Disclaimer: *As of the date of publication of this report, DRACO GLOBAL, SICAV, SA ("DRACO GLOBAL"), has a long position in Water Intelligence, plc ("WATR"). DRACO GLOBAL can make a profit if the price of WATR shares increases. After the publication of this report, DRACO GLOBAL may carry out the purchase/sale of shares in WATR. All opinions expressed here are subject to change without notice, and DRACO GLOBAL does not undertake to update this report or any information contained therein*.

WATER INTELLIGENCE (WATR) – Facilities services **-**09/21/2020

EXECUTIVE SUMMARY

Water Intelligence (WATR) is a US national leader (ALD) in detecting water leaks that trades in the UK market (60m GBP market cap). It operates in a highly fragmented market with broad possibilities of consolidation plus the reacquisition of franchises; it has high insider trading, low customer concentration, no debt, recurring business, technological leadership, and a strong secular long-term growth trend. In the last ten years, WATR has grown at a CAGR on sales, gross profit, and earnings per share of + 19.3%, +19.6%, and + 20.5%. **We estimate that WATR should be trading +100% above our average purchase price and +55% vs. the current price. In 2022e, we calculate an Ebitda exit multiple of 5.5x**.

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DESCRIPTION.

Water Intelligence (WATR) is the holding company that owns 100% of American Leak Detection inc. (AML), as well as international business. ALD focuses on non-invasive detection of all water leaks, including hidden water leaks and sewer leaks, along with repair and other related services. WATR technicians use their processes and instruments, such as infrared cameras and acoustic devices with the least invasive technology, protecting walls and floors. ALD was founded in 1970 by Richard Reenick, and in 2010 it passed into the hands of The Plain Sight Group, which through a reverse purchase, took it off the AIM London.

WATR has four business segments:

1) **Franchises**: 103 franchises that pay monthly royalties based on gross billing. The average royalty is a percentage between 6% and 10%, and in December 2019, franchises represent 20% of sales.
2) **Insurance channel**: B2B business model with agreements with four insurance companies nationwide, which guarantees strong future growth. This segment represents 25% of sales.

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3) **Corporate**: 18 owned stores that account for 45% of revenues. The repurchase of franchises at low multiples will add inorganic growth to the organic growth of the corporate division.
4) **International channel**: Mainly UK stores representing 10% of revenue.

WHY DO WE LIKE WATR?

1) **Long-term secular growth trend**.

Freshwater is a scarce resource and represents 3% of the total water available on the planet. "Loss water" is one of the most persistent problems in residential and municipal water systems, with leakage representing its main cost. **The International Energy Agency (IEA) estimates that 34% of all water is lost**. In the United States, the average water loss estimate between 10% and 30%, and the government reports a real loss of 16%, which is equivalent to almost 8tn liters lost.

According to ASCE (American Society of Civil Engineers), much of the underground pipes in the US are reaching the end of their useful life. Their replacement will cost a total of $1bn over the next 25 years. Insurance companies in the US claim to have made payments for water leaks $ 13bn. At a global level, there is the objective of not losing more than 10% of the water and the following countries like Denmark, which yields less than 9%.

The scarcity of water and the necessary renewal of infrastructures at a global level act as a strong secular long-term growth trend and guarantee future growth.

2) **A national leader in a fragmented market**.

The WATR subsidiary (ALD) is the leader on a national scale (USA) in a highly fragmented market where at the end of 2019, there were more than 121,000 water plumbing companies and more than 500,000 freelancers in the provision of related services. All its competitors are more local companies with a turnover under $ 15m, known names like Adi Leak Detection, Enco Plumbing, Parzival Plumbing, or Reev's family plumbing.

3) **Scalable business model.**

Reports and data estimate a TAM (Total addressable market) of **$ 2.3bn by 2027 from the current $ 1.7m** for the technology and services sector related to water leaks. CAGR of + 6.8% to 2027 expected.

The swimming pool segment also offers a good growth opportunity, both in residential and commercial (hotels, clubs, hospitals, agriculture, etc.).

