



Water Intelligence plc

Strong 1Q Trading Results

Water Intelligence plc (AIM: WATR.L) (the “Group” or “Water Intelligence”), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to provide its unaudited 1Q Trading Update. The Group has had an outstanding first quarter; one that both accelerates a very strong set of 2020 trading results and builds upon the Group’s consistently strong compounded annual growth (CAGR) trajectory.

During 1Q the Group grew revenue strongly by 38% to \$11.4 million (1Q 2020: \$8.3 million) and statutory profits before tax by an outstanding 152% to \$1.66 million (1Q 2020: \$0.66 million). Profits before tax adjusted for share-based payments and amortization grew an equally outstanding 115% to \$1.78 million (1Q 2020: \$0.83 million).

These first quarter results follow a strong 2020 which, despite Covid, produced 17% growth in revenue to \$37.9 million and 78% growth in statutory profits before tax to \$4.2 million. The first quarter also builds upon the Group’s historic growth trajectory. Since 2016, the Group has achieved a CAGR of 33% in terms of revenue and 53% in terms of profits before tax.

Audited results for 2020 are expected during the latter half of May as traditionally released.

Highlights

- Water Intelligence revenue grew strongly by 38% reaching \$11.4 million (1Q 2020: \$8.3 million)
 - Core business units – American Leak Detection (ALD) and Water Intelligence International (WII) – each grew strongly enabling a broader mix of residential, commercial and municipal offerings for both clean water and wastewater problems.
 - Implied total annualized sales to customers (implied gross sales from which franchise royalty is derived plus direct sales from corporate locations) would surpass \$140 million providing critical mass
 - ALD revenue grew by 36% to \$10.2 million (1Q 2020: \$7.5 million)
 - Royalty income from franchisees grew in absolute terms by 3% to \$1.84 million (1Q 2020: \$1.78 million), despite eight franchise reacquisitions during 2020 that reduced the available pool of royalty income
 - Franchise-related sales (national accounts; parts and equipment; franchise territory sales) grew 15% to \$2.4 million (1Q 2020: \$2.1 million)
 - Key insurance business-to-business channel grew 19% to \$2.3 million (1Q 2020: \$1.9 million)

- Corporate location sales grew 64% to \$5.9 million (1Q 2020: \$3.6 million); Selective franchise reacquisitions continue, increasing corporate presence for working with franchisees under one ALD brand
 - WII revenue grew 63% to \$1.3 million (1Q 2020: \$0.8 million)
 - Water Intelligence statutory profits before tax grew very strongly by 152% to \$1.66 million (1Q: \$0.66 million)
 - Corporate locations profit margins were 21% during 1Q unlocking earnings growth
 - Water Intelligence profits before tax adjusted for non-cash amortisation expense and share-based payments grew very strongly by 115% to \$1.78 million (1Q 2020: \$0.83 million)
 - Water Intelligence Balance Sheet strong at 31 March 2021
 - Cash: \$9.46 million
 - Net Borrowings (Cash Minus Bank Debt): \$0.5 million
 - Company has sufficient resources to execute its accelerated growth plan
 - Corporate Development during 1Q; Subsequent Events
 - Expansion of Credit Facility
 - Franchise reacquisition in Central Florida
 - Two national insurance contracts
 - Addition of Board Member with substantial financial markets experience
 - Proprietary sewer diagnostic device commercialized in UK
 - 2Q Subsequent Event: Acquisition of Irrigation and Stormwater run-off IP Assets

Commenting on the Group’s performance, Executive Chairman, Dr. Patrick DeSouza remarked:

“Once again we are reporting outstanding results. We are racing ahead as an ‘essential service provider’ offering valuable water-related solutions to our residential, commercial and municipal customers during this late-Covid period. As noted in a recent release, even as we move beyond Covid, we expect that market demand for our solutions will only increase as a result of the Biden Administration’s American Jobs Plan and its anticipated \$100 billion investment in water infrastructure.

We are exceptionally pleased that each of our key performance indicators is strongly positive as we pass the mid-point of the second quarter. We are building on a great 2020 and proud that we have consistently delivered while scaling operations over the last five years. As our profits increase, we are committed to reinvest not only in more execution capabilities for current market capture but also in leading technologies that reinforce our brand and our growth throughout this decade. We have a strong matrix of clean water and wastewater solutions and we aim to be market leaders with respect to the world’s most precious resource.”

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014

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