



Trading Update Q3 2022

Water Intelligence plc (AIM: WATR.L) (“Water Intelligence” or the “Group”), 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 nine months ended 30 September 2022.

Overview

The Group continues to perform strongly despite macroeconomic uncertainty. Sales, as of the end of Q3 2022, have now surpassed the amount of sales for full year 2021 (Q3: \$54.9 million vs. FY 2021: \$54.5 million).

In terms of market capture, network sales (direct corporate sales and indirect gross sales to third parties from which franchise royalty is derived) have grown approximately 13%, surpassing \$125 million (Q3 2021: \$110 million).

The Group is on track to be at the upper end of analyst expectations for revenue and to be in line with expectations with respect to profits for full year 2022.

Highlights

Financials for 9 months to 30 September 2022

- Revenue increased by 38% to \$54.9 million (Q3 2021: \$39.7 million)
- EBITDA* increased by 13% to \$9.7 million (Q3 2021: \$8.6 million)
- Adjusted Profit Before Tax (“PBTA”)** increased by 7% to \$7.0 million (Q3 2021: \$6.5 million)

*EBITDA and PBTA are adjusted to exclude the 2021 one-time gain of \$1.9 million to allow for like-for-like comparisons with Q3 2021

** PBTA is adjusted for non-cash expenses of share-based payments, amortization and one-time costs

Key Performance Indicators

- US Corporate-Operated Locations: Revenues grew by 59% to \$36.3 million (Q3 2021: \$22.8 million)
 - Same store sales grew by 28% to \$28.0 million (Q3 2021: \$21.9 million)

- International Corporate-Operated Locations: Revenues grew by 18% to \$5.2 million (Q3 2021: \$4.4 million)
- Franchises: Royalty income remained flat at \$5.3 million despite a significant number of franchise reacquisitions in trailing 12 months reducing pool of franchise royalties
- Franchise-related sales (national accounts; equipment sales; franchise territory sales) grew by 11% to \$8.0 million (Q3 2021: \$7.2 million)
- Balance Sheet strong at 30 September 2022 with cash at \$20.1 million and cash net of bank debt at \$4.5 million with amortization of bank debt spread through 2027 at a blended fixed rate of approximately 4.9% reflecting different credit facilities
 - Credit availability of \$5 million for franchisee reacquisitions under current bank credit facilities

Corporate Development:

- Salesforce and related web applications being implemented across all US locations
- Annual Franchise Convention hosted between 2-5 November in Nashville, Tennessee with focus on Salesforce CRM implementation linked to proprietary product demonstrations
 - Video e-commerce
 - New Service Offering with Residential Pulse (sewer diagnostic tool)

Commenting on the Group’s performance, Executive Chairman, Dr. Patrick DeSouza remarked: “The Group continues to successfully execute its growth strategy while reinvesting for future growth underpinned by: (i) Salesforce and related applications such as video e-commerce to enable further scalability and data security for our customers and national channels; (ii) proprietary new technology to expand our business lines to meet market demand for solutions to aging water and wastewater infrastructure; and, most importantly, (iii) new training centers to provide more trained technicians to meet market demand.

We are proud of our team - both corporate and franchise - for successfully navigating inflationary pressures during 2022. Moreover, as we turn towards 2023 and amid recessionary pressures in light of rising interest rates, we remain in a strong position. Market demand for water and wastewater solutions is only increasing in light of scarcity and climate change. We are an “essential service provider” as designated during the pandemic. Supported by a strong balance sheet and attractive fixed rate lines of credit through 2027, we have sufficient resources to support significant market capture. Coming out of last week’s Franchise Convention, our entire Company is enthusiastic about the prospects for 2023 and aligned in our strategy for growth.”

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

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