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4) **Own technology.**

Since its inception, WATR has had a strong technological component thanks to its designs and products used in most of its franchises and corporate segment. A significant part of the technology comes from The Plan Sight (Patrick DeSouza) company, with products such as LeakVue or Orca wastewater. Further innovation in new developments could transform the way WATR communicates with its customers, both individual and corporate.

5) **Track record of growth.**

WATR is in a joyous moment of growth in sales and profits, as in 2019, it grew + 27% in sales and + 38% in operating profit. That growth was not achieved overnight, as its five and ten-year CAGR of sales is + 35% and + 12%. We always like the price to rise in the same proportion as profits grow, and during the last ten years, it has grown at a CAGR of + 15.6% and + 28% in sales and profits.

We expect strong growth as a result of 1) Strong performance in the corporate segment, both organic and inorganic via the buyback of franchises, 2) increase in the supply of devices with proprietary technology, 3) strong momentum in the insurance channel, 4) growth opportunities beyond the US and 5) the franchise segment is still growing organically despite the franchise buyback.

6) **Multiple sales channels:**

WATR does not present concentration by clients, a very typical risk in nano caps or micro caps companies. It offers services at the residential, commercial, town councils, and insurance companies, a very profitable channel with substantial growth opportunities.

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HOW DOES WATR EARN MONEY?

It all starts with a simple call when an individual or a company detects a possible water leak. These calls originate from third-party referrals such as insurance companies, plumbing companies, or plumbing or renovation companies. Subsequently, a WATR vehicle drives to the scene of the leak. This first service has an average cost of $ 250 to $ 350. After two hours, $ 125 per additional hour of service charge if assistance is required.

Finally, the customer receives a report and a recommendation on how to proceed with the repair if it is necessary. The cost of the final repair can range from $ 1,000 to $ 7,500. Once the leak fix, WATR cross-sells its detection products, such as the ePipe (pipe coating system).

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MANAGEMENT

Patrick DeSouza is the dual CEO of WATR and The Plan Sight (PSS). In January 2010, Patrick led the creation of Water Intelligence via a reverse merger with the purchase of American Leak Detection (ALD) and Qonnectis. Patrick receives a salary + bonus of $ 500k (less than 1% of the market capitalization) and directly controls some 5m shares, which represent 30% of the ownership of the company. In turn, PSS owns 17% of WATR's shares; therefore, the related-party transaction report must be read and understood well.

IS THERE ANY RELEVANT ACCOUNTING RED FLAG?

1. **Related party transactions**.

PSS owned ALDHC and ALD until the reverse merger in 2010, which created the Water Intelligence group. PSS is a subsidiary of WATR; therefore, there is a related party transaction. PSS offers its technology in the form of a license to ALD and the WATR holding under favorable conditions in exchange for a fee. The financial transactions are resulting from these related-party transactions review by an independent director of WATR, ALD, and ALDHC. At all times, WATR has detailed its related-party dealings in its annual report; therefore, it seems reasonable to us.

2. ***Accounts receivable.***

$ 360k accounts receivable were past due but not impaired (2019). However, the management does not consider it necessary to make an impairment allowance, given the excellent credit history of WATR clients. This item has been reduced by 10% compared to the last year 2018.

Ageing of past due but not impaired receivables

	Year ended 31 December 2019 $	Year ended 31 December 2018 $
60-90 days	129,287	109,963
90+ days	331,429	364,013
	460,716	470,976
Average age (days)	95	96

Table 1: Ageing of accounts receivable in 2019.

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3. ***Gross debt.***

Although WATR has net cash (- $ 0.91m), it is interesting to analyze the origin of its gross debt. His bank of reference is People's United Bank (People's), which granted him three credit facilities:

3.1) **Loan**: Principal of $ 600k, amortizable over four years, 4.87% annual interest, and comes from refinancing in 2016. PSS and others are collateral for this loan.

3.2) **Working capital**: Line of credit to guarantee the proper functioning of the B2B business in the insurance channel. Maximum of $ 2M, maturity 2020, and LIBOR interest + 3%.

