

NS Half-year/Interim Report

INTERIM RESULTS

QUARTIX TECHNOLOGIES PLC

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Quartix Technologies plc
("Quartix", "the Group" or "the Company")
Interim Results

Quartix Technologies plc (AIM:QTX), a leading supplier of subscription-based vehicle tracking systems, software and services, is pleased to announce its unaudited results for the half year ended 30 June 2022.

Financial highlights:

- Group revenue increased by 6.7% to £13.3m (2021: £12.5m)
- Adjusted EBITDA¹ decreased by 6.4% to £2.5m (2021: £2.7m) driven by a 25.9% growth in new installations and established policy of immediately expensing these costs
- Category contribution and investment:
 - Telematics Services category contribution² increased by 11.2% to £10.5m (2021: £9.4m)
 - Customer Acquisition category investment³ increased by 16.6% to £4.7m (2021: £4.0m)
- Operating profit increased by 17.4% to £2.4m (2021: £2.1m)
- Profit before tax increased by 17.0% to £2.4m (2021: £2.1m)
- Diluted earnings per share of 4.17p (2021: 3.66p)
- Free cash flow⁴ increased by 31.1% to £1.9m (2021: £1.4m)
- Interim dividend of 1.50p per share proposed (2021: 1.50p)

¹ Earnings before interest, tax, depreciation, amortisation and share based payment expense (see note 4)

² Contribution before customer acquisition costs and central costs (see note 3)

³ Sales, marketing, net equipment, net installation and carriage costs for new customers (see note 3 for full explanation)

⁴ Cash flow from operations after tax and investing activities

Principal activities and performance measures

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

Annualised recurring revenue has moved back into double-digit growth, increasing by 11.3% year on year (see definition in KPI table below). Annualised recurring revenue is a forward-looking key performance measure and it

is pleasing that it grew by £2.7m on a constant exchange rate, to £26.0m at 30 June 2022, compared to 30 June 2021.

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

Key Performance Indicators ("KPIs")

Period ended 30 June	2022	2021	% change
Fleet subscriptions ¹ (new units)	32,085	25,493	25.9
Annualised recurring revenue ² (£'000)	26,039	23,387	11.3
Fleet subscription base ³ (units)	221,800	188,155	17.9
Fleet customer base ⁴	24,408	20,698	17.9
Fleet attrition ⁵ (annualised) (%)	11.6	12.3	
Price erosion ⁶ (%)	5.6	6.5	

¹ New vehicle tracking units subscriptions added to the subscription base in 6 months to 30 June before any attrition

² Annualised data services revenue for the subscription base at 30 June, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have already started or are committed, with comparative June 2021 measured at a constant exchange rate

³ 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

⁴ The number of customers associated with the fleet subscription base

⁵ The number of new vehicle tracking unit subscriptions, less the increase in the subscription base, expressed as a percentage of the mean subscription base

⁶ The decrease in average subscription price of the base expressed as a percentage of the average subscription price at June 2021, all measured at a constant exchange rate.

In order to highlight the different cost structures within the business, the Group will provide additional voluntary disclosure, separating the results into two categories, see accounting policy note 1 for details.

Segmental analysis 2022

(6 months, unaudited)

	Customer Acquisition £'000	Telematics Services £'000	Total Business £'000
Revenue	200	13,133	13,333
Category costs	(4,919)	(2,660)	(7,579)
Category (net costs) / contribution	(4,719)	10,473	5,754
Central costs			(3,259)
Adjusted EBITDA			2,495

Segmental analysis 2021

(6 months, unaudited)

	Customer Acquisition £'000	Telematics Services £'000	Total Business £'000
Revenue	131	12,362	12,493
Category costs	(4,178)	(2,944)	(7,122)
Category (net costs) / contribution	(4,047)	9,418	5,371
Central costs			(2,704)
Adjusted EBITDA			2,667

The profit before central costs increased by £0.4m compared to the prior year, at £5.8m (2021: £5.4m). The contribution from the Group's Telematics Services category, grew by £1.1m to £10.5m (2021: £9.4m), which was partially invested in organic growth by spending an additional £0.7m on new unit installation costs, marketing and sales staff in the Customer Acquisition category. Quartix's long established policy of immediately expensing the cost of new units and their installation means that strong growth in new units causes a short term reduction in profitability. This is followed by increased profits due to the recurring nature of revenues.

