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SETTING THE STANDARD FOR NON-INVASIVE LEAK DETECTION:
US MARKET LEADER GOES GLOBAL WITH “BUILD & BUY” STRATEGY

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This report is part of the joint Equity Research Field Lab on Water Intelligence
plc, developed by Marc Uwe Bösen (60136) and Kristin Heike Bösen (58834),
and should be read as an integral part of it.

A project carried out on the Master in Finance Program, under the supervision of:

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Abstract

This equity research report provides a comprehensive analysis of Water Intelligence plc (WATR), a leading multinational provider of minimally invasive water leak detection and remediation services for both potable and non-potable water systems. Operating through a hybrid business model, WATR combines franchise-run and corporate-owned service locations, positioning itself as a "One-Stop Shop" for water infrastructure solutions. The overarching structure of this analysis includes an evaluation of WATR's business model, competitive dynamics, economic characteristics, and the potential value accretion from its growth strategy.

Key findings highlight strong top-line growth, with a historic 30% compound annual growth rate, driven by WATR's "Build & Buy" strategy, which balances organic growth with strategic acquisitions and franchise buy-ins. These acquisitions, at 4-6x EV/PBT, have proven highly value-accretive, with internal rates of return exceeding 20%. They can be described as a multiple arbitrage transactions, where the acquired PBT, after integration, automatically enjoys a strong revaluation to group multiples.

WATR's economic profile underscores its status as a capital-light compounder that can recycle cash flow into highly value-accretive capital allocation projects, leading to a return on invested capital of 14% (26% excluding goodwill). Under the leadership of CEO Patrick DeSouza, WATR has demonstrated disciplined capital allocation, including equity raises at elevated valuations and share buybacks during periods of undervaluation. These strategies, combined with strong operational performance, have driven significant shareholder returns, with WATR's share price increasing from 34 GBp to 410 GBp over the past decade, delivering an IRR of 23%.

Industry analysis reveals that WATR operates in a fragmented market dominated by regional competitors. Structural tailwinds, including water stress, aging water infrastructure, and increasing required capital expenditures, are projected to drive a market CAGR of 5.2%. The essential and non-deferrable nature of WATR's service offerings ensures acyclical and inelastic demand. Thus, WATR is well-positioned to continue executing its growth strategy, capturing the demand influx, and compounding capital at attractive rates, thereby creating shareholder value.

The scope of this report forms part of a joint analysis aimed at determining WATR's intrinsic value and delivering a robust investment recommendation. A combination of qualitative assessments and quantitative financial modeling methodologies, including Discounted Cash Flow, Adjusted Present Value, and Comparable Companies Analysis, was employed. Sensitivity and scenario analyses validated the robustness of these valuation frameworks, resulting in a weighted target price of 682 GBp. Compared to the current share price of 410 GBp (13-Dec-2024), this implies a 66% upside potential, reinforcing a BUY recommendation.

Keywords: Equity Research; Intrinsic Valuation; Buy Recommendation

WATER INTELLIGENCE PLC

COMPANY REPORT

INDUSTRIAL MACHINERY & EQUIPMENT

17 DECEMBER 2024

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**Setting the Standard for
Non-Invasive Leak Detection**

US Market Leader Builds Multinational Growth Platform

- **Structural Growth Market:** WATR is positioned as the US market leader, capturing >40% of the highly fragmented minimally invasive leak detection market. The essential nature of its services drives non-cyclical, inelastic demand, which is expected to grow at a ~5% CAGR, supported by tailwinds from global water stress, deteriorating water infrastructure, and a resulting influx in CapEx.

- **Investment Highlights:** We believe WATR holds a material competitive advantage through its international corporate- and franchise-run network, brand equity, proprietary technology, and “One-Stop Shop” service matrix. Its under-levered balance sheet provides ample firepower to continue executing its “Build & Buy” strategy, driving both organic and inorganic growth via value-accretive franchise buy-ins and strategic third party acquisitions to build a multinational growth platform. In the near term, we anticipate accelerated growth from this year’s expanded M&A activities, which will act as a key catalyst for WTAR’s share.

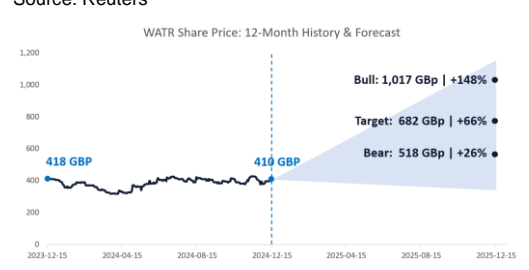
- **Significant Valuation Upside:** Based on our forecasts, WATR is trading at a 14.3x fwd. EV/NOPAT, reflecting a 35% discount to its peer group. Applying a weighted valuation framework incorporating DCF, APV, and CCA methodologies, we derive a target price of 682 GBp, implying 66% upside potential.

Company Description

WATR is a holding company of two wholly owned subsidiaries: (1) American Leak Detection (ALD), the US market leader in minimally invasive water leak detection and repair, operating through a combination of franchise and corporate-operated locations serving both residential and B2B customers; and (2) Water Intelligence International (WII), its UK-based, exclusively corporate-run unit, which focuses on municipal water infrastructure solutions and supports ALD’s international expansion.

Recommendation:	BUY
<i>Upside Potential</i>	66 %
Price Target FY25:	682 GBp
<i>Bear Case / Bull Case</i>	518/1,017 GBp
Price (as of 13-Dec-2024)	410 GBp
Reuters Bloomberg	WATR.L WATR:LN

Market and Trading Data	
Market Cap (mUSD)	90.22
Outstanding Shares (m)	17.37
Free Float (m)	8.86
52-Week Range in GBp	315 / 450
Avg. Volume 3 month (kGBP)	82.30



Source: Reuters; Own Estimates

Key Financials			
Values in mUSD	2023	2024E	2025E
Revenues	75.97	85.81	96.59
% YoY Growth	6.5%	12.9%	12.6%
EBIT	7.18	8.56	11.15
% Margin	9.5%	10.0%	11.5%
Net Profit	4.63	4.97	6.59
EPS (cents)	0.27	0.25	0.35
DPS	0.00	0.00	0.00
Ratios			
ROE	8.4%	8.2%	10.1%
ROIC	7.8%	8.1%	8.5%
ND/EBITDA	1.2x	1.9x	1.5x
Valuation (Fwd. FY24E)			
EV/Sales	1.4x	1.2x	1.1x
EV/EBITDA	9.0x	7.3x	6.2x
EV/NOPAT	18.7x	14.3x	12.2x

Source: Annual Report 2023, Own Estimates, Base Case

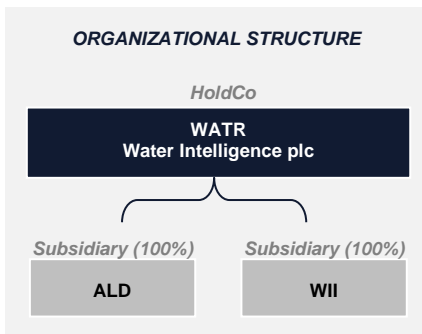
THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY KRISTIN BOESEN & MARC BOESEN, TWO MASTER IN FINANCE STUDENTS OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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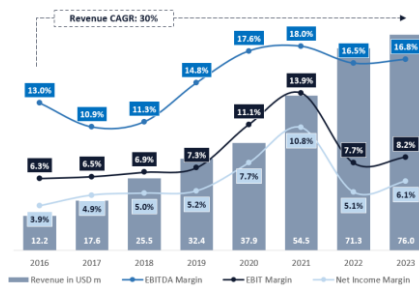
Business Overview

Business Model at a Glance



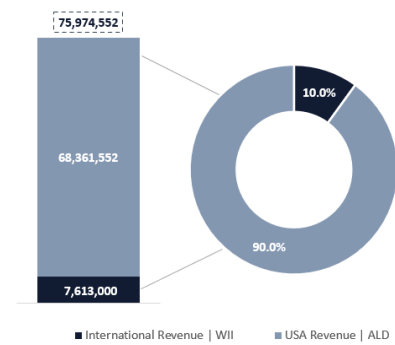
Water Intelligence plc (WATR) is a multinational provider of minimally invasive leak detection and remediation solutions for both potable and non-potable water. With 50 years of experience, the company utilizes proprietary and third-party acoustic and infrared technologies to pinpoint and repair leaks without causing structural damage. Its product portfolio covers a wide range of pipe systems, including small, medium, and large diameters, addressing the needs of residential, commercial, and municipal clients. Positioned as a "One-Stop Shop" for water infrastructure solutions, WATR serves above 200k clients annually, including B2B (e.g., insurance companies) and B2C customers, who value its "minimally invasive" value proposition. The company operates in five countries (US, Canada, UK, Ireland, and Australia) with a corporate workforce of 482 employees. WATR scales its offerings through two wholly owned subsidiaries: US-based American Leak Detection (ALD) and UK-based Water Intelligence International (WII), which differ in the mix of franchise-operated versus corporate-operated locations and their focus on residential, B2B, and municipal customers.

Figure 1: Historic Revenue Growth and Margin Profile



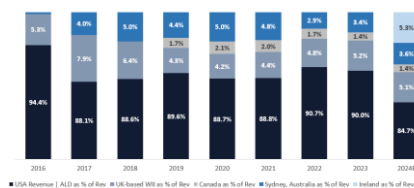
Source: WATR's Annual Reports

Figure 2: Revenue Mix FY23 in USD



Source: WATR's Annual Reports

Figure 3: Geographic Revenue Split



Source: WATR's Annual Reports

I. American Leak Detection: Established in 1974, ALD is the flagship subsidiary of WATR and the US market leader for the non-destructive detection of water, sewer, gas, and swimming pool leaks, holding a market share of over 40%. The company operates a nationwide network with more than 150 locations across 46 states, consisting of 64% franchise-run and 36% corporate-operated locations. Its operations mainly focus on residential and commercial water leak detection and remediation with some municipal activities. The critical mass of sales is derived from direct sales via corporate-operated locations and indirect sales measured by royalty income based on franchisee gross sales to end-users and related services from franchisees. ALD has successfully expanded its market presence by building six national channels with leading insurance companies, property management firms, and municipalities.

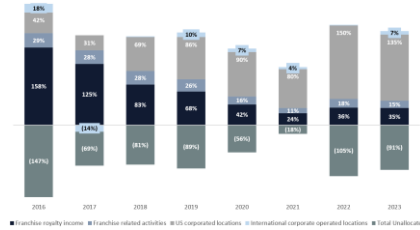
II. Water Intelligence International: Launched in 2016 and headquartered in the UK, WII is an exclusively corporate-run unit leading WATR's international expansion through strategic corporate delegations in Canada, Australia, Ireland, and the UK. Established through acquisition and strong follow-on execution, WII is enhancing the core ALD business by contributing additional offerings, particularly for municipal customers. Additionally, WII cross-sells complementary municipal solutions and residential wastewater services to ALD for municipal clients in the US.

Segmentation

Segment Overview: WATR's operations are organized into four distinct revenue-generating segments: (i) franchise royalty income, (ii) franchise-related activities, encompassing product and equipment sales, business-to-business transactions, and franchise sales, (iii) US corporate-operated locations, and (iv) internationally operated corporate locations. For the purposes of resource allocation and performance evaluation, WATR differentiates these four income-generating segments from non-operational expenses, which are classified as unallocated corporate overhead.

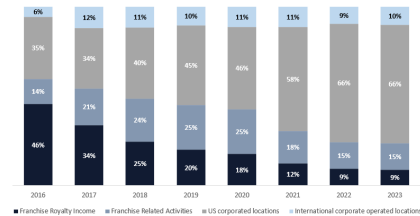
Over the historic period, the income-generating segment mix underwent a strategic realignment. Franchise royalty income, which was the largest contributor at 46% in 2016, declined steadily to just 9% by 2023. This contraction reflects the pivot towards franchise buy-ins, where reacquired units are converted into US corporate locations. Consequently, the revenue share of US corporate locations expanded significantly, from 35% in 2016 to 66% in 2023, highlighting a capital allocation focus on acquisition-led growth and operational integration. This transition, came with the trade-off of reduced aggregate royalty income and franchise-related activities, which also declined from a peak of 25% in 2018 to 15% by 2023. International corporate-operated locations remained stable, contributing between 6% and 12% over the historic period.

Figure 4: Profit Before Tax Mix



Source: WATR's Annual Reports

Figure 5: Income-Generating Segments



Source: WATR's Annual Reports

Figure 6: ALD – Example Calculation of Franchise Royalty Fee

Example Based on Franchise Disclosure Document

Annual Gross Sales per Franchisee / in USDm	2023
ALD Franchisee Gross Sales	100
Number of Franchisees	78
Gross Sales per Franchisee	1.28

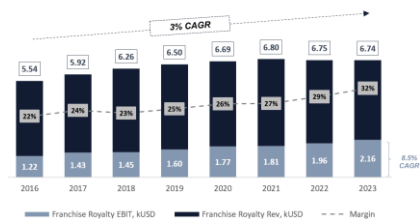
Royalty Fees Based on Adjusted Annual Gross Volume	Percentage	USD
Portion up to and including \$60k	10.0%	1,222,051
Portion from \$60k+1 up to including \$120k	9.0%	1,162,051
Portion from \$120k+1 up to including \$750k	8.0%	532,051
Portion over \$750k	6.0%	0

Franchise with Adj. Gross Volume of \$1.3m p.a.	Royalty Fee, USD	GV Allocation, USD
\$0k - \$60k @ 10% =	6,000	60,000
\$60k - \$120k @ 9% =	5,400	60,000
\$120k - \$750k @ 8% =	50,400	630,000
\$750k - Eternity @ 6% =	31,923	532,051
Annual Adj. GV = Royalties of	93,723	1,282,051
Blended Royalty Fee (%)	7.3%	

Implied Royalty Fee Based on Annual Royalty Income	2023
Implied Royalty Fees from Royalty Income / in USDm	100
ALD Franchisee Gross Sales	100
Franchise Royalty Income	6.7
Avg. Royalty Fee	6.7%

Source: WATR's Annual Reports; ALD Franchise Disclosure Document (2023)

Figure 7: Royalty Income & EBIT, mUSD

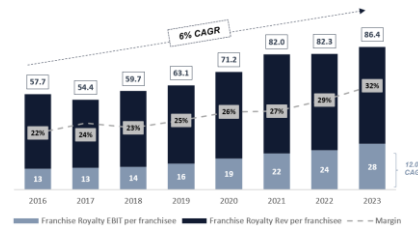


Source: WATR's Annual Reports

(i) Franchise Royalty Income: ALD operates as a franchisor, delivering services both through corporate-operated locations and its franchise system, which captures indirect sales through royalty income. Franchisees, generally independently owned and operated, enter into a ten-year license agreement upon franchise sale. Under this agreement, franchisees pay ALD a monthly royalty fee based on a percentage of their gross sales. While ALD does not disclose its blended annual royalty fee, analysis of its 2023 Franchise Disclosure Document provides insight into the royalty fee structure (Figure 6). Using this data, we estimated the average royalty fee by dividing total franchisee sales of \$100m in 2023 by the 78 franchises, resulting in an average gross sale per franchisee of \$1.3m. Applying the royalty fee scale, we calculated a blended annual royalty fee of 7.3%. However, given the variation in franchise sizes and corresponding differences in gross sales (i. e. with larger franchises contracting the effective royalty fee), further analysis of franchise royalty income relative to franchise gross sales implies a fee of 6.7%. To adopt a conservative approach, we applied a blended annual royalty fee of 6.5% for the following analysis.

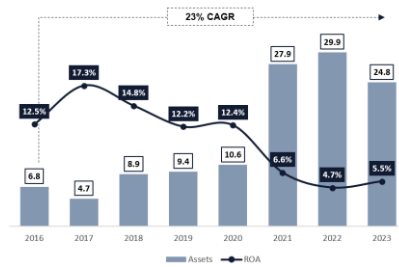
In recent years, ALD's franchise system has shown strong growth momentum, effectively counterbalancing the decline in the number of royalty-paying

Figure 8: Royalty Income and EBIT per Franchise, kUSD



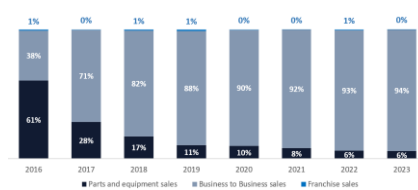
Source: WATR's Annual Reports

Figure 9: Royalty Income Segment's Assets in mUSD & ROA



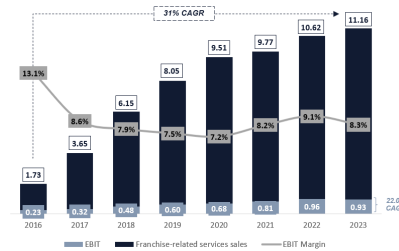
Source: WATR's Annual Reports

Figure 10: Franchise Related Activities Revenue Mix



Source: WATR's Annual Reports

Figure 11: Franchise Related Activities Revenue & EBIT, mUSD



Source: WATR's Annual Reports

franchisees. Over the past seven years, total franchise royalty income has achieved a CAGR of 3%, while the segment's EBIT grew at an even faster CAGR of 8.5%. Nevertheless, in 2022 and 2023, the segment experienced stagnant top-line growth, with slight declines of 0.8% and 0.1%, respectively. This stagnation was primarily due to WATR's reacquisition of 18 franchises during this period. Adjusting for these buy-ins, royalty income would have grown by 3% (Figure 7), indicating sustained underlying growth within the franchise system, particularly driven by the insurance distribution channel. Isolating royalty income on a per-franchise basis reveals robust top-line growth with a 7-year CAGR of 5.9%, whereas EBIT per franchisee has grown annually by 12% (Figure 8).

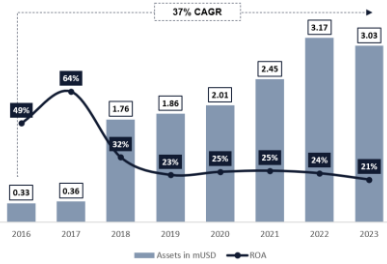
From a profitability standpoint, the franchise royalty income segment has consistently delivered high operating margins, averaging 26%, with an expansion of 10 percentage points from 22% in 2016 to 32% in 2023. Despite this margin expansion, capital efficiency has deteriorated, as evidenced by a contraction in return on assets (ROA) driven by rising capital intensity. Segment assets have grown at an annual rate of 23% over the past five years, outpacing both top- and bottom-line growth. On a per-franchise basis, asset growth has accelerated to 30% annually, resulting in a negative ROA CAGR of -11%, with ROA declining from 12.5% in 2016 to 5.5% in 2023.

In summary, ALD tracks franchise royalty income growth as a key KPI, as it reflects the health of the franchise network and provides a stable, recurring revenue stream that supports WATR's capital structure by enabling the use of bank debt alongside equity financing. However, it is important to note that franchise reacquisitions reduce the royalty income pool for subsequent periods, while contributing to growth in the US corporate-operated location segment.

(ii) Franchise Related Activities: WATR's franchise-related activities segment measures the group's support of franchise growth and includes equipment sales, franchise territory sales, and the development of channel sales, such as insurance. This segment not only reflects corporate administration's efforts to advance the franchise system but also serves as a proxy for franchisees' reinvestment in alignment with the group's broader growth strategy. Figure 10 illustrates the change in the segment's revenue composition, with parts and equipment sales decreasing from 61% in 2016 to 6% in 2023, while B2B sales have constituted over 90% since 2020. This dominant share highlights the group's strategic success and growth within the B2B channel, underlining its market leadership in this customer segment.

