Initiation of Coverage

Water Intelligence plc

Business Services

Capital Markets
Canaccord Genuity

UK Equity Research

12 August 2025

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Rating	Price Target
BUY	**500p**
WATR-AIM	Price **310p**

Forming smart growth streams

Canaccord Genuity view

Tech-enabled: Water Intelligence is a technology-enabled water infrastructure services business operating in the fast-growing, highly fragmented water leak detection industry. Its core brand, American Leak Detection (ALD), is the established market leader in the US with a nationwide footprint and scalable technology platform both key points of differentiation to serve residential, commercial and municipal customers directly and via national accounts, including the Top 20 US insurers.

High-growth performer: Total network sales (owned and 3rd-party franchised) grew 7% CAGR over the last five years with adj. EBITDA up 11% p.a. In the same period Group sales and adj. EBITDA increased by 21% and 24% CAGR, respectively, primarily as Water Intelligence reacquired 3rd-party ALD franchises at attractive multiples.

Organic & inorganic drivers: We see three core streams feeding medium-term growth including: (1) margin enhancement of US owned stores based on a proven "Dallas" template (as per Georgia example); (2) a strategic partnership with StreamLabs, a Chubb-owned water monitoring platform that enables an end-to end preventative maintenance model; and (3) M&A to unlock US$30m+ of 3rd-party franchise EBITDA.

Estimates set conservatively: We assume low-single-digit organic growth and flat underlying margins, with sensitivity analysis suggesting each growth path could drive double-digit earnings upgrades inside our forecast window. We initiate coverage with a BUY rating and a 12-month price target of 500p, with a longer-term route to 900p+.

Secular market drivers

ALD operates in a secular growth industry worth US$5bn (Business Research Insights) which is expanding at 6% p.a. Key catalysts include water scarcity, population growth, aging infrastructure, regulation and the rising cost of water-related insurance claims, which in the US costs US$13bn p.a. and represents one-in-five claims. With the majority of operators sub-scale, ALD brings technology, both off-the-shelf and proprietary, and adds nationwide US coverage. As a result, it is able to generate high and steady growth across its 150+ stores (both owned and 3rd-party franchised). Many of these are US$1m+ businesses generating substantial profits.

Next 50 growth strategy

Water Intelligence has outlined three growth streams under its Next 50 plan, with an ambition (we believe) to increase group EBITDA margin to 25% (+800bps) over the medium term. The first is to improve margins in US corporate-owned stores by adopting key model components from its recently acquired Dallas franchise, a fast-growth 30%+ margin business previously owned by new ALD CEO Will Knell. The second is to scale an end-to-end preventative maintenance model that offers recurring revenues and reduces the cost of customer acquisition by leveraging StreamLabs technology. The third is further value-accretive M&A.

Sensitivity analysis: Scope for double-digit earnings upgrades

Our estimates are set conservatively, in our view, anticipating adj. EBITDA and EPS CAGR of 11% and 8% over the next two years. This assumes low-single-digit organic revenue (below market), flat underlying margins, and announced M&A. We do not assume upside from the three growth streams outlined by Water Intelligence, with sensitivity analysis suggesting each could drive double-digit profit upgrades inside our forecast window.

We initiate with a BUY rating and 500p 12-month price target

The shares trade on a FY25E/26E P/E of 10.6x/9.9x and EV/EBITDA of 6.4x/5.9x. We set our 12-month target at 500p, based on CY26E multiples of 15x P/E and 9x EV/EBITDA. Longer-term, we see a route to 900p+ based on a re-rating towards higher US water-tech peer multiples, if growth plans and a higher quality of earnings are successfully delivered.

Market Data

52-Week Range (p) :	288 - 430
Avg Daily Vol (000s) :	23
Market Cap (pM) :	60.0
Shares Out. (M) :	19.3
Enterprise Value (pM) :	74.2

FYE Dec	2023A	2024A	2025E	2026E
Sales (US$M)	76.0	83.3	94.0	99.6
EBITDA (US$M)	13.4	14.3	16.5	17.5
PBT Adj (US$M)	8.7	8.4	10.2	10.8
EPS Adj&Dil (US$)	0.36	0.36	0.39	0.42
Net Debt (Cash) (US$M)	7	16	19	17
Net Debt/ EBITDA (x)	0.6	1.1	1.2	1.0
P/E (x)	10.9	10.8	10.6	9.9
EV/EBITDA (x)	6.0	6.6	6.4	5.9
Equity FCF Yield (%)	8.9	8.0	5.0	6.0

Priced as of close of business 11 August 2025

Water Intelligence is a technology enabled services business specialising in water infrastructure applications. Its core business is American Leak Detection, an established US market leader with unique nationwide coverage.

For important information, please see the Important Disclosures beginning on page 31 of this document.

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Company summary

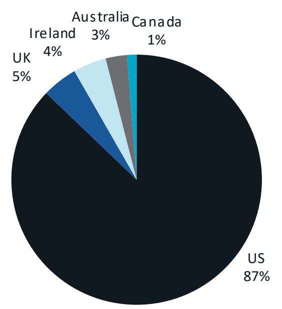
Company Activities

Water Intelligence is a technology enabled services business specialising in water infrastructure applications. Its core business is American Leak Detection, an established US market leader with unique nationwide coverage in the detection and remediation of water leaks using non-invasive technology for domestic, commercial and municipal customers. More recently it has begun to evolve its model towards preventative maintenance through a strategic partnership with StreamLabs, a smart water monitoring platform owned by Chubb, the leading US insurance group.

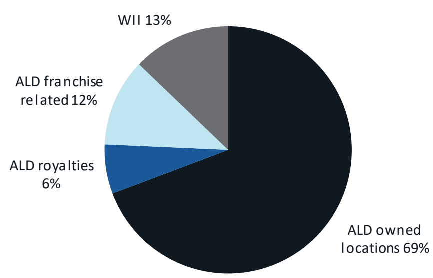
Key competitors

The US residential and commercial water leak detection market is highly fragmented ranging from one-man band operators to regional businesses.

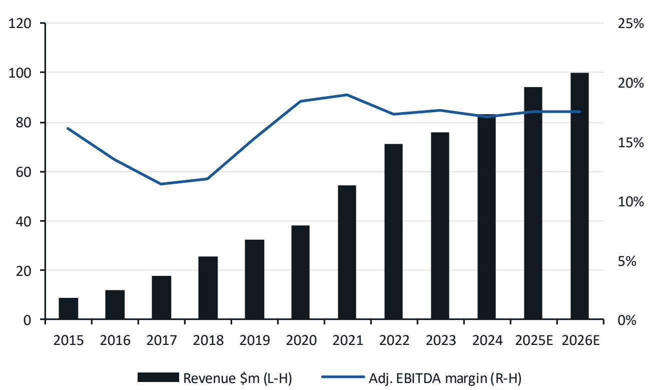
Revenue by geography: FY25E



Revenue by segment: FY25E



Revenue & adj. EBITDA margins



Source: Company report, CG estimates

Valuation	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25E**	**Dec-26E**
EV/Sales	1.0x	1.1x	1.1x	1.1x	1.0x
EV/EBITDA	5.7x	6.0x	6.6x	6.4x	5.9x
EV/EBITA	7.7x	8.3x	9.6x	9.0x	8.3x
P/E	12.7x	10.9x	10.8x	10.6x	9.9x
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%
FCF Yield	6.2%	8.9%	8.0%	5.0%	6.0%

Summary P&L ($m)	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25E**	**Dec-26E**
Sales	71.3	76.0	83.3	94.0	99.6
Adj. EBITDA	12.4	13.4	14.3	16.5	17.5
Adj. operating profit	9.1	9.7	9.7	11.7	12.4
Adj. PBT	7.8	8.7	8.4	10.2	10.8
Adj. EPS, FD (cents)	29.4	36.2	35.8	39.4	42.0
DPS (cents)	0.0	0.0	0.0	0.0	0.0

Growth	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25E**	**Dec-26E**
Sales (%)	30.8%	6.5%	9.6%	12.8%	6.0%
EBITDA (%)	19.7%	8.6%	6.4%	15.5%	6.2%
Adj. operating profit (%)	16.3%	6.0%	0.4%	20.7%	6.2%
Adj. PBT (%)	12.3%	12.2%	(3.6%)	21.1%	6.5%
Adj. EPS, FD (%)	3.2%	23.3%	(1.2%)	10.0%	6.8%
DPS (%)	-	-	-	-	-

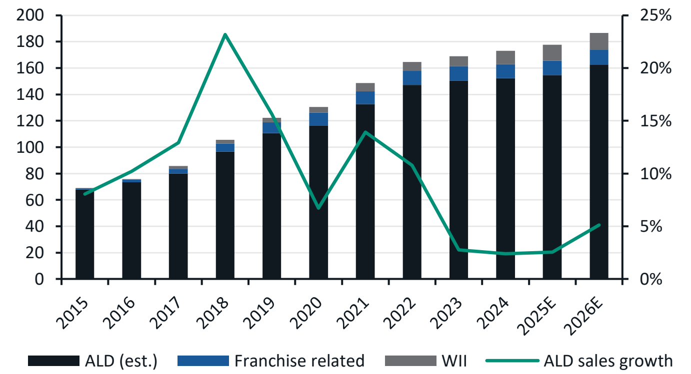
Summary cash flow ($m)	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25E**	**Dec-26E**
Adj. EBITDA	12.4	13.4	14.3	16.5	17.5
Adjusting items / other	(0.8)	(1.1)	(1.6)	(0.5)	(0.5)
Working capital movement	(1.0)	(0.0)	1.6	(2.0)	(2.0)
Interest & tax	(2.6)	(1.6)	(3.0)	(4.6)	(4.8)
Net capex	(3.6)	(4.4)	(5.7)	(5.7)	(5.7)
Free cash flow	**4.3**	**6.3**	**5.5**	**3.7**	**4.4**
Share issues (net)	(0.5)	0.0	(0.2)	(0.5)	0.0
Acquisitions	(5.7)	(4.2)	(7.1)	(7.6)	(0.5)
Distributions	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Leases	(1.6)	(1.7)	(1.8)	(1.8)	(1.8)
Change in cash	**(3.6)**	**0.1**	**(3.7)**	**(6.4)**	**1.9**
Non-cash debt movements	(5.6)	(5.4)	(8.7)	0.0	0.0
Net bank debt / (cash)	**(6.6)**	**(1.3)**	**11.1**	**17.5**	**15.6**
Deferred consideration	12.3	8.4	4.6	1.6	1.1
Net total debt / (cash)	**5.7**	**7.1**	**15.7**	**19.1**	**16.7**

Summary balance sheet ($m)	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25E**	**Dec-26E**
Non current assets	61.4	69.1	90.7	97.1	98.6
Current assets	35.2	27.5	24.0	17.8	19.4
Current liabilities	(17.0)	(17.6)	(14.3)	(11.5)	(10.6)
Non current liabilities	(24.4)	(18.8)	(34.9)	(32.9)	(30.9)
Net Assets	**55.2**	**60.3**	**65.4**	**70.5**	**76.5**

Ratios	**Dec-22**	**Dec-23**	**Dec-24**	**Dec-25E**	**Dec-26E**
Operating cash conversion	85.3%	91.7%	99.7%	84.7%	85.5%
Net total debt / Adj. EBITDA	0.5x	0.6x	1.1x	1.2x	1.0x
ROCE	12.2%	12.2%	10.8%	11.5%	11.8%

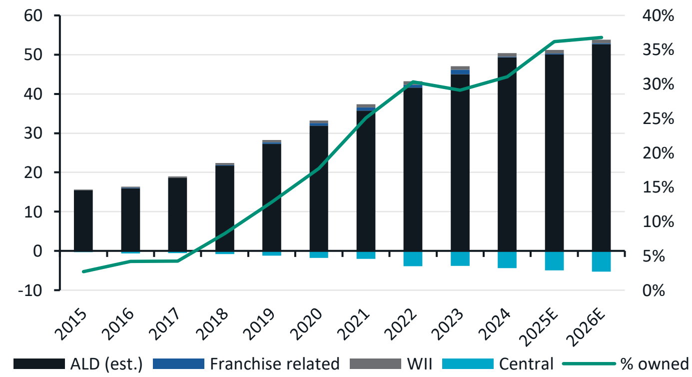
Water Intelligence in charts

Figure 1: Total brand sales (ALD, Franchise Related & WII)
To 31 Dec (US$m), base case



