

Quartix Holdings plc
(“Quartix” or “the Group”)

Final Results

Strong growth in fleet customer and subscription base

Quartix Holdings plc (AIM:QTX), a leading supplier of vehicle telematics services to the fleet and insurance sectors, is pleased to announce its audited results for the year ended 31 December 2020.

Financial highlights:

- Group revenue increased by 0.8% to £25.8m (2019: £25.6m)
 - o Fleet revenue¹ grew by 6.0% to £22.0m (2019: £20.8m)
 - o Fleet revenue represented 85.4% of total revenue (2019: 81.2%)
 - o Insurance revenue² decreased by 21.5% to £3.8m (2019: £4.8m)
- Adjusted EBITDA³ increased by 11.5% to £7.9m (2019: £7.1m)
 - o Fleet telematics services profits⁴ increased by 6.0% to £17.5m (2019: £16.5m) (note 3)
 - o Fleet customer acquisition investment⁵ increased by 14.1% to £6.9m (2019: £6.1m)
 - o Insurance segment profit⁶ increased by 32.5% to £2.1m (2019: £1.6m)
- A provision of £1.6m in respect of the swap out of 3G fleet units in the US (see Strategic Report: Financial Review)
- Operating profit therefore decreased by 11.8% to £5.7m (2019: £6.4m)
- Profit before tax decreased by 12.3% to £5.7m (2019: £6.5m)
- Adjusted diluted earnings per share⁷ of 13.16p, diluted earnings per share of 9.82p (2019: 11.25p)
- Free cash flow⁸ decreased by 11.1% to £5.5m (2019: £6.2m)
- Final dividend payment of 17.7p per share proposed (2019: 10.0p) including 15.30p for supplementary dividend (2019: 5.8p) giving a total dividend for the year of 21.07p per share.

¹Total Fleet segmental revenue (see note 3)

²Insurance segmental revenue (see note 3)

³Earnings before interest, tax, depreciation, amortisation, share based payments and the 3G replacement provision (see Strategic Report: Financial Review)

⁴Profit for the Fleet segment before customer acquisition costs and central fleet costs (see note 3)

⁵Sales, marketing, net equipment, net installation and carriage cost for new fleet customers (see note 3 for full explanation)

⁶Insurance segmental profit increased as a result of a reduction in equipment and installation costs (see note 3)

⁷Diluted earnings per share before the 3G replacement provision (see Strategic Report: Financial Review)

⁸Cash flow from operations after tax and investing activities

Principal activities and performance measures

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

Key Performance Indicators ("KPIs")

Year ended 31 December	2020	2019	% change
Fleet subscriptions ¹ (new units)	42,898	43,837	(2.1)
Fleet subscription base ² (units)	173,793	150,640	15.4
Fleet customer base ³	19,039	16,394	16.1
Fleet attrition (annualised) ⁴ (%)	12.2	11.9	
Annualised recurring revenue ⁵ (£'000)	22,245	20,534	8.3
Fleet invoiced recurring revenue ⁶ (£'000)	20,801	19,297	7.8
Fleet revenue ⁷ (£'000)	22,059	20,808	6.0
Price erosion ⁸ (%)	6.6	9.4	
Insurance installations ⁹ (new units)	17,074	36,386	(53.1)
Insurance revenue ¹⁰ (£'000)	3,776	4,813	(21.5)

¹ New vehicle tracking unit subscriptions added to the subscription base before any attrition

² The number of vehicle tracing units subscribed to the Group's fleet tracking services, including units waiting to be installed for which subscription payments have started or are committed.

³ The number of customers associated with the fleet subscription base

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

⁵ Annualised data services revenue for the subscription base at the year end, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have started or are committed

⁶ Invoiced subscription charges before provision for deferred revenue

⁷ Total fleet segment revenue (see note 3)

⁸ The annual decrease in average subscription price of the base expressed as a percentage of the average subscription price at the start of the year, all measured in constant currency

⁹ The number of new vehicle tracking unit installation in the insurance segment

¹⁰ Insurance segment revenue (see note 3)

Andy Walters, Chief Executive Officer of Quartix, commented:

"It is very pleasing to report strong growth in our fleet customer and subscription bases during 2020, despite the difficulties encountered through the coronavirus pandemic, particularly in the first half. The fleet customer base increased by 16% to 19,000 and the subscription base increased by over 15% to 174,000 vehicles. The strength of the business in the second half, despite restraints imposed by the pandemic, was very encouraging, and we continued to invest in the development of our sales teams and channels. New vehicle subscriptions in the second half were 10% ahead of those in the first half, and we have entered 2021 with strong levels of new customer acquisition.

Growth in our international markets was extremely encouraging: the subscription base in France expanded by 22% to 31,345 vehicles; in the USA it increased by 30% to 23,479; and in our new territories (Spain, Italy, Germany and Poland) the base trebled in size to 3,904. In the UK the subscription base increased by 9% to 115,065 vehicles. I am confident that, given recent recruitment

in our sales teams and our investments in marketing, we can accelerate the rate of customer acquisition further as the economy opens up again.

Although the latest lockdown in the UK has had an adverse impact on customer activity in the first two months of 2021, we expect new fleet subscriptions to be close to the levels achieved in the same period last year, but with much stronger prospects for March. The high levels of recurring revenues and opportunities to grow the fleet business in the UK, USA, France and each of our new territories underpin our confidence for the current financial period and beyond.”

