

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 vehicle tracking systems and services to the fleet and insurance sectors, is pleased to announce its unaudited results for the half year ended 30 June 2021.

Financial highlights:

- Group revenue decreased by 5% to £12.5m (2020: £13.1m)
 - Fleet revenue¹ grew by 7% to £11.6m (2020: £10.8m)
 - Fleet revenue represented 93% of total revenue (2020: 85%)
 - Insurance revenue² decreased by 61% to £0.9m (2020: £2.3m)
- Adjusted EBITDA³ of £2.7m (2020: £4.6m)
 - Fleet telematics services profits⁴ increased by 3% to £9.0m (2020: £8.7m)
 - Fleet customer acquisitions investment⁵ increased by 25% to £4.1m (2020: £3.2m)
 - Insurance segment profit⁶ decreased by 65% to £0.5m (2020: £1.3m)
- Operating profit of £2.1m (2020: £4.3m)
- Profit before tax of £2.0m (2020: £4.3m)
- Diluted earnings per share of 3.66p (2020: 7.48p)
- Free cash flow⁷ of £1.4m (2020: £3.2m)
- Interim dividend of 1.50p per share proposed (2020: 2.50p plus supplementary 0.87p giving a total of 3.37p)

¹ Total Fleet segmental revenue (see note 2)

² Total Insurance segmental revenue (see note 2)

³ Earnings before interest, tax, depreciation, amortisation and share based payment expense (see note 3)

⁴ Profit for the Fleet Segment before customer acquisition costs and central fleet costs (see note 2)

⁵ Sales, marketing, net equipment, net installation and carriage costs for new fleet customers (see note 2 for full explanation)

⁶ Insurance segmental profit decreased as a result of a reduced volume in the segment (see note 2)

⁷ Cash flow from operations after tax and investing activities

Operational highlights

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.

Period ended 30 June	2021	2020	% change
Fleet subscriptions ¹ (new units)	25,493	19,454	31
Fleet subscription base ² (units)	188,155	173,793	8
Fleet customer base ³	20,698	19,039	9
Fleet attrition (annualised) ⁴ (%)	12	12	
Price erosion ⁵ (%)	7	8	
Fleet revenue ⁶ (£'000)	11,610	10,841	7
Fleet invoiced recurring revenue ⁷ (£'000)	11,052	10,200	8
Annualised recurring revenue ⁸ (£'000)	22,972	21,477	7
Insurance installations ⁹ (new units)	3,543	9,915	(64)
Insurance revenue ¹⁰ (£'000)	883	2,257	(61)

¹ New vehicle tracking unit subscriptions added to the subscription base in 6 months to 30 June before any 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 (comparative Dec 2020)

³ The number of customers associated with the fleet subscription base (comparative Dec 2020)

⁴ The number of new vehicle tracking unit subscriptions, less the increase in the subscription base, expressed as a percentage of the mean subscription base

⁵ The annual decrease in average subscription price of the base expressed as a percentage of the average subscription price at the start of the 12 months, all measured in constant currency

⁶ Total Fleet Segment revenue (see note 2)

⁷ Invoiced subscription charges before provision for deferred revenue

⁸ 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

⁹ The number of new vehicle tracking installations in the Insurance Segment

¹⁰ Insurance Segment revenue (see note 2)

Fleet

Good progress in the fleet business

UK (including Ireland)

- New fleet subscriptions increased by 21% to 12,055 units (6 months June 2020: 9,994)
- 120,451 active vehicle subscriptions, up 5% (31 December 2020: 115,065)
- 10,943 customers, up 4% (31 December 2020: 10,573)

France

- New fleet subscriptions increased by 42% to 5,631 (6 months June 2020: 3,957)
- 35,364 active vehicle subscriptions, up 13% (31 December 2020: 31,345)
- 4,811 customers, up 12% (31 December 2020: 4,299)

