

## Quartix Holdings PLC

# Interim Results

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 Quartix Holdings PLC  
 29 July 2015

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### Quartix Holdings plc ("Quartix" or "the Group")

#### Interim Results

Quartix Holdings plc (AIM:QTX), a leading supplier of vehicle tracking systems and services to the fleet and insurance sectors, is pleased to announce its interim results for the half year ended 30 June 2015.

#### Financial highlights:

- Group revenues increased by 24% to £9.2m (2014: £7.4m)
  - Fleet revenues grew by 17% to £6.2m (2014: £5.3m)
  - Insurance revenues increased by 43% to £3.0m (2014: £2.1m)
- Operating profit increased by 8% to £2.7m (2014: £2.5m)
- Adjusted<sup>1</sup> profit before tax increased by 9% to £2.7m (2014: £2.5m)
- Adjusted<sup>2</sup> fully diluted earnings per share of 4.67p (2014: 4.27p)
- Adjusted<sup>3</sup> cash inflow before tax increased by 8% to £3.0m (2014: £2.8m)
- Net cash of £0.8m (31 December 2014: net debt of £0.2m)
- Operating cash conversion<sup>4</sup> was 109% (2014: 110%)
- Interim dividend of 2p per share to be paid on 24 September 2015 to shareholders on the register as at 21 August 2015

<sup>1</sup> Adjusted to exclude exceptional gain of £635,000 in the period ended 30 June 2014 (2015: £nil)

<sup>2</sup> Adjusted to exclude exceptional gain of £471,000 in the period ended 30 June 2014 (2015: £nil)

<sup>3</sup> Adjusted to exclude exceptional cash inflow before tax of £635,000 in the period ended 30 June 2014 (2015: £nil)

<sup>4</sup> Adjusted cash inflow before tax divided by operating profit

#### Operational highlights:

## Fleet

Strong progress in the main fleet business:

- New fleet installations increased by 44% to 10,733 units (2014: 7,433)
- Fleet subscription base grew by 12% to 66,806 vehicles (31 December 2014: 59,765)
- Active customer base increased by 13% to 7,150 (31 December 2014: 6,342)
- Attrition<sup>1</sup> on a rolling 12 month basis was 10%; significantly below the 14% industry average
- Strong growth in all three fleet market territories:

### UK

- 7,584 new installations, up 16% (30 June 2014: 6,563)
- 58,058 active vehicle subscriptions, an 8% increase (31 December 2014: 54,024)
- 5,583 active customers, up 5% (31<sup>st</sup> Dec 2014: 5,318)

### France

- 1,688 new installations, up 103% (30 June 2014: 830)
- 6,854 active vehicle subscriptions, a 31% increase (31 December 2014: 5,218)
- 1,079 active customers, up 21% (31 December 2014: 890)

### USA

- 1,461 new installations (30 June 2014: 17)
- 1,858 active vehicle subscriptions, a 273% increase (31 December 2014: 498)
- 478 active customers, up 282% (31 December 2014: 125)

## Insurance

Insurance installations grew by 64% to 25,438 (2014: 15,500)

<sup>1</sup>Attrition is calculated as the difference between the number of new unit installations and the increase in active subscriptions between 1 July

2014 and 30 June 2015, expressed as a percentage of the mean subscription base between those two points in time:  $[(19,626-13,601)/60,006]$

= 10.04%

**Andy Walters, Managing Director of Quartix**, commented:

"I am pleased to report that we have had a great first half. Revenues for the first half came in at £9.2 million, representing growth of 24% on last year with fleet revenues growing by 17% and insurance growth particularly strong at 43%.

We have achieved a step change in new fleet installations and have continued to invest in our US business. These costs, which were all expensed in the period, will generate recurring revenues in the future. Add to those our first full six months of plc costs and we are delighted to have achieved growth in pre-tax profits of 9% to £2.7 million."