Central costs have increased by £0.6m to £3.3m (2021: £2.7m) as a result of the new Executive Directors employment costs and the investment in operational processes and IT to support scalability in the business.

Richard Lilwall, Chief Executive Officer of Quartix, commented:

"I am delighted to report that we have shown a return to double-digit growth in the value of our subscription base, growing 11.3% year on year to £26.0m. Whilst H1 Adjusted EBITDA decreased by 6% to £2.5m (2021 2.7m) the reasons for this are positive. Firstly, due to our accounting policy of immediately recognising hardware and installation costs our record 26% increase in new installations had a short term negative impact on Adjusted EBITDA. Secondly, we have made some investments in tools and resources targeted to drive growth in the future. Price erosion in our customer base continues to slow and the price at which we add new customers has remained stable since January 2019.

The exciting launch (in June) of our EVolve platform, which helps fleet operators transition from internal combustion engine to electric vehicles, adds upsell opportunity to existing customers and access to additional customer segments - particularly those with passenger car fleets.

Subscription base growth in the UK (11%), France (31%) and other European territories (88%) since June 2021 has been excellent. US growth (16%) has seen mixed results across channels with some performing significantly better than others. Some specific US initiatives are due in H2 and will combine with our global sales execution excellence program to fuel accelerated US growth in 2023. We have confidence moving into the second half and for 2023 and are confident in achieving market expectations."

¹ The Board believes that consensus market expectations for 2022 prior to this announcement, were as follows: Revenue: £27.4m; Adjusted EBITDA £5.7m; Free Cash Flow²: £4.1m.

² Underlying Free Cash Flow stated before expenditure on 3G swap out in the US - see 2021 Annual Report.

For further information, please contact:

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The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

Interim Financial Results Report

The Group's Interim Financial Statements for the 6 months ended 30 June 2022 are available in the "Investors" section of our website at: www.quartix.com/en-gb/company/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 and motor insurance providers which improves productivity and safety and which lowers 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

Our key focus for the past 6 months has been the growth of the subscription base both in the UK and overseas to drive an increase in recurring revenues. As noted in the Highlights section, the annualised recurring revenue increased by £2.7m, at a constant currency rate, to £26.0m at 30 June 2022. This was achieved, with the Group experiencing strong growth in its subscription platform. Performance in

the first half of the year was particularly encouraging; new subscriptions were 25.9% ahead of the prior year. Group revenue grew by 6.7% during the first half of 2022.

Group annualised attrition marginally improved to 11.6% (2021: 12.3%) and price erosion on a constant currency basis has reduced to 5.6% (2021: 6.5%).

Each geographical market registered increases in both new subscriptions and in the subscription base for the period (see table below). The UK achieved new unit installation growth of 23.0%, however total revenue remained at £8.9m, due to price erosion and falling insurance revenue.

New unit installations growth was very impressive in France at 45.2%, driven by a return on investment from the expansion of our direct sales force in 2021. French revenue increased by 22.0% to €3.0m (2021: €2.5m).

The USA increased its revenue by 10.6% to \$2.0m (2021: \$1.8m). The prospects for future business development remain encouraging and continue to be a core focus for the Group in the second half of 2022.

The Group continued to make progress in its other European territories.

	Subscription Base **	New subscriptions	Customers **	New Customers
United Kingdom ++				
2022	133,020	14,814	11,520	800
2021	120,290	12,040	10,913	854
Change	12,730	2,774	607	(54)
France				
2022	46,387	8,178	6,262	1,157
2021	35,364	5,631	4,811	793
Change	11,023	2,547	1,451	364
Other European Territories ++				
2022	12,505	3,856	2,560	740
2021	6,655	2,970	1,459	569
Change	5,850	886	1,101	171
USA				
2022	29,888	5,237	4,066	723
2021	25,846	4,852	3,515	634
Change	4,042	385	551	89

** Comparatives are June 2021

++ The figures for the UK exclude Ireland, which have been included in Other European Territories for both the current and comparative KPIs. Management consider this to be more appropriate given Ireland is part of the EU reporting in euros.