Other European territories

- New fleet subscriptions increased by 140% to 2,955 units (6 months June 2020: 1,229)
- 6,494 active vehicle subscriptions, up 66% (31 December 2020: 3,904)
- 1,429 customers, up 55% (31 December 2020: 920)

USA

- New fleet subscriptions increased by 14% to 4,852 units (6 months June 2020: 4,274)
- 25,846 active vehicle subscriptions, up 10% (31 December 2020: 23,479)
- 3,515 customers, up 8% (31 December 2020: 3,247)

Insurance

- Insurance installations decreased by 64% to 3,543 (6 months June 2020: 9,915)
- Insurance revenue decreased by £1.4m (61%) to £0.9m (6 months June 2020: £2.3m)

Andy Walters, Chief Executive Officer of Quartix, commented:

"We are pleased that, despite the impact of the Coronavirus Pandemic, we have achieved growth of 8% in our fleet subscription base and good financial results for the first half. New fleet installations were 31% ahead of the same period last year and, more significantly, 13% ahead of pre-pandemic record (2019) levels, with new installations in international markets exceeding those in the UK for the first time. Since the flotation of the Company in 2014 we have more than doubled the value of our recurring subscription revenues from £10.2m (June 2014) to £23.0m (June 2021).

We are grateful to our employees for the way in which they have maintained the growth momentum in our fleet business throughout the pandemic. We have supported this through continued investment in sales, marketing and recruitment: we have recruited telephone sales staff in all territories and will see a significant increase in our field sales presence in France in the autumn. Fleet now represents 93% of our revenue and the transition away from low-margin insurance installations is complete. Subject to any changes in government guidelines in Wales and England we will be returning to our offices in September and continue to be confident of meeting market expectations¹ for the year."

¹ The Board believes that consensus market expectations for 2021 prior to this announcement, were as follows: Revenue: £25.6m; Adjusted EBITDA £5.1m; Free Cash Flow²: £4.0m.

² Underlying Free Cash Flow stated before expenditure on 3G swap out in the US - see 2020 Annual Report.

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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 2021 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

Summary

It is pleasing to report that that trading for the first 6 months of the year has been good, following a period of strong growth in new fleet telematics installations. New fleet subscriptions have continued to recover through the first half of 2021 from the low point of 1,500 systems reached in the month of April 2020 to achieving on average 4,000 units from February 2021. Overall, in the first half of the year, there was a 31% increase in new fleet subscriptions to 25,493 units (6 months 30 June 2020: 19,454 units), which represents an increase against 2019 pre-pandemic levels too (6 months 30 June 2019: 22,505).

We ended the period with a committed subscription base of 188,155 vehicles having an annualised value of £23.0m (30 June 2020: 160,648, with value of £21.5m on a constant currency basis), and we added 2,850 customers to the client base, since 31 December 2020, reaching 20,698 in total.

In the 7 years since 30 June 2014 (the Company's year of admission to AIM), Quartix has maintained a CAGR of between 20.0-21.0% in its subscription base (from 53,197 to 188,155 vehicles), of which the annualised value has more than doubled from £10.2m to its current level of £23.0m.

We increased investment in marketing and sales resource for our fleet operations in the period which is already delivering results. In line with the Company's accounting policies these costs were all expensed as incurred, amounting to an increase of £0.8m compared to the same period in 2020. This investment will generate strong recurring revenues for the future, and it is pleasing to be able to report a strong set of financial results even with this investment. A more detailed breakdown of investments in customer acquisition is shown in the segmental analysis (note 2). This analysis demonstrates the increased profitability attributable to our fleet customer base and the growth in investment made to accelerate our customer acquisition activities, as detailed above.

The following paragraphs provide a summary of activity and results in each market.