3.3) **Credit line**: converted into a loan in May 2019, an outstanding nominal amount of $ 1.66M, interest of 5.57%, and maturity in May 2024. There are a series of covenants that require a quarterly review of debt ratios.

	Year ended 31 December 2019 $'000	Year ended 31 December 2018 $'000
Lines of credit: acquisition and working capital	1,264	1,616
Term loan	2,047	822
	3,311	2,438
Less: Cash		
Held in US Dollars	4,127	3,569
Held in £ Sterling	633	1,239
Held in CDN Dollars	121	
Held in AU Dollars	400	208
	5,281	5,016
Total Net Borrowings/(Cash)	(1,970)	(2,578)

Table 2: Breakdown of the group's total debt as of 2019

4. ***Employee compensation***:

There are 1.45m stock options issued as compensation to employees as of December 2019. The average exercise price is $ 3, and the average maturity is seven years. Approximately 32% of the total outstanding options offered to individual employees with an exercise price of $ 6.24 and a 4-year vesting period. This strike price matches our future intrinsic value.

	Number of share options 2019	Weighted average exercise price ($)	Number of share options 2018	Weighted average exercise price (£)
Outstanding at beginning of year	1,535,000	1.43	1,685,000	1.02
Granted during the year	525,000	6.08	160,000	3.36
Forfeited/lapsed during the year	(160,000)	1.40	-	-
Exercised during the year	(450,000)	1.21	(310,000)	0.86
Outstanding at end of the year	1,450,000	3.01	1,535,000	1.43
Exercisable at end of the year	765,000	1.52	1,375,000	1.08

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Table 3: Detail of share options scheme for employees as of 2019.

We are not concerned about the possibility of issuing new shares because WATR has a share buyback plan to neutralize this effect. On July 29, at the shareholders' meeting, WATR announced the approval of a share buyback plan up to a maximum of 5m shares, 33% of the market capitalization. WATR is not going to buy back 30% of its outstanding shares, but it will buy back between 1.5m and 2m to neutralize the effect of the issuance of shares by the employee compensation plan.

AND HOW MUCH IS WATR WORTH?

WATR has a market capitalization of less than GBP 60M, so there is no analyst consensus, and to my knowledge, no analyst is covering the company. To calculate the target price, we must first estimate the sales and margins of each business segment. Let's go step by step:

1) **Royalty income group or Franchises**: WATR is transforming its franchise business from a pure one to a mixed one. As of December 2019, 103 franchises billed a range of $ 90k to $ 250k, where 90% were in the US. A franchise may have a presence in multiple locations, always within the same country. There is a greater concentration of franchises in the hottest and most densely populated areas of the US, with California, Florida, and Texas being the main areas. Typically, franchises locate within a 100km radius in the most populated areas. The franchisee's standard contract is for no less than ten years, and the conditions can only renegotiate after that period. The franchise business represented at the end of 2019, 20% of the total turnover,

   We estimate our sales figure for the franchise segment based on two methods:

   A. Method 1: *No. of franchises x income per franchise*.

   We calculate the number of operating franchises per year, as well as their average income per franchise. From our conversations with Patrick DeSouza (CEO), we know that there is a firm intention to buy back between 2 and 4 franchises per year; we estimate 3 per year.

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
AMERICAN LEAK DETECTION (ALD)	12,18	17,60	25,46	29,10	**38,95**	**46,23**	**54,02**	**62,14**	**70,24**
YoY Growth	*#¡DIV/0!*	*44,47%*	*44,63%*	*14,30%*	*33,86%*	*18,68%*	*16,86%*	*15,02%*	*13,03%*
Nº of franchise royalty income	91	89	105	103	100	97	94	91	88
YoY Growth	*#¡DIV/0!*	*-2,20%*	*17,98%*	*0,00%*	*-2,91%*	*-3,00%*	*-3,09%*	*-3,19%*	*-3,30%*
Open/close new franchises		*(2)*	*16*	*(2)*	**(3)**	**(3)**	**(3)**	**(3)**	**(3)**
Total Royalty income group (method 1)	**5,55**	**5,92**	**6,27**	**6,50**	**$ 6,63**	**$ 6,68**	**$ 6,67**	**$ 6,65**	**$ 6,63**
YoY Growth	*#¡DIV/0!*	*6,66%*	*5,76%*	*3,75%*	*1,94%*	*0,88%*	*-0,19%*	*-0,29%*	*-0,40%*
Avg. Royalty income by franchise	$61.036	$66.562	$59.667	$63.107	$66.262	$68.913	$70.980	$73.109	$75.303
YoY Growth	*#¡DIV/0!*	*9,05%*	*-10,36%*	*5,77%*	*5,00%*	*4,00%*	*3,00%*	*3,00%*	*3,00%*

