



Reacquisition of Las Vegas and Phoenix Franchises

Water Intelligence plc (AIM: WATR.L) (“Water Intelligence” or “Group”), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to announce that it has reacquired two major franchises – Las Vegas and Phoenix - within the Group’s American Leak Detection subsidiary (“ALD”). Today’s set of acquisitions is the largest that the Group has executed to date and reinforces its strong growth trajectory both financially and operationally.

Financially, the acquisition will be earnings enhancing for shareholders. The combined purchase price of \$10.3 million will be paid over four years and includes all assets to conduct operations including trucks and equipment. The purchase price is based on combined 2020 full-year results of approximately \$5.75 million in sales and \$1.6 million in adjusted profits. Both locations are continuing to grow in 1H 2021. Given the Group’s available cash reserves and bank facilities, the Group has sufficient capital to fund the acquisitions and execute on its growth objectives.

The franchise leadership team, led by Keith Ozawa, will remain in place to run the operation and to provide senior leadership in helping the Group execute its growth plan. The purchase price assumes a minimum level of profits for the next three-years and provides stock options as part of the transaction for 75,000 ordinary shares, at the current market price, in order to align incentives. These options vest in full on the fourth anniversary of grant.

Water Intelligence has strong market demand for its solutions. The Group is seeking to add to its supply of trained technicians across the United States to address customer demand, especially from its insurance channel, and the resulting backlog of work. Mr. Ozawa has been involved over the last two years in assisting the franchise System secure more trained technicians. He will work closely with John Spenard, the Group’s newly appointed Chief People Officer.

Demand in Las Vegas and Phoenix is especially strong for ALD water leak detection and repair services, due to a variety of factors such as heat, drought, the number of swimming pools and higher income levels. Strategically, these reacquisitions follow the May reacquisition of its Reno, Nevada franchise and the Group’s prior reacquisition of its franchise in Tucson, Arizona. It enables ALD to link existing corporate operations – Las Vegas with Reno and Phoenix with Tucson. Such operational scale is expected to contribute to both growth and efficiencies. In addition, today’s reacquisitions reinforce the corporate strategy of creating regional hubs to help grow both corporate and franchise operations and also to integrate UK-based Water Intelligence International’s municipal offerings in the United States.

Today's two reacquisitions bring the total number of transactions year-to-date to seven. By themselves, Las Vegas, Phoenix and last week's reacquisition of the Northeast Florida franchise add approximately \$8 million in annual sales and \$2 million of annual adjusted profits to the Group's pro forma financials based on 2020 annual results for these franchises. The Directors believe that there is scope for further growth as additional technicians are deployed.

The Group seeks to maintain a strong growth trajectory as it focuses on market capture in a large addressable market. With respect to organic growth, as announced earlier this week, the Group has won its broadest mandate for an insurance national account to provide water leak detection and repair solutions.

ALD is delivering "essential services" to consumers, businesses and municipalities to address their water infrastructure problems. Market demand is acyclical and growing stronger as the price of water is rising, especially given droughts in the western part of the United States and the aftermath of the big freeze in the southern parts of the country.

Keith Ozawa, Executive Vice President and former franchise owner for Las Vegas and Phoenix commented: "I am excited to contribute leadership to drive the further rapid growth of our American Leak Detection brand. Customers, especially insurance companies, are demanding our minimally invasive water leak detection solutions. One key to our success, for franchise owners and corporate managers alike, is our ability to attract and train talented women and men who are passionate about leveraging technology to solve our nation's and the world's water infrastructure issues."

Executive Chairman, Dr. Patrick DeSouza commented: "I am very pleased with our start to 3Q. We have achieved our broadest mandate for an insurance national account and executed our biggest franchise reacquisition in line with our strategic growth plan. I am excited about working with Keith. Notwithstanding Covid, Water Intelligence aims to deliver a strong trajectory because our solutions are in high demand around the world as communities look to preserve our 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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