

+Quartix Technologies plc
("Quartix", "the Group" or "the Company")

Final Results

Renewed focus on organic growth

Quartix Technologies plc (AIM:QTX), a leading supplier of subscription-based vehicle tracking systems, analytical software and services, is pleased to announce its audited results for the year ended 31 December 2023.

Financial highlights:

- Group revenue increased by 8.6% to £29.9m (2022: £27.5m)
 - Fleet revenue¹ grew by 10.6% to £29.5m (2022: £26.7m)
 - Fleet revenue represented 98.8% of total revenue (2022: 97.0%)
 - Insurance revenue² decreased by 55.7% to £0.4m (2022: £0.8m)
- Adjusted EBITDA³ decreased by 10.8% to £5.4m (2022: £6.1m)
- Adjusted profit before tax⁴ decreased by 12.2% to £5.1m (2022: £5.8m)
- Statutory (loss) for the year was (£0.9m) (2022: Profit £5.0m)
 - Stated after a £3.8m non-cash provision relating to the replacement of all 2G units with 4G units in France; and
 - A £2.7m non-cash impairment of the goodwill from the acquisition of Konetik Deutschland GmbH ("Konetik")
- Adjusted diluted earnings per share⁵ fell by 2.14p to 8.74p (2022: 10.88p)
- Free cash flow⁶ decreased by 65.9% to £1.3m (2022: £3.8m). Free cashflow excluding the acquisition of Konetik was £3.3m.
- Final proposed dividend payment of 1.50p per share (2022: 6.30p) with no supplementary dividend (2022: 3.85p) giving a total dividend for the year of 3.00p per share

¹ Fleet revenue (see Strategic Report: Financial Review, Financial Overview)

² Insurance revenue (see Strategic Report: Financial Review, Financial Overview)

³ Earnings before interest, tax, depreciation, amortisation, share based payments and adjustments (see note 3)

⁴ Adjusted measure is excluding the impairment of intangibles and the provision to replace 2G units offset by the fair value gain of the future earn out payments

⁵ Diluted earnings per share before adjustments (see Strategic Report: Financial Review, Financial Overview)

⁶ Cash flow from operations after tax and investing activities

These audited results are consistent with the Trading Statement released on 9 January 2024.

Principal activities and performance measures

The Group's main strategic objective is to profitably grow its fleet subscription base and develop the associated annualised recurring revenue.

Annualised recurring revenue (see definition in KPI table below), when measured in constant currency year on year, is the most significant forward-looking key performance measure and it grew by £2.2m to £29.1m at 31 December 2023.

The Key Performance Indicators used by the Board to assess the performance of the business are listed below and discussed in the Chairman's Statement and Strategic Report.

Key Performance Indicators ("KPIs")

Year ended 31 December	2023	2022	% change
New Fleet subscriptions ¹ (new units)	64,418	60,809	5.9
Fleet subscription base ² (units)	266,568	235,510	13.2
Fleet customer base ³	27,268	25,342	7.6
Fleet gross attrition ⁴ (%)	13.3	12.8	
Annualised recurring revenue ⁵ (£'000)	29,083	27,282	8.0
Fleet invoiced recurring revenue ⁶ (£'000)	27,764	25,446	9.1
Fleet revenue ⁷ (£'000)	29,512	26,680	10.6
Average Price erosion ⁸ (%)	4.6	4.7	

¹ New vehicle tracking unit subscriptions added to the subscription base before gross attrition

² The number of vehicle tracking units subscribed to the Group's fleet tracking services, including units waiting to be installed for which subscription payments have started or are committed

when subscription payments have started or are committed

- 3 The number of customers associated with the fleet subscription base
- 4 The number of new vehicle tracking unit subscriptions, less the increase in subscription base, expressed as a percentage of the mean subscription base
- 5 Annualised data services revenue for the subscription base at the year end, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have started or are committed, all measured in constant currency
- 6 Invoiced subscription charges before provision for deferred revenue
- 7 Total fleet revenue (see Strategic Report: Financial Review, Financial Overview)
- 8 The annual decrease in average subscription price of the base expressed as a percentage of the average subscription price at the start of the year, all measured in constant currency

Andy Walters, Executive Chairman of Quartix, commented:

"Since I returned to the business our focus has been on driving organic growth, by increasing the rate of customer acquisition in each of our markets. Our telematics proposition, which is sold as a subscription service, is competitively priced and the service we provide is consistently ranked as excellent. It is very pleasing to report that both the rate of new unit subscriptions and the acquisition of new customers have made good progress since the end of last year. We will remain focused on organic growth and have commenced the process of winding down the Konetik acquisition, in order to remove its financial burden on the core subscription business.

We have started the new financial year positively, with new installations in January approximately 10% ahead of the same period in 2023. This, alongside the opportunities for continued growth in all territories, and particularly in Continental Europe, underpins our confidence for 2024 and beyond."

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Andy Walters, Executive Chairman

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Full Financial Results Report

The Group's Financial Statements and results presentations for the year ended 31 December 2023 are available in the "Investors" section of our website at: www.quartix.com/investors

About Quartix

Founded in 2001, Quartix is a leading supplier of subscription-based vehicle tracking systems, software and services. The Group provides an integrated tracking and telematics data analysis solution for fleets of commercial vehicles that is designed to improve productivity and lower costs by capturing, analysing and reporting vehicle and driver data.

Quartix is based in the UK and is listed on the AIM market of the London Stock Exchange (AIM:QTX).

Chairman's statement

Introduction

Having returned to the business in September as Chairman it is very disappointing to report that the Company recorded a loss for the first time in its 23-year history due to the recognition of an impairment charge against the acquisition of Konetik in the year. Our entire focus, since my reappointment, has been to return to profitable, organic growth via our core vehicle telematics subscription service and it is a testament to the strength of that underlying business that the Company has been able to fund the issues that have arisen in 2023 from internally generated cashflow. I am very sorry to have to report, however, that dividend payments to shareholders have been substantially reduced for 2023 and 2024 as a consequence.