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Full Financial Results Report

The Group’s Financial Statements and results presentations for the year ended 31 December 2020 are available in the “Investors” section of our website at: www.quartix.com/investors and

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 “pay as you drive” motor insurance providers that is designed to improve productivity and lower 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 year was investing in the growth of our core Fleet operations, both in the UK and overseas to drive an increase in recurring revenues. This was achieved with the Group experiencing strong growth in its Fleet tracking subscription platform. Performance in the second half of the year was particularly encouraging; new subscriptions were 9.9% ahead of the prior year and roughly 60% of the year’s growth in the size and value of the base were achieved in that period. Fleet revenue grew by 6.0% 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 2.1% of those for 2019 (which in turn was 39% ahead of 2018), notwithstanding the 13.6% decrease

in new subscriptions experienced in the first half of the year as a result of the coronavirus pandemic. It was also pleasing to see Group attrition remain steady at 12.2% (2019: 11.9%) and price erosion reduced to 6.6% (2019: 9.4%) in the midst of a coronavirus pandemic.

Each geographical market, except the UK, registered increases in new subscriptions for the year as a whole. In the UK, the sales team 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. Sales in the UK fleet operations grew by 0.8%, reaching £15.6m (2019: £15.5m) whilst UK insurance revenues decreased to £3.8m (2019: £4.8m), due to availability of driving tests and installation capacity during the year.

The Group made excellent progress in France, where revenue increased by 16.7% to €4.3m (2019: €3.7m), ending the year with 31,345 vehicles under subscription (2019: 25,643) across 4,299 fleet customers (2019: 3,528).

2020 was the Group's sixth full year of operations in the USA. We are pleased with progress and completed the year with 23,479 vehicles under subscription (2019: 18,050) across 3,247 fleet customers (2019: 2,621). Revenue increased by 20.2% to \$3.1m in 2020 (2019: \$2.5m) and the prospects for future business development remain encouraging.

The Group continued to make progress in its new European territories, ending the period with a subscription base of 3,904 vehicles (2019: 1,316) across 920 fleet customers (2019: 337).

Results

Group revenue for the year increased marginally to £25.8m (2019: £25.6m); the Group continues to replace insurance revenue with higher quality fleet revenue. Total fleet revenue increased by £1.2m and now represents 85.4% of total revenue (2019: 81.2%). Insurance revenue decreased by £1.0m.

Operating profit for the year decreased by 11.8% to £5.7m (2019: £6.4m) and profit before tax was £5.7m (2019: £6.5m). This reduction was after charging £1.6m for the swap out of 3G units in the USA. Management expect the sunsetting 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 Group's reputation in the US market. This exceptional charge was partially offset by the improvement in the Insurance segment, whose 2020 segmental profit was £2.1m (2019: £1.6m), as a result of a reduction in equipment and installation costs.

Total Fleet Segment profit, before central overheads, remained comparable to the prior year, at £9.7m (2019: £9.7m). The profitability of the Group's fleet telematics services, which represents the core part of the business associated with recurring revenues, grew by £1.0m to £17.5m (2019: £16.5m). This gain was then invested in acquiring additional fleet customers for the future.

Further details for segmental profit are given in the Financial Review and note 3.

Cash conversion remained strong, resulting in free cash flow, cash flow from operations after tax and investing activities, of £5.5m (2019: £6.2m). Net cash increased to £10.6m at 31 December 2020 (2019: £6.8m), following the cancellation of the final and supplementary dividend for 2019, but after an interim dividend payment for 2020 of £1.6m.

Earnings per share

Basic earnings per share decreased by 12.7% to 9.86p (2019: 11.29p). Diluted earnings per share decreased to 9.82p (2019: 11.25p). The adjusted diluted earnings per share, which is calculated by adding back to the cost of the replacement of 3G units is 13.16p.

Dividend policy

Our ordinary dividend policy is to pay a dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

In addition to this the Board will distribute the excess of gross cash balances over £2m on an annual basis by way of supplementary dividends, subject to a 2p per share de minimis level.

The surplus cash is calculated using the year end gross cash balance and after deduction of the proposed ordinary dividend, and is intended to be paid at the same time as the final dividend. The policy will be subject to periodic review.

Dividend

In the year ended 31 December 2020, the Board decided to pay an interim dividend of 2.5p per ordinary share plus a supplementary dividend of 0.87p per share. This totalled £1.6m and was paid on 11 September 2020 to shareholders on the register as at 14 August 2020.

The Board is recommending a final ordinary dividend of 2.40p per share, together with a supplementary dividend of 15.30p per share, giving a final pay out of 17.70p per share and a total dividend for the year of 21.07p per share.

The final and supplementary dividend amounts to approximately £8.6m in aggregate. Subject to the approval at the forthcoming AGM, this aggregate dividend of 17.7p per share will be paid on 30 April 2021 to shareholders on the register as at 1 April 2021.

Outlook

The Group has made a strong start to the year, in line with our expectations. Given the success that Quartix has achieved in its core fleet markets, and considering the broader market opportunity available to it, the Group 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 Group's first field sales agent to be based in France.

AGM

The Group's AGM will be a closed meeting held at 11.00 a.m. on 23 March 2021 at the Group's registered office at 9 Dukes Court, 54~62 Newmarket Rd, Cambridge CB5 8DZ.

Paul Boughton

Chairman

Strategic Report: Operational Review

Principal activities

Quartix is one of Europe's leading suppliers of vehicle telematics services. We made excellent progress in the core fleet sector in 2020, which now has a subscription platform connecting more than 170,000 fleet vehicles. Whilst the origins of the Group's business are in the UK, it has developed a significant market presence in the fleet sector in France and the USA. It built on this success and experience with continued expansion in Spain, Italy and Germany during the course of 2020.

