



2023 Full Year Trading Update Acquisition of Pittsburgh 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 for the year ended 31 December 2023 and also to announce the re-acquisition of its Pittsburgh franchise by its American Leak Detection (“ALD”) subsidiary. The Group is in-line with market expectations and has launched 2024 with momentum for growth.

2023 Overview / 2024 Outlook

For the full year ended 31 December 2023, Water Intelligence performed in-line with market expectations despite the sharp rise in interest rates and persistent inflation adversely shaping consumer spending decisions. In keeping with its strategic plan of growing organically and through acquisition, the Group has started off 2024 with recently announced insurance wins and now the reacquisition of its Pittsburgh franchise and conversion to a corporate-operated location.

Financials

All headline numbers were positive. Revenue during 2023 grew 7% to \$76.0 million (2022: \$71.3 million). Statutory Profit Before Tax grew 13% to \$6.2 million (2022: \$5.5 million). Adjusted Profit Before Tax grew 12% to \$8.7 million (2022: \$7.8 million). Statutory EBITDA grew 7% to \$11.8 million (2022: \$11.1 million). Adjusted EBITDA grew 9% to \$13.4 million (2022: \$12.4 million).

Margins improved despite continued inflation in the US. Adjusted PBT margins increased to 11.5% (2022: 10.9%); Adjusted EBITDA margins increased to 17.7% (2022: 17.3%).

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 3%, reaching approximately \$170 million (2022: \$165 million).

The balance sheet as at year-end 2023 remained strong, thus maintaining capacity for capital to be allocated to growth investments in 2024. At 31 December, the Group had cash of \$15.8 million and Total Debt (Bank Debt and Deferred Payments for Acquisitions) of \$22.8 million. Hence, the Group’s Net Total Debt to EBITDA ratio was 0.60 and Net Total Debt to Adjusted EBITDA was 0.53. With our conservative balance sheet position, we continue to have “dry powder” to make investments during 2024 to further grow our business.

During 2023, we deployed capital both for acquisitions to unlock shareholder value and for technology investments to drive organic sales growth by reinforcing our brand differentiation and providing more offerings for our customers.

During 2023, we acquired ALD franchises in Nashville, Tennessee, and Covina, California. As noted above, we have started the year with the acquisition of our Pittsburgh franchise. Moreover, we advanced several technology investments that will contribute to sales in 2024. Firstly, the Group’s Salesforce customer management (CRM) software has been a key factor in two new insurance wins for ALD and is expected to lead to additional wins during 2024, as insurance companies seek the Group’s robust data capabilities and security, unique for water leak detection and repair service providers. ALD’s national

channel structure and operating footprint across the US plus now deploying a leading CRM platform enable the Group to up-sell proprietary and third-party products to our residential and commercial customers. Secondly, proprietary products that were commercialized in 2023 in the UK (e.g. municipal sewer diagnostic tools such as Pulse and LS1) are expected to contribute more broadly to 2024 sales growth for Water Intelligence International. Thirdly, as previously announced, the Group is pleased with the commercialization of its Ditch Lining water management system during Q4 2023. We are gathering performance data and will be updating the market on its sales pipeline during Q1 2024. Finally, the Group is building a state-of-the-art training facility in Bridgeport, Connecticut, to train more professional technicians to meet increased market demand. Leveraging its location proximate to the headquarters of several national insurance companies, the facility will also include R&D capabilities for new product offerings sought by our insurance partners. The Group expects that the facility will be completed during Q1 2024.

The Group's capability to deploy capital is expected to increase during 2024. In December 2023, the Group announced that it had increased its acquisition line of credit with M&T Bank by \$5 million at a floating rate of interest that is capped and subject to downward adjustment as and when interest rates decline. Free cash flow will further increase as the Group's prior investments, such as Salesforce and related applications, are expected to reduce during H2 2024 as we complete implementation. The Group will be reviewing its 2024 capital allocation during Q1 2024 now that it has closed the books on 2023.

Franchise Acquisition

The Group is pleased to announce the reacquisition of its Pittsburgh, Pennsylvania franchise. The purchase price of \$0.5 million is based on pro forma sales of \$0.5 million and net income of \$0.12 million. The Group believes that the Pittsburgh location was underperforming as a franchise and sees an opportunity to increase its growth trajectory.