The key metric of the business, the annualised value of its recurring revenue, increased by £2.2m, at a constant currency rate, to £29.1m at 31 December 2023. Group revenue grew by 8.6% during the year, in line with the growth in the ARR of the subscription base. A detailed review of performance by territory is shown in the table below:

	Subscription Base	New subscriptions	Customers	New Customers
United Kingdom				
2023	146,679	26,411	11,305	1,215
2022	136,514	26,363	11,426	1,523
Change (%)	7.4	0.2	(1.1)	(20.2)
France				
2023	67,895	22,151	8,230	2,275
2022	52,604	17,094	6,935	2,304
Change (%)	29.1	29.6	18.7	(1.3)
USA				
2023	29,235	5,994	3,849	778
2022	30,800	9,088	4,038	1,213
Change (%)	(5.1)	(34.0)	(4.7)	(35.9)
Other European Territories				
2023	22,759	9,862	3,884	1,491
2022	15,592	8,264	2,943	1,487
Change (%)	46.0	19.3	32.0	0.3

Fleet revenue in the UK increased by 1.3% to £18.0m (2022: £17.8m).

The subscription base in the UK increased by 7% during the year, and new subscriptions were broadly in line with the prior year. New customer acquisition, particularly in the small and medium size segments, weakened, resulting in a slight reduction in the total customer base. Renewed emphasis will be placed on the core business and the effectiveness of all channels to market in the UK. Although this will take some time to restore, the Board hope to see improvements by the end of 2024.

Performance in France was excellent, with strong growth in the subscription base, new subscriptions and customer base. The rate of new customer acquisition was comparable with 2022. All channels to market delivered strong progress. Revenue increased by 25.4% to €7.9m (2022: €6.3m).

Sales and marketing operations in the USA have been subject to several changes in strategy over the past two years, resulting in the loss of key sales resources. New subscriptions, the customer base, the subscription base and customer acquisition all fell as a consequence. These issues were the most significant contributory factor in the slight increase in gross attrition at Group level. It will take time to reverse these trends but the Board hope to be able to show some improvement in key metrics before the end of 2024. Revenue increased slightly by 2.5% to \$4.1m in 2023 (2022: \$4.0m).

Subscription base growth in Spain, Italy and Germany was good; new customer acquisition was broadly in line with 2022. Recent progress has been very encouraging, however, particularly in Spain and Italy. The rate of new customer acquisition has started 2024 at almost double the rate of a year ago. Resource and investment will be committed to all channels in Spain and Italy, and the development of both direct and indirect channels to market in Germany will be continued. The Company will report progress in these countries on an individual basis starting with the Interim Report. Revenue in these territories increased by 55.3% to €1.9m (2022: €1.2m).

Overall, Quartix's installed base grew by 13.2% to 266,000 units, and the customer base reached 27,000 customers at year end. Group gross attrition increased to 13.3% (2022: 12.8%). Price erosion reduced to 4.6% (2022: 4.9% in constant currency), and the introduction of RPI clauses into customer contracts at the end of 2023 should see further improvement in this metric in 2024.

Results

Group revenue for the year increased by 8.6% to £29.9m (2022: £27.5m). Total fleet revenue increased by £2.8m and represented 98.8% of total revenue (2022: 97.0%).

In 2023, the Group delivered Adjusted EBITDA of £5.4m (2022: £6.1m), slightly ahead of previous guidance, as the core business traded profitably. However there was an operating loss of £1.1m and loss before tax of £1.1m (2022: operating profit £5.6m, profit before tax £5.5m). Part of the expenses in 2023 were in funding the operational costs of Konetik Deutschland GmbH ("Konetik"), a business acquired by the Company in September 2023 and which accounted for £0.6m of the decrease in profitability year-on-year; other significant parts of the shortfall included two exceptional non-cash costs, namely the impairment of the goodwill from the acquisition of Konetik (£2.7m) and the recognition of the provision to replace all 2G units with 4G units in France (£3.8m) partially offset by the fair value gain in re-estimating the future earn out payments (£0.3m) as a result of the poorer performance in EVolve sales to expectations when Konetik was acquired (see note 10). The table below presents the underlying business performance of Quartix excluding Konetik:

	Core Business	Konetik	Total Business
	£'000	£'000	£'000
Revenue	29,851	31	29,882
Business costs	(23,864)	(621)	(24,485)
Adjusted EBITDA	5,987	(590)	5,397

Cash conversion weakened following increased corporation tax payments in 2023 (£0.7m), resulting in an adjusted free cash flow (cash flow from operations after tax and investing activities) excluding the investment into Konetik, of £3.3m (2022: £3.8m), slightly ahead of previous guidance. Net cash decreased to £2.4m at 31 December 2023 (2022: £5.1m), following the acquisition of Konetik (£2.25m) in September from available cash reserves.

By the end of 2023, the £1.6m provision raised in 2020 for the sunseting of the US 3G mobile network had approximately £0.4m worth of unit replacements remaining. Meaning that since the provision was raised in 2020, 73% of the total units have been replaced, with approximately £0.1m worth being replaced in 2023.

As stated in the trading statement on 9 January 2024 the Company expects the sunseting of the 2G mobile network in France to be finalised by the end of 2026. This necessitates the replacement of a large proportion of the French installed base of tracking systems by the end of 2026. The Company has taken the decision, as it did for the US, to provide this service free of charge to customers in order to minimise the chances of incremental attrition and to further enhance the Company's reputation in the French market. As a result the Company has identified a provision with a cash cost of £4.0m and recognised a provision discounted for the time value of money of £3.8m, defined outside of adjusted EBITDA.

Additionally included as an exceptional item in the income statement is the impairment of the goodwill on consolidation after acquiring Konetik Deutschland GmbH offset by the fair value gain in the re-estimate of the future earn out payments payable under the share purchase agreement for Konetik. Following internal review, it is considered that Quartix would not be able to make a return on the investment in this company in a reasonable time period. After 31 December 2023, but before the approval of these financial statements it was concluded that the Company should wind down Konetik to reduce further losses and to remove the burden of this business. Under the terms of the transaction Quartix took on legal entities in both Germany and Hungary, together with their operational costs. There will be further cost involved in winding these down.

The Company's EVolve product will also be discontinued, as it has not yet resulted in the winning of any new customers for Quartix, despite substantial resource investment in its sales and marketing since May 2022.

Earnings per share

Basic earnings per share decreased to a loss per share of 1.88p (2022: profit of 10.42p per share). Diluted earnings per share decreased to a loss of 1.88p per share (2022: profit of 10.38p per share). The adjusted diluted earnings per share, which in 2023 is calculated by adding back the cost of the replacement of 2G units, the impairment of Konetik offset by the fair gain on re-estimate of the future earn out payments, was 8.74p (2022: 10.88p).

Dividend policy

Our ordinary dividend policy is to pay a dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

In addition to this the Board will distribute the excess of gross cash balances over £2m on an annual basis by way of supplementary dividends, subject to a 2p per share de minimis level.

The surplus cash is calculated using the year end gross cash balance and after deduction of the proposed ordinary dividend and is intended to be paid at the same time as the final dividend. The policy will be subject to periodic review.

