b>	<b>203,863</b>	<b>205,573</b>
<b>Equity</b>				
Share capital		3,998	3,970	3,982
Share premium		149,581	145,317	147,112
Capital redemption reserve		107	107	107
Treasury shares		(5,502)	(5,502)	(5,502)
JSOP reserve		(1,150)	(1,150)	(1,150)
Retained earnings		63,082	61,712	61,935
		<b>210,116</b>	<b>204,454</b>	<b>206,484</b>
Non-controlling interest		-	(591)	(911)
<b>Total equity</b>		<b>210,116</b>	<b>203,863</b>	<b>205,573</b>

\* The presentation of the balance sheet has been re-stated to reclassify the Costs to obtain contracts on the face of the statement, previously these were included in Trade and other receivables and Prepayments (refer to the Presentation of financial statements section of the Notes to the consolidated financial statements in the 2022 Annual Report).

## Condensed Consolidated Interim Cash Flow Statement

	Note	6 months ended 30 September 2022 (unaudited) £'000	6 months ended 30 September 2021 (unaudited) £'000	Year ended 31 March 2022 (audited) £'000
<b>Operating activities</b>				
Profit before taxation		29,104	19,862	47,208
Adjustments for:				
Net financial expense		1,621	1,246	2,573
Impairment of goodwill		-	-	1,536
(Profit)/loss on disposal of subsidiaries		(3,595)	-	1,139
Depreciation of property, plant and equipment		1,720	2,421	4,558
Profit on disposal of fixed assets		(56)	(312)	(940)
Amortisation of intangible assets	5	8,461	7,681	15,786
Amortisation of debt arrangement fees		298	178	436
Decrease/(increase) in inventories		438	(126)	2,173
Decrease/(increase) in trade and other receivables		(9,504)	34,628	(18,750)
(Decrease)/increase in trade and other payables		57,170	(37,726)	6,144
Share incentive scheme charges		741	585	960
Corporation tax paid		(7,749)	(5,753)	(11,528)
<b>Net cash flow from operating activities</b>		<b>78,649</b>	<b>22,684</b>	<b>51,295</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment		(1,580)	(769)	(2,196)
Purchase of intangible assets	5	(3,349)	(4,052)	(7,747)
Disposal of property, plant and equipment		62	628	1,567
Interest received		143	26	136
<b>Cash flow from investing activities</b>		<b>(4,724)</b>	<b>(4,167)</b>	<b>(8,240)</b>
<b>Financing activities</b>				
Dividends paid	7	(23,689)	(23,559)	(44,787)
Interest paid		(1,754)	(1,323)	(2,630)
Interest paid on lease liabilities		(10)	(108)	(238)
Drawdown of long-term borrowing facilities		15,000	25,000	65,000
Repayment of long-term borrowing facilities		(15,000)	(20,000)	(55,000)
Fees associated with borrowing facilities		-	-	(597)
Repayment of lease liabilities		(88)	(631)	(1,530)
Issue of new ordinary shares	8	2,485	223	2,032
Cancellation of B shares in subsidiary		-	-	(2)
Cash held in subsidiaries at disposal		(596)	-	-
<b>Cash flow from financing activities</b>		<b>(23,652)</b>	<b>(20,398)</b>	<b>(37,752)</b>
Increase/(decrease) in cash and cash equivalents		50,273	(1,881)	5,303
Net cash and cash equivalents at the beginning of the period		30,359	25,056	25,056
<b>Net cash and cash equivalents at the end of the period</b>		<b>80,632</b>	<b>23,175</b>	<b>30,359</b>
Cash and cash equivalents per balance sheet		80,632	23,175	29,647
Cash and cash equivalents included within assets classified as held for sale		-	-	712
<b>Net cash and cash equivalents at the end of the period</b>		<b>80,632</b>	<b>23,175</b>	<b>30,359</b>