Table 4: Sales estimate for the Franchise segment (Royalty income group) - Method 1. ($ currency)

We estimate that the Corporate segment will buy back three franchises per year and that the average income per franchise will be $66k. With these assumptions, we arrive at sales of $ 6.67m by 2022. By 2024 we estimate 88 franchises, single-digit growth in revenue per franchise, and $6.63m by 2024. Although sales will continue to grow organically, the total of the segment will decrease due to the reduction in the number of franchises.

B. Method 2: *Percentage of royalties based on total franchises sales.*

This method is more straightforward than the first one, and on the amount invoiced by all the franchises, we apply monthly royalties based on a percentage that ranges between 6% and 10%. We have been conservative, and we calculate 6.5% of the total.

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
Total franchise business				111	107	104	100	96	91
YoY Growth									
% royalties				6,00%	6,50%	6,50%	6,50%	6,50%	6,50%
Royalties business for franchise (method 2)				6,63	$ 6,97	$ 6,74	$ 6,49	$ 6,22	$ 5,92

Table 5: Sales estimate for Franchise segment (Royalty income group) - Method 2. ($ currency)

In both methods, we arrive at similar figures, thus making our first method valid. At 1H20, franchises grew + 1% to $ 3.46m, very much in line with our estimate for the full year 2020. The operating margin is the highest of all the divisions, on average above 23%. The main reason is that it is a not very capital intensive business, although the average income per franchise is well below corporate. We estimate an operating margin of 22% in 2020 and 20% after that.

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
Total Royalty income profit before tax			1,45	1,60	1,53	1,35	1,30	1,24	1,18
Margin			23,14%	24,62%	22,00%	20,00%	20,00%	20,00%	20,00%

Table 6: Ebit margin estimate for the Franchise segment (Royalty income group) - Method 2. ($ currency)

2) **Insurance franchise business:** It is one of the most dynamic segments in recent years together with corporate. Despite Covid-19, WATR has been able to continue growing in the B2B insurance channel and win contracts. Today it has four contracts signed with leading insurance companies in the US Claims by American families for damages related to water leakage represent losses above $ 13bn annually. WATR aims to be the reference partner for the insurance sector in the US, and to this end, during the first half of this year, it announced an agreement with

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Salesforce.com to improve the technology and reporting platform. From the insured companies, the deal with WATR allows them to reach a national scale and benefit from the recognized AML expertise in this field.

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
Franchise related activities (insurance)	$ 1,73	$ 3,65	$ 5,00	$ 8,05	$ 10,87	$ 14,13	$ 17,66	$ 21,19	$ 24,37
YoY Growth	*#¡DIV/0!*	*110,80%*	*37,02%*	*61,00%*	*35,00%*	*30,00%*	*25,00%*	*20,00%*	*15,00%*

Table 7: Sales and margin estimate for the insurance segment ($ currency)

At 1H20, the Insurance channel grew +12% to $3,94m, in line with our 2020 annual estimate. We estimate strong growth for 2020, and we reduce it progressively for the next few years. We think that WATR could get in the order of 2 or 3 annual contracts.

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
Total Insurance profit bf. Tax			0,48	0,60	0,82	1,06	1,32	1,59	1,83
Margin			9,68%	7,47%	*7,50%*	*7,50%*	*7,50%*	*7,50%*	*7,50%*

Table 8: Ebit margin estimate for the insurance segment ($ currency)

Although the business is less profitable than franchises or corporate, the insurance channel presents an exciting growth profile to create synergies with the other divisions.