We have launched our Quartix EVolve (electric vehicle analysis) product and the pipeline is already building with new and existing customers. We will be launching our Quartix Check (walkaround) module in the second half of our financial year.

Results

Group revenue for the period increased by 6.7% to £13.3m (2021: £12.5m); total fleet revenue now represents 95.8% of total revenue (2021: 92.9%).

Both operating profit and profit before tax for the period increased to £2.4m (2021: £2.1m).

As illustrated in the segmental analysis under the Financial Highlights, the profitability of the Group's Telematics Services category, which represents the core part of the business associated with recurring revenues, grew by £1.1m to £10.5m (2021: £9.4m). There was a £0.7m increase in Customer Acquisition category's net cost to £4.7m in 2022 (2021: £4.0m), due to the significant customer acquisition investment (see above and note 3). The combined impact on total profit before central costs, was an increase of £0.4m to £5.8m (2021: £5.4m).

Cash conversion strengthened, largely due to lower tax payments, resulting in free cash flow, cash flow from operations after tax and investing activities, of £1.9m (2021: £1.4m). Net cash decreased to

£3.9m at 30 June 2022 (2021: £4.3m), following the payment of a final and supplementary dividend for 2021 paid in April 2022, totalling £3.4m but without the benefit of £1.0m share proceeds received in the prior year.

Earnings per share

Basic earnings per share were 4.20p (2021: 3.70p). On a diluted basis earnings per share were 4.17p (2021: 3.66p).

Dividend Policy

Subject to satisfactory performance and market conditions, the Board will consider a final dividend for the year with the aggregate of the interim and final dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure. The Board will also consider distributing the excess of cash balances over £2m by way of supplementary dividends. The surplus cash would be calculated by taking the year end cash balance and deducting the proposed regular dividend. The policy will be subject to review.

Dividend

The Board has recommended an interim dividend of 1.50p (2021: 1.50p) per share, £0.7m in aggregate. The amount is in line with the Group's stated policy on ordinary dividend payment. This was approved by the Board on 26 July 2022. The interim dividend will be paid on 9 September 2022 to shareholders on the register on 12 August 2022. The ex-dividend date is therefore 11 August 2022.

Governance and the Board

The Board is comprised of three Non-Executive Directors: myself, Andy Walters and Jim Warwick, and three Executive Directors: Richard Lilwall, Emily Rees and Laura Seffino.

For further details regarding Corporate Governance and the Board, please see the "Investors" section of our website (www.quartix.com/en-gb/company/investors).

Outlook

Our work on operational scalability has been successful, allowing our team to improve customer satisfaction on our growing subscription base without adding further resources. Sales execution excellence is well underway with the imminent introduction of new tools to drive best practice and insights at every stage of the sales funnel. Initial implementation is expected to be completed within the next quarter and further refinement and improvement will allow us to achieve further revenue improvements in 2023.

The Group has made a strong start to the second half, in line with management's expectations. The high levels of recurring revenue and opportunities to grow our operations in the UK, USA, France and the rest of Europe underpin our confidence for the rest of the year and beyond.

Paul Boughton

Chairman

Consolidated Statement of Comprehensive Income

		30 June 2022	30 June 2021	31 December 2021
Half year ended 30 June 2022		Unaudited	Unaudited	Audited
	Notes	£'000	£'000	£'000
Revenue	2	13,333	12,493	25,513
Cost of sales		(3,855)	(3,861)	(6,876)
Gross profit		9,478	8,632	18,637
Administrative expenses		(7,069)	(6,580)	(13,328)
Operating profit		2,409	2,052	5,309
Finance income receivable		3	1	-
Finance costs payable		(16)	(6)	(23)

Profit for the period before taxation		2,396	2,047	5,286
Tax expense		(366)	(264)	(390)
Profit for the period		2,030	1,783	4,896
Other Comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on translating foreign operations		(181)	2	(101)
Other comprehensive income for the year, net of tax		(181)	2	(101)
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		1,849	1,785	4,795

Adjusted EBITDA	4	2,495	2,667	5,725
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Earnings per ordinary share (pence)	5			
Basic		4.20	3.70	10.14
Diluted		4.17	3.66	10.07