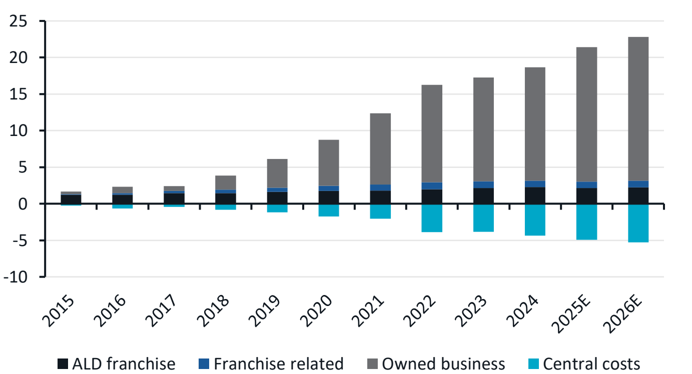
Source: Company reports, CG estimates

Figure 2: Total brand EBITDA (ALD, Franchise Related & WII)
To 31 Dec (US$m), base case



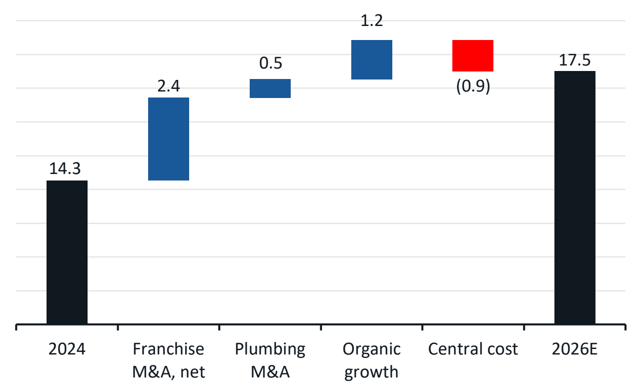
Source: Company reports, CG estimates

Figure 3: EBITDA, showing rising share in corporate-owned
To 31 Dec (US$m), base case



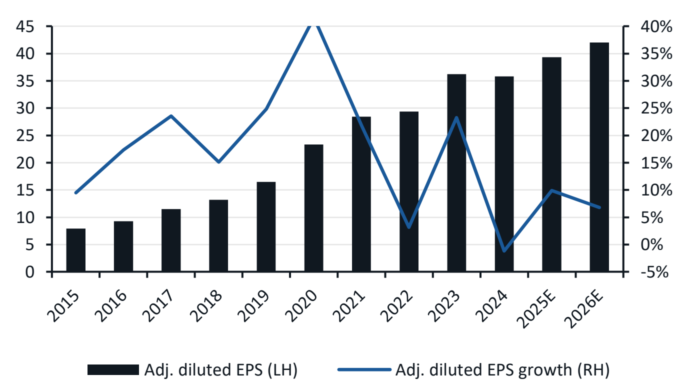
Source: Company reports, CG estimates

Figure 4: EBITDA waterfall 2024-2026E
To 31 Dec (US$m), base case



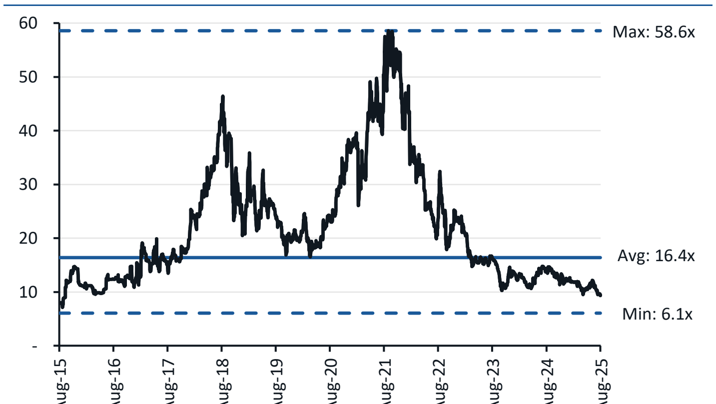
Source: Company reports, CG estimates

Figure 5: Adjusted diluted EPS
To 31 Dec (US$m), base case



Source: Company reports, CG estimates

Figure 6: Consensus forward P/E multiple
Low considering track record of value-accretive reacquisitions



Source: FactSet, CG

SWOT analysis and shareholders

SWOT

We summarise the main strengths, weaknesses, opportunities and threats for Water Intelligence, in our view.

Figure 7: SWOT analysis

Strengths	Weaknesses
• Core ALD brand established over 50 years	• Network revenue growth (estimated) has slowed of late
• Capability across residential, commercial & municipal pipes	• Not in control of 3rd-party franchise store performance
• Unique industry footprint across 46 US states & 150+ stores	• High fixed cost base in corporate-owned locations
• Investment in scalable technology (proprietary & 3rd-party)	• Upfront cost of growth can be lumpy
• National accounts with each of the Top 20 US insurers	• Balance sheet could constrain M&A ability
• Consistently profitable and cash generative	• Low level of Board independence
Opportunities	**Threats**
• Organic margin improvement in owned US locations	• Key man risk
• Preventative maintenance solutions enabled by StreamLabs	• M&A execution
• Reacquisition of ALD franchises	• Margin improvement requires cultural change
• Strategic plumbing acquisitions	• New and/or well-funded technologies could be adopted
• International growth via WII	• Limited day-to-day oversight of international operations
• Investment in new technologies	• Macro-driven challenges

Source: CG

Shareholders

The largest shareholders as of 11 August 2025 are:

Figure 8: Top ten shareholders of Water Intelligence

Shareholder	No. of Shares	% ISC
Patrick DeSouza	*4,874,760	25.2%
Plain Sight Systems Inc **	2,430,410	12.6%
Canaccord Genuity	1,420,115	7.3%
George D Yancopoulos	880,920	4.6%
Maven Capital Partners	819,209	4.2%
Jefferies	750,000	3.9%
Terry Tyrell	703,915	3.6%
Herald Investment Management	642,526	3.3%
Charles Schwab	596,947	3.1%
Hargreaves Lansdown	531,269	2.7%

Source: Bloomberg
* Includes 2.080m unlisted ordinary B shares which carry voting rights, but no economic rights
** Patrick DeSouza is a shareholder of Plain Sight Systems Inc

Introducing Water Intelligence

Company background

Water Intelligence (WATR:AIM) is a technology enabled services business, which specialises in water infrastructure applications across a range of markets and geographies. It has been listed on AIM since 2010 following its reverse takeover of Qonnectis, a UK-based water monitoring company.

Its core business is American Leak Detection (ALD), an established US brand with a unique nationwide footprint in a deeply fragmented and high growth secular market. It is franchise-led and has achieved a ten-year revenue CAGR of 9% p.a. to 2024 while growing EBITDA margins from 17% to more than 30%. Historically, ALD has specialised in the detection and repair of water leaks using non-invasive technology within domestic, commercial and municipal settings. More recently it has begun to evolve its value proposition towards preventative maintenance solutions through a strategic partnership with StreamLabs, a leading water monitoring technology platform owned by Chubb, the leading US insurance group.

Water Intelligence has demonstrated an ability to organically improve margins as well as a strong track record of successfully buying back franchises which it believes can, over time, add value to the group. This has allowed shareholders to raise their share of the total EBITDA generated by the ALD network across both owned and 3rd-party franchised stores. We estimate this was $50m in 2024, with the proportion owned by Water Intelligence rising from 2% to more than 30% over the last ten years to unlock network profits embedded within its 3rd-party franchise royalty stream.

A further string to the Group's bow is Water Intelligence International (WII), a smaller but fast-growing public sector water management solutions provider with operations in the UK, Ireland, Australia, and Canada. There are notable synergies between WII and ALD, primarily in the introduction of additional technology and service lines, like wastewater, and in the crossover of technology and services between customers.

Overall, the group has built a strong track record of profitable, double-digit growth over the last ten years, driven by organic and inorganic opportunities. While organic growth is not easily calculated, we can call upon like-for-like KPIs in ALD-owned locations (~60% of group revenues over the last five years) which suggest an average underlying growth rate of 10% since 2019. Encouragingly, the group's organic and inorganic growth has been achieved while maintaining a sensible balance sheet with the ratio of net bank debt and deferred consideration to adj. EBITDA at 1.1x (FY24).

Figure 9: Strong track record of profitable growth while maintaining a conservative balance sheet over the last ten years

To 31 Dec ($m)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	CAGR
Revenue	8.8	12.2	17.6	25.5	32.4	37.9	54.5	71.3	76.0	83.3	28%
Change %	*23%*	*38%*	*45%*	*45%*	*27%*	*17%*	*44%*	*31%*	*7%*	*10%*	
LFL % (US owned locations)	*-*	*-*	*-*	*-*	*10%*	*0%*	*19%*	*26%*	*1%*	*4%*	
Adj. EBITDA	1.4	1.6	2.0	3.0	5.0	7.0	10.3	12.4	13.4	14.3	28%
Margin %	*16%*	*13%*	*11%*	*12%*	*15%*	*18%*	*19%*	*17%*	*18%*	*17%*	
Change %	*20%*	*15%*	*23%*	*51%*	*63%*	*41%*	*48%*	*20%*	*9%*	*6%*	
Adj. PBT	1.3	1.4	1.7	2.5	3.3	5.1	6.9	7.8	8.7	8.4	23%
Change %	*22%*	*9%*	*23%*	*44%*	*35%*	*51%*	*37%*	*12%*	*12%*	*(4%)*	
Adj. EPS (cents)	7.9	9.3	11.5	13.2	16.5	23.4	28.5	29.4	36.2	35.8	17%
Change %	*9%*	*17%*	*24%*	*15%*	*25%*	*42%*	*22%*	*3%*	*23%*	*(1%)*	
Net total debt/Adj. EBITDA	0.9x	1.2x	1.1x	(0.1x)	(0.0x)	0.8x	(0.2x)	0.5x	0.6x	1.1x	

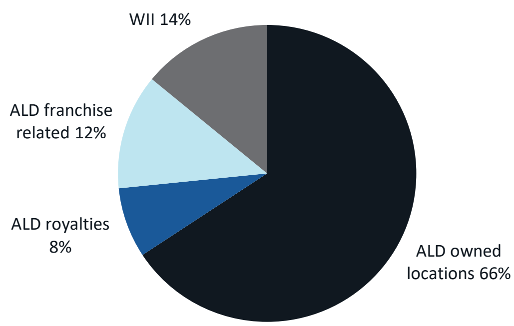
Source: Company reports, CG

As discussed, Water Intelligence consists of two different but connected brands (ALD and WII) which allow it to serve residential, commercial and municipal customers.

The ALD business is predominantly US focussed and 3rd-party franchised (60% of the ALD network) with a monthly royalty of 6-10% due to Water Intelligence each month based on the sales performance of each franchise. The remaining 40% of the network is corporately owned, meaning 100% of revenues are recognised for these locations. Franchise related sales are predominantly B2B (direct leads from national insurance accounts that are centrally managed), equipment and parts, and franchise fees.

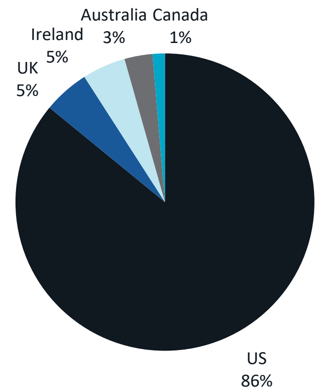
The WII business is corporately owned and mainly focussed on municipal customers, with revenues mirroring the footprint across the UK, Ireland, Australia and Canada.

Figure 10: WATR revenue profile in 2024



Source: Company reports, CG

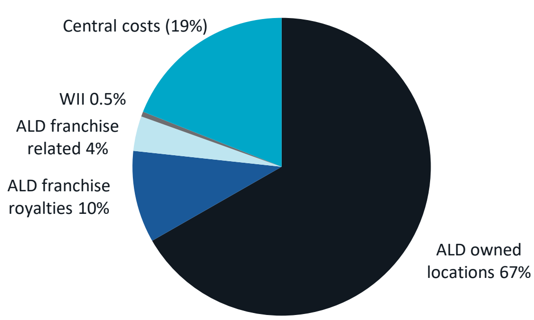
Figure 11: WATR revenue by geography in 2024



Source: Company reports, CG (Ireland reflects a proforma contribution)

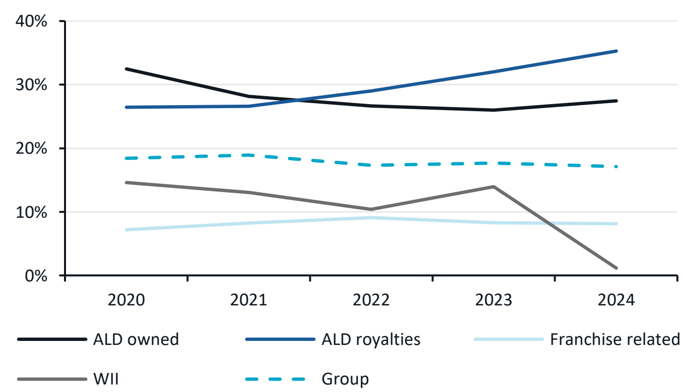
In terms of profit contribution, ALD-owned locations contribute two-thirds of group EBITDA (or more than 80% excluding central costs) with a margin in 2024 of 27.5%. ALD franchise royalties contribute 10% of group EBITDA (12% excluding central costs) off a 35% EBITDA margin in 2024. While this suggests a material difference in margin between franchised and owned ALD locations, we understand there are differences in the cost base attached to each which makes the comparison harder.

