

17 February 2014

Telecom Plus PLC
Interim Management Statement

Telecom Plus PLC (trading as the Utility Warehouse), which supplies a wide range of utility services (gas, electricity, fixed line telephony, mobile telephony and broadband internet) to both residential and business customers, today issues its Interim Management Statement to cover the period from 1 October 2013 to 16 February 2014, incorporating information relating to the performance of the business for its third quarter ended 31 December 2013.

Highlights

- Acquisition of Electricity Plus Ltd and Gas Plus Ltd from npower for £218m
- New long term supply agreement with npower on improved commercial terms
- Continued strong organic growth
- New 'Gold Bundle' service structure successfully launched
- Confident of reporting full year profits in line with market expectations
- Intention to increase total dividend by 13% to 35p for the current financial year (2013: 31p)

Operating Review

We are delighted with the continuing strong performance of the business, with net growth during the period of 18,439 customers and 81,429 services (2013:11,356 and 55,488 respectively).

This represents a continuation of the faster growth rates we achieved during the first half of the year, and a very significant improvement on our performance during the corresponding period last year. Over the last 12 months the number of services we provide to our residential members has increased by over 300,000, representing year-on-year growth of 21%.

The introduction of our new Gold Bundle service structure in November was successful, with the proportion of new members taking all five of our core services (Gas, Electricity, Home Phone, Broadband and Mobile) more than doubling to over 20%. At the same time, we have seen an increase in the proportion of new members choosing to only switch their energy services to us, largely as a result of the widespread coverage that has been given to the energy industry by politicians and in the national press over the last few months.

Opus Energy Group Ltd ("Opus"), in which we have a 20% equity investment, is performing ahead of budget and is on track to deliver record turnover and profits for the current financial year. It continues to grow its share of the highly competitive market for business energy, in which it is the largest independent provider.

Cash Flow

During the quarter we completed the acquisition of Gas Plus Supply Ltd and Electricity Plus Supply Ltd for an aggregate consideration of £218m (of which £21.5m was deferred for three years), funded by a combination of bank debt and a placing of new shares. As a result, we expect to have significant net borrowings for the next few years.

As explained in our most recent half-yearly report, we have now taken the final step in rebalancing our annual dividend in favour of a more equal split between the interim and final payments, which resulted in the payment of a substantially higher interim dividend of £11.3m (2013: £9.1m) during the quarter.

Going forward, our operating activities are expected to generate increasing positive cash flows. While a substantial proportion of these will be applied towards repaying our new debt facilities in accordance with their agreed repayment schedules, this is not expected to affect our longstanding progressive dividend policy.

Customer, Distributor and Service Numbers

Telecom Plus Group	FY2014			FY2013	
	Q3	Q2	Q1	Q4	Q3
Distributors	42,489	42,223	39,848	38,902	37,508
Customers					
Residential	478,171	458,751	438,354	425,118	413,209
Business	28,609	29,289	28,764	28,313	27,957
Total Telecom Plus	506,780	488,040	467,118	453,431	441,166
TML	6,599	6,900	7,286	7,601	8,336
Total Group	513,379	494,940	474,404	461,032	449,502
Services					
Electricity	457,482	439,367	417,047	403,922	389,637
Gas	378,615	363,945	345,311	334,565	322,964
Fixed Telephony	283,172	273,168	258,746	250,643	245,251
Fixed Line Rental	258,089	246,624	231,136	221,692	213,782
Broadband	214,457	202,102	185,204	175,337	166,208
Mobile	110,806	104,249	96,691	89,017	83,060
CashBack card	137,580	129,018	122,558	117,025	113,040
Non Geographic numbers	9,002	9,301	9,634	9,859	10,291
Total Group	1,849,203	1,767,774	1,666,327	1,602,060	1,544,233
Residential	1,747,682	1,665,772	1,566,992	1,504,802	1,447,333
Business	78,447	78,168	75,022	72,676	71,155
Total Telecom Plus	1,826,129	1,743,940	1,642,014	1,577,478	1,518,488
TML	23,074	23,834	24,313	24,582	25,745
Total Group	1,849,203	1,767,774	1,666,327	1,602,060	1,544,233

We have amalgamated all our non-business customers together, and these are now included in the Residential Club numbers shown above.