3) **Corporate:** The main segment of the group, with a weight on sales of 48% by 2020, although we estimate that it will represent 60% in 2024. WATR's business strategy is clear, to grow strongly in its direct channel via its stores and reach the short-term $ 20m in sales. With 18 stores owned (2019), the key to the business is that the average store revenue is $ 800k. During the last few years, WATR had gone from 9 stores in 2016 to 18 in 2019. We expect our stores to continue growing thanks to the buyback of franchises at low multiples, which have been active since the first year. Owned stores are similar to the franchises, although in this case, you have to bear the costs of wages and fuel. The plus in the buyback of franchises is that it is not pure M&A. The management of the company tells us that they will be active in the repurchase of franchises. Still, we prefer to be conservative and estimate a maximum of 3 repurchases per year.

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Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
US Corporte locations	9	11	15	18	21	24	27	30	33
YoY Growth	*#¡DIV/0!*	*22,22%*	*36,36%*	*25,00%*	*16,67%*	*14,29%*	*12,50%*	*11,11%*	*10,00%*
New corporte locations		*2*	*4*	*3*	***3***	***3***	***3***	***3***	***3***
Total US corporate locations	4,216	5,94	10,14	14,5	**$ 17,76**	**$ 21,11**	**$ 24,70**	**$ 28,54**	**$ 32,65**
YoY Growth	*#¡DIV/0!*	*40,89%*	*70,71%*	*43,00%*	*22,50%*	*18,86%*	*17,00%*	*15,56%*	*14,40%*
Avg. revenue per corporate location	468.444,44	540.000,00	676.000,00	805.555,56	845.833	879.667	914.853	951.447	989.505
YoY Growth	*#¡DIV/0!*	*15,28%*	*25,19%*	*19,17%*	*5,00%*	*4,00%*	*4,00%*	*4,00%*	*4,00%*
Total Corporate profit bf. Tax			1,2	2	2,31	2,74	3,21	3,71	4,24
Margin			*11,83%*	*13,79%*	*13,00%*	*13,00%*	*13,00%*	*13,00%*	*13,00%*

Table 9: Estimated sales and Ebit margin corporate segment ($ currency)

At 1H20, the corporate segment grew +12% to 7,6m, in line with our 2020 number. We estimate that the revenue per own store will grow on average + 4% organically, thus reaching more than $ 30m in sales by 2024. Margins are lower than the franchise business since it is a more capital-intensive business, but on the other hand, it shows much higher growth. During the first half of 2020, the corporate segment reacquired two accretive franchise. The last reacquisition was Melbourne (Australia), and the group can better support the growth of its existing franchise locations in the eastern half of Australia. Besides, following the acquisition of Melbourne, the Group intends to expand operations further west to Adelaide and Perth, both of which remain untapped. Financially, for the trailing twelve months, which includes six months of COVID-impacted results, the Melbourne operation generated AUD$1.29 million in sales and AUD$0.27 million in profits. The purchase price for the reacquisition, which includes all assets to conduct operations (trucks, equipment, etc.), is AUD$1.77 million. Today's reacquisition continues the Group's drive to establish regional centers to integrate corporate and franchise operations across its geographies. It follows similar strategic reacquisitions since the start of the second quarter: Minneapolis, Minnesota; San Jose, California; and, most recently, Baltimore, Maryland.

4) **International segment**: Percentage of growth.

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
International corporate locations	0,6835	2,09	2,9	3,3	**$ 3,70**	**$ 4,10**	**$ 4,51**	**$ 4,92**	**$ 5,31**
YoY Growth	*#¡DIV/0!*	*205,78%*	*38,76%*	*13,79%*	*12,00%*	*11,00%*	*10,00%*	*9,00%*	*8,00%*
Total international profit bf. Tax			0,031	0,226	0,22	0,29	0,36	0,44	0,53
Margin			*1,07%*	*6,85%*	*6,00%*	*7,00%*	*8,00%*	*9,00%*	*10,00%*

Table 10: Sales estimate and Ebit margin international segment ($ currency)

At 1H20, the international channel grew +10% to $1,71m, in line with our 2020 estimate. In the international division, we apply double-digit growth based on the expectations of the company itself. Given that it is a relatively new business, the margins will progressively tend towards the corporate division.