Strategy and business model

The Group's main strategic objective is to grow its fleet subscription platform and develop the associated recurring revenue. This strategy is based on 5 key elements, which were first highlighted in the 2018 annual report. We are pleased to be able to report significant progress in each area, as summarised below:

1. *Market development*: despite new fleet subscriptions decreasing by 2.1%, the second half of the year saw an increase in new fleet subscriptions of 9.9% against the equivalent period in 2019. The subscription base increased by 15.4% and strong growth was achieved in each of our existing territories.
2. *Cost leadership*: we have recently signed a long-term supply agreement with a telematics device manufacturer, which we expect to result in cost and simplicity improvements. Improvements in the efficiency of the sales cycle are also being rolled out. We continue to review product and overhead costs in order to identify further operational efficiencies.
3. *Continuous enhancement of the Group's core software and telematics services*: further improvements have been made to the Group's software platform, which have increased its functionality and ease of use, as well as allowing the integration of camera systems. A new self-install fleet unit has been launched for the UK and Europe, a 4G unit has been developed for the US and a new self-install insurance product has been launched.
4. *Outstanding service*: Quartix maintained its excellent reputation with its fleet customers throughout the year, consistently being rated as "excellent" by TrustPilot users. Changes to the support and service processes during the year have realised benefits that have kept attrition at a steady level in the midst of the global coronavirus pandemic.
5. *Standardisation and centralisation*: the expansion into European markets has thus far been achieved entirely from the Group's principal operational office in Newtown. This structure is being reviewed following the expiry of the Brexit transition agreement, though material changes are not expected. The office in Chicago is now exclusively a sales office, with US support and service functions being performed from the UK.

Our fleet customers typically use the Group's vehicle telematics services for many years, resulting in low rates of attrition. Accordingly, the Group focuses its business model on the development of subscription revenue based on minimal initial commitment from the customer, providing the best return to the Group over the long term.

The number of vehicles connected to our subscription platform and the value of recurring subscription revenue derived from it are the key measures of our performance in the fleet sector.

We also provide our telematics technology and services to insurers, who use the Group's technology to monitor the driving style and habits of higher-risk drivers, normally for a policy with a term of just 12 months. The level of attrition, in this industry for young driver policies, is relatively high.

The Group has focused over the past four years on growth in its fleet operations. In 2020 85.4% of Group revenue (£22.0m of £25.8m) derived from fleet applications, which compares with 63.9% in 2016 (£14.9m of £23.3m).

People

We take pride in the level of service we provide, and it is gratifying to see that fleet customers consistently provide us with excellent reviews – both in person and on third-party sites such as TrustPilot. The changes in support and service processes which we have made during 2020 have kept attrition levels stable during the year and we are delighted to have been able to support our customers during this extremely difficult period for them.

These service achievements are a reflection of the teamwork, creativity and dedication of our people and a testament to how seriously we take our commitment to providing the best experience for our customers. Our financial performance derives from the customer service we deliver, backed by the technology we develop. We would like to register our personal thanks to every one of our employees who made 2020 another great year for Quartix.

We are pleased to have been able to provide our employees with the ability to participate in the equity of the Company under our EMI share option scheme for the eighth year in a row. Under this scheme each UK employee (barring Directors) receives shares in the company at an exercisable price of 1 penny per share, which are exercisable approximately 18 months from grant. Employees with 5 years' service at the first grant in 2013 would now hold 4,260 shares in the company, less any disposals. During the year several staff members were issued share options to thank them for their personal contribution to the progress of Quartix throughout the coronavirus pandemic. In addition, Laura Seffino, a Director of Quartix Holdings plc, received share option grants in 2020, as disclosed in the remuneration report.

Operational performance

All of our business operations continued to perform at a high level in 2020. Gross margin increased to 66.0% (2019: 64.9%), mainly due to the increase in deferred revenue release in insurance, with the reduction in new policies, particularly from the coronavirus impact. With additional investment in fleet, administrative expenses increased by 11.6%. Cash conversion remained strong with cash flow from operations after tax and investing activities (free cash flow) representing 117.0% of profit for the

year (2019: 115.0%). We expense all research and development investment, tracking system and installation costs as they are incurred unless development spend meets the criteria for capitalisation.

Our accounts and operations teams continued to manage working capital well: trade debtors at the year-end were 31 days (2019: 34) days of sales, and inventory levels decreased by 20.9% compared to prior year levels.

Fleet

Our core fleet business, which accounted for 85.4% of Group revenue (2019: 81.2%), delivered excellent progress in a further year of investment. Strong subscription base growth in each of the UK, France and the USA, coupled with our second year in four new European markets, took the total subscription base to more than 170,000 vehicles.

During the course of the year we won 4,844 new fleet customers (2019: 4,471). Sales leads continued to be generated through a broad range of media and channels and investments have been made in marketing, technology, processes and training, adding automation wherever possible.

Total investment in fleet customer acquisition increased by £0.8m to £6.9m in 2020 (2019: £6.1m). This investment will increase further in 2021 as we continue to develop our business across each of our markets, thereby increasing recurring revenues.

Fleet UK

New subscriptions to our fleet tracking services decreased by 13.2% to 22,294, though the second half of the year (12,300 new subscriptions) showed recovery in the market against the first half of the year (9,994 new subscriptions). We increased our vehicle subscription base by 8.9% to 115,065 as a consequence, and our fleet customer base rose to 10,573 (2019: 9,908). In total we won 1,801 new customers in the UK (2019: 2,033) and we increased the number of fleet clients with 50 vehicles or more. UK fleet revenue was £15.6m (2019: £15.5m). The strength of our brand, service capability and reputation in the UK is leading to higher levels of enquiries from larger fleet prospects.

Our UK website continued to perform well in terms of enquiries, and we continued to add new content to it.

We will continue to focus on telephone sales staff and we have increased UK field sales capacity, to support our fleet marketing initiatives; we will look to find additional channels and partners to help us develop the market.