### **For further information, please contact:**

**Quartix** (www.quartix.net)

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Andy Walters, Managing Director

David Bridge, Finance Director

**finnCap (Nominated Adviser and Broker)**

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Matt Goode /Scott Mathieson (Corporate Finance)

Stephen Norcross (Corporate Broking)

**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 and "pay as you drive" motor insurance providers 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**

The past half year has shown continued strong growth in demand for the Group's vehicle tracking systems, software and services in both the fleet and insurance sectors. Revenues in the core fleet sector grew by 17% to £6.2m (2014: £5.3m). Sales to insurance based customers also increased, by 43% to £3.0m (2014: £2.1m). Our success across both sectors was reflected in the installation of 36,171 new tracking systems (2014: 22,910) and the achievement of £5.7m of recurring revenue in the fleet sector (2014: £4.7m).

Growth in new installations in the fleet business was broadly spread across the UK, French and US markets, with direct marketing, distribution and price comparison channels all contributing strongly.

Growth in insurance was driven mainly by two new projects. Whilst one project will come to an end in Q3, as mentioned in March, an additional project is expected to start before the end of the year.

Sales in the UK grew by 23%, reaching £8.6m (2014: £7.0m). The Group made good progress in France, where new fleet installations in the period doubled and revenues increased by 44% in local currency to €0.7m (2014: €0.5m). Additional investment in the French sales and support teams during the year should allow this growth to continue throughout the remainder of 2015. France made a positive contribution to Group overheads.

The Group continued to develop its operations successfully in the USA, almost quadrupling its customer base to reach 478 fleet clients in 6 months. The subscription base has also risen rapidly, to 1,858 vehicles. Market and customer reaction to the Group's services has been very encouraging, and we will continue to invest in the development of this huge potential market.

**Results**

Group revenues for the half year increased by 24% to £9.2m (2014: £7.4m).

Operating profit for the half year increased by 8% to £2.7m (2014: £2.5m). This is a particularly pleasing, given that we invested much more in the development of the US market and installed significantly more fleet tracking units than during the previous year. These investments will generate recurring revenue streams for the future.

Very strong growth in insurance sales adversely affected the gross margin mix and the Company also carried its first full 6 months of the costs of being publically quoted.

Adjusted profit before tax and exceptional gains increased by 8% to £2.7m (2014: £2.5m).

Cash conversion was excellent, resulting in post tax cash flow from operations of £2.5m (2014: £2.3m), after allowing for the effects of exceptional gains. The Group had net cash of £0.8m as at 30 June 2015 (net debt of £0.2m at 31 December 2014), having paid a maiden dividend of £1.4m in May.

Adjusted basic earnings per share rose by 8% to 4.74p (2014: 4.38p). On a fully diluted basis, adjusted earnings per shares increased to 4.67p (2014: 4.27p).

### Dividends

The Board recommended an interim dividend of 2p per share, amounting to £940,436 in aggregate. This was approved by the board on 28 July 2015. The interim dividend will be paid on 24 September 2015 to shareholders on the register as at 21 August 2015.

### Governance and the Board

The Board is comprised of two Non-Executive Directors: myself and Jim Warwick, and two Executive Directors: Andrew Walters and David Bridge.

On 16 April 2015, Avril Palmer-Baunack reluctantly decided not to seek re-election as a Director at the Company's AGM. This was in light of the required time commitment of her new role as Executive Chairman of BCA Marketplace plc. The Board thanks Avril for her significant contribution to and support for the Company.

For further details regarding Corporate Governance and the Board, please see the "Investors" section of our website ([www.quartix.net/investors.php](http://www.quartix.net/investors.php)).

### Outlook

The Group has made a strong start to the year, in line with our expectations. The high levels of recurring revenues and opportunities to grow in the UK, France and the USA in fleet combined with continued progress in our insurance business underpin our confidence for the rest of year and beyond.

**Paul Boughton**  
Chairman

### Consolidated Statement of Comprehensive Income

		31		
		30 June	30 June	December
		2015	2014	2014
		Unaudited	Unaudited	Audited
	Notes	£'000	£'000	£'000
<b>Revenue</b>	2	<b>9,190</b>	7,403	15,331