Adding the four divisions, we arrive at the following figures in terms of sales and operating margins (Ebit margin).

Segment data - US dollar	Dec-16 2016	Dec-17 2017	Dec-18 2018	Dec-19 2019	Dec-20 2020E	Dec-21 2021E	Dec-22 2022E	Dec-23 2023E	Dec-24 2024E
Revenue by geography									
Total revenue	10,42	15,23	23,42	32,36	**38,95**	**46,03**	**53,55**	**61,31**	**68,96**
YoY Growth	*28,48%*	*46,25%*	*53,76%*	*38,17%*	*20,36%*	*18,16%*	*16,34%*	*14,49%*	*12,49%*
Franchise Royalty Income	53,32%	38,89%	26,75%	20,08%	*17,01%*	*14,52%*	*12,46%*	*10,85%*	*9,61%*
Franchise related activities (insurance)	16,62%	23,95%	21,35%	24,87%	*27,90%*	*30,69%*	*32,98%*	*34,57%*	*35,34%*
Total US Corporate locations revenue	40,47%	38,99%	43,29%	44,80%	*45,60%*	*45,87%*	*46,13%*	*46,56%*	*47,35%*
International Corporate locations	6,56%	13,72%	12,38%	10,20%	*9,49%*	*8,91%*	*8,43%*	*8,02%*	*7,70%*
Ebit	0,93	1,27	1,96	2,70	**4,88**	**5,44**	**6,20**	**7,00**	**7,80**
YoY growth (%)		35,86%	54,93%	37,39%	80,99%	11,53%	13,94%	12,84%	11,55%
Ebit Margin	8,95%	8,31%	8,38%	8,33%	*12,53%*	*11,82%*	*11,58%*	*11,41%*	*11,32%*

Table 11: Sales estimate and consolidated Ebit margin ($ currency)

At 1H20, EPS grew +27% to 0,10GBP, also in line with our 2020 eps. We estimate that earnings per share will grow more than + 80% in 2020 to $ 0.25. As of 2024, we calculate a CAGR of + 34% with an EPS of $ 0.41. In terms of free cash flow, we estimate $3.8m for 2020 and $5m for 2022.WATR will continue to increase its net cash, even considering the reacquisition of 3 annual franchises at a rate of $ 1M / franchise. With these assumptions, WATR will end this year with $0 in net cash and -$ 0.92m in 2022. At 1H20, net cash was $0.91m.

We use a historical average multiple on earnings and cash flow of 25x and 18x Ebit, reaching a target price of 6.41GBP. **This intrinsic value represents a potential upside of + 55% from the current stock price and more than + 100% of our average purchase price**. These multiples are in line with historical numbers, but if you want to be more conservative, you can use current market multiples in terms of P/E and free cash flow.

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ARE THERE RISKS?

Perhaps the most relevant is that WATR is a nano-cap with a market capitalization below $ 100m. The daily cash volume is less than EUR 50k; therefore, it is not an investable company for most funds and hedge funds. Regarding the issue of liquidity, from our conversations with the company's management, we deduce that they are exploring new ways to generate greater volume and liquidity. We think that WATR will initiate the procedures to go public in the US, indeed, in the OTC market. Listing in the US would give much greater visibility because more than 90% of its turnover and assets are already in the US.

Appendix: Estimates and valuation model. All in US Dollars.

WATER INTELLIGENCE PLC — **Q2 2020**

Cross spot FX	1,00		Company Name:
Price	4,147	Annual Income Statement Projections (USD in millions)	Latest FYE:
Trad/Filing cry	GBP USD	GBPUSD	Latest Quarter E:
% Up/Dw	51,02%		Days to Drive Accts:
Market Cap	59,14		Next quarterly earning realease
Nº shares	13,87		
Type Stock	C	Adj.	