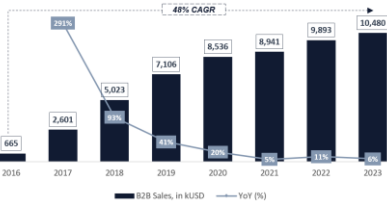
The third revenue stream within this segment, the sale of franchise units, reflecting the decision to develop new territories through franchisees rather than

Figure 12: Franchise Related Activities Segment's Assets in mUSD & ROA



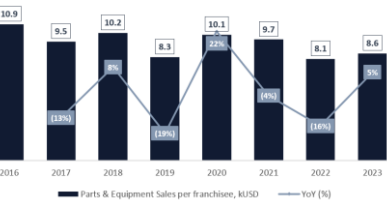
Source: WATR's Annual Reports

Figure 13: B2B Channel Revenue, kUSD



Source: WATR's Annual Reports

Figure 14: Parts & Equipment Sales per Franchisee, kUSD



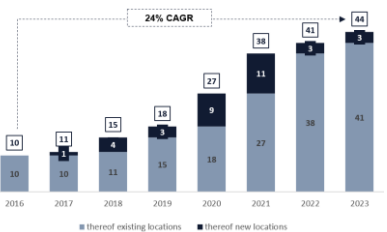
Source: WATR's Annual Reports

Figure 15: Franchise Sales, kUSD



Source: WATR's Annual Reports

Figure 16: Number of US Corporate-Run Locations



Source: WATR's Annual Reports

corporate operations, has historically been negligible, comprising less than 1% of revenue. This reflects WATR's historic focus on expanding corporate-operated locations over franchisee-operated ones. However, management has observed an increasing demand for additional territories among franchisees, driven in part by the rising value of franchise territories due to reacquisitions. Consequently, WATR conducts an annual review to reassess its strategic emphasis on establishing corporate-operated locations versus selling new franchise territories.

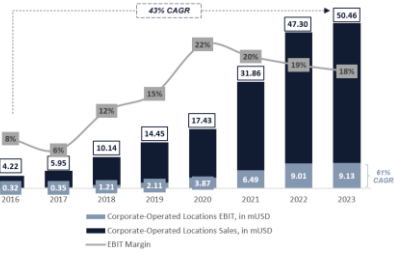
Overall, the segment has demonstrated strong momentum since 2016, achieving an impressive 7Y CAGR of 30.5% (Figure 11). Nevertheless, growth has sharply decelerated in recent years, and since 2021, the segment has been growing at a low to mid-single-digit clip. This growth has been primarily driven by the roll-out of the B2B channel and reinvestments from the franchise system in parts and equipment. Sales from new franchise territory rights have had a negligible impact on the segment performance. From a profitability perspective, EBIT expanded by a 22.2% 7Y CAGR, while margins dropped from 13% in FY16 to a relatively stable average of 8% in the subsequent years (Figure 11). Thus, this segment continues to dilute margins at the group level, and its rising asset intensity has compressed ROA (Figure 12).

To conduct a more granular analysis, we isolated the three key franchise-related activities and examined their critical performance indicators. Figure 13 shows the B2B channel's top line has grown by 48% annually since 2016 and by 53% on a per-franchisee basis. In 2023, the B2B channel generated \$10.5m in total sales, translating to an average of \$134k per franchisee. While WATR does not disclose specific margins for this revenue stream, DeSouza estimates EBIT margins around 8-10%. Parts and equipment sales exhibit some volatility but generally fluctuate between \$8,000 and \$10,000 per franchise annually (Figure 14). These sales serve as a critical proxy of the franchise system's reinvestment activity for growth. Finally, annual franchise sales have exhibited considerable volatility and remain negligible in absolute terms, ranging from \$10,000 to \$90,000 per year between 2016 and 2023, with a median value of \$25,000.

(iii) US Corporate Operated Locations: US corporate-run locations, which include both greenfield locations and those from franchise reacquisitions, are WATR's largest revenue-contributing segment. Beyond offering ALD services, these locations serve as regional hubs that support the franchise system with strategic guidance, marketing initiatives, and operational execution to further develop their territories.

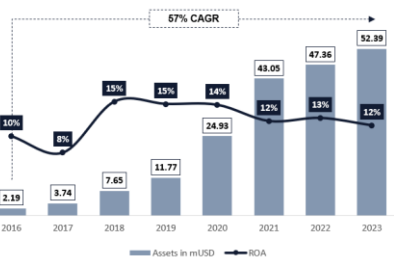
The number of corporate-run locations increased from #10 in 2016 to #44 in 2023. In FY23, these locations generated over \$50m in sales, contributing 66%

Figure 17: US Corporate-Operated Locations Revenue & EBIT, mUSD



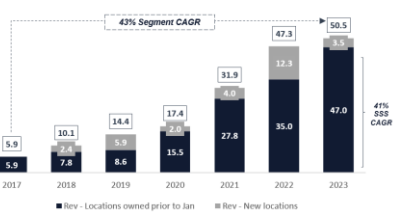
Source: WATR's Annual Reports

Figure 18: US Corporate-Operated Locations | Assets in mUSD & ROA



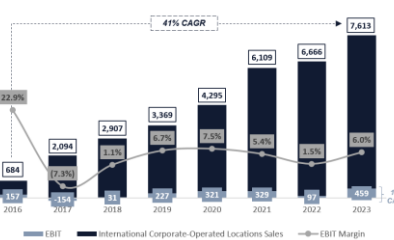
Source: WATR's Annual Reports

Figure 19: Same Store Sales Growth, mUSD



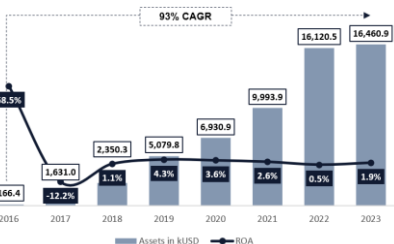
Source: WATR's Annual Reports

Figure 20: International Corporate Operated Locations Rev. & EBIT, mUSD



Source: WATR's Annual Reports

Figure 21: International Corporate Operated Locations Assets in KUSD & ROA



Source: WATR's Annual Reports

of Group revenue, and delivered \$9m in EBIT, representing 135% of Group EBIT before unallocated head office costs. Over the past seven years, corporate-run locations experienced a top-line growth of 42.6% annually, with overall EBIT achieving a CAGR of 61.1%. Consequently, segment margins expanded from 7.7% in 2016 to 18.1% in 2023, although recent years saw a margin contraction of over 100bps, primarily due to the hiring of new technicians. In line with these developments, ROA has remained relatively stable around an avg. of 12.4%.

DeSouza's aggressive franchise reacquisition strategy has significantly contributed to corporate top- and bottom-line growth by converting indirect royalty income into direct revenue and profits. Analysing performance on a per-location basis reveals that sales per location reached an all-time high of \$1.15m in 2023, reflecting a CAGR of 15.4% since 2016. EBIT per location has also achieved a CAGR of 30.4% over the same period, underscoring DeSouza's effectiveness in enhancing these directly controlled locations.

To isolate the financial implications of franchise buy-ins, WATR reports "same-store" corporate sales as a key performance indicator of organic growth post-acquisitions. Excluding acquired sales, same-store corporate sales have grown at an annualized rate of 42.6% since 2017, while PBT has achieved a CAGR of 47.3%. These metrics underscore the strategic rationale underpinning WATR's reacquisition model, wherein franchises benefit from access to the Group's robust balance sheet, allowing them to deploy additional working capital. This financial infusion enhances their operational capacity and accelerates growth.

(iv) International Corporate Operated Locations: Revenue streams from international corporate operated locations highlight WII's success in expanding its multinational footprint and prioritizing municipal solutions while sustaining its core residential and commercial offerings.

In alignment with WATR's objective to establish itself as a multinational growth entity, this segment has demonstrated strong progress over the past seven years, achieving a top-line CAGR of 41.1% and a total asset CAGR of 92.8%. Profitability has also significantly improved, transitioning from an operating loss in 2017 to a 6% EBIT margin in 2023. Despite robust financial growth, capital efficiency, as measured by ROA, has remained constrained. This is attributable to reinvestments aimed at driving the scalability of international operations. A significant proportion of this capital allocation is directed toward municipal projects, which are intrinsically associated with elongated sales cycles and narrower margin profiles. While these characteristics weigh on near-term asset productivity, they are strategically aligned with WATR's long-term vision of establishing a dominant presence in international public-sector markets.

Corporate Strategy

WATR's vision to become a multinational growth platform is driven by its "Build and Buy" approach, which balances organic growth with selective acquisitions.

Organic Growth: WATR focuses on expanding market share through enhanced service capabilities, process efficiency, technological innovation, and franchise sales. It strengthens service delivery by adding trucks and technicians, supported by a new state-of-the-art training center in Bridgeport, Connecticut, opened in H1 2024. This facility further serves as a hub for B2B partnerships. To enhance process efficiency, WATR invested >\$3m in Salesforce to streamline workflows and scalability. On the innovation front, WATR holds a ~4.9% stake in SEEEN plc, an AI-powered e-commerce tool aimed at increasing customer lifetime value. The group also invests in proprietary technology, and has developed four proprietary technologies poised for market launch, supported by targeted go-to-market investments. In response to rising demand, WATR is resuming master franchise sales to expand its US footprint and exploring international growth.

Inorganic Growth: Since 2014, WATR has driven shareholder value through the selective reacquisition of 36 ALD franchises, converting them into corporate locations. In 2024, two key buy-ins occurred, including the strategic acquisition of ALD's largest franchise in Dallas. This move secured operational expertise by appointing former owner Will Knell as ALD's CEO and leveraged geographical synergies. Plans are underway to relocate ALD's headquarters to Dallas in 2025 and establish another state-of-the-art training centre. Generally, DeSouza's reacquisition strategy prioritizes underperforming franchises for turnaround opportunities and strong customer bases to pilot new services. It also supports franchisees seeking exits or succession solutions. This inorganic growth strategy offers two key advantages: the strategic value of direct control and the substantial value-accretive potential of franchise buy-ins, which deliver unlevered pre-tax IRRs exceeding 20%. Corporate locations also yield significantly higher net profits compared to foregone royalty income, underscoring a positive value trade-off. Beyond reacquisitions, WATR has pursued bolt-on acquisitions, such as plumbing companies, to expand service offerings for both WII and ALD, extending capabilities from leak detection to repair.

International Growth: The third key growth pillar focuses on building a leading multinational growth platform. Past strategic acquisitions, such as WII and Water Save, have enhanced the Group's UK presence, while WATR's recent acquisition in Ireland expanded its EU footprint. Looking ahead, Mgt. plans to strategically establish locations in adjacent markets, using existing UK and Ireland operations to drive EU expansion, and Florida & Texas as entry points into Mexico.

Corporate Governance & Ownership

Figure 22: DeSouza's Track Record

Item in million	FY11, mUSD	FY23, mUSD	Multiple	Change %	Annualized Change %
Date: 31/12/2011 - 31/12/2023					
Operational Track Record					
Revenue	6.4	76.0	11.5x	1,087%	22.9%
USD per Share	0.67	4.26	6.4x	539%	16.7%
Gross Profit	5.9	65.6	11.1x	1,012%	22.2%
USD per Share	0.61	3.68	6.0x	499%	16.1%
EBITDA	0.5	12.8	25.6x	2,466%	31.0%
USD per Share	0.05	0.72	13.8x	1,277%	24.4%
EBIT	0.2	7.2	35.9x	3,492%	34.8%
USD per Share	0.02	0.40	19.3x	1,534%	28.0%
DIL. Weighted avg. # of OS	9.6	17.8	1.9x	86%	5.3%
Date: 31/12/2011 - 31/12/2024					
Share Price Development					
Share Price (GBP)					
Multiple					
Change %					
IRR					
Date: 31/12/2011 - 31/12/2024					
Internal Rate of Return					
Share Price Development	34	410	12.1x	1,106%	23.1%

Source: WATR's Annual Reports

Figure 23: DeSouza's Compensation

USD mUSD	2017	2018	2019	2020	2021	2022	2023	2024	20 Avg
Executive Directors									
Patrick DeSouza									
Salary, Fees & Bonus	485,000	475,487	597,546	591,205	639,381	691,453	692,000		584,881
Benefits & Sharebased	25,450	20,584	25,314	25,314	19,894	28,000	28,000		17,629
Total DeSouza	485,000	591,672	597,380	688,510	654,386	691,453	692,000		602,510
% of Rev	2.6%	2.2%	1.7%	1.9%	1.2%	0.8%	0.6%		1.2%
% of EBITDA	25.7%	19.3%	12.2%	8.1%	6.2%	4.6%	5.3%		7.2%

Source: WATR's Annual Reports

Figure 24: Shareholder Structure

Nr	Shareholder	# of Shares	% of OS	% of Voting Rights	M-Val in USD
Director's Interest					
1	Patrick DeSouza (CEO)	4,874,780	27.3%	25.0%	19,986,516
2	Laura Hills	1,303,737	7.3%	0.7%	5,345,322
3	Bobby Kneel	27,000	0.2%	0.1%	110,700
4	Dan Ewell	41,300	0.2%	0.2%	168,412
5	Phil Mackley	2,020	0.0%	0.0%	8,426
Σ		6,248,837	35.0%	26.0%	25,630,355
Substantial Shareholders					
1	Plain Sight Systems, Inc.	2,430,410	13.6%	12.5%	9,964,681
2	Canaccord Genuity Group Inc.	2,134,432	12.0%	11.0%	8,751,171
3	Berenberg Asset Management	1,259,992	7.1%	6.5%	5,165,967
4	George D. Yancopoulos	880,300	4.9%	4.5%	3,611,772
5	Amal AIM VCT	814,690	4.6%	4.2%	3,340,106
6	Head Investment Trust	642,526	3.6%	3.2%	2,634,357
Σ		8,162,940	45.8%	42.0%	33,488,054
Patrick DeSouza Total (Director + Plain Sight System Interest)					
1	Patrick DeSouza (CEO)	4,874,780	27.3%	25.0%	19,986,516
2	DeSouza's Plain Sight Systems Interest	1,958,000	7.3%	10.7%	5,345,322
Σ		6,832,780	38.3%	35.1%	25,331,838

Source: WATR's Annual Reports; Eikon

Management: Patrick DeSouza has served as Executive Chairman of WATR since 2010, when he led the company's listing on AIM through a reverse merger. During his tenure, DeSouza has followed a disciplined capital allocation strategy, building a successful track record and delivering solid shareholder returns. Since FY2011, WATR's share price has increased by ~12 times, from 34 GBP to 410 GBP as of the valuation date, reflecting an IRR of 23%. DeSouza's average annual compensation over this period has been \$603K, representing 1.2% of revenue and 7.8% of EBITDA. The executive team is further strengthened by CIO Daniel McDonald, who joined in 2020 and developed the "Pulse™" sewer diagnostic technology, and CPO John Spenard, appointed in 2021 to support the company's human capital strategy.

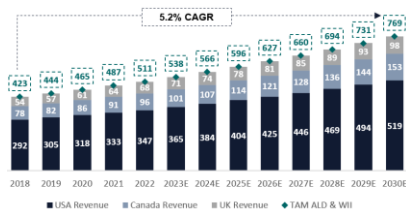
Shareholder: WATR's shareholder structure exhibits significant concentration, with the six largest shareholders collectively holding 46% of outstanding shares (O/S) and directors maintaining 35% insider ownership. DeSouza, the largest individual shareholder, directly owns 4.9m shares, representing 27.3% of O/S. Furthermore, as a director and shareholder of Plain Sight Systems (PSS), DeSouza has an indirect interest in an additional ~2m shares, bringing his total direct and indirect ownership to ~38%. This positions him as an owner-operator with substantial shareholder alignment. Excluding shares held by directors and PSS as a strategic shareholder, the free float equals 51%. Adjusting further for low-turnover institutional holdings, the effective free float is reduced to <20%.

Industry Overview

Market Size

To estimate WATR's TAM, we aggregated the market sizes of its primary geographic regions (i.e. US, CAD, UK) based on historical and projected revenue data from the water leak detection and repair services market, as reported by Grand View Research¹. The latest report estimates the TAM at \$511m in 2023, reflecting a historic CAGR of 4.8% since 2018. Looking ahead, the market is projected to expand at a 5.2% CAGR, reaching \$769m by 2030. Thereof, the US is the largest contributor in absolute terms, with an estimated market size of \$519m in 2030, while Canada is projected to reach \$153m and the UK \$98m. In relative terms, the market is expected to grow most rapidly in Canada, with a projected CAGR of 6%, compared to 5.1% in the US and 4.6% in the UK.

Figure 25: Water Leak Detection and Repair Services Market Size (in USD m)

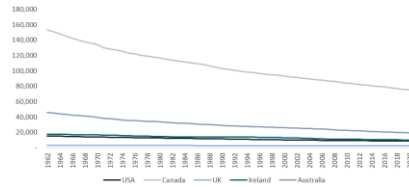


Source: Grand View Research

¹ Grand View Research. (n.d.). *Water leak detection and repair services market in the United States*. Grand View Research. Retrieved December 3, 2024, from <https://www.grandviewresearch.com/horizon/outlook/water-leak-detection-and-repair-services-market/united-states>

Macroeconomic Drivers

Figure 26: Renewable Internal Freshwater Resources per Capita (m³)



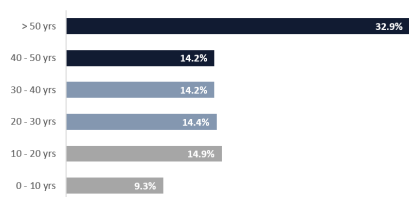
Source: Our World in Data

Figure 27: Water Stress by Country 2040



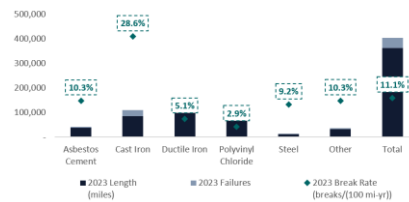
Source: Our World in Data

Figure 28: Pipe Age Distribution



Source: Utah Water Research Laboratory

Figure 29: Pipe Break Rates by Material



Source: Utah Water Research Laboratory

Global Water Stress: WATR operates in a market with global tailwinds, due to increasing economic and environmental pressures arising from the widening gap between water demand and renewable supply. As response, the company's mission to "preserve the world's most precious resource" is focused on combating water scarcity and alleviating water stress worldwide. The increasing global demand for water, fuelled by rapid population growth and industrial expansion across sectors such as agriculture, energy, and manufacturing, is colliding with constraints imposed by climate change and deteriorating water infrastructure. This convergence is causing a sustained decline in renewable internal freshwater resources per capita (Figure 26). Data from the World Resources Institute² underscores the gravity of the situation, noting that 13% of nations are already experiencing extreme water stress, defined as the consumption of more than 80% of available water resources. By 2050, global water demand is projected to rise by 20%-25%, further exacerbating supply pressures and placing an additional 1bn people at risk of extreme water stress.

Deteriorating Water Infrastructure: Findings from the Utah State Study on Water Main Break Rates³ underscore the critical need for the repair and modernization of water infrastructure across the US and Canada, with 47% of pipes exceeding 40 years of age. As these pipelines age, they become increasingly porous, contributing to an elevated break rate of 11% in 2023, with certain materials exhibiting rates of up to 29%. Collectively, the US and Canada experience approximately 260k water main breaks annually, incurring maintenance and repair costs estimated at \$2.6bn per year. The study further highlights that 20% of installed water mains have surpassed their useful life and remain unreplaced due to a funding shortfall of ~\$452bn for essential infrastructure. In addition, the Environmental Protection Agency⁴ estimates that the average US household wastes over 10k gallons of water annually, with 5-10% of homes having easily fixable leaks that lose at least 90 gallons per day.

CapEx Requirements: In response, governments are increasingly prioritizing infrastructure modernization and the implementation of stricter water management standards to mitigate resource waste and address the persistent investment gap. Bluefield Research⁵ estimates that, following years of

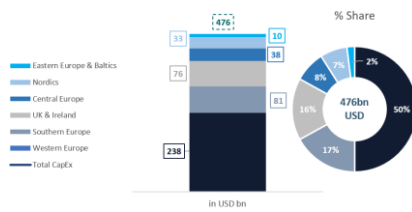
² World Resources Institute. (2023). *25 Countries, Housing One-Quarter of the Population, Face Extremely High Water Stress*. Retrieved December 4, 2024, from <https://www.wri.org/insights/highest-water-stressed-countries>

³ Utah Water Research Laboratory, Utah State University. (2023). *Water main break rates in the USA and Canada: A comprehensive study*.

