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Water Intelligence PLC  
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**Water Intelligence plc (AIM: WATR.L)**

**("Water Intelligence", the "Group" or the "Company")**

**Placing and Subscription**

Water Intelligence, a leading provider of non-invasive, leak detection and remediation services, is pleased to announce it has raised approximately £730,000, before expenses, through a placing for cash ("**Placing**") of 216,404 new ordinary shares of 1p each in the capital of the Company (ISIN: GB00BZ973D04) ("**Ordinary Shares**" and the "**Placing Shares**") and a subscription (the "**Subscription**") of 639,709 new Ordinary Shares (the "**Subscription Shares**") both at a price of 85 pence per new Ordinary Share (the "**Issue Price**") (the Placing and Subscription together, the "**Fundraise**"). The Issue Price represents a premium of approximately 8.3 per cent. to the mid-market closing price of 78.5 pence per existing Ordinary Share on 23 November 2016 (being the last practicable date prior to the date of this announcement).

The Fundraise is being undertaken utilising existing shareholder authority to allot new Ordinary Shares. Demand for shares at 85p is broad-based with both US and UK investors. Such broad demand has created a significantly larger new issuance than originally contemplated by the Company requiring the Company to reach its authorized limit for new shares until the next annual meeting of the shareholders. Net proceeds from the Fundraising, when combined with current growth in cash flow and, as referenced below, a contemplated refinancing of its existing term debt lowering amortization requirements enable the Company to significantly accelerate its growth plan.

**Background to and reasons for the Placing**

Coincident with strongly increasing market demand in the US and around the world for infrastructure solutions to problems of water loss, the Group has a stated strategy of extending Water Intelligence's reach and becoming a true multinational growth company. The Group currently has a nationwide footprint in the US operating in 42 states through 125 franchise locations and 9 corporate owned stores. It also has 6 locations in Australia, 3 in Canada, 1 in Belgium and corporate offices in the UK. The Group, through both franchise operated stores and corporate-operated stores delivers approximately \$75 million of services to residential, commercial and municipal customers. To date, the Group's strategy has produced strong results focused on two tactics. First, the Group has achieved organic growth in its leading American Leak Detection brand through the development of national sales channels in the US, such as insurance and property management. Royalties derived from franchise sales grew by 7% in the 9 months to September 2016. Second, the Group has selectively reacquired franchises and grown acquired franchise revenue and earnings even faster as corporate-run locations. This process has unlocked shareholder value and grown the critical mass of Group revenue and earnings. Corporate-operated sales achieved growth close to 60% in the 9 months to September 2016.

In September, the Group extended its growth strategy to layer-in a multinational component. Water Intelligence acquired NRW Utilities Limited ("**NRW**"), a company based in the UK with a leadership team that has experience executing municipal work internationally. NRW will provide a range of municipal solutions across the Group leveraging the Group's existing franchise sales footprint throughout the US to bid for a share of the anticipated increase in infrastructure spending. NRW has been immediately profitable. In October, Water Intelligence completed the acquisition of its former franchisee based in Sydney, which allows the Group to grow its existing Australian presence by establishing a corporate hub from which to support growth throughout Australia. The Sydney operation serves both residential and municipal markets. The operation currently maintains a contract with Sydney Water creating synergistic opportunities for its NRW Utilities brand.

Given both strong market demand for infrastructure solutions and current execution success, the Group will now accelerate its growth strategy of building national and international channels for business-to-business customers such as insurance companies and public sector clients such as municipalities.

### **Use of Proceeds from the Placing**

The Placing will allow the Company to increase its working capital available to support the above growth strategy. First, the Group will expand its existing American Leak Detection footprint of franchise operations by deepening its national sales channels. Such expansion should further increase royalty income. Second, the Group will expand its existing regional corporate locations such as New York and Miami. The Group plans to reacquire additional franchise revenue and earnings in strategic locations across the U.S. thus adding critical mass to the Group's statement of income. Finally, the Group will grow its NRW Utilities business around the world leveraging the Group's existing international footprint.

