



Refinancing and Expansion of Credit Facilities for Growth Plan; Shareholder Meeting

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 the refinancing of its existing debt (“Refinancing”) and expansion of its credit facilities (“Expansion”) with M&T Bank, a leading US bank. The transaction provides the Group with additional non-dilutive resources and significantly increases the Group’s capacity to execute its strategic growth plan.

Key terms of the Refinancing and Expansion of Credit Facilities

The Refinancing spreads the amortization of approximately \$21 million of total liabilities (bank debt and deferred payments from franchise acquisitions) through 2029 at a fixed rate of 6.35%. The debt service for the next five years requires between 5 and 10% of principal to be repaid each year freeing additional cash for available accretive growth opportunities. The Refinancing prudently leverages the Group’s current strong balance sheet and track record of growing cash from operations to put it in a position to be opportunistic.

Moreover, as part of the Refinancing, M&T Bank and the Group have agreed on an Expansion of its credit capacity with a \$3 million acquisition line of credit with a floating market rate capped at 8% and a \$2 million working capital line of credit at a floating market rate. Following the Refinancing and Expansion, the Group will have more than \$20 million in resources from which to execute its growth strategy for any of the four layers of its capital allocation plan discussed below.

Strategic Rationale for Refinancing

In the Chairman’s Statement as part of the Group’s recently released Annual Report, Water Intelligence reaffirmed its “Build and Buy” growth plan for its water infrastructure services platform and the decision-making principles that underpin the Group’s approach to capital allocation.

The Chairman’s Statement identifies four groups of investments that would form a “layer cake” of growth. The foundational two layers focus on investments to feed organic growth: both organic growth from the Group’s current water leak detection and repair offerings and organic growth from new proprietary technology-based solutions for “hard-to-find” leaks in swimming pools, rapid detection of sewer blockages and efficient, open channel water conveyance.

The third layer focuses on acquisitions whether converting franchise locations into corporate-run operations or acquisitions of third-party companies that would add products or geographic scale. For example, as part of this third layer, in July the Group concluded the acquisition of a profitable and growing Irish plumbing company on favourable terms for the Group’s shareholders. This acquisition extends Water Intelligence International’s operating footprint and enables further execution in the EU.

Finally, the fourth layer includes the use of capital to respond to shareholder interest in dividends or share repurchases, especially given the Group's consistent growth in EPS. The Chairman's Statement indicates that the Group would seek regulatory approval as part of its Shareholder Meeting in order to create an increased set of options for shareholders.

As noted in the Annual Report, the Group has resources available to execute its growth plan even in the absence of today's transaction. We noted in the Chairman's Statement that for 2023, the Group's Adjusted EBITDA grew 9% to \$13.4 million and the Group had a strong balance sheet at year-end 2023 with \$15.8 million in cash and significant untapped credit capability.

Now, given (i) current cash of approximately \$12 million, reflecting acquisitions and deferred payments from prior acquisitions; (ii) anticipated generation of additional cash from operations during 2H in-line with prior years and (iii) the expansion of credit facilities outlined above, the Group will have more than \$20 million in resources from which to execute its growth strategy for any of the four layers of its capital allocation plan. Moreover, the Group believes that even with today's transaction that it still remains under-levered, with net debt to adjusted EBITDA of less than 1.0x, leaving the Group with the ability to increase available resources further should the opportunity arise. As part of the transaction, Plainsight Group will continue to guarantee the bank debt while the Chairman's guarantee will no longer be needed.

Shareholder Meeting

Water Intelligence will be sending out shortly its Notice of Annual General Meeting, including seeking permission from independent shareholders to authorise a repurchase of shares as part of the Group's wider capital allocation strategy, and accompanying resolutions.

Executive Chairman, Dr. Patrick DeSouza commented: "We are excited by the growth opportunities available to the Group in the marketplace. The demand for water and wastewater solutions remains strong, especially given aging infrastructure.

We remain both confident and prudent as stewards of our shareholders' capital. In the Chairman's Statement, we set forth our decision-making principles for allocating capital while factoring-in investment and execution risk.

Today's transaction supports our growth plan in a non-dilutive way. We appreciate the support of our shareholders and look to grow EPS while building a world-class multinational platform that provides solutions for aging water infrastructure."

Michael Moulton, Relationship Manager, M&T Bank added: "We are happy to support a long standing client of the bank, with this refinancing of their capital stack."

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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