



## **Water Intelligence plc**

### **Trading Update 1H 2019**

#### **Board Change**

Water Intelligence plc (AIM: WATR.L) ("Water Intelligence" or "Company"), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to provide a trading update for the first half of 2019. Interim Results for 1H 2019 will be published in mid-September.

Results are ahead of market expectations for revenue and comfortably in-line with expectations for profits before taxes. The Company continues to perform strongly with its multinational growth plan. Global demand for water infrastructure products and services remains strong.

#### **Highlights:**

- €€€€ Water Intelligence revenues grow strongly by 34% to \$15.9 million (1H 2018: \$11.8 million)

#### Key Performance Indicators

- Franchise: Core American Leak Detection franchise royalties grow 4% to \$3.44 million (1H 2018: \$3.31 million)
  - Implying approximately \$45 million in 1H sales to third parties from which royalty is derived
- Franchise-Related Activities: Insurance channel, Equipment, Franchise Sales grows 60% to \$4.05 million (1H 2018: \$2.54 million)
- US Corporate Operated Locations: Growth of 56% to \$7 million (1H 2018: \$4.5 million)
- International Corporate Operated Locations: UK-based Water Intelligence International (WII) declines 9% to \$1.4 million (1H 2018: \$1.5 million)

- WII sales pipeline strong for full-year, decline based on timing of sales
- Water Intelligence profits before tax adjusted for non-core costs and share-based payments grow 29% to \$2.02 million (1H 2018: \$1.57 million)
- Water Intelligence statutory profits before tax grow 20% to \$1.51 million (1H 2018: \$1.26 million)
  - Continued increase in headcount to support 2H growth
- Water Intelligence Balance Sheet remains strong
  - Cash: \$6.03 million
  - Net Cash: \$2.17 million (cash less borrowings)
- Technology reinvestment advancing during Q3
  - Commercial roll-out of proprietary sewer diagnostic product in UK and US after UK acquisition and investment during 2018
  - Q3 investment in e-commerce and video display technology along-side Sumitomo Corporation investment and commercial launch in Q4 after previously announced demonstrations in Tokyo during Q1 and prior development work with Tagasauris and Flo Technologies during 2018
- Strategic Matters:
  - Promotion of Board Member, Laura Hills to Vice Chairman
  - American Leak Detection: four franchise reacquisitions during 1H: January (Ontario, Canada) and March (South Atlanta and Orlando) and June (Tucson); announcement of sales of new franchise territories in Youngstown, Ohio and Central Georgia
  - £3.2 million fund raise in May to accelerate growth

Commenting on the Group's performance, Executive Chairman, Dr. Patrick DeSouza remarked: "Global market demand for solutions to water loss from leakage is strong and only growing. We are well-positioned and continue to

deliver on our articulated plan. 1H results show continued strong growth at both top and bottom lines versus 1H 2018. Our results are consistent with the strong compounded annual growth since 2014 that we discussed in our Annual Report. Most of the Company's sales are in the US and in dollars offering safe haven from any impact of Brexit.

"Importantly, our franchise royalty income continues to consistently grow, fuelled by our business-to-business insurance channel and despite continued reacquisitions of franchises which reduce the pool of royalty income. Corporate operations after franchise reacquisitions are still unlocking significant shareholder value. Finally, our technology reinvestment to build our brand profile as an innovation company continues to progress. We are on a mission to transform the water infrastructure services market around the world and seek to lead the *Insuretech* movement."

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