Fleet France

The number of new subscriptions in the French market was 0.9% higher than the previous year (9,135 versus 9,054), and there was a 22.2% increase in the unit base, ending the year with 31,345 vehicles (2019: 25,643) under subscription across 4,299 fleet customers (2019: 3,528). French fleet revenue increased by 16.7% to €4.3m (2019: €3.7m), making a profitable contribution to the Group. We saw continued growth in new customer acquisition throughout the year, and this was broadly spread across each of our channels. The Group has recruited its first French field sales agent to help facilitate growth with customers who have larger fleets, with 50 or more vehicles.

New European territories

Having launched in various European markets during 2019, the Group has developed its operations successfully and achieved a total of 2,922 new subscriptions (2019: 1,353), taking its subscription base to 3,904 vehicles (2019: 1,316). Revenue increased to £0.2m (2019: £0.1m). Sales results in the Spanish, Italian and German markets have been very encouraging so far and the Company will increase investment in these.

Fleet USA

Our sixth full year of trading in the USA showed good progress: we concluded 2020 with 3,247 fleet customers (2019: 2,621) achieving growth of 30.1% in vehicles under subscription to a total of 23,479 (2019: 18,050). USA fleet revenue increased by 20.2% to \$3.1m (2019: \$2.5m). Losses incurred in the USA remained similar at £0.4m (2019: £0.4m).

We see significant potential for growth in the USA in the next five years.

Combined fleet revenues in non-UK territories, were £6.4m, representing 29.1% of total fleet revenue.

In the four years since this decision to focus on our fleet operations they have grown to represent 85.4% of Group revenues (£22.1m) in 2020 from 63.9% (£14.9m) in 2016. This trend is expected to continue as the Company invests in the development of each of its fleet markets.

Insurance

Reductions in the availability of driving tests and installation capacity during the year contributed to the 53.1% decrease in insurance installations to 17,074 units. This trend was in keeping with the decision announced in July 2016 to focus on the core fleet market and on only those insurance opportunities which are closely aligned to the fleet business. The profitability of this segment increased from £1.6m in 2019 to £2.1m, with a £1.0m reduction in revenue more than compensated by a £1.5m reduction in equipment and installation costs from the decline in volume. - see segmental note 3.

Research and development

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. We achieved some notable successes in 2020:

1. Towards the end of the year, we completed trials of a new self-install product for the UK and Europe, having applied additional functionality to the unit. We subsequently signed a long-term supply agreement with the manufacturer. We have also developed a new 4G unit for the US, which is expected to be in production in 2021.
2. Throughout the year, new software releases for all territories and languages were issued for our customer base regularly throughout the year. These updates provided enhancements to usability and self-service, and were focused on features which we felt would be of benefit to the large majority of our client base.

- We launched a new insurance self-install unit, which has successfully been rolled out with one insurance customer and we believe has the potential to be rolled out more widely.

All of our investment in research was fully expensed in the year. The total cost amounted to £0.8m, which represents an increase of 13.2% compared to the prior year (2019: £0.7m).

Capacity for future growth

We believe that the Company has significant opportunity for growth in its fleet business in both new and existing markets. We achieved excellent growth in our subscription platform in 2020 and established encouraging positions in a range of new markets.

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.

Andrew Walters
Chief Executive Officer

Daniel Mendis
Chief Financial & Operating Officer

Strategic Report: Financial Review

Key performance indicators (“KPIs”)

<i>Year ended 31 December</i>	2020	2019	% change
Fleet subscriptions ¹ (new units)	42,898	43,837	(2.1)
Fleet subscription base (units) ²	173,793	150,640	15.4
Fleet customer base ³	19,039	16,394	16.1
Fleet attrition (annualised) ⁴ (%)	12.2	11.9	-
Annualised recurring revenue (£'000) ⁵	22,245	20,534	8.3
Fleet invoiced recurring revenue ⁶ (£'000)	20,801	19,297	7.8
Fleet revenue ⁷ (£'000)	22,059	20,808	6.0
Price erosion ⁸	6.6	9.4	
Insurance installations ⁹ (new units)	17,074	36,386	(53.1)
Insurance revenue ¹⁰ (£'000)	3,776	4,813	(21.5)

¹ New vehicle tracking unit subscriptions added to the subscription base before any attrition

- ² The number of vehicle tracing units subscribed to the Group's fleet tracking services, including units waiting to be installed for which subscription payments have started or are committed.
- ³ The number of customers associated with the fleet subscription base
- ⁴ The number of new vehicle tracking unit subscriptions, less the increase in subscription base, expressed as a percentage of the mean subscription base
- ⁵ Annualised data services revenue for the subscription base at the year end, before deferred revenue, including revenue for units waiting to be installed for which subscription payments have started or are committed
- ⁶ Invoiced subscription charges before provision for deferred revenue
- ⁷ Total fleet segment revenue (see note 3)
- ⁸ The annual decrease in average subscription price of the base expressed as a percentage of the average subscription price at the start of the year, all measured in constant currency
- ⁹ The number of new vehicle tracking unit installation in the insurance segment
- ¹⁰ Insurance segment revenue (see note 3)

The Group made excellent progress in its core fleet business during 2020 in its primary strategic objective of building our fleet subscription base.

We achieved 42,898 new fleet subscriptions (2019: 43,837), a decrease of 2.1% however this represents significant recovery from the half-year position with new fleet subscriptions in the second half of the year increasing by 9.9% against the equivalent period in 2019.

During the year, our fleet subscription base grew by 15.4% to 173,793 units (2019: 150,640) with growth in all of our geographical markets.

Attrition during the period increased marginally to 12.2% (2019: 11.9%). The Group made various changes to its support and service processes during 2020 and it is pleasing to see attrition remaining stable amongst the global pandemic.