Cost of sales		<b>(3,555)</b>	(2,571)	(5,388)
<b>Gross profit</b>		<b>5,635</b>	4,832	9,943
Administrative expenses		<b>(2,912)</b>	(2,320)	(5,058)
<b>Operating profit</b>		<b>2,723</b>	2,512	4,885
Exceptional items	3	-	635	248
Finance income receivable		<b>7</b>	8	14
Finance costs payable		<b>(39)</b>	(56)	(104)
<b>Profit for the period before taxation</b>		<b>2,691</b>	3,099	5,043
Tax expense		<b>475</b>	599	(1,011)
<b>Net profit for the period</b>		<b>2,216</b>	2,500	4,032
<b>Currency translation differences</b>		<b>13</b>	-	-
<b>Net profit for the period and total comprehensive income attributable to the equity shareholders of Quartix Holdings plc</b>		<b>2,229</b>	2,500	4,032
<b>Earnings per ordinary share (pence)</b>	4			
Basic		<b>4.74</b>	5.40	8.68
Diluted		<b>4.67</b>	5.26	8.55
<b>Adjusted earnings per ordinary share (pence)</b>	4			
Basic		<b>4.74</b>	4.38	8.52
Diluted		<b>4.67</b>	4.27	8.39

All of the activities of the Group in the current year are classed as continuing and there is no other comprehensive income.

### Consolidated Statement of Financial Position

		30 June 2015 Unaudited £'000	30 June 2014 Unaudited £'000	31 December 2014 Audited £'000
<b>Non-current assets</b>	Notes			
Goodwill		<b>14,029</b>	14,029	14,029
Property, plant and equipment		<b>306</b>	194	187
<b>Total non-current assets</b>		<b>14,335</b>	14,223	14,216
<b>Current assets</b>				

Inventories	<b>268</b>	273	436
Trade and other receivables	<b>2,361</b>	1,900	1,933
Cash and cash equivalents	<b>2,311</b>	409	1,812
<b>Total current assets</b>	<b>4,940</b>	2,582	4,181
<b>Total assets</b>	<b>19,275</b>	16,805	18,397
<b>Current liabilities</b>			
Trade and other payables	<b>2,033</b>	1,842	2,008
Borrowings	<b>995</b>	992	993
Deferred revenue	<b>2,071</b>	1,375	1,704
Current tax liabilities	<b>535</b>	595	541
	<b>5,634</b>	4,804	5,246
<b>Non-current liabilities</b>			
Borrowings	<b>497</b>	1,489	993
Deferred tax liabilities	<b>47</b>	29	4
	<b>544</b>	1,518	997
<b>Total liabilities</b>	<b>6,178</b>	6,322	6,243
<b>Net assets</b>	<b>13,097</b>	10,483	12,154
<b>Equity</b>	6		
Called up share capital	<b>469</b>	46	467
Share premium account	<b>4,454</b>	4,354	4,379
Equity reserve	<b>126</b>	50	151
Capital redemption reserve	<b>4,663</b>	5,079	4,664
Translation reserve	<b>13</b>	-	-
Retained earnings	<b>3,372</b>	954	2,493
<b>Total equity attributable to equity shareholders of Quartix Holdings plc</b>	<b>13,097</b>	10,483	12,154

### Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Capital redemption reserve £'000	Equity reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 31 December 2013</b>	46	4,296	5,079	6	-	1,233	<b>10,660</b>
Shares issued	-	58	-	-	-	-	<b>58</b>
Increase in equity reserve in relation to options issued	-	-	-	44	-	-	<b>44</b>
Dividend paid	-	-	-	-	-	(2,779)	<b>(2,779)</b>
Transactions with owners	46	4,354	5,079	50	-	(1,546)	<b>7,983</b>
Profit for the period and total	-	-	-	-	-	2,500	<b>2,500</b>