UK (including Ireland)

Total sales in the UK were £8.9m (2020: £10.0m). Sales to fleet customers in this market increased by 3% to £8.0m (2020: £7.8m) and the subscription base grew to 120,451 vehicles, representing an increase of 10% over the past 12 months (30 June 2020: 109,629). New subscriptions increased in the period by 21% to 12,055 vehicles (2020: 9,994). We have worked hard to improve the efficiency of the sales teams and, alongside the temporary move to home working, have established a comprehensive set of automated reports giving metrics by which the telephone sales teams are managed. We continue to identify opportunities for improvement and will continue to invest in each of our channels (field sales, direct, telesales, price comparison and distribution).

France

The Group made strong progress in France, where the subscription base rose by 26% over the past year to 35,364 vehicles (30 June 2020: 28,015). Revenue in France in the first half increased by 18% in local currency to €2.5m (2020: €2.1m). New subscriptions increased by 42% to 5,631 (2020: 3,957).

USA

The Group continued to develop its operations successfully in the USA, taking its subscription base to 25,846 vehicles. This is 27% higher than it was 12 months ago (30 June 2020: 20,408). Revenue in the first half increased by 19% to \$1.8m (2020: \$1.5m). New fleet subscriptions increased by 14% to 4,852 (2020: 4,274).

New European territories

Having launched in various European markets during 2019, the Group has developed its operations successfully, taking its subscription base to 6,494 vehicles (30 June 2020: 2,596). Revenue in the first half was €0.2m (2020: €0.1m).

Sales results in the Spanish, Italian and German markets have been very encouraging so far, as a result the Company will increase investment in these markets in the second half of the year.

R&D and systems developments

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.

A dedicated team of systems and software developers is focused exclusively on the enhancement of the Company's internal processes, and a significant number of improvements in process efficiency were achieved in the first half namely we have modernised the codebase and development processes. We have also made improvements to the usability and performance of various reports and configuration tools. In addition to this, we set the background for further self-serve capabilities like alerts and new reports and enhanced the dashcam integration with snapshots as well as videos and multiple channels for users.

Insurance

Further restrictions on driving tests and the young-driver market in the UK have reduced Company revenues in the insurance telematics sector by a further 61% with 3,543 new insurance tracking systems in the 6 months to 30 June 2021 (6 months to 30 June 2020: 9,915). The profitability of this segment has decreased from £1.3m for the six months ended 30 June 2020 to £0.5m for the six months ended 30 June 2021.

In line with Quartix's stated strategy of focusing on increasing recurring revenues from our fleet telematics operations, the insurance sector represents just 7% Group revenue and, given the current worldwide shortage of electronic components, the Company has taken the decision to terminate the supply of new installations for its main insurance client in order to prioritise its fleet operations. Under a new agreement Quartix will only continue to provide tracking systems for the customer's existing policy holders and will provide data and warranty services for a contractually agreed monthly service fee until September 2022. This will not have a material impact on the Company's expected financial performance for the year. It is anticipated that the profitability of the insurance segment will decrease to £0.6m for the second half of 2021 from £0.8m in the second half of 2020.

In the five years since the decision to focus our efforts on our fleet operations Fleet revenues have grown to represent 93% of Group revenues (£11.6m) in the six months ended 30 June 2021 from 62% (£7.2m) in the six months ended 30 June 2016. Insurance revenues in 2022 are expected to represent approximately 4% of Group revenue.

Results

Group revenue for the half year was £12.5m (2020: £13.1m). Fleet revenue grew by 7% to £11.6m (2020: £10.8m) and insurance revenue decreased to £0.9m (2020: £2.3m). Increased focus on our core fleet operations led to the recurring element of subscriptions growing to represent 88% of Group revenue (2020: 78%).

The cost of all new fleet tracking systems and installations is absorbed in cost of sales. We funded new fleet subscriptions for the period relating to 25,493 units (2020: 19,454 units). The segmental analysis in note 2 illustrates this investment with a £0.8m increase in customer acquisition costs to £4.1m. Fleet telematics services profit before central fleet costs, increased by £0.3m, with revenue growth of £0.8m partially offset by higher equipment and carriage costs, resulting from an increase in the cost of electronic components due to supply chain disruptions in the market. The insurance sector profit before central fleet costs fell by £0.9m, with the £1.4m reduction in revenue, as a result of reduced insurance volume and £0.4m reduction in deferred insurance revenue, compensated by only a £0.5m reduction in equipment and installation costs from falling volumes.