Annualised recurring revenue increased by 8.3% to £22.2m (2019: £20.5m) and fleet invoiced recurring revenue grew by 7.8% to £20.8m (2019: £19.3m). The growth in fleet revenue of 6.0% was similar to the growth of our recurring revenue, as our primary focus is on growing subscription revenue.

Insurance unit installations decreased by 53.1% to 17,074 (2019: 36,386); these were adversely impacted by the coronavirus pandemic, with reductions in the availability of driving tests and installation capacity hindering demand and supply respectively.

Financial Overview

Year ended 31 December

£'000 (except where stated)

	2020	2019	% change
Revenue			
Fleet	22,059	20,808	6.0
Insurance	3,776	4,813	(21.5)
Total	25,835	25,621	0.8
Gross profit before 3G swap out provision	18,657	16,626	12.2
Gross margin before 3G swap out provision	72.2%	64.9%	
Gross profit	17,047	16,626	2.5

Gross margin	66.0%	64.9%	
Operating profit	5,680	6,438	(11.8)
Operating margin	22.0%	25.1%	
Adjusted EBITDA (see note 4)	7,871	7,062	11.5
Profit for the year	4,728	5,410	(12.6)
Earnings per share	9.86	11.29	(12.7)
Adjusted diluted earnings per share	13.16	11.25	17.0
Cash generated from operations	6,698	7,263	(7.8)
Operating profit to operating cash	117.9%	112.8%	
Free cash flow	5,534	6,223	(11.1)

Revenue

Revenue increased marginally to £25.8m (2019: £25.6m); the Group continues to replace insurance with higher quality fleet revenue. Insurance revenue represented 14.6% (2019: 18.8%) and is expected to represent approximately 10.0% of revenue in 2021. Fleet revenue, benefitting from past investment and expansion into new European territories, increased by £1.2m to £22.1m (2019: £20.8m). Sales to insurance customers decreased by £1.0m to £3.8m (2019: £4.8m).

Gross margin

Gross margin increased marginally to 66.0% in the year (2019: 64.9%). The primary cost saving was achieved through the reduction in equipment, installation and carriage costs, partly due to the large reduction in insurance installations and partly due to a higher proportion of self-install fleet units. This cost saving was somewhat offset by a £1.6m provision relating to the swap out of 3G units in the US. Management expect the sunsetting of the 3G mobile network in the US to be finalised in 2022 and this necessitates the replacement of a large proportion of the US installed base of tracking systems during 2021. The Board has taken the decision to provide this service free of charge to customers in order to minimise the chances of any incremental attrition.

Adjusted EBITDA and Segmental Analysis

Adjusted EBITDA, which excludes the £1.6m provision for the replacement of the 3G units, increased to £7.9m (2019: £7.1m), driven by the increase in insurance profitability, which increased to £2.1m (2019: £1.6m).

A summary of the Group's segmental analysis is set out below (see note 3 for an explanation of categorisations and assumptions).

Total Fleet Segment profit remained similar to the prior year, at £9.7m (2019: £9.7m), following targeted investment in growing the subscription base. The profitability of the Group's fleet telematics services, which represents the core part of the business associated with recurring revenues, grew by

£1.0m to £17.5m (2019: £16.5m). This growth was then reinvested, with an additional £0.9m being invested in acquiring additional fleet customers for the future.

Segmental analysis 2020

	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
	£'000	£'000	£'000	£'000	£,000
Revenue	223	21,836	22,059	3,776	25,835
Segmental Costs	(7,138)	(4,352)	(11,490)	(1,655)	(13,145)
Profit before central fleet	(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 (see note 4)					7,871

Segmental analysis 2019

	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
	£'000	£'000	£'000	£'000	£,000
Revenue	338	20,470	20,808	4,813	25,621
Segmental Costs	(6,398)	(3,973)	(10,371)	(3,212)	(13,583)
Profit before central fleet	(6,060)	16,497	10,437	1,601	12,038
Central fleet costs			(747)	-	(747)
Segmental profit			9,690	1,601	11,291
Central Costs					(4,229)
Adjusted EBITDA (see note 4)					7,062

Overheads

We continued to invest in our product offering, in our sales structure and in marketing, which led to an increase in overheads of 11.6%.

Part of the aforementioned investment was in the USA where our subscription unit base has increased by 30.1% to 23,479 (2019: 18,050) and revenue, as disclosed in note 2, increased to £2.4m (\$3.1m) (2019: £2.0m (\$2.5m)). Additionally, the expansion into the new European territories contributed £0.2m toward revenue in the year (2019: £0.1m), with a fleet base at the year end of 3,904 units (2019: 1,316).

Taxation

Our effective tax rate benefits from the Group's investment in research and patents in the UK business. The effective rate increased from 16.1% in 2019 to 16.4% in 2020, due to the increased profitability of the French branch, which is subject to a higher rate of tax offset by a higher R&D tax credit.

Earnings per share

Earnings per share decreased to 9.86p (2019: 11.29p), diluted earnings per share decreased to 9.82p (2019: 11.25p) due to the US 3G swap out provision. As a result, adjusted diluted earnings per share, which excludes the £1.6m 3G units replacement provision, was 13.16p.

Statement of financial position

Property, plant and equipment, at £1.3m (2019: £0.8m), increased by £0.5m largely due to the right of use leasehold property in Newtown, Powys. These are the main operational premises, which were redeveloped for Quartix and were completed in March 2020.

Inventories decreased to £0.7m (2019: £0.9m). Cash at the year-end was £10.6m (2019: £6.8m), since the final and supplementary dividends which would ordinarily have been paid during the year, were held back, as a precautionary measure as a result of the uncertainty surrounding the coronavirus pandemic. Trade and other receivables decreased slightly to £3.8m in the year (2019: £3.9m). Trade and other payables decreased to £2.8m (2019: £3.1m), whilst provisions increased from £0.2m to £1.8m due to the US 3G swap out provision of £1.6m.