Figure 12: WATR adj. EBITDA profile in 2024



Source: Company reports, CG

Figure 13: WATR adj. EBITDA margin profile



Source: Company reports, CG

The remainder of EBITDA comes from lower-margin franchise-related activities and WII, which was softer in 2024, mainly due to some operational challenges in Australia.

Overall, this has fed through to a blended group EBITDA margin that, in recent years, has traded within a 16-18% range. We understand WATR has ambitions to achieve a 25% EBITDA margin in the medium term (an uplift of ~800bps) by optimising its operating model, leveraging technology and by allocating capital to acquisitions. We explore each of these drivers later in the note.

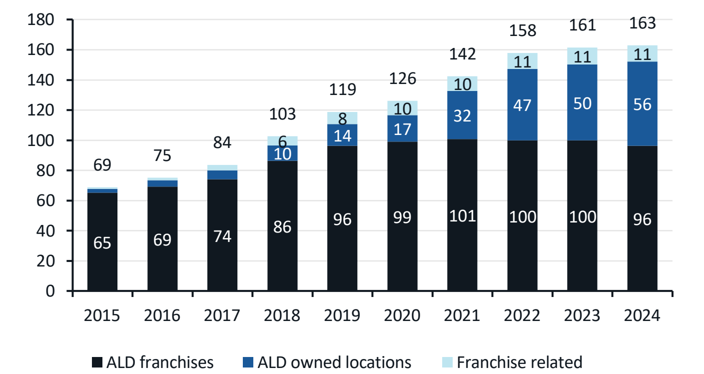
Core brands: a deep dive

American Leak Detection

American Leak Detection (ALD) is an established market leader in non-invasive water leak detection and repair with a nationwide footprint that has begun to strategically target a preventative maintenance model through smart technology investments. By far its largest territory is the US, but it also has franchises in Canada and Australia.

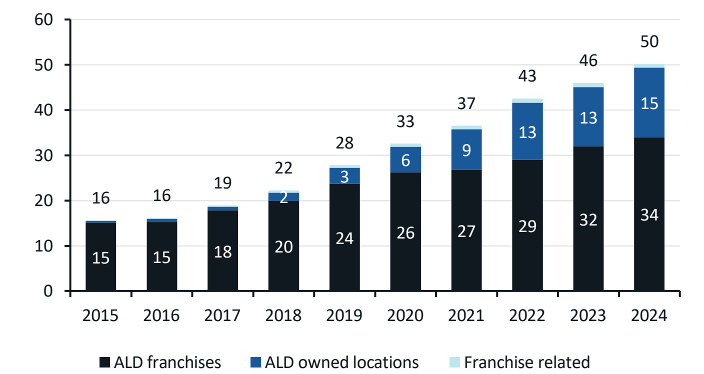
We estimate its network revenues (including B2B related sales) were $163m in 2024 across both owned and 3rd-party franchise locations. This represents a significant proportion of the $173m total Group network sales. We estimate ALD generates a network adj. EBITDA of $50m including B2B contributions.

Figure 14: Estimated ALD network revenues (US$m)



Source: Company reports, CG estimates

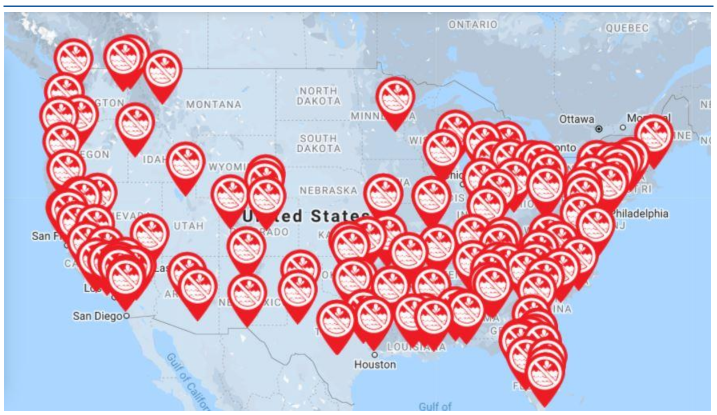
Figure 15: Estimated ALD network EBITDA (US$m)



Source: Company reports, CG estimates

The US water leak detection market is highly fragmented with a multitude of one-man-band plumbers and regional competitors. In this regard, ALD's nationwide footprint is a key differentiator that offers brand recognition, a consistency of service and the scale to service national accounts such as insurance companies, property managers and commercial customers. It has 72 franchises and 51 corporate owned stores which operate in over 150 locations across 46 US states and serve more than 200,000 households per annum.

Figure 16: Nationwide franchises



Source: American Leak Detection

Figure 17: Vehicle livery

Source: American Leak Detection

Unlike traditional plumbing methods, ALD specialists locate and pinpoint leaks of all sizes (from small residential pipes through to large municipal pipes) without the breaking of walls or floors. Its technicians receive training in proprietary methodologies and use innovative infrared, acoustic and correlation technologies.

These non-invasive methods and technologies significantly help to lower the cost of repair and conserve water.

We believe that the bulk of work currently done by ALD is on outdoor facilities, which are subject to a wide range of damage including earth movement, frost/thaw cycling and inadvertent destruction from other construction work. The techniques ALD uses are particularly suitable for pools, spas and fountains, where water lines often pass under concrete or other fixed surfaces and repair can be destructive and expensive.

Figure 18: Acoustic leak detection

Source: American Leak Detection

ALD specialises in the detection of:

- leaks in interior and exterior plumbing systems;
- the location of indicated leaks;
- slab (concrete/basement/raised floor) leaks;
- leaks in walls;
- existing utility pipes;
- leaks in swimming pools, fountains and spas;
- leaks in sewer systems; and
- utility line location.

ALD typically receives calls from homeowners or business owners. The callout charge is $500, including the first two hours, with an hourly rate of $250 thereafter. Emergency callouts are charged at a much higher rate. Customers can either accept a report supplied on the location of the leak, or (if scheduling permits) get repair work done there and then. Repair costs vary but can be thousands of dollars depending on the complexity of the job. Similar work is performed for municipal and large water utility customers, whose concerns tend to be more around regulatory compliance, potential fines and penalties associated with water leaks, and liability to third parties.

In addition to non-invasive detection and repair, ALD and its franchisees perform traditional maintenance work, whilst others perform bioremediation to help keep drain lines clean and clear. ALD is also able to carry out specific types of work, such as a nationwide contract to retrofit pool drains.

Figure 19: LeakVue equipment

Source: American Leak Detection

Technology is a differentiator versus market competitors and has been a key enabler of growth. ALD utilises both off-the-shelf and proprietary technologies including acoustic and thermal imaging systems. This includes devices such as the LeakVue and Pulse systems. LeakVue helps technicians verify any change in a body of water, such as a swimming pool, while Pulse is a sonar device that uses acoustics to rapidly survey sewers and drains.

The technology investment extends to centralised IT systems including Salesforce to manage customer data, scale with national customers and make insight driven decisions. It also includes a strategic relationship with SEEEN (Water Intelligence owns 4.9% of SEEEN plc), a provider of AI driven video solutions that enriches and pushes relevant content to technicians for efficient training and to relay leak remediation actions, and to customers as a commerce tool to drive product purchases.

More recently, a partnership has been formed with StreamLabs, a Chubb Co owned business. StreamLabs is a leading water monitoring platform based on unique ultrasonic technology. It uses both connected hardware and data to monitor the real time flow, water pressure and temperature performance of water systems, and on some devices enables the remote shut down of water supply. ALD expects this technology to help it transition to a preventative maintenance model that could in time deliver repeatable revenues and more efficient lead generation to improve margins. It will also help customers to catch water leaks much earlier, materially reducing the cost of water damage and lowering utility bills. We explore the potential opportunity from StreamLabs later in this note.

Figure 20: StreamLabs technology

Source: American Leak Detection

Estimates for the size of the global addressable leak detection market are large at $5bn in 2024 according to Business Research Insights, with the market expected to grow at ~6% CAGR to $9.3bn by 2033. Aging infrastructure, increasing levels of water scarcity, tighter regulation and a need for more efficient water systems are key catalysts. A further significant tailwind is growing demand from the insurance industry to reduce water damage claims, which in the US alone costs $13bn per annum (average claim value of $12.5k) according to the Insurance Information Institute.

We believe the US represents a significant addressable market for water leak detection. The country is one of the largest for outdoor swimming pools, with more than 10.4m residential pools, and it is estimated that most of these will develop leaks during their 30-year life. If each leak requires one callout at a cost of $500 across just 2% of the installed base per year, this implies an annual US market of $105m in swimming pool leak detection, which is just one of the markets that ALD serves.

The majority of ALD network revenues are generated by franchisees (>60%) with Water Intelligence the franchisor. The typical model is one of a franchisee with approximately five trucks and 12-15 employees, achieving revenue of more than $1m per year. As of 2024, we understand that the largest franchisee generates revenues of around $12m across multiple locations. There are also a couple of franchises at $5m, a handful at $3m and a few at $2m of revenue. Overall average revenue per franchise has doubled over the last ten years to $1.3m from around $0.6m in 2015.

Initial franchisee investment falls within the range of $100-250k, which covers the territory fee, training, and equipment. The standard agreement is for ten years with an option to renew. New franchisees typically start by offering residential leak detection and associated services, and are later authorised to service municipalities, water districts, industrial estates and large commercial customers. Ongoing franchise fees are payable based on turnover. For lower levels of turnover this can be as much as 10% of revenue, but as franchisee revenues grow fees can drop to 6% of revenue.

In recent years, Water Intelligence has bought back a significant proportion of ALD franchises, which are operated corporately. 35-40% of the original group of ALD franchise owners are currently corporate owned. Aside from strategic investments, average revenue and margins on these franchises have tended to be lower than those achieved by the franchisees, which we think reflects franchisor underperformance and/or the maturity of the relevant franchise.

The third major source of revenue for ALD is the centrally operated B2B channel, where ALD has built national accounts with insurers, property management and commercial customers, and farms out jobs to its franchisee and corporate-operated network. This has driven significant growth over the past ten years.

Water Intelligence International

Water Intelligence International (WII) centres on water and infrastructure solutions for municipal customers in the UK, Ireland, Continental Europe, USA and Australia with a range of major customers past and present including Thames Water, Northumbrian Water, Scottish Water and Generale des Eaux.

There has been a heavy regulatory pressure in the UK water industry, in particular to reduce leaking pipes and sewage discharges as a result of aging infrastructure. While progress has been made (UK water leakage has fallen by 41% since 1989 according to Ofwat), a widely reported estimate is that around 20% of treated water continues to be lost through leaks before it reaches the consumer. In addition, as many as 40% of UK residential properties are believed to have a water leak.

WII's services focus on:

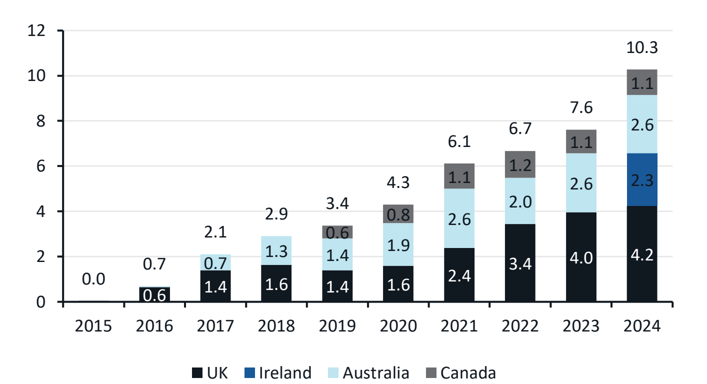
- Acoustic sewer surveys using proprietary equipment and specialist teams to deliver rapid sewer serviceability assessments in difficult to reach areas with no heavy plant requirements. This is used to identify problem areas of a network and isolate them from serviceable areas.
- Surveying of commercial assets including the assessment of buildings, plant, people, space optimisation, security, renewable energy services and water optimisation. It also includes sourcing and the provision of further necessary work.
- Sewer flood prevention and monitoring using remote sensing equipment and rapid response teams that can be deployed to protect critical infrastructure, heritage sites and sites of special scientific interests.

The technology that it helps to develop (such as Pulse) can be deployed in the US market as a cross-sell opportunity.

In terms of reporting, Water Intelligence presents results for WII that include international owned ALD franchises in Australia and Canada. WII's growth has accelerated by the acquisitions of these ALD franchises (Ontario and Melbourne) in 2019 and 2020, and by the acquisition of Wat-er-save Services in 2021 and Feakle, an Irish plumbing business in 2024.

