



Water Intelligence plc (AIM: WATR.L)

Interim 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 Interim Results for the period ending 30 June 2022.

Consistent with its historic trajectory, results are comfortably in-line with market expectations as the Group continues to execute on its long-run growth plan while navigating short-run market volatility.

Financial Highlights*

- Revenue increased by 44% to \$35.6 million (1H 2021: \$24.7 million)
 - Network Sales (implied gross sales of franchisees from which reported royalty is derived plus direct sales of corporate locations) grew 12.5% to \$85 million (1H 2021: \$75.5 million)
- EBITDA increased by 15% to \$6.2 million (1H 2021: \$5.4 million)
- PBT Adjusted** increased by 10% to \$4.6 million (1H 2021: \$4.2 million)
- Cash and equivalents increased to \$21.9 million (1H 2021: \$7.2 million)
 - Net Cash at \$5.3 million (cash minus bank borrowings)
 - Bank borrowings amortized through 2027 at an average fixed rate of 4.9%

* To make proper like-for-like comparisons, the above comparisons of Statutory EBITDA and PBT Adjusted exclude the 1H 2021 one-time gain of \$1.9 million

**PBT Adjusted (amortisation, share based payments and non-core costs)

Corporate Development

- Operations: Increase of 45 headcount, mostly technicians in training for growth plan
- Financial:
 - Expanded bank credit facilities by \$17 million (with headroom of approximately \$7 million as of 30 June 2022)
- Accretive acquisitions:
 - 2 Franchises re-acquired: Fort Worth, Texas; Midland, Texas
 - Bolt-on acquisition: Connecticut Plumbing
- New Locations:
 - Greenfield territory launched as corporate location: Wichita Falls, Texas
 - Additional territory sold to Franchisee to be developed: central North Carolina
 - New Technician Training Center launched in Seattle
- Technology:
 - Field trials in US for proprietary new technologies: residential sewer diagnostic tool and video e-commerce
 - Salesforce.com implementation: on-boarding completed for all corporate locations; franchise locations currently on-boarding

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

We delivered strong results while navigating 1H market volatility. We remain positive about the future and see opportunities ahead even as we manage prudently in the short to medium-run for both inflation and threats of future recession from rising interest rates. We are pleased to have expanded our credit facilities early in 1H and locked-in an attractive fixed rate through 2027.

Ironically, now is a good time for us to capture more of the market given our market leading position and competitive advantages that we can exploit. Market demand for water and wastewater-related infrastructure solutions remains strong whether we face Covid-19, inflation or potentially recession. Long-run, climate change is adversely affecting water infrastructure whether manifested by droughts, floods or deterioration of pipe materials. In attacking the market, which is characterized by fragmented, local service providers, we have operating efficiencies to leverage: our multinational sales footprint; business-to-business channels; proprietary technology; Salesforce.com implementation; and available financial resources for sustaining our long-run growth plan. Moreover, in the short to medium-run, because most of our operations are in the US, we are additionally assisted by the strong US dollar and have the ability to be opportunistic internationally.”

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Chairman’s Statement

Overview

Once again, as has been the case consistently since 2016, our operating fundamentals are strong. And market demand for our green economy brand and water infrastructure solutions only

looks to be getting stronger given droughts, flooding and an inability of aging infrastructure internationally to cope. We appreciate our shareholders commitment to building a leading world-class growth company over the long-run. Nonetheless, during 1H we implemented important steps to get ahead of marketplace challenges threatening various stakeholders – employees, customers, shareholders - including rapid inflation and the threat of future recession from rising interest rates geared to stem inflation. We expanded our credit facilities by \$17 million during 1H and locked-in an attractive blended interest rate for all bank borrowings at 4.9%. We have made prudent budget adjustments during 1H while staying true to our long-run growth plan because it will create the highest value for all stakeholders. For example, in putting capital to work, we have continued to hire and train technicians to capture market demand for solutions and at the same time we have managed other expenses. Fortunately, our asset base gives Water Intelligence a competitive advantage and management an ability to navigate short-run, medium-run, and long-run operating windows.