Contract liabilities represent customer payments received in advance of satisfying performance obligations, which are expected to be recognised as revenue in future years (both fleet and insurance). These unwound to £3.7m in 2020 (2019: £4.8m).

Cash flow

Cash generated from operations before tax at £6.7m was 117.9% of operating profit (2019: £7.3m, 112.8% of operating profit).

Tax paid in 2020 was £1.1m (2019: £0.9m), so cash flow from operating activities after taxation but before capital expenditure was £5.6m (2019: £6.4m).

Free cash flow, after £0.1m of capital expenditure and interest received, was £5.5m, a decrease of 11.1% (2019: £6.2m).

The translation of cash flow into dividends is covered in the Chairman's Statement.

Risk Management policies

The principal risks and uncertainties of the Group are as follows:

Attracting and retaining the right number of good quality staff

The Group believes that in order to safeguard the future of the business it needs to recruit, develop and retain the next generation of staff. The impact of not mitigating this risk is that the Group ceases to be innovative and provide customers with the vehicle telematics services they require. Considerable focus has been given to recruitment, development and retention. The Group has a range of tailored

incentive schemes to help recruit, motivate and retain top quality staff, which include the use of share options.

Reliance on Mobile To Mobile (“M2M”) network

The Group’s service delivery is dependent on a functioning M2M network covering both the internet and mobile data. The impact of not mitigating this risk is that the Group is exposed to an M2M outage. Quartix has dual site redundancy to cover a localised internet problem and we are constantly working on improving the reliability of our systems architecture.

Management believe that, at some point between 2025 and 2030, most UK and European network operators will finalise the sunsetting of their 2G networks. Depending on the actual timetable and the commercial climate, there may be a cost at that time associated with the upgrading of customers’ technology, which the Group is seeking to minimise through various technological and commercial means.

As described in the 2019 Financial Statements, Management expect the sunsetting 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 has provided for £1.6m in its 2020 accounts.

Business disruption

Like any business the Group is subject to the risk of business disruption. This includes communications, physical disruption to our sites and problems with our key suppliers. The impact of not mitigating this risk is that the Group may not be able to service its customers. Quartix has a Business Continuity plan and Business Interruption Insurance to cover certain events in order to help mitigate these risks.

The full extent of the impact to the Group’s business as a result of the UK leaving the EU remains uncertain. The Group acquires, manages and supports its customers in the EU centrally, from its offices in the UK. The resulting trading and data adequacy arrangements has not made it necessary for a relocation of some of its operations to within the EU. The existing French branch is instrumental in the logistics of moving the goods between the France and the customers in the EU territories. Quartix is currently facing, some limited delays at the border between France and the UK, though it expects this to ease in the coming months. In addition, any impact on the wider economic landscape could impact the Group’s trading indirectly through the demand for its services.

There is also a risk that the coronavirus pandemic will further impact the growth of the global economy and therefore the Group’s subscription base and its ability to collect cash from its’ customers. The rollout of the vaccination programme currently appears to be mitigating this risk. As with other industries, there is also a risk of some short-term disruption to component supply as the global economy recovers and suppliers increase production to meet demand. The Group is actively working with suppliers to manage this and has signed a supply agreement with a device manufacturer, which further helps to mitigate this risk.

Dependence on a key customer

During 2020 insurance revenue of £3.4m (2019: £4.2m) was derived via one insurance customer, a specialist reseller for the insurance industry. Losing this key contract could have an impact on cash flow in the short term. Total insurance revenue, including that generated from other customers, was £3.8m (2019: 4.8m) and total insurance segment profit was £2.1m (2019: £1.6m).

Cyber security

The Group needs to make sure its data is kept safe and that there is security of supply of data services to customers. The reputational and commercial impact of a security breach would be significant. To combat this, the Group has a security policy and prepares a security report which is reviewed by members of the Operations Board. This process includes the use of outside consultants for penetration testing and security review.

Technology

Technology risks are perceived to arise from possible substitutes for the current Quartix product. Risks cited include everything from smart mobile phones and their applications to driverless cars. The Group strategy is to review all new technical developments with the aim of adopting any which will provide a better channel for the information services which Quartix provides.

We believe we have the right strategy and service in place to deliver strong growth in sales over the medium to long term and to deliver sustainable shareholder value.

Daniel Mendis

Chief Operating and Financial Officer

Consolidated Statement of Comprehensive Income

Year ended 31 December		2020	2020	2020	2019
		Before Provision	Provision	Total	Total
	Not	£'000	£'000	£'000	£'000
Revenue	2, 3	25,835	-	25,835	25,621
Cost of sales		(7,178)	(1,610)	(8,788)	(8,995)
Gross profit		18,657	(1,610)	17,047	16,626
Administrative expenses		(11,367)	-	(11,367)	(10,188)
Operating profit		7,290	(1,610)	5,680	6,438
Finance income receivable		19	-	19	34
Finance costs payable		(40)	-	(40)	(21)
Profit for the year before taxation		7,269	(1,610)	5,659	6,451
Tax expense		(931)	-	(931)	(1,041)
Profit for the year		6,338	(1,610)	4,728	5,410
Other Comprehensive income:					
Exchange difference on translating foreign		99	-	99	93
Other comprehensive (expense)/income for the year, net of tax		99	-	99	93
Total comprehensive income attributable to the equity shareholders of Quartix Holdings plc		6,437	(1,610)	4,827	5,503
Adjusted EBITDA	4			7,871	7,062
Earnings per ordinary share (pence)	5				
Basic				9.86	11.29
Diluted				9.82	11.25