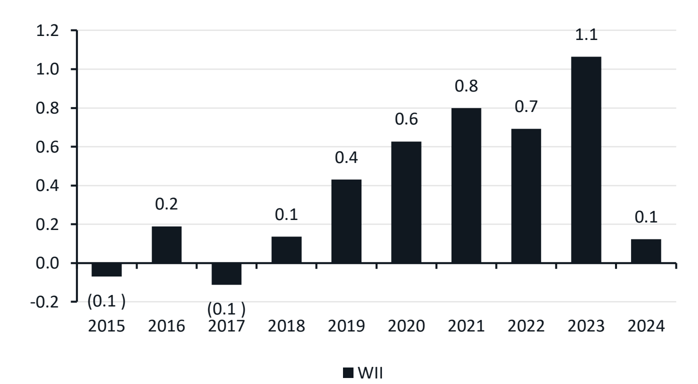
Profits are not broken out by region but had grown to more than $1m in 2023. However, they reduced in 2024, principally due to poor local execution in Australia. Actions have subsequently been taken to fix this which are expected to result in an improved performance in 2025.

Figure 21: WII revenues (US$m)



Source: Company reports

Figure 22: WII adj. EBITDA (US$m)



Source: Company reports

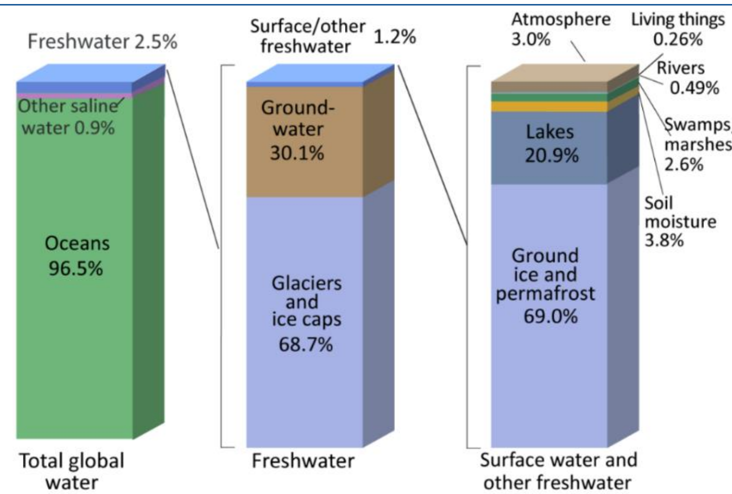
Industry themes

The largest global material, but freshwater increasingly scarce

Water is by far the most abundantly used material on Earth, with an extremely large global stock of nearly 1.4bn cubic kilometres (km^3) according to US government data. The majority is saline water (97.5%) which is mainly found in the oceans with the remaining 2.5% being freshwater. Of this 2.5%, 69.5% is locked up in glaciers, ice caps, ground ice and permafrost while 30.1% is ground water that is found within aquifers in the top two kilometres of the Earth's crust.

That means under 0.4% of total freshwater (0.01% of global water) is found on the earth's surface within its lakes, soil moisture, swamps, marshes, rivers, living things and the atmosphere.

Figure 23: World freshwater resources



Source: Water in Crisis: A Guide to the World's Fresh Water Resources

Annual rainfall (the ultimate source of all this freshwater) is large, at more than 500,000 cubic kilometres (km^3) of which around 107,000 km^3 (21%) falls on land and enters the soil, lakes and rivers. As the water content of the atmosphere is just 12,900 km^3 this indicates a very rapid turnover of moisture within the air into precipitation with approximately 12% of atmospheric moisture precipitating, and being recharged from ocean evaporation, each day.

Around 12,500 km^3 of rainfall is estimated to recharge groundwater, which itself leaks back into the oceans. This suggests the annual turnover of fresh groundwater from rainfall and soil recharge is as little as 0.1% of the total stock, around 40,000 times slower than the atmospheric cycle. Recharge is so slow that most freshwater aquifers can at best be considered mining deposits rather than renewable resources.

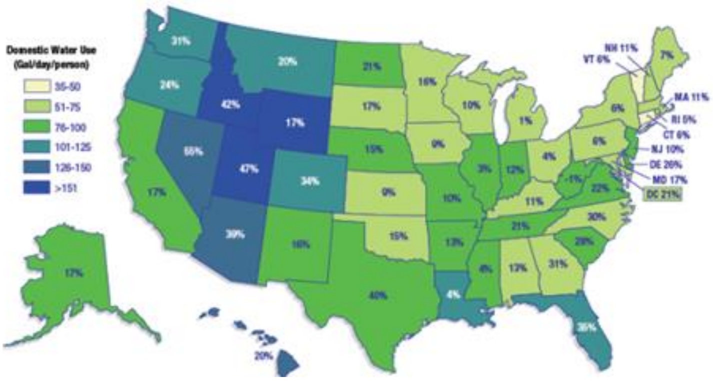
Estimates of total water flows for human use are around 4,000 km^3 of fresh water per year. Agriculture is the largest consumer at 70%, with industry 20% and municipals 10%. Freshwater use by humans has increased by around 1% per year since the 1980s driven by population growth, economic development and changes in consumption patterns, leading to water stress and scarcity in many geographies.

US & UK consumption statistics

In the United States, we estimate (based on US Government data to end-2015) that total water extraction is today around 444 cubic kilometres (km^3) per year. Of that, around 41% is used in thermoelectric power and 37% in agriculture. Just 12% is withdrawn for public water systems to supply US homes and businesses. Average US residential water consumption is 310 litres (83 gallons) per person per day.

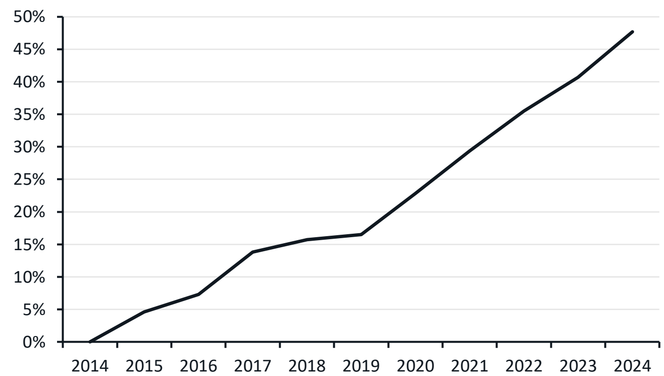
Managing water through an aging infrastructure network is therefore a growing concern in the US given population growth in a warming world is driving demand and raising competition for this important resource. In a 2014 report, 40 US states told the US Government Accountability Office that they expected to have water shortages over the next ten years that were not related to drought. Higher prices were seen as a likely consequence, with our analysis of data provided by Bluefield Research showing average US domestic water and sewer bills have subsequently increased by around 50% to ~US$125 per month over the same period.

Figure 24: US domestic water use (gallons per day per person) & population growth 2000-2020



Source: US Environmental Protection Agency

Figure 25: Average US domestic water and sewer bills (per month) were ~50% higher in 2024 vs 2014



Source: Bluefield Research, CG

The UK uses much less water (per capita) at around 15km^3, down to three factors: much lower irrigation consumption, a higher share of renewables on the electric grid (wind & solar generation uses essentially no water) and lower household consumption – at just 150 litres (40 gallons) per person per day, just under half the US figure. This partly reflects different climates and household comfort standards, but also the much lower penetration of residential swimming pools in the UK compared to the US.

Whilst we focus in this report primarily on Water Intelligence's existing operations in the US, UK, Ireland, Australia and Canada, it is worth highlighting that water stress is a global problem, and that there are numerous high-income countries – notably on the Mediterranean and in the Middle East – where both water stress and incomes are high, and where there is the potential for further growth opportunities.

Water leaks and insurance costs

Estimates on water wastage from US household leaks by the US Environmental Protection Agency are for 180 gallons of water per week, or 9,400 gallons per year on average, equivalent to the volume of water needed for more than 300 loads of laundry. Overall, it estimates domestic leaks result in a water loss of 3.4km^3 (or 900bn gallons) of US public supply annually, ~8% of total household consumption. Whilst this may seem a modest figure, water supplied domestically has been expensively cleaned and purified, and therefore reducing its loss has an outsized impact on total water system costs.

As previously discussed, estimates for the size of the global addressable leak detection market (of which North America is the principal end market) are large at $5bn in 2024, with the market expected to grow at nearly 6% CAGR to $9.3bn by 2033. Aging infrastructure, increasing levels of water scarcity and regulation are key catalysts.

There is also significant and growing demand from the insurance industry to reduce water-related claims for both residential and commercial properties, which in the US alone cost US$13bn per annum and represent one out of every five claims according to the Insurance Information Institute.

The Insurance Information Institute quote ISO data from Verisk Analytics that water damage and freezing to water systems is the second largest cause of US household insurance losses. They place the average claim value in excess of $12,500.

Figure 26: Causes of US household insurance losses, 2018-22

Cause of insurance loss	2018	2019	2020	2021	2022
Property damage	**97.4%**	**96.7%**	**97.2%**	**97.0%**	**97.8%**
Wind & hail	*40.5%*	*38.3%*	*48.3%*	*39.8%*	*40.7%*
Water damage & freezing	*24.0%*	*29.0%*	*19.6%*	*23.4%*	*27.6%*
Fire & lightning	*25.4%*	*21.1%*	*21.1%*	*23.3%*	*21.9%*
Theft	*1.0%*	*1.0%*	*0.6%*	*0.7%*	*0.7%*
All other property damage	*6.5%*	*7.2%*	*7.6%*	*9.8%*	*6.9%*
Liability	**2.5%**	**3.3%**	**2.8%**	**2.9%**	**2.1%**
Bodily injury & property damage	*2.3%*	*2.9%*	*2.4%*	*2.4%*	*1.6%*
Medical payments & other	*0.2%*	*0.4%*	*0.4%*	*0.5%*	*0.5%*
Credit card & other	**0.1%**	**0.1%**	**0.1%**	**0.1%**	**0.1%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Insurance Information Institute / ISO - Verisk Analytics

Meanwhile commercial water leaks can range significantly in value with various sources indicating moderate damage can drive a claim valued at between $25,000 and $100,000. The claim often increases significantly in value the longer the leak goes undetected. Chubb, the global insurer, suggests individual commercial water damage claims can often run into several million dollars.

Given the high cost of water damage in both residential and commercial settings, from both extreme weather events, accidents and system aging, insurers are increasingly looking at ways to reduce preventable claims through data-led maintenance. This includes Chubb (StreamLabs) and Hiscox (LeakBot), amongst others, which are turning to smart technology solutions to remotely monitor the flow of water and can alert owners and property maintenance companies to a leak early on (or even before it starts) to significantly reduce the cost and disruption caused by water damage.

With an estimated 147.8m residential properties and 5.9m commercial properties in the US (according to Government data), a strong desire to reduce water consumption and high insurance costs, the total addressable market for smart water monitoring devices could be very significant, in our view over the medium-to-long term.

Growth strategy

Strong track record of execution

Water Intelligence has a strong track record of growth over three, five, ten and fifteen years, delivering double-digit revenue and adj. EBITDA CAGR to 2024, across each of these periods. Growth in adj. PBT and adj. EPS has also been very strong and above market levels (6%) indicating share gains as the group has scaled. It also suggests, in our view, that the group's growth strategy is aligned with shareholder interests.

Figure 27: Consistently strong CAGR performer to 2024, in terms of sales and profits

	15Y	10Y	5Y	3Y
Revenue	20%	28%	21%	15%
Adj. EBITDA	15%	28%	24%	11%
Adj. PBT	12%	23%	20%	7%
Adj. EPS, FD	5%	17%	17%	8%

Source: Company reports, CG

Under the leadership of Executive Chairman Pat DeSouza, execution has consistently focussed on three priorities: (1) organic development, (2) investment in technology, and (3) value-enhancing acquisitions, predominantly ALD franchise reacquisitions.

Organic development

Key initiatives have centred on improving lead generation through digital marketing initiatives and building national account partnerships to improve utilisation and drive higher margins. The group has established master service agreements with each of the top twenty US insurers that directly pushes claim related work to them. It also works with property management and other commercial businesses which helps to reduce exposure to one-off residential callouts.

Creating higher value callouts has also been a key objective, whether through optimised pricing (i.e. higher price rates for a quick response) or through enhanced capability, for example, repair work and wastewater handling (cross-sell with WII).

Higher productivity has also been a driver, with Water Intelligence utilising systems, technology and data to reduce employee downtime, optimise route planning and fleet management, and improve on-job performance. To supplement this, the group has added capacity in new locations, allowing ALD to increase market share by leveraging the brand strength within the sector.

Technology underpin

Until recently, technology investment has focussed on leading hardware and IT systems, which not only provides a point of differentiation, but enables good outcomes for customers. This investment has come in the form of software licences, IP and partnerships.