⁴ United States Environmental Protection Agency. (n.d.). *Leaks Can Run, but They Can't Hide*. Retrieved December 4, 2024, from <https://www.epa.gov/watersense/fix-leak-week>

⁵ Bluefield Research. (2019). *Underground Infrastructure: U.S. Water & Wastewater Pipe Network Forecast, 2019-2028*. Retrieved December 4, 2024, from <https://www.bluefieldresearch.com/research/underground-infrastructure-u-s-water-wastewater-pipe-network-forecast-2019-2028/>

Figure 30: EU Water CAPEX Forecast by Region, 2024–2030



Source: Bluefield Research

underinvestment, the US will allocate \$234bn in CapEx by 2028 to upgrade aging municipal and wastewater infrastructure. A similar trend is evident in the EU, where regulatory frameworks are being established to reinforce infrastructure investments. Central to this effort is the European Green Deal, particularly the Urban Wastewater Treatment Directive, which sets uniform standards for water management and treatment. Compliance with these directives requires significant capital outlays in water infrastructure. Bluefield Research⁶ projects a cumulative CapEx of \$476bn in this sector from 2024 to 2030, with annual CapEx expected to grow by 2%, rising from \$60bn to approximately \$75bn by 2030.

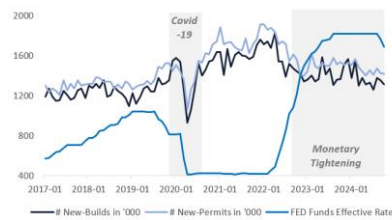
Concluding, WATR is well-positioned in a structural growth market driven by water stress, aging infrastructure, and regulatory shifts, all of which are expected to generate a future CapEx influx that WATR can capture with its service matrix.

WATR's service criticality is only set to increase in the face of climate change and population growth, as it preserves water - the most vital resource on Earth.

Macro Headwinds

WATR is currently navigating a triad of macroeconomic headwinds. In terms of top-line growth, DeSouza noted that, in the post-COVID environment and amid the subsequent monetary tightening cycle, revenue growth has been negatively impacted by a decline in construction activity. Yet, he remains optimistic about future growth, particularly with the increasing demand for maintenance services in rental properties. WATR's expansion into residential sewer diagnostics through PulseTM is expected to reduce its reliance on new construction.

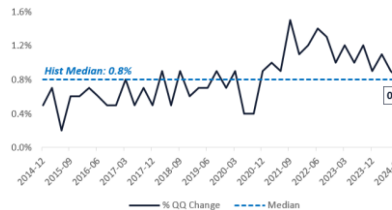
Figure 31: US New-Builds vs. Fed Tightening: Construction Slowdown



Source: Federal Reserve Bank of St. Louis

Furthermore, WATR's profitability is sensitive to inflationary pressures, particularly increases in labour and gasoline costs. The latter is a significant cost driver, as WATR operates through regional hubs and technicians often commute long distances in corporate vehicles to reach clients. In retrospect, gasoline prices were already elevated due to the post-pandemic economic recovery and spiked further following Russia's invasion of Ukraine, placing additional strain on WATR's operating expenses. Labor shortages present an additional headwind, as the company depends on a skilled workforce to operate its specialized technologies. The scarcity of qualified technicians may constrain the company's capacity to scale operations, while rising labour costs may exert pressure on profit margins. However, the Employment Cost Index from the US Bureau of Labor Statistics⁷ rose by 0.8% in Q3 2024 (Figure 32). Overall, labour costs increased 3.9% over the 12 months ending in September 2024, which represents the smallest annual rise since Q3 2021. This slowdown from the 4.3% growth seen in September 2023 suggests some easing of labour cost pressures.

Figure 32: US Employment Cost Index QQ %-Change



Source: Eikon; US Bureau of Labour Statistics

⁶ Bluefield Research. (2024). *Europe's Proactive Policy Approach Advances US\$476 Billion Water & Wastewater CAPEX Outlook by 2030*. Retrieved December 4, 2024, from <https://www.bluefieldresearch.com/ns/europes-proactive-policy-approach-advances-us476-billion-water-wastewater-capex-outlook-by-2030/>

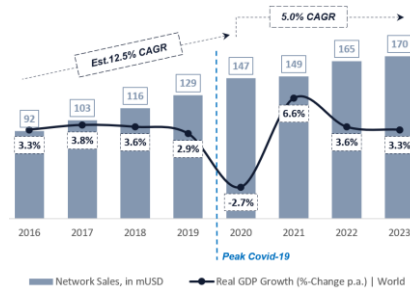
⁷ U.S. Bureau of Labor Statistics. (2024). *Employment Cost Index*. Retrieved December 4, 2024, from <https://www.bls.gov/eci/>

Market Characteristics

Market Fragmentation: The market is characterized by a high degree of fragmentation, particularly within WATR's primary jurisdiction (i.e. the US), where over 121k water plumbing companies and approximately 520k self-employed professionals operate in the water leak detection and repair service market. This fragmented landscape is similarly observed across WATR's other jurisdictions. However, the market still remains in its early stages of consolidation. Besides WATR, competitors like Roto-Rooter and strategic players such as private equity firms are actively participating in consolidation efforts by acquiring local plumbing businesses to enter repair markets.

Non-Cyclical & Inelastic Market Demand: The water leak detection and repair services industry demonstrates acyclical characteristics, primarily due to the essential nature of these services. As infrastructure reaches the end of its useful life, the need for repair and maintenance grows, creating sustained demand independent of economic cycles. Additionally, climate change and population growth put increasing strain on infrastructure at residential, commercial, and municipal levels, further reinforcing the inelastic demand for these services. WATR's performance during COVID-19 highlights the defensive nature of its business model, demonstrating its resilience to fluctuations in discretionary spending (Figure 33). Unlike industries dependent on discretionary spending, the need for water leak detection and repair remains non-deferrable. Homeowners and businesses face immediate costs associated with leaks, driven by direct water loss expenses and the potential for property damage and health risks if unresolved. Delays in addressing leaks, especially hidden ones, can lead to structural damage, mold growth, and other costly issues, increasing remediation expenses. As a result, the water services market is characterized by inelastic demand, with consistent repair and maintenance requirements regardless of broader economic conditions, reinforcing the sector's acyclical nature.

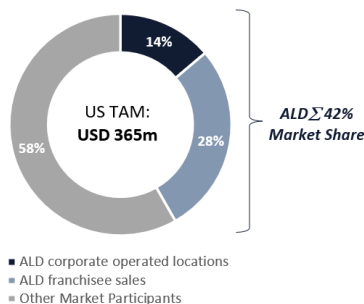
Figure 33: Network Sales vs GDP Growth



Source: WATR's Annual Reports; International Monetary Fund

The essential nature of water infrastructure services, combined with inelastic demand, shields the industry from economic downturns, ensuring its resilience and acyclicity.

Figure 34: ALD Market Share FY23

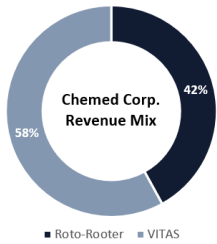


Source: WATR's Annual Reports; Grand View Research

Competitive Dynamics

Rivalry Among Existing Competitors: Our analysis has identified ALD and Roto-Rooter as the primary publicly traded companies with a national footprint in the US leak detection and repair service market. While specific market share figures are not publicly available, an estimate can be derived from industry data. In 2023, the TAM for the US water leak detection & repair service market was valued at \$365m. WATR's US network, including both corporate and franchisee sales under the ALD brand, generated \$152m in gross sales during this period, suggesting an estimated market share of over 40%.

Figure 35: Chemed Corporation Revenue Mix



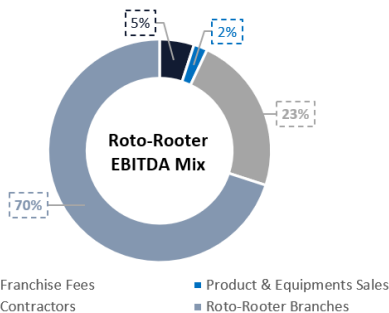
Source: Chemed Corporation's Q3 2024 Earnings Presentation

Figure 36: Roto-Rooter Financials

(\$ MM US\$ '000)	2019	2020	2021	2022	2023	Adj. CAGR
Revenues	657,371	744,916	876,015	933,339	946,362	9.6%
Op. Exp.	15,496	13,376	17,991	6,236	1,776	13.5%
Adj. EBITDA	165,759	185,136	340,165	273,767	268,570	14.7%
% Margin	25.1%	25.0%	38.8%	29.3%	28.4%	21.1%
Adj. Net Income	110,082	132,791	174,965	193,781	193,475	15.1%
% Margin	16.7%	17.8%	19.9%	20.8%	20.4%	19.1%

Source: Chemed Corporation's Q3 2024 Earnings Presentation

Figure 37: Roto-Rooter EBITDA Mix



Source: Chemed Corporation's Q3 2024 Earnings Presentation

Roto-Rooter, WATR's closest competitor, is a subsidiary of Chemed Corp., an NYSE-listed holding company with a market capitalization of \$8.3bn. Chemed operates two distinct business segments: VITAS, the largest provider of hospice care services in the US, and Roto-Rooter, recognized as the nation's leading provider of plumbing, drain cleaning, and water cleanup services. Founded in 1935, Roto-Rooter serves approximately 90% of the US population and 40% of the Canadian population, making it the largest provider of plumbing and drain cleaning services in North America. Its operations include 127 corporate-owned branches, a network of independent contractors, and 369 franchise locations.

Roto-Rooter holds an estimated 15% share of the drain cleaning market and 2–3% of the same-day service plumbing market. In 2023, the company reported⁸ \$949m in revenue and \$270m in adj. EBITDA, representing a 28% margin. This compares to 2013 figures of \$368m in revenue and \$70m in adj. EBITDA. Thus, over the past 10 years, Roto-Rooter's revenue has grown 2.6x, while adj. EBITDA has increased 3.9x, equating to CAGRs of 9.9% and 14.5%, respectively; highlighting significant growth in both top-line and profitability.

According to DeSouza, Roto-Rooter's core competency is sewer and drain services, which often leads to collaboration with ALD. In instances where Roto-Rooter encounters challenges in locating the source of a leak, the company often refers such cases to ALD, whose specialized expertise in leak detection complements Roto-Rooter's broader service offerings. This illustrates the market's referral-driven dynamics, where market participants and competitors, exchange work when they lack the necessary in-house expertise or capacity.

Beyond Roto-Rooter, WATR's competition primarily consists of smaller regional players, including companies like Adi Leak Detection, Enco Plumbing, and Reev's Family Plumbing. These privately held entities, often led by self-employed craftsman, typically generate less than \$15m in annual revenue. They lack the financial scale, operational efficiencies, and strategic capabilities of WATR as a publicly traded company. Many smaller competitors operate as "Mom-and-Pop" shops, constrained by limited managerial expertise, and financial resources, which diminishes their ability to compete effectively at scale.

In conclusion, the market for leak detection and repair services does not conform to a "winner-takes-all" paradigm and exhibits modest industry rivalry. Roto-Rooter is identified as a dominant, well-managed competitor with a significantly larger scale; however, its specialization limits direct overlap with WATR's core offerings. Furthermore, the broader market is highly fragmented, comprising numerous small players that pose a limited competitive threat to WATR.

⁸ Chemed Corporation. (2024, October). *Chemed Corporation Third-Quarter 2024 Earnings Conference Call*.

PORTER'S 5 FORCES

COMPETITIVE RIVALRY

- › ALD captures >40% market share ⇒ US market leader
- › Fragmented market at early stages of consolidation
- › Few national and publicly listed competitors
- › The majority of competitors are self-employed craftsmen ("mom-and-pop shops") that operate on a regional level
- › **No "winner takes it all" market with modest rivalry**

THREAT OF NEW ENTRANTS

- › Limited competitive edge in such a fragmented market
- › WATR's reinvestment moat: proprietary tech, scale, and brand equity
- › Capturing market share via roll-up is capital- and time-intensive
- › To "KKR it," the best entry strategy is acquiring a platform
- › **Threat of new entrants (PEs, roll-ups) with financial and intellectual power exists**

THREAT OF SUBSTITUTION

- › Market transformation driven by smart home devices, like real-time water leak detectors
- › Smart detectors use sensors and Wi-Fi to monitor flow and detect leaks, sending alerts to your smartphone
- › WATR offers these solutions through a partnership with FLO Technologies
- › These devices may replace leak detection but still require WATR's repair services
- › **WATR's patented technologies face the threat of copycat competitors**

BUYER POWER

- › **Water leak detection & repair are essential & non-deferrable ⇒ inelastic demand**
- › Delayed leaks cause costly structural damage and mold
- › Urgency to address leak pushes customers to the largest, most trusted provider
- › B2C switching costs are low once the leak is fixed

SUPPLIER POWER

- › **WATR's service quality & minimally invasive value proposition sets it ahead of comps in the B2B segment**
- › B2B clients, like insurance companies, prefer a nationwide "one-stop" solution like WATR to handle claims

Threat of New Entrants: At first glance, WATR may not appear to have a clear competitive edge in this fragmented market. Yet, a closer analysis reveals that the company is shielded from the threat of new entrants through a competitive moat anchored in proprietary technology, economies of scale, and brand equity.

WATR's proprietary non-invasive leak detection technologies are a key differentiator. While competitors could theoretically replicate these technologies, the significant financial investment and extensive R&D required to achieve a comparable level of sophistication create material barriers to entry. Furthermore, training technicians to meet WATR's high operational standards adds an additional layer of complexity for potential new entrants.

The company's economies of scale further strengthen its market position. With operations spanning 46 US states and international markets, WATR's extensive reach significantly outpaces its competitors. This large-scale presence not only allows for operational efficiencies but also reinforces WATR's reputation as a trusted, one-stop solution for B2B clients, such as insurance companies. These clients prefer national providers capable of managing water-related claims consistently across regions. WATR's ability to route jobs electronically to its franchise or corporate locations, dispatch technicians, and generate comprehensive reports with sound and video files provides insurance companies with the documentation needed to assess coverage responsibilities. As B2B channels are a key growth driver, securing preferred partner status is critical for long-term contracts, customer captivity, and revenue stickiness.

In light of these advantages, replicating WATR's scale, technology, and customer relationships would be challenging for competitors. The capital requirements for entering this market are significant, and given the small size and limited resources of most market participants, starting from scratch and capturing meaningful market share through a roll-up strategy would be both time- and capital-intensive. Therefore, the most viable option for a larger player to aggressively enter the market – if they aim to "KKR" it – would be through the acquisition of a larger distribution platform. In this context, WATR could be an attractive target for firms looking to quickly scale their operations and compete in the market, as DeSouza noted the interest from both strategic and financial buyers seeking a quicker entry point.

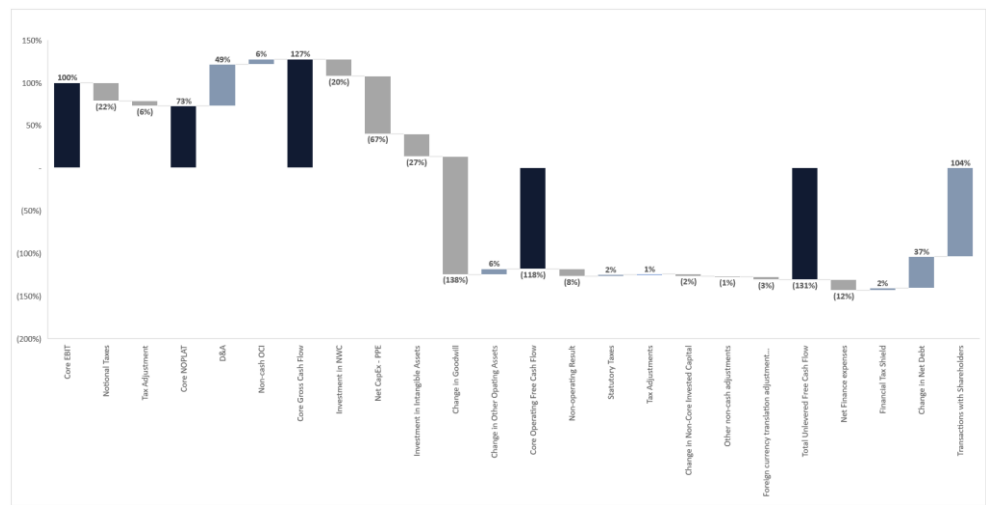
In conclusion, WATR faces a moderate threat of new entrants. While it benefits from a reinvestment moat, the company must constantly invest to stay ahead in setting the standard for leak detection technologies. The threat of deep-pocketed market entrants or smaller roll-up strategies with the right financial and brain power exists.

Economic Characteristics

Capital Allocation

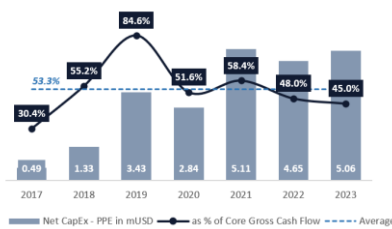
Hist. Cash Flow Bridge: The graph below presents the historical cash flow map as a percentage of aggregated core EBIT, providing a foundational reference for the forthcoming granular analysis of management’s deployment of financial resources. This analysis will centre on the key capital allocation levers identified by management as instrumental in achieving their stated capital allocation plan.

Figure 38: Cash Flow Bridge as % of Aggr. Core EBIT



Source: WATR’s Annual Reports

Figure 39: Net CapEx – PPE in m USD



Source: WATR’s Annual Reports

Growth CapEx: WATR has made substantial growth investments to position the company for the next phase of corporate development. These investments are expected to yield returns in the coming years. In July 2024, the Group launched a state-of-the-art training, product assembly, and R&D facility in Bridgeport, Connecticut, designed to supply more trained technicians and specialized equipment to meet rising demand. This has resulted in an increase in net PPE CapEx, which averaged 53% of core gross cash flow over the historical period.

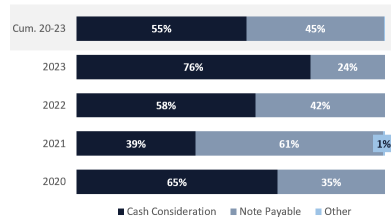
Figure 40: M&A Track Record

YEAR	2020	2021	2022	2023	Cum. 2020-2023
Total # of Deals Completed	9	8	3	5	25
Franchises/Reacquired	8	5	3	4	20
Other Strategic Acquisitions	1	3	-	1	5
DEAL VOLUME & FINANCING					
Total Capital Deployed	14,014,030	17,402,290	9,468,447	5,543,000	47,027,017
Cash Consideration	9,029,647	6,741,808	5,000,000	4,203,000	25,974,583
% of total consideration	65.2%	38.6%	58.1%	75.8%	55%
Note Payable	5,085,192	10,663,787	3,968,447	1,340,000	20,987,426
% of total consideration	34.8%	60.7%	41.9%	24.2%	45%
Other	-	116,857	-	-	116,857
% of total consideration	0.0%	0.7%	0.0%	0.0%	0%
NAV & GOODWILL					
Net assets acquired/acquired	1,540,104	2,203,008	1,760,244	718,989	6,318,353
Goodwill	13,019,134	16,198,632	7,688,203	4,608,951	40,806,000

Source: WATR’s Annual Reports

Acquisitions: As outlined in the corporate strategy section, one of WATR’s core strategic pillars has been the selective reacquisition of franchises and the deployment of capital in bolt-on acquisitions to scale WII. As a result, acquisitions have been a major growth driver and the most dominant capital allocation item, collectively accounting for 80% of core gross cash flow between 2017 and 2023. We will break down WATR’s historical M&A track record in the following, but will focus our analysis on the past three years, as the company did not disclose the revenue and PBT generated by reacquired franchises prior to 2020.