comprehensive income							
<b>Balance at 30 June 2014</b>	46	4,354	5,079	50	-	954	<b>10,483</b>
Shares issued	6	25	-	-	-	-	<b>31</b>
Bonus shares issued	420	-	(420)	-	-	-	-
Redemption of preference shares	(5)	-	5	-	-	(5)	<b>(5)</b>
Increase in equity reserve in relation to options issued	-	-	-	39	-	-	<b>39</b>
Adjustment for exercised options	-	-	-	(12)	-	12	-
Warrants issued	-	-	-	74	-	-	<b>74</b>
Transactions with owners	467	4,379	4,664	151	-	961	<b>10,622</b>
Profit for the period and total comprehensive income	-	-	-	-	-	1,532	<b>1,532</b>
<b>Balance at 31 December 2014</b>	467	4,379	4,664	151	-	2,493	<b>12,154</b>
Shares issued	2	75	(1)	-	-	-	<b>76</b>
Increase in equity reserve in relation to options issued	-	-	-	46	-	-	<b>46</b>
Adjustment for exercised options	-	-	-	(71)	-	71	-
Dividend paid	-	-	-	-	-	(1,408)	<b>(1,408)</b>
Transactions with owners	469	4,454	4,663	126	-	1,156	<b>10,868</b>
Profit for the period and total comprehensive income	-	-	-	-	13	2,216	<b>2,229</b>
<b>Balance at 30 June 2015</b>	469	4,454	4,663	126	13	3,372	<b>13,097</b>

### Consolidated Statement of Cash Flows

	31		
	30 June	30 June	December
	2015	2014	2014
	Unaudited	Unaudited	Audited
Notes	£'000	£'000	£'000

<b>Cash generated from operations</b>	5	<b>2,970</b>	3,393	5,845
Taxes paid		<b>(439)</b>	(441)	(930)
<b>Cash flow from operating activities</b>		<b>2,531</b>	2,952	4,915
<b>Investing activities</b>				
Additions to property, plant and equipment		<b>(178)</b>	(44)	(82)
Interest received		<b>7</b>	8	14
<b>Cash flow from investing activities</b>		<b>(171)</b>	(36)	(68)
<b>Financing activities</b>				
Increase in long term borrowings		-	-	-
Repayment of long term borrowings		<b>(500)</b>	(500)	(1,000)
Interest paid		(43)	(65)	(119)
Redemption of preference shares	6	-	-	(5)
Proceeds from share issues	6	77	58	89
Dividend paid		<b>(1,408)</b>	(2,779)	(2,779)
<b>Cash flow from financing activities</b>		<b>(1,874)</b>	(3,286)	(3,814)
Net changes in cash and cash equivalents		<b>486</b>	(370)	1,033
Cash and cash equivalents, beginning of period		<b>1,812</b>	779	779
Exchange differences on cash & cash equivalents		<b>13</b>	-	-
Cash and cash equivalents, end of period		<b>2,311</b>	409	1,812

## **Notes to the Financial Statements (unaudited)**

### **1. Basis of preparation**

The financial information has been prepared in accordance with recognition and measurement principles of International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations that had been published by 30 June 2015 as endorsed by the European Union ("EU"). The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2014, as described in those financial statements. In preparing these interim financial statements, the Board has not sought to adopt IAS 34 "Interim financial reporting".

The figures for the six month periods ended 30 June 2015 and 30 June 2014 have not been audited. The figures for the year ended 31 December 2014 have been extracted from, but do not constitute, the consolidated financial statements of Quartix Holdings plc for that year. Those financial statements have been delivered to the Registrar of Companies and included an Auditors' Report, which was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

### **2. Segmental analysis**

The Group has concluded that it operates only one operating segment as defined by IFRS 8. The information used by the Group's chief operating decision makers to make decisions about the allocation of resources and assessing performance is presented on a consolidated Group basis. Accordingly no segmental analysis is presented.

An analysis of turnover by type of customer and geography is stated below:

	31		
	30 June	30 June	December
	2015	2014	2014
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>By customer base</b>			
Fleet	6,208	5,323	11,038
Insurance	2,982	2,080	4,293
	<b>9,190</b>	<b>7,403</b>	<b>15,331</b>

	31		
	30 June	30 June	December
	2015	2014	2014
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
<b>Geographical analysis by destination</b>			
United Kingdom	8,634	7,032	14,534
France	481	369	771
Republic of Ireland	2	-	3
United States of America	73	2	23
	<b>9,190</b>	<b>7,403</b>	<b>15,331</b>

### 3. Exceptional items (previous year)

	31	
	30 June	December
	2014	2014
	Unaudited	Audited
	£'000	£'000
Compensation for mis-sold hedging contracts	(763)	(763)
Professional fees relating to the IPO	128	515
Exceptional items before taxation	(635)	(248)
Taxation on the above	164	172
Exceptional items after taxation	<b>(471)</b>	<b>(76)</b>

### 4. Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings plc divided by the weighted average number of shares in issue during the period. The calculation of the adjusted earnings per share is the same as that for the basic earnings per share, except for the subtraction of exceptional items from the profits attributable to the shareholders (see note 3). All earnings per share calculations relate to continuing operations of the Group.