Examples include LeakVue and Pulse (as discussed earlier). It also includes systems such as Salesforce software to provide a scalable cloud-based automation platform that enables data digestion, insight, and productivity benefits, and provides the highest level of data security demanded by national accounts.

The investment in SEEEN (valued on the balance sheet at $0.3m) was also interesting to us, opening a new distribution channel for ALD by providing an ability to embed service and sales content, based on data, into YouTube videos that can be pushed to customers to provide aftercare support. In the same way, relevant training and maintenance content can also be pushed to technicians to help locate and fix a leak.

M&A

M&A has focussed on two themes: (1) reacquiring franchises to leverage strategic locations and/or improve operating performance, and (2) buying plumbing businesses to add and expand remediation capability in strategic locations and improve margin.

Water Intelligence has reacquired 43 ALD franchises over the last ten years, the majority of which have been in the United States. Prices paid have ranged from a low of $70k (North Virgina in 2017) to a high of $12.2m (Dallas in November 2024).

Since 2020, based on disclosed profitability data, the average multiple paid for a reacquisition was ~7x profits with recent deals at around 5x profits. We understand Water Intelligence has a right of first refusal on all franchise sales, as is normal for franchised businesses, and this is an attractive price for what have proven to be reliable assets, in our view. Plumbing acquisitions have also been at attractive prices, with the last two at 5x profits.

Figure 28: M&A since 2020 – ~$70m spent over last five years to acquire ~$46m of sales and ~$12m of profit

Date	Franchise	Type	Value ($m)	Sales ($m)	Profit ($m)	EV/Sales	P/E
May-20	Minneapolis, Minnesota	Franchise	1.3	1.0	0.3	1.3x	5.3x
Jun-20	San Jose, California	Franchise	1.0	0.7	0.2	1.5x	6.6x
Jul-20	Maryland	Franchise	1.4	1.1	0.4	1.3x	4.3x
Aug-20	Melbourne, Australia	Franchise	1.3	0.9	0.2	1.4x	10.1x
Sep-20	Brisbane, Australia	Franchise	0.4	0.4	0.1	1.1x	7.9x
Dec-20	Baton Rouge, Louisiana	Franchise	1.9	1.1	0.3	1.7x	7.8x
Dec-20	Melbourne, Florida	Franchise	1.6	1.2	0.3	1.3x	6.5x
Dec-20	Seattle, Washington	Franchise	5.5	2.7	0.8	2.0x	8.7x
Mar-21	Clermont, Central Florida	Franchise	0.7	0.7	0.2	1.0x	5.6x
Apr-21	FastDitch IP	WII	0.1	-	-	-	-
Jun-21	PlumbRight Services	Plumbing	0.7	1.0	-	0.7x	-
Jun-21	Reno, Nevada	Franchise	0.3	0.3	-	1.2x	-
Jul-21	Jacksonville/Daytona, NE Florida	Franchise	2.8	2.0	0.5	1.4x	7.0x
Jul-21	Las Vegas & Pheonix	Franchise	10.3	5.8	1.6	1.8x	8.1x
Nov-21	Wat-er-save Services	WII	1.5	1.0	0.3	1.6x	7.6x
Dec-21	Medford, South Oregon	Franchise	1.4	1.2	0.3	1.2x	7.0x
Jan-22	Fort Worth, Texas	Franchise	7.7	3.6	1.2	2.1x	8.1x
May-22	Central Texas	Franchise	0.8	0.7	0.2	1.2x	4.5x
Jun-22	Shanahan Plumbing	Plumbing	1.0	1.9	0.2	0.5x	7.7x
Feb-23	Nashville, Tennessee	Franchise	3.3	2.4	0.6	1.4x	7.5x
Jul-23	Covina, California	Franchise	1.5	1.3	0.3	1.2x	6.3x
Sep-23	Pittsburgh, Pennsylvania	Franchise	0.5	0.5	0.2	1.0x	4.3x
Sep-23	West Colorado	Franchise	0.2	-	-	-	-
Nov-23	Evergreen Plumbing	Plumbing	0.1	-	-	-	-
May-24	Fresno, California	Franchise	2.9	1.8	0.6	1.6x	6.1x
Jul-24	High Desert	Franchise	0.2	-	-	-	-
Jul-24	Lafayette, Louisiana	Franchise	0.6	-	-	-	-
Jul-24	Feakle Gas & Plumbing	Plumbing	2.5	4.0	0.6	0.6x	4.8x
Nov-24	Dallas, Texas	Franchise	12.2	6.0	1.8	2.0x	8.6x
Jan-25	Effective Plumbing	Plumbing	1.2	1.2	0.3	1.0x	5.1x
Feb-25	South Carolina	Franchise	3.0	1.6	0.6	1.9x	6.9x
Aug-25	Middle Georgia	Franchise	0.4	0.6	0.1	0.6x	3.0x
	Cumulative		**69.9**	**46.3**	**11.9**	**1.5x**	**7.4x**

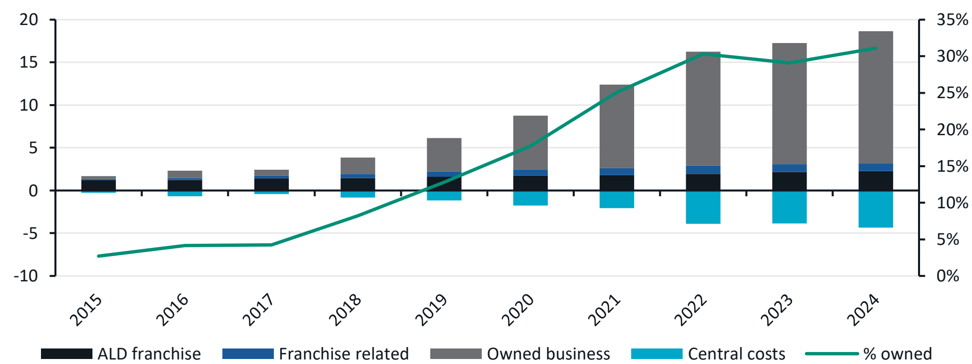
Source: Company reports, CG estimates

The impact of acquiring franchises has been material; in a franchised operation, around 2% of the revenue generated by the franchise drops through to pre-tax profit for Water Intelligence. By contrast, in a corporately owned franchise, more than 20% of the profit drops through (and as much as 30% on an EBITDA basis).

This has allowed Water Intelligence to garner a steadily increasing share of the profit generated by the ALD brand: we estimate 2% in 2014, rising to 31% in 2024. In a brand growing as strongly like ALD (9% CAGR over the last ten years), this has had a significant impact on Water Intelligence's growth and profitability.

From the franchisees' point of view, becoming corporately owned unlocks growth synergies through territory combinations (driving critical mass), access to improved marketing and advertising, new sales channels like StreamLabs, and the introduction of productivity tools like Salesforce and SEEEN. Margins on franchises re-acquired since 2024 have been accretive at 30%+ on average.

Figure 29: Water Intelligence EBITDA - % of owned ALD EBITDA now >30%



Source: Company reports, CG

Entering the next growth phase

With ALD entering its 51st year of operation, Water Intelligence's core brand today enjoys critical mass, diversified multinational operations and a differentiated technology platform from which to scale as a market leader. It also has new leadership following the strategic acquisition of the Dallas franchise (one of ALD's largest and most profitable) which has subsequently resulted in the appointment of its owner Will Knell as CEO of ALD. This strengthens the senior management team in our view, with Dallas also becoming the headquarters and central training hub of ALD.

The revised growth strategy dubbed "Next 50" seeks to build on the successful execution of past priorities with an ambition (we believe) of achieving a 25% adjusted EBITDA margin over the next five years. This would represent an increase of ~800bps from the 17.1% in 2024 while also improving the quality of earnings.

There are three strategic growth drivers within the "Next 50" plan:

- To organically improve operating margins based on a Dallas template, a highly successful franchise operating on a 34% EBITDA margin post-acquisition.
- To transition towards an end-to-end preventative maintenance model that can offer recurring revenues and reduce the cost of customer acquisition by investing in technology such as StreamLabs.
- To continue allocating capital to value accretive M&A, particularly franchise reacquisitions and strategic plumbing businesses.

We explore these in greater detail and explore the earnings sensitivity of each relative to our base forecasts.

Dallas template

In November 2024 Water Intelligence acquired the Dallas franchise of ALD for $12.2m. Dallas was one of ALD's largest and fastest-growing franchises, generating around $6m of revenue and $1.8m PBT at acquisition with a 30%+ EBITDA margin.

The transaction was strategic, with Dallas immediately merged with its corporate-owned Fort Worth business to create not only scale, but a corporate headquarters for ALD in a centrally located US position, with the Dallas-Fort Worth metroplex anticipated to be the largest metroplex in the US by 2030. As already discussed, the transaction also served to strengthen ALD leadership, with the Dallas owner Will Knell appointed as ALD CEO to drive the business forward while freeing up bandwidth for Executive Chairman Pat DeSouza to focus on business development across the Group.

A key objective for Will is to improve margins in the corporately owned portfolio by leveraging the successful model he built within his Dallas franchise. This model sees Dallas operating with a 34% EBITDA margin post-acquisition versus the 27.5% margin for owned ALD locations.

There are three core components to drive margins through the Dallas template that will require a cultural shift:

- **Cost of labour**: This has been identified as the biggest differential, with plans to introduce an incentive-based structure instead of paying a high level of basic compensation. Our analysis suggests that corporate employee costs relative to sales is running at 40% excluding directors, versus Dallas on a 20% ratio.

  The intention is therefore to manage compensation relative to revenue at a fixed rate based on both the cost of living within a particular location and the opportunity to sell ALD services. A range of between 20-30% has been identified to apply across all US locations to average out at 25%.

  Based on 2024 numbers for Water Intelligence, the differential between 25% to 40% of sales is around $12m.

- **Marketing**: The Dallas franchise utilises an AI digital marketing platform called RevenueMax to help acquire customers and drive leads. RevenueMax feeds into Salesforce to analyse what the successful sales leads were and why, for example key word searches that are driving sales conversion.

  We believe the cost of RevenueMax is $640 per month per location, which would average out to around $25k per month or $300k a year across corporate owned locations. While this isn't cheap, we understand Dallas generates a very positive ROI from RevenueMax while early deployments in other locations to date have been encouraging.

  We believe a focus on yield could see some of the savings from labour shifted into RevenueMax to drive organic growth.

- **Operational excellence**: CEO Will Knell sees opportunities to drive efficiency across all aspects of ALD's operations. This includes training customer service representatives to improve call conversion rates. It also includes improving the productivity and utilisation of technicians through training, job distribution, route planning, and administrative improvements such as ensuring all documentation is in place before attending a job.

StreamLabs opportunity

Water Intelligence's partnership with StreamLabs, a Chubb Co owned IoT water monitoring platform opens a new channel for the group, both with residential and commercial customers that centres on a transition from reactive to preventative maintenance. This opens up a high volume, technology enabled inspection and survey proposition, in our view, to redesign the water infrastructure management industry.

The technology, which Water Intelligence has secured distribution rights to via an exclusive wholesale price agreement provides opportunities to realise revenues from hardware sales and installation. The partnership provides StreamLabs with a nationwide network of technicians to roll-out StreamLabs at scale. In turn Water Intelligence will receive installation jobs from Chubb. It can also provide a white label service for other national insurers using StreamLabs products.

Importantly, the deal provides Water Intelligence an opportunity to realise subscription revenue and own the proprietary data generated by installed StreamLabs devices to feed into its Salesforce platform and create water consulting strategies. This not only creates a recurring revenue stream, it also provides the group with a unique opportunity to monitor water flow, identify problems and act as first responder.

There is clearly a large addressable market in the US with residential customers (147.8m US residential properties) often offered discounts on their insurance premiums if they install a smart water monitoring system. UK listed peer Ondo InsurTech (owner of LeakBot) suggests 30% of households have a leak and that a smart device can both lower home insurance claim costs by 70% and reduce water consumption by 30,000 litres over 5 years.

We believe the opportunity across the 5.9m US commercial property estate is also very material. This includes hospitals, schools, office buildings, hotels, restaurants, retail and industrial properties. For a business, StreamLabs can identify small leaks early on that can be fixed with minimal cost and disruption. It can also reduce unwanted water wastage to reduce utility costs, potentially saving a business thousands of dollars over several months before a leak is identified, while mitigating the risk of water damage and business disruption caused by an established leak. For a multi-location business, the return on investment could prove significant.

Water Intelligence is well placed to benefit from commercial opportunities, in our view, with its ALD footprint enabling a local service offering at a national level that can include installation, annual maintenance inspections and ongoing monitoring, remediation and water strategy solutions. Its Salesforce environment can also digest data collected from a customer’s water system in real-time that, combined with SEEEN video technology can provide aftercare services and product suggestions to customers and actions on training and maintenance to technicians, in an efficient way.

