

RNS Trading Statement

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### QUARTIX HOLDINGS PLC

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**Quartix Holdings plc**  
("Quartix", "the Group" or "the Company")  
**Trading Statement**

Quartix Holdings 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 2020 (the "Period").

#### Company Results

The Board is pleased to report that it expects revenue, profit and free cash flow to be in line with current market forecasts<sup>1</sup> and that the Company will have therefore recorded growth in both revenue and adjusted EBITDA during a year in which the markets for its services were severely disrupted by the coronavirus pandemic. Management's current estimates for revenue, adjusted EBITDA and free cash flow for the Period are £25.8m, £7.8m and £5.3m respectively. The Company's cash balance at year-end was £10.6m. These estimates are subject to possible revision following the finalisation of December's trading results and audit review.

During the second half of the year the Board took the decision to repay all Government support the Company had received as a result of the coronavirus pandemic, including support under the Coronavirus Job Retention Scheme and VAT payment deferrals. The estimates above take these repayments into account.

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 2020: the vehicle subscription base increased by 15% to 173,793 and the annualised subscription base value increased by £1.6m on a constant-currency<sup>2</sup> basis to £22.2m. Performance in the second half of the year was particularly encouraging; new subscriptions were 10% ahead of the prior year and 60% of the year's growth in the size and value of the base were achieved in that period. Fleet revenue grew by 6% during the year; this lagged growth in the value of the subscription base as the latter grew more rapidly towards the end of the year.

This improved performance in the second half has brought new subscriptions for the year to within 2.2% of those for 2019 (which in turn was 39% ahead of 2018), notwithstanding the 14% decrease in new subscriptions experienced in the first half of the year as a result of the coronavirus pandemic. Each geographical market, except the UK, registered increases in new subscriptions for the year as a whole. In the UK, the Company held fewer face-to-face sales meetings (due to the pandemic), which impacted its field sales and distribution channels; however, the second half of the year saw a return to the new subscription levels achieved in the second half of 2019, despite these limitations. Despite the pandemic, the attrition rate for the Company increased only marginally in the year to 12.2% (2019: 11.9%), which Management believes to be better than industry averages, even in normal circumstances.

Each geographical market achieved growth during the year. A summary of performance is shown in the table below.

Region	New subscriptions (units) FY 2020	Growth vs 2019	New subscriptions (units) H2 2020	Growth vs H2 2019	Subscription base (units) 31/12/2020	Growth vs 2019
UK and Eire	22,294	(13%)	12,300	0%	115,065	9%
France	9,135	1%	5,178	13%	31,345	22%
USA	8,547	10%	4,273	27%	23,479	30%

Rest of Europe*	2,922	116%	1,693	63%	3,904	197%
<b>Total</b>	<b>42,898</b>	<b>(2%)</b>	<b>23,444</b>	<b>10%</b>	<b>173,793</b>	<b>15%</b>

\* Spain, Poland, Germany and Italy

### Insurance Results

Reductions in the availability of driving tests and installation capacity during the year contributed to the 53% decrease in insurance installations to 17,074 units. Despite this fall, total Company revenues for the year were still slightly ahead of the prior year, as growth in the core fleet business compensated for the decrease in insurance revenue. Insurance revenues are expected to make up around 10% of revenues in 2021 compared to 15% in 2020.

### Incremental Investment and Directorate Changes

Given the success that Quartix has achieved in its core fleet markets, and considering the broader market opportunity available to it, the Company intends to invest a larger proportion of its profits on sales and marketing during 2021 to capitalise further on the profitable subscription platform it has created by accelerating growth in its fleet subscription base. Whilst the majority of this investment will take place in the second half of the year, some additional investment is already underway with the recruitment of additional telephone sales staff, a substantial increase in UK field sales capacity and the Company's first field sales agent to be based in France.

The Board estimates that total incremental investment in 2021, including the incremental costs of manufacture and installation, will be up to £1m, with the majority taking place in the second half of the year. The Board will monitor this investment to measure its success and will invest in such a way as to be able to moderate it if it is deemed to be generating an unsatisfactory return.

In order to maximise the effectiveness of this initiative, Daniel Mendis, currently Chief Operating and Financial Officer, is expected to take up the new role of Group Commercial and Operations Director. This role will focus specifically on development of the fleet business and will include responsibility for all sales channels worldwide. This change is in line with Mr Mendis's personal plans for career development. The Company has therefore appointed a Group Financial Director (non-plc-Board), Emily Rees, who is expected to join the business in April and will initially report to Mr Mendis. Subject to satisfactory progress, Board approval and regulatory due diligence by the Company's Nominated Adviser, Ms. Rees will shortly thereafter be promoted to Chief Financial Officer and join the board of Quartix Holdings plc as an Executive Director, replacing Mr Mendis on the Board, who will then take up his new role.

Ms. Rees has spent the past three years in senior financial positions within KRM (Great Britain) Limited (trading as Ecco Shoes), most recently as Regional Head of Finance and HR for Western Europe. Prior to this she worked for Pizza Express (Restaurants) Limited and Tesco Stores Limited. Ms. Rees is a member of the Chartered Institute of Management Accountants and holds a BSc (Hons) in Government and Economics from the London School of Economics and Political Science. Ms. Rees is currently working through her notice period and will be based at the Newtown Office on appointment.

### US 3G swap out

As described in the 2019 Financial Statements, Management expect the sunseting of the 3G mobile network in the US to be finalised in 2022. This necessitates the replacement of a large proportion of the US installed base of tracking systems during 2021 and the Board has taken 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 estimated cost of this replacement programme is approximately £1.7m, of which the Company (subject to final audit) expects to take approximately £1.6m as a provision in its 2020 accounts, though this is not expected to impact adjusted EBITDA.

### Chief Executive Officer comments

Andy Walters, Chief Executive Officer of Quartix, commented: "It is very pleasing to be able to report excellent growth in our fleet subscription base during the year, despite the difficulties encountered through the coronavirus pandemic, particularly in the first half. The strength of the business in the second half, despite further restraints in November and December, was extremely encouraging. The performance of the business in 2020 is a testament to the hard work and initiative of all our employees in adapting so quickly to a totally different working environment.

"We have continued to invest, particularly by building our sales channels in the various geographical markets. We expect that the latest UK lockdown will have an impact on new subscriptions in the short-term, though we anticipate a lesser impact than that seen during the 2020 lockdown. Looking beyond the pandemic, we have a significant opportunity to accelerate growth in our fleet business and we look forward to 2021 and beyond with confidence."

The Company expects to publish its results for the year ended 31 December 2020 on Monday 1 March 2021. The results, together with accompanying presentations, will be posted that morning on the Company's website at [www.quartix.com/investors](http://www.quartix.com/investors).

<sup>[1]</sup> The Board believes that consensus market expectations for 2020, prior to this announcement, were as follows: revenue: £25.9m; adjusted EBITDA £7.9m; free cash flow: £5.3m.

<sup>[2]</sup> Based on currency rates as at 31 December 2020.

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

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