

TRADING STATEMENT

QUARTIX TECHNOLOGIES PLC

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

Quartix Technologies plc, a leading supplier of subscription-based vehicle tracking systems, analytical software and services, is pleased to provide an update on trading for the year ended 31 December 2022 (the "Period").

Company Results

The Board is pleased to report that previously announced growth in annualised recurring revenue (ARR) continued in Q4, with an increase for the year of £2.6m (2021 £2.0m) on a constant currency basis¹ to £27.3m.

New vehicle subscriptions also continued to grow in Q4, with total new vehicle subscriptions in the year of 60,747 (2021 50,765), 20% ahead of prior year. Quartix's vehicle subscription base now exceeds 235,000, 16% up on prior year.

Fleet revenue growth accelerated to 12% year on year (2021 8%). Following the discontinuance of the insurance business, total revenue growth will now match the growth in fleet revenue.

Performance in Europe continues to be excellent, with the investment into sales teams and marketing in 2021 providing a very strong return on investment, in line with previous years. France ARR is now at £6.2m (2021 £5.0m), a 25% increase year on year, and new vehicle subscriptions were up 42% year on year. Whilst still at an early stage, the rest of Europe continued to show stellar performance, with ARR having surpassed £1.4m (2021 £0.9m), and 34% growth in new vehicle subscriptions. Growth in UK ARR was £0.6m (2021 £0.4m), and new vehicle subscriptions increased 12% (2021 6%); the sales team were successful in year both with its customary smaller fleet customers, and also with medium sized SME fleet penetration through its field sales team. US new vehicle subscriptions continued to grow, albeit at a slower rate, with high staff churn in H1 impacting growth as the Company focussed on performance improvement, along with re-evaluating the US expansion plan.

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

Region	ARR (£m) FY 2022	Growth vs 2021 (Constant Currency)	Subscription base (units) 31/12/2022	Growth vs 2021	New subscriptions (units) FY 2022	Growth vs 2021
UK	16.2	4%	136,514	9%	26,315	12%
France	6.2	25%	52,604	30%	17,078	42%
USA	3.4	7%	30,800	10%	9,090	1%
Spain, Italy, Germany	1.5	63%	15,592	62%	8,264	34%
Total	27.3	11%	235,510	16%	60,747	20%

The rate of price erosion continued to reduce over the year to 4.7% (2021 6.2%) on a constant currency basis, while the Group gross attrition increased to 12.8%, which Quartix believes is below the industry average.

As a result, the Board expects revenue, adjusted EBITDA and free cash flow to be in line with consensus market forecasts².

The Company's cash balance at year-end was £5.1m.

The above estimates are subject to 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.

Incremental Sales and Marketing Investments 2023

The Company made further incremental investments into its sales and marketing channels during 2022 to drive further growth in ARR and the subscription base, following the successful investment made in 2021. Initiatives in 2023 will continue to focus on reducing customer acquisition costs as well as in tools to improve sales efficiency.

In 2022, Quartix finalised two value-adding features to its existing analytical software offerings, the first, Evolve, uses fleet analytics to assess migration opportunities to all-electric vehicle fleets. The second, Quartix Check, is a "walk-around" vehicle condition monitoring tool. Adoption of Evolve, following its launch, has been very encouraging, from both existing and new customers. Quartix Check was completed towards the end of the year, and initial interest has been strong. The focus in 2023 will be on upselling these products fully into the UK existing customer base, as well as phased launches in other territories.

The Company anticipates that these investments will continue to demonstrate strong returns within the targeted SME market. Furthermore, the Board expects further very significant increases in new vehicle subscriptions and profitable ARR growth in 2023 and beyond.

Accounting Policy change

For many years the Company has applied a very conservative accounting policy of immediately expensing hardware and associated installation and carriage costs. The Company is implementing a new policy for 2022 which will recognise these incremental costs over their expected contract term, on a systematic basis that more accurately reflects the revenue stream generated by them. The capitalisation and subsequent amortisation of the incremental costs will be more aligned to the core principles in IFRS 15 and make the reported EBITDA more comparable with that reported by companies with a similar business model.

This approach will simplify the presentation of the Group's results. The approximate impact of this in 2022 is in the region of £0.4m increase in adjusted EBITDA compared with previous reporting methodology for the year, which will be reflected in the 2022 figures in the Annual Report. Adjustments to future projected results will be required by this change in policy. The 2022 Annual Report will include full disclosures of the impact of the change on the 2022 including, in accordance with IAS 8, a prior year adjustment.

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 sunset of the 3G mobile network in the US, being replaced by 4G networks. The Company 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, due to delays in unit accreditation and approval for the US market. By the end of 2022, Quartix had completed approximately 69% of the total units to be replaced, with the last replacements now focussing on Quartix's smallest customers. The spend in 2022 was approximately £0.7m, and the company expects the remaining swap outs to be completed in early 2023, with a forecasted cash requirement of £0.5m.

Directorate Changes

As announced in December, Russell Jones has joined Quartix as a Non-Executive Director. Russell has over 25 years' experience in marketing, strategy, business development in SaaS and recurring revenue business, including in the telematics market.

Russell is now also chair of Quartix's ESG Committee, taking over from Andy Walters.

It was also announced in December that Andy Walters intends to retire from the Board of Quartix and will remain on the Board until Q1 2023 in order to conduct an orderly transition and handover with Russell Jones. Andy expects to stand down following the publication of the Company's 2022 results.

Chief Executive Officer comments

Richard Lilwall, Chief Executive Officer of Quartix, commented:

"I am pleased to report the continuation of our ARR growth. Our plans for growth in European markets have been successful with each of France, Italy, Spain and Germany delivering strong ARR and subscription increases. We have experienced new installation increases in all territories including the well-established UK market, and the US. In the UK our value-based strategy of excellent service at a competitive price will drive our capability to switch customers from their existing suppliers in addition to winning new adopters of telematics technology.

Fleet electrification is highly topical amongst fleet operators today. We are optimistic about the future for our EVolve electric fleet transition tool, as we help our customers analyse and assess strategies to utilise this significant opportunity to both increase operating efficiency and reduce harmful emissions. We intend to launch Evolve in more geographies in 2023."

The Company expects to publish its results for the year ended 31 December 2022 on Monday 27 February 2023. The results, together with accompanying presentations, will be posted that morning on the Company's website at www.quartix.com/investors.

^[1] Based on currency rates as at 31 December 2022.

^[2] The Board believes that consensus market expectations for 2022, prior to this announcement, were as follows: Revenue: £27.7m; Adjusted EBITDA £5.8m; Underlying Free Cash Flow²: £3.9m.

^[3] Underlying Free Cash Flow stated before expenditure on 3G swap out in the US - see 2021 Annual Report.

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) Richard Lilwall, Chief Executive Officer Emily Rees, Chief Financial Officer	01686 806 663
finnCap (Nominated Adviser and Broker) Matt Goode / Seamus Fricker (Corporate Finance) Alice Lane / Sunila de Silva (Corporate Broking)	020 7220 0500

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