Water Intelligence plc (AIM: WATR.L)
Interim Results: Strong Profit Growth

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 ended 30 June 2024.

Results are in-line with market expectations with strong profit growth as the Group accelerates its long-run growth plan with certain corporate transactions after the period end.

Financial Highlights

- Revenue increased by 7% to $41.5 million (1H 2023: $38.7 million)
  - Franchise Royalty income decreased by 2% to $3.55 million (1H 2023: $3.63 million)
  - Franchise Related sales decreased 6% to $5.5 million (1H 2023: $5.9 million)
  - Corporate Store sales increased 11% to $32.4 million (1H 2023: $29.2 million)
    - US Corporate sales grew 12% to $28.3 million (1H 2023: $25.2 million)
    - International Corporate sales grew 5% to $4.1 million (1H 2024: $4.0 million)

- Statutory Profit Before Tax increased by 11% to $4.7 million (1H 2023: $4.2 million)
- Statutory EBITDA increased by 13% to $7.8 million (1H 2023: $7.0 million)
- PBT Adjusted* increased by 10% to $6.0 million (1H 2023: $5.4 million)
- EBITDA Adjusted** increased by 12% to $8.7 million (1H 2023: $7.7 million)

- EPS Basic increased by 16% to 19.0 cents (1H 2023: 16.4 cents)
- EPS Fully Diluted increased by 16% to 18.5 cents (1H 2023: 15.9 cents)
- EPS Basic Adjusted* increased by 14% to 24.0 cents (1H 2023: 21.1 cents)
- EPS Fully Diluted Adjusted* increased by 15% to 23.4 cents (1H 2023: 20.4 cents)

- PBT Margin remained consistent at 11% (1H 2023: 11%)
- EBITDA margin increased to 19% (1H 2023: 18%)

- Cash and equivalents at 30 June of $11.1 million
  - Net Cash of ($2.82) million (cash minus bank borrowings)
  - Bank borrowings amortized through 2028 at a blended fixed rate of 4.9%
  - Net Debt (including both Bank Debt and Deferred Acquisition Payments) to EBITDA ratio: 0.62x
  - Net Debt (including both Bank Debt and Deferred Acquisition Payments) to EBITDA Adjusted* ratio: 0.54x

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

Network Sales (implied gross sales of franchisees from which reported royalty is derived plus direct sales of corporate locations) grew 2% to $91 million (1H 2023: $89 million).

Corporate Development

During Period

- Acquisition: Franchise in Fresno, California
- Technology:
  - Commercialisation of New Technology Offerings
    - IntelliDitch (Liner for open channel water conveyance and storm water run-off)
    - Pulse (Sewer diagnostics for municipal and residential customers respectively)
    - LS1 (Rapid municipal area surveys)
    - CreatorSuite (Video ecommerce of water and wastewater products & services; distance learning)
  - Salesforce.com implementation completed for B2B insurance channel

Subsequent to Period

- Refinancing of $21 million of Bank Debt and deferred payments for acquisitions with M&T Bank; amortization – largely interest only – spread evenly through 2029 at 6.35% fixed rate
- Acquisitions
  - Franchise acquisition of Lafayette, Louisiana
  - Acquisition of Feakle Gas and Plumbing in Ireland

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

"We achieved strong double-digit growth in profits and EBITDA during 1H while continuing to invest in our long-range growth plan. Our balance sheet remains strong and under-levered enabling us to have "dry powder" to complement our organic growth plans with accretive acquisitions.

In June, we announced our capital allocation strategy to fund an accelerated plan for organic growth, accretive acquisitions and also options for liquidity for our shareholders through share repurchases given our ability to generate consistent profit growth. During the summer, we got a jump start on implementing our strategy by refinancing our bank debt to further increase free cash flow and executing some acquisitions including one in Ireland that provides a roadmap for the growth of both the non-US and US businesses.

We are excited about the future as we formally launch our Next 50 growth plan in October coincident with our American Leak Detection Convention celebrating the fiftieth anniversary of our core business."