Figure 41: Cum. Payment Structure



Source: WATR's Annual Reports

Figure 42: P&L Contribution

YEAR	2020	2021	2022	2023	Cum. 20-23
P&L CONTRIBUTION					
Revenue acquired, in \$USD	10,261,000	11,513,000	6,150,000	4,200,000	32,124,000
Thereof franchise revenue reacquired	10,261,000	9,810,000	6,150,000	4,200,000	30,421,000
Thereof other revenue acquired	-	1,703,000	-	-	1,703,000
Franchise PBT Reacquired, in \$USD	2,805,000	2,958,739	1,610,000	970,000	8,343,739
PBT Margin (%)	27.3%	25.7%	26.2%	23.1%	26.0%
Thereof franchise PBT reacquired	2,805,000	2,554,348	1,610,000	970,000	7,939,348
Thereof other PBT reacquired	-	402,391	-	-	402,391

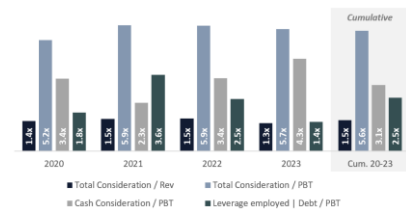
Source: WATR's Annual Reports

Figure 43: P&L Accounting for the Impact of Leverage

P&L - ACCOUNTING FOR THE IMPACT OF LEVERAGE					
Franchise PBT Reacquired, in \$USD	2,805,000	2,958,739	1,610,000	970,000	8,343,739
PBT Margin (%)	27.3%	25.7%	26.2%	23.1%	26.0%
Debt employed	5,065,192	10,603,787	3,958,447	1,340,000	20,967,426
Cost of debt Est.	5.0%	5.0%	5.0%	5.0%	5.0%
(j) Interest Expense	(254,268)	(531,189)	(197,562)	(67,000)	(1,049,317)
Tax Shield	73,735	153,755	57,387	19,430	304,308
Avg. PBT (incl. Interest Expense post-debt)	2,550,740	2,428,550	1,412,038	903,000	7,292,368
(i) Income Taxes	(723,716)	(763,659)	(453,533)	(261,670)	(2,142,578)
Net Profit	23.0%	29.7%	29.7%	29.0%	29.0%
Avg. Net Income (incl. Interest Expense post-debt)	1,811,028	1,722,893	1,002,575	641,330	5,177,581
PBT Margin (%)	17.6%	15.0%	16.2%	15.2%	16.1%

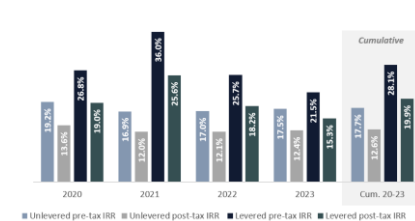
Source: WATR's Annual Reports

Figure 44: Implied Transaction Multiples



Source: WATR's Annual Reports; Analyst's M&A Math

Figure 45: Implied IRRs



Source: WATR's Annual Reports; Analyst's M&A Math

Between 2020 and 2023, WATR completed #25 acquisitions, including #20 franchise buy-ins and #5 other strategic acquisitions. Over this period, DeSouza deployed a total of \$47m, with 55% financed by equity, 45% with debt (deferred considerations), and the remainder being an intellectual property acquisition where the seller received a 25% stake in the newly created subsidiary. Due to the tangible, capital-light nature of their business, WATR acquired net assets worth \$6.4m, resulting in \$40.7m in goodwill (86% of capital deployed).

Regarding ticket sizes, transaction targets, on average, generated revenues of \$1.530m and a PBT of \$0.397m, reflecting a 26% PBT margin. WATR paid, on average, a total consideration of \$1.885m per transaction, of which \$1.035m (54%) was equity-financed. The remaining \$0.850m (46%) was covered by note payables (deferred considerations). The largest ticket size was \$10m, while the smallest, pertaining to intellectual property assets, was \$116k.

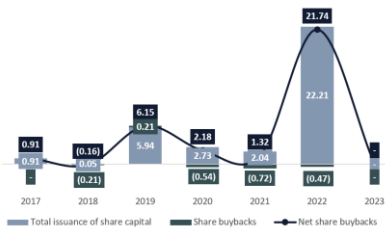
In analysing the acquisitions' P&L contribution, we aggregated all disclosed top and bottom-line figures from the acquisition year, revealing that WATR contributed a total of \$32.1m in sales and \$8.3m in PBT to its financial statements, excluding any post-acquisition growth. Of this, \$30.4m in revenue stemmed from reacquired franchises, and \$1.7m from other acquired revenue sources. The corresponding PBT contributions were \$7.9m from franchises (26.1% PBT margin) and \$0.4m from other acquisitions (23.6% PBT margin).

In terms of multiples paid, we divided the cumulative consideration paid for all deals by the aggregate top- and bottom-line acquired. DeSouza paid 1.5x EV/Revenue and 5.6x EV/PBT on a cumulative level, without accounting for growth post-integration. The average EV/Rev. multiple was 1.4x, and the average EV/PBT multiple was 5.7x over the reviewed period. Furthermore, DeSouza leveraged these businesses with a Debt/PBT ratio between 1.8x and 3.6x.

Lastly, when evaluating these acquisitions from a return perspective, WATR makes +17% unlevered pre-tax IRRs without factoring in growth, synergies, or operational improvements based on our calculations. When factoring in the employed gearing, we arrive at levered pre-tax IRRs north of 25%. We assume that, through organic growth and operational efficiency enhancements, the entry multiples can be halved in less than five years, pushing unlevered IRRs north of 35% based on run-rate earnings in the exit year. If DeSouza gradually increases the debt load in line with the growing earnings power at a fixed ND/PBT multiple, equity returns could be further boosted to over 40% IRR. Thus, acquisitions have been highly value-accretive for WATR, with further long-tail upside potential.

Transactions With Shareholders: Given that acquisitions have accounted for approx. 80% of the company's core gross cash flow, WATR has conducted

Figure 46: Net Share Buybacks, mUSD



Source: WATR's Annual Reports

irregular capital raises to avoid overstressing the Group's balance sheet while leveraging its highly valued shares as an efficient deal currency. DeSouza capitalized on WATR's elevated stock valuation levels in recent years, particularly in 2021, by issuing new shares and selling treasury stock, generating proceeds of approx. \$22m. Raising equity at high EV/EBIT multiples exceeding 30x was a rational decision, enabling DeSouza to recycle these proceeds into value-accretive acquisitions at multiples of 4-6x EV/PBT. This integration of acquired PBT can be described as an arbitrage transaction where the integrated profits automatically enjoy a strong revaluation to Group multiple levels.

With share repurchases being a critical capital allocation lever for DeSouza to enhance shareholder value and provide liquidity for WATR's shareholders, he has already indicated in the FY23 shareholder letter that one of the intended uses of capital, subject to regulatory approval and shareholder authorization, is to repurchase shares. DeSouza has since executed this plan, initiating an Equity Buyback Program for 1,956,769 shares, representing 10% of the company's issued share capital, under the authorization granted on October 7, 2024. As of H1 2024, the company had already committed \$39k to share buybacks.

As a result of this capital allocation strategy, management has historically deprioritized consistent dividend distributions and is unlikely to prioritize them in the future, given its continued focus on scaling the operating platform and capitalizing on ample opportunities to deploy capital at attractive returns.

WATR received authorization for a share buyback program of up to 1,956,769 shares (~10% of O/S).

DeSouza is not a dividend distributor, as he can recycle cash into high-return investment projects that are more tax-efficient.

Performance Analysis

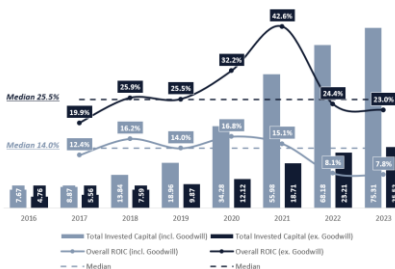
Figure 47: Return on Equity



Source: WATR's Annual Reports

Capital Efficiency: As a "soft" serial acquirer, WATR's capital base is significantly inflated by goodwill. To segregate acquisition-driven activities from core operational performance, we analysed returns both including and excluding goodwill. WATR's disciplined capital allocation has generated strong equity returns, with a historical 7-year median of 16.5%, rising to 36.7% when goodwill is excluded. Median ROIC, including goodwill, is 14.0% and 25.5% excluding goodwill. Both metrics exceed WATR's WACC, reflecting value-accretive growth. Over the past two years, ROIC has shown a declining trend, primarily due to significant investments in organic growth, including onboarding and training over 40 technicians (compressing NOPAT), constructing a training centre (inflating the asset base), and investing in Salesforce and product development (increasing intangibles). CEO DeSouza stated that WATR has exited this investment cycle, positioning the Group for enhanced profitability. Going forward, there is little need for heavy lifting in terms of new investment, and we can expect a sharp pick-up in ROIC, provided no comparable expansion occurs. The goodwill-to-revenue ratio should also decline as previously acquired locations continue to grow.

Figure 48: Total Invested Capital (mUSD) and ROIC



Source: WATR's Annual Reports

WATER INTELLIGENCE PLC

COMPANY REPORT

INDUSTRIAL MACHINERY & EQUIPMENT

17 DECEMBER 2024

STUDENTS: KRISTIN BOESEN | MARC BOESEN

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**Setting the Standard for
Non-Invasive Leak Detection**

US Market Leader Builds Multinational Growth Platform

- **Structural Growth Market:** WATR is positioned as the US market leader, capturing >40% of the highly fragmented minimally invasive leak detection market. The essential nature of its services drives non-cyclical, inelastic demand, which is expected to grow at a ~5% CAGR, supported by tailwinds from global water stress, deteriorating water infrastructure, and a resulting influx in CapEx.

- **Investment Highlights:** We believe WATR holds a material competitive advantage through its international corporate- and franchise-run network, brand equity, proprietary technology, and “One-Stop Shop” service matrix. Its under-levered balance sheet provides ample firepower to continue executing its “Build & Buy” strategy, driving both organic and inorganic growth via value-accretive franchise buy-ins and strategic third party acquisitions to build a multinational growth platform. In the near term, we anticipate accelerated growth from this year’s expanded M&A activities, which will act as a key catalyst for WTAR’s share.

- **Significant Valuation Upside:** Based on our forecasts, WATR is trading at a 14.3x fwd. EV/NOPAT, reflecting a 35% discount to its peer group. Applying a weighted valuation framework incorporating DCF, APV, and CCA methodologies, we derive a target price of 682 GBP, implying 66% upside potential.

Company Description

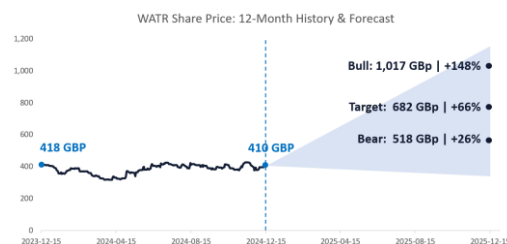
WATR is a holding company of two wholly owned subsidiaries: (1) American Leak Detection (ALD), the US market leader in minimally invasive water leak detection and repair, operating through a combination of franchise and corporate-operated locations serving both residential and B2B customers; and (2) Water Intelligence International (WII), its UK-based, exclusively corporate-run unit, which focuses on municipal water infrastructure solutions and supports ALD’s international expansion.

Recommendation:	BUY
<i>Upside Potential</i>	66 %
Price Target FY25:	682 GBP
<i>Bear Case / Bull Case</i>	518 / 1,017 GBP

Price (as of 13-Dec-2024)	410 GBP
Reuters Bloomberg	WATRI.L WATR:LN

Market and Trading Data	
Market Cap (mUSD)	90.22
Outstanding Shares (m)	17.37
Free Float (m)	8.86
52-Week Range in GBP	315 / 450
Avg. Volume 3 month (KGBP)	82.30

Source: Reuters



Source: Reuters; Own Estimates

Key Financials			
Values in mUSD	2023	2024E	2025E
Revenues	75.97	85.81	96.59
% YoY Growth	6.5%	12.9%	12.6%
EBIT	7.18	8.56	11.15
% Margin	9.5%	10.0%	11.5%
Net Profit	4.63	4.97	6.59
EPS (cents)	0.27	0.25	0.35
DPS	0.00	0.00	0.00
Ratios			
ROE	8.4%	8.2%	10.1%
ROIC	7.8%	8.1%	8.5%
ND/EBITDA	1.2x	1.9x	1.5x
Valuation (Fwd. FY24E)			
EV/Sales	1.4x	1.2x	1.1x
EV/EBITDA	9.0x	7.3x	6.2x
EV/NOPAT	18.7x	14.3x	12.2x

Source: Annual Report 2023, Own Estimates, Base Case

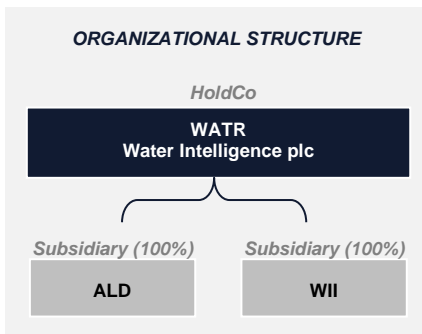
THIS REPORT WAS PREPARED EXCLUSIVELY FOR ACADEMIC PURPOSES BY KRISTIN BOESEN & MARC BOESEN, TWO MASTER IN FINANCE STUDENTS OF THE NOVA SCHOOL OF BUSINESS AND ECONOMICS. THE REPORT WAS SUPERVISED BY A NOVA SBE FACULTY MEMBER, ACTING IN A MERE ACADEMIC CAPACITY, WHO REVIEWED THE VALUATION METHODOLOGY AND THE FINANCIAL MODEL. (PLEASE REFER TO THE DISCLOSURES AND DISCLAIMERS AT END OF THE DOCUMENT)

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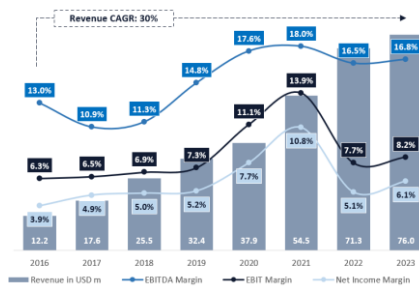
Business Overview

Business Model at a Glance



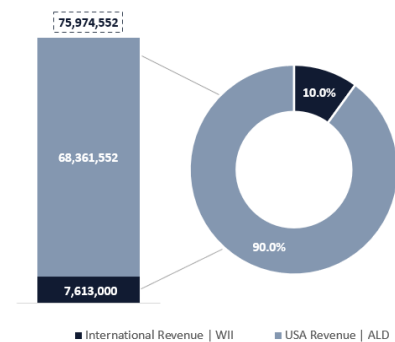
Water Intelligence plc (WATR) is a multinational provider of minimally invasive leak detection and remediation solutions for both potable and non-potable water. With 50 years of experience, the company utilizes proprietary and third-party acoustic and infrared technologies to pinpoint and repair leaks without causing structural damage. Its product portfolio covers a wide range of pipe systems, including small, medium, and large diameters, addressing the needs of residential, commercial, and municipal clients. Positioned as a "One-Stop Shop" for water infrastructure solutions, WATR serves above 200k clients annually, including B2B (e.g., insurance companies) and B2C customers, who value its "minimally invasive" value proposition. The company operates in five countries (US, Canada, UK, Ireland, and Australia) with a corporate workforce of 482 employees. WATR scales its offerings through two wholly owned subsidiaries: US-based American Leak Detection (ALD) and UK-based Water Intelligence International (WII), which differ in the mix of franchise-operated versus corporate-operated locations and their focus on residential, B2B, and municipal customers.

Figure 1: Historic Revenue Growth and Margin Profile



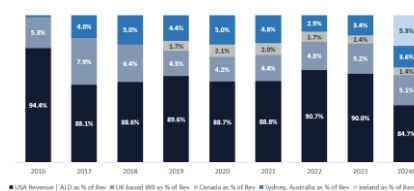
Source: WATR's Annual Reports

Figure 2: Revenue Mix FY23 in USD



Source: WATR's Annual Reports

Figure 3: Geographic Revenue Split



Source: WATR's Annual Reports

I. American Leak Detection: Established in 1974, ALD is the flagship subsidiary of WATR and the US market leader for the non-destructive detection of water, sewer, gas, and swimming pool leaks, holding a market share of over 40%. The company operates a nationwide network with more than 150 locations across 46 states, consisting of 64% franchise-run and 36% corporate-operated locations. Its operations mainly focus on residential and commercial water leak detection and remediation with some municipal activities. The critical mass of sales is derived from direct sales via corporate-operated locations and indirect sales measured by royalty income based on franchisee gross sales to end-users and related services from franchisees. ALD has successfully expanded its market presence by building six national channels with leading insurance companies, property management firms, and municipalities.

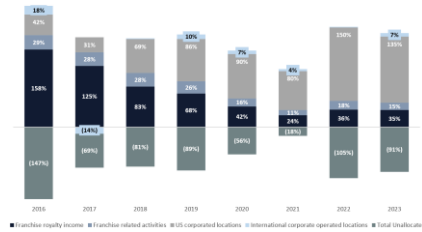
II. Water Intelligence International: Launched in 2016 and headquartered in the UK, WII is an exclusively corporate-run unit leading WATR's international expansion through strategic corporate delegations in Canada, Australia, Ireland, and the UK. Established through acquisition and strong follow-on execution, WII is enhancing the core ALD business by contributing additional offerings, particularly for municipal customers. Additionally, WII cross-sells complementary municipal solutions and residential wastewater services to ALD for municipal clients in the US.

Segmentation

Segment Overview: WATR's operations are organized into four distinct revenue-generating segments: (i) franchise royalty income, (ii) franchise-related activities, encompassing product and equipment sales, business-to-business transactions, and franchise sales, (iii) US corporate-operated locations, and (iv) internationally operated corporate locations. For the purposes of resource allocation and performance evaluation, WATR differentiates these four income-generating segments from non-operational expenses, which are classified as unallocated corporate overhead.

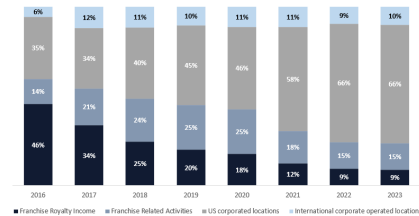
Over the historic period, the income-generating segment mix underwent a strategic realignment. Franchise royalty income, which was the largest contributor at 46% in 2016, declined steadily to just 9% by 2023. This contraction reflects the pivot towards franchise buy-ins, where reacquired units are converted into US corporate locations. Consequently, the revenue share of US corporate locations expanded significantly, from 35% in 2016 to 66% in 2023, highlighting a capital allocation focus on acquisition-led growth and operational integration. This transition, came with the trade-off of reduced aggregate royalty income and franchise-related activities, which also declined from a peak of 25% in 2018 to 15% by 2023. International corporate-operated locations remained stable, contributing between 6% and 12% over the historic period.

Figure 4: Profit Before Tax Mix



Source: WATR's Annual Reports

Figure 5: Income-Generating Segments



Source: WATR's Annual Reports

Figure 6: ALD – Example Calculation of Franchise Royalty Fee

Example Based on Franchise Disclosure Document

Annual Gross Sales per Franchise / in USDm	2023
ALD Franchisee Gross Sales	100
Number of Franchises	78
Gross Sales per Franchisee	1.28

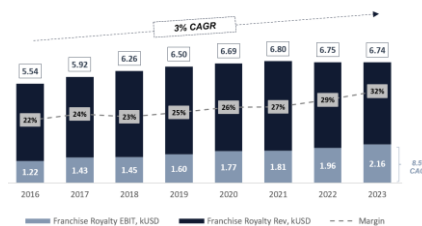
Royalty Fees Based on Adjusted Annual Gross Volume	Percentage	USD
Portion up to and including \$60k	10.0%	1,222,051
Portion from \$60k+1 up to including \$120k	9.0%	1,162,051
Portion from \$120k+1 up to including \$750k	8.0%	532,051
Portion over \$750k	6.0%	0

Franchise with Adj. Gross Volume of \$1.3m p.a.	Royalty Fee, USD	GV Allocation, USD
\$0k - \$60k @ 10% =	6,000	60,000
\$60k - \$120k @ 9% =	5,400	60,000
\$120k - \$750k @ 8% =	50,400	630,000
\$750k - Eternity @ 6% =	31,923	532,051
Annual Adj. GV = Royalties of	93,723	1,282,051
Blended Royalty Fee (%)	7.3%	

Implied Royalty Fee Based on Annual Royalty Income	2023
Implied Royalty Fees from Royalty Income / in USDm	100
ALD Franchisee Gross Sales	100
Franchise Royalty Income	6.7
Avg. Royalty Fee	6.7%

Source: WATR's Annual Reports; ALD Franchise Disclosure Document (2023)

Figure 7: Royalty Income & EBIT, mUSD

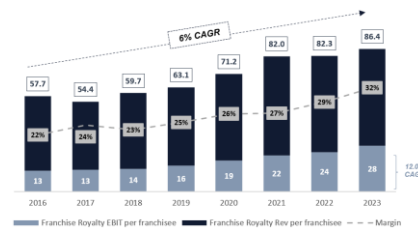


Source: WATR's Annual Reports

(i) Franchise Royalty Income: ALD operates as a franchisor, delivering services both through corporate-operated locations and its franchise system, which captures indirect sales through royalty income. Franchisees, generally independently owned and operated, enter into a ten-year license agreement upon franchise sale. Under this agreement, franchisees pay ALD a monthly royalty fee based on a percentage of their gross sales. While ALD does not disclose its blended annual royalty fee, analysis of its 2023 Franchise Disclosure Document provides insight into the royalty fee structure (Figure 6). Using this data, we estimated the average royalty fee by dividing total franchisee sales of \$100m in 2023 by the 78 franchises, resulting in an average gross sale per franchisee of \$1.3m. Applying the royalty fee scale, we calculated a blended annual royalty fee of 7.3%. However, given the variation in franchise sizes and corresponding differences in gross sales (i. e. with larger franchises contracting the effective royalty fee), further analysis of franchise royalty income relative to franchise gross sales implies a fee of 6.7%. To adopt a conservative approach, we applied a blended annual royalty fee of 6.5% for the following analysis.