Consolidated Statement of Financial Position

	Notes	31 Dec 2020 £'000	31 Dec 2019 £'000
Assets			
Non-current assets			
Goodwill		14,029	14,029
Property, plant and equipment		1,278	845
Deferred tax assets		135	2
Contract cost assets		297	304
Total non-current assets		15,739	15,180
Current assets			
Inventories		694	877
Trade and other receivables		3,811	3,907
Cash and cash equivalents		10,570	6,789
Total current assets		15,075	11,573
Total assets		30,814	26,753
Current liabilities			
Trade and other payables		2,823	3,064
Provisions		1,785	247
Contract liabilities		3,650	4,843
Current tax liabilities		301	377
		8,559	8,531
Non-current liabilities			
Lease liabilities		822	241
		822	241
Total liabilities		9,381	8,772
Net assets		21,433	17,981
Equity			
Called up share capital	7	479	479
Share premium account	7	5,252	5,230
Equity reserve		792	616
Capital redemption reserve		4,663	4,663
Translation reserve		(69)	(168)
Retained earnings		10,316	7,161
Total equity attributable to equity shareholders of Quartix Holdings plc		21,433	17,981

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 2018	478	5,196	4,663	390	(261)	7,637	18,103
Shares issued	1	34	-	-	-	-	35
Increase in equity reserve in relation to options issued	-	-	-	249	-	-	249
Adjustment for exercised options	-	-	-	(58)	-	58	-
Deferred tax on share Options	-	-	-	35	-	-	35
Dividend paid	-	-	-	-	-	(5,944)	(5,944)
Transactions with owners	1	34	-	226	-	(5,886)	(5,625)
Foreign currency translation differences	-	-	-	-	93	-	93
Profit for the year	-	-	-	-	-	5,410	5,410
Total comprehensive income	-	-	-	-	93	5,410	5,503
Balance at 31 December 2019	479	5,230	4,663	616	(168)	7,161	17,981
Shares issued	-	22	-	-	-	-	22
Increase in equity reserve in relation to options issued	-	-	-	189	-	-	189
Adjustment for exercised options	-	-	-	(43)	-	43	-
Deferred tax on share Options	-	-	-	30	-	-	30
Dividend paid	-	-	-	-	-	(1,616)	(1,616)
Transactions with owners	0	22	-	176	-	(1,573)	(1,375)
Foreign currency translation differences	-	-	-	-	99	-	99
Profit for the year	-	-	-	-	-	4,728	4,728
Total comprehensive income	-	-	-	-	99	4,728	4,827
Balance at 31 December 2020	479	5,252	4,663	792	(69)	10,316	21,433

Consolidated Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Cash generated from operations	6	6,698	7,263
Taxes paid		(1,106)	(880)
Cash flow from operating activities		5,592	6,383
Investing activities			
Additions to property, plant and equipment		(72)	(194)
Interest received		14	34
Cash flow utilised in investing activities		(58)	(160)
Cash flow from operating activities after investing activities (Free cash flow)		5,534	6,223
Financing activities			
Repayment of lease liabilities		(185)	(257)
Proceeds from share issues		22	35
Dividend paid		(1,616)	(5,944)
Cash flow used in financing activities		(1,779)	(6,166)
Net changes in cash and cash equivalents		3,755	57
Cash and cash equivalents, beginning of year		6,789	6,779
Exchange differences on cash and cash equivalents		26	(47)
Cash and cash equivalents, end of year		10,570	6,789

Notes to the Accounts

1 Basis of preparation

The results have been extracted from the audited financial statements of the Group for the year ended 31 December 2020. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with the principles of international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS'), IFRIC interpretations and Companies Act 2006 that applies to companies reporting under IFRS, this announcement does not of itself contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS. The audited financial statements incorporate an unqualified audit report.

Statutory accounts for the year ended 31 December 2019, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006. The accounting policies applied are consistent with those described in the Annual Report & Accounts for the year ended 31 December 2019.

The basis of preparation and summary of significant accounting policies applicable to the consolidated financial statements of Quartix Holdings plc can be found in note 1 of the Annual Report and Financial Statements, available from the Group's website.

2 Revenue

The Group's revenue disaggregated by primary geographical market is as follows:

	Fleet £'000	Insurance £'000
For the period ended 31 December 2020		
United Kingdom	15,633	3,776
France	3,826	-
New European Territories	202	-
United States of America	2,398	-
	22,059	3,776
	Fleet £'000	Insurance £'000
For the period ended 31 December 2019		
United Kingdom	15,504	4,813
France	3,236	-
Other European territories	53	-
United States of America	2,015	-
	20,808	4,813

During 2020 revenue of £3.4m (2019: £4.2m) was derived from one insurance customer, as a proportion of total revenue this one customer makes up 13.2% of the Group's revenue (2019: 16.4%).

There are no material non-current assets based outside the UK.

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	2020 £'000	2019 £'000
Goods and services transferred over time	24,955	24,461
Revenue recognised at a point in time	880	1,160
	25,835	25,621

Goods and services transferred over time represent 96.6% of total revenue (2019: 95.5%).

For 2020, revenue includes £4.8m (2019: £4.6m) included in the contract liability balance at the beginning of the period. Changes to the Group's contract liabilities (i.e. deferred revenue) are attributable solely to the satisfaction of performance obligations.