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Chairman's Statement

As part of the Chairman's Statement in the 2023 Annual Report, we discussed capital allocation and our go-forward growth plan (*Our Next 50*), inspired by this October's Fiftieth Anniversary of American Leak Detection (ALD) – our core business. We remain confident about the future and our ability to capture more market share in a growing market for water infrastructure solutions; hence we have actually launched the *Next 50* plan early over the summer with our non-US businesses.

Since 30 June, we have taken steps to fuel (i) faster organic growth of current solutions, as well as, our new technology-driven solutions; (ii) new revenue and earnings growth through a synergistic non-US acquisition and (iii) options for increased shareholder liquidity, especially given our consistent earnings per share growth (EPS). Each of these uses of capital builds on strong 1H financial results and operating investments.

1H Financial Results. We remained consistent during 1H. Revenue, profits, EBITDA (earnings before interest taxes depreciation and amortization) were all up with profits and EBITDA showing double digit growth and EBITDA margins up 1%. EPS, both basic and fully diluted, increased double digits. In terms of market capture, network sales (direct sales plus gross sales from which franchise royalty is derived) grew 2% to $91 million. As discussed below, we expect to accelerate System-wide sales by expanding our B2B channels beyond insurance.

Group revenues grew 7% to $41.5 million (1H 2023: $38.7 million). US corporate locations grew 12% to $28.3 million (1H 2023: $25.2 million). International corporate locations grew 5% to $4.1 million (1H 2023: $3.9 million). Franchise royalties declined by 2% to $3.5 million (1H 2023: $3.6million) with such decline largely as a result of prior franchise acquisitions which reduced the pool of franchise royalties. Franchise-related activities which includes franchise sales, parts and equipment sales and business to business activities declined 6% to $5.5 million (1H 2023: $5.9 million). Such decline was largely due to changes in the insurance channel as certain US insurers restructured to address prior years' macroeconomic volatility. It is expected that with the moderation of interest rates and inflation, such effect will be transitory. As discussed below, now that Salesforce is implemented across the System for insurance, we are planning on extending our insurance B2B to other channels such as pools and property management, leading to further growth.

Profit before Tax grew 11% to $4.7 million (1H 2023: $4.2 million). Profit before Tax Adjusted for amortization, share-based payments and non-core costs grew 10% to $6.0 million (1H 2023: $5.4 million). EBITDA grew 13% to $7.8 million (1H 2023: 7.0 million). EBITDA Adjusted for share-based payments and non-core costs increased 12% to $8.7 million (1H 2023: $7.7 million). EBITDA margins increased to 19% (1H 2023: 18%). As a result, earnings per share fully diluted grew 16% to 18.5 cents (1H 2023: 15.9 cents).

Our balance sheet remained strong and under-levered, providing cash for investments to accelerate 2H growth and beyond. Cash at 30 June was $11.1 million. The ratio of Net Debt (including both bank debt and deferred payments from prior acquisitions) to EBITDA remained conservative at 0.62 with Net Debt to EBITDA Adjusted at 0.54. During 1H we continued to invest in the commercialization of new technologies – *Pulse*, *LeakVue 2*, *LS1*, *VersaLiner*, Video commerce and Salesforce - to add to organic growth and efficiencies. We announced strong results after teaming with Ferguson on an implementation of VersaLiner. In 2Q, we also completed a significant franchise reacquisition in Fresno, California reinforcing our regional hub operating structure and whose revenue and profits impact will show in 2H.

Early Start for the *Next 50* Growth Plan
We have started 2H aggressively especially with respect to the Group's non-US businesses to build momentum for the official October launch in the US of the *Next 50*. Given our scalable operating foundation across the US, especially in terms of regional hubs with both corporate and franchise locations and B2B channels, we believe that we can readily apply the model for our non-US businesses. First, as a prelude, we refinanced $21 million of bank debt and deferred payments from acquisitions with M&T bank to increase free cash flow to enhance our ability to fund growth plans in the short and medium run. As noted above, such refinancing comes *on top of* an existing under-levered balance sheet at 30 June that has $11.1 million in cash and achieved 13% growth in statutory EBITDA to $7.85 million during 1H. With our refinancing, we have a smooth payment stream combining interest and amortization through 2029 at 6.35%.