Analysis

We remain on-track for another good year with respect to revenue and profits. To present a comparable period-over-period analysis of operations, we have excluded a one-time gain of \$1.9 million in 2021 for the forgiveness of a PPP loan granted at the onset of Covid in 2020. This loan forgiveness was treated in our 2021 audited accounts as profit before tax. In that report, we explained the IFRS requirement and communicated that even excluding the one-time gain for 2021, full year 2021 revenue grew by 44% to \$54.5 million and adjusted EBITDA still grew 48% to \$10.3 million. To provide a meaningful comparison between operating performance for 1H 2022 and 1H 2021, we need to make the same adjustment. Revenue grew in 1H by 44% to \$35.6 million (1H 2021: \$24.7 million), profit before taxes adjusted for non-cash and non-core costs increased by 10% to \$4.6 million (1H 2021: \$4.2 million) and EBITDA grew by 15% to \$6.2 million (1H 2021: \$5.4 million).

While strong, we note that our EBITDA growth percentage over sequential periods from full year 2021 to 1H 2022 decreased. In part, EBITDA margins declined somewhat to 17.5% from 21.9% because of rapid inflation of direct costs from labor, gasoline for service vehicles and supplies. However, it should also be noted that part of increasing expenses was actually the timing of reinvestment due to increased hiring and training of operating personnel including 45 technicians. Such execution personnel will become fully productive in 2023 to capture increased market demand for water and wastewater solutions and contribute revenue and profit over the medium and long-run. As part of our growth plan, we raised equity capital during 2H 2021, committing to institutional shareholders to put capital to work to accelerate market capture given the global market opportunity for providing water infrastructure solutions.

Short-run Window. In the near-term, despite navigating market volatility with care, we are continuing to grow organically both the Water Intelligence (WI) brand and that of our core American Leak Detection (ALD) business. In breaking down WI revenue growth, each business line tracked well given our growth plan and key performance indicators (KPIs) set forth in the Strategic Report as part of our annual Accounts.

The core of our strategic plan focuses on growing the American Leak Detection brand both organically by adding service capabilities at each of our 150 locations across the United States and by the reacquisition of franchises and converting such locations to corporate operations. Converting franchises into corporate operations unlocks significant shareholder value by bringing underlying franchise revenue and profits directly onto Water Intelligence accounts instead of as royalty income. We use the concept of “Network Sales” to evaluate our growth plan because it illuminates the growth of total sales to customers under our American Leak Detection brand – both direct sales from corporate operations and gross sales from franchisees from which royalty income is reported. Both corporate and franchisee personnel execute in the same branded vehicles and uniforms for customers. For 1H 2022, Network Sales grew 12.5% to \$85 million (1H 2021: \$75.5 million).

Each KPI tracks our growth plan well. Franchise royalties declined by 3% to \$3.6 million (1H: \$3.7 million) as a result of the franchise reacquisitions during 2021, which reduced the available pool of royalty income for 2022. At the same time, however, the franchise system still grew. Despite there being fewer franchises, franchise-related revenues grew by 5% (1H 2022: \$5.2 million vs. 1H 2021: \$4.9 million). Our business-to-business insurance channel component of franchise-related revenues grew by 7% to \$4.8 million (1H 2021: \$4.5 million). It is worth noting that our business-to-business channel is growing faster than 7% because we do not report insurance jobs executed by our corporate-operated locations. Meanwhile, US corporate-operated locations grew 75% to \$23.3 million (1H 2021: \$13.3 million) reflecting both organic growth and growth through reacquisition of franchisees as discussed above. With respect to organic growth, same store sales increased by 30% to \$17.1 million (1H 2021: \$13.1 million). Finally, international corporate operations (UK, Australia, Canada) grew 27% to \$3.6 million (1H 2021: \$2.8 million).

