



2022 Full Year Trading Update and Acquisition of Nashville Franchise

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 and operational highlights for the year ended 31 December 2022 and also to announce the strategic acquisition by its American Leak Detection subsidiary of its Nashville franchise.

The Group continues to perform strongly despite ongoing macroeconomic uncertainty. Market demand for the Group’s water leak detection and repair solutions remains strong despite signs of recessionary pressure going into 2023.

In terms of market capture, network sales (direct corporate sales and indirect gross sales to third parties from which franchise royalty is derived) grew approximately 10.5%, reaching approximately \$168 million (FY 2021: \$152 million).

Franchise Acquisition / Subsequent Event

We are pleased to announce that the Group has reacquired its Nashville, Tennessee franchise. The acquisition is pursuant to the Group’s growth strategy of creating regional hubs and adds further corporate scale to operations in the Midwest, United States. The cash consideration for the acquisition is \$3.25 million based on a 2022 Adjusted Income Statement of \$2.4 million in revenue and \$550,000 in profit before tax and includes the transfer of all operating assets to the Group.

2022 Highlights

Financial Performance

- ❖ Group Revenue increased by 31% to \$71.3 million (2021: \$54.5 million)
 - American Leak Detection subsidiary
 - Franchise royalty declined 1% to \$6.7 million (2021: \$6.8 million) due to the franchise acquisitions in 2021 reducing the pool of franchise royalty for 2022 (without these acquisitions franchise royalty would have grown 8%)
 - Franchise Related Activities (Insurance Channel) grew 9% to \$10.6 million (2021: \$9.8 million)
 - US Corporate locations sales grew 48% to \$47.3 million (2021: \$31.9 million)
 - Same store sales grew 25% to \$36.2 million (2021: \$28.9 million)
 - Same store profits grew 14% to \$6.2 million (2021: \$5.4 million)
 - Water Intelligence International subsidiary
 - International corporate locations grew 9% to \$6.7 million (2021: \$6.1 million)

- ❖ EBITDA Adjusted* grew 20% to \$12.3 million (2021: \$10.3 million)
 - EBITDA grew 16% to \$11.1 million (2021: \$9.5 million)
- ❖ PBT Adjusted* grew 12% to \$7.8 million (2021: \$6.9 million)
 - PBT declined 3% to \$5.5 million (2021: \$5.7 million) (due to non-cash expenses especially related to Salesforce implementation)

*EBITDA Adjusted and PBT Adjusted both adjusted for non-core costs and non-cash expense of share-based payments; PBT Adjusted also adjusted for non-cash expense of amortization. EBITDA and PBT are adjusted to exclude the 2021 one-time gain of \$1.9 million to allow for like-for-like comparisons with 2021

Balance Sheet at 31 December 2022

- Cash at \$23 million
- Cash net of bank debt at \$6.2 million
- Cash net of bank debt and deferred franchise acquisition payments at \$(6.4) million
 - Debt and acquisition payments all spread through 2027 at a blended fixed rate of approximately 4.9% reflecting different facilities
- Credit availability of \$3 million for additional franchisee reacquisitions under current bank credit facilities at a blended fixed rate of approximately 5.5% and 5 year amortization

Corporate Development:

- Expansion of Acquisition Credit Facilities (\$17 million at a blended fixed rate of approximately 5.5% through 2027)
- Franchise Acquisitions: Fort Worth, Texas; Midland, Texas
- Plumbing Acquisition: Fairfield, Connecticut
- Sale of Franchise Territory: Central North Carolina
- Salesforce and related web applications being developed and implemented across all US locations (automates all aspects of workflow: scheduling and delivery; marketing follow-up; e-commerce; highest level of data security in Salesforce Cloud)
- New Service Offerings developed and commercial in 2023: Residential Pulse (sewer diagnostic tool) and Municipal LS1 (snapshot survey tool)

The Group will announce its audited full year results by early June.

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

“We are pleased that during 2022 our team successfully navigated various challenges posed by short-run inflationary shocks and subsequent rises in interest rates which are now raising concerns over potential recessionary pressure. Despite this, our core business remains strong and market demand for water infrastructure solutions continues to grow.

We remain confident in our strategic growth plan. For 2022, sales growth remained strong – both corporate and franchise; we increased EBITDA by double digits while continuing to scale operations through (i) investment in additional hiring and training of technicians, (ii) implementation of Salesforce and related applications and (iii) commercial launch of new service offerings. The strength of our balance sheet enables us to continue to reinvest in our growth plan. Further, we have credit availability with the attractive fixed rates that we negotiated in the first half of 2022 for future profitable franchise acquisitions.

We are very mindful that macroeconomic volatility remains a challenge for 2023. We will be disciplined in managing expenses as we remain acutely focused not just on revenue growth but also on enhancing profit margins. Moreover, during the coming months, we will also be coming to the end of our large upfront investment spend for our Salesforce operating backbone and new service offerings for customers, which will drive both cost efficiencies and revenue growth going forward.

As we head into 2023, we are positioned to better meet growing market demand with scalable operations and an ability to provide our customers with added solutions for their water and wastewater problems. With increasingly adverse climate conditions – whether droughts, freezes or flooding - our customers need us more than ever.”

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.

Enquiries:

Water Intelligence plc

Patrick DeSouza, Executive Chairman

Tel: +1 203 654 5426

Maria McDonald, Director, Communications

Tel: +1 415 272 2459

RBC Capital Markets – Joint Broker

Tel: +44 (0) 207 653 4000

Rupert Walford

Daniel Saveski

WH Ireland Limited – NOMAD & Joint Broker

Tel: +44 (0)207 220 1666

Hugh Morgan

James Bavister

Dowgate Capital Ltd – Joint Broker

Tel: +44 (0)20 3903 7721

Stephen Norcross