



Q1 Trading Update

Water Intelligence plc (AIM: WATR.L) (the “Group” or “Water Intelligence”), a leading multinational provider of precision, minimally-invasive leak detection and remediation solutions for both potable and non-potable water is pleased to provide a trading update for Q1 2018.

Strong Trading Growth; Significant Corporate Development to Fuel Further Growth and Technology Profile

The Group achieved strong first quarter growth at both top and bottom lines. Sales amounted to \$5.3 million which represented a 40% increase relative to Q1 2017 (\$3.8 million). Profits before tax amounted to \$0.6 million which represented a 50% increase relative to Q1 2017 (\$0.4 million). All of the above are comfortably in-line with our expectations. Especially, given the further funding we raised during March, we have a strong foundation from which to sustain our growth path.

This performance has been driven by all business lines. Royalty income from our core American Leak Detection business grew to \$1.7 million, which represented an increase of approximately 6.5% over Q1 2017 (\$1.6 million). Given that the Group has selectively reacquired franchises for conversion to corporate-run operations, this is a strong performance from Water Intelligence’s franchisees and the Group’s business-to-business insurance channel highlighted below.

Corporate-run operations grew to \$2.5 million which represents an increase of approximately 67% over Q1 2017 (\$1.5 million). Corporate operations include not only former franchise-run locations but also the Group’s UK municipal business that was launched during Q4 2016. The municipal component grew approximately 25% to \$0.5 million when compared with Q1 2017 (\$0.4 million), whilst also allocating resources to helping U.S. and Australian operations (franchise and corporate) gain municipal contracts. Our dedicated UK municipal business will allow American Leak Detection corporate operations and franchisees to cross-sell at an increasing pace.

Parts and equipment sales grew to \$0.25 million which represented an increase of approximately 20% over Q1 2017 (\$0.21 million). Today’s much higher growth rate for parts and equipment when compared with our franchise royalty growth rate (20% vs. 6.5% respectively), indicates that our franchisees are investing in their own future growth by adding to operations.

Finally, our business-to-business channel with our insurance partners continues to expand rapidly with sales reaching \$0.9 million which is almost triple from amounts attributable to the channel during Q1 2017 (\$0.3 million). This direction reinforces Water Intelligence’s select position in making a market with corporate partners for leak detection products and home services leveraging our nationwide distribution footprint across the United States via American Leak Detection.

Q1 Corporate Development

As noted above, during March we completed a fundraising round of approximately \$7.5 million with both an equity issuance (\$5.8 million) to strengthen our investor base and expansion of our debt facilities (\$1.7 million of new availability) to provide a non-dilutive complement that is supported by the strength of our business model. In particular, the fundraising expanded the Group's institutional investor base on both sides of the Atlantic. This international capital formation is geared for fulfilling our vision of a multinational growth company.

Our expressed use of proceeds is geared primarily towards enhancing operational scale along the trading lines discussed above. Since the fundraising, the Group has completed the acquisitions of the Louisville, Kentucky and Bakersfield, California franchises. The pipeline of opportunities to expand into new territories remains strong. In addition, the Group plans to reinforce the "Intelligence" dimension of Water Intelligence. Our corporate DNA already emphasizes the use of technology to solve problems of water infrastructure. We plan to add to this technology profile through partnerships announced and developed during Q1 with "AI-first" (Artificial Intelligence) home services product companies, such as Flo Technologies, and video solutions companies, such as Tagasauris. Such partnerships will help define the Group's brand as a technology company that provides leading-edge products and services to address the global problem of water loss.

Patrick DeSouza, Executive Chairman of Water Intelligence, commented: "We are enthusiastic about our mission. Solutions to the problems of water loss are in increasing demand irrespective of one's perspective on economic cycles. With its strong base of business, Water Intelligence is just at the beginning of its upward journey given the increasing saliency and cost of water worldwide. We have had a good start to the year and we look forward with confidence."

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