## Condensed Consolidated Interim Statement of Changes in Equity



	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares £'000	JSOP reserve £'000	Retained earnings £'000	Non- controlling interest £'000	Total £'000
Balance at 1 April 2021	3,970	145,094	107	(5,502)	(1,150)	70,306	(447)	212,378
Profit and total comprehensive income for the period	-	-	-	-	-	14,383	(144)	14,239
Dividends	-	-	-	-	-	(23,559)	-	(23,559)
Credit arising on share options	-	-	-	-	-	585	-	585
Deferred tax on share options	-	-	-	-	-	(11)	-	(11)
Retained earnings tax adjustments	-	-	-	-	-	8	-	8
Issue of new ordinary shares	-	223	-	-	-	-	-	223
Balance at 30 September 2021	3,970	145,317	107	(5,502)	(1,150)	61,712	(591)	203,863
Balance at 1 October 2021	3,970	145,317	107	(5,502)	(1,150)	61,712	(591)	203,863
Profit and total comprehensive income for the period	-	-	-	-	-	21,084	(320)	20,764
Dividends	-	-	-	-	-	(21,228)	-	(21,228)
Credit arising on share options	-	-	-	-	-	375	-	375
Deferred tax on share options	-	-	-	-	-	-	-	-
Retained earnings tax adjustments	-	-	-	-	-	(8)	-	(8)
Issue of new ordinary shares	14	1,795	-	-	-	-	-	1,809
Cancellation of B shares in subsidiary	(2)	-	-	-	-	-	-	(2)
Balance at 31 March 2022	3,982	147,112	107	(5,502)	(1,150)	61,935	(911)	205,573
Balance at 1 April 2022	3,982	147,112	107	(5,502)	(1,150)	61,935	(911)	205,573
Profit and total comprehensive income for the period	-	-	-	-	-	24,098	(265)	23,833
Dividends	-	-	-	-	-	(23,689)	-	(23,689)
Credit arising on share options	-	-	-	-	-	741	-	741
Deferred tax on share options	-	-	-	-	-	6	-	6
Retained earnings tax adjustments	-	-	-	-	-	(9)	-	(9)
Issue of new ordinary shares	16	2,469	-	-	-	-	-	2,485
Disposal of non-controlling interest	-	-	-	-	-	-	1,176	1,176
Balance at 30 September 2022	3,998	149,581	107	(5,502)	(1,150)	63,082	-	210,116

## Notes to the Condensed Interim Financial Statements

### 1. General information

The condensed consolidated interim financial statements presented in this half-year report ("the Half-Year Results") have been prepared in accordance with IAS 34 as adopted for use in the UK. The principal accounting policies adopted in the preparation of the condensed consolidated financial statements are unchanged from those used in the annual report for the year ended 31 March 2022, and are consistent with those that the Company expects to apply in its financial statements for the year ended 31 March 2023.

The condensed consolidated financial statements for the year ended 31 March 2022 presented in this half-year report do not constitute the Company's statutory accounts for that period. The condensed consolidated financial statements for that period have been derived from the Annual Report and Accounts of Telecom Plus PLC. The Annual Report and Accounts of Telecom Plus PLC for the year ended 31 March 2022 were audited and have been filed with the Registrar of Companies.

The Independent Auditor's Report on the Annual Report and Accounts of Telecom Plus PLC for the year ended 31 March 2022 was unqualified and did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006. The financial information for the periods ended 30 September 2022 and 30 September 2021 is unaudited but has been subject to a review by the Company's auditors.

Seasonality of business: amounts reported in the half year period may not be indicative of the amounts that will be reported for the full year due to seasonal fluctuations in customer demand for gas and electricity. In respect of the energy supplied by the Group, approximately two thirds is consumed by customers in the second half of the financial year.

The Half-Year Results were approved for issue by the Board of Directors on 22 November 2022.

## **2. Judgements and estimates**

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods if applicable.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2022.

## **3. Alternative performance measures**

In order to provide a clearer presentation of the underlying performance of the group, adjusted profit before tax and adjusted basic EPS exclude share incentive scheme charges and the amortisation of the intangible asset arising from entering into the energy supply arrangements with Eon (formerly npower) in December 2013; this decision reflects both the relative size and non-cash nature of these charges. The loss for the period attributable to the non-controlling interest is excluded as these losses are not attributable to shareholders of the Company. In FY22 adjusted profit before tax also excludes: (i) the loss on the disposal of UWHS, (ii) the write-off of goodwill associated with the conditional disposal of Glow Green; and (iii) the profit on disposal of a freehold property; this decision reflects the one-off non-operating nature of these items. In the period ended 30 September 2022 adjusted profit before tax excludes the Group profit on disposal of Glow Green reflecting the one-off non-operating nature of this item.

	6 months ended 30 September 2022 (unaudited)	6 months ended 30 September 2021 (unaudited)	Year ended 31 March 2022 (audited)
	£'000	£'000	£'000
<b>Statutory profit before tax</b>	29,104	19,862	47,208
Adjusted for:			
Loss for period attributable to non-controlling interest	265	144	464
Amortisation of energy supply contract intangible assets	5,614	5,614	11,228
Share incentive scheme charges	741	585	960
(Profit)/loss on disposal of subsidiaries	(3,595)	-	1,139
Impairment of goodwill	-	-	1,536
Profit on sale of freehold property	-	-	(603)
<b>Adjusted profit before tax</b>	<b>32,129</b>	<b>26,205</b>	<b>61,932</b>

#### 4. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at cost less accumulated depreciation. Rental income from investment properties is accounted for on an accruals basis. The Company vacated its former head office, Southon House, in 2015 and the property is now held as an investment property.