Medium-run Window. We remain positive about market demand for our water infrastructure solutions even in the medium-run scenario of recession. For reference, during the first year of Covid-19, when US GDP shrank, WI revenue still grew by 17%. We have made, and are continuing to make, investments to capture a greater share of the market over the medium term given strong demand for our offerings. Firstly, we are adding more capacity – trained service professionals – across all of our franchise and corporate locations, especially in the US. At the beginning of 1H 2022, we invested in creating a new training centre in Seattle. By the end of 1H 2022, this centre has already trained several classes of new technicians who are now deployed to different parts of the US and gaining experience using our leak detection technology. These new technicians will be contributing to revenue and profit in a meaningful way during 2023. Secondly, to enable ALD to operate more efficiently with more capacity, we have invested over the last two years in Salesforce.com customer management technology and related applications (together “Salesforce”). With the Salesforce suite of applications, the entire American Leak Detection workflow across its 150 locations will be automated from receipt of jobs from customers to scheduling and delivery, report writing, payments and follow-on sales. Importantly, all data will be secure with the highest level of compliance; an attribute critical to our insurance business-to-business channel. At the end of 1H 2022, all corporate locations were successfully on-boarded to Salesforce. Prior to year-end all franchise locations are scheduled to be on-boarded. Thirdly, we have invested in proprietary technologies, such as a new sewer diagnostic tool, that will increase our range of offerings to meet market demand for wastewater services. A version of this proprietary tool is currently being used commercially in the UK for municipal customers such as Thames Water and a version for residential users is currently being tested in the United States for use by our American Leak Detection brand.

Outlook

Water Intelligence is well positioned for the future whether it is characterized by persistent inflation or a shift to recession from higher interest rates. Our balance sheet is strong with \$21.9 million in cash as of 30 June 2022. Cash, net of bank borrowings, is \$5.3 million as at 30 June 2022. Credit availability under our expanded facilities is \$7 million as of 30 June 2022. The terms of the bank debt are favorable with a fixed rate of approximately 4.9% and amortization spread through 2027. Deferred consideration to franchisees from reacquisitions at 30 June 2022 is \$13.7 million with payments spread through 2026. Given EBITDA growth and readily available cash and credit, Water Intelligence has sufficient capital to meet its obligations, reinvest in growth and even consider selective acquisitions. With a strong US dollar forecast through at least 2023 and since Water Intelligence generates cash from operations largely in dollars, we are reviewing opportunities internationally that have become relatively more attractive.

In evaluating any tactical changes, Water Intelligence does have operating flexibility. If the medium-run is marked by inflation, Water Intelligence has made significant investments in its Salesforce.com infrastructure that is expected to deliver operating efficiencies in 2023 and beyond. On the other hand, if the medium-run is marked by recession due to rising US interest rates, Water

Intelligence also has the ability to navigate this given its diverse matrix both in terms of solutions covering water and wastewater and in terms of the variety of its customers from homeowners to businesses like insurance to municipal. Both private and public spending for water infrastructure solutions are expected to increase irrespective of macroeconomic trends.

Long-run. We are mindful of macroeconomic variables. However, we remain optimistic about the global opportunities in front of us and management's ability to adjust as we move from short-run monitoring to medium-run tactics. For our long-run outlook, global market demand for water and wastewater infrastructure services continues to increase. To a degree, we are acyclical because of the importance of water and wastewater solutions especially as climate change creates more anomalous conditions that puts stress on infrastructure at all levels – residential, commercial, municipal.

Importantly, as a competitive strategy matter, in a largely fragmented market of local service providers, we are distinguished from our competitors because we have: a well-recognized American Leak Detection national brand; proprietary technology; established US business-to-business channels; an installed base of operations in over 150 locations across the US and in the UK, Canada and Australia; and investments already made in the leading customer relationship management system in the world that will come on line fully during 2023. With these operating attributes and against a landscape of smaller less-adaptable players, we should be prudent as to tactics but confident in our growth plan and ability to capture the market with a platform company as the market leader in our category.

Patrick DeSouza
Executive Chairman
September 22, 2022

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

		Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	Notes	\$	\$	\$
Revenue	4	Unaudited 35,583,457	Unaudited 24,698,724	Audited 54,543,408
Cost of sales		(4,656,279)	(4,504,060)	(8,964,486)
Gross profit		30,927,178	20,194,664	45,578,922
Administrative expenses				
- Other income		41,631	54,063	69,484
- Share-based payments		(226,525)	(187,719)	(442,708)
- Amortisation of intangibles		(429,440)	(140,605)	(470,226)
- Other administrative costs		(26,074,124)	(15,744,678)	(38,131,195)
Total administrative expenses		(26,688,458)	(16,018,939)	(38,974,645)
Operating profit		4,238,720	4,175,725	6,604,277
PPP loan forgiveness		-	1,869,800	1,869,800
Finance income		21,851	26,043	51,092
Finance expense		(753,508)	(341,612)	(969,130)
Profit before tax	4	3,507,063	5,729,956	7,556,039
Taxation expense		(1,106,026)	(1,184,724)	(1,641,350)
Profit for the period		2,401,037	4,545,232	5,914,689
Attributable to:				
Equity holders of the parent		2,407,239	4,452,586	5,764,952
Non-controlling interests		(6,202)	92,646	149,737
		2,401,037	4,545,232	5,914,689
Other comprehensive income				
Exchange differences arising on translation of foreign operations		(370,207)	(89,168)	(221,281)
Fair value adjustment on listed equity investment (net of deferred tax)		(475,794)	540,943	(300,049)
Total comprehensive income for the period		1,555,036	4,997,007	5,393,359
Earnings per share		Cents	Cents	Cents
Basic	5	13.9	28.8	36.1
Diluted	5	13.0	26.8	33.3