Dividend

In the year ended 31 December 2023, the Board decided to pay an interim dividend of 1.50p per ordinary share. This totalled £0.7m and was paid on 6 October 2023 to shareholders on the register as at 11 August 2023.

The Board is recommending a final ordinary dividend of 1.50p per share, with no supplementary dividend, giving a total dividend for the year of 3.00p per share, subject to shareholder approval. The Board acknowledges the proposed final ordinary dividend is not in line with the Company's dividend policy, however as stated at the top of this report is necessary to fund the replacement programme out of cash reserves in 2024. The Board expects to return to declaring dividends in line with its dividend policy in relation to the new financial year.

The final dividend amounts to approximately £0.7m in aggregate. Subject to the approval at the forthcoming AGM, this dividend of 1.50p per share will be paid on 29 April 2024 to shareholders on the register as at 2 April 2024. The ex-dividend date is therefore 28 March 2024.

Outlook

We have started 2024 well, with new installations in January approximately 10% ahead of the same period in 2023.

The effects of the Konetik acquisition will, unfortunately, continue to have an impact on the Group's financial performance and management time in 2024 which the Board will seek to minimise. Current expectations of further cash expenditure (including operating, administrative and transaction costs) are of the order of €0.7m, which have been budgeted.

The Board has been considerably strengthened by the appointment of Alison Seekings and Ian Spence as non-executive directors since my return to the Company: their input and advice will be invaluable in strategic decision making, corporate governance and control.

Looking beyond the resolution of the Konetik acquisition, the Board is confident that a return to the Company's focus on its core telematics business will ensure its return to profitable growth.

The Board believes there are significant opportunities for business development in each of the markets in which Quartix operates. The Board and I will strive to maximise efficiency and improve the Company's growth potential in 2024 and, having had a positive start to the new financial year, are confident of achieving market expectations for 2024.

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.*

AGM

The Group's AGM will be held at 11.30 a.m. on 27 March 2024 at the Company's registered address No.9 Journey Campus, Castle Park, Cambridge, CB3 0AX.

Andy Walters
Executive Chairman

Strategic Report: Operational Review

Strategy and business model

The Group's main strategic objective is to grow its fleet subscription platform profitably and develop the associated recurring revenue. This strategy is based on 5 key elements, which were first highlighted in the 2018 Annual Report. We are pleased to be able to report progress in each area, as summarised below:

1. *Market development:* Quartix will continue to focus on fleet markets, exploring further opportunities within its six existing markets. Investment and focus on France and the other European territories delivered the majority of Quartix's growth for 2023.
2. *Cost leadership:* We continue to seek improvements in the efficiency of the sales cycle and to review product and overhead costs in order to identify further operational efficiencies. The Group recognises that, in recent years, its overhead structure has grown at a faster rate than revenues, and attention will be brought to bear on this during 2024.
3. *Continuous enhancement of the Group's core software and telematics services:* Quartix has an ongoing modernisation program of its core software and telematics code, both from a technology and user experience perspective. These enhancements help improve the customer experience as well as increase the efficiency of its support operation. As part of this program, we are adding new features to our product suite and launching a new interface for our core product Fleet Tracking.
4. *Outstanding service:* Quartix maintained its excellent reputation with its fleet customers throughout the year, consistently being rated as "excellent" by TrustPilot users. Quartix achieved a Gold in the 2022 Investors in Customers survey, which recognises truly excellent service.
5. *Standardisation centralisation:* the expansion into European markets has been achieved by staff operating under the existing operational structures in place in the UK, with some sales staff being located in France. Support and service functions continued to be performed from the UK.

Our fleet customers typically use the Group's vehicle telematics services for many years following an initial contract. Accordingly, the Group focuses its business model on the development of subscription revenue, with a low rate of gross attrition, providing the best return to the Group over the long term.

The number of vehicles connected to our subscription platform and the value of recurring subscription revenue derived from it are the key measures of our performance in the fleet sector. As noted in the Principal activities and performance measures section, the annualised recurring revenue increased by £2.2m, at a constant currency rate, to £29.1m at 31 December 2023.

People

We take pride in the level of service we provide, and it is gratifying to see that fleet customers consistently provide us with excellent reviews - both in person and on third-party sites such as TrustPilot. Whilst the Group's gross attrition increased to 13.3%, the Group believes this is still below the industry average.

These service achievements are a reflection of the teamwork, creativity and dedication of our people and a testament to how seriously we take our commitment to providing the best experience for our customers. Following the 2022 Investors in Customers survey, Quartix received a Gold Award, which is a testimony to our excellent customer service. Our financial performance in our core business derives from the customer service we deliver, backed by the technology we develop. The Board would like to register its personal thanks to every one of our employees who worked hard to continue our growth in 2023.

Operational performance

Gross margin excluding the provision for the replacement of 2G units decreased to 69.4% (2022: 71.9%). Higher unit manufacturing cost of the new 4G product in the first half led to higher costs throughout the year as this cash cost was amortised against profit. The second generation 4G product was introduced early in the second half and the benefit in amortisation will begin to appear as we progress through 2024. A further evolution of the 4G product is now underway, with the objective of reducing our unit manufacturing cost to its lowest level yet. This should be in production in the second half. In addition there were higher administrative expenses, which increased by 20.3%. The main drivers behind these were the post-acquisition operational costs of Konetik of £0.6m, IT costs following the final physical service migration to the cloud of £0.2m and higher payroll costs following inflationary pay reviews.

Cash generated from operations after tax and investing activities (free cash flow) is substantially higher than the reported result due to the non-cash impairments and provision for the upgrade of 2G units in France. The year on year free cash flow also includes increased tax payments in the year following the IFRS 15 change in policy in the prior year and its impact on the 2022 tax charge.

Working capital management improved in the year despite the trade debtors at the year-end increasing to the equivalent of 42 days of sales (2022: 38), this is in part driven by the increase in the larger fleet customers which dictate 45-60 day payment terms. Inventory levels decreased by 29.1% compared to prior year levels, as a result of management's decision to reduce component stock held in the business as the component shortage started to improve in the wider market.

Fleet

Our core fleet business delivered good progress, with particularly strong growth in the subscription base for France and the new European territories, such that the installed base is now 266,000 units.

During the course of the year, the Group won 5,759 new fleet customers (2022: 6,527). Sales leads continued to be generated and converted through a broad range of media and channels and investments have been made in marketing, technology, processes and training, adding automation wherever possible.