Second, we applied capital to acquire a fast-growing Irish plumbing business for an attractive price. This acquisition works synergistically with our organic growth plan for expanding our UK and EU business and implementing the same strategy in Australia. It is also a model for the US part of the *Next 50 Plan* to be launched with our October Convention. The formula starts with adding more trained technicians and then follows with the application of the Group's proprietary solutions for any diameter pipe for water infrastructure: residential, commercial or municipal.

By acquiring a critical mass of skilled professionals in Ireland, we have now the capability to leverage the Group's operating assets to push market capture in three ways: (i) leverage our UK municipal experience from Water Intelligence International to help execute publicly announced infrastructure spending in Ireland; (ii) transfer pinpoint leak detection solutions from ALD to our Irish team to increase residential and commercial market capture including for the Irish insurance market; and (iii) bid for EU water infrastructure projects from our Irish base of operations. We are also reinforcing our technology-driven brand by introducing to Ireland our proprietary *Pulse* device (sewer blockages) which has had strong commercial success in the UK. Given early indications post-acquisition, we are even more confident in this growth strategy.

We plan to advance this same growth strategy with our Australian locations where we currently have a critical mass of both municipal projects and ALD locations. Over the summer, we expanded our existing Sydney Water contract and during Q2 and Q3 have invested in a significant number of staff that we are training to expand our Australian locations in 2025 after proper training.

<u>US Business</u>. As we approach ALD's October Convention, we are planning to execute the same synergistic growth strategy that we have launched with our non-US businesses in Ireland and Australia. To increase the critical mass of trained technicians for the US locations, during July we opened our state of the art training center in Bridgeport, Connecticut. We have brought various national partners to the location during August to market our technologies. We will be starting classes this fall to add more trained technicians to ALD corporate and franchise operations. Further, we have now integrated Salesforce technology for both corporate and franchise locations as part of our B2B insurance channels. We are using the data generated to improve operating efficiencies and to market enhanced Service Level Agreements (SLAs) for additional insurance partners.

Moreover, with our national operating footprint across the United States and strong execution experience with national channels, we are also now working with other national partners in the pool business and property management to scale our growth model. We anticipate heading into 2025 reinforcing organic growth with more national accounts and with technology offerings driven by *Pulse* (as noted above) and *LeakVue* for pool leaks.

Beyond organic growth, we will commit capital to selectively acquire franchises and 3rd party companies – as we did in Ireland – that are synergistic to our overall plan. We executed one tuck-in franchise acquisition in Lafayette, Louisiana over the summer that will also add to 2H growth.

It should be noted that in addition to acquiring franchises, we also plan to sell more franchises to create an on-going cycle of market development and acquisition. Because of the exit values that the Group has been able to provide for franchisees, there is renewed interest among the general public for buying franchise locations. During 1H we sold a new franchise location in Albany, New York.
In terms of capital allocation, we have cleared the regulatory authorizations needed to engage in share repurchases to provide liquidity as part of the Group's overall strategy. Our shareholders will be voting on such a proposal at our Shareholder meeting on 7 October.

Strategic Direction.
Over the last two years, we have navigated a volatile market characterized by both inflation and high interest rates. We have focused on profits and improved our margins but also invested in new technologies and operating systems for sustaining our future growth. As the macroeconomic picture has begun to stabilize, we see significant opportunity ahead and we are prepared with cash resources, operating assets and a strong growth plan. With great excitement, we have begun our Next 50 growth plan this summer ahead of its official launch at the ALD Convention in October.

