

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

**Quartix Holdings plc**

**("Quartix" or the "Company")**

**Trading Statement**

Quartix Holdings plc, one of Europe's leading suppliers of subscription-based vehicle tracking systems, software and services, issues a further update and trading statement, as promised in its statement of 24 March.

**Q1 Trading**

The Board reports that trading for the first three-month period to 31 March 2020 was strong, and consistent with meeting market expectations for the year.

**Fleet tracking**

As noted in the Company's AGM trading statement of 24 March, growth in new installations was particularly strong in the first two months of the year but slowed considerably during March, with the effect most marked in the UK. Total new installations for the Group during Q1 grew by 11% to 11,744, versus 10,593 in 2019. New installations in the UK reduced by 2% to 6,409, in France they grew by 19% to 2,231 and the USA by 11% to 2,403. New territories (Italy, Spain, Poland and Germany) accounted for 701 installations.

Since the start of April the Company has seen a large slowdown in orders in all regions, most notably in the UK, where some orders initially expected to be installed in March have been postponed indefinitely. Several significant orders have, however, been won in March and April and there continues to be a significant level of activity with larger prospects. Despite this the impact of Coronavirus on our broader target market – particularly in the SME sector – is likely to result in orders for new installation in April being at least 60% lower than for the same period in 2019 (2019: 4,200).

**Insurance telematics**

Following the introduction of the lockdown arrangements in the UK, which started on 23 March, Quartix experienced an 80% reduction in installation capacity as many sub-contractors decided to stay at home. Underwriters therefore took the decision to stop writing new business for installed telematics products. New installations in Q1 were 7,885 (2019: 8,356). Installations in April are expected to be approximately 700 units. Installation capacity has since increased to about 75% of normal levels and some insurance business is expected to restart in May, but at a modest level. The Company has defined new health and safety-related guidance for its installers to adhere to and has been able to provide them with masks and gloves, which were sourced through its manufacturing partner in China. Additional PPE which the Company was able to source in this way has been donated to NHS and other care organisations local to the Company's offices.

**Likely impact of Coronavirus on the outlook for 2020 and 2021**

As previously announced, Quartix took very early action to move to remote working to protect its employees and is pleased to note that this is working efficiently. The Board's recommendation that shareholders reject the resolution for the payment of a dividend at the AGM was supported and the Company therefore has continued to build its cash reserves. Net cash at 31 March was £8.5m.

The Company's revenue is underpinned by its subscription base of more than 150,000 commercial vehicles, meaning a significant proportion of Group sales are recurring revenues. In each case the value of the subscription paid to Quartix is a tiny fraction of the overall cost to the customer of the vehicle, manpower and associated overheads. The initial impact of the COVID-19 pandemic on the

Company's profitability has therefore been very limited, given the recurring nature of these subscriptions. This is likely to continue to be the case for several months.

Although there has been a slight increase in attrition rates and direct debit failures, coupled with some loss of revenue from the insurance sector, as noted above, these effects are currently being overcome by the reduction in costs associated with the installation of new tracking systems, which are normally expensed in the month of installation.

The Board therefore believes that the COVID-19 pandemic is unlikely to have a material impact on profit and cashflow in the first half of 2020, although there is likely to be some reduction in revenue compared to its previous expectations.

Given the extreme uncertainty regarding the economic impact of the pandemic, the Board is unable to provide guidance with regard to expected financial performance in the second half of 2020 or for 2021. It has, however, concluded a financial risk assessment to measure the potential impact of Coronavirus on its business in H2 2020 and 2021. This was considered by the Board to be a pessimistic outlook and was used for planning purposes. It should not be considered to be a forecast or to provide guidance on likely performance. Under this scenario, the Board has assumed the following:

- Levels of new fleet installations will remain significantly below those of 2019 or Q1 2020 until the end of September 2020. After an initial improvement the Board has then assumed a gradual, but slow, recovery in the market which could take 18 months or more.
- Some SME customers will not have the cash reserves or ability to continue trading through to the end of this year. This, in turn, is assumed to lead to attrition rates rising to 30% on an annualised basis by year end, and then moderating to a level of approximately 20% in 2021. Under such a scenario, customer debt defaults would be expected to rise significantly and price erosion would also be expected to increase.
- Quartix would likely continue to invest in marketing, sales and product development throughout this difficult period, with the goal of returning to 2019 levels of new installations during the latter half of 2021.

On the basis of the above scenario, the Company believes that it is unlikely that it will need to draw upon the substantial cash reserves it has on the balance sheet (subject to the usual monthly fluctuations), demonstrating the Company's resilience even in the current unique economic circumstances. Nonetheless it intends maintaining its cash balances at least at current levels for contingency purposes unless it becomes apparent that this is no longer necessary.

It is clearly possible that a more optimistic scenario may occur, if, for example, an effective vaccine or treatment for COVID-19 becomes universally available within the next 12 months, or the measures taken by Government lead to a quicker recovery from the impact of COVID-19 on our customers than we have assumed above. In such circumstances, the Company's performance would be less impacted than in the case of the scenario the Board has based its plans upon.

Quartix will provide a further update for shareholders at the end of May.

Footnote:

\* The Board believes that consensus market expectations for 2020 (based upon forecasts from finnCap and Shore Capital) prior to this announcement, were as follows: Revenue: £26.0m; Adjusted EBITDA £6.7m; Free Cash Flow: £5.3m.

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