Sales & Marketing expenses, being essentially the total investment in fleet customer acquisition, has remained flat with the prior year at £6.4m. A key focus of the management group is ensuring effective investment in customer acquisition costs in order to maximise returns.

Research and development

The Group is committed to the continuous enhancement of its core software and telematics services, and we aim to offer a market-leading platform which addresses the most common needs of SME customers in the service sector of each of our target markets.

Key developments included:

1. The Company initiated an update to its 4G telematics hardware to achieve reductions in manufacturing cost which had its first unit launched in August 2023. The Group continues to seek avenues to manage manufacturing costs.
2. The Company has developed a connected 4G dashcam solution which provides a fully integrated, cost optimized feature within our core Fleet Tracking application. This new solution is being launched in Q1 and offers our UK customers the ability to receive notification alerts when important video footage, from collision events, has been automatically uploaded to our server. This online service includes easy access to both event videos and historical video footage directly from the Dashcam footage menu. Connected dashcams give our customers an easy upgrade path within our fleet management service, providing rapid assessment of vehicle incidents and helping to reduce their fleet insurance costs. The service will be expanded to other geographical markets later in 2024.
3. The Company has delivered the US road speed database to provide speed limits for the US market. This is also the basis for completing the provision of speed limits on our products in all markets.

All of our investment in research and development was fully expensed in the year with a total cost of £1.1m in 2023 (2022: £0.8m).

Acquisition of Konetik

On 15 September 2023, the Group acquired 100% of the share capital in Konetik Deutschland GmbH (Konetik), a company incorporated in Germany, for a consideration payable in cash. Konetik provides the core technology used within the EVolve product, a tool that assists fleet managers with planning their migration to electric vehicles, including an evaluation of costs, potential savings and environmental benefits (see note 10)

Post acquisition, a detailed review of the potential of the Evolve product and of Konetik's software technology was completed and it was concluded that the ability to increase the customer base and scale the business would be substantially more challenging than had been envisaged at the time of the acquisition due to:

- demand for Evolve, particularly in the private sector, had been adversely impacted by delays to EV transition deadlines with the UK government's decision to postpone the ban on the sale of petrol and diesel vehicles to 2035.
- the ability to generate substantial increases in the volume of license sales was expected to require much higher investment in the software infrastructure due to limitations in the scalability and design of the existing Konetik product.
- the customer acquisition cost and implementation support were expected to be much higher than previously anticipated.
- the customer lifetime was expected to be significantly shorter than previously anticipated, with virtually all customers using the product just once, with considerable involvement and support needed from Quartix personnel.

In addition, the Board considered that the Evolve product was not an effective tool for the acquisition of new vehicle tracking customers and the anticipated resource requirements for the development, sale, support and maintenance of

Evolve meant that such investment was not anticipated to achieve an appropriate return.

Despite significant management, technical, marketing and sales involvement in the development, launch and promotion of Evolve in 2022 and 2023, no new customers were acquired using the product, and a non-cash impairment in the goodwill arising from the Konetik acquisition (£2.5 million) has been included in the financial statements (see note 5).

Sustainability and Environmental, Social, and Governance ("ESG") matters

The Board is aware that investors are increasingly applying non-financial factors, such as ESG matters, as part of their analysis process to identify material risks and growth opportunities. Being part of an ethical, purpose driven business increasingly matters more to our people, our shareholders and our business partners.

Software companies such as Quartix have a central role in the transition to a low carbon economy and a more sustainable future. The Group is essentially a non-emitting and limited-consuming business and the Board believes the Group's limited use of carbon energy is largely offset by the savings that we achieve for our customers in reduced fuel consumption and other efficiencies in vehicle fleet management.

In 2022 Quartix was granted the London Stock Exchange's "Green Economy Mark", which champions pioneering London-listed companies driving growth in the global green economy. To qualify, companies must generate at least 50% of their total annual revenue from products and services that significantly contribute towards the transition to a low carbon economy. The Mark was received due to analytics from an external consultancy firm and evidence from our customers, that fleet vehicle tracking and analytics changes driver behaviour and results in a reduction of between 10~25% in fuel consumption.

The ESG Committee conducted a sustainability review in 2023, in order to better understand Quartix's environmental impact and to prioritise areas for action. In addition, the ESG Committee continue to assess Quartix's performance in Social and Governance matters, where it believes that the Group already conforms to current best practice in most areas.

Capacity for future growth

The Group has significant opportunity for profitable growth in its fleet business. Quartix intends to make further additional investments in sales channels during 2024 and beyond. The Group believes that large parts of its existing addressable markets are still unpenetrated, and it will continue to pursue these alongside the winning of new customers from its competitors in more established markets.

The Group will continue to implement data-driven optimisation across the sales and marketing funnel and execute automation and simplification across business processes in order to drive growth.

The Group anticipates that these investments in sales channels will enable both new fleet units installed and the associated value of the annualised subscription base to increase in 2024.

Andy Walters
Executive Chairman

Emily Rees
Chief Financial Officer

Strategic Report: Financial Review

Financial Overview

Year ended 31 December
£'000 (except where stated)

	2023	2022	% change
Revenue			
Fleet	29,511	26,680	10.6
Insurance	371	837	(55.7)
Total	29,882	27,517	8.6
Gross profit before 3G swap out provision	20,737	19,793	4.8
Gross margin before 3G swap out provision	69.4%	71.9%	
Gross profit	16,978	19,702	(13.8)
Gross margin	56.8%	71.6%	
Operating (loss)/profit	(1,056)	5,553	(119.0)
Operating margin	(3.5%)	20.2%	
Adjusted operating profit	5,086	5,795	(12.2)
Adjusted operating margin	17.0%	21.1%	
Adjusted EBITDA (note 3)	5,397	6,051	(10.8)
(Loss)/Profit for the year	(912)	5,041	(120.9)
Earnings per share	(1.88)	10.42	(118.0)
Adjusted diluted earnings per share	8.74	10.88	(19.7)
Cash generated from operations	4,465	4,170	7.1
Adjusted operating profit to operating cash flow conversion	64.4%	65.4%	
Free cash flow (excluding acquisition)	3,277	3,790	(13.5)

Revenue

Revenue increased by 8.6% to £29.9m (2022: £27.5m).

Gross margin

Gross margin before the recognition of the provision to replace the French 2G units decreased to 69.4% in the year (2022: 71.9%) due to the more expensive new generation 4G model being utilised for the first half of 2023 after its release in July 2022. In August 2023 the new generation 4G model was released. Given the IFRS 15 policy of spreading the costs incurred over the expected contract period, this saving is not reflected in the margin until the more expensive costs per unit deferred have completely unwound.