Trading since 1 January 2014 and Outlook

Activity within our distribution channel bounced back strongly during January after the traditional Christmas lull, with the number of new members joining in the month around 25% ahead of the corresponding period last year. This uplift has been driven by a number of factors including the continuing widespread public focus on the cost of energy bills, a continuing difficult economic climate, record distributor attendance at our nationwide series of motivational seminars held each January, and a strong positive reaction by distributors to our recent promotional activity. We are delighted that this momentum has continued into February, which augurs well for our ability to report further strong organic growth for the final quarter in due course.

Preparations are currently well advanced for our annual Sales Conference which is being held on the weekend of 22nd and 23rd March in Telford; bookings are materially ahead of previous years, and we expect to sell out well in advance of the event, with a maximum capacity attendance of 7,400 distributors – a substantial increase on the previous record of 6,200 attendees last year. This event provides an important platform for us to launch new sales initiatives, recognise achievement, and to motivate our business partners for the year ahead.

We have made good progress in building our in-house marketing team and in developing a stronger online presence; we are now focussed on expanding these activities over the course of 2014 to encompass our customer referral scheme, various affinity marketing initiatives, and programmes aimed at encouraging former members to rejoin the Club and existing members to benefit from taking additional services from us. We believe these developments represent significant opportunities which are capable of providing a further boost to the consistent and strong organic growth being delivered by our existing distribution channel.

We have reduced our already competitive domestic energy tariffs in order to pass through to our members the benefit of the reductions in green and social charges recently announced by the Government. We look forward to the implementation of the next phase of the Ofgem Retail Market Review, which will require all energy suppliers to highlight their most competitive tariffs on every customer bill; this is anticipated to drive greater switching activity, from which we expect to be a major beneficiary.

The weather so far this winter has been exceptionally wet and mild. Whilst this will reduce the average amount of energy used by our members (and therefore our reported revenues), it will not have a material impact on our profitability for the year.

We remain confident of reporting full year profits in line with consensus market expectations, and intend to recommend a final dividend of 19p per share; this will bring the total dividend for this year to 35p, an increase of 13% over last year.

Final Results Date

Our final results for the year ending 31 March 2014 will be announced on 21 May 2014.

Andrew Lindsay, Chief Executive said:

“This has been an exceptionally busy year for us, in which we have achieved some important milestones. These include reaching 500,000 customers in November, as well as completing a transformational £218m deal with npower which secures our wholesale energy for 20 years on improved commercial terms.”

“The high levels of distributor activity we have seen since the beginning of January, and the record bookings we have taken for our sales conference next month, augur extremely well for the year ahead. I am particularly pleased with the recent doubling in the proportion of new members who are taking all five of our core services since we introduced our new Gold Bundle service structure in November, and the continuing steady improvement in the quality of our customer base.”

“This is an exciting time for all independent utility suppliers, with an increasing focus by politicians and regulators on ensuring that retail competition in our energy markets is really working. As the largest independent supplier of energy to domestic customers, and with a current market share still under 2%, the opportunities for further significant organic growth over the next few years are immense.”

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About Telecom Plus PLC ('Telecom Plus'):

www.utilitywarehouse.co.uk

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 both the Communications and Energy markets.

Customers benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of customer service. Telecom Plus does not advertise, relying instead on 'word of mouth' recommendation by existing satisfied customers and distributors in order to grow its market share.

Telecom Plus also has a 20% shareholding in Opus Energy Group Ltd, a successful, profitable and fast growing independent supplier of Gas and Electricity to small, medium and large business customers.

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