In the consolidated statement of comprehensive income, the 10% reduction in gross profit of £1.0m to £8.6m (2020: £9.6m) was driven by reduced insurance volume, the reduction in insurance deferred revenue release, the increase in new subscription units and an increase in the cost of electronic components, which together led to a reduced gross margin of 69% (2020: 73%). The £1.3m increase in administrative expenses to £6.6m, relates mainly to the investment in customer acquisition, both sales executives and marketing activities, a £0.3m increase in share option charges and the prior year benefited from a £0.3m foreign exchange gain. These led to a £2.3m (53%) reduction in operating profit for the half year at £2.1m (2020: £4.3m). Profit before tax for the half year decreased by 53% to £2.0m (2020: £4.3m).

Operating cash conversion was 90% (2020: 86%), resulting in pre-tax cash generated from operations of £1.8m (2020: £3.7m). Free cash flow conversion, being free cash flow as a proportion of profit for the period, was 79% (2020: 88%), resulting in free cash flow from operations after tax and investing activities of £1.4m (2020: £3.2m). The Group had net cash of £4.3m at 30 June 2021 (£10.0m at 30 June 2020), having paid a final dividend with a large supplementary dividend for 2020 totalling £8.5m in April 2021 (2020: £nil).

Earnings per share

Basic earnings per share were 3.70p (2020: 7.52p). On a diluted basis earnings per share were 3.66p (2020: 7.48p).

Dividend

The Board has recommended an interim dividend of 1.50p (2020: 2.50p with a supplementary dividend of 0.87p) per share, £0.7m in aggregate. The amount is in line with the Group's stated policy on ordinary dividend payment, but lower than last year as the interim payment in 2020 was in recognition of shareholders' support of the Board's recommendation to cancel the final and supplementary dividends for 2019. This was approved by the Board on 27 July 2021. The interim dividend will be paid on 10 September 2021 to shareholders on the register on 13 August 2021. The ex-dividend date is therefore 12 August 2021

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.

Governance and the Board

The Board is comprised of two Non-Executive Directors: myself and Jim Warwick, and three Executive Directors: Andrew Walters, Laura Seffino and Emily Rees. On 21 July 2021 the Company announced the appointment of Richard Lilwall as Chief Executive Officer from October 2021.

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

The Group has made a good start to the second half, in line with management's expectations. The high levels of recurring revenue and opportunities to grow our fleet operations in the UK, USA, France and the rest of Europe underpin our confidence for the rest of the year and beyond. We will continue to use the financial strength of the business to invest in our core fleet operations.

Paul Boughton

Chairman

Consolidated Statement of Comprehensive Income

		30 June 2021	30 June 2020	31 December 2020
		Unaudited	Unaudited	Audited
Half year ended 30 June 2021		£'000	£'000	£'000
	Notes			
Revenue	2	12,493	13,098	25,835
Cost of sales	2	(3,861)	(3,508)	(8,788)
Gross profit		8,632	9,590	17,047
Administrative expenses		(6,580)	(5,272)	(11,367)
Operating profit		2,052	4,318	5,680
Finance income receivable		1	13	19
Finance costs payable		(6)	(18)	(40)
Profit for the period before taxation		2,047	4,313	5,659
Tax expense		(264)	(708)	(931)
Profit for the period		1,783	3,605	4,728
Other Comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on translating foreign operations		2	(198)	99
Other comprehensive income for the year, net of tax		2	(198)	99
Total comprehensive income attributable to the equity shareholders of Quartix Technologies plc		1,785	3,407	4,827
Adjusted EBITDA	3	2,667	4,606	7,871
Earnings per ordinary share (pence)	4			
Basic		3.70	7.52	9.86
Diluted		3.66	7.48	9.82