	Historical Data – Fiscal Year Ending December 31,						LTM Ending	Projected Data – Fiscal Year Ending December 31,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	jun.-20	2020	2021	2022	2023	2024	CAGR 3yr
Total Revenue	5,7	6,4	6,7	6,8	7,2	8,8	12,2	17,6	25,5	32,4	33,6	39,0	46,0	53,5	61,3	69,0	18,3%
% Growth		11,6%	6,0%	1,1%	5,9%	22,6%	37,7%	44,7%	44,6%	27,1%	13,8%	20,4%	18,2%	16,3%	14,5%	12,5%	
Gross profit	5,3	5,9	6,1	6,3	6,7	8,0	10,5	14,3	19,8	24,9	25,8	29,6	35,0	40,7	46,6	52,4	17,8%
% Margin	93,8%	92,2%	90,9%	91,8%	92,7%	91,0%	86,3%	81,1%	77,7%	77,0%	76,8%	76,0%	76,0%	76,0%	76,0%	76,0%	
EBITDA	0,5	0,5	1,0	1,1	1,0	1,4	1,3	1,7	2,6	3,6	4,7	4,9	5,4	6,2	7,0	7,8	
% Margin	8,9%	7,6%	15,5%	15,7%	13,7%	15,6%	10,7%	9,8%	10,3%	11,1%	13,9%	12,5%	11,8%	11,6%	11,4%	11,3%	
EBIT	0,1	0,2	0,8	0,8	0,7	1,1	0,9	1,3	2,0	2,7	3,2	4,9	5,4	6,2	7,0	7,8	32,0%
% Margin	2,0%	2,7%	11,3%	11,7%	9,8%	12,3%	7,7%	7,2%	7,7%	8,3%	9,6%	12,5%	11,8%	11,6%	11,4%	11,3%	
Net Income to Parent	(0,5)	3,5	13,8	11,8	15,0	34,1	37,7	49,0	46,5	47,7	41,8	44,5	43,0	41,5	39,8	38,3	
% Margin	(9,6%)	55,4%	204,1%	173,6%	207,9%	385,6%	309,5%	278,2%	182,4%	147,5%	124,4%	114,1%	93,5%	77,4%	65,0%	55,5%	
Operating Income	0,4	0,4	1,0	1,1	1,1	1,4	1,2	1,6	2,3	3,0	3,6	4,88	5,44	6,20	7,00	7,80	
% Margin	7,7%	6,9%	15,4%	16,5%	14,6%	15,4%	10,1%	9,0%	9,0%	9,3%	10,9%	12,5%	11,8%	11,6%	11,4%	11,3%	
Minority Interest	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	
Net Income to Parent	(0,5)	(0,2)	0,5	0,8	0,7	0,9	0,8	1,2	1,6	2,0	2,5	3,4	3,8	4,4	5,1	5,7	29,9%
% Margin	8,5%	9,7%	26,7%	25,6%	27,2%	46,8%	40,8%	38,4%	37,1%	37,2%	35,4%	8,8%	8,3%	8,3%	8,2%	8,3%	
Diluted EPS Excl Extra Items	(0,14)	(0,02)	0,06	0,08	0,07	0,08	0,07	0,10	0,11	0,13	1,34	0,25	0,28	0,32	0,36	0,41	34,1%
% Growth		(78,1%)	(157,6%)	69,5%	(24,0%)	53,9%	(17,2%)	76,6%	20,6%	21,6%	(226,1%)	87,0%	12,1%	15,1%	14,3%	13,2%	
Adjusted Free Cash Flow	-0,3	0,6	0,8	0,9	0,6	0,1	0,1	0,1	0,2	2,4	4,7	3,8	4,4	5,0	5,6	6,2	27,0%
Net Cash	3,33	3,00	3,23	1,97	1,50	2,11	1,70	2,52	-0,62	2,60	-0,91	0,08	-0,17	-0,92	-2,27	-4,23	
Adj.Net Debt to Ebitda	6,59	6,21	3,09	1,85	1,52	1,53	1,30	1,46	-0,24	0,72	-0,20	0,02	-0,03	-0,15	-0,32	-0,54	
Number of share Oustanding	3,96	9,60	9,89	10,15	10,57	10,65	10,83	12,12	14,30	15,24	15,32	13,87	13,87	13,87	13,87	13,87	
Dividend per share	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	

Table 12: P&L estimates and WATER Intelligence (WATR) valuation model – US Dollars.