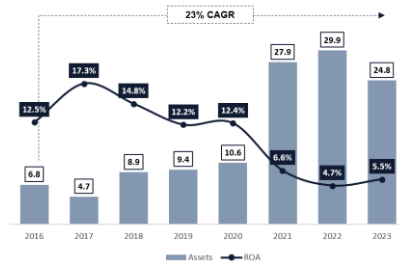
In recent years, ALD's franchise system has shown strong growth momentum, effectively counterbalancing the decline in the number of royalty-paying

Figure 8: Royalty Income and EBIT per Franchise, kUSD



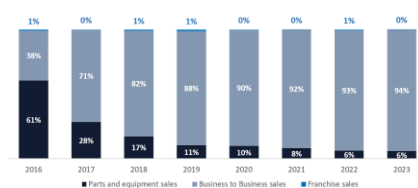
Source: WATR's Annual Reports

Figure 9: Royalty Income Segment's Assets in mUSD & ROA



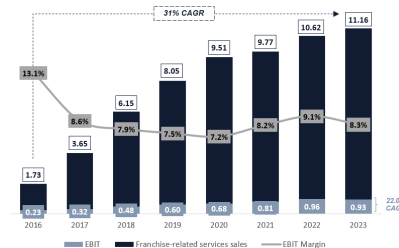
Source: WATR's Annual Reports

Figure 10: Franchise Related Activities Revenue Mix



Source: WATR's Annual Reports

Figure 11: Franchise Related Activities Revenue & EBIT, mUSD



Source: WATR's Annual Reports

franchisees. Over the past seven years, total franchise royalty income has achieved a CAGR of 3%, while the segment's EBIT grew at an even faster CAGR of 8.5%. Nevertheless, in 2022 and 2023, the segment experienced stagnant top-line growth, with slight declines of 0.8% and 0.1%, respectively. This stagnation was primarily due to WATR's reacquisition of 18 franchises during this period. Adjusting for these buy-ins, royalty income would have grown by 3% (Figure 7), indicating sustained underlying growth within the franchise system, particularly driven by the insurance distribution channel. Isolating royalty income on a per-franchise basis reveals robust top-line growth with a 7-year CAGR of 5.9%, whereas EBIT per franchisee has grown annually by 12% (Figure 8).

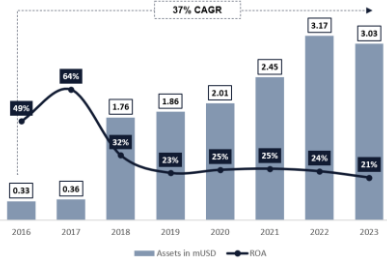
From a profitability standpoint, the franchise royalty income segment has consistently delivered high operating margins, averaging 26%, with an expansion of 10 percentage points from 22% in 2016 to 32% in 2023. Despite this margin expansion, capital efficiency has deteriorated, as evidenced by a contraction in return on assets (ROA) driven by rising capital intensity. Segment assets have grown at an annual rate of 23% over the past five years, outpacing both top- and bottom-line growth. On a per-franchise basis, asset growth has accelerated to 30% annually, resulting in a negative ROA CAGR of -11%, with ROA declining from 12.5% in 2016 to 5.5% in 2023.

In summary, ALD tracks franchise royalty income growth as a key KPI, as it reflects the health of the franchise network and provides a stable, recurring revenue stream that supports WATR's capital structure by enabling the use of bank debt alongside equity financing. However, it is important to note that franchise reacquisitions reduce the royalty income pool for subsequent periods, while contributing to growth in the US corporate-operated location segment.

(ii) Franchise Related Activities: WATR's franchise-related activities segment measures the group's support of franchise growth and includes equipment sales, franchise territory sales, and the development of channel sales, such as insurance. This segment not only reflects corporate administration's efforts to advance the franchise system but also serves as a proxy for franchisees' reinvestment in alignment with the group's broader growth strategy. Figure 10 illustrates the change in the segment's revenue composition, with parts and equipment sales decreasing from 61% in 2016 to 6% in 2023, while B2B sales have constituted over 90% since 2020. This dominant share highlights the group's strategic success and growth within the B2B channel, underlining its market leadership in this customer segment.

The third revenue stream within this segment, the sale of franchise units, reflecting the decision to develop new territories through franchisees rather than

Figure 12: Franchise Related Activities Segment's Assets in mUSD & ROA



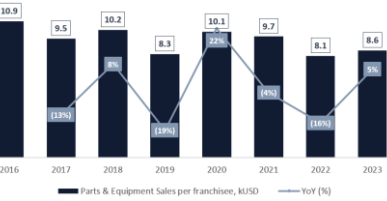
Source: WATR's Annual Reports

Figure 13: B2B Channel Revenue, kUSD



Source: WATR's Annual Reports

Figure 14: Parts & Equipment Sales per Franchisee, kUSD



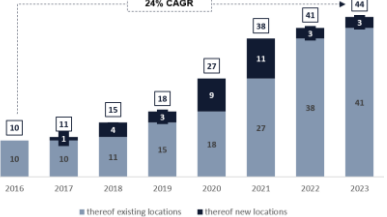
Source: WATR's Annual Reports

Figure 15: Franchise Sales, kUSD



Source: WATR's Annual Reports

Figure 16: Number of US Corporate-Run Locations



Source: WATR's Annual Reports

corporate operations, has historically been negligible, comprising less than 1% of revenue. This reflects WATR's historic focus on expanding corporate-operated locations over franchisee-operated ones. However, management has observed an increasing demand for additional territories among franchisees, driven in part by the rising value of franchise territories due to reacquisitions. Consequently, WATR conducts an annual review to reassess its strategic emphasis on establishing corporate-operated locations versus selling new franchise territories.

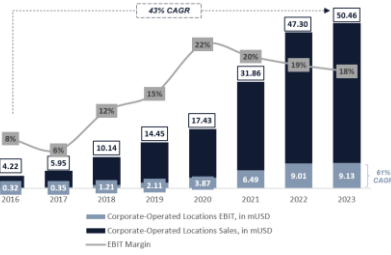
Overall, the segment has demonstrated strong momentum since 2016, achieving an impressive 7Y CAGR of 30.5% (Figure 11). Nevertheless, growth has sharply decelerated in recent years, and since 2021, the segment has been growing at a low to mid-single-digit clip. This growth has been primarily driven by the roll-out of the B2B channel and reinvestments from the franchise system in parts and equipment. Sales from new franchise territory rights have had a negligible impact on the segment performance. From a profitability perspective, EBIT expanded by a 22.2% 7Y CAGR, while margins dropped from 13% in FY16 to a relatively stable average of 8% in the subsequent years (Figure 11). Thus, this segment continues to dilute margins at the group level, and its rising asset intensity has compressed ROA (Figure 12).

To conduct a more granular analysis, we isolated the three key franchise-related activities and examined their critical performance indicators. Figure 13 shows the B2B channel's top line has grown by 48% annually since 2016 and by 53% on a per-franchisee basis. In 2023, the B2B channel generated \$10.5m in total sales, translating to an average of \$134k per franchisee. While WATR does not disclose specific margins for this revenue stream, DeSouza estimates EBIT margins around 8-10%. Parts and equipment sales exhibit some volatility but generally fluctuate between \$8,000 and \$10,000 per franchise annually (Figure 14). These sales serve as a critical proxy of the franchise system's reinvestment activity for growth. Finally, annual franchise sales have exhibited considerable volatility and remain negligible in absolute terms, ranging from \$10,000 to \$90,000 per year between 2016 and 2023, with a median value of \$25,000.

(iii) US Corporate Operated Locations: US corporate-run locations, which include both greenfield locations and those from franchise reacquisitions, are WATR's largest revenue-contributing segment. Beyond offering ALD services, these locations serve as regional hubs that support the franchise system with strategic guidance, marketing initiatives, and operational execution to further develop their territories.

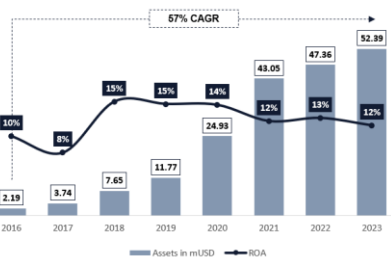
The number of corporate-run locations increased from #10 in 2016 to #44 in 2023. In FY23, these locations generated over \$50m in sales, contributing 66%

Figure 17: US Corporate-Operated Locations Revenue & EBIT, mUSD



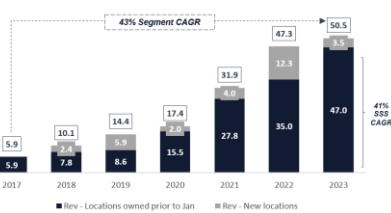
Source: WATR's Annual Reports

Figure 18: US Corporate-Operated Locations | Assets in mUSD & ROA



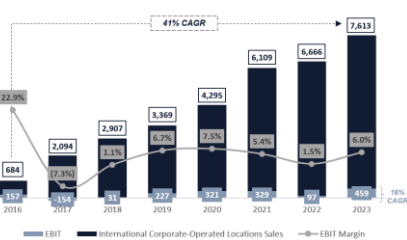
Source: WATR's Annual Reports

Figure 19: Same Store Sales Growth, mUSD



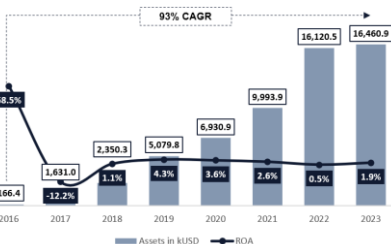
Source: WATR's Annual Reports

Figure 20: International Corporate Operated Locations Rev. & EBIT, mUSD



Source: WATR's Annual Reports

Figure 21: International Corporate Operated Locations Assets in kUSD & ROA



Source: WATR's Annual Reports

of Group revenue, and delivered \$9m in EBIT, representing 135% of Group EBIT before unallocated head office costs. Over the past seven years, corporate-run locations experienced a top-line growth of 42.6% annually, with overall EBIT achieving a CAGR of 61.1%. Consequently, segment margins expanded from 7.7% in 2016 to 18.1% in 2023, although recent years saw a margin contraction of over 100bps, primarily due to the hiring of new technicians. In line with these developments, ROA has remained relatively stable around an avg. of 12.4%.

DeSouza's aggressive franchise reacquisition strategy has significantly contributed to corporate top- and bottom-line growth by converting indirect royalty income into direct revenue and profits. Analysing performance on a per-location basis reveals that sales per location reached an all-time high of \$1.15m in 2023, reflecting a CAGR of 15.4% since 2016. EBIT per location has also achieved a CAGR of 30.4% over the same period, underscoring DeSouza's effectiveness in enhancing these directly controlled locations.

To isolate the financial implications of franchise buy-ins, WATR reports "same-store" corporate sales as a key performance indicator of organic growth post-acquisitions. Excluding acquired sales, same-store corporate sales have grown at an annualized rate of 42.6% since 2017, while PBT has achieved a CAGR of 47.3%. These metrics underscore the strategic rationale underpinning WATR's reacquisition model, wherein franchises benefit from access to the Group's robust balance sheet, allowing them to deploy additional working capital. This financial infusion enhances their operational capacity and accelerates growth.

(iv) International Corporate Operated Locations: Revenue streams from international corporate operated locations highlight WII's success in expanding its multinational footprint and prioritizing municipal solutions while sustaining its core residential and commercial offerings.

In alignment with WATR's objective to establish itself as a multinational growth entity, this segment has demonstrated strong progress over the past seven years, achieving a top-line CAGR of 41.1% and a total asset CAGR of 92.8%. Profitability has also significantly improved, transitioning from an operating loss in 2017 to a 6% EBIT margin in 2023. Despite robust financial growth, capital efficiency, as measured by ROA, has remained constrained. This is attributable to reinvestments aimed at driving the scalability of international operations. A significant proportion of this capital allocation is directed toward municipal projects, which are intrinsically associated with elongated sales cycles and narrower margin profiles. While these characteristics weigh on near-term asset productivity, they are strategically aligned with WATR's long-term vision of establishing a dominant presence in international public-sector markets.

Corporate Strategy

WATR's vision to become a multinational growth platform is driven by its "Build and Buy" approach, which balances organic growth with selective acquisitions.

Organic Growth: WATR focuses on expanding market share through enhanced service capabilities, process efficiency, technological innovation, and franchise sales. It strengthens service delivery by adding trucks and technicians, supported by a new state-of-the-art training center in Bridgeport, Connecticut, opened in H1 2024. This facility further serves as a hub for B2B partnerships. To enhance process efficiency, WATR invested >\$3m in Salesforce to streamline workflows and scalability. On the innovation front, WATR holds a ~4.9% stake in SEEEN plc, an AI-powered e-commerce tool aimed at increasing customer lifetime value. The group also invests in proprietary technology, and has developed four proprietary technologies poised for market launch, supported by targeted go-to-market investments. In response to rising demand, WATR is resuming master franchise sales to expand its US footprint and exploring international growth.

Inorganic Growth: Since 2014, WATR has driven shareholder value through the selective reacquisition of 36 ALD franchises, converting them into corporate locations. In 2024, two key buy-ins occurred, including the strategic acquisition of ALD's largest franchise in Dallas. This move secured operational expertise by appointing former owner Will Knell as ALD's CEO and leveraged geographical synergies. Plans are underway to relocate ALD's headquarters to Dallas in 2025 and establish another state-of-the-art training centre. Generally, DeSouza's reacquisition strategy prioritizes underperforming franchises for turnaround opportunities and strong customer bases to pilot new services. It also supports franchisees seeking exits or succession solutions. This inorganic growth strategy offers two key advantages: the strategic value of direct control and the substantial value-accretive potential of franchise buy-ins, which deliver unlevered pre-tax IRRs exceeding 20%. Corporate locations also yield significantly higher net profits compared to foregone royalty income, underscoring a positive value trade-off. Beyond reacquisitions, WATR has pursued bolt-on acquisitions, such as plumbing companies, to expand service offerings for both WII and ALD, extending capabilities from leak detection to repair.

International Growth: The third key growth pillar focuses on building a leading multinational growth platform. Past strategic acquisitions, such as WII and Water Save, have enhanced the Group's UK presence, while WATR's recent acquisition in Ireland expanded its EU footprint. Looking ahead, Mgt. plans to strategically establish locations in adjacent markets, using existing UK and Ireland operations to drive EU expansion, and Florida & Texas as entry points into Mexico.

Corporate Governance & Ownership

Figure 22: DeSouza's Track Record

Item in million	FY11, mUSD	FY23, mUSD	Multiple	Change %	Annualized Change %
Date: 31/12/2011 - 31/12/2023					
Operational Track Record					
Revenue	6.4	76.0	11.5x	1,087%	22.9%
USD per Share	0.67	4.26	6.4x	539%	16.7%
Gross Profit	5.9	65.6	11.1x	1,012%	22.2%
USD per Share	0.61	3.68	6.0x	499%	16.1%
EBITDA	0.5	12.8	25.6x	2,466%	31.0%
USD per Share	0.05	0.72	13.8x	1,277%	24.4%
EBIT	0.2	7.2	35.9x	3,492%	34.8%
USD per Share	0.02	0.40	19.3x	1534%	28.0%
DIL. Weighted avg. # of OS	9.6	17.8	1.9x	86%	5.3%
Date: 31/12/2011 - 31/12/2024					
Share Price Development					
Share Price (GBP)					
Multiple					
Change %					
IRR					
Date: 31/12/2011 - 31/12/2024					
Internal Rate of Return					
Share Price Development	34	410	12.1x	1,106%	23.1%

Source: WATR's Annual Reports

Figure 23: DeSouza's Compensation

USD mUSD	2017	2018	2019	2020	2021	2022	2023	2024	20 Avg
Executive Directors									
Patrick DeSouza									
Salary, Fees & Bonus	485,000	475,487	597,546	591,205	639,381	691,453	692,000		584,881
Benefits & Sharebased	25,450	20,000	25,310	25,310	19,004		29,000		17,029
Total DeSouza	485,000	591,672	597,386	688,510	654,386	691,453	692,000		601,910
% of Rev	2.6%	2.2%	1.7%	1.8%	1.2%	0.8%	0.6%		1.2%
% of EBITDA	25.7%	19.3%	12.2%	8.1%	6.2%	4.6%	5.3%		7.2%

Source: WATR's Annual Reports

Figure 24: Shareholder Structure

Nr	Shareholder	# of Shares	% of OS	% of Voting Rights	M-Val in USD
Director's Interest					
1	Patrick DeSouza (CEO)	4,874,780	27.3%	25.0%	19,986,516
2	Laura Hills	1,303,737	7.3%	0.7%	5,345,322
3	Bobby Kneel	27,000	0.2%	0.1%	110,700
4	Dan Ewell	41,300	0.2%	0.2%	168,412
5	Phil Mackley	2,020	0.0%	0.0%	8,426
Σ		6,248,837	35.0%	26.0%	25,639,355
Substantial Shareholders					
1	Plain Sight Systems, Inc.	2,430,410	13.6%	12.5%	9,964,691
2	Canaccord Genuity Group Inc.	2,134,432	12.0%	11.0%	8,751,171
3	Berenberg Asset Management	1,259,992	7.1%	6.5%	5,165,967
4	George D. Yancopoulos	880,300	4.9%	4.5%	3,611,772
5	Amal AIM VCT	814,690	4.6%	4.2%	3,340,106
6	Head Investment Trust	647,535	3.6%	3.2%	2,634,357
Σ		8,167,360	45.8%	42.0%	33,488,054
Patrick DeSouza Total (Director + Plain Sight System Interest)					
1	Patrick DeSouza (CEO)	4,874,780	27.3%	25.0%	19,986,516
2	DeSouza's Plain Sight Systems Interest	1,958,000	7.3%	10.7%	5,345,322
Σ		6,832,780	38.3%	35.4%	25,331,838

Source: WATR's Annual Reports; Eikon

Management: Patrick DeSouza has served as Executive Chairman of WATR since 2010, when he led the company's listing on AIM through a reverse merger. During his tenure, DeSouza has followed a disciplined capital allocation strategy, building a successful track record and delivering solid shareholder returns. Since FY2011, WATR's share price has increased by ~12 times, from 34 GBP to 410 GBP as of the valuation date, reflecting an IRR of 23%. DeSouza's average annual compensation over this period has been \$603K, representing 1.2% of revenue and 7.8% of EBITDA. The executive team is further strengthened by CIO Daniel McDonald, who joined in 2020 and developed the "PulseTM" sewer diagnostic technology, and CPO John Spenard, appointed in 2021 to support the company's human capital strategy.

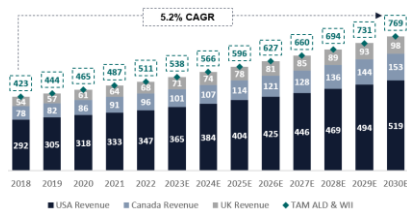
Shareholder: WATR's shareholder structure exhibits significant concentration, with the six largest shareholders collectively holding 46% of outstanding shares (O/S) and directors maintaining 35% insider ownership. DeSouza, the largest individual shareholder, directly owns 4.9m shares, representing 27.3% of O/S. Furthermore, as a director and shareholder of Plain Sight Systems (PSS), DeSouza has an indirect interest in an additional ~2m shares, bringing his total direct and indirect ownership to ~38%. This positions him as an owner-operator with substantial shareholder alignment. Excluding shares held by directors and PSS as a strategic shareholder, the free float equals 51%. Adjusting further for low-turnover institutional holdings, the effective free float is reduced to <20%.