Despite a busy 2016 reacquiring four profitable franchise locations and a fast growing municipal services business that includes sewer and wastewater solutions, the Company believes that it not only can consolidate these gains during 2017 but also continue strategic reacquisitions and launch a new corporate location in a high profile geography such as Chicago or Washington DC.

### **Bank Refinancing**

The Company has also recently entered into a commitment letter with a lender and expects to refinance its existing \$1.8m gross debt, currently charged at an interest rate of 5.75% p.a. and due to expire in June 2019. A new debt facility is expected to be initiated on more favourable terms and will include three products: a term loan lowering amortisation costs, a revolving credit facility for additional working capital and an acquisition finance line of credit to accelerate the Group's franchise reacquisition strategy. Full details will be announced when the new facility has been formally documented.

The terms of the bank refinancing currently require a personal guarantee from the Chairman. In consideration for the guarantee, Dr. DeSouza is anticipated to receive 540,000 Partly Paid Shares at the Issue Price. The Partly Paid Shares will not be admitted to trading and will entitle the holder to voting rights, but no economic rights until such time they are fully paid. Full details will also be announced when the new facility has been formally documented.

### **Details of the Placing**

The Placing is expected to raise gross proceeds of up to £730,000 (before expenses). Demand for this issue and allotment of the Placing Shares uses up available authorized shares but does not exceed the Company's existing authorities and therefore does not require shareholder approval. In addition the Placing is not being underwritten by finnCap or any other person.

Pursuant to the Placing, application will be made for the 856,113 new Ordinary Shares to be admitted to trading on AIM ("**Admission**"). Subject to the placing agreement not having been terminated in accordance with its terms, it is anticipated that Admission of the Placing Shares will occur at 8.00 a.m. on or around 30 November 2016. The Placing Shares will be credited as fully paid and rank pari passu with the existing Ordinary Shares.

The Placing is conditional, amongst other things, on the following:

- i. the placing agreement not being terminated prior to Admission of the new Ordinary Shares pursuant to the Placing and being otherwise unconditional in all respects;
- ii. Admission becoming effective on or before 8.00 a.m. on 30 November 2016 (or such later date and/or time as the Company and finnCap may agree, being no later than 30 December 2016).

The total number of Ordinary Shares in issue following Admission will be 11,473,833. Accordingly, the figure of 11,473,833 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

Owing to the excess demand for the Fundraise, Plain Sight Systems, Inc. has also agreed to sell 115,000 Ordinary Shares. Upon completion of the sale, Plain Sight Systems, Inc. will hold 2,430,000, representing approximately 21.2 per cent. of the Company's issued share capital after completion of the Fundraise.

### **Director Participation**

Michael Reisman, a non-executive director of the Company, has agreed to subscribe for 18,868 Subscription Shares on the same terms and conditions as the wider Fundraise. The subscription for Ordinary Shares by Michael Reisman is a related party transaction pursuant to the AIM Rules. The independent Directors (being David Silverstone and Robert Mitchell) consider, having consulted with the Company's nominated adviser, finnCap, that the terms of the subscription by Michael Reisman are fair and reasonable insofar as the Company's shareholders are concerned.

### **Dr. Patrick DeSouza, Executive Chairman of Water Intelligence, commented:**

"We are delighted with the vote of confidence in our future expressed by both US and UK investors in this fund raise. We also welcome their continued participation in our growth plans and we aim to unlock substantial shareholder value especially through our leading franchise brand American Leak Detection. With the addition of UK-based NRW Utilities we will have a synergistic stream of income to supplement our strong dollar-based core business. We anticipate welcoming in the coming weeks new value-add partners in business and finance. Our competitive strategy has produced strong results and we now have additional resources with which to attack the big market opportunity ahead of us in water and infrastructure. With increased critical mass in the US, UK, Australia and Canada, we have a strong operating footprint from which to scale operations."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

**Water Intelligence plc**

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**finnCap Ltd**

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