Consolidated Statement of Financial Position

Company registration number: 06395159

		30 June 2021	30 June 2020	31 December 2020
		Unaudited	Unaudited	Unaudited
Assets	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill		14,029	14,029	14,029
Property, plant and equipment		1,060	1,417	1,278
Deferred tax asset		299	-	135
Contract cost assets		294	217	297
Total non-current assets		15,682	15,663	15,739
Current assets				
Inventories		988	836	694
Trade and other receivables		4,045	3,959	3,811
Cash and cash equivalents		4,268	9,995	10,570
Total current assets		9,301	14,790	15,075
Total assets		24,983	30,453	30,814
Current liabilities				
Trade and other payables		3,184	3,159	2,823
Provisions		1,605	247	1,785
Contract liabilities		3,533	4,093	3,650
Current tax liabilities		131	592	301
		8,453	8,091	8,559
Non-current liabilities				
Lease liabilities		694	865	822
Deferred tax liabilities		-	50	-
		694	915	822
Total liabilities		9,147	9,006	9,381
Net assets		15,836	21,447	21,433
Equity				
Called up share capital	6	483	479	479
Share premium account	6	6,223	5,230	5,252
Equity reserve		694	634	792
Capital redemption reserve		4,663	4,663	4,663
Translation reserve		(67)	(366)	(69)
Retained earnings		3,840	10,807	10,316

**Total equity attributable to equity
shareholders of Quartix Technologies
plc**

15,836

21,447

21,433

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 2019	479	5,230	4,663	616	(168)	7,161	17,981
Increase in equity reserve in relation to options issued	-	-	-	89	-	-	89
Adjustment for exercised options	-	-	-	(41)	-	41	-
Deferred tax on share options	-	-	-	(30)	-	-	(30)
Transactions with owners	-	-	-	18	-	41	59
Foreign currency translation differences	-	-	-	-	(198)	-	(198)
Profit for the period	-	-	-	-	-	3,605	3,605
Total comprehensive income	-	-	-	-	(198)	3,605	3,407
Balance at 30 June 2020	479	5,230	4,663	634	(366)	10,807	21,447
Share issued	-	22	-	-	-	-	22
Increase in equity reserve in relation to options issued	-	-	-	100	-	-	100
Adjustment for exercised options	-	-	-	(2)	-	2	-
Deferred tax on share options	-	-	-	60	-	-	60
Dividend paid	-	-	-	-	-	(1,616)	(1,616)
Transactions with owners	-	22	-	158	-	(1,614)	(1,434)
Foreign currency translation differences	-	-	-	-	297	-	297
Profit for the period	-	-	-	-	-	1,123	1,123
Total comprehensive income	-	-	-	-	297	1,123	1,420
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

Consolidated Statement of Cash Flows

		30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
	Notes			
Cash generated from operations	5	1,845	3,698	6,698
Taxes paid		(404)	(471)	(1,106)
Cash flow from operating activities		1,441	3,227	5,592
Investing activities				
Additions to property, plant and equipment		(26)	(60)	(72)
Interest received		1	13	14
Cash flow from investing activities		(25)	(47)	(58)
Cash flow from operating activities after investing activities (free cash flow)		1,416	3,180	5,534
Financing activities				
Repayment of lease liabilities		(98)	(90)	(185)
Proceeds from share issues	6	975	-	22
Dividend paid		(8,549)	-	(1,616)

Cash flow from financing activities	(7,672)	(90)	(1,779)
Net changes in cash and cash equivalents	(6,256)	3,090	3,755
Cash and cash equivalents, beginning of period	10,570	6,789	6,789
Exchange differences on cash & cash equivalents	(46)	116	26
Cash and cash equivalents, end of period	4,268	9,995	10,570

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") and in accordance with those parts of the Companies Act 2006 that are relevant to companies which report under IFRS. The accounting policies adopted are consistent with those of the financial statements for the year ended 31 December 2020, 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 2021 and 30 June 2020 have not been audited.