Industry Overview

Market Size

To estimate WATR's TAM, we aggregated the market sizes of its primary geographic regions (i.e. US, CAD, UK) based on historical and projected revenue data from the water leak detection and repair services market, as reported by Grand View Research¹. The latest report estimates the TAM at \$511m in 2023, reflecting a historic CAGR of 4.8% since 2018. Looking ahead, the market is projected to expand at a 5.2% CAGR, reaching \$769m by 2030. Thereof, the US is the largest contributor in absolute terms, with an estimated market size of \$519m in 2030, while Canada is projected to reach \$153m and the UK \$98m. In relative terms, the market is expected to grow most rapidly in Canada, with a projected CAGR of 6%, compared to 5.1% in the US and 4.6% in the UK.

Figure 25: Water Leak Detection and Repair Services Market Size (in USD m)

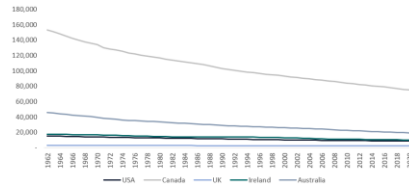


Source: Grand View Research

¹ Grand View Research. (n.d.). *Water leak detection and repair services market in the United States*. Grand View Research. Retrieved December 3, 2024, from <https://www.grandviewresearch.com/horizon/outlook/water-leak-detection-and-repair-services-market/united-states>

Macroeconomic Drivers

Figure 26: Renewable Internal Freshwater Resources per Capita (m³)



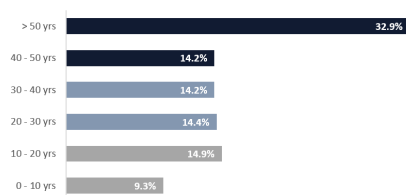
Source: Our World in Data

Figure 27: Water Stress by Country 2040



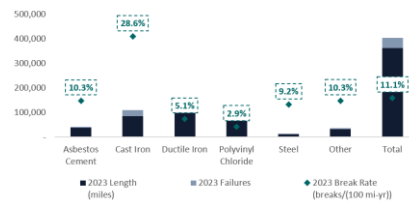
Source: Our World in Data

Figure 28: Pipe Age Distribution



Source: Utah Water Research Laboratory

Figure 29: Pipe Break Rates by Material



Source: Utah Water Research Laboratory

Global Water Stress: WATR operates in a market with global tailwinds, due to increasing economic and environmental pressures arising from the widening gap between water demand and renewable supply. As response, the company's mission to "preserve the world's most precious resource" is focused on combating water scarcity and alleviating water stress worldwide. The increasing global demand for water, fuelled by rapid population growth and industrial expansion across sectors such as agriculture, energy, and manufacturing, is colliding with constraints imposed by climate change and deteriorating water infrastructure. This convergence is causing a sustained decline in renewable internal freshwater resources per capita (Figure 26). Data from the World Resources Institute² underscores the gravity of the situation, noting that 13% of nations are already experiencing extreme water stress, defined as the consumption of more than 80% of available water resources. By 2050, global water demand is projected to rise by 20%-25%, further exacerbating supply pressures and placing an additional 1bn people at risk of extreme water stress.

Deteriorating Water Infrastructure: Findings from the Utah State Study on Water Main Break Rates³ underscore the critical need for the repair and modernization of water infrastructure across the US and Canada, with 47% of pipes exceeding 40 years of age. As these pipelines age, they become increasingly porous, contributing to an elevated break rate of 11% in 2023, with certain materials exhibiting rates of up to 29%. Collectively, the US and Canada experience approximately 260k water main breaks annually, incurring maintenance and repair costs estimated at \$2.6bn per year. The study further highlights that 20% of installed water mains have surpassed their useful life and remain unreplaced due to a funding shortfall of ~\$452bn for essential infrastructure. In addition, the Environmental Protection Agency⁴ estimates that the average US household wastes over 10k gallons of water annually, with 5-10% of homes having easily fixable leaks that lose at least 90 gallons per day.

CapEx Requirements: In response, governments are increasingly prioritizing infrastructure modernization and the implementation of stricter water management standards to mitigate resource waste and address the persistent investment gap. Bluefield Research⁵ estimates that, following years of

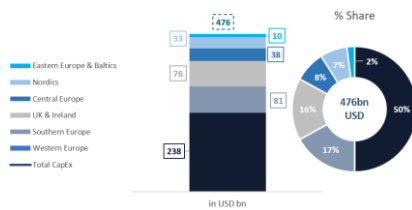
² World Resources Institute. (2023). *25 Countries, Housing One-Quarter of the Population, Face Extremely High Water Stress*. Retrieved December 4, 2024, from <https://www.wri.org/insights/highest-water-stressed-countries>

³ Utah Water Research Laboratory, Utah State University. (2023). *Water main break rates in the USA and Canada: A comprehensive study*.

⁴ United States Environmental Protection Agency. (n.d.). *Leaks Can Run, but They Can't Hide*. Retrieved December 4, 2024, from <https://www.epa.gov/watersense/fix-leak-week>

⁵ Bluefield Research. (2019). *Underground Infrastructure: U.S. Water & Wastewater Pipe Network Forecast, 2019-2028*. Retrieved December 4, 2024, from <https://www.bluefieldresearch.com/research/underground-infrastructure-u-s-water-wastewater-pipe-network-forecast-2019-2028/>

Figure 30: EU Water CAPEX Forecast by Region, 2024–2030



Source: Bluefield Research

underinvestment, the US will allocate \$234bn in CapEx by 2028 to upgrade aging municipal and wastewater infrastructure. A similar trend is evident in the EU, where regulatory frameworks are being established to reinforce infrastructure investments. Central to this effort is the European Green Deal, particularly the Urban Wastewater Treatment Directive, which sets uniform standards for water management and treatment. Compliance with these directives requires significant capital outlays in water infrastructure. Bluefield Research⁶ projects a cumulative CapEx of \$476bn in this sector from 2024 to 2030, with annual CapEx expected to grow by 2%, rising from \$60bn to approximately \$75bn by 2030.

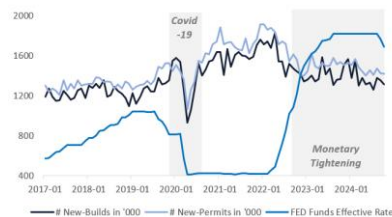
Concluding, WATR is well-positioned in a structural growth market driven by water stress, aging infrastructure, and regulatory shifts, all of which are expected to generate a future CapEx influx that WATR can capture with its service matrix.

WATR's service criticality is only set to increase in the face of climate change and population growth, as it preserves water - the most vital resource on Earth.

Macro Headwinds

WATR is currently navigating a triad of macroeconomic headwinds. In terms of top-line growth, DeSouza noted that, in the post-COVID environment and amid the subsequent monetary tightening cycle, revenue growth has been negatively impacted by a decline in construction activity. Yet, he remains optimistic about future growth, particularly with the increasing demand for maintenance services in rental properties. WATR's expansion into residential sewer diagnostics through PulseTM is expected to reduce its reliance on new construction.

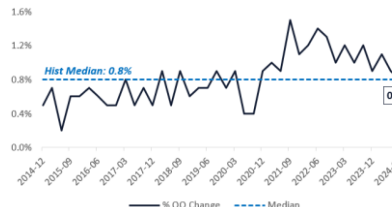
Figure 31: US New-Builds vs. Fed Tightening: Construction Slowdown



Source: Federal Reserve Bank of St. Louis

Furthermore, WATR's profitability is sensitive to inflationary pressures, particularly increases in labour and gasoline costs. The latter is a significant cost driver, as WATR operates through regional hubs and technicians often commute long distances in corporate vehicles to reach clients. In retrospect, gasoline prices were already elevated due to the post-pandemic economic recovery and spiked further following Russia's invasion of Ukraine, placing additional strain on WATR's operating expenses. Labor shortages present an additional headwind, as the company depends on a skilled workforce to operate its specialized technologies. The scarcity of qualified technicians may constrain the company's capacity to scale operations, while rising labour costs may exert pressure on profit margins. However, the Employment Cost Index from the US Bureau of Labor Statistics⁷ rose by 0.8% in Q3 2024 (Figure 32). Overall, labour costs increased 3.9% over the 12 months ending in September 2024, which represents the smallest annual rise since Q3 2021. This slowdown from the 4.3% growth seen in September 2023 suggests some easing of labour cost pressures.

Figure 32: US Employment Cost Index QQ %-Change



Source: Eikon; US Bureau of Labour Statistics

⁶ Bluefield Research. (2024). *Europe's Proactive Policy Approach Advances US\$476 Billion Water & Wastewater CAPEX Outlook by 2030*. Retrieved December 4, 2024, from <https://www.bluefieldresearch.com/ns/europes-proactive-policy-approach-advances-us476-billion-water-wastewater-capex-outlook-by-2030/>

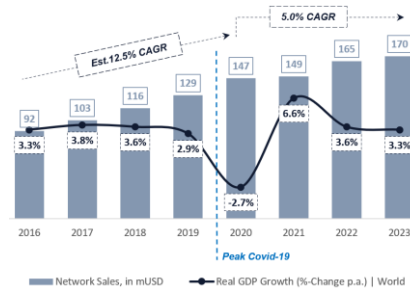
⁷ U.S. Bureau of Labor Statistics. (2024). *Employment Cost Index*. Retrieved December 4, 2024, from <https://www.bls.gov/eci/>

Market Characteristics

Market Fragmentation: The market is characterized by a high degree of fragmentation, particularly within WATR's primary jurisdiction (i.e. the US), where over 121k water plumbing companies and approximately 520k self-employed professionals operate in the water leak detection and repair service market. This fragmented landscape is similarly observed across WATR's other jurisdictions. However, the market still remains in its early stages of consolidation. Besides WATR, competitors like Roto-Rooter and strategic players such as private equity firms are actively participating in consolidation efforts by acquiring local plumbing businesses to enter repair markets.

Non-Cyclical & Inelastic Market Demand: The water leak detection and repair services industry demonstrates acyclical characteristics, primarily due to the essential nature of these services. As infrastructure reaches the end of its useful life, the need for repair and maintenance grows, creating sustained demand independent of economic cycles. Additionally, climate change and population growth put increasing strain on infrastructure at residential, commercial, and municipal levels, further reinforcing the inelastic demand for these services. WATR's performance during COVID-19 highlights the defensive nature of its business model, demonstrating its resilience to fluctuations in discretionary spending (Figure 33). Unlike industries dependent on discretionary spending, the need for water leak detection and repair remains non-deferrable. Homeowners and businesses face immediate costs associated with leaks, driven by direct water loss expenses and the potential for property damage and health risks if unresolved. Delays in addressing leaks, especially hidden ones, can lead to structural damage, mold growth, and other costly issues, increasing remediation expenses. As a result, the water services market is characterized by inelastic demand, with consistent repair and maintenance requirements regardless of broader economic conditions, reinforcing the sector's acyclical nature.

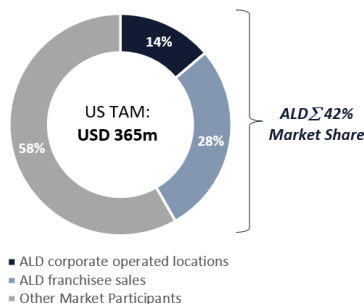
Figure 33: Network Sales vs GDP Growth



Source: WATR's Annual Reports; International Monetary Fund

The essential nature of water infrastructure services, combined with inelastic demand, shields the industry from economic downturns, ensuring its resilience and acyclicity.

Figure 34: ALD Market Share FY23

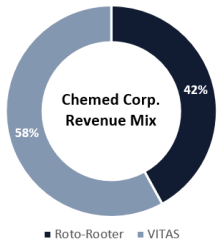


Source: WATR's Annual Reports; Grand View Research

Competitive Dynamics

Rivalry Among Existing Competitors: Our analysis has identified ALD and Roto-Rooter as the primary publicly traded companies with a national footprint in the US leak detection and repair service market. While specific market share figures are not publicly available, an estimate can be derived from industry data. In 2023, the TAM for the US water leak detection & repair service market was valued at \$365m. WATR's US network, including both corporate and franchisee sales under the ALD brand, generated \$152m in gross sales during this period, suggesting an estimated market share of over 40%.

Figure 35: Chemed Corporation Revenue Mix



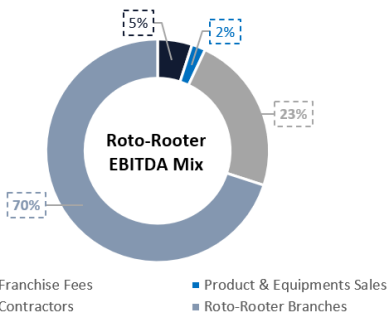
Source: Chemed Corporation's Q3 2024 Earnings Presentation

Figure 36: Roto-Rooter Financials

(\$ MM US\$ '000)	2019	2020	2021	2022	2023	Adj. CAGR
Revenues	657,371	744,916	876,015	933,339	946,362	9.6%
Op. Exp.	15,496	13,376	17,991	6,236	1,776	13.5%
Adj. EBITDA	165,759	181,168	340,165	273,767	268,570	14.7%
% Margin	25.1%	24.3%	38.8%	29.3%	28.4%	21.1%
Adj. Net Income	110,082	132,791	174,965	193,781	193,475	15.1%
% Margin	16.7%	17.8%	19.9%	20.8%	20.4%	19.1%

Source: Chemed Corporation's Q3 2024 Earnings Presentation

Figure 37: Roto-Rooter EBITDA Mix



Source: Chemed Corporation's Q3 2024 Earnings Presentation

Roto-Rooter, WATR's closest competitor, is a subsidiary of Chemed Corp., an NYSE-listed holding company with a market capitalization of \$8.3bn. Chemed operates two distinct business segments: VITAS, the largest provider of hospice care services in the US, and Roto-Rooter, recognized as the nation's leading provider of plumbing, drain cleaning, and water cleanup services. Founded in 1935, Roto-Rooter serves approximately 90% of the US population and 40% of the Canadian population, making it the largest provider of plumbing and drain cleaning services in North America. Its operations include 127 corporate-owned branches, a network of independent contractors, and 369 franchise locations.

Roto-Rooter holds an estimated 15% share of the drain cleaning market and 2–3% of the same-day service plumbing market. In 2023, the company reported⁸ \$949m in revenue and \$270m in adj. EBITDA, representing a 28% margin. This compares to 2013 figures of \$368m in revenue and \$70m in adj. EBITDA. Thus, over the past 10 years, Roto-Rooter's revenue has grown 2.6x, while adj. EBITDA has increased 3.9x, equating to CAGRs of 9.9% and 14.5%, respectively; highlighting significant growth in both top-line and profitability.

According to DeSouza, Roto-Rooter's core competency is sewer and drain services, which often leads to collaboration with ALD. In instances where Roto-Rooter encounters challenges in locating the source of a leak, the company often refers such cases to ALD, whose specialized expertise in leak detection complements Roto-Rooter's broader service offerings. This illustrates the market's referral-driven dynamics, where market participants and competitors, exchange work when they lack the necessary in-house expertise or capacity.

Beyond Roto-Rooter, WATR's competition primarily consists of smaller regional players, including companies like Adi Leak Detection, Enco Plumbing, and Reev's Family Plumbing. These privately held entities, often led by self-employed craftsman, typically generate less than \$15m in annual revenue. They lack the financial scale, operational efficiencies, and strategic capabilities of WATR as a publicly traded company. Many smaller competitors operate as "Mom-and-Pop" shops, constrained by limited managerial expertise, and financial resources, which diminishes their ability to compete effectively at scale.

In conclusion, the market for leak detection and repair services does not conform to a "winner-takes-all" paradigm and exhibits modest industry rivalry. Roto-Rooter is identified as a dominant, well-managed competitor with a significantly larger scale; however, its specialization limits direct overlap with WATR's core offerings. Furthermore, the broader market is highly fragmented, comprising numerous small players that pose a limited competitive threat to WATR.

⁸ Chemed Corporation. (2024, October). *Chemed Corporation Third-Quarter 2024 Earnings Conference Call*.

PORTER'S 5 FORCES

COMPETITIVE RIVALRY

- › ALD captures >40% market share ⇒ US market leader
- › Fragmented market at early stages of consolidation
- › Few national and publicly listed competitors
- › The majority of competitors are self-employed craftsmen ("mom-and-pop shops") that operate on a regional level
- › **No "winner takes it all" market with modest rivalry**

THREAT OF NEW ENTRANTS

- › Limited competitive edge in such a fragmented market
- › WATR's reinvestment moat: proprietary tech, scale, and brand equity
- › Capturing market share via roll-up is capital- and time-intensive
- › To "KKR it," the best entry strategy is acquiring a platform
- › **Threat of new entrants (PEs, roll-ups) with financial and intellectual power exists**

THREAT OF SUBSTITUTION

- › Market transformation driven by smart home devices, like real-time water leak detectors
- › Smart detectors use sensors and Wi-Fi to monitor flow and detect leaks, sending alerts to your smartphone
- › WATR offers these solutions through a partnership with FLO Technologies
- › These devices may replace leak detection but still require WATR's repair services
- › **WATR's patented technologies face the threat of copycat competitors**

BUYER POWER

- › **Water leak detection & repair are essential & non-deferrable ⇒ inelastic demand**
- › Delayed leaks cause costly structural damage and mold
- › Urgency to address leak pushes customers to the largest, most trusted provider
- › B2C switching costs are low once the leak is fixed

SUPPLIER POWER

- › **WATR's service quality & minimally invasive value proposition sets it ahead of comps in the B2B segment**
- › B2B clients, like insurance companies, prefer a nationwide "one-stop" solution like WATR to handle claims

Threat of New Entrants: At first glance, WATR may not appear to have a clear competitive edge in this fragmented market. Yet, a closer analysis reveals that the company is shielded from the threat of new entrants through a competitive moat anchored in proprietary technology, economies of scale, and brand equity.

WATR's proprietary non-invasive leak detection technologies are a key differentiator. While competitors could theoretically replicate these technologies, the significant financial investment and extensive R&D required to achieve a comparable level of sophistication create material barriers to entry. Furthermore, training technicians to meet WATR's high operational standards adds an additional layer of complexity for potential new entrants.

The company's economies of scale further strengthen its market position. With operations spanning 46 US states and international markets, WATR's extensive reach significantly outpaces its competitors. This large-scale presence not only allows for operational efficiencies but also reinforces WATR's reputation as a trusted, one-stop solution for B2B clients, such as insurance companies. These clients prefer national providers capable of managing water-related claims consistently across regions. WATR's ability to route jobs electronically to its franchise or corporate locations, dispatch technicians, and generate comprehensive reports with sound and video files provides insurance companies with the documentation needed to assess coverage responsibilities. As B2B channels are a key growth driver, securing preferred partner status is critical for long-term contracts, customer captivity, and revenue stickiness.

In light of these advantages, replicating WATR's scale, technology, and customer relationships would be challenging for competitors. The capital requirements for entering this market are significant, and given the small size and limited resources of most market participants, starting from scratch and capturing meaningful market share through a roll-up strategy would be both time- and capital-intensive. Therefore, the most viable option for a larger player to aggressively enter the market – if they aim to "KKR" it – would be through the acquisition of a larger distribution platform. In this context, WATR could be an attractive target for firms looking to quickly scale their operations and compete in the market, as DeSouza noted the interest from both strategic and financial buyers seeking a quicker entry point.