The gain on PPP loan forgiveness was a one-time extraordinary item related to the Covid-19 pandemic. Under IFRS guidelines, we were required to present this as a one-time gain in profit before tax. However, this gain is not reflective of our underlying operating results, and as such has been excluded from our period over period analysis. See note 5 for adjusted EPS calculation.

Consolidated Statement of Financial Position as at 30 June 2022

		At 30 June 2022	At 30 June 2021	At 31 December 2021
	Notes	\$	\$	\$
		Unaudited	Unaudited	Audited
ASSETS				
Non-current assets				
Goodwill		45,382,040	34,864,735	37,268,469
Listed equity investment		592,516	2,156,777	1,185,039
Other intangible assets		4,534,059	2,200,394	3,818,037
Property, plant and equipment		9,655,046	7,255,295	7,807,227
Trade and other receivables		454,619	455,739	429,219
		60,618,280	46,932,940	50,507,991
Current assets				
Inventories		735,722	641,034	677,218
Trade and other receivables		12,461,108	8,981,051	8,379,894
Cash and cash equivalents		21,907,224	7,159,023	23,802,352
		35,104,054	16,781,108	32,859,464
TOTAL ASSETS	4	95,722,334	63,714,048	83,367,455
EQUITY AND LIABILITIES				
Equity attributable to holders of the parent				
Share capital	6	142,260	116,606	142,260
Share premium	6	35,252,633	12,395,783	35,252,633
Shares held in treasury	6	(529,077)	(284,611)	(468,427)
Merger reserve		1,001,150	1,001,150	1,001,150
Share based payment reserve		1,319,519	856,932	1,092,993
Other reserves		(1,465,700)	(963,380)	(1,095,492)
Reverse acquisition reserve	6	(27,758,089)	(27,758,089)	(27,758,088)
Equity investment reserve		(429,123)	887,664	46,672
Retained profit		45,959,816	42,240,210	43,552,575
		53,493,389	28,492,265	51,766,276
Equity attributable to Non-Controlling interest				
Non-controlling interest		568,513	555,436	612,528
Non-current liabilities				
Borrowings and lease liabilities		15,369,104	8,447,368	8,176,893
Deferred consideration		7,929,371	9,981,713	8,220,613
Deferred tax liability		2,502,840	2,193,742	1,576,872
		25,801,315	20,622,823	17,974,378
Current liabilities				
Trade and other payables		4,730,349	3,888,937	4,194,031
Borrowings and lease liabilities		5,365,027	3,010,759	3,325,579
Deferred consideration		5,763,741	7,143,828	5,494,663
		15,859,117	14,043,524	13,014,273
TOTAL EQUITY AND LIABILITIES		95,722,334	63,714,048	83,367,455

**Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022**

	Share Capital	Share Premium	Shares held in treasury	Reverse Acquisition Reserve	Merger Reserve	Share based payment reserve	Other Reserves	Equity investme nt reserve	Retained Profit	Total	Non- controlling interest	Total Equity
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
As at 1 January 2021	116,212	12,091,069	(340,327)	(27,758,088)	1,001,150	650,284	(874,211)	346,721	37,787,623	23,020,434	346,124	23,366,558
Issue of ordinary shares	20	59,224	-	-	-	-	-	-	-	59,244	-	59,244
Options purchase	374	38,553	-	-	-	-	-	-	-	38,928	-	38,928
Share based payment expense	-	-	-	-	-	206,648	-	-	-	206,648	-	206,648
Share buyback	-	-	(282,737)	-	-	-	-	-	-	(282,737)	-	(282,737)
Sale of treasury stock	-	206,936	338,452	-	-	-	-	-	-	545,388	-	545,388
Capital Contribution NCI	-	-	-	-	-	-	-	-	-	-	116,667	116,667
Profit for the period	-	-	-	-	-	-	-	-	4,452,587	4,452,587	92,645	4,545,232
Other comprehensive income	-	-	-	-	-	-	(89,169)	540,943	-	451,774	-	451,774
As at 30 June 2021 (unaudited)	116,606	12,395,783	(284,612)	(27,758,088)	1,001,150	856,932	(963,380)	887,664	42,240,210	28,492,265	555,436	29,047,701
Issue of ordinary shares	21,271	22,126,416	-	-	-	-	-	-	-	22,147,687	-	22,147,687
Options purchase	4,383	716,352	-	-	-	-	-	-	-	720,735	-	720,735
Share-based payment expense	-	-	-	-	-	236,060	-	-	-	236,060	-	236,060
Share buyback	-	-	(183,814)	-	-	-	-	-	-	(183,814)	-	(183,814)
Sale of treasury stock	-	14,082	-	-	-	-	-	-	-	14,082	-	14,082
Profit for the period	-	-	-	-	-	-	-	-	1,312,365	1,312,365	57,092	1,369,457
Other comprehensive income	-	-	-	-	-	-	(132,112)	(840,992)	-	(973,104)	-	(973,104)
As at 31 December 2021 (audited)	142,260	35,252,633	(468,427)	(27,758,088)	1,001,150	1,092,993	(1,095,492)	46,672	43,552,575	51,766,276	612,528	52,378,804
Share based payment expense	-	-	-	-	-	226,525	-	-	-	226,525	-	226,525
Share buyback	-	-	(60,650)	-	-	-	-	-	-	(60,650)	-	(60,650)
Dividend paid	-	-	-	-	-	-	-	-	-	-	(37,813)	(37,813)
Profit for the period	-	-	-	-	-	-	-	-	2,407,239	2,407,239	(6,202)	2,401,037
Other comprehensive income	-	-	-	-	-	-	(370,207)	(475,794)	-	(846,001)	-	(846,001)
As at 30 June 2022 (unaudited)	142,260	35,252,633	(529,076)	(27,758,088)	1,001,150	1,319,518	(1,465,699)	(429,122)	45,959,814	53,493,389	568,513	54,061,902

Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2022

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	\$	\$	\$
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before tax	3,507,063	5,729,956	7,556,039
Adjustments for non-cash/non-operating items:			
Depreciation of plant and equipment	1,559,464	1,086,086	2,475,069
Amortisation of intangible assets	429,440	140,605	470,225
Share based payments	226,525	187,719	442,708
PPP loan forgiveness	-	(1,869,800)	(1,869,800)
Interest paid	466,225	341,612	969,130
Interest received	(21,851)	(26,043)	(51,092)
Operating cash flows before movements in working capital	6,166,866	5,590,134	9,992,279
Increase in inventories	(58,504)	(196,243)	(232,427)
Increase in trade and other receivables	(4,055,364)	(2,806,532)	(1,924,070)
Increase/(Decrease) in trade and other payables	509,562	(226,127)	(684,618)
Cash generated by operations	2,562,560	2,361,232	7,151,164
Income taxes	(60,046)	(4,724)	(1,021,648)
Net cash generated from operating activities	2,502,514	2,356,508	6,129,516
Cash flows from investing activities			
Purchase of plant and equipment	(649,120)	(389,784)	(517,707)
Purchase of intangibles	(1,165,452)	(142,890)	(2,078,559)
Acquisition of subsidiaries	(3,850,000)	-	(979,782)
Reacquisition of Franchises	(1,400,000)	(1,551,999)	(5,239,558)
Interest received	21,851	26,043	51,092
Net cash used in investing activities	(7,042,720)	(2,058,631)	(8,764,514)
Cash flows from financing activities			
Issue of ordinary share capital	-	20	21,291
Premium on issue of ordinary share capital	-	59,224	22,185,641
Share buy-back	(60,652)	(282,736)	(466,551)
Sale of treasury shares	-	545,389	559,469
Options exercised	-	38,928	714,950
Dividend paid	(37,812)	-	-
Interest paid	(466,225)	(341,612)	(969,130)
Proceeds from borrowings	10,057,373	3,200,000	3,200,000
Repayment of borrowings	(1,778,343)	(879,733)	(1,827,765)
Repayment of notes	(4,309,447)	(1,610,167)	(2,350,676)
Repayment of lease liabilities	(759,815)	(686,881)	(1,448,594)
Net cash generated by/(used in) financing activities	2,645,079	42,431	19,618,635
Net (decrease)/increase in cash and cash equivalents	(1,895,128)	340,308	16,983,637
Cash and cash equivalents at the beginning of period	23,802,352	6,818,715	6,818,715
Cash and cash equivalents at end of period	21,907,224	7,159,023	23,802,352