Interim Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 $ Unaudited	Six months ended 30 June 2023 $ Unaudited	Year ended 31 December 2023 $ Audited
Revenue	4	41,525,858	38,674,922	75,974,552
Cost of sales		(4,992,886)	(5,387,099)	(10,362,197)
Gross profit		**36,532,972**	**33,287,823**	**65,612,355**
Administrative expenses				
- Other income		737,289	10,716	59,422
- Share-based payments		(151,138)	(206,319)	(571,970)
- Amortisation of intangibles		(427,026)	(416,484)	(841,516)
- Other administrative costs		(31,442,024)	(27,909,904)	(57,074,745)
Total administrative expenses		(31,282,899)	(28,521,991)	(58,428,809)
Operating profit		**5,250,073**	**4,765,832**	**7,183,546**
Finance income		186,835	334,049	699,819
Finance expense		(731,327)	(864,530)	(1,643,978)
Profit before tax	4	**4,705,581**	**4,235,351**	**6,239,387**
Taxation expense		(1,412,117)	(1,266,129)	(1,605,585)
Profit for the period		**3,293,464**	**2,969,192**	**4,633,802**
Attributable to:				
Equity holders of the parent		3,300,966	2,854,408	4,398,681
Non-controlling interests		(7,502)	114,784	235,121
		3,293,464	**2,969,192**	**4,633,802**
Other comprehensive income				
Exchange differences arising on translation of foreign operations		(103,159)	238,363	199,826
Cash flow hedge movement not subsequently reclassified to the P&L		11,765	24,310	(171,912)
Fair value adjustment on listed equity investment (net of deferred tax)		(173,597)	(209,923)	(21,927)
Total comprehensive income for the period		**3,028,473**	**3,021,943**	**4,639,789**
Earnings per share		**Cents**	**Cents**	**Cents**
Basic	5	19.0	16.4	25.3
Diluted	5	18.5	15.9	24.7

Consolidated Statement of Financial Position as at 30 June 2024

	Notes	At 30 June 2024 $ Unaudited	At 30 June 2023 $ Unaudited	At 31 December 2023 $ Audited
ASSETS				
Non-current assets				
Goodwill		52,473,874	47,953,610	49,791,203
Listed equity investment		237,304	219,049	447,231
Other intangible assets		8,959,620	7,136,062	7,840,157
Interest rate swap		288,030	472,487	276,265
Property, plant and equipment		12,883,938	9,266,935	10,538,135
Trade and other receivables		297,707	267,612	207,990
		75,140,473	65,315,755	69,100,981
Current assets				
Inventories		870,648	802,904	723,315
Trade and other receivables		11,737,242	12,595,302	11,063,253
Investments		4,446,570	-	6,875,250
Cash and cash equivalents		6,665,581	18,731,207	8,882,627
		23,720,041	32,129,413	27,544,445
TOTAL ASSETS	4	98,860,514	97,445,168	96,645,426
EQUITY AND LIABILITIES				
Equity attributable to holders of the parent				
Share capital	6	143,192	143,192	143,192
Share premium	6	35,226,469	35,417,072	35,417,072
Shares held in treasury	6	(752,140)	(1,139,404)	(1,139,404)
Merger reserve		1,001,150	1,001,150	1,001,150
Share based payment reserve		2,405,485	1,816,423	2,254,347
Foreign exchange reserve		(1,408,196)	(1,266,500)	(1,305,037)
Reverse acquisition reserve	6	(27,758,088)	(27,758,089)	(27,758,088)
Equity investment reserve		(839,737)	(854,136)	(666,140)
Cash flow hedge reserve		288,030	472,487	276,265
Retained profit		54,796,780	49,951,542	51,495,814
		63,102,945	57,783,737	59,719,171
Equity attributable to Non-Controlling interest				
Non-controlling interest		343,642	416,539	610,375
Non-current liabilities				
Borrowings and lease liabilities		13,681,567	14,725,059	12,510,867
Deferred consideration		501,720	4,731,313	3,632,074
Deferred tax liability		3,988,963	3,092,054	2,618,605
		18,172,250	22,548,426	18,761,546
Current liabilities				
Trade and other payables		5,685,245	5,415,716	5,997,028
Borrowings and lease liabilities		7,078,714	6,634,568	6,805,131
Deferred consideration		4,477,718	4,646,182	4,752,175
		17,241,677	16,696,466	17,554,334
TOTAL EQUITY AND LIABILITIES		98,860,514	97,445,168	96,645,426

Interim Consolidated Statement of Changes in Equity
For the six months ended 30 June 2024