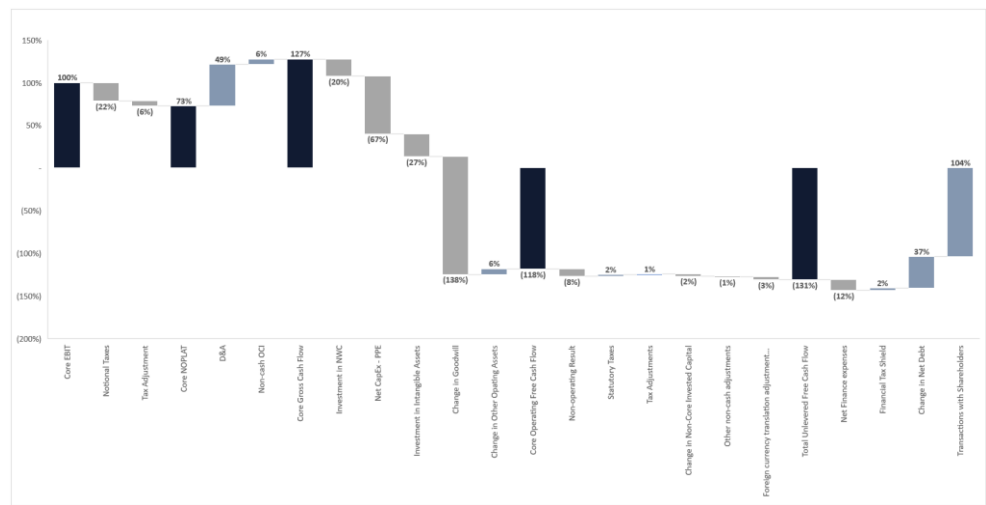
In conclusion, WATR faces a moderate threat of new entrants. While it benefits from a reinvestment moat, the company must constantly invest to stay ahead in setting the standard for leak detection technologies. The threat of deep-pocketed market entrants or smaller roll-up strategies with the right financial and brain power exists.

Economic Characteristics

Capital Allocation

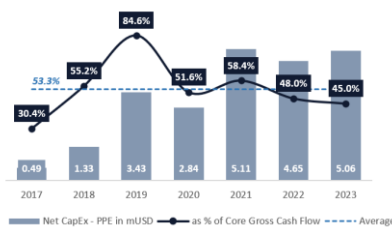
Hist. Cash Flow Bridge: The graph below presents the historical cash flow map as a percentage of aggregated core EBIT, providing a foundational reference for the forthcoming granular analysis of management’s deployment of financial resources. This analysis will centre on the key capital allocation levers identified by management as instrumental in achieving their stated capital allocation plan.

Figure 38: Cash Flow Bridge as % of Aggr. Core EBIT



Source: WATR’s Annual Reports

Figure 39: Net CapEx – PPE in m USD



Source: WATR’s Annual Reports

Growth CapEx: WATR has made substantial growth investments to position the company for the next phase of corporate development. These investments are expected to yield returns in the coming years. In July 2024, the Group launched a state-of-the-art training, product assembly, and R&D facility in Bridgeport, Connecticut, designed to supply more trained technicians and specialized equipment to meet rising demand. This has resulted in an increase in net PPE CapEx, which averaged 53% of core gross cash flow over the historical period.

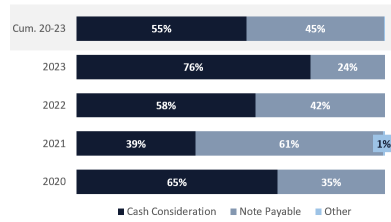
Figure 40: M&A Track Record

YEAR	2020	2021	2022	2023	Cum. 2020-2023
Total # of Deals Completed	9	8	3	5	25
Franchises/Reacquired	8	5	3	4	20
Other Strategic Acquisitions	1	3	-	1	5
DEAL VOLUME & FINANCING					
Total Capital Deployed	14,014,030	17,402,290	9,468,447	5,543,000	47,027,017
Cash Consideration	9,029,647	6,741,808	5,000,000	4,203,000	25,974,583
% of total consideration	65.2%	38.6%	58.1%	75.8%	55%
Note Payable	5,085,192	10,663,787	3,968,447	1,340,000	20,987,426
% of total consideration	34.8%	60.7%	41.9%	24.2%	45%
Other	-	116,887	-	-	116,887
% of total consideration	0.0%	0.7%	0.0%	0.0%	0%
NAV & GOODWILL					
Net assets acquired/acquired	1,540,104	2,203,008	1,760,244	718,989	6,318,351
Goodwill	13,019,134	16,198,652	7,688,203	4,608,951	40,906,000

Source: WATR’s Annual Reports

Acquisitions: As outlined in the corporate strategy section, one of WATR’s core strategic pillars has been the selective reacquisition of franchises and the deployment of capital in bolt-on acquisitions to scale WII. As a result, acquisitions have been a major growth driver and the most dominant capital allocation item, collectively accounting for 80% of core gross cash flow between 2017 and 2023. We will break down WATR’s historical M&A track record in the following, but will focus our analysis on the past three years, as the company did not disclose the revenue and PBT generated by reacquired franchises prior to 2020.

Figure 41: Cum. Payment Structure



Source: WATR's Annual Reports

Figure 42: P&L Contribution

YEAR	2020	2021	2022	2023	Cum. 20-23
P&L CONTRIBUTION					
Revenue acquired, in \$USD	10,261,000	11,513,000	6,150,000	4,200,000	32,124,000
Thereof franchise revenue reacquired	10,261,000	9,810,000	6,150,000	4,200,000	30,421,000
Thereof other revenue acquired	-	1,703,000	-	-	1,703,000
Franchise PBT Reacquired, in \$USD	2,805,000	2,958,739	1,610,000	970,000	8,343,739
PBT Margin (%)	27.3%	25.7%	26.2%	23.1%	26.0%
Thereof franchise PBT reacquired	2,805,000	2,554,348	1,610,000	970,000	7,939,348
Thereof other PBT reacquired	-	402,391	-	-	402,391

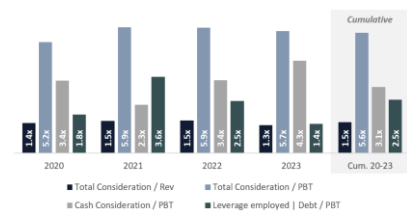
Source: WATR's Annual Reports

Figure 43: P&L Accounting for the Impact of Leverage

P&L - ACCOUNTING FOR THE IMPACT OF LEVERAGE					
Franchise PBT Reacquired, in \$USD	2,805,000	2,958,739	1,610,000	970,000	8,343,739
PBT Margin (%)	27.3%	25.7%	26.2%	23.1%	26.0%
Debt employed	5,085,192	10,603,787	3,958,447	1,340,000	20,987,426
Cost of debt Est.	0.0%	0.0%	0.0%	0.0%	0.0%
(j) Interest Expense	(254,260)	(531,189)	(197,502)	(67,000)	(1,049,951)
Tax Shield	73,735	153,755	57,387	19,430	304,308
Avg. PBT (incl. Interest Expense post-debt)	2,550,740	2,428,550	1,412,498	903,000	7,295,388
(i) Income Taxes	(720,716)	(763,659)	(453,533)	(261,670)	(2,149,578)
Tax Rate	28.2%	31.5%	32.2%	29.0%	29.0%
Avg. Net Income (incl. Interest Expense post-debt)	1,811,024	1,722,891	1,002,575	641,330	5,177,581
PBT Margin (%)	17.6%	15.0%	16.3%	15.3%	16.1%

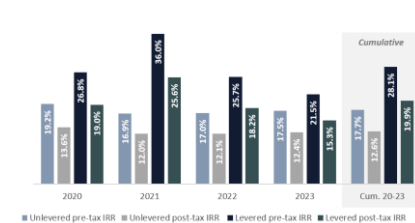
Source: WATR's Annual Reports

Figure 44: Implied Transaction Multiples



Source: WATR's Annual Reports; Analyst's M&A Math

Figure 45: Implied IRRs



Source: WATR's Annual Reports; Analyst's M&A Math

Between 2020 and 2023, WATR completed #25 acquisitions, including #20 franchise buy-ins and #5 other strategic acquisitions. Over this period, DeSouza deployed a total of \$47m, with 55% financed by equity, 45% with debt (deferred considerations), and the remainder being an intellectual property acquisition where the seller received a 25% stake in the newly created subsidiary. Due to the tangible, capital-light nature of their business, WATR acquired net assets worth \$6.4m, resulting in \$40.7m in goodwill (86% of capital deployed).

Regarding ticket sizes, transaction targets, on average, generated revenues of \$1.530m and a PBT of \$0.397m, reflecting a 26% PBT margin. WATR paid, on average, a total consideration of \$1.885m per transaction, of which \$1.035m (54%) was equity-financed. The remaining \$0.850m (46%) was covered by note payables (deferred considerations). The largest ticket size was \$10m, while the smallest, pertaining to intellectual property assets, was \$116k.

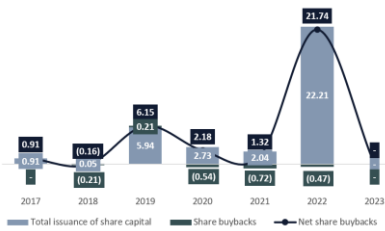
In analysing the acquisitions' P&L contribution, we aggregated all disclosed top and bottom-line figures from the acquisition year, revealing that WATR contributed a total of \$32.1m in sales and \$8.3m in PBT to its financial statements, excluding any post-acquisition growth. Of this, \$30.4m in revenue stemmed from reacquired franchises, and \$1.7m from other acquired revenue sources. The corresponding PBT contributions were \$7.9m from franchises (26.1% PBT margin) and \$0.4m from other acquisitions (23.6% PBT margin).

In terms of multiples paid, we divided the cumulative consideration paid for all deals by the aggregate top- and bottom-line acquired. DeSouza paid 1.5x EV/Revenue and 5.6x EV/PBT on a cumulative level, without accounting for growth post-integration. The average EV/Rev. multiple was 1.4x, and the average EV/PBT multiple was 5.7x over the reviewed period. Furthermore, DeSouza leveraged these businesses with a Debt/PBT ratio between 1.8x and 3.6x.

Lastly, when evaluating these acquisitions from a return perspective, WATR makes +17% unlevered pre-tax IRRs without factoring in growth, synergies, or operational improvements based on our calculations. When factoring in the employed gearing, we arrive at levered pre-tax IRRs north of 25%. We assume that, through organic growth and operational efficiency enhancements, the entry multiples can be halved in less than five years, pushing unlevered IRRs north of 35% based on run-rate earnings in the exit year. If DeSouza gradually increases the debt load in line with the growing earnings power at a fixed ND/PBT multiple, equity returns could be further boosted to over 40% IRR. Thus, acquisitions have been highly value-accretive for WATR, with further long-tail upside potential.

Transactions With Shareholders: Given that acquisitions have accounted for approx. 80% of the company's core gross cash flow, WATR has conducted

Figure 46: Net Share Buybacks, mUSD



Source: WATR's Annual Reports

irregular capital raises to avoid overstressing the Group's balance sheet while leveraging its highly valued shares as an efficient deal currency. DeSouza capitalized on WATR's elevated stock valuation levels in recent years, particularly in 2021, by issuing new shares and selling treasury stock, generating proceeds of approx. \$22m. Raising equity at high EV/EBIT multiples exceeding 30x was a rational decision, enabling DeSouza to recycle these proceeds into value-accretive acquisitions at multiples of 4-6x EV/PBT. This integration of acquired PBT can be described as an arbitrage transaction where the integrated profits automatically enjoy a strong revaluation to Group multiple levels.

With share repurchases being a critical capital allocation lever for DeSouza to enhance shareholder value and provide liquidity for WATR's shareholders, he has already indicated in the FY23 shareholder letter that one of the intended uses of capital, subject to regulatory approval and shareholder authorization, is to repurchase shares. DeSouza has since executed this plan, initiating an Equity Buyback Program for 1,956,769 shares, representing 10% of the company's issued share capital, under the authorization granted on October 7, 2024. As of H1 2024, the company had already committed \$39k to share buybacks.

As a result of this capital allocation strategy, management has historically deprioritized consistent dividend distributions and is unlikely to prioritize them in the future, given its continued focus on scaling the operating platform and capitalizing on ample opportunities to deploy capital at attractive returns.

WATR received authorization for a share buyback program of up to 1,956,769 shares (~10% of O/S).

DeSouza is not a dividend distributor, as he can recycle cash into high-return investment projects that are more tax-efficient.

Performance Analysis

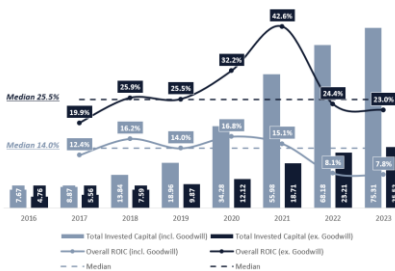
Figure 47: Return on Equity



Source: WATR's Annual Reports

Capital Efficiency: As a "soft" serial acquirer, WATR's capital base is significantly inflated by goodwill. To segregate acquisition-driven activities from core operational performance, we analysed returns both including and excluding goodwill. WATR's disciplined capital allocation has generated strong equity returns, with a historical 7-year median of 16.5%, rising to 36.7% when goodwill is excluded. Median ROIC, including goodwill, is 14.0% and 25.5% excluding goodwill. Both metrics exceed WATR's WACC, reflecting value-accretive growth. Over the past two years, ROIC has shown a declining trend, primarily due to significant investments in organic growth, including onboarding and training over 40 technicians (compressing NOPAT), constructing a training centre (inflating the asset base), and investing in Salesforce and product development (increasing intangibles). CEO DeSouza stated that WATR has exited this investment cycle, positioning the Group for enhanced profitability. Going forward, there is little need for heavy lifting in terms of new investment, and we can expect a sharp pick-up in ROIC, provided no comparable expansion occurs. The goodwill-to-revenue ratio should also decline as previously acquired locations continue to grow.

Figure 48: Total Invested Capital (mUSD) and ROIC



Source: WATR's Annual Reports

Valuation

Value Drivers and Forecasts

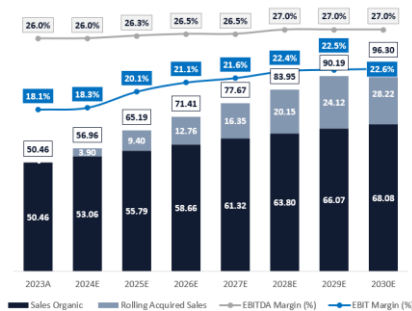
To develop a precise financial model for WATR, we utilize a bottom-up approach that emphasizes the company’s primary value drivers. Given the Group’s hybrid business model, integrating franchisor activities with a corporate store network, alongside distinct customer focuses across segments with varying unit economics that resist straightforward categorization, we opted to forecast each segment separately. These dynamics, combined with the complexities introduced by franchise reacquisitions, reinforced the necessity of this segmented approach.

US Corporate-Operated Stores

Revenue Drivers: Regarding organic top-line growth, our base case assumes that US operations will align with the projected 5.2% CAGR of the US leak detection and repair services market over the next 3-years (Figure 25). Thereafter, we anticipate the growth rate to progressively approach the terminal growth rate of 3% by the exit year. Combined, this translates to a 4.4% organic sales CAGR for the segment over the entirety of the forecast period. Considering the Group's investments in infrastructure, software, and technician training, we posit that WATR is strategically positioned to capitalize on the next phase of corporate growth. However, we adopt a conservative approach by not incorporating potential gains in market share into our baseline assumptions, thereby leaving room for upside potential. This upside is reflected in our best-case scenario.

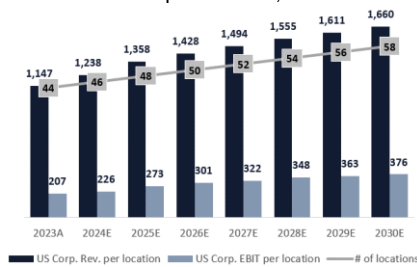
With respect to inorganic growth, we anticipate that WATR will continue to reacquire franchises annually, albeit at a more moderate pace, as the elevated buy-in rate in previous years was largely driven by demographic trends, with numerous franchise owners nearing retirement choosing to sell their businesses to WATR. For FY2024, we have factored in the announced franchise acquisitions - Dallas & Fresno - across all scenarios, without projecting additional acquisitions for Q4. Based on the disclosed terms, we estimate WATR reacquired \$7.8m in revenue and \$2.0m in PBT (23% margin) for a total consideration of \$14.9m. This implies acquisition multiples of 1.9x EV/Rev and 7.5x EV/EBITDA (EV “excess-cash-and-debt-free”). While these multiples are elevated compared to historical benchmarks, the Dallas franchise stands out as the largest in the network, exhibiting rapid growth and holding significant strategic value for WATR. We project 50% of the acquired revenue and profit will be consolidated into WATR’s FY2024 accounts, with 60% of the purchase price financed by equity.

Figure 49: Est. US Corporate-Operated Revenue & Margin Profile, mUSD



Source: Own Estimates

Figure 50: Est. US Corporate-Operated Revenue & EBIT per location, kUSD



Source: Own Estimates

From 2024 onwards, we expect WATR to acquire two franchises annually, down from a 5-year average of five. Each acquisition will secure 100% ownership, with an average sales volume of \$1.4m per franchise in FY2025 (4-year avg. of \$1.6m). This base is projected to grow annually at the assumed organic growth rate, with a 26% EBITDA margin (40bps above the 4Y avg.). To provide further context for this expectation, we project that, on average, WATR will reacquire 2.8% of system-wide franchise sales annually. In our view, this represents a reasonable assumption, as it reflects the natural turnover of franchise ownership. Acquisitions are expected to occur at a 1.4x EV/Rev multiple (with EV equaling Equity Value, as acquired locations are typically debt-free with minimal net cash) and 5.3x EV/EBITDA multiple (4Y avg. of 5.2x), financed 60% by equity and 40% by debt at a 6.0% fixed interest rate. Additionally, we again project that 50% of the acquired revenue will be integrated within the fiscal year. In conclusion, based on these assumptions, we calculated a 9.7% sales CAGR for the segment, comprising 4.4% organic growth and 5.1% inorganic growth.

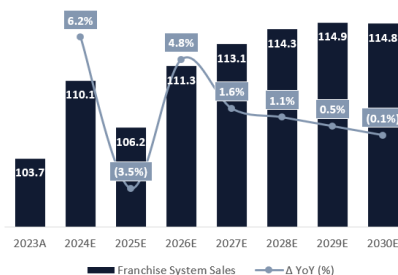
Operating Margins: We anticipate a blended segment EBITDA margin of 26% for FY2024. Subsequently, we project a 100 basis point expansion in EBITDA margins for both organic top-line growth and rolling acquired sales between 2024 and 2030, driven largely by operational efficiency gains from the new Salesforce integration. These efficiencies will be further supported by an expanded product portfolio, facilitating accelerated job execution, and an enhanced US market presence, reducing travel-related costs and time.

▪ **Franchise Royalty Income**

Revenue Drivers: The royalty income stream is influenced by three primary factors: the total number of ALD franchise operations contributing royalties to WATR, the average revenue generated per franchise, and the blended royalty rate, which ranges from 6% to 10% of adjusted gross billings. Understanding these factors is critical, as under IFRS, franchise gross sales are only indirectly reflected in WATR's financial statements as royalty income, thereby underestimating WATR's true market capture.

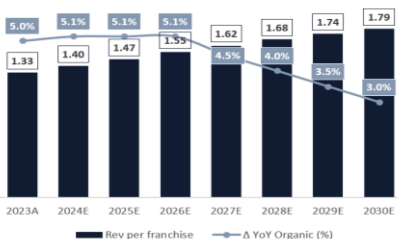
At the close of FY2023, WATR had a total of 78 active, royalty-paying franchisees. Based on our projections for future reacquisitions, we estimate a net reduction of two franchises annually. On aggregate, it is assumed that the franchise buy-in strategy will convert \$24.8m in franchise system sales and \$6.4m in EBITDA into corporate sales over the forecast period. These transactions are highly value-accretive, with the lost royalty pool estimated at \$1.6m (royalty rate), corresponding to \$0.5m in EBITDA (32% margin).