Compensation in Shares

Consistent with prior years, members of the Board have elected that they would prefer to receive their compensation in equity, in lieu of cash compensation for the year ended 31 December 2023, in order to benefit from capital gains as the Company executes on its growth strategy. These directors have been issued ordinary shares of 1 penny each in the Company ("Shares") at a price per Share of 390 pence, based on their closing price on 14 February 2024, being the day before this announcement. Dr. DeSouza, Mr. Ewell and Ms. Hills will each receive 7,650 Shares. Mr. Meckley will receive 2,050 Shares. The total number of Shares to be issued to Board members will be 25,000. At the same time, certain employees also will receive Shares as part of 2024 compensation. The total amount of Shares to be issued for these employees will be 25,000. All of the Shares to be issued will be drawn from treasury and will not change the fully diluted number of Shares outstanding. Full details of the Directors' Shareholdings are detailed below.

2023 Highlights

Financial Performance

- ❖ Group Revenue increased by 7% to \$76 million (2022: \$71.3 million)

American Leak Detection subsidiary

- Franchise royalty remained flat \$6.7 million (2022: \$6.7 million) (despite additional franchise reacquisitions reducing the pool of franchise royalty for 2023)
 - Excluding acquisitions franchise royalty would have grown 3%
- Franchise Related Activities (Insurance Channel; Equipment Sales) grew 6% to \$11.3 million (2022: \$10.6 million)

- US Corporate locations grew 6% to \$50.4 million (2022: \$47.3 million)
 - Same store sales grew 2% to \$48.1 million (2022: \$47.3 million)

Water Intelligence International subsidiary

- International corporate locations grew 14% to \$7.6 million (2022: \$6.7 million)
- ❖ Adjusted EBITDA* grew 9% to \$13.4 million (2022: \$12.4 million)
 - Statutory EBITDA grew 7% to \$11.8 million (2022: \$11.1 million)
- ❖ Adjusted PBT* grew 12% to \$8.7 million (2022: \$7.8 million)
 - Statutory PBT grew 13% to \$6.2 million (2022: \$5.5 million)
- ❖ Balance Sheet at 31 December 2023
 - Cash at \$15.8 million
 - Cash net of bank debt at \$1.4 million
 - Cash net of Total Debt** at \$(7.0) million
 - Net Total Debt** to EBITDA (Statutory) of 0.60
 - Net Total Debt** to EBITDA Adjusted of 0.53

* Adjusted EBITDA and Adjusted PBT both adjusted for non-core costs and non-cash expense of share-based payments; Adjusted PBT also adjusted for non-cash expense of amortization.

** Total Debt defined as bank debt plus all deferred franchise acquisition payments

2023 Corporate Developments:

- ❖ Expansion of Acquisition Credit Facilities (additional \$5 million available at a capped interest rate of approximately 8% through 2028 with interest rates to adjust lower if market rate falls)
- ❖ Franchise Acquisitions: Nashville, Tennessee; Covina, California
- ❖ Salesforce and related web applications continue to be developed and implemented across all US locations (automating 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 commercialized: Municipal and Residential Pulse (sewer diagnostic tools); Municipal LS1 (snapshot survey tool) and Ditch Lining Water Management product
- ❖ Building of new state of the art training facility in Bridgeport, Connecticut to train more technicians and host more R&D, especially for insurance-related products.

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

“2023 was a year of solid performance. We are ready for our next phase of growth and we look forward to the rest of 2024. Over the last two years, we have navigated both persistent inflation and sharply rising interest rates. We are pleased that despite such volatility, we have maintained sales and profit growth. Given our strong balance sheet and continued performance in generating profits, we are able to invest in capital projects that sustain our long-term growth: (i) strategic franchise reacquisitions to

provide regional corporate support to grow neighboring franchisees; (ii) customization and implementation of web applications to promote operating efficiencies and upselling opportunities; (iii) new products and solutions for water and wastewater infrastructure problems.

We remain confident in our strategic growth plan and the attractiveness of the water and wastewater infrastructure platform that we are building for both customers and investors. During the first half of 2024, we will be upgrading our web presence to enable the Group to communicate more effectively with the marketplace through video and social media. We remain confident in our opportunity to take a leadership position in the market given our differentiated technology brand and growing operating footprint.