Notes to the Interim Consolidated Financial Information for the six months ended 30 June 2022

1 General information

The Group is a leading provider of minimally-invasive leak detection and remediation services and products for water and wastewater infrastructure. The Group's strategy is to be a provider of "end-to-end" solutions - a "one-stop shop" for residential, commercial and municipal customers.

Water Intelligence plc is a public limited company domiciled in the United Kingdom and incorporated under registered number 03923150 in England and Wales. Its registered office is 27-28 Eastcastle Street, London, W1W 8DH.

2 Significant accounting policies

Basis of preparation and changes to the Group's accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those of the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

This interim consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34, "Interim financial reporting". This interim consolidated financial information is not the Group's statutory financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis of matter without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 June 2022 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 June 2021 are unaudited.

This interim consolidated financial information is presented in US Dollars (\$), rounded to the nearest dollar.

Foreign currencies

(i) Functional and presentational currency

Items included in this interim consolidated financial information are measured using the currency of the primary economic environment in which each entity operates ("the functional currency") which is considered by the Directors to be the Pounds Sterling (£) for the Parent Company and US Dollars (\$) for American Leak Detection Holding Corp. This interim consolidated financial information has been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 30 June 2022 was £1 = US\$ 1.2161 (30 June 2021: £1 = US\$ 1.3851).

Critical accounting estimates and judgments

The preparation of interim consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this interim consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty

were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

3 Significant events and transactions

On 7 April 2022, the Group announced the expansion of its acquisition line of credit to include an additional \$15 million for further acquisitions of its franchises and \$2 million for a working capital line of credit. As part of the facility, the Group entered into swap arrangements that maintain a fixed interest rate of approximately 5.5% on amounts drawn under the facility and are amortised over a term of five years. The blended fixed interest rate for our various credit facilities is approximately 4.9%. The covenants and guarantee requirements for the new facility remain the same all other credit facilities with People's Bank, now operating post-acquisition as part of M&T Bank.

As detailed in Footnote 7 – “Reacquisition of franchisee territories and other acquisitions” the Group reacquired the following franchises and 3rd party companies: Franchises - Fort Worth, Texas (1 January 2022); Central Texas (1 May 2022); Shanahan Plumbing (1 May 2022). The Group also sold additional territory to a franchisee.

4 Segmental information

In the opinion of the Directors, the operations of the Group currently comprise four operating segments: (i) franchise royalty income, (ii) franchise-related activities including sale of franchise territory, business-to-business sales and product and equipment sales, (iii) US corporate-operated locations led by the Group's U.S.-based American Leak Detection subsidiary and (iv) international corporate locations led by the Group's UK-based Water Intelligence International subsidiary.

The Group mainly operates in the US, with operations in the UK, Canada and Australia. In the six months to 30 June 2022, 89.8% (1H 2021: 88.6%) of its revenue came from the US-based operations; the remaining 10.2% (1H 2021: 11.4%) of its revenue came from its international corporate operated locations.

No single customer accounts for more than 10% of the Group's total external revenue.

The Group adopted IFRS 8 Operating Segments with effect from 1 July 2008. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group.

Information reported to the Group's Chief Operating Decision Maker (being the Executive Chairman), for the purpose of resource allocation and assessment of division performance is separated into four income generating segments that serve as key performance indicators (KPI's):

- Franchise royalty income;
- Franchise-related activities (including sale of franchise territory, product and equipment sales and Business-to-Business sales);
- US corporate operated locations; and
- International corporate operated locations.