It is still early days for the StreamLabs opportunity. But in our view, the opportunity is exciting as it creates new revenue streams that can grow quickly both through established national insurance accounts and direct commercial contract wins that could, in time, be worth millions of dollars annually. It also provides an opportunity to improve visibility within the business, not just through recurring subscription revenue and remediation leads, but in terms of operational efficiency. This is because the urgency to fix a small leak is far lower than large, more established leaks, allowing technician utilisation and route planning to be optimised within workflow schedules.

M&A

As discussed, Water Intelligence has been allocating capital to reacquire ALD franchises where it can strategically benefit the group or where there is an opportunity to acquire at an attractive price and improve underlying performance. In recent years, it has reacquired three or four franchises a year at around 5x profits (or 1.5x EV/Sales). With ALD franchisee network sales of $90m+ and EBITDA of $30m+ still in 3rd-party ownership (we estimate), we see no reason for this strategy to change with opportunities driven by the group’s right of first refusal. Actions to improve the underlying margins of corporate owned locations using the Dallas template also provides a best practice plug and play model to accelerate the value that can be created from these reacquisitions.

Water Intelligence has also been selectively acquiring plumbing businesses that can enhance its distribution network, particularly with relation to StreamLabs, while adding licensed remediation capability in strategic locations. Recent deals have been done at around 5x profits and we expect to see further plumbing acquisitions as opportunities arise.

Earnings expectations & sensitivity

Base level earnings expectations

For the purposes of forecasting earnings, we have established a base case assuming:

- 1% organic revenue growth in FY25E rising to 5% in FY26E. This suggests a two-year organic CAGR of 3% vs market growth estimates of 6%;
- in-year contributions from announced M&A, with no further acquisitions assumed;
- flat underlying EBITDA margins; and
- no contribution from StreamLabs.

Our forecasts are therefore driven by announced acquisitions which provide Water Intelligence with a bigger slice of ALD, and market tailwinds that do not factor in any upside from the Next 50 growth strategy, in our view. We note future M&A, particularly franchise reacquisitions could materially impact the FY25E/26E outcome.

Our base assumptions result in CAGR of 9% in revenues, 11% in adj. EBITDA and 8% in adj. diluted EPS over the next two years. We see net total debt of US$16.7m by the end of FY26E which at 1.0x adj. EBITDA looks sensible in terms of leverage.

Figure 30: Base case earnings forecasts

To 31 Dec ($m)	2022	2023	2024	2025E	2026E
# ALD 3rd-party franchises	82	78	74	72	72
# ALD corporate owned franchises	41	44	48	51	51
Total network revenue	**164.5**	**169.1**	**173.1**	**177.5**	**186.6**
Change y/y	*11%*	*3%*	*2%*	*3%*	*5%*
Total network adj. EBITDA	**39.4**	**43.2**	**46.0**	**46.3**	**48.6**
Margin	*24%*	*26%*	*27%*	*26%*	*26%*
Revenue	**71.3**	**76.0**	**83.3**	**94.0**	**99.6**
Change y/y	*31%*	*7%*	*10%*	*13%*	*6%*
Adj. EBITDA	**12.4**	**13.4**	**14.3**	**16.5**	**17.5**
Change y/y	*20%*	*9%*	*6%*	*16%*	*6%*
Margin	*17%*	*18%*	*17%*	*18%*	*18%*
Adj. net profit	**5.5**	**6.5**	**6.4**	**7.0**	**7.5**
Change y/y	*11%*	*18%*	*(1%)*	*10%*	*6%*
Adj. diluted EPS, US$	**0.29**	**0.36**	**0.36**	**0.39**	**0.42**
Change y/y	*3%*	*23%*	*(1%)*	*10%*	*7%*
Net total debt (cash)	**5.7**	**7.1**	**15.7**	**19.1**	**16.7**
Net total debt / Adj. EBITDA	*0.5x*	*0.6x*	*1.1x*	*1.2x*	*1.0x*

Source: Company reports, CG estimates

Earnings sensitivity to "Next 50" growth plan

We have examined the sensitivity to our base level earnings to the three main drivers of the "Next 50" growth plan.

Sensitivity one – improving US owned location margins

The objective under the Dallas template is to bring up the EBITDA margins of ALD US owned locations. These stood at 28% in FY24 relative to Dallas which is generating a 34% margin post-acquisition, highlighting a 600bps difference. We have previously run through the drivers of this growth stream, and our sensitivity therefore looks at how EBITDA and EPS react to incremental margin off our base case revenues.

Our scenario models the sensitivity to Group adj. EBITDA and EPS by increasing ALD US owned locations EBITDA margins from our modelled 28% to the Dallas blueprint of 34%. We show the impact in 1% moves. Whilst a 6% increase to 34% is unlikely in a short space of time, the sensitivity shows that FY25E Group adj. EBITDA would improve by 24% and adj. EPS by 40%. The level of sensitivity is similar for FY26E.

Figure 31: Sensitivity to our base level adj. EBITDA & adj. EPS estimates from improvement in US owned location EBITDA margins (working from 28% to 34%)

Margin improvement	0%	+1%	+2%	+3%	+4%	+5%	+6%
ALD US owned margin	**28%**	**29%**	**30%**	**31%**	**32%**	**33%**	**34%**
FY25E							
Adj. EBITDA ($m)	**16.5**	**17.2**	**17.9**	**18.5**	**19.2**	**19.8**	**20.5**
Margin	*17.5%*	*18.3%*	*19.0%*	*19.7%*	*20.4%*	*21.1%*	*21.8%*
Sensitivity	*0%*	*+5%*	*+8%*	*+12%*	*+16%*	*+20%*	*+24%*
Adj. EPS ($)	**0.39**	**0.42**	**0.45**	**0.47**	**0.50**	**0.53**	**0.55**
Sensitivity	*0%*	*+7%*	*+14%*	*+20%*	*+27%*	*+33%*	*+40%*
FY26E							
Adj. EBITDA ($m)	**17.5**	**18.3**	**19.0**	**19.7**	**20.4**	**21.0**	**21.7**
Margin	*17.6%*	*18.3%*	*19.0%*	*19.7%*	*20.4%*	*21.1%*	*21.8%*
Sensitivity	*0%*	*+4%*	*+8%*	*+12%*	*+16%*	*+20%*	*+24%*
Adj. EPS ($)	**0.42**	**0.45**	**0.48**	**0.50**	**0.53**	**0.56**	**0.59**
Sensitivity	*0%*	*+7%*	*+14%*	*+20%*	*+27%*	*+33%*	*+40%*

Source: CG estimates

Sensitivity two – StreamLabs

We view this sensitivity as an illustration given the StreamLabs opportunity is still highly nascent. Our input assumptions are estimates reflecting informal discussion with management and therefore could end up being higher or lower as the StreamLabs opportunity scales and the revenue and cost model evolves.

Figure 32: StreamLabs model inputs

Inputs per device	$
Device sale	850
Gross margin	*70%*
Installation	750
Gross margin	*33%*
Subscription per month	50
Gross margin	*90%*
Callout charge	500
Gross margin	*67%*
Devices sold per month	100
Incremental sales per month	10
Installed base leaks per year	30%

Source: CG estimates

Figure 33: Our illustration of how StreamLabs could scale over the next five years

$m	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Installed devices	600	3060	6,960	12,300	19,080	27,300
Device sales	0.6	2.2	3.4	4.6	5.9	7.1
Installation sales	0.4	1.9	3.0	4.1	5.1	6.2
SaaS	0.1	1.2	3.1	6.0	9.7	14.3
Emergency callout	0.0	0.3	0.8	1.5	2.4	3.5
Revenue	**1.2**	**5.5**	**10.3**	**16.1**	**23.1**	**31.1**
Growth		*363%*	*87%*	*57%*	*43%*	*35%*
ARR	**0.4**	**1.8**	**4.2**	**7.4**	**11.4**	**16.4**
Growth		*410%*	*127%*	*77%*	*55%*	*43%*
Gross profit	**0.7**	**3.4**	**6.7**	**11.0**	**16.1**	**22.2**
Gross margin	*60%*	*65%*	*70%*	*75%*	*78%*	*81%*

Sensitivity	FY25E	FY26E
Gross profit	+1%	+4%
Adj. EBITDA	+4%	+19%
Adj. EPS	+7%	+32%

Source: CG estimates

Our assumptions on installed devices suggest only a small market share (0.5%) of the 5.9m US commercial property estate within five years, before even considering residential installations. On that basis our assumptions could be viewed as conservative given Chubb policyholders (and those from white labelled insurance partnerships) will be incentivised to install StreamLabs. In addition, a direct multi-site commercial contract win could add a significant number of installs in one go. For example, a 200-location contract with five StreamLabs devices per site would add 1,000 installed devices immediately.

While subjective, our illustration suggests group earnings could begin to benefit from StreamLabs fairly quickly, with the potential for ~20% adj. EBITDA growth and 30%+ adj. EPS growth by the end of FY26E, increasing materially beyond that timeframe.

Sensitivity three - M&A

Using average KPIs for ALD franchises, we have measured the sensitivity of reacquiring a franchise for Water Intelligence. We have assumed just one incremental reacquisition in both FY25E and FY26E. This suggests an average ALD franchise would cost ~$2m to acquire and add around $1.2m of net revenue, $0.4m of net adj. EBITDA and $0.2m of net earnings. Relative to our base forecasts, this represents a 2-3% increase to adj. EBITDA and a 3% increase to adj. EPS in both FY25E and FY26E. It would add 0.1x turns of adj. EBITDA to net total debt leverage.

We estimate this suggests the group has headroom to absorb a further five average-sized franchise reacquisitions in FY25E buying back $2.1m of adj. EBITDA net of lost royalties, to take the balance sheet leverage to 1.5x on a net total debt basis. This would increase revenue by 6%, adj. EBITDA by 13% and adj. EPS by 16% on a proforma basis.

Figure 34: Franchise reacquisition sensitivity model

$m	FY25E	FY26E
Franchises acquired	1	1
Revenue per franchise	1.2	1.3
EV/sales	1.5	1.5
Cost	1.9	1.9
Revenue acquired	1.2	1.3
Royalty reduction	(0.1)	(0.1)
Net revenue acquired	1.2	1.2
EBITDA acquired	0.4	0.5
Royalty reduction	(0.0)	(0.0)
Net EBITDA acquired	0.4	0.4
Interest burden	(0.1)	(0.1)
Net PBT acquired	0.3	0.3
Tax burden	-0.1	-0.1
Net PAT acquired	0.2	0.2
EPS acquired	0.012	0.013
Sensitivity to base estimates		
Revenue	+1%	+1%
Adj. EBITDA	+3%	+2%
Adj. EPS	+3%	+3%
Net total debt/EBITDA impact	+0.1x	+0.1x

Source: CG estimates

Financials: Assumptions

Clean earnings

We adjust earnings to exclude the amortisation of intangibles, the vast majority of which relate to non-compete covenants, trademarks and Salesforce. We also adjust for share-based payments and non-core costs which in recent years have included new construction industry related costs, technology upgrades, and M&A-related legal fees. Other exceptionals in the past five years include a reversal of contingent consideration and a gain on bargain purchase.

Franchise royalties

We assume that the overall number of franchises remains stable at the current level of 72 (~112 locations). As discussed above, total network growth has averaged 9% for the past ten years while the leak detection market is estimated to be growing at 6% per annum. We expect network sales to grow at just 4% CAGR over the next two years. We assume Water Intelligence's share of franchise revenues continues to trend at 6.75% with royalties decreasing ~7% in FY25E reflecting reacquisitions before growth of 4% in FY26E. With our margin assumptions held flat, the result is for EBITDA profitability from this channel to fall moderately to $2.2m in FY26E from $2.3m in FY24.

Franchise related

This segment is dominated by B2B insurance sales that are centrally pushed by ALD to franchisees and amounted to $10m in 2024. We expect growth of 1% in FY25E and 5% in FY26E, consistent with our organic assumptions. We assume flat margins with an EBITDA result of ~$0.9m in both years which is consistent with FY24.

Owned business

Boosted by M&A, this has rapidly grown to become the dominant part of the group's profit and cash flow. Our FY25E forecasts assume an incremental $7.9m of revenues from 2024 acquisitions (proforma impact) and $2.4m of in-year revenues from 2025 acquisitions. Our FY26E revenues anticipate an incremental $1.0m of revenues from 2025 acquisitions (proforma impact). We see EBITDA from owned business increasing 13% CAGR to $19.3m by FY26E from $15.5m in FY24. This assumes 1%/5% organic revenue growth in FY25E/26E, flat underlying margins, and announced M&A.

Central costs

We assume central costs remain consistent with recent trend at 5% of group sales.