	Share Capital	Share Premium	Shares held in treasury	Reverse Acquisition Reserve	Merger Reserve	Share based payment reserve	Foreign exchange reserve	Equity investment reserve	Cash Flow Hedge Reserve	Retained Profit	Total	Non-controllin g interest	Total Equity
	$	$	$	$	$	$	$	$	$	$	$	$	$
As at 1 January 2023	**143,192**	**35,417,072**	**(1,139,404)**	**(27,758,088)**	**1,001,150**	**1,555,090**	**(1,504,863)**	**(644,213)**	**448,177**	**47,097,133**	**54,615,246**	**598,636**	**55,213,882**
Share based payment expense	-	-	-	-	-	206,319	-	-	-	-	206,319	-	206,319
Transaction options	-	-	-	-	-	55,013	-	-	-	-	55,013	-	55,013
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(296,882)	(296,882)
Profit for the period	-	-	-	-	-	-	-	-	-	2,854,409	2,854,409	114,784	2,969,193
Other comprehensive income	-	-	-	-	-	-	238,363	(209,923)	24,310	-	52,750	-	52,750
As at 30 June 2023 (unaudited)	**143,192**	**35,417,072**	**(1,139,404)**	**(27,758,088)**	**1,001,150**	**1,816,422**	**(1,266,500)**	**(854,136)**	**472,487**	**49,951,542**	**57,783,738**	**416,539**	**58,200,277**
Share-based payment expense	-	-	-	-	-	365,652	-	-	-	-	365,652	-	365,652
Transaction options	-	-	-	-	-	12,273	-	-	-		12,273	-	12,273
Options granted in lieu of board fees	-	-	-	-	-	60,000	-	-	-	-	60,000	-	60,000
Contribution from non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	73,500	73,500
Profit for the period	-	-	-	-	-	-	-		-	1,544,272	1,544,272	120,338	1,664,610
Other comprehensive income	-	-	-	-	-	-	(38,537)	187,995	(196,221)	-	(46,763)	-	(46,763)
As at 31 December 2023 (audited)	**143,192**	**35,417,072**	**(1,139,404)**	**(27,758,088)**	**1,001,150**	**2,254,347**	**(1,305,037)**	**(666,140)**	**276,265**	**51,495,814**	**59,719,171**	**610,375**	**60,329,546**
Share based payment expense	-	-	-	-	-	151,138	-	-	-	-	151,138	-	151,138
Share buyback	- -		(39,114)	-	-	-	-	-	-	-	(39,114)	-	(39,114)
Issue of Treasury Shares	-	(190,603)	426,377	-	-	-	-	-	-	-	235,774	-	235,744
Distribution to non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(259,231)	(259,231)
Profit for the period	-	-	-	-	-	-	-	-	-	3,300,966	3,300,966	(7,502)	3,293,464
Other comprehensive income	-	-	-	-	-	-	(103,159)	(173,597)	11,765	-	(264,991)	-	(264,991)
As at 30 June 2024 (unaudited)	**143,192**	**35,226,469**	**(752,140)**	**(27,758,088)**	**1,001,150**	**2,405,485**	**(1,408,196)**	**(839,737)**	**288,030**	**54,796,780**	**63,102,945**	**343,642**	**63,446,587**

Interim Consolidated Statement of Cash Flows
For the six months ended 30 June 2024

