

(RNS) Water Intelligence Q4 Trading Update and Corporate Development
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Water Intelligence plc
("Water Intelligence" or the "Company")

Q4 Trading Update and Corporate Development

Water Intelligence plc (AIM: WATR.L), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to provide a trading statement for the year ended 31 December 2017. We are also including an update on our corporate development as we expand our offerings to become a "one-stop" platform with a variety of cross-selling opportunities. The Company expects to announce its audited results for the year ended 31 December 2017, on or around 9 May 2018, approximately the same date as last year.

Highlights

- Revenue up 45% to \$17.7 million (2016: \$12.2m)
 - Corporate revenues of approximately \$8 million, up 64%
 - Franchise royalty income of approximately \$6 million, up 7%
 - Business-to-Business sales, led by insurance channel, of approximately \$2.5 million (2016: \$0.66m)
 - Equipment purchases of approximately \$1.2 million, up 11.6%
 - Total Sales to Customers: Franchise system sales (from which royalty is drawn) and Corporate sales of approximately \$90 million (2016: approximately \$82 million)
- Adjusted PBT up 21% to \$1.7 million (2016: \$1.4 million), including increased investment in infrastructure to allow for additional growth in 2018 and beyond

- Insurance channel momentum: first national account implemented; second account signed and in process of implementation; pipeline developing
- Agreement signed with Flo Technologies for American Leak Detection business growth; launch of renewables line for UK-based municipal business growth
- Tax cuts expected to benefit the Company in 2018 and beyond
- Sales and Adjusted PBT rate of growth accelerated 2017 vs 2016 compared with 2016 vs. 2015
- Confident of further growth in year ahead given anticipated US economic growth for our core American Leak Detection business and water loss as a salient issue worldwide driving consumer, business and municipal spending

Trading Update

Water Intelligence had another strong year. The Company's upward growth trajectory, referred to in the Q3 Trading Update, remained consistent for the remainder of 2017. Revenue and profit before taxes adjusted each grew significantly during 2017 when compared with 2016. Importantly, the rate of growth along both dimensions actually accelerated year-over-year when reviewing 2016 results relative to 2015.

Revenue grew to \$17.7 million which was 45% higher than 2016 revenue of \$12.2 million. This path showed acceleration from 38% year-over-year growth when comparing 2016 to 2015 (2015: \$8.8 million). Put another way, in just two years, sales have doubled. Further, despite investing for such top-line growth, Water Intelligence also scaled well in terms of profits before taxes adjusted. The adjustment made is to focus on on-going operations. Profits before taxes are adjusted for amortization, a non-cash expense, and one-time costs given that acquisitions (whether franchise reacquisition or third party) are part of our on-going business plan. During 2017, profits before taxes adjusted reached \$1.7 million which was 21% higher than profits before taxes adjusted in the same way during 2016 (2016: \$1.4 million). This strong result also showed acceleration from 8% growth in profits before taxes adjusted when comparing 2016 to 2015. (2015: \$1.3 million). Note that profits before taxes unadjusted actually grew faster at approximately 50% year-over-year. (2017: \$1.15 million; 2016: \$0.77 million).

Market demand for our offerings only continues to increase. Problems of water scarcity and the implications of water loss from failing infrastructure are increasingly salient worldwide from Cape Town, a city which may become the first in the world to run out of water, to California where drought and wildfires are causing government to increase regulatory demands to lower water loss from leakage.

Our Water Intelligence platform offers an increasing range of solutions to address customer demand whether residential, commercial or municipal. In breaking down our sales by business

lines, we see growth in each segment. Moreover, we are incorporating new lines of business driven by technology products building upon our current lines that are characterized by service delivery.

As stated in the 2016 update: "Each segment, franchise and corporate, work synergistically." For 2017, one might add to that phrase "including municipal now that Water Intelligence International ("WII"), our UK-based business, has been working with both American franchisees and our new corporate operation in Sydney to layer-in municipal work on top of our leak detection service offerings for residences and commercial properties."

Because of these synergies, we are now scaling faster on all fronts. First, the evolution of our business-to-business insurance channel has fed additional jobs to the entire franchise system.