Profits attributable	Weighted average	Basic profit per	Fully diluted	Fully diluted profit
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	to shareholders	number of shares	share amount	weighted average number of shares	per share amount
	£'000		in pence		in pence
<b>Earnings per ordinary share</b>					
Period ended 30 June 2015	2,216	46,798,011	4.74	47,635,491	4.67
Period ended 30 June 2014	2,500	46,289,900	5.40	47,486,300	5.26
Year ended 31 December 2014	4,032	46,459,018	8.68	47,171,899	8.55
<b>Adjusted earnings per ordinary share</b>					
Period ended 30 June 2015	2,216	46,798,011	4.74	47,635,491	4.67
Period ended 30 June 2014	2,029	46,289,900	4.38	47,486,300	4.27
Year ended 31 December 2014	3,956	46,459,018	8.52	47,171,899	8.39

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 and warrants where the exercise price is less than the average market price of the Company's ordinary shares during that year.

A reorganisation of share capital on 30 September 2014 changed the value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold. This change is shown by an increase in the weighted average number of shares. The period ended 30 June 2014 earnings per share and adjusted earnings per share are restated for this reorganisation.

## 5. Notes to the cash flow statement

### Cash flow adjustments and changes in working capital

	30 June 2015 Unaudited £'000	30 June 2014 Unaudited £'000	31 December 2014 Audited £'000
<b>Profit before tax</b>	<b>2,674</b>	3,099	5,043
Depreciation	59	38	83
Share based payment expense	46	44	83
Warrants issued	-	-	74
Interest income	(5)	(8)	(14)
Interest expense	39	56	104
<b>Operating cash flow before movement in working capital</b>	<b>2,813</b>	3,226	5,373
(Increase)/decrease in trade and other receivables	(421)	(53)	(144)
(Increase)/decrease in inventories	71	(111)	(216)
Increase in trade and other payables	510	328	832

<b>Cash generated from operations</b>	<b>2,973</b>	3,393	5,845
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## 6. Equity

	Number of preference shares of £1 each	Number of ordinary shares of £0.10 each	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
<b>Allotted, called up and fully paid</b>					
<b>At 1 January 2014</b>	-	<b>462,475</b>	-	<b>46</b>	<b>4,296</b>
Shares issued at £1 for cash	5,000	1,875	-	-	58
Shares redeemed at £1 for cash	(5,000)	-	-	-	-
<b>At 30 June 2014</b>	-	<b>464,350</b>	-	<b>46</b>	<b>4,354</b>
Shares issued at £1 for cash		2,025	54,500	6	25
Shares redeemed at £1 for cash	-	-	-	(5)	-
Shares reorganised	-	(466,375)	4,663,750	-	-
Bonus shares issued	-	-	41,973,750	420	-
<b>At 31 December 2014</b>	-	-	<b>46,692,000</b>	<b>467</b>	<b>4,379</b>
Shares issued	-	-	246,000	2	75
<b>At 30 June 2015</b>	-	-	<b>46,938,000</b>	<b>469</b>	<b>4,454</b>

The preference shares carried no preferential right to dividend but could be redeemed at par at the discretion of the Company. All preference shares have been redeemed by the Company out of distributable reserves as at 31 December 2014.

A reorganisation of share capital on 30 September 2014 changed the nominal value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold due to a bonus issue. This change is shown by an increase in the number of ordinary shares.

## 7. Post balance sheet share allotment

Quartix Holdings plc issued and allotted 83,800 new ordinary shares of 1p each in the Company on 9 July 2015 ("Ordinary Shares"). Following the allotment, the Company's issued share capital consisted of 47,021,800 Ordinary Shares.

## 8. Availability of interim results

The Group's unaudited interim results for the half year ended 30 June 2015 are available at the bottom of the "Investors" section of the Company's website [www.quartix.net/investors.php](http://www.quartix.net/investors.php)

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