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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 announce that it will publish interim results for the six-month period ending 30 June 2024 (the "Period") on Monday 29 July 2024. They will be posted on the Company's website that morning, together with accompanying presentations.

Estimates provided in this Trading Statement may be subject to revision following the finalisation of June's trading results and preparation of the Interim Report.

Financial results

The Board estimates that the Group will report revenue, adjusted EBITDA, pre-tax profit and free cashflow for the Period of £16.0m, £2.6m, £2.6m and £0.9m respectively. The Company's net cash balance at period-end was £2.6m.

Estimates for adjusted EBITDA and pre-tax profit are stated after recognition of approximately £0.5m of costs and provisions which are not expected to recur in the second half of 2024. The majority of these relate to operating and liquidation costs for the Konetik Deutschland GmbH subsidiary, which is discussed below.

The estimate of free cashflow is also stated after the cost of the 4G upgrade programme in France (approximately £0.4m during the period).

The Board is confident of meeting market expectations for the year¹, with the potential for revenue to track slightly ahead.

Recurring revenues, pricing and customer base

The Board is pleased to report that renewed focus on the Company's core business in the Period has led to strong growth in Annualised Recurring Revenue ("ARR"). ARR is the key forward-looking measure of growth and financial performance for the Company. The Company's ARR increased by £3.01m (+11%) in the 12 months from 1 July 2023 to 30 June 2024 and two thirds of this increase (£2.04m) was achieved during the Period. ARR growth is measured on a constant currency basis.

Average revenue per unit subscription (average pricing) increased by 1% during the Period, as inflationary price adjustment across the base offset the effects of price erosion in some areas. Although attrition across the Company rose slightly to 14% the rise was attributable mainly to two factors: the termination of a very large UK contract, installed in 2022, which had a fixed term of 2 years and which was not expected to renew; and organisational issues in the USA which are discussed below. The Board is not aware of any other large fixed-term contracts in the base and is addressing the issues in the USA.

The key metrics shown below include growth expressed as a % since 1 July 2023, with the exception of the figures given for new subscriptions and new customers, for which the growth shown is for the Period compared to the same period in 2023.

Country	ARR (£m)	%	Subscription Base (units)	%	Customer Base	%	New Subscriptions (units)	%	New Customers	%
UK/EI	17.27	+6%	151,477	+7%	11,457	+0%	15,786	+17%	792	+6%
France	8.01	+20%	74,740	+22%	8,708	+14%	11,842	+0%	1,246	+4%
USA	3.14	-2%	28,843	-5%	3,752	-6%	3,144	-17%	352	-29%
Italy	1.14	+62%	12,240	+56%	1,925	+47%	3,181	+56%	482	+88%
Spain	0.79	+41%	9,650	+46%	1,825	+37%	2,217	+30%	422	+28%
Germany	0.53	+54%	5,468	+50%	828	+40%	1,603	+98%	221	+73%
Other	0.05		574		91		90		3	
Total	30.92	+11%	282,992	+12%	28,586	+9%	37,863	+13%	3,518	+11%

Market performance

UK

Renewed focus on the Company's core business - following the termination of the Evolve product line - led to 17% growth in new subscriptions and a 7% increase in the subscription base on a trailing-12-months ("TTM") basis. Notable successes were achieved in medium-sized fleets where the Company's reputation for strong customer service played a significant role. A return to growth in the customer base, albeit at a modest level, was delivered in the period and strong emphasis is now being placed on increasing growth in customer

acquisition rates.

France

The subscription and customer bases grew by 22% and 14% respectively on a TTM basis. Customer acquisition rates increased by 4% compared with the prior period. New subscriptions were, however, flat on the same period last year but 14% ahead of the second half of 2023, and good progress is now being made through all channels

USA

Performance in the USA has continued to be adversely affected by organisational and strategic changes made during 2022 and 2023. As a consequence, progress in ARR reduced growth from +\$0.5m in 2021 to a deficit of -\$0.2m in 2023. Recruitment is underway to support the US business, return the subscription and customer bases to growth and to increase revenue growth rates. Enquiry levels are running at a strong level and customer acquisition rates started to improve before the end of the Period.

Italy, Spain and Germany

Strong growth was recorded on all key performance measures in each of these countries. New customer acquisition rates in Italy were particularly strong, as was growth in new installations in Germany. All three countries offer substantial opportunities for business development and further investment is planned for the second half.

Konetik Deutschland GmbH ("Konetik")

Quartix acquired Konetik in September 2023 for a consideration of up to €3.9m. Konetik was a company specialising in consultancy services for fleets making the transition to electric vehicles. Konetik had substantial operating costs but insignificant revenues and the growth anticipated at the time of acquisition was not delivered in the initial period post-acquisition. As noted in March, and having exhausted all other options including returning the business to its former owners at nil cost, the Board decided to liquidate Konetik and its Hungarian branch subsidiary.

We can now report that the liquidation is well underway, with all employment agreements, save for that for the administrative managing director, terminated and settled. Termination notices to Konetik's two external customers were given in February and its limited trading activities have ceased.

Operating costs of £0.28m for Konetik were recorded in the Period, and a further provision of £0.15m will be included in the Interim results for final costs. A further payment of approximately £0.2m will be due in September under the terms of the acquisition agreement.

Andy Walters, Executive Chairman of Quartix, commented:

"It is extremely pleasing to have recorded strong growth in the value of our subscription base over the past 12 months. Annualised recurring revenues have increased by just over £3m since July 2023 and two thirds of that increase was achieved in the first half of 2024. Double-digit percentage growth was also achieved in new vehicle subscriptions, the vehicle subscription base and customer acquisition rates. The customer base grew by 9% over the past year and we expect to improve this further as we continue to focus on customer acquisition with businesses in the SME category.

We have now put the issues of 2023 behind us and, despite incurring more than £0.5m of cost associated with those in the first half, we expect to record approximately £2.6m of pre-tax profit in our interim results.

I am immensely grateful to all my colleagues and the management team at Quartix who have so successfully refocused the company on its core business activity since my return to the Board last September, and we look forward to the future with confidence."

¹Note: the Company believes that, prior to this announcement, market expectations for 2024 performance in terms of revenue, adjusted EBITDA and unadjusted free cashflow were £32.1m, £5.4m and £1.5m respectively.

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