Consolidated Statement of Financial Position

Company registration number: 06395159

		30 June 2022	30 June 2021	31 December 2021
		Unaudited	Unaudited	Audited
Assets	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill		14,029	14,029	14,029
Property, plant and equipment		834	1,060	956
Deferred tax asset		26	299	131
Contract cost assets		608	294	293
Total non-current assets		15,497	15,682	15,409
Current assets				
Inventories		1,733	988	1,330
Trade and other receivables		4,140	4,045	3,986
Cash and cash equivalents		3,897	4,268	5,414
Total current assets		9,770	9,301	10,730
Total assets		25,267	24,983	26,139
Current liabilities				
Trade and other payables		3,691	3,184	3,216
Provisions		640	1,605	953
Contract liabilities		3,476	3,533	3,160
Current tax liabilities		269	131	77
		8,076	8,453	7,406

Non-current liabilities

Lease liabilities		609	694	650
		609	694	650
Total liabilities		8,685	9,147	8,056
Net assets		16,582	15,836	18,083

Equity

Called up share capital	7	484	483	484
Share premium account	7	6,332	6,223	6,332
Equity reserve		373	694	380
Capital redemption reserve		4,663	4,663	4,663
Translation reserve		(351)	(67)	(170)
Retained earnings		5,081	3,840	6,394
Total equity attributable to equity shareholders of Quartix Technologies plc		16,582	15,836	18,083

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 2020	479	5,252	4,663	792	(69)	10,316	21,433
Shares issued	4	971	-	-	-	-	975
Increase in equity reserve in relation to options issued	-	-	-	102	-	-	102
Adjustment for settled options	-	-	-	(98)	-	-	(98)
Adjustment for exercised options	-	-	-	(290)	-	290	-
Deferred tax on share Options	-	-	-	188	-	-	188
Dividend paid	-	-	-	-	-	(8,549)	(8,549)
Transactions with owners	4	971	-	(98)	-	(8,259)	(7,382)
Foreign currency translation differences	-	-	-	-	2	-	2
Profit for the period	-	-	-	-	-	1,783	1,783
Total comprehensive income	-	-	-	-	2	1,783	1,785
Balance at 30 June 2021	483	6,223	4,663	694	(67)	3,840	15,836
Shares issued	1	109	-	-	-	-	110
Increase in equity reserve in relation to options issued	-	-	-	68	-	-	68
Adjustment for exercised options	-	-	-	(166)	-	166	-
Deferred tax on share Options	-	-	-	(216)	-	-	(216)
Dividend paid	-	-	-	-	-	(725)	(725)

Transactions with owners	1	109	-	(314)	-	(559)	(763)
Foreign currency translation differences	-	-	-	-	(103)	-	(103)
Profit for the period	-	-	-	-	-	3,113	3,113
Total comprehensive income	-	-	-	-	(103)	3,113	3,010
Balance at 31 December 2021	484	6,332	4,663	380	(170)	6,394	18,083
Increase in equity reserve in relation to options issued	-	-	-	40	-	-	40
Adjustment for settled options	-	-	-	(3)	-	-	(3)
Adjustment for exercised options	-	-	-	(44)	-	44	-
Dividend paid	-	-	-	-	-	(3,387)	(3,387)
Transactions with owners	-	-	-	(7)	-	(3,343)	(3,350)
Foreign currency translation differences	-	-	-	-	(181)	-	(181)
Profit for the period	-	-	-	-	-	2,030	2,030
Total comprehensive income	-	-	-	-	(181)	2,030	1,849
Balance at 30 June 2022	484	6,332	4,663	373	(351)	5,081	16,582

Consolidated Statement of Cash Flows

		31	
		30 June	30 June
		2022	2021
		Unaudited	Unaudited
		£'000	£'000
	Notes	£'000	£'000
		Audited	Audited
		£'000	£'000
Cash generated from operations	6	1,947	1,845
Taxes paid		(68)	(404)
Cash flow from operating activities		1,879	1,441
Investing activities			
Additions to property, plant and equipment		(25)	(26)
Interest received		3	1
Cash flow from investing activities		(22)	(25)
Cash flow from operating activities after investing activities (free cash flow)		1,857	1,416
Financing activities			
Repayment of lease liabilities		(73)	(98)
Proceeds from share issues	7	-	975
Dividend paid		(3,387)	(8,549)
Cash flow from financing activities		(3,460)	(7,672)

