Water Intelligence plc

Trading Update: On-Track During the First Ten Months

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 Trading update for the ten month period ended 31 October 2023.

Update on Growth Strategy

- Market demand for precision water and wastewater infrastructure solutions continues to grow globally. During Q3, the Group renewed multi-year municipal contracts in Australia and executed new municipal contracts in the EU to grow the Group's presence internationally
- In terms of execution, the Group will be completing in the US, during Q1 2024, its implementation of Salesforce and related applications for its scheduling, delivery and payments system to achieve operating scaleability and efficiencies across corporate and franchise locations. Such enhanced execution functionalities are expected to lead to gaining additional national insurance contracts during Q4 for execution during 2024
- Both EBITDA and PBT margins have improved despite higher inflation and higher interest rates
- In terms of investments to support growth, in October the Group launched a new training, product assembly and R&D facility in Connecticut to supply more trained technicians and specialized equipment to meet market demand for solutions; the facility will also be a showcase to support the sale of new American Leak Detection franchises for which there is current demand.

Financial Highlights for the ten month period ended 31 October 2023

- Revenue increased by 6% to $64.4 million (2022: $60.9 million)
    - Franchise royalty flat $5.8 million (2022: $5.8 million)
    - Franchise-related activities (franchise sales, equipment sales, business-to-business channels) increased by 9% to $9.7 million (2022: $8.9 million)
        - Insurance business-to-business channel grew by 9% to $9.1 million (2022: $8.4 million)
    - US Corporate sales increased by 5% to $42.6 million (2022: $40.4 million)
    - International Corporate sales rose by 10% to $6.4 million (2022: $5.8 million)
- Statutory PBT grew by 11% to $6.8 million (2022: $6.1 million)
- Adjusted PBT (before non-cash expenses of amortization and share-based payments; and non-core costs) increased by 14% to $8.7 million (2022: $7.7 million)
- Statutory EBITDA rose by 6% to $11.3 million (2022: $10.7 million)
- Adjusted EBITDA (before non-cash share-based payments; and non-core costs) rose by 9% to $12.6 million (2022: $11.6 million)

- Adjusted PBT and Adjusted EBITDA Margins improve
    - Adjusted PBT margins improve to 14% (2022: 13%)
    - Adjusted EBITDA margins improve to 20% (2022: 19%)
- Balance sheet strong at 31 October 2023
    - Cash and equivalents at $17.2 million
    - Bank Debt of $15.3 million and Deferred Acquisition Payments of $8.6 million (combined $23.9 million) with payments spread through 2027 at a fixed interest rate of approximately 5%
    - Net Debt (including bank debt and deferred consideration) to Statutory EBITDA TTM ratio: 0.58 (low degree of leverage affording significant financial capacity for acquisitions)

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

"From an operational perspective, the Group has adjusted well during 2023 to inflationary and higher interest rate headwinds. We are achieving profit growth and increasing margins, as well as making investments for accelerating sales growth in 2024 and beyond. Moreover, we will be completing our Salesforce implementation during Q1 2024 which will enable us to accelerate the growth of our national sales channels. To meet increased market demand, we are launching an advanced training centre in Connecticut. Importantly, we have maintained a strong balance sheet and have additional financial capacity to invest in organic growth and to execute accretive acquisitions to fuel added revenue and profits.

We remain confident in our long-term growth prospects and our ability to continue delivering value for both our franchise and corporate stakeholders. In delivering on our growth plan, we appreciate the on-going support of our shareholders."

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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