EPS

Water Intelligence has 19.4m ordinary shares net of 0.2m held in treasury. This is divided into 17.3m ordinary shares and a further 2.1m unlisted B ordinary shares that are held by Pat DeSouza and which carry voting but no economic rights. Consistent with the company's methodology, we exclude the unlisted shares from our EPS calculation.

Working capital

We estimate that Water Intelligence runs with a small positive working capital position. Over the past five years there has typically been around 7.5% of sales in net balance sheet assets. We model working capital remaining at this level in FY25E, rising to ~9% of sales in FY26E.

Debts

Until recently, Water Intelligence has run an under-geared balance sheet before moving to a net bank debt position of $11.1m in FY24. This follows the acquisition of franchises in Dallas and Fresno, and Feakle (the Irish plumbing business). Net bank debt leverage at 31 December 2024 was 0.8x adj. EBITDA. Including deferred consideration, net total debt was $15.7m with leverage relative to adj. EBITDA of 1.1x.

Our assumption is that net bank debt rises to $17.5m in FY25E reflecting acquisitions that have been announced to date, with net leverage at year end at 1.1x before nudging down to 0.9x in FY26E. On a net total debt/adj. EBITDA basis we see leverage rising slightly to 1.2x in FY25E, which then falls to 1.0x in FY26E. The financial charges associated with debt are expected to be around 7%, consistent with FY24 with the group's M&T financing facility charging SOFR (currently 4.35%) and a 3% margin.

Tax

We calculate a tax rate – based on post-tax, pre-amortisation and other adjusting items of around 30%. While this is above our calculated rate of ~23% in FY23 and FY24, it is consistent with the longer-term trend and reflects deferred tax charges despite an underlying rate of 17%. Water Intelligence's cash taxes appear to broadly match P&L taxation.

Free cash flow

Has averaged around $5m per annum since 2020. We model a reduction to $3.7m in FY25E reflecting higher net interest, tax, working capital and capex costs, after generating $14.0m of cash from operations. We see free cash flow climbing to $4.4m in FY26E reflecting a rise in operating cash flow to $15.0m which converts from EBITDA at 85%.

Acquisitions

We model a deferred consideration outflow of $3.0m in FY25E of which $2.5m relates to Dallas and $0.5m to Feakle, with a further $0.5m outflow related to Feakle in FY26E. To date in 2025, Water Intelligence has acquired Effective Plumbing, a fast-growing plumbing business in Connecticut US for $1.2m to accelerate its StreamLabs partnership. It has also reacquired its Georgia and South Carolina ALD franchise for $3m, and its Middle Georgia franchise for $0.4m. As a result, we model a further cash outflow of $4.6m in FY25E. We do not model for any further acquisitions.

Buybacks

Water Intelligence has authority to buy back up to up to 10% of its ordinary shares (~2m). To date, in 2025 it has repurchased 0.1m at a cost of $0.5m which we have included in our model.

Dividends

We do not forecast dividends in the next two years, with cash generation likely to be used to deleverage the balance sheet and help fund growth investments either through new technology and/or M&A.

Financials: Tables

Figure 35: P&L

Yr to 31 Dec ($m)	2020	2021	2022	2023	2024	2025E	2026E
Franchise royalties	6.7	6.8	6.7	6.7	6.5	6.1	6.3
Change	*3%*	*2%*	*(1%)*	*(0%)*	*(3%)*	*(7%)*	*4%*
Franchise related	9.5	9.8	10.6	11.2	10.7	10.8	11.3
Change	*18%*	*3%*	*9%*	*5%*	*(4%)*	*1%*	*5%*
Owned business	21.7	38.0	54.0	58.1	66.1	77.1	82.0
Change	*50%*	*75%*	*42%*	*8%*	*14%*	*17%*	*6%*
LFL change	*0%*	*18%*	*26%*	*1%*	*4%*	*(3%)*	*7%*
Revenue	**37.9**	**54.5**	**71.3**	**76.0**	**83.3**	**94.0**	**99.6**
Change	*17%*	*44%*	*31%*	*7%*	*10%*	*13%*	*6%*
Cost of sales	(8.8)	(9.0)	(9.7)	(10.4)	(9.8)	(10.7)	(11.3)
Gross profit	**29.1**	**45.6**	**61.7**	**65.6**	**73.5**	**83.3**	**88.4**
Gross margin	*77%*	*84%*	*86%*	*86%*	*88%*	*89%*	*89%*
Underlying opex	(22.1)	(35.3)	(49.3)	(52.2)	(59.2)	(66.8)	(70.9)
Franchise royalties	1.8	1.8	2.0	2.2	2.3	2.2	2.2
Margin	*26%*	*27%*	*29%*	*32%*	*35%*	*36%*	*36%*
Franchise related	0.7	0.8	1.0	0.9	0.9	0.9	0.9
Margin	*7%*	*8%*	*9%*	*8%*	*8%*	*8%*	*8%*
Owned business	6.3	9.8	13.3	14.2	15.5	18.4	19.6
Margin	*29%*	*26%*	*25%*	*24%*	*23%*	*24%*	*24%*
Central costs	(1.8)	(2.1)	(3.9)	(3.8)	(4.4)	(4.9)	(5.3)
% group sales	*5%*	*4%*	*5%*	*5%*	*5%*	*5%*	*5%*
Adj. EBITDA	**7.0**	**10.3**	**12.4**	**13.4**	**14.3**	**16.5**	**17.5**
Adj. EBITDA margin	*18%*	*19%*	*17%*	*18%*	*17%*	*18%*	*18%*
D&A	(1.6)	(2.5)	(3.2)	(3.7)	(4.6)	(4.8)	(5.1)
Adj. operating profit	**5.4**	**7.8**	**9.1**	**9.7**	**9.7**	**11.7**	**12.4**
Operating margin	*14%*	*14%*	*13%*	*13%*	*12%*	*12%*	*12%*
Net finance costs	(0.4)	(0.9)	(1.3)	(0.9)	(1.3)	(1.5)	(1.6)
Adj. PBT	**5.1**	**6.9**	**7.8**	**8.7**	**8.4**	**10.2**	**10.8**
Acquired intangibles	(0.5)	(0.5)	(1.0)	(0.8)	(0.9)	(0.9)	(0.9)
Share based payments	(0.2)	(0.4)	(0.5)	(0.6)	(0.4)	(0.4)	(0.4)
Other adjusting items	(0.1)	(0.3)	(0.8)	(1.1)	(0.8)	(0.5)	(0.5)
PBT	**4.2**	**7.6**	**5.5**	**6.2**	**6.4**	**8.4**	**9.1**
Tax	(1.1)	(1.4)	(1.5)	(1.2)	(1.2)	(2.4)	(2.6)
Tax adjusting items	(0.1)	(0.2)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)
Tax rate	*28%*	*27%*	*29%*	*23%*	*23%*	*30%*	*30%*
Adj. net profit	**3.6**	**4.9**	**5.5**	**6.5**	**6.4**	**7.0**	**7.5**
Net profit	**2.9**	**5.8**	**3.6**	**4.4**	**4.7**	**5.5**	**6.0**
Adj. EPS, FD (cents)	**23.4**	**28.5**	**29.4**	**36.2**	**35.8**	**39.4**	**42.0**
Change	*42%*	*22%*	*3%*	*23%*	*(1%)*	*10%*	*7%*
DPS (cents)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Change	-	-	-	-	-	-	-
Weighted avg shs, FD (m)	15.4	17.3	18.6	17.8	17.8	17.8	17.8

Source: Company reports, CG estimates

Figure 36: Cash flow

Yr to 31 Dec ($m)	2020	2021	2022	2023	2024	2025E	2026E
Adj. EBITDA	**7.0**	**10.3**	**12.4**	**13.4**	**14.3**	**16.5**	**17.5**
Adjusting items/other	(0.1)	(0.3)	(0.8)	(1.1)	(1.6)	(0.5)	(0.5)
Working capital	0.6	(2.8)	(1.0)	(0.0)	1.6	(2.0)	(2.0)
Interest & Tax	(1.3)	(1.9)	(2.6)	(1.6)	(3.0)	(4.6)	(4.8)
Capex	(0.7)	(2.6)	(3.6)	(4.4)	(5.7)	(5.7)	(5.7)
Free cash flow	**5.4**	**2.6**	**4.3**	**6.3**	**5.5**	**3.7**	**4.4**
Share issues	2.6	23.0	(0.5)	0.0	(0.2)	(0.5)	0.0
Acquisitions	(9.5)	(6.2)	(5.7)	(4.2)	(7.1)	(7.6)	(0.5)
Distributions	0.0	0.0	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Leases	(0.8)	(1.4)	(1.6)	(1.7)	(1.8)	(1.8)	(1.8)
Change in cash	**(2.4)**	**18.0**	**(3.6)**	**0.1**	**(3.7)**	**(6.4)**	**1.9**
Non-cash debt movements	0.4	(2.2)	(5.6)	(5.4)	(8.7)	0.0	0.0
Net bank debt / (cash)	**(0.0)**	**(15.8)**	**(6.6)**	**(1.3)**	**11.1**	**17.5**	**15.6**
Deferred consideration	5.2	13.7	12.3	8.4	4.6	1.6	1.1
Net total debt / (cash)	**5.1**	**(2.1)**	**5.7**	**7.1**	**15.7**	**19.1**	**16.7**
Net total debt / Adj. EBITDA (x)	*0.8x*	*(0.2x)*	*0.5x*	*0.6x*	*1.1x*	*1.2x*	*1.0x*

Source: Company reports, CG estimates

Figure 37: Balance sheet

Yr to 31 Dec ($m)	2020	2021	2022	2023	2024	2025E	2026E
Intangible assets	23.8	41.1	51.0	57.6	76.6	83.4	86.3
PPE & ROU assets	5.2	7.8	9.2	10.5	13.0	12.6	11.3
Net working capital	2.6	4.9	5.8	5.8	5.1	7.1	9.2
Net bank debt	0.0	15.8	6.6	1.3	(11.1)	(17.5)	(15.6)
Leases	(3.8)	(3.5)	(4.4)	(4.9)	(6.9)	(6.9)	(6.9)
Deferred & contingent consideration	(5.7)	(13.7)	(12.3)	(8.4)	(9.1)	(6.1)	(5.6)
Other assets / (liabilities)	1.2	0.0	(0.7)	(1.7)	(2.2)	(2.2)	(2.2)
Net assets	**23.4**	**52.4**	**55.2**	**60.3**	**65.4**	**70.5**	**76.5**

Source: Company reports, CG estimates

Valuation

We see Water Intelligence as a unique UK listed asset with multiple streams to deliver double-digit revenue and earnings growth over the medium term. Its drivers are both organic and M&A (derisked through franchise reacquisitions), supported by technology investment and secular tailwinds that are becoming increasingly relevant within core US water infrastructure markets. We suggest two relevant peer baskets:

- UK listed services businesses - both franchised and tech-enabled; and
- US listed water-tech businesses.

Figure 38: Selected peer comp table

Stock	Mkt Cap	P/E		EV/EBITDA		EBITDA margin		EBITDA CAGR	EPS CAGR
	Local m	CY25E	CY26E	CY25E	CY26E	CY25E	CY26E	+2Y	+2Y
UK-listed services									
Rentokil	9,561	19.2x	17.7x	11.7x	11.0x	20.8%	21.4%	(0.9%)	0.4%
Franchise Brands	270	15.7x	13.2x	9.7x	8.7x	14.9%	15.5%	5.5%	11.0%
Big Technologies	248	12.5x	11.9x	5.9x	5.6x	53.6%	53.7%	3.4%	4.5%
Ondo InsurTech	39	-	-	-	-	-	-	-	-
Average		**15.8x**	**14.3x**	**9.1x**	**8.5x**	**29.8%**	**30.2%**	**2.7%**	**5.3%**
US-listed Water Tech									
Ecolab	57,590	36.2x	32.1x	21.9x	20.3x	24.1%	24.9%	8.4%	13.1%
Xylem	25,838	29.6x	26.5x	18.6x	17.1x	21.6%	22.4%	9.4%	12.2%
Veralto Corp	19,888	28.6x	26.0x	20.5x	18.8x	24.9%	25.6%	7.4%	8.1%
Pentair	12,530	21.3x	19.3x	16.7x	15.5x	26.5%	27.7%	7.9%	10.8%
IDEX Corp	8,866	20.0x	18.3x	14.4x	13.5x	26.8%	27.5%	6.1%	4.8%
Watts Water Technologies	5,351	27.0x	25.0x	17.6x	16.3x	21.0%	21.6%	8.1%	8.9%
Itron	4,269	20.8x	19.9x	16.4x	14.9x	15.1%	15.8%	10.3%	5.9%
Badger Meter	4,126	39.2x	35.1x	25.3x	23.2x	23.1%	23.2%	10.4%	12.6%
Mueller Water Products	2,979	19.8x	18.1x	12.7x	11.7x	22.9%	23.8%	9.8%	17.0%
Average		**26.9x**	**24.5x**	**18.2x**	**16.8x**	**22.9%**	**23.6%**	**8.6%**	**10.4%**
Basket average		**24.2x**	**21.9x**	**16.0x**	**14.7x**	**24.6%**	**25.3%**	**7.2%**	**9.1%**
Basket median		**21.0x**	**19.6x**	**16.5x**	**15.2x**	**23.0%**	**23.5%**	**8.0%**	**9.9%**
Water Intelligence	**60**	**10.6x**	**9.9x**	**6.4x**	**5.9x**	**17.5%**	**17.6%**	**10.8%**	**8.4%**