Items that do not fall into the four segments have been categorised as unallocated head office costs and non-core costs which largely reflect transaction costs associated with the Group's acquisition strategy.

The following is an analysis of the Group's revenues, results from operations and assets:

Revenue	Six months ended 30 June 2022 \$ Unaudited	Six months ended 30 June 2021 \$ Unaudited	Year ended 31 December 2021 \$ Audited
Franchise royalty income	3,574,855	3,679 450	6,803,489

Franchise related activities	5,154,080	4,926,435	9,769,657
US corporate operated locations	23,267,410	13,272,353	31,861,087
International corporate operated locations	3,587,113	2,820,487	6,109,175
Total	35,583,457	24,698,724	54,543,408

Profit before tax	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	\$ Unaudited	\$ Unaudited	\$ Audited
Franchise royalty income	963,463	1,251,346	1,808,730
Franchise related activities	497,801	422,375	805,171
US corporate operated locations	4,462,386	3,058,470	6,007,153
International corporate operated locations	39,007	191,288	315,740
Unallocated head office costs	(2,035,594)	(1,050,697)	(2,927,132)
PPP loan forgiveness	-	1,869,800	1,869,800
Non-core costs	(420,000)	(12,626)	(323,423)
Total	3,507,063	5,729,956	7,556,039

As previously noted, the gain on PPP loan forgiveness was a one-time extraordinary item related to the Covid pandemic. Under IFRS guidelines, we were required to present this as a one-time gain in profit before tax. However, this gain is not reflective of our underlying operating results, and as such has been excluded from our period over period analysis.

Assets	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021
	\$ Unaudited	\$ Unaudited	\$ Audited
Franchise royalty income	28,132,461	12,896,040	27,869,663
Franchise related activities	2,725,813	2,476,084	2,452,933
US corporate operated locations	48,408,920	40,492,132	43,050,953
International corporate operated locations	16,455,139	7,849,792	9,993,906
Total	95,722,334	63,714,048	83,367,455

Geographic Information

The Group has two wholly-owned subsidiaries – American Leak Detection (ALD) and Water Intelligence International (WII). Operating activities are captured as both franchise-executed operations and corporate-executed operations. ALD has both US franchises and corporate-operated locations. It also has international franchises, principally located in Australia and Canada. Operations focus on residential and commercial water leak detection and remediation with some municipal activities. By comparison, WII has only corporate operations located outside the United States. These WII international operations are principally municipal activities with some residential leak detection and remediation. As noted herein, the Group’s vision is to become a multinational growth company and a “One Stop Shop” for residential, commercial and municipal solutions to water and wastewater infrastructure problems.

Total Revenue

	Six months ended 30 June 2022			Year ended 31 December 2021		
	Unaudited			Audited		
	US	International	Total	US	International	Total
	\$	\$	\$	\$	\$	\$
Franchise royalty income	3,525,982	48,872	3,574,855	6,698,729	104,760	6,803,489
Franchise related activities	5,154,080	-	5,154,080	9,769,657	-	9,769,657
US corporate operated locations	23,267,410	-	23,267,410	31,861,087	-	31,861,087
International corporate operated locations	-	3,587,113	3,587,113	-	6,109,175	6,109,175
Total	31,947,472	3,635,985	35,583,457	48,329,473	6,213,935	54,543,408

5 Earnings per share

The earnings per share has been calculated using the profit for the period and the weighted average number of Ordinary shares outstanding during the period as follows:

	Six months ended	Six months ended	Year ended
	30 June 2022	30 June 2021	31 December 2021
	Unaudited	Unaudited	Audited
Earnings attributable to shareholders (\$)	2,407,239	4,452,586	5,764,952
Weighted average number of ordinary shares	17,361,439	15,473,540	15,972,588
Diluted weighted average number of ordinary shares	18,463,573	16,587,603	17,286,616
Earnings per share (cents)	13.9	28.8	36.1
Diluted earnings per share (cents)	13.0	26.8	33.3

Adjusting for the exclusion of the one-time PPP loan forgiveness has the following effect:

Earnings per share (cents)	-	(12.1)	(11.7)
Adjusted Earnings per share (cents)	13.9	16.7	24.4
Diluted earnings per share (cents)	-	(11.3)	(10.8)
Adjusted Diluted earnings per share (cents)	13.0	15.6	22.5

Earnings per share are computed based on Ordinary shares. There is a class of B Ordinary Shares that are not admitted to trading.