The financial information in this trading update is unaudited. The Company expects to announce its audited full year results for the year ended 31 December 2023 by early June 2024 as usual.

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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Appendix

Total Voting Rights

Following the issue of the Shares from treasury, the Company holds 79,000 Ordinary Shares in treasury. The total number of voting rights in the Company is 19,488,688. There are 17,408,688 Ordinary Shares, which are admitted to trading on AIM and entitle the holder to one vote per Ordinary Share and 2,080,000 B Ordinary Shares of 1 penny each which are not admitted to trading on AIM, but do still entitle the holder to one vote per ordinary share, but carry no economic rights. The shares held in Treasury are excluded from this calculation on voting rights which may be used by shareholders as the denominator for the calculations by which they determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rules. Accordingly, the Company's total voting rights will be 19,488,688 shares. This total voting rights number may be used by shareholders at Admission as the denominator for the

calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company under the FCA's Disclosure Guidance and Transparency Rules.

Director Shareholdings

Following admission of the Shares to trading, the Directors will hold the following number of Shares:

Director	New Shares issued	Total Voting Rights	Percentage of voting rights
Dr Patrick DeSouza	7,650	4,874,760	25.0%
Laura Hills	7,650	130,373	0.7%
Dan Ewell	7,650	41,320	0.2%
Bobby Knell	-	27,000	0.1%
Phil Meckley	2,050	2,050	0.0%

1.	Details of the PDMR / person closely associated	
a)	Name	Patrick DeSouza
2.	Reason for the notification	
a)	Position / status	Executive Chairman
b)	Initial notification / amendment	Initial notification
3.	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Water Intelligence plc
b)	LEI	213800AL3BNXJ1HQLP10
4.	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary Shares Ordinary Shares GB00BZ973D04
b)	Nature of the transaction	Shares issued for 2023 compensation
c)	Price(s) and volume(s)	7,650 shares at 390 pence
d)	Aggregated information - Aggregated volume - Price	See above
e)	Date of the transaction	14 February 2024
f)	Place of the transaction	London Stock Exchange, AIM Market

1.	Details of the PDMR / person closely associated	
a)	Name	Laura Hills
2.	Reason for the notification	

a)	Position / status	Non-Executive Director
b)	Initial notification / amendment	Initial notification
3.	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Water Intelligence plc
b)	LEI	213800AL3BNXJ1HQLP10
4.	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary Shares Ordinary Shares GB00BZ973D04
b)	Nature of the transaction	Shares issued for 2023 compensation
c)	Price(s) and volume(s)	7,650 shares at 390 pence
d)	Aggregated information - Aggregated volume - Price	See above
e)	Date of the transaction	14 February 2024
f)	Place of the transaction	London Stock Exchange, AIM Market

1.	Details of the PDMR / person closely associated	
a)	Name	Dan Ewell
2.	Reason for the notification	
a)	Position / status	Non-Executive Director
b)	Initial notification / amendment	Initial notification
3.	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Water Intelligence plc
b)	LEI	213800AL3BNXJ1HQLP10
4.	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary Shares Ordinary Shares GB00BZ973D04

b)	Nature of the transaction	Shares issued for 2023 compensation
c)	Price(s) and volume(s)	7,650 shares at 390 pence
d)	Aggregated information - Aggregated volume - Price	See above
e)	Date of the transaction	14 February 2024
f)	Place of the transaction	London Stock Exchange, AIM Market

1.	Details of the PDMR / person closely associated	
a)	Name	Phil Meckley
2.	Reason for the notification	
a)	Position / status	Non-Executive Director
b)	Initial notification / amendment	Initial notification
3.	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name	Water Intelligence plc
b)	LEI	213800AL3BNXJ1HQLP10
4.	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument Identification code	Ordinary Shares Ordinary Shares GB00BZ973D04
b)	Nature of the transaction	Shares issued for 2023 compensation
c)	Price(s) and volume(s)	2,050 shares at 390 pence
d)	Aggregated information - Aggregated volume - Price	See above
e)	Date of the transaction	14 February 2024
f)	Place of the transaction	London Stock Exchange, AIM Market