

28 April 2021

Trading Update and Notice of Results

Telecom Plus PLC (trading as Utility Warehouse), which supplies a wide range of utility services focussed on domestic customers, today issues a trading update for its financial year ended 31 March 2021.

Highlights

- Revenues and profits expected to be in line with guidance
- Growth in customer numbers of +0.8% (2020: 2.7%) and services of +2.5% (2020: 6.2%), despite extended further periods of lockdown
- Resilient performance across all aspects of the business despite the challenges of covid, albeit with additional costs that would not otherwise have been incurred
- Strong growth in the number of Partners joining the business in the second half, generating faster customer growth
- No change to previous dividend guidance of 57p (2020: 57p) per share for the year

Financial

We anticipate full year adjusted pre-tax profits will be in line with expectations at around £56m (2020: £60.8m), reflecting the impact of lower retail energy prices from 1 October 2020 (in line with a reduction in the Ofgem price cap), higher regulatory costs, and extra operating costs associated with covid.

Our balance sheet remains robust, with a year-end net debt position of around £63m (excluding finance leases), and undrawn facilities of £60m.

Trading

Customer numbers for the year increased by 0.8% to 657,411 (2020: 652,237) and core service numbers grew by 2.5% to 2,073,797 (2020: 2,022,716).

The combination of lockdowns and social distancing restrictions that were in place for much of the year created a challenging environment for Partners to grow their businesses. Against this backdrop we were extremely pleased that so many succeeded in doing so, particularly during the second half, when activity levels amongst our Partners recovered on the back of increasing confidence in the competitiveness of our proposition, and growing familiarity with the new remote sign-up tools we introduced during the spring.

Churn for the year was broadly stable at around 13%, with bad debts increasing slightly, principally resulting from a reduction in enforcement activity during the period due to covid restrictions.

Our employees are still mostly working from home, using the secure and robust technology infrastructure we have built. Whilst this enabled the business to continue largely ‘as usual’ from a customer perspective, we incurred additional financial costs which led to a modest fall in overall productivity during the period; we anticipate this will reverse over the coming months, with employees progressively spending increasing amounts of their time at the office.

Going forward, we see real value in adopting a hybrid structure, with growing numbers of customer-facing roles being fulfilled by colleagues who are employed on a permanent work-from-home basis. This flexible approach will better enable us to meet the needs of our customers, as demonstrated by the recent extension of our call centre opening hours.

In terms of our sustainability programme, we have planted over 100,000 native broadleaf trees in the UW Woodland in the Brecon Beacons, and look forward to publishing an updated Sustainability Report with our annual results this summer.

Outlook

Our business remains well positioned to build shareholder value over both the near term and the years ahead, with a diverse portfolio of essential household services, a motivated distribution channel, a unique integrated multi-utility business model, market leading levels of customer retention, and a strong balance sheet. These attributes have enabled us to build

an exceptionally high-quality customer base, and provide significant confidence over our future earnings stream.

Our annual Partner ‘Power Up’ event took place on the weekend of 17/18 April. This was again held virtually, and we were pleased that over 10,000 Partners registered to attend. The event featured a number of simplifications and improvements to both our customer and Partner propositions, making it both simpler and more rewarding for Partners to promote our services.

We are extremely positive about the pent-up demand for the flexible income opportunity that we offer our Partners. Prolonged periods of working from home have led many to reconsider their work-life choices, and we offer a meaningful near-term income opportunity that requires no previous qualifications and has no geographic limitations. This is expected to drive increased Partner recruitment and activity in the months and years ahead.

We intend to capitalise on these favourable market dynamics by investing further in both our customer and Partner propositions, as demonstrated by the changes we made at our recent ‘Power Up’ event.

As we emerge from lockdown, and the social distancing restrictions on our Partners are eased, we anticipate organic growth returning to pre-pandemic levels over the summer, then accelerating from that point, supported by the additional investment we are making in both our customer and Partner propositions. We will provide guidance on our growth, profit and dividend outlook for the coming year with our final results for the year ended 31 March 2021, which we are planning to announce on 15 June 2021.

Dividend

The Company reiterates its previous dividend guidance to pay a maintained total dividend for the year just ended of 57p (2020: 57p) per share.

Andrew Lindsay, CEO, said:

“Against the challenging backdrop of the past year, I am very pleased with the resilient performance of the business, and proud of the spirit that Team Purple - our 48,000 Partners - have demonstrated throughout the period.

“We are emerging from the pandemic with considerable optimism about the future: as millions prepare to return to their workplaces after prolonged periods of working from home, the alternative flexible income opportunity that we offer our Partners has never held such appeal.

“We are hugely excited by the prospect of helping many more people to get on in life and achieve their goals in partnership with UW over the months and years ahead, and are investing in both our customer and Partner propositions to meet the rising demand that we anticipate.”

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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 Communications, Energy and Insurance markets.

Customers 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 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