Adjusted EBITDA

Adjusted EBITDA, fell to £5.4m (2022: £6.1m) driven by the increase in administrative expenses of £1.7m. The main drivers behind this increase were the post-acquisition operational costs of Konetik of £0.6m, IT costs following the final physical service migration to the cloud costing an additional £0.2m and payroll costs after Management awarded all staff with a 5% pay rise effective in 2023 of approximately £0.5m.

Overheads

The sales & marketing investment remained flat with the prior year at £6.4m. Administrative expenses increased by 20.2%, excluding the Konetik operational and acquisition costs the underlying increase was approximately 12.9%. Part of this increase in administrative overheads was from the migration from physical services to cloud based services, the 2023 annual salary increase, which was approximately 5%, and the introduction of an annual bonus scheme for the operation board, which is based on and aligned with key strategic objectives of the business.

Taxation

In 2023 our effective tax rate increased as a result of the available loss relief in the US being reduced, the patent relief no longer being available following the expiration of our patent in February 2022 and an increase in the applicable tax rate in the UK from 19% to 25% in April 2023 and finally recognising a deferred tax asset of c.£1.0m on recognising the French 2G unit replacement provision. As a result the effective rate of tax has increased from 8.8% in 2022 to 15.7% in 2023.

Statement of financial position

Property, plant and equipment, remained flat at £0.7m (2022: £0.8m).

Contract cost assets increased to £5.4m (2022: £4.3m). Inventories decreased to £1.4m (2022: £2.0m) due to utilisation of component stockholding. Cash at the year-end was £2.4m (2022: £5.1m), after funding the acquisition of Konetik (£2.25m) during the year and the increased corporation tax payments in 2023. Trade and other receivables increased to £4.2m (2022: £3.7m), due to trade receivables collection period increasing from 38 days to 42 days, one of the key drivers of this being field sales teams' agreements with customers of larger size typically leading to a longer payment term dictated by the customer. Trade and other payables increased to £4.0m (2022: £3.6m) which includes the deferred consideration for the acquisition of Konetik of £0.3m, and provisions increased from £0.5m to £4.2m due to the recognition of the France 2G unit replacement provision.

Contract liabilities represent customer income invoiced in advance of satisfying performance obligations, which are expected to be recognised as revenue in future years. These increased to £3.7m in 2023 (2022: £3.5m).

Cash flow

Cash generated from operations before tax at £4.5m was 87.8% of adjusted operating profit (2022: £4.2m, 72.0% of operating profit). Tax paid in 2023 was higher at £1.2m (2022: £0.3m). As a result, cash flow from operating activities after taxation but before capital expenditure was £3.3m (2022: £3.8m).

Free cash flow, after capital expenditure and interest received but excluding cash expended on the acquisition of Konetik, was £3.3m, a decrease of 13.5% (2022: £3.8m). The translation of cash flow into dividends is covered in the Chairman's Statement.

Risk Management policies

The principal risks and uncertainties of the Group are as follows:

Attracting and retaining the right number of good quality staff

The Group believes that in order to safeguard the future of the business it needs to recruit, develop and retain the next generation of staff. The impact of not mitigating this risk is that the Group ceases to be innovative and provide customers with the vehicle telematics services they require. Considerable focus has been given to recruitment, development and retention. The Group has a range of tailored incentive schemes to help recruit, motivate and retain top quality staff, which include the use of share options and the introduction of an annual bonus scheme for the operating board leadership team.

Reliance on Mobile To Mobile ("M2M") network

The Group's service delivery is dependent on a functioning M2M network covering both the internet and mobile data. The impact of not mitigating this risk is that the Group is exposed to an M2M outage. Quartix has dual site redundancy to cover a localised internet problem and we are constantly working on improving the reliability of our systems architecture.

Management believes that, at some point between 2025 and 2030, most UK and European network operators will finalise the sunsetting of their 2G networks. EE have announced the sunsetting in France, and as a result Quartix began its proactive 2G unit replacement programme in France in January 2024. The Company continues to monitor the announcements regarding the UK sunsetting of the 2G network, and depending on the actual timetable and the commercial climate, there may be a cost at that time associated with the upgrading of customers' technology, which the Group is seeking to minimise through various technological and commercial means. Management continue 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 the Group believe that some of these will continue to be operational beyond 2028.

As described in the 2020 Financial Statements, Management anticipated the sunsetting of the 3G mobile network in the US to be finalised in 2022. This necessitated the replacement of a large proportion of the US installed base of tracking systems. By the end of 2023, Quartix had completed approximately 73% of the total units to be replaced, with the last replacements now focussing on Quartix's smallest customers.

Business disruption

Like any business the Group is subject to the risk of business disruption. This includes communications, physical disruption to our sites and problems with our key suppliers. The impact of not mitigating this risk is that the Group may not be able to service its customers. Quartix has a Business Continuity plan and business interruption insurance to cover certain events to help mitigate these risks.

The Group acquires, manages and supports its customers in the EU centrally, from its offices in the UK. The BREXIT trading and data adequacy arrangements have not made it necessary for a relocation of some of its operations to within the EU. However, the existing French business is instrumental in the logistics of moving the goods between France and customers in the EU.

The war in Ukraine, with its impact on energy prices and other inflationary pressures, has impacted the growth of the global economy and continues to present a risk that there may be an impact on the Group's subscription base and its

ability to collect cash from its customers. The Group engaged with a debt collector that covers the European and French territories in an effort to increase the probability of collection of debt following after the 45 days overdue period has passed. The Group continues to review its collection process and credit control efforts to mitigate the risk.

Quartix had considered changing its method of unit shipment from its manufacturing facility in China to the stock assembly house in Cambridge via marine shipment for environmental reasons, following the ESG review, however this has not been implemented and will not be in light of recent events effecting all shipments passing through the Suez Canal. This will be monitored and the supply chain logistics will be reviewed once these risks have fallen away.

Cyber security

The Group needs to make sure its data is kept safe and that there is security of supply of data services to customers. The reputational and commercial impact of a security breach would be significant. To combat this, the Group has a security policy and prepares a security report which is reviewed by members of the Operations Board. This process includes the use of outside consultants for penetration testing and security review.

Technology

Technology risks are perceived to arise from possible substitutes for the current Quartix product. Risks cited include everything from smart mobile phones and their applications to driverless cars. The Group strategy is to review all new technical developments with the aim of adopting any which will provide a better channel for the information services which Quartix provides.