	Six months ended 30 June 2024	Six months ended 30 June 2023	Year ended 31 December 2023
	$	$	$
	Unaudited	Unaudited	Audited
Cash flows from operating activities			
Profit before tax	4,705,581	4,235,351	6,239,387
Adjustments for non-cash/non-operating items:			
Depreciation of plant and equipment	2,164,749	1,776,887	3,745,773
Amortisation of intangible assets	427,026	416,484	841,516
Share based payments	151,138	206,319	571,970
Interest paid	731,327	864,530	1,643,978
Interest received	(186,835)	(334,049)	(699,819)
Operating cash flows before movements in working capital	7,992,987	7,165,521	12,342,805
(Increase)/Decrease in inventories	(147,333)	(43,834)	35,755
(Increase)/Decrease in trade and other receivables	(763,706)	(1,181,758)	409,913
Decrease in trade and other payables	(811,844)	(1,010,504)	(490,886)
Cash generated by operations	6,270,103	4,929,426	12,297,587
Income taxes	(5,430)	(44,045)	(897,106)
Net cash generated from operating activities	6,264,674	4,885,381	11,400,481
Cash flows from investing activities			
Purchase of plant and equipment	(904,971)	(1,050,204)	(1,269,867)
Disposal of plant and equipment	-	-	191,178
Purchase of intangibles	(1,491,522)	(1,335,772)	(3,370,700)
Reacquisition of Franchises	(2,000,000)	(2,125,000)	(4,203,500)
Sale / (Purchase) of investments	2,428,680	-	(6,875,250)
Interest received	186,835	334,049	699,818
Net cash used in investing activities	(1,780,978)	(4,176,927)	(14,828,321)
Cash flows from financing activities			
Share buy-back	(39,114)	-	-
Contribution from non-controlling interest	-	-	73,500
Distribution to non-controlling interest	(259,232)	(296,882)	(296,882)
Interest paid	(610,059)	(643,506)	(1,360,057)
Proceeds from borrowings	2,000,000	3,358,458	2,811,353
Repayment of borrowings	(2,759,300)	(2,330,903)	(4,986,658)
Repayment of notes	(3,726,079)	(4,242,043)	(5,229,265)
Repayment of lease liabilities	(1,306,955)	(836,825)	(1,715,978)
Net cash used in financing activities	(6,700,739)	(4,991,702)	(10,703,987)
Net decrease in cash and cash equivalents	(2,217,043)	(4,283,247)	(14,131,827)
Cash and cash equivalents at the beginning of period	8,882,627	23,014,454	23,014,454
Cash and cash equivalents at end of period	6,665,581	18,731,206	8,882,627

Notes to the Interim Consolidated Financial Information
for the six months ended 30 June 2024

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.

The Company is a public limited company domiciled in the United Kingdom and incorporated under registered number 03923150 in England and Wales. The Company's 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 2023.

This interim consolidated financial information for the six months ended 30 June 2024 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 2023, 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 2024 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 2023 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 ($) for American Leak Detection Holding Corp. This interim consolidated financial information has been presented in US Dollars which represents the dominant economic environment in which the Group operates and is considered to be the functional currency of the Group. The effective exchange rate at 30 June 2024 was £1 = US$ 1.2647 (30 June 2023: £1 = US$ 1.2627).

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 2023.

3 Significant events and transactions

As detailed in Footnote 7 – "Reacquisition of franchisee territories and other acquisitions" the Group reacquired the following franchises and 3rd party companies: Franchises – Fresno, California (1 May 2024) and as a Subsequent Event Feakle Gas and Plumbing, Ireland (1 July 2024). The Group also refinanced and expanded its credit facilities in August 2024.

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 2024, 89.9% (1H 2023: 89.7%) of its revenue came from the US-based operations; the remaining 10.1% (1H 2023: 10.3%) 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.

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

Revenue	**Six months ended 30 June 2024 $ Unaudited**	**Six months ended 30 June 2023 $ Unaudited**	**Year ended 31 December 2023 $ Audited**
Franchise royalty income	3,554,456	3,629,081	6,738,816
Franchise related activities	5,534,301	5,870,970	11,163,422
US corporate operated locations	28,298,872	25,224,557	50,459,736
International corporate operated locations	4,138,228	3,950,314	7,612,578
Total	**41,525,858**	**38,674,922**	**75,974,552**

Profit before tax	**Six months ended 30 June 2024 $ Unaudited**	**Six months ended 30 June 2023 $ Unaudited**	**Year ended 31 December 2023 $ Audited**
Franchise royalty income	1,138,459	1,040,511	2,156,421
Franchise related activities	541,415	483,872	925,126
US corporate operated locations	5,134,673	4,393,824	8,411,622
International corporate operated locations	(161,386)	338,847	443,180
Unallocated head office costs	(1,272,580)	(1,490,273)	(4,627,640)
Non-core costs	(675,000)	(531,430)	(1,069,322)
Total	**4,705,581**	**4,235,351**	**6,239,387**