The figures for the year ended 31 December 2020 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 2020 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.

The Company changed its name from Quartix Holdings plc by special resolution at the Annual General Meeting in March 2021.

Going concern

The consequences of 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 fleet 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

The Directors have included segmental financial information for its insurance and fleet operations. These two segments have been identified as they are managed separately, with different marketing approaches for the discrete market sectors and for which the Group has different strategies. Their reported revenue each meet the quantitative thresholds of IFRS 8.

The Group has aggregated fleet operations for all geographical markets in the Fleet Segment. To increase transparency, the Directors have chosen to include an additional voluntary disclosure analysing the Fleet Segment by two sub-categories in order to highlight the different costs structures within the business: Detailed segmental information, including a reconciliation to the financial statements, are included in note 2.

2 Segmental analysis

As highlighted in note 1, Significant accounting policies (Segmental reporting), the Group has identified two operating segments (see below) which are monitored by the Group's chief operating decision maker and strategic decisions are

made on the basis of adjusted segment operating results. The main source of revenue for all segments is from the provision of vehicle telematics services.

The information used by the Group's chief operating decision maker with regard to the Group's assets and liabilities is presented on a consolidated Group basis and accordingly no segmental analysis is presented for these.

The Group has two reportable segments: Total Fleet and Insurance. The Total Fleet segment has been sub-divided into two further categories. This has been done to give clarity as to the level of upfront investment the Group is making in acquiring new customers, as well as the associated impact on recurring revenue. The two categories are:

- **Customer Acquisition:** This is the sales and marketing cost of acquiring new fleet customers and the cost associated with units installed for those customers. Recurring subscription revenue is not recognised in this segment, although upfront receipts are recognised (for example where the Group makes a sale of a unit to a new customer for an upfront fee).
- **Fleet 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.

These two elements, together with central fleet costs, make up the Total Fleet segment.

Estimated allocations of cost have been made between the segments and within the Total Fleet segment, particularly in relation to equipment and installations. These allocations have been performed by reviewing the products sold to each segment, their associated cost of manufacture or installation and whether those products were installed by the customer. These costs are then applied to each segment as appropriate.

Segmental analysis 6ms to 30 June 2021	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
Unaudited	£'000	£'000	£'000	£'000	£'000
Recurring revenue	-	11,053	11,053	-	11,053
Other sales	131	426	557	883	1,440
Total revenue	131	11,479	11,610	883	12,493
Sales & marketing	(3,113)	(536)	(3,649)	-	(3,649)
Equipment, installations, carriage	(1,065)	(830)	(1,895)	(328)	(2,223)
Costs of Service	-	(1,146)	(1,146)	(104)	(1,250)
Profit before central fleet costs	(4,047)	8,967	4,920	451	5,371
Central fleet costs			(521)	-	(521)
Segmental profit			4,399	451	4,850
Central costs					(2,183)
Adjusted EBITDA					2,667

Segmental analysis 6ms to 30 June 2020	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
Unaudited	£'000	£'000	£'000	£'000	£'000
Recurring revenue	-	10,200	10,200	-	10,200
Other sales	119	522	641	2,257	2,898
Total revenue	119	10,722	10,841	2,257	13,098
Sales & marketing	(2,610)	(425)	(3,035)	-	(3,035)
Equipment, installations, carriage	(757)	(499)	(1,256)	(791)	(2,047)
Costs of Service	-	(1,090)	(1,090)	(161)	(1,251)
Profit before central fleet costs	(3,248)	8,708	5,460	1,305	6,765
Central fleet costs			(395)	-	(395)
Segmental profit			5,065	1,305	6,370
Central costs					(1,764)
Adjusted EBITDA					4,606