During 2017 we established national accounts with two of the leading insurance companies in the US and with American Pool Enterprises. Franchise royalties, drawn from system-wide sales of approximately \$80 million, grew faster during 2017 by 7% year-over-year to \$6 million despite additional franchise reacquisitions which reduced the pool of franchise sales. Second, corporate operations, which include our WII municipal business, grew at about 64% to above \$8 million (2016: \$4.9 million). Third, franchisees continued to reinvest in growth leading to a rise in equipment purchases to \$1.2 million or an 11.6% increase.

Corporate Development

We are a technology company that delivers services. In providing our current solutions, we use cutting-edge acoustic and infrared technologies along with proprietary techniques. In the Outlook Section of the Chairman's Statement for the 2016 Annual Report, we indicated that to execute our vision of a multinational growth company, we needed to invest in technology and in people. We also pointed to renewables as a future growth path.

During 2017, we advanced corporate development in all of these directions while continuing to relentlessly grow our core businesses. We are deepening our technology profile across our business lines - residential, commercial, municipal - to provide for additional cross-sales opportunities whether organically or together with our business partners. First, for our core American Leak Detection business that services over 200,000 homes and a business-to-business insurance channel, we are working with partners such as Flo Technologies to sell innovative products for the home. Second, for our core WII municipal business, we are now initiating a renewables product solution to enhance our current waste and waste water offerings and to complement our traditional pipe leak detection and sewer asset surveys. Finally, we will be communicating our brand and enabling e-commerce transactions using cutting edge video and analytic technology with our partner Tagasauris. Each of these three aspects of corporate development reinforces our value proposition as a platform company that is on a mission to help remedy water loss and contribute to a sustainable global economy.

We recognize that we need additional talented leadership to fulfil

our vision. During 2017, to enhance our people-management capabilities, we were pleased to have retired Admiral John Weigold join our board. We are starting 2018 with another expansion of our leadership pool. Robert Mitchell will move from being a board member of Water Intelligence plc to an executive role as Chief Strategy Officer of our new renewables line. Given his board experience, I am confident that we will proceed in an accretive way to link this new line to our UK-based municipal business and to the work that our franchisees provide for US municipal customers. Laura Hills will replace Robert Mitchell on the board pending completion of regulatory checks. Laura is a prominent attorney in the US with an expertise in renewables around the world. During 2018, we will be announcing a world-class advisory board to further supplement our leadership ranks so that we can attack the market along all of business lines now in place and achieve our vision of true "One Stop Shop".

Balance Sheet Supporting Continued Growth

Water Intelligence is well-positioned in its capital formation to execute its growth plan and take advantage of our deeper leadership capabilities. The Company's current cash position is strong with approximately \$775,000. Net debt is \$1.2 million. Amortization requirements for our debt are conservative given that our annual royalty income is \$6 million. Moreover, we have significant capacity available with untapped credit lines. Our acquisition line of credit has \$0.9 million available and our working capital line of credit has \$0.27 million available.

Conclusion and Outlook.

We are on a mission to provide products and services solutions for the global problem of water loss through leakage. Over the last five years, we have built a platform company that has successfully grown in three customer markets - residential, commercial, municipal - and across multiple jurisdictions - US, UK, Australia, Canada, and Belgium. We will continue to execute our growth plan in these areas. Further, we are now leveraging our platform vision, installed customer base, and technology profile through the cross-sales of cutting-edge products for home water management and sustainable solutions for non-potable water by-products. Global market demand for our solutions is increasing given climate issues and natural resource constraints. The wind is at our back, and we hope to make a difference. We believe that 2018 will bring significant additional revenue growth, both organically and through selected re-acquisition of our franchises. Profits should also be further enhanced by recent tax legislation in the US, which is expected to materially reduce the Company's tax rate during 2018 and beyond.

Commenting on the Group's trading performance, Dr. Patrick DeSouza, Executive Chairman of the Company, stated:

"Growth accelerated and our vision of a valuable platform company that provides solutions all along the water value chain is coming into fruition. From early warning and pinpoint leak detection to remediation and renewable solutions, we stand ready for all of our customers' needs. Our plan, now that we have all