An independent valuation of Southon House was conducted on 4 June 2021 in accordance with RICS Valuation - Professional Standards UK January 2014 (revised April 2015) guidelines. The independent market value of Southon House was determined to be £11.9 million and has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. The valuation was prepared on a Market Value basis as defined in the Valuation Standards and was primarily derived from using comparable market transactions carried out on an arm's length basis. These inputs are deemed unobservable.

#### 5. Intangible assets

	<b>Energy Supply Contract £'000</b>	<b>IT Software &amp; Web Development £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 March 2022	224,563	35,744	260,307
Additions	-	3,349	3,349
At 30 September 2022	224,563	39,093	263,656
<b>Amortisation</b>			
At 31 March 2022	(93,567)	(14,322)	(107,889)
Charge for the period	(5,614)	(2,847)	(8,461)
At 30 September 2022	(99,181)	(17,169)	(116,350)
<b>Net book amount at 30 September 2022 (unaudited)</b>	125,382	21,924	147,306
<b>Net book amount at 31 March 2022 (audited)</b>	130,996	21,422	152,418
<b>Net book amount at 30 September 2021 (unaudited)</b>	136,610	20,387	156,997

The Energy Supply Contract intangible asset relates to the entering into of the energy supply arrangements with Eon (formerly npower) on improved commercial terms through the acquisition of Electricity Plus Supply Limited and Gas Plus Supply Limited from Npower Limited having effect from 1 December 2013. The intangible asset is being amortised evenly over the 20-year life of the energy supply agreement.

The IT Software & Web Development intangible asset relates to the capitalisation of certain costs associated with the development of new IT systems.

## 6. Interest bearing loans and borrowings

	<b>6 months ended 30 September 2022 (unaudited) £'000</b>	<b>6 months ended 30 September 2021 (unaudited) £'000</b>	<b>Year ended 31 March 2022 (audited) £'000</b>
Bank loans	100,000	95,000	100,000
Unamortised loan arrangement fees	(487)	(446)	(785)
	99,513	94,554	99,215
Due within one year	-	-	-
Due after one year	100,000	95,000	100,000
	100,000	95,000	100,000

**7. Dividends**

	6 months ended 30 September 2022 (unaudited) £'000	6 months ended 30 September 2021 (unaudited) £'000	Year ended 31 March 2022 (audited) £'000
Final dividend for the year ended 31			
March 2022 of 30p per share	23,689	-	-
Final dividend for the year ended 31			
March 2021 of 30p per share	-	23,559	23,559
Interim dividend for the year ended 31			
March 2022 of 27p per share (2021: 27p)	-	-	21,228

An interim dividend of 34p per share will be paid on 16 December 2022 to shareholders on the register at close of business on 2 December 2022. The estimated amount of this dividend to be paid is approximately £26.8m and, in accordance with IFRS accounting requirements, has not been recognised in these accounts.

**8. Share capital**

During the period the Company issued 315,822 new ordinary shares to satisfy the exercise of employee and distributor share options.

**9. Earnings per share**

	6 months ended 30 September 2022 (unaudited) £'000	6 months ended 30 September 2021 (unaudited) £'000	Year ended 31 March 2022 (audited) £'000
The calculation of basic and diluted EPS is based on the following data:			
Earnings for the purpose of basic and diluted EPS	24,098	14,383	35,467
Share incentive scheme charges (net of tax)	616	493	793
Amortisation of energy supply contract intangible assets	5,614	5,614	11,228
(Profit)/loss on disposal of subsidiaries	(3,595)	-	1,139
Impairment of goodwill	-	-	1,536
Profit on disposal of freehold office building	-	-	(488)

Earnings for the purpose of adjusted basic and diluted EPS	26,733	20,490	49,675
	<b>Number</b>	<b>Number</b>	<b>Number</b>
	<b>('000s)</b>	<b>('000s)</b>	<b>('000s)</b>
Weighted average number of ordinary shares for the purpose of basic EPS	78,940	78,526	78,601
Effect of dilutive potential ordinary shares (share incentive awards)	1,261	193	286
Weighted average number of ordinary shares for the purpose of diluted EPS	80,201	78,719	78,887
Adjusted basic EPS <sup>[2]</sup>	33.9p	26.1p	63.2p
Basic earnings per share	30.5p	18.3p	45.1p
Adjusted diluted earnings per share <sup>1</sup>	33.3p	26.0p	63.0p
Diluted earnings per share	30.0p	18.3p	45.0p

<sup>[1]</sup> Adjusted profit before tax is defined in note 3 of the condensed interim financial statements.

<sup>[2]</sup> In order to provide a clearer understanding of the underlying trading performance of the Group, adjusted basic EPS excludes: (i) share incentive scheme charges; and (ii) the amortisation of intangible assets arising on entering into the energy supply arrangements with Eon (formerly npower) in December 2013. The amortisation of intangible assets and share incentive scheme charges have been excluded on the basis that they represent non-cash accounting charges. These balances can be derived directly from amounts shown separately on the face of the condensed consolidated interim statement of comprehensive income.

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