Segmental analysis 12ms to 31 December 2020	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
Audited	£'000	£'000	£'000	£'000	£'000
Recurring revenue	-	20,801	20,801	-	20,801
Other sales	223	1,035	1,258	3,776	5,034
Total revenue	223	21,836	22,059	3,776	25,835
Sales & marketing	(5,546)	(941)	(6,487)	-	(6,487)
Equipment, installations, carriage	(1,592)	** (1,158)	(2,750)	(1,365)	(4,115)
Costs of Service	-	(2,253)	(2,253)	(290)	(2,543)
Profit before central fleet costs	(6,915)	17,484	10,569	2,121	12,690
Central fleet costs			(829)	-	(829)
Segmental profit			9,740	2,121	11,861
Central costs					(3,990)
Adjusted EBITDA					7,871

** The figures above do not include the £1.6m 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 Segmental costs to the cost of sales on the income statement is as below:

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Total Segmental costs	7,122	6,333	13,145
Less elements included in administrative expenses:			
Cost of services: employees	(348)	(308)	(657)
Selling & marketing exc. direct commissions	(2,841)	(2,288)	(4,967)
Bad Debts	(72)	(229)	(343)
Add: 3G replacement provision not included in Segmental costs	-	-	1,610
Cost of sales	3,861	3,508	8,788

During the 6 month period to 30 June 2021, £0.8m or 6% (2020: £2.1m or 16%) of the Group's revenues depended on a single customer in the insurance segment. Given the current worldwide shortage of electronic components, the Company took the decision to terminate the supply of new installations for its this client in order to prioritise its fleet operations. Under a new agreement Quartix will only continue to provide tracking systems for the customer's existing policy holders and will provide data and warranty services for a contractually agreed monthly service fee until September 2022.

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

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Geographical analysis by destination			
Insurance Segment:			
United Kingdom	883	2,257	3,776
Fleet Segment:			
United Kingdom	7,989	7,784	15,633
France	2,132	1,814	3,826
Other European territories	216	75	202
United States of America	1,273	1,168	2,398
Sub-total Fleet Segment Revenue	11,610	10,841	22,059
Total Revenue	12,493	13,098	25,835

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Operating profit	2,052	4,318	5,680
Depreciation on property, plant and equipment, owned	96	88	175
Depreciation on property, plant and equipment, right of use	79	95	182
EBITDA	2,227	4,501	6,037
Share-based payment expense (incl. cash settled)	440	105	224
Provision for replacement of 3G units	-	-	1,610
Adjusted EBITDA	2,667	4,606	7,871

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

	Profits attributable to shareholders £'000	Weighted average number of shares	Basic profit per share amount in pence	Fully diluted weighted average number of shares	Diluted profit per share amount in pence
Earnings per ordinary share					
Period ended 30 June 2021	1,783	48,170,328	3.70	48,669,733	3.66
Period ended 30 June 2020	3,605	47,946,549	7.52	48,140,339	7.48
Year ended 31 December 2020	4,728	47,953,023	9.86	48,170,860	9.82

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.

5 Note to the cash flow statement

Cash flow adjustments and changes in working capital:

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Profit before tax	2,047	4,313	5,659
Foreign exchange	55	(336)	183
Depreciation	175	183	357
Interest income	(1)	(13)	(19)
Lease interest expense	6	18	40
Loss on disposal of fixed asset	-	7	3
Share based payment expense	5	91	224
Operating cash flow before movement in working capital	2,287	4,263	6,447
(Increase)/decrease in trade and other receivables	(272)	33	69
Decrease/(increase) in inventories	(294)	41	181
(Decrease)/increase in trade and other payables	236	134	1,189
(Decrease)/increase in contract liabilities	(112)	(773)	(1,188)
Cash generated from operations	1,845	3,698	6,698

6 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January 2020	47,938,320	479	5,230
Shares issued	16,280	-	-
At 30 June 2020	47,954,600	479	5,230
Shares issued	7,916	-	22
As at 31 December 2020	47,962,516	479	5,252
Shares issued	376,876	4	971
At 30 June 2021	48,339,392	483	6,223

All shares issued in the period to 30 June 2021 relate to the exercise of share options.

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