Emily Rees

Chief Financial Officer

The Strategic Report, comprising the Operational Review and Financial Review, was approved by the Board of Directors and signed on behalf of the Board on 1 March 2024.

Andy Walters

Chief Executive Officer

Consolidated Statement of Comprehensive Income

Year ended 31 December		2023	2023	2023	*Restated 2022	2022	*Restated 2022
	Notes	Before Adjustments £'000	Adjustments £'000	After Adjustments £'000	Before Adjustments £'000	Adjustments £'000	After Adjustments £'000
Revenue	2	29,882	-	29,882	27,517	-	27,517
Cost of sales		(9,145)	(3,759)	(12,904)	(7,724)	(91)	(7,815)
Gross profit		20,737	(3,759)	16,978	19,793	(91)	19,702
Sales & Marketing expenses		(6,366)	-	(6,366)	(6,358)	(71)	(6,429)
Administrative expenses		(9,285)	-	(9,285)	(7,640)	(80)	(7,720)
Impairment	5	-	(2,695)	(2,695)	-	-	-
Fair value gain	10	-	312	312	-	-	-
Operating (loss)/ profit		5,086	(6,142)	(1,056)	5,795	(242)	5,553
Finance income receivable		10	-	10	8	-	8
Finance costs payable		(31)	-	(31)	(31)	-	(31)
(Loss)/Profit for the year before taxation		5,065	(6,142)	(1,077)	5,772	(242)	5,530
Tax expense		(771)	940	169	(486)	-	(486)
(Loss)/Profit for the year		4,294	(5,202)	(908)	5,286	(242)	5,044
Exchange difference on translating foreign operations		43	-	43	(169)	-	(169)
Other comprehensive income for the year, net of tax		43	-	43	(169)	-	(169)
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		4,337	(5,202)	(865)	5,117	(242)	4,875
Adjusted EBITDA	3			5,397			6,051
Earnings per ordinary share (pence)	4						
Basic				(1.88)			10.42
Diluted				(1.88)			10.38

*Restatement arises from the adoption of 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (Amendments to IAS 12) requiring recognition of deferred tax on leases on initial recognition.

Consolidated Statement of Financial Position

		*Restated	
		31 Dec 2023	31 Dec 2022
	Notes	£'000	£'000
Non-current assets			
Goodwill	5	14,029	14,029
Property, plant and equipment		684	845
Deferred tax assets		1,144	210
Contract cost assets		894	752
Total non-current assets		16,751	15,836
Current assets			
Inventories		1,411	1,989
Contract cost assets		4,550	3,536
Trade and other receivables		4,186	3,692
Cash and cash equivalents		2,380	5,063
Total current assets		12,527	14,280
Total assets		29,278	30,116
Current liabilities			
Trade and other payables		3,955	3,650
Provisions	8	2,775	543
Contract liabilities		3,679	3,499
Current tax liabilities		557	896
		10,966	8,588
Non-current liabilities			
Lease liabilities		520	617
Non-current provisions		1,443	-
		1,963	617
Total liabilities		12,929	9,205
Net assets		16,349	20,911
Equity			
Share capital	7	484	484
Share premium account	7	6,332	6,332
Equity reserve		392	342
Capital redemption reserve		4,663	4,663
Translation reserve		(295)	(338)
Retained earnings		4,773	9,428
Total equity attributable to equity shareholders of Quartix Technologies plc		16,349	20,911

Consolidated Statement of Changes in Equity

	Share capital	Share premium account	Capital redemption reserve	Equity reserve	Translation reserve	Retained earnings	Total equity
	£'000	£,000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2021	484	6,332	4,663	380	(169)	8,355	20,045
Prior year restatement	-	-	-	-	-	10	10
Restated balance at 31 December 2021	484	6,332	4,663	380	(169)	8,365	10,055

Shares issued	-	-	-	-	-	-	-
Increase in equity reserve in relation to options issued	-	-	-	93	-	-	93
Adjustment for settled options	-	-	-	(85)	-	-	(85)
Recycle of equity reserve to P&L reserve	-	-	-	(46)	-	46	-
Dividend paid	-	-	-	-	-	(4,112)	(4,112)
Transactions with owners	-	-	-	(38)	-	(3,981)	(4,019)
Foreign currency translation differences	-	-	-	-	(169)	-	(169)
Profit for the year	-	-	-	-	-	5,044	5,044
Total comprehensive income	-	-	-	-	(169)	5,044	4,875
Restated Balance at 31 December 2022	484	6,332	4,663	342	(338)	9,428	20,911
Shares issued	-	-	-	-	-	-	-
Increase in equity reserve in relation to options issued	-	-	-	78	-	-	78
Recycle of equity reserve to P&L reserve	-	-	-	(28)	-	28	-
Dividend paid	-	-	-	-	-	(3,775)	(3,775)
Transactions with owners	-	-	-	50	-	(3,747)	(3,697)
Foreign currency translation differences	-	-	-	-	43	-	43
Profit for the year	-	-	-	-	-	(908)	(908)
Total comprehensive income	-	-	-	-	43	(908)	(865)
Balance at 31 December 2023	484	6,332	4,663	392	(295)	4,773	16,349

Consolidated Statement of Cash Flows

	Note	2023 £'000	2022 £'000
Cash generated from operations	6	4,465	4,170
Taxes paid		(1,181)	(320)
Cash flow from operating activities		3,284	3,850
Investing activities			
Additions to property, plant and equipment		(17)	(68)
Interest received		10	8
Acquisition of subsidiary, net of cash acquired		(1,986)	-
Cash flow utilised in investing activities		(1,993)	(60)
Cash flow from operating activities after investing activities (Free cash flow)		1,291	3,790
Financing activities			
Repayment of lease liabilities		(172)	(151)
Proceeds from share issues		-	-
Dividend paid		(3,775)	(4,112)
Cash flow used in financing activities		(3,947)	(4,263)
Net changes in cash and cash equivalents		(2,656)	(473)
Cash and cash equivalents at the start of the year		5,429	5,902

Cash and cash equivalents, beginning of year	5,063	5,414
Exchange differences on cash and cash equivalents	(27)	122
Cash and cash equivalents, end of year	2,380	5,063

Notes to the Accounts

1 Basis of preparation

The results have been extracted from the audited financial statements of the Group for the year ended 31 December 2023. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 (UK-adopted IAS), IFRIC interpretations and Companies Act 2006 that applies to companies reporting under UK-adopted IAS, this announcement does not of itself contain sufficient information to comply with UK-adopted IAS. The Group will publish full financial statements that comply with UK-adopted IAS. The audited financial statements incorporate an unqualified audit report.

