



**LONDON
STOCK
EXCHANGE**

An LSEG Business

NS Trading Statement

TRADING STATEMENT

QUARTIX TECHNOLOGIES PLC

Released 07:00:08 10 January 2022

RNS Number : 8413X
Quartix Technologies PLC
10 January 2022

10 January 2022

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 provide an update on trading for the year ended 31 December 2021 (the "Period").

Company Results

The Board is pleased to report that it expects revenue and free cash flow to be in line with consensus market forecasts¹ at £25.6m and £3.8m, respectively. Adjusted EBITDA is expected to be substantially ahead of those forecasts,¹ at £5.7m. The Company will have therefore recorded accelerated growth in fleet revenue of 8 per cent, and, as anticipated, reduced overall EBITDA due to increased marketing expenditure. The improvement in adjusted EBITDA is due to the timing delays in some of the planned incremental investments in the last quarter of the year, which are now expected to be made in 2022. Markets for Quartix's services continued to be disrupted by the pandemic (particularly in the first three months of the year), and, as expected, insurance revenues reduced once again.

The Company's cash balance at year-end was £5.6m. The above estimates are subject to possible revision following the finalisation of December's trading results and audit review.

It is the Board's intention to declare a final dividend for the year in line with its stated policies on ordinary and supplementary dividends, subject to economic conditions at the time of declaration.

Fleet Results

The Company made excellent progress in its core fleet business during 2021: the vehicle subscription base increased by 17% (2020 15%) to 202,734 and the annualised subscription base value increased by £2.0m (2020 £1.6m) on a constant-currency² basis to £23.9m.

New vehicle subscriptions were 18% ahead of the prior year and the fourth quarter in particular saw strong growth, so that for the first time ever our installed base now exceeds 200,000 units.

Fleet revenue growth accelerated to 8% year on year (2020 6%); slightly slower than the growth in the value of the subscription base as the latter grew more rapidly towards the end of the year.

New unit installations growth was very impressive in France, driven by the continuing expansion of the direct sales force, whilst Spain and Italy achieved excellent results, albeit from a much lower base. In the UK and the US new unit installations grew at a slower rate than in the newer regions, partly due to recruitment challenges during the second half.

Despite the pandemic, the attrition rate for the Company decreased in the year to 11.6% (2020: 12.2%), which Quartix believes to be better than industry averages, particularly in the current abnormal circumstances.

Each geographical market registered increases in both new subscriptions and in the subscription base for the year. A summary of performance is shown in the table below.

Region	New subscriptions (units)	Growth vs 2020	Subscription base (units)	Growth vs 2020

	FY 2021		31/12/2021	
UK and Eire	23,557	6%	125,085	9%
France	12,054	32%	40,343	29%
USA	8,991	5%	27,912	19%
Rest of Europe*	6,163	111%	9,394	141%
Total	50,765	18%	202,734	17%

* Spain, Italy, Germany and Poland

Insurance Results

Insurance installations declined even more rapidly than anticipated during the year, partly due to the continuing impact of Covid resulting in driving test delays. In terms of installed units, revenues and profits, the insurance business is now insignificant for the Company.

Incremental Fleet Investments

As flagged at this time last year, the Company made increased investments on sales and marketing initiatives during 2021, to capitalise further on the profitable subscription platform it has created, by accelerating growth in its fleet subscription base. It was planned that the majority of this investment would take place in the second half of the year, but some actions were delayed due to re-emerging Covid concerns in the 4th quarter. In addition, there were delays in recruiting customer acquisition roles, particularly in European roles where it has become more challenging to recruit for language-based positions located in the UK. Initiatives actioned included, in particular, an increase in French direct sales staff and additional customer service resource in the UK.

Quartix intends to make further additional investments in sales channels during 2022. In the UK the Company plans to implement data-driven optimisation across the sales and marketing funnel and execute automation and simplification across business processes.

It will pursue a revised growth agenda in the US, which will be expanded upon in detail at the time of the results announcement in early March.