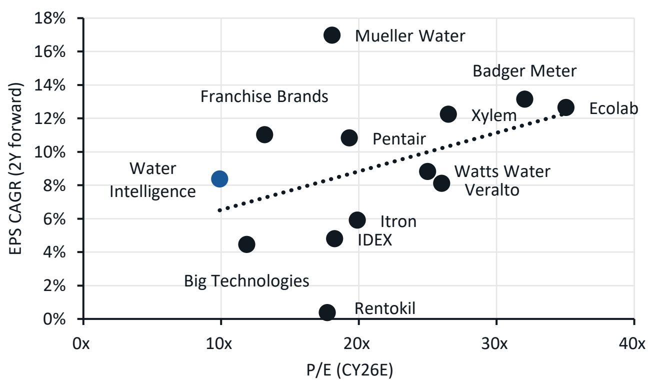
Source: FactSet, Water Intelligence based on CG estimates

As we see above, Water Intelligence trades on a calendar (and full-year) P/E of 10.6x for FY25E falling to 9.9x for FY26E based on CG forecasts. On an EV/EBITDA basis it trades on 6.4x for FY25E and 5.9x for FY26E. This is materially below the average for both our UK and US selected peer baskets which respectively trade at around 1.5x and ~3x the multiples that Water Intelligence is currently priced at. This is despite the fact Water Intelligence has a consistent track record of growing revenues and profits at a double-digit rate while generating high-teen EBITDA margins. Long-run average for P/E is 16x (as referenced in Figure 6) with EV/EBITDA at 11x.

Our base case forecasts anticipate 9% revenue, 11% adj. EBITDA and 8% adj. EPS CAGR over the next two years with undemanding, in our view, assumptions of low-single-digit organic growth (vs market of 6%+), flat underlying margins, and importantly no further M&A. If Water Intelligence can deliver against its strategic growth roadmap, our assumptions could be viewed as conservative.

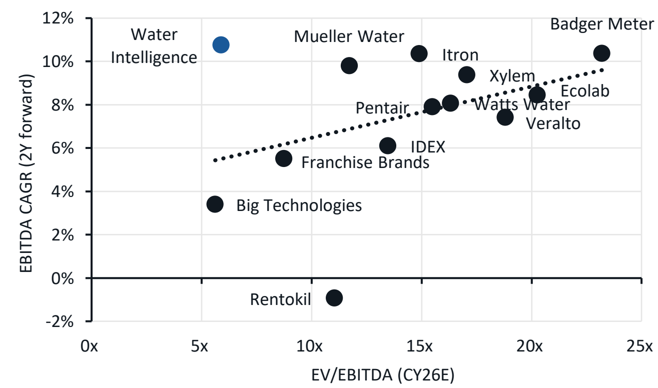
In this context, as a starting point we believe Water Intelligence should trade at least in line with our UK peer group, if not closer to Rentokil given the group's superior profit growth profile over the next two years. Thereafter, our sensitivity analysis points to several streams that could drive double-digit growth over the medium-to-long term. If Water Intelligence can execute on part/each of these to drive sustainable growth and improve the quality of its earnings, then we believe the shares could begin to re-rate towards the higher multiples enjoyed by our selected US water-tech peers. These trade on 25x P/E and 17x EV/EBITDA for CY26E, with stocks such as Xylem (n/r) and Badger Metering (n/r) on much higher multiples still.

Figure 39: CY26E P/E vs 2Y forward EPS CAGR



Source: FactSet, CG estimates for Water Intelligence

Figure 40: CY26 EV/EBITDA vs 2Y forward EBITDA CAGR



Source: FactSet, CG estimates for Water Intelligence

In determining our 12-month target price, we therefore use an equally weighted price multiple of 15x P/E and 9x EV/EBITDA applied to our FY26E estimates. This suggests a value per share of 500p.

Longer-term, if Water Intelligence can successfully deliver its "Next 50" growth roadmap to drive strong double-digit growth and improved earnings quality then a further re-rating (towards US water tech peers) to 920p/share could be possible, in our view, based on 25x P/E and 17x EBITDA, equally weighted for CY26E.

Figure 41: 12-month target price based on base case is 500p

	Base-case		US re-rating	
	FY26E multiple	Target/sh	Multiple	Target/sh
P/E	15x	480p	25x	790p
EV/EBITDA	9x	520p	17x	1,050p
Price target		**500p**		**920p**

Source: CG estimates

We initiate coverage of Water Intelligence with a BUY rating and a 12-month price target of 500p. This implies more than 60% upside to the current share price.

Figure 42: Multiples at our 12-month target price of 500p

	FY25E	FY26E
EV/Sales	1.6x	1.5x
EV/EBITDA	9.3x	8.7x
P/E	16.9x	15.9x
FCF Yield	4.1%	5.0%

Source: CG estimates

Investment risks

The chief risks that Water Intelligence runs include:

- **Franchisee performance:** The success of Water Intelligence is fundamentally built on that of the franchisees of American Leak Detection, who are responsible for managing >60% of the overall revenue of the brand. We understand that there are multiple franchisees, the largest of which runs businesses with ~$12m in turnover (across several franchises). Whilst ALD has a long track record, and Water Intelligence has significant influence over the performance of its franchisees, ultimately these are third-party operated businesses, and the relationship with these franchisees is critical to the success of Water Intelligence.
- **M&A execution:** Acquisitions have been, and are likely to continue to be, a key part of the Water Intelligence DNA. This is likely to be dominated by the reacquisition of ALD franchises as they come up for sale (exercising the right of first refusal), or as Water Intelligence seeks to acquire strategic locations. While there is always execution risk with acquiring businesses, especially in overseas markets, we believe the risk is reduced given products, services and markets within an ALD franchise are well known to the group.
- **Competitive pressures:** ALD secures the overwhelming majority of its revenue in commercial, competitive markets, where homeowners and small businesses choose to use its services. Other players may come in, either regionally or nationally, to disrupt ALD's offering, potentially reducing profitability. We do not currently see any comparable businesses operating at the scale of ALD.
- **Technology investment:** Water Intelligence, and ALD in particular, relies for part of its sales growth on the successful introduction of new technologies and techniques, for both operational deployment and in securing sales leads. In the past, some of these have proven successful, and others not. StreamLabs is expected by the company to be a key driver of medium-term growth and we note our forecasts embed no incremental improvement from the efforts Water Intelligence is currently making.
- **Performance of WII:** The international operations of Water Intelligence have grown strongly in recent years, driven by M&A. This has helped improve what was previously a mixed track record in EBITDA and cash generation, partly due to a concentrated customer base and limited scale. Day-to-day oversight is also more challenging given the geographic spread of WII, as seen with recent challenges in Australia. Our forecasts assume that WII is able to maintain a low-single-digit EBITDA margin, a level materially below the 14% realised in FY23.
- **Corporate governance:** There are three parties – Pat DeSouza, Michael Reisman (a former Director) and Plain Sight Systems (the group's R&D partner) – that combined control just under 40% of shares in Water Intelligence. These three formed the majority of the "concert party" for the purposes of the Takeover Code during the acquisition of Qonnectis in 2010 and a Rule 9 waiver relating to a share buyback in September 2024. However, we note the track record of this group and Water Intelligence has been one of scrupulous respect for third-party shareholders to date.

Key management

Board of Directors

Pat DeSouza (Executive Chairman)

Pat has been Chairman of ALD since 2006 and Executive Chairman of Water Intelligence since 2010. He has over 25 years of leadership experience with both public and private infrastructure, technology and asset management companies. He also has significant corporate finance expertise including cross-border M&A. He has practised corporate and securities law as a member of the New York and California bars. Pat is a former Director at the National Security Council in the White House, contributing to public policy.

Laura Hills (Non-Executive Vice Chair)

Laura joined the Water Intelligence Board in 2018. She has more than 30 years legal experience, specialising in global infrastructure and renewables including as former Associate General Counsel at OPIC, overseeing finance transactions across micro-lending, small businesses, and complex infrastructure financing in emerging markets. Laura is a founder of Hills, Stern & Morley LLP, a boutique legal firm in Washington.

Dan Ewell (Non-executive Director)

Dan was appointed as a Non-Executive Director in 2021. He is a Senior Advisor at Morgan Stanley, where he has worked as an investment banker for over 33 years. He has deep experience across a range of sectors including consumer/retail, industrial, healthcare, media/technology and franchised business models. Dan chairs the Group's audit committee.

Bobby Knell (Non-Executive Director)

Bobby was appointed to the Board in 2019. Bobby has served as a managing director at Water Intelligence responsible for franchise relations. Prior to this role, He founded and grew the Dallas franchise of American Leak Detection (recently reacquired by Water Intelligence) into a multi-million-dollar operation. His appointment helps align the strategy and interests between corporate operations and the core American Leak Detection franchise business.

Phil Meckley (Non-Executive Director)

Phil currently owns fast-growing franchises in California and Texas. He brings over twenty-five years of operating experience in growing ALD locations and has provided significant leadership to the entire franchise System.

Senior Management

Will Knell (Chief Executive Officer, ALD)

Will was appointed as Chief Executive Officer of American Leak Detection (ALD) in November 2024, in a non-board role, following the reacquisition of his Dallas franchise. Will has significant experience in operations and is well respected throughout ALD having previously been awarded Franchisee of the Year. The Dallas franchise was the single largest location in terms of sales within in the entire ALD franchise network, is fast growing and generates strong profit margins.

Pat Lamarco Jr (Chief Financial Officer)

Pat was appointed Chief Financial Officer of Water Intelligence and American Leak Detection in 2021, in a non-board role. Prior to his current role he has held executive and managerial positions with LifeCare Inc and Xerox Corp. Pat is a CPA in the State of Connecticut and holds an MBA from Babson College.

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Investment Recommendation

Date and time of first dissemination: August 12, 2025, 02:04 ET

Date and time of production: August 12, 2025, 02:04 ET

Target Price / Valuation Methodology:

Water Intelligence plc - WATR

We use an equally weighted price multiple of 15x P/E and 9x EV/EBITDA applied to our FY26E estimates.

Risks to achieving Target Price / Valuation:

Water Intelligence plc - WATR

Key man risk, M&A execution, not in control of 3rd-party franchise performance, margin improvement requires culture change, competitive pressures, new/well-funded technology solutions, limited day-to-day oversight of international operations, corporate governance and macro challenges.

Distribution of Ratings:

Global Stock Ratings (as of 08/12/25)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	639	69.68%	26.60%
Hold	130	14.18%	7.69%
Sell	6	0.65%	0.00%
Speculative Buy	136	14.83%	55.15%
	917*	100.0%	

*Total includes stocks that are Under Review

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*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

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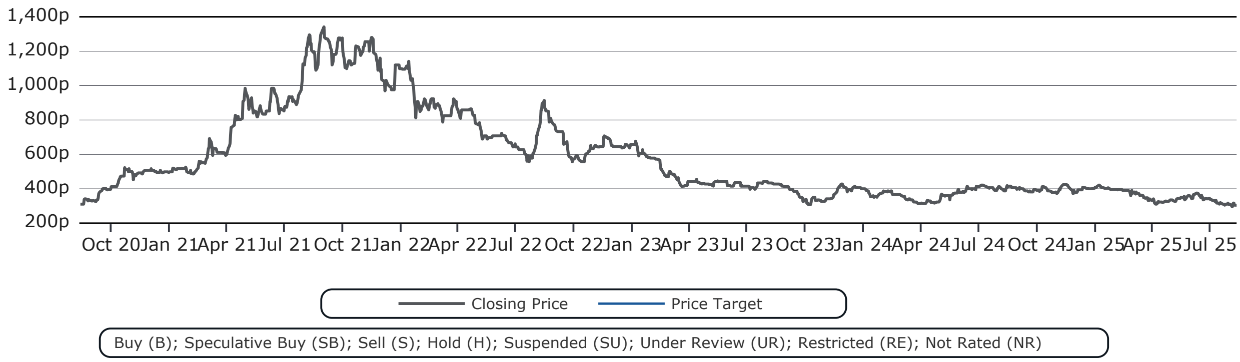
Water Intelligence plc Rating History as of 08/11/2025



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