Statutory accounts for the year ended 31 December 2022, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006. With the exception of recognising deferred tax on right of use assets and lease liabilities as a result of the IAS 12: Income tax accounting standard amendment the accounting policies applied are consistent with those described in the Annual Report & Accounts for the year ended 31 December 2022.

The basis of preparation and summary of significant accounting policies applicable to the consolidated financial statements of Quartix Technologies plc can be found in note 1 of the Annual Report and Financial Statements, available from the Group's website.

2 Revenue

The Group's revenue disaggregated by primary geographical market is as follows:

	2023	2022
	£'000	£'000
United Kingdom	17,997	17,760
France	6,882	5,410
Other European Territories	1,674	1,060
United States of America	3,329	3,287
	29,882	27,517

There are no material non-current assets based outside the UK.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2023	2022
	£'000	£'000
Goods and services transferred over time	28,674	26,505
Revenue recognised at a point in time	1,208	1,012
	29,882	27,517

Goods and services transferred over time represent 96.0% of total revenue (2022: 96.2%).

For 2023, revenue includes £3.5m (2021: £3.1m) included in the contract liability balance at the beginning of the period. Changes to the Group's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations.

3 Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA)

	2023	2022
	£'000	£'000
Operating profit	(1,056)	5,553
Depreciation on property, plant and equipment, owned	76	124
Depreciation on property, plant and equipment, right of use	157	133
EBITDA	(823)	5,810
Share-based payment expense (incl. cash-settled)	78	(1)
Cost of living payments	-	151
Impairment of intangible asset: goodwill	2,464	-
Impairment of intangible asset: software	231	-
Estimated net loss on estimate of future cash outflows	(212)	-

Fair value gain on re-estimate of future earn out payments	(312)	-
Exceptional provision for France/USA replacement of units	3,759	91
Adjusted EBITDA	5,397	6,051

4 Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Technologies plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

Earnings per ordinary share	Profits attributable to shareholders £'000	Weighted average number of shares	Basic earnings per share amount in pence	Fully diluted weighted average number of shares	Diluted earnings per share amount in pence
Year ended 31 Dec 2023	(908)	48,392,178	(1.88)	49,088,054	(1.88)
Restated year ended 31 Dec 2022	5,044	48,387,354	10.42	48,599,519	10.38
Adjusted earnings per share					
Year ended 31 Dec 2023	4,294	48,392,178	8.87	49,088,054	8.74
Restated year ended 31 Dec 2022	5,287	48,387,354	10.92	48,599,519	10.88

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume the conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are those share options where the exercise price is less than the average market price of the Company's ordinary shares during that year. There is no impact of dilution on earnings per share in 2023 since a loss has been incurred.

To illustrate the underlying earnings for the year, the table above includes adjusted earnings per ordinary share, which for 2022 exclude the £0.1m re-estimate of the US 3G replacement unit provision and the £0.2m cost of living payments considered to be a one off and for 2023 excludes the £3.8m France 2G replacement unit provision recognised in the year with its associated tax impact and the impairment on the goodwill and other intangibles recognised on acquisition of Konetik of £2.7m offset by the fair value gain on the re-estimate of the future earn-out payments due under the share purchase agreement for the purchase of Konetik.

5 Goodwill

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2022	14,029
Goodwill recognised on acquisition (note 10)	2,464
Impairment on goodwill	(2,464)
At 31 December 2023	14,029

Goodwill arose on the consolidation of the Group following the acquisition of Quartix Limited in 2008 and on the acquisition of Konetik Deutschland GmbH in 2023.

Goodwill is recognised as an asset and assessed for impairment annually or where there is indication of impairment. Any impairment is recognised immediately in profit or loss.

The Group considers the fleet business of Quartix Limited to be the sole cash-generating unit (CGU) for the assessment of goodwill recognised on acquisition of Quartix Limited and considers Konetik/Evolve to be the CGU for the assessment of goodwill recognised on acquisition of Konetik. The Group has determined its recoverable amount based on value in use calculations. The value in use was derived from discounted management cash flow forecasts for the business, using the budgets and strategic plans based on past performance and expectations for the market development of the CGU, incorporating an appropriate business risk. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period based on industry sector forecasts.

These budgets and strategic plans cover a four-year period. The growth rate in years one and two were based on detailed management expectations. The growth rate used for the third and fourth year is 5.0%. The discount rate used is 7.22% based on the Group's weighted average cost of capital. Sensitivity analysis is carried out on all budgets, strategic plans and discount rates used in the calculations. The estimate of the recoverable amount for the cash generating unit is not particularly sensitive to the discount rate.

Management's key assumptions are based on past experience and the current trading performance of the CGU. These value in use calculations, including sensitivity analysis, have not identified any requirement for impairment of the goodwill associated with the acquisition of Quartix Limited by Quartix Technologies plc. Management was not aware of any probable changes that would necessitate changes in key estimates that indicate any impairment sensitivity on the assessment of goodwill associated with the fleet business of Quartix. The goodwill recognised on the acquisition of Quartix Limited will continue to be reviewed annually for impairment.

There were however impairment indicators for the goodwill recognised on acquisition of Konetik by Quartix Limited. The

There were however impairment indicators for the goodwill recognised on acquisition of Konetik by Quartix limited. The indicators present at year end were:

- The value in use calculation derived from discounted management cashflow forecasts presented negative earnings for the next 4 years, and beyond;
- Some of the customers of Quartix who had purchased contracts for EVolve in 2023, had either cancelled their contracts or expressed intention not to renew by the end of 2023;
- The software as currently released requires significant manual support and is not scalable without significant new investment;
- Management shift in focus on commercial strategy to promote the core fleet tracking product to prevent distractions provided by the focus on promoting the EVolve product to customers; and
- Management had started discussions pre-year end on what the future of the Konetik business looked like, given the anticipated losses for the foreseeable future and the lack of demand observed in the market to date for the EVolve product.

As a result of the indicators present above, management considered it necessary to impair the goodwill recognised on acquisition of Konetik down to nil.

6 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	2023	2022
	£'000	£'000
Profit before tax	(1,077)	5,530
Foreign exchange	25	(256)
Depreciation	233	257
Loss on disposal of fixed asset	-	29
Interest income	(10)	(8)
Lease interest expense	31	31
Share based payment expense	78	92
Impairment	2,695	-
Operating cash flow before movement in working capital	1,975	5,675
Decrease/(increase) in trade and other receivables	(599)	(516)
(Increase)/decrease in contract cost assets	(1,157)	(524)
(Increase) in inventories	579	(659)
(Decrease) in trade and other payables	3,504	(99)
(Decrease)/increase in contract liabilities	163	293
Cash generated from operations	4,465	4,170

7 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January 2023	48,392,178	484	6,332
Shares issued	-	-	-
At 31 December 2023	48,392,178	484	6,332

There were no shares issued in the year to 31 December 2023.