Quartix also plans further sales resource increases in France, as well as in the other European countries where initial sales results have shown the most promise for the future. For 2022 this will be focused on Spain, Italy and Germany, where unit sales have been growing rapidly, albeit from a low base. To further drive European growth, the Company is planning to establish a small, serviced regional sales office in Southern France by the midpoint of 2022. This will both support the locally based French sales force, and provide back-office services for direct sales people to be recruited in adjacent countries.

To address product upselling opportunities, Quartix will be launching a number of incremental added value features to its existing analytical software offerings, including ones concerning fleet migration to electric vehicles analysis and vehicle condition monitoring.

The Company anticipates that these investments will enable both new fleet units installed and the associated value of the annualized subscription base to increase at a significantly faster rate than was achieved in 2021.

US 3G swap out

Quartix made a provision of £1.6m in its 2020 accounts for the replacement of a large proportion of the US installed base of tracking systems. This was as a result of the sunsetting of the 3G mobile network in the US, being replaced by 4G networks. In 2020 the board had made the decision to provide this service free of charge to customers in order to minimise the chances of incremental attrition and to further enhance the Company's reputation in the US market. The transition from 3G has taken longer than expected to be implemented, due to delays in unit accreditation and approval for the US market, so that at the end of 2021, Quartix had completed the replacement of approximately one third of the 15,000 total units involved. The spend in 2021 was approximately £0.3m, and the company expects the swap out to be completed in 2022, predominately in the first half, and the cash required to finalise the transition will be approximately £0.9m.

Directorate Changes

The previously announced transitions in the board composition have been executed seamlessly.

Andy Walters, who co-founded Quartix in 2001, retired as Chief Executive Officer in October last year, but remains on the board as Founder Non-Executive Director.

To succeed him, Richard Lilwall was appointed Chief Executive Officer on 13th October, and joined the Board on that date. Richard has more than 20 years' executive experience in telematics and vehicle tracking. He founded ACT Communications UK, a highly successful UK dealership, in 2002, which he sold to Teletrac Navman in 2011. He remained with Teletrac Navman for a further ten years, in progressively more senior roles, spending his last three years as Vice President and European Managing Director. His earlier career included roles as a recruitment consultant, and consulting engineer. Richard has a degree in civil engineering from Kingston University.

Emily Rees, who was appointed Group Financial Director on commencing her employment in April 2021, joined the board in May as Chief Financial Officer and Company Secretary.

Chief Executive Officer comments

Richard Lilwall, Chief Executive Officer of Quartix, commented:

"The business performed very well in the year, notwithstanding the various Covid induced lockdowns in H1, and we are pleased to be able to report strong growth in our fleet subscription base. This has further demonstrated our capability to deal with the ongoing headwinds and uncertainty offered by the coronavirus pandemic, with our internal processes for remote working being well established and operating efficiently.

The sales and marketing investments made in European markets are broadly proving successful with encouraging results delivered in France (where we have been active for many years), Spain, Italy and Germany (new target markets for Quartix in 2021) in particular. Formulation of our revised US strategy is nearing completion, and will be presented alongside further details of the Company's growth strategy and medium term growth ambitions in early March with Quartix's 2021 results.

Looking forward, with our full focus on expansion of our fleet business, we see significant opportunities for profitable sales growth in 2022 and beyond."

The Company expects to publish its results for the year ended 31 December 2021 on Monday 1 March 2022. The results, together with accompanying presentations, will be posted that morning on the Company's website at www.quartix.com/investors.

[1] The Board believes that consensus market expectations for 2021, prior to this announcement, were as follows: revenue: £25.6m; adjusted EBITDA (which excludes the US 3G provision) £5.0m; free cash flow: £3.5m.

[2] Based on currency rates as at 31 December 2021.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as retained as part of UK law by virtue of the European Union (Withdrawal) Act 2018 as amended.

For further information, please contact:

Quartix (www.quartix.net)	01686 806 663
Richard Lilwall, Chief Executive Officer	
Emily Rees, Chief Financial Officer	
finnCap (Nominated Adviser and Broker)	
Matt Goode / Kate Bannatyne (Corporate Finance)	020 7220 0500
Alice Lane / Sunila de Silva (Corporate Broking)	

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTMZGGMRNZGZZM

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

© 2023 London Stock Exchange plc. All rights reserved.