6 Share capital

The issued share capital at the end of the period was as follows:

Group & Company	Ordinary Shares of 1p each Number	Shares held in treasury Number	Total Number
At 30 June 2022	17,366,688	56,500	17,423,188
At 30 June 2021	15,492,443	36,500	15,528,943
At 31 December 2021	17,366,688	51,000	17,417,688

On 1 May 2022 in connection with the acquisition of Shanahan Plumbing, the vendor, was granted options to purchase 20,000 New Ordinary Shares at a price of \$8.95. These options have a four-year vesting requirement.

On 30 June 2022, in connection with employee grants, certain employees received options to purchase 152,000 New Ordinary Shares at a price of \$12.50 per share. These options have a four-year vesting requirement.

The net number of options including the new grants and leavers from the Group at 30 June 2022 is 2,375,000.

Group & Company	Share Capital	Share Premium	Shares In Treasury
	\$	\$	\$
At 30 June 2022	142,260	35,252,633	(529,077)
At 30 June 2021	116,606	12,395,783	(284,611)
At 31 December 2021	142,260	35,252,633	(468,427)

Reverse acquisition reserve

The reverse acquisition reserve was created in accordance with IFRS3 Business Combinations and relates to the reverse acquisition of Qconnectis Plc by ALDHC in July 2010. Although these Consolidated Financial Statements have been issued in the name of the legal parent, Water Intelligence plc, it represents in substance is a continuation of the financial information of the legal subsidiary ALDHC. A reverse acquisition reserve was created in 2010 to enable the presentation of a consolidated statement of financial position which combines the equity structure of the legal parent with the reserves of the legal subsidiary. Qconnectis Plc was renamed Water Intelligence Plc on completion of the reverse acquisition on 29 July 2010.

7 Reacquisition of franchisee territories and other acquisitions in the period

On 19 January 2022, the Group announced the reacquisition of its Fort Worth, Texas franchise territory within the Group's ALD franchise business. The Fort Worth operation is fast-growing and expected to accelerate further by adding new service locations in north and west Texas during 2022. Moreover, this reacquisition reinforces the Group's strategy of establishing regional corporate hubs in the US that have scale to fuel growth in nearby corporate and franchise locations. The purchase price of \$7.7 million in cash is to be paid over three years. The purchase price is based on 2021 pro forma of \$3.6 million in revenue and \$1.2 million in profit before tax.

On 26 January 2022, the Group announced the sale of certain territory in rural North Carolina to an existing, fast-growing franchisee of American Leak Detection (ALD). The purchase price for the territory is \$90,000, all of which is recognised as revenue at 100% profit margin. It is also expected that the franchise owner will be purchasing additional equipment from ALD to launch service vehicles to develop the territory. Finally, the commercialization of such "greenfield" territory will also add royalty income to the Group's ALD business unit during 2022.

Effective 1 May 2022, the Group acquired Shanahan Plumbing LLC, a plumbing company with operations in both Connecticut and New York (“Acquisition”). The Acquisition builds upon the Group’s growing American Leak Detection (“ALD”) operations in Connecticut and New York and enables customers to be offered a full range of leak detection and repair solutions. The purchase price of \$1 million is based on Shanahan Plumbing’s 2021 Statement of Income of \$1.9 million in revenue and \$0.2 million in adjusted profit before tax.

On 12 May 2022, the Group announced the reacquisition of its American Leak Detection Central Texas franchise. The franchise includes the cities of Abilene, Lubbock and Midland which are west of recently launched corporate-operated locations of Fort Worth (via franchise acquisition) and Wichita Falls (greenfield). The purchase price of \$0.75 million in cash is based on the franchise’s 2021 Statement of Income of \$0.65 million in revenue and \$0.21 million in profit before tax.

8 Publication of announcement and the Interim Results

A copy of this announcement will be available at Water Intelligence plc’s registered office (27-28 Eastcastle Street, London, W1W 8DH) from the date of this announcement and on its website – www.waterintelligence.co.uk. This announcement is not being sent to shareholders.

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