RNS Number : 0126Z
Quartix Technologies PLC
09 January 2024

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 AS RETAINED AS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 AS AMENDED.

Quartix Technologies plc
("Quartix", "the Group" or "the Company")
Trading Statement

Quartix Technologies plc, a leading supplier of subscription-based vehicle tracking systems, software and services, is pleased to provide an update on trading for the year ended 31 December 2023 (the "Period").

Management estimates provided in this update may be subject to revision following the finalisation of December's trading results and audit.

Additionally, the Company announces that its registered office has changed from Sheraton House, Castle Park, Cambridge, CB3 0AX to 9 Journey Campus, Castle Park, Cambridge, CB3 0AX.

Financial Results

The Board estimates that revenue, profit (adjusted EBITDA) and free cash flow for the Period will have been £29.8m, £4.9m and £3.1m respectively. The Company's cash balance at year-end was £2.3m.

Free cash flow for the period excludes the capital investment made in the purchase of Konetik Deutschland GmbH ("Konetik"), but includes the effects of operational losses from the Konetik acquisition post-completion during the Period. The net cash expenditure attributable to these were £1.95m and £0.7m, respectively. In addition to this the Company incurred incremental corporation tax charges of £0.7m associated with changes it made to its accounting policies in 2022.

Given the closing cash balance at the end of the Period the Board will consider whether to recommend a lower ordinary dividend than that implied by its current dividend policy at the time of publication of its audited results.

Fleet Subscription Base

The Company made good progress in its core fleet business during 2023: the vehicle subscription base increased by 13% to 266,568 and total fleet revenue grew by 10% in the Period, to £29.5m. Attrition has marginally increased to 13.3% (2022: 12.8%) driven by increased attrition in the US market. Following the planned discontinuance of the insurance business, insurance revenue reduced further to £0.4m, representing less than 2% of Group revenue.

Excellent growth was achieved in both France and the Company's new European territories, with performance in the UK and the USA being subject to renewed focus in 2024.

Region	ARR 31/12/2023 (£m)	Growth vs. 2022 (constant currency1)	New subscriptions (units) FY 2023	Subscription base (units) 31/12/2023	Growth in subscription base vs 2022	Customer base 31/12/2023
UK	16.5	2.1%	26,411	146,679	7.4%	11,305
France	7.4	22.2%	22,151	67,895	29.1%	8,230
USA	3.1	(5.4%)	5,994	29,235	(5.1%)	3,849
Spain, Italy, Germany & Ireland	2.1	45.3%	9,862	22,759	46.0%	3,884
Total	**29.1**	**8.0%**	**64,418**	**266,568**	**13.2%**	**27,268**

Annualised Recurring Revenue ("ARR")

ARR is the annualised value of the Group's recurring fleet subscription base. ARR increased by £2.2m during the period, on a constant currency basis[1], ending the year at £29.1m. Price erosion measured at a constant currency has remained stable with the prior year at 4.6%.

Given the inflationary pressures of the past two years the Company has introduced a change to its terms allowing a price adjustment to be made to certain contracts following expiry of the initial term. Customers were notified of this change at the end of the Period and it will come into effect from 1 February 2024 for approximately 80% of the subscription base. This is expected to have a positive impact on ARR from February onwards and the Company will be in a better position to report on the improvement after the first quarterly billing cycle has been completed.

EVolve and Konetik

Revenues from Evolve during the Period and independent revenues from Konetik post-acquisition during the Period amounted to less than £0.1m combined. For this reason, and those outlined in the RNS of 11 December 2023, sales, development and marketing resources for the UK and USA will be entirely refocused on the core business, and reduction of the financial impact of this acquisition on the operating performance of the Company is now a matter of utmost priority.

It is expected that actions taken to reduce resource commitment in this area will help in accelerating growth of the core business in the UK.

4G network migration in Europe

As described in the Company's RNS of 6 October 2023, the Company expects the 'sunsetting' of the 2G mobile network in France to be finalized by the end of 2026. This necessitates the replacement of a large proportion of the French installed base of tracking systems during 2024 and 2025 and the Company has taken the decision, as it did for the US, to provide this service free of charge to customers in order to minimize the chances of incremental attrition and to further enhance the Company's reputation in the French market. The estimated cost of this replacement programme is approximately £4.1m which the Company (subject to final audit) expects to take as a provision in its 2023 accounts, although this is excluded from adjusted EBITDA above.

The Company continues to review the situation for network migration in the UK. Currently all new systems installed are either 4G compatible or make use of a roaming sim card which can use a range of 2G networks, as it is believed that some of these will continue to be operational beyond 2028.

Operational efficiency

As noted in the RNS of 6 October, cost reductions in manufacturing were achieved during the second half of the year. The Company has now also initiated a more significant revision and update to its 4G telematics hardware to achieve further significant reductions in manufacturing cost. This is targeted for release in the second half of 2024 and this project is progressing well.

The Company will continue to review overhead expenditure to ensure that effective investment is being made in the acquisition and support of customers in its core fleet business.

Notice of Results

The Company expects to publish its results for the year ended 31 December 2023 on Monday 4 March 2024. The results, together with accompanying presentations, will be posted that morning on the Company's website at [www.quartix.com/investors.](www.quartix.com/investors)

Andy Walters and Emily Rees will also give a presentation of the Company at the ShareSoc Growth Company Live Seminar on 28th February in London.

Andy Walters, Executive Chairman of Quartix, commented:

"We finished 2023 with 266,000 vehicles under subscription, having grown the base by 13% during the year. Over the past 5

years it has more than doubled, from 123,000 at the start of 2019. Much of the growth in 2023 was driven by France and our new European territories, which advanced by c.30%. Success in France was particularly notable, with all channels to market performing strongly.

Annualised recurring revenues ("ARR") increased by 8% during the year and we expect ARR growth in the first half of 2024 to be supplemented by an inflation adjustment to pricing on existing contracts.

We have significant opportunities for business development across all our markets as we refocus all marketing and channel activity on our core business.

We look forward to achieving further growth in 2024 and are confident of achieving market expectations[2] for the new financial year."

[1] Based on currency rates as at 31 December 2023.

[2] The Company believes that market expectations for 2024 are as follows: revenue: £32.1m ; free cash flow: £3.4m ; adjusted EBITDA: £5.4m*

** Note excludes expected cash expenditure of £2.5m on 4G upgrade programme during the year.*

For further information, please contact:

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