8 Provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	Replacement £'000	Other £'000	Total £'000
Carrying amount at 1 January 2022	823	130	953
Amount utilised	(554)	(36)	(590)
Increase in provision on re-estimate	91	-	91
Foreign exchange	89	-	89
Carrying amount at 31 December 2022	449	94	543
Amount utilised	(50)	(10)	(60)
Amount charged	3,759	-	3,759
Foreign exchange	(24)	-	(24)
Carrying amount at 31 December 2023	4,134	84	4,218

The provision increased by £3.8m following the recognition of the provision to replace the 2G units free of charge in France. The calculation takes into account the cost of the hardware, installation, carriage and staff hired to complete the replacement programme. Based on internal calculations, £2.3m is considered to be current, and the balance considered to be non-current provision. The provision to replace the 3G units in the USA is considered to be current.

The Group makes full provision for the future cost of replacements on a discounted basis at the end of a reporting period following the Groups network provider announcement of the sunsetting of the network that the tracking units are compatible with. The provision for the replacement of the units in France, recognised in 2023, represents the present value of the replacement costs which are expected to be incurred over the next two to three years, as the expected shut down communicated by the network provider for units in France is December 2026. The provisions have been created based on the Company's internal estimates. Assumptions based on the current economic environment have been made, which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. The discount rate used to calculate the present value of the provision to replace the 2G units in France is 3.54% which is the risk free rate used by the Group in calculating its weighted cost of capital. A deferred tax asset was raised at 31 December 2023 at 25% of the provision raised for the replacement units in France.

The majority of the other provision relates to standard or extended warranties for which customers are covered for the cost of repairs or replacement units as appropriate.

9 Share based payments

The Company has share option schemes for certain employees. Share options are exercisable at prices determined at the date of grant. The vesting periods for the share options range between 12 and 63 months. Options are forfeited if the employee leaves the Company before the options vest.

Movements in the number of equity-settled share options outstanding and their related weighted average exercise prices are as follows:

	2023		2022	
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	212.6	805,063	306.8	737,930
Granted	-	-	1.0	212,000
Settled	-	-	451.3	(110,783)
Lapsed	59.7	(133,747)	247.3	(21,940)
Exercised	-	-	1.0	(12,144)
Outstanding at 31 December	243.0	671,316	212.6	805,063
Exercisable at 31 December	288.4	565,317	282.4	529,982

There were no options granted in the year, the weighted average fair value of equity-settled options issued in the prior year was 275.3p.

There no options exercised in the year ended 31 December 2023, the weighted average share price at the date of exercise of options during the year ended 31 December 2022 was 335.0p.

At 31 December 2023 Quartix Technologies plc had no outstanding cash-settled options.

Further details of share-based payments are given in the Group's audited accounts, which are available at www.quartix.net/investors/

10 Acquisition note

On 15 September 2023, the Group acquired 100% of the share capital in Konetik Deutschland GmbH (Konetik), a company incorporated and registered in Germany, for a consideration payable in cash.

The assets and liabilities that were acquired were as follows:

	Fair Value £'000
Purchase consideration:	
Cash on completion date	1,933
Deferred consideration	617
Fair Value of total purchase consideration	2,550

Acquired tangible net assets

Fixed Assets	3	
Working capital	(62)	
Net (debt)/cash	(17)	
	(76)	
Excess consideration for allocation		2,626

Identified intangible asset

Technology IP	231	
Deferred tax on technology IP	(69)	
	162	

Residual goodwill

Konetik contributed £31k of revenue and approximately £500k operating loss to the Group's loss before tax for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on the first day of the financial year, the impact on group revenues would have been £140k and loss of £370k, before any additional amortisation expense recognised on consolidation of the intangible software asset acquired.

Included in the post-acquisition period were payroll costs associated with 3 former shareholders of the business including sign-on bonuses for each staff member. These payroll costs have been included in admin expenses and account for £400k of the post-acquisition business costs of the Konetik/EVolve business.

Total acquisition related costs incurred were approximately £100k of legal fees, these have been included in admin expenses and recognised as an expense in the period in Quartix Limited and included as a Konetik cost in the financial review table in the Chairmans statement.

The goodwill of £2.5m arising from the acquisition relates to the assembled workforce and to expected future profitability, potential synergies and growth expectations that were considered reasonable at the time of acquisition.

A third-party expert performed a detailed review of the acquired intangible assets and acquired customer relationships. The customer relationships intangible asset was considered to be negligible given the negative margins associated with the customer relationships as the business is loss making and is considered to be for the foreseeable future. The key assumptions in the valuation of the intangible assets acquired and the workforce are the growth rate which was 10% following the financial year 2025 and a discount rate of 13.2%. Both considered to be reasonable assumptions.

The deferred tax liability recognised on consolidation as a result of the software asset acquired has been calculated using the current applicable tax rate of 25%. However referring to note 5, following internal reviews conducted in 2023 there were impairment indicators on the valuation of both the goodwill recognised on consolidation and the software asset, as a result these have both been written down in full and the related deferred tax liability recognised on consolidation has been charged to the profit and loss in the year.

Deferred Consideration

The deferred consideration is made up of two elements, a hold back amount of £0.2m which is due and payable twelve months after the acquisition date. And 4 earn out payments totalling £0.4m paid in six month intervals to the three staff members, who were former shareholders of the business. This is considered to be additional consideration as staying in the employ of the business is not a condition for payment of the earn out. The earn out payments are calculated as 100 EUR for all EVolve licences sold by Quartix in a six month period, and this total amount is then split proportionally between the three former shareholders.

At acquisition date the fair value of the earn out payments were considered to be approximately £428k however prior to the year end, after the shift in focus in the sales team and the poorer performance than expected with EVolve sales, the fair value of the future earn out payments were re-estimated, resulting in a fair value gain of £312k. Total deferred consideration measured at the end of the year is therefore a holdback amount of £0.2m and the fair value of the earn out payments £0.1m, totalling £0.3m of which £0.2m is due to be paid in the next 12 months and the balance of £0.1m is due to be paid in 2025.

The financial year for Konetik coincides with the financial year of the Group, therefore the current financial year for Konetik's own 2023 financial statements will also be from 1 January 2023 to 31 December 2023.

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