Assets	**Six months ended 30 June 2024 $ Unaudited**	**Six months ended 30 June 2023 $ Unaudited**	**Year ended 31 December 2023 $ Audited**
Franchise royalty income	21,827,215	27,255,768	24,761,073
Franchise related activities	3,495,142	3,095,479	3,028,788
US corporate operated locations	57,389,619	50,991,843	52,394,708
International corporate operated locations	16,148,538	16,102,079	16,460,857
Total	**97,860,514**	**97,445,168**	**96,645,426**

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 2024 Unaudited			**Year ended 31 December 2023 Audited**		
	US $	**International $**	**Total $**	**US $**	**International $**	**Total $**
Franchise royalty income	3,504,010	50,447	3,554,456	6,638,442	100,374	6,738,816
Franchise related activities	5,534,301	-	5,534,301	11,163,422	-	11,163,422
US corporate operated locations	28,298,872	-	28,298,872	50,459,736	-	50,459,736
International corporate operated locations	-	4,138,228	4,138,228	-	7,612,578	7,612,578
Total	**37,337,183**	**4,188,675**	**41,525,858**	**68,261,600**	**7,712,952**	**75,974,552**

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 30 June 2024 Unaudited	Six months ended 30 June 2023 Unaudited	Year ended 31 December 2023 Audited
Earnings attributable to shareholders of the Company ($)	3,300,966	2,854,408	4,398,681
Weighted average number of ordinary shares	17,402,288	17,358,688	17,358,688
Diluted weighted average number of ordinary shares	17,823,584	17,911,023	17,833,235
Earnings per share (cents)	19.0	16.4	25.3
Diluted earnings per share (cents)	18.5	15.9	24.7

Earnings per share are computed based on Ordinary shares. There is a class of B Ordinary Shares discussed in Footnote 6 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 2024	**17,398,688**	**89,000**	**17,487,688**
At 30 June 2023	**17,358,688**	**129,000**	**17,487,688**
At 31 December 2023	**17,358,688**	**129,000**	**17,487,688**

The net number of options including the new grants and leavers from the Company at 30 June 2024 is 2,773,000.

Group & Company	**Share Capital**	**Share Premium**	**Shares In Treasury**
	$	**$**	**$**
At 30 June 2024	**143,192**	**35,226,469**	**(752,140)**
At 30 June 2023	**143,192**	**35,417,072**	**(1,139,404)**
At 31 December 2023	**143,192**	**35,417,072**	**(1,139,404)**

Reverse acquisition reserve

The reverse acquisition reserve was created in accordance with IFRS3 Business Combinations and relates to the reverse acquisition of Qonnectis Plc by ALDHC in July 2010. Although these Consolidated Financial Statements have been issued in the name of the legal parent, the Company 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. Qonnectis 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 9 May 2024, the Group announced the reacquisition of its Fresno, California franchise territory within the Group's ALD franchise business. As Fresno is located between the Bay Area and Los Angeles in the Central Valley of California, the reacquisition reinforces the Group's strategy of establishing regional corporate hubs in the US that fuel growth in adjacent franchise locations. The cash consideration for the acquisition is $2.9 million based on 2023 revenue of $1.8 million, adjusted profit before tax of $0.6 million and the transfer of all operating assets to the Group.

Subsequent Events

On 9 July 2024, the Group announced the acquisition Feakle Gas and Plumbing, Ireland. The transaction is structured as a purchase of 100% of the issued share capital of FG&P by Water Intelligence Leak Detection and Repair, WII's Irish subsidiary. The purchase price of €2.32 million in cash is based on the FG&P's 2023 Accounts of €3.7 million in sales and adjusted operating profits of €550,000. The purchase price is risk-adjusted by being structured as a four-year earnout with incentives for strong growth of both revenue and profits above the baseline 2023 Accounts.

On 13 August 2024, the Group announced a refinancing and expansion of its 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 only requires between 5 and 10% of principal to be repaid each year freeing up additional cash for accretive growth opportunities. Additionally, 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.

8 Publication of announcement and the Interim Results

A copy of this announcement will be available at the Company'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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