Net changes in cash and cash equivalents	(1,603)	(6,256)	(5,089)
Cash and cash equivalents, beginning of period	5,414	10,570	10,570
Exchange differences on cash & cash equivalents	86	(46)	(67)
Cash and cash equivalents, end of period	3,897	4,268	5,414

Notes to the Financial Statements (unaudited)

1 Significant accounting policies

Basis of preparation

The financial information has been prepared in accordance with recognition and measurement principles of International accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS (UK)") and in accordance with those parts of the Companies Act 2006 that are relevant to companies which report under IFRS (UK). The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2021, 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 2022 and 30 June 2021 have not been audited.

The figures for the year ended 31 December 2021 have been extracted from, but do not constitute, the consolidated financial statements of Quartix Technologies plc for that year. The original financial statements for the year ended 31 December 2021 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.

Going concern

The consequences of the war in Ukraine and the coronavirus pandemic have materially and adversely disrupted the global economic situation. The Company is taking appropriate action to monitor, address and mitigate the uncertainties and increased risks facing the Company as a result and have taken these additional uncertainties into account in assessing the going concern position.

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity. The Group enjoys a strong income stream from its subscription base while current liabilities include a substantial provision for deferred revenue which is a non-cash item.

After assessing the forecasts and liquidity of the business, for the next 18 months and the longer term strategic plans, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

Segmental reporting

In order to highlight the different cost structures within the business, the Group will provide additional voluntary disclosure, separating the results into two categories, see note 3 below.

- **Customer Acquisition:** This is the sales and marketing cost of acquiring new customers and the cost associated with units installed for those customers. Recurring subscription revenue is not recognised in this sub-category, only equipment and installation income attributed to new customers.
- **Telematics Services:** This is the recurring revenue associated with the Group's active subscription base and the cost of servicing that subscription base. The costs in this category include the cost of installing additional units for existing customers, as well as the associated marketing costs.

Some central overhead costs, such as Director salaries, development, audit and legal fees, property costs and infrastructure costs, which can't be easily allocated between the two categories are simply recorded in total.

As explained in the 2021 Annual Report, the former insurance operations are now included in the Telematics Services category.

Segmental information, including a reconciliation to the financial statements, are included in note 3.

2 Revenue

Revenues from external customers in the Group's major markets have been identified based on the customer's geographical location and are disclosed below.

	30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000	31 December 2021 Audited £'000
Geographical analysis by destination			
United Kingdom	8,871	8,872	17,953
France	2,523	2,132	4,425
New European territories	433	216	507
United States of America	1,506	1,273	2,628
	13,333	12,493	25,513

3 Segmental analysis

For an explanation of the categories within segmental analysis see accounting policy (note 1).

Segmental analysis	Customer Acquisition	Telematics Services	Total
6ms to 30 June 2022	£'000	£'000	£'000
Unaudited			
Recurring revenue	-	12,343	12,343
Other sales	200	790	990
Total revenue	200	13,133	13,333
Sales & marketing	(3,516)	(489)	(4,005)
Equipment, installations, carriage	(1,403)	(861)	(2,264)
Costs of Service	-	(1,310)	(1,310)
Total category cost	(4,919)	(2,660)	(7,579)
Category (net costs)/contribution	(4,719)	10,473	5,754
Central costs			(3,259)
Adjusted EBITDA (see note 4)			2,495

Segmental analysis	Customer Acquisition	Telematics Services	Total
6ms to 30 June 2021	£'000	£'000	£'000
unaudited			
Recurring revenue	-	11,053	11,053
Other sales	131	1,309	1,440
Total revenue	131	12,362	12,493
Sales & marketing	(3,113)	(536)	(3,649)
Equipment, installations, carriage	(1,065)	(1,158)	(2,223)
Costs of Service	-	(1,250)	(1,250)
Total category cost	(4,178)	(2,944)	(7,122)
Category (net costs)/contribution	(4,047)	9,418	5,371
Central costs			(2,704)
Adjusted EBITDA (see note 4)			2,667