3 Segmental analysis

The Group has identified two operating segments (see below) which are now monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results. The main sources 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 sub-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 sub-category, only equipment and installation income attributed to new fleet customers.
- *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 sub-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

Year ended 31 December 2020	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
	£'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 and Marketing Costs	(5,546)	(941)	(6,487)	-	(6,487)

Equipment, Installation, Carriage	(1,592)	**(1,158)	(2,750)	(1,365)	(4,115)
Cost 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 (see note 4)					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:

	2020	2019
	£'000	£'000
Total Segmental costs	13,145	13,583
Less elements included in administrative expenses:		
Cost of service: employees	(657)	(600)
Selling and marketing costs (excluding direct commissions)	(4,967)	(3,839)
Bad Debts	(343)	(149)
Add:		
3G replacement provision not included in Segmental costs	1,610	-
Cost of sales	8,788	8,995

Segmental analysis

Year ended 31 December 2019	Customer Acquisition	Fleet Telematics Services	Total Fleet	Insurance	Total Business
	£'000	£'000	£'000	£'000	£,000
Recurring revenue	-	19,297	19,297	-	19,297
Other sales	338	1,173	1,511	4,813	6,324
Total Revenue	338	20,470	20,808	4,813	25,621
Sales and Marketing Costs	(4,429)	(740)	(5,169)	-	(5,169)

Equipment, Installation, Carriage	(1,969)	(1,194)	(3,163)	(2,837)	(6,000)
Cost of service	-	(2,039)	(2,039)	(375)	(2,414)
Profit before central fleet costs	(6,060)	16,497	10,437	1,601	12,038
Central fleet costs			(747)	-	(747)
Segmental profit			9,690	1,601	11,291
Central Costs					(4,229)
Adjusted EBITDA (see note 4)					7,062

Revenue note 2 discloses the geographical analysis by destination and revenue generated from our major customer.

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

	2020	2019
	£'000	£'000
Operating profit	5,680	6,438
Depreciation on property, plant and equipment, owned	175	171
Depreciation on property, plant and equipment, right of use	182	199
EBITDA	6,037	6,808
Share-based payment expense (incl. cash-settled)	224	254
Provision for replacement of 3G units	1,610	-
Adjusted EBITDA	7,871	7,062

5 Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings plc divided by the weighted average number of shares in issue during the year. All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable to shareholders	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
	£'000				
Earnings per ordinary share					

Year ended 31 December 2020	4,728	47,953,023	9.86	48,170,860	9.82
Year ended 31 December 2019	5,410	47,916,951	11.29	48,095,333	11.25
Adjusted earnings per share					
Year ended 31 December 2020	6,338	47,953,023	13.22	48,170,860	13.16

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 that year.

Adjusted earnings per ordinary share excludes the exceptional 3G replacement unit provision of £1.6m, in order to illustrate the underlying earnings for the year.

6 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	2020	2019
	£'000	£'000
Profit before tax	5,659	6,451
Foreign exchange	183	156
Depreciation	357	370
Loss on disposal of fixed asset	3	-
Interest income	(19)	(34)
Lease interest expense	40	21
Share based payment expense	224	250
Operating cash flow before movement in working capital	6,447	7,214
Decrease/(increase) in trade and other receivables	69	(453)
(Increase) in inventories	181	(106)
(Decrease) in trade and other payables	1,189	410
(Decrease)/increase in contract liabilities	(1,188)	198
Cash generated from operations	6,698	7,263

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 2020	47,938,320	479	5,230
Shares issued	24,196	-	22
At 31 December 2020	47,962,516	479	5,252

All the shares issued in the year to 31 December 2020 related to the exercise of share options.

8 Share based payments

The Company has share option schemes for certain employees. Share options are exercisable at prices determined at the date of grant. The vesting periods for the share options range between 12 and 63 months. Options are forfeited if the employee leaves the Company before the options vest.

In June 2020 cash-settled options were issued to Laura Seffino, an incentive programme linked to the share price, to facilitate the exercise of existing equity-settled share options. These cash-settled share options are linked to both service and market performance conditions. The options have a contractual term commencing on the grant date 1 June 2020 and maturing on 6 April 2025, there are four vesting dates commencing on 6 April 2021, where a number of shares depending on the performance of the share price will be eligible for exercise at the share price less the exercise price of 320 pence. The net cash value after tax must be used to exercise Laura's existing share options, and the resulting shares must subsequently be held for a minimum of 12 months.

The fair value at grant date of the cash-settled options has been calculated using a binomial option pricing model. The average share price of 326 pence, exercise price of 320 pence, a risk free rate of minus 0.04%, a volatility rate of 49% and a time to maturity of 4 years has generated a fair value of 419 pence per share option with the estimated number of shares to ultimately vest being 68,000 cash-settled share options. The volatility of the share price over the previous 12 months from the grant date and the risk-free rate on the market were used to build in probabilities of the share price performance over the duration of the vesting period.

Movements in the number of equity-settled share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	276.9	1,193,469	267.6	1,365,554

Granted	255.2	167,700	180.2	46,600
Lapsed	257.4	(104,905)	313.8	(126,925)
Exercised	89.0	(24,196)	38.5	(91,760)
Outstanding at 31 December	279.3	1,232,068	276.9	1,193,469
Exercisable at 31 December	290.5	356,974	360.0	37,482

The weighted average fair value of equity-settled options issued during the year ended 31 December 2020 was 118.37p (2019: 175.49p). Included in the equity-settled options granted in 2020 none (2019: none) were granted to staff with performance conditions.

The weighted average share price at the date of exercise of options during the year ended 31 December 2020 was 265.75p (2019: 265.0p).

Movements in the number of cash-settled share options and their related weighted average exercise prices are as follows:

	2020		2019	
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	322.0	170,000	-	-
Granted	320.0	68,000	322.0	170,000
Outstanding at 31 December	321.4	238,000	322.0	170,000
Exercisable at 31 December	n/a	n/a	n/a	n/a

Further details of share-based payments are given in the Group's audited accounts, which are available at www.quartix.net/investors/