

**19 April 2018**

**Telecom Plus PLC**  
**Trading Update and Notice of Results**

Telecom Plus PLC (trading as the Utility Warehouse), which supplies a wide range of utility services to both residential and business customers, today issues a trading update for its financial year ending 31 March 2018.

**Highlights**

- Record revenues, profits and dividends
- Customer and service numbers for the full year show further modest growth reflecting continuing challenging market conditions
- Quality of customer base continues to improve
- Energy price cap legislation expected to significantly improve our competitive position
- Total dividend of 50p (2017: 48p) per share for the year (+4.2%)

**Financial**

Full year adjusted pre-tax profits from continuing operations are expected to be around £54m (2017: £53.3m), in line with previous guidance.

Cash flow has remained strong, with the Company returning £25m to shareholders through a tender offer in July 2017.

**Trading**

Throughout the year a significant gap remained between the low introductory fixed price energy deals available from some suppliers, and the standard variable prices charged by the 'Big 6' (which we use as the basis for our own range of discounted retail tariffs). In addition, the energy market saw record levels of switching, with approaching 20% of domestic customers changing to a new supplier over the last 12 months, although our own churn has been significantly below these levels.

Together, these factors created a challenging environment, and we are pleased that against this backdrop we have been able to maintain our track record for profitable (albeit currently modest) growth. Customer and service numbers advanced over the course of the year to 610,739 (2017: 607,802) and 2,340,719 (2017: 2,288,918) respectively, assisted by our low energy churn.

We further refined our distributor commission plan during the autumn, making it possible for the first time for new Partners who invest significant time and effort in building their Utility Warehouse business, to immediately start receiving meaningful monthly commission payments from recommending our services; we are delighted that a small number have started to do so and are beginning to see a return commensurate with their efforts.

More broadly, the number of new Partners joining each month has been running at 600-800 consistently throughout the year, demonstrating the continuing attractiveness of the residual income opportunity we provide.

Our annual sales conference took place last month. Despite the 'Beast from the East' making travel conditions extremely hazardous for many delegates, over 5,000 Partners

successfully made it to the event which focussed on the critical role of teamwork in achieving their goals. We launched a new range of mobile tariffs with higher data allowances, and an enhanced CashBack card, designed to make our customer proposition more attractive to more people than ever before. These changes were well received, and have already delivered an encouraging improvement in the quality of new Members being gathered by Partners since the event.

## **Home Insurance**

At this time last year we announced the commercial launch of our Home Buildings and Contents insurance service. Policy sales have grown steadily during the year to just under 5,000 households, as we ramped up our internal resources and progressively added new insurers to our panel. During Q4 we began a marketing campaign to existing members to gather their home insurance renewal dates, with around 60,000 having been collected by the end of March; we believe this is an encouraging lead indicator pointing towards a higher uptake in policy sales over the coming year.

We are particularly pleased that renewal rates amongst the earliest customers who took a policy from us just over a year ago are running at over 90%, reflecting our strategy of offering everyday low pricing and monthly premiums, rather than the introductory 'bait and switch' annual pricing model adopted by most of our competitors.

We are confident that Home Insurance will make a small initial contribution to group profits this year, and thereafter become increasingly significant as the penetration of policies within our membership base continues to grow.

## **Acquisition of Glow Green Ltd ('Glow Green')**

We are pleased to announce the recent acquisition of a 75% shareholding in Glow Green, a fast growing supplier/installer of domestic gas boilers and warranty/care plans (which installed around 3,000 boilers last year), for a total initial cash investment of £2m.

Our intention is to support their existing management team in implementing their exciting and ambitious growth plans for the business (which include creating a nationwide engineering footprint) by providing the relatively modest working capital they need to achieve their ambitions, and promoting their services to our 600,000 members.

The transaction remains subject to FCA approval.

## **Dividend**

The Company intends to pay a total dividend per share for the year just ended of 50p (2017: 48p), representing an increase of 4.2% compared with the prior year. The final dividend of 26p is expected to be paid on 3 August 2018, subject to shareholder approval at the AGM which will be held on 26 July 2018.

## **Outlook**

We remain well positioned for growth, with a wide portfolio of services, a motivated distribution channel, a unique integrated multi-utility business model and a strong balance sheet. These attributes, together with our long-term focus on Savings, Simplicity and Service, have enabled us to build an exceptionally high quality membership base, with market beating levels of customer retention and clear visibility over our future earnings stream.

Whilst growth over the last few years has been modest, we have seen a progressive improvement in the proportion of new members who are switching all their services to us; although they cost significantly more to acquire, these better quality customers have the highest expected lifetime value.

Within the energy market, commodity, non-commodity and regulatory costs are rising, together exerting upward pressure on retail pricing. Combined with the proposed price cap expected later this year (which has already received its second reading in the House of Commons), this is expected to significantly improve our competitive position, and lead to faster growth during the latter months of the financial year just starting.

From a financial perspective, despite lower average energy revenues (resulting from the impending SVT price cap) and rising investment in our technology and systems, we expect the combination of a higher quality customer base, better commercial terms from our wholesale partners, growing benefits from our smart meter roll-out programme, and an initial contribution from the extra services we added over the past 12 months, to deliver further growth in profits and dividends over the coming year.

In the absence of unforeseen circumstances, we expect adjusted profits before tax for FY2019 to be in the range of £55m-£60m.

We look forward to providing more detailed guidance with our full year results on 19 June 2018.

**Andrew Lindsay said:**

*“Following a successful sales conference a few weeks ago, our focus over the coming months will be to build on the renewed confidence and engagement amongst the Partner network.”*

*“I am excited about the longer-term prospects for Glow Green, our recent acquisition. Although currently only a small business, the market for replacement boilers and their associated servicing needs are substantial; this gives us an exciting opportunity to leverage the strong relationship and brand loyalty we have established with our members, to provide them with these additional services in steadily increasing volumes over the coming years.”*

*“We look forward to the implementation of the proposed energy price cap later this year which will create a fairer energy market for consumers, and significantly improve our competitive position and growth.”*

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**About Telecom Plus PLC (“Telecom Plus”): [www.utilitywarehouse.co.uk](http://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 the Communications, Energy and Insurance markets.

Members benefit from the convenience of a single monthly statement, consistently good value across all their utilities and exceptional levels of service. Telecom Plus does not advertise, relying instead on ‘word of mouth’ recommendation by existing satisfied Members 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 [www.utilitywarehouse.co.uk](http://www.utilitywarehouse.co.uk)