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Appendix: Estimates in GBP currency.

Nº shares	13,87		2020	2021	2022	2023	2024	CAGR 3
Type Stock	C	Adj.						
Total Revenue			30,3	35,8	41,7	47,7	53,7	*8,8%*
% Growth			*20,4%*	*18,2%*	*16,3%*	*14,5%*	*12,5%*	
Gross profit			23,0	27,2	31,7	36,3	40,8	*8,3%*
% Margin			*76,0%*	*76,0%*	*76,0%*	*76,0%*	*76,0%*	
EBITDA			**3,8**	**4,2**	**4,8**	**5,4**	**6,1**	
% Margin			*12,5%*	*11,8%*	*11,6%*	*11,4%*	*11,3%*	
EBIT			**3,8**	**4,2**	**4,8**	**5,4**	**6,1**	*21,4%*
% Margin			*12,5%*	*11,8%*	*11,6%*	*11,4%*	*11,3%*	
Net Income to Parent			**44,5**	**43,0**	**41,5**	**39,8**	**38,3**	
% Margin			*146,7%*	*120,1%*	*99,5%*	*83,5%*	*71,3%*	
Operating Income			**4,88**	**5,44**	**6,20**	**7,00**	**7,80**	
% Margin			*12,5%*	*11,8%*	*11,6%*	*11,4%*	*11,3%*	
Minority Interest			(0,0)	(0,0)	(0,0)	(0,0)	(0,0)	
Net Income to Parent			**3,4**	**3,8**	**4,4**	**5,1**	**5,7**	*29,9%*
% Margin			*11,3%*	*10,7%*	*10,6%*	*10,6%*	*10,7%*	
Diluted EPS Excl Extra Items			0,19	0,22	0,25	0,28	0,32	*23,4%*
% Growth			*45,5%*	*12,1%*	*15,1%*	*14,3%*	*13,2%*	
Adjusted Free Cash Flow			3,0	3,4	3,9	4,4	4,9	*16,8%*
Net Cash			0,06	-0,13	-0,72	-1,77	-3,29	
Adj.Net Debt to Ebitda			0,02	-0,03	-0,15	-0,32	-0,54	
Number of share Oustanding			13,87	13,87	13,87	13,87	13,87	
Dividend per share			0,00	0,00	0,00	0,00	0,00	
Free CF Conversion			87,41%	88,58%	87,42%	86,59%	84,98%	
Free Cash Flow Yield			5,06%	5,76%	6,61%	7,62%	8,70%	
	LTM	**FY+1**						
LTM P/E	24,02	17,26	4,81	5,40	6,25	7,21	8,26	
LTM Cash P/E	24,02	17,26	5,39	6,14	7,02	8,01	9,00	
LTM EV/Ebitda	12,44	15,59	4,93	5,51	6,32	7,20	8,12	
LTM EV/Ebit	18,00	15,59	4,37	5,18	6,06	7,01	7,98	
LTM EV/Sales	1,73	1,92						
		Aggregate	4,87	5,56	6,41	7,36	8,34	
			17,53%	33,97%	54,63%	77,43%	101,09%	
					15,64%	**TIR a 3 años**		

Table 13: P&L estimates and WATER Intelligence (WATR) valuation model – GBP currency.

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Legal disclaimer.

DRACO GLOBAL SICAV register in the Registry of Variable Capital Investment Companies with number 1321 and CIF A-95105227. The management entity of GESIURIS ASSET MANAGEMENT SGIIC, SA registered in the registry of entities of the National Securities Market Commission under number 37. The depositary company, BNP PARIBAS SECURITIES. It registers in the Official Register of Banks and Bankers with number 206.

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