Segmental analysis	Customer	Telematics	
	Acquisition	Services	Total
12ms to 31 December 2021	£'000	£'000	£'000
Audited			
Recurring revenue	-	22,506	22,506
Other sales	280	2,727	3,007
Total revenue	280	25,233	25,513
Sales & marketing	(6,538)	(1,075)	(7,613)
Equipment, installations, carriage	(2,154)	**(1,896)	(4,050)
Costs of Service	-	(2,466)	(2,466)
Total category costs	(8,692)	(5,437)	(14,129)
Category (net costs)/contribution	(8,412)	19,796	11,384
Central costs			(5,659)
Adjusted EBITDA (see note 4)			5,725

** The figures above do not include the £0.4m exceptional release of the provision for replacing the 3G units in the US market. As the replacement units relate to existing customers, the total cost would be allocated to the Fleet Telematics Services sub-segment costs.

Reconciliation of the total category costs to the cost of sales on the income statement is as below:

	30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000	31 December 2021 Audited £'000
Total category costs	7,579	7,122	14,129
Less elements included in administrative expenses:			
Cost of services: employees	(252)	(348)	(714)
Selling & marketing exc. direct commissions	(3,234)	(2,841)	(5,991)
Bad Debts	(238)	(72)	(118)
Add: 3G replacement provision not included in category costs	-	-	(430)
Cost of sales	3,855	3,861	6,876

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

	30 June 2022 Unaudited £'000	30 June 2021 Unaudited £'000	31 December 2021 Audited £'000
Operating profit	2,409	2,052	5,309
Depreciation on property, plant and equipment, owned	75	96	180
Depreciation on property, plant and equipment, right of use	65	79	151
EBITDA	2,549	2,227	5,640
Share-based payment expense (incl. cash settled)	(54)	440	515
Provision for replacement of 3G units	-	-	(430)
Adjusted EBITDA	2,495	2,667	5,725

5 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 period. The earnings per share calculation relates to continuing operations of the Group.

Profits attributable to	Weighted average	Basic profit	Fully diluted	Diluted profit per
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	shareholders	number of shares	per share amount	weighted average number of shares	share amount
	£'000		in pence		in pence
Earnings per ordinary share					
Period ended 30 June 2022	2,030	48,382,436	4.20	48,628,750	4.17
Period ended 30 June 2021	1,783	48,170,328	3.70	48,669,733	3.66
Year ended 31 December 2021	4,896	48,269,166	10.14	48,661,104	10.07
Adjusted earnings per ordinary share					
Year ended 31 December 2021	4,466	48,269,166	9.26	48,661,104	9.18

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 the period.

To illustrate the underlying earnings for the year, the table above includes adjusted earnings per ordinary share, which for 31 December 2021 excludes the £0.4m release of the exceptional 3G replacement unit provision.

6 Note to the cash flow statement

Cash flow adjustments and changes in working capital:

	30 June 2022	30 June 2021	31 December 2021
	Unaudited £'000	Unaudited £'000	Audited £'000
Profit before tax	2,396	2,047	5,286
Foreign exchange	(209)	55	39
Depreciation	140	175	331
Interest income	(3)	(1)	-
Lease interest expense	16	6	23
Loss on disposal of fixed asset	28	-	-
Share based payment expense	38	5	72
Operating cash flow before movement in working capital	2,406	2,287	5,751
(Increase)/decrease in trade and other receivables	(409)	(272)	(231)
Decrease/(increase) in inventories	(403)	(294)	(636)
(Decrease)/increase in trade and other payables	81	236	(427)
(Decrease)/increase in contract liabilities	272	(112)	(494)
Cash generated from operations	1,947	1,845	3,963

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 2021	47,962,516	479	5,252
Shares issued	376,876	4	971
At 30 June 2021	48,339,392	483	6,223
Shares issued	40,642	1	109
As at 31 December 2021	48,380,034	484	6,332
Shares issued	12,144	-	-

At 30 June 2022**48,392,178****484****6,332**

All shares issued in the period to 30 June 2022 relate to the exercise of share options.

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