Figure 51: Est. Franchise System Sales, mUSD



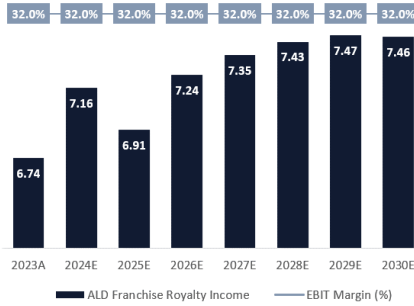
Source: Own Estimates

Figure 52: Est. Revenue per Franchise, mUSD



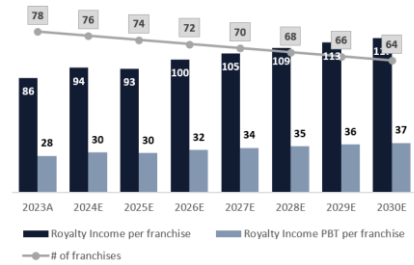
Source: Own Estimates

Figure 53: Est. Franchise Royalty Income and EBIT Margin, mUSD



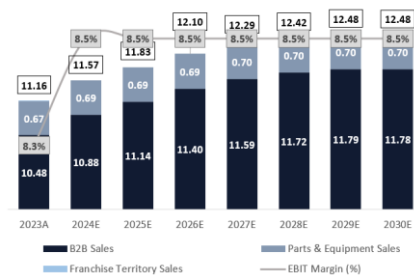
Source: Own Estimates

Figure 54: Est. Franchise Royalty Income and EBIT per franchise, kUSD



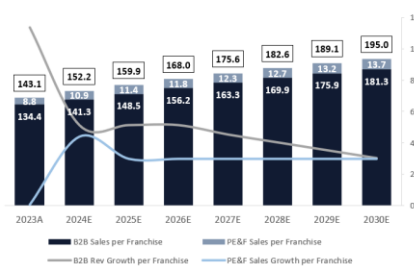
Source: Own Estimates

Figure 55: Est. Franchise-Related Services Sales and EBIT Margin, mUSD



Source: Own Estimates

Figure 56: Est. Franchise-Related Services Sales per Franchise, kUSD



Source: Own Estimates

To project the organic revenue growth of the remaining active franchises, we applied the same organic growth rate assumed for US corporate ALD locations, calculated on a per-franchise basis. In our view, this approach is justified as there is no distinction between services provided by franchise-operated and corporate-operated locations; both operate under the ALD brand, adhering to the same training standards, service protocols, and menu of solutions. We calculated total franchise system sales by multiplying the estimated revenue per active franchisee by the total number of franchises while adjusting for the timing effects of acquisitions on royalties. This approach provides a comprehensive assessment of the overall development and market capture of the entire franchise network. To estimate ALD franchise royalty income, we applied a consistent blended royalty rate of 6.5% on system-wide franchise sales throughout the forecast period, reflecting the FY2023 effective rate (Figure 6).

Operating Margins: WATR derives high gross margin and recurring royalty income from its franchise system. The primary costs associated with this segment are limited to SG&A expenses, comprising administrative expenditures necessary to manage and support franchise operations effectively. Following WATR’s segment accounting, no depreciation, amortization, or finance costs are allocated to this segment, meaning that EBITDA margins are equivalent to PBT margins. In FY2023, this segment achieved an EBITDA margin of 32%, which we expect to remain stable throughout the forecast period. As such, our base case does not anticipate further margin expansion resulting from operating leverage.

▪ **Franchise-Related Services**

Revenue Drivers: The primary value drivers within the segment can be broadly categorized into two main pillars: revenue from the B2B channel and sales of parts, equipment, and franchise territories. The main top-line driver for this segment is the expansion of the B2B sales channel, which accounted for 94% of total franchise-related services revenue in FY2023. This channel has grown significantly, with a 48% sales CAGR since 2016 and a 53% rise per franchise, driven by the acquisition of six national insurance contracts. In FY2023, this channel generated \$10.5m in sales, averaging \$134k per franchise. Given the inherent uncertainty regarding the timing and scale of net new contract wins across insurance, property, and other B2B customers, we adopted a conservative projection methodology. Specifically, we based our top-line forecasts on FY2023’s \$134k B2B revenue per franchisee, using the same organic growth rate as for corporate US ALD operations. In our view, the growth from existing B2B contracts will stem from expanding the service capabilities of the entire franchise system, enabling a higher volume of water-related insurance

claim executions annually. Furthermore, we project a modest annual increase in revenue per claim, reflecting the pass-through of input cost inflation and premiumization of service offerings and standards. The B2B revenue per franchise was subsequently multiplied by the year-end count of active franchises and adjusted for acquisition timing to calculate the total annual B2B channel sales. In our assessment, this methodology represents the most precise approach, as it inherently accounts for net franchise openings.

Parts and equipment sales exhibited some volatility in the past but generally fluctuate between \$8k and \$10k per franchise annually. In our base case, we have assumed that the average amount of Parts & Equipment sourced from WATR per franchise will align with the historical five-year average of approximately \$8,969. Starting from the end of fiscal year 2024, we project a 3% annual increase in this sales amount per franchise, driven by price adjustments reflecting the underlying inflation rate and the premiumization of WATR's product portfolio (e.g., technological advancements, among other factors).

The gross proceeds from new franchise territory rights have been negligible in recent years, and given the absence of clear communication from WATR's management regarding plans for aggressively selling new franchise territories in the US or expanding into new countries with master franchises, as well as the uncertain impact and timing of such sales, we have not included any forecasted proceeds from new franchise sales over the forecast period. This aligns with our previously highlighted assumption of no new franchise location openings.

Operating Margins: In terms of profitability, the segment has demonstrated marginal margin expansion in recent years. Nevertheless, the franchise-related services segment continues to exert a significant dilutive effect on the Group's overall margin profile. The lower margin profile is primarily attributable to the increased administrative and marketing expenses associated with managing the centralized corporate system, which results in segment margins of 8-9%, in contrast to the 32% margins generated by franchise royalties. However, this investment facilitates faster scaling by providing jobs to the franchise system at lower customer acquisition costs through a centralized corporate system. As a result, this strategy substantially enhances brand recognition and market penetration by targeting a substantial \$13bn market opportunity within the water-damage insurance claims sector. We estimate that the six national insurance contracts currently held by WATR have facilitated the creation of over 150,000 jobs annually within the ALD franchise network. For the forecast period, we project a consistent EBITDA margin of 8.5% in the base case, aligning with the 8-9% range highlighted by the management team. WATR does not allocate

depreciation, amortization, or finance costs to the segment, resulting in the PBT margin being equivalent to the EBITDA margin.

▪ **International Operations**

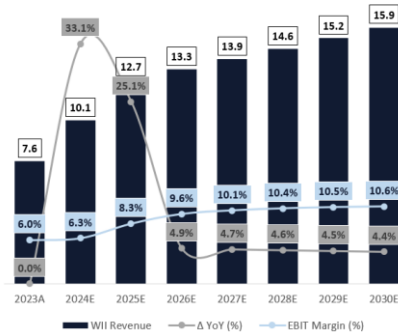
Revenue Drivers: For the international corporate divisions, we opted to project the top-line on a country-by-country basis. We also included the recently acquired platform in Ireland (Feakle Gas and Plumbing), which generated approximately \$4.1m in revenue for FY2023, serving as the basis for our growth projections for the country. We assumed that 50% of the sales from the acquisition would be integrated in FY2024, with the remaining portion integrated in FY2025, following the acquisition announcement shortly after the end of H1-2024. Starting in 2024, we used the expected market growth for the UK as a proxy for Ireland to project top-line development. For the remaining countries, we used the projected market growth for the US, Canada, and the UK to estimate their respective sales growth. Additionally, we used the expected US market growth as a proxy to project sales for the Australian operations. Overall, this approach yields a revenue CAGR of 4.0% for Ireland, 4.4% for Sydney, 4.6% for the UK, and 6% for Canada, resulting in a blended segment CAGR of 11.1%. As with corporate US operations, our base case excludes potential international market share gains. In our bull case, we identify potential upside, attributed to the Group's established international footprint in five countries, providing substantial leverage for further market expansion.

Operating Margins: In contrast to its US operations, which are focused on residential leak detection and repair services, WATR's international footprint is primarily centered on lower-margin municipal and commercial offerings. In addition to the general differences in margin profiles, international operations remain significantly smaller than the Group's US operations, with limited country coverage, lower brand recognition, and consequently, fewer associated scale benefits. Ongoing growth investments, mainly in headcount, marketing, and equipment, further compress segment margins. International corporate delegations have achieved an average EBITDA margin of 13% over the past five years. With anticipated growth in scale, we project EBITDA margins to expand from 14% in FY2023 by 50 bps in FY2025 and an additional 50 bps in FY2026, stabilizing thereafter at 15% for the remainder of the forecast period.

▪ **Unallocated Overhead costs**

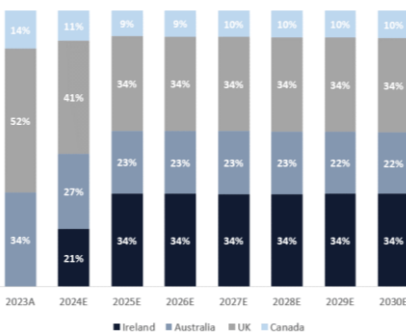
WATR's segment margins are reported prior to the allocation of head office overheads and non-core expenses. Segment-level forecasts are consolidated to form a group profit and loss statement, incorporating unallocated head office

Figure 57: Est. Water Intelligence Int. Revenue and EBIT Margin, mUSD



Source: Own Estimates

Figure 58: Est. Revenue Mix - Water Intelligence International



Source: Own Estimates

costs and finance charges. Historically averaging 6% of revenue, unallocated head office costs are projected to decline from 5.8% in 2024 to 4.5% by FY2030, reflecting economies of scale as fixed costs are distributed across a growing revenue base. Finance costs are held constant at 1% of revenue, while other income is modeled at 0.1% of revenue, consistent with FY2023 levels. Non-core costs, which have averaged 1% of revenue, are maintained at this level, allowing for potential variability in one-off expenses such as technology upgrades or new construction projects.

Net Working Capital Requirements

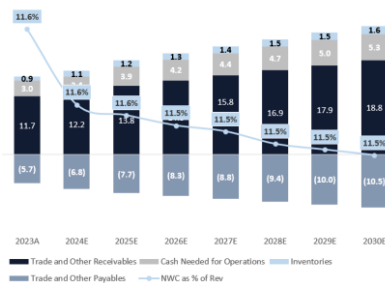
We project each component of Net Working Capital (NWC) in terms of days, with the exception of operating cash, which we forecast to be 4% of revenues. This percentage serves as an estimate of the operating liquidity required, on average, to facilitate the efficient functioning of core operations. This approach provides a nuanced understanding of the dynamics of operational funding requirements.

Regarding Days Sales Outstanding (DSO), we expect short-term receivables to be collected in line with the 2-year average of 52 days. Additionally, the Group holds a portion of long-term receivables, excluded from our NWC calculation, which we anticipate to remain stable at 0.3% of group sales. In the base case, we project Days Inventory Outstanding (DIO) to align with the 7-year average of 25 days. Given the service-oriented nature of WATR’s business, which involves minimal inventory, we do not expect substantial future DIO changes.

We chose to forecast Days Payable Outstanding (DPO) using Group revenue rather than cost of goods sold (COGS), reflecting WATR’s service-oriented business model with minimal inventory needs and relatively low COGS in comparison to overall cash flow dynamics. By using revenue as a proxy for operational scale, we aim to more accurately assess how effectively WATR manages its payables relative to its broader business activity.

While this approach diverges from conventional methods, which typically use COGS, we believe it better reflects WATR’s operational reality. Using COGS as the denominator would yield a significantly negative cash conversion cycle (almost -100 days), which, although mathematically accurate, could suggest that WATR has ample cash on hand as it grows. However, this does not align with the reality that growth at WATR does not automatically generate higher cash reserves, and substantial additional working capital is required to sustain ongoing operations and expansion. This adjusted methodology ensures that the DPO metric more accurately reflects the company’s cash flow dynamics.

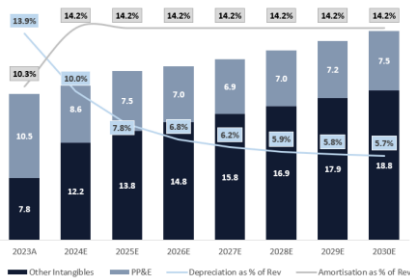
Figure 59: Est. Net Working Capital Requirements, mUSD



Source: Own Estimates

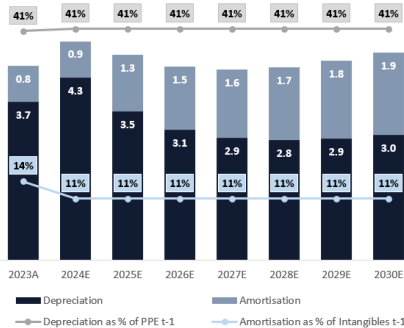
In conclusion, WATR’s positive cash conversion cycle of 48 days - calculated based on DSO of 52 days, DIO of 25 days, and DPO of 29 days - indicates that cash outflows to suppliers occur more quickly than cash inflows from customers. This requires the company to allocate additional working capital to support operations, as receivables and inventory investments are not fully offset by payment terms with suppliers. Consequently, while WATR demonstrates strong growth potential, its ability to generate operating cash flow is slightly constrained by the need to allocate capital to short-term assets for expansion. Nonetheless, the company exhibits a solid cash flow conversion profile, as evidenced by a historical conversion rate of 81% of operating cash flow (before WC adjustments) into cash generated by operations.

Figure 60: Est. PP&E and Other Intangibles, mUSD



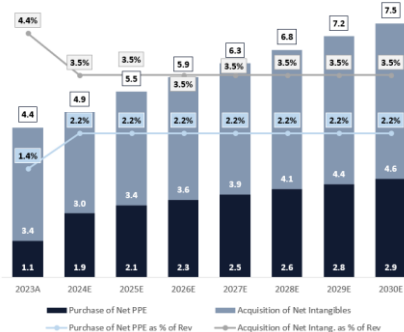
Source: Own Estimates

Figure 61: Est. Depreciation & Amortisation, mUSD



Source: Own Estimates

Figure 62: Est. Tang. & Intang. CapEx, mUSD



Source: Own Estimates

Capital Expenditures

WATR can be described as a relatively tangible capital-light organization, primarily due to its service-oriented business model, which requires minimal reliance on physical infrastructure. In FY2023, fixed assets accounted for only 13.0% of total revenue. Over the past five years, net capital expenditures on PPE have averaged 3.0% of revenue, a proportion that has further decreased to 1.5% when considering the last 4-years. This trend reflects WATR's efficient utilization of tangible assets to support and expand its core services.

Simultaneously, WATR has prioritized investments in innovation, particularly in the development and commercialization of proprietary equipment, technologies, and custom software applications for workflow automation. These investments, capitalized as intangible assets, emphasize the Group’s strategy of leveraging intellectual property to drive growth, improve operational efficiency, and maintain competitive differentiation. In FY2023, other intangible assets accounted for 10.3% of total Group revenue. Over the past 5-years, on average, the Group has allocated 2.5% of total revenue to the acquisition of intangible assets, underscoring its commitment to technological advancement.

Collectively, the Group’s tangible and intangible capital expenditures have averaged 5.6% of revenue over the past 5-years, reflecting its dual focus on enhancing both physical and intellectual assets to sustain long-term growth and operational excellence. Looking ahead, recent management announcements suggest that WATR remains committed to allocating substantial capital toward growth-oriented investments. Notably, the company plans to build an additional state-of-the-art training center in Dallas and relocate its headquarters in close proximity to this new facility. This aligns with our expectation that the Group will continue to allocate resources to key growth investments, such as new service

trucks, operational equipment, and administrative facilities, to support both ongoing business operations and future growth initiatives.

Regarding the progression of annual depreciation and amortization expenses, there has been some variability in their magnitude in recent years. Moving forward, we assume a stable trend and project depreciation to be 41% of the prior year's PPE balance, reflecting a ratio near the historical median. For amortization expenses, we estimate it to be 11% of the prior year's balance of other intangible assets, based on the annualized ratio observed in H1-2024.

Cost of Capital

Cost of Equity: To estimate WATR's cost of equity, we applied the Capital Asset Pricing Model (CAPM), integrating the expected return on a market portfolio adjusted for WATR's specific risk profile. Company-specific risk was quantified through a beta coefficient, capturing the sensitivity of WATR's stock returns to market movements. Recognizing that individual beta estimates often carry high estimation error, we utilized an industry beta, aggregated from a peer set, to improve robustness and mitigate idiosyncratic volatility in WATR's beta estimate. We selected the S&P 500 as a proxy for the market portfolio, reflecting WATR's 90% US revenue concentration and its predominantly US-based investor base.

To derive the Market Risk Premium (MRP) within the CAPM framework, we referenced historical MRP estimates provided by Aswath Damodaran, drawing on the longest available historical period, 1928–2023, to maximize estimation robustness. The MRP was calculated by subtracting the geometric average historical return on the 10-year US Treasury Bond (4.57%) from the S&P 500's geometric average historical return (9.80%), resulting in an MRP of 5.23%. With the MRP in hand, we next defined the current risk-free rate, aligning WATR's cash flow duration with the 10-year Treasury yield, which stood at 4.32% according to FRED on December 12, 2024.

For the final CAPM component, beta (reflecting WATR's incremental risk), we utilized an industry peer median to account for the potential distortion of individual company betas by nonrecurring events and small-cap volatility. We estimated WATR's and its peer group's beta via the market model, regressing each stock's returns against market returns, with the S&P 500 serving as a value-weighted, well-diversified proxy. To ensure statistical reliability, we selected a 5-year series of monthly returns, meeting the minimum 60 data points requirement and avoiding higher frequency (e.g., daily) data, which introduces systematic biases. To further minimize noise and address outliers, we calculated the median levered beta for the peer group, yielding 0.73.

Figure 63: Market Risk Premium

Market Risk Premium	
US E(r) Market Hist. Geometric Avg.	9.80%
US Risk Free Rate Hist. Geometric Avg.	4.57%
MRP	5.23%

Source: NYU Stern – Damodaran Online; Hist. Returns on Stocks, Bonds and Bills: 1928-2023

Figure 64: Industry Betas

Hist. 5Y \$m	WATR	MWA	WTS	PNR	BMI	XYL	Median
Levered Beta	0.94	1.03	0.70	0.44	0.58	0.77	0.73
Net Debt	15	140	212	1,410	-	1,005	
Equity	90	3,797	7,264	17,706	6,656	29,299	
Debt/Equity	16%	4%	3%	8%	0%	3%	
Marginal Tax Rate	21%	21%	21%	25%	21%	21%	
Unlevered Beta	0.83	1.00	0.69	0.42	0.58	0.75	0.72

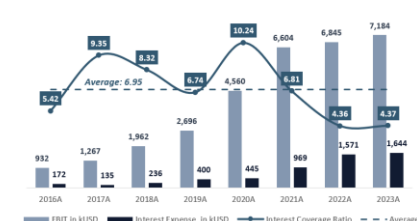
Source: Eikon, Analyst's Calculations

Figure 65: Industry Betas

COST OF EQUITY	
US E(r) Market Hist. Geometric Avg.	9.80%
US Risk Free Rate Hist. Geometric Avg.	4.57%
MRP	5.23%
Unlevered Industry Beta Mean	0.72
Re-Levered Beta	0.81
US 10Y Treasury Yield Current Risk Free Rate	4.32%
Cost of Equity	8.55%

Source: Eikon, Analyst's Calculations

Figure 66: Interest Coverage Ratio



Source: WATR's Annual Reports

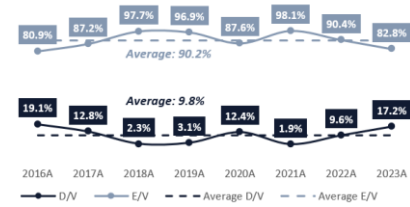
To remove leverage effects (including the tax shield), we unlevered this beta, obtaining a median unlevered industry beta of 0.72. We then re-levered this beta to align with WATR's target capital structure, resulting in a beta of 0.81. With all CAPM components defined, we calculated WATR's cost of equity by multiplying the equity beta of 0.81 by the MRP of 5.23% and adding the 10-year US Treasury yield of 4.32%, resulting in a cost of equity of 8.55%.

Figure 67: Synthetic Cost of Debt

SYNTHETIC COST OF DEBT	
Synthetic Credit Rating	A2/A
Default Spread	1.07%
Current Market Yield 10Y Treasury Bond	4.32%
Synthetic Cost of Debt	5.39%

Source: NYU Stern – Damodaran Online

Figure 68: Hist. Capital Structure



Source: WATR's Annual Reports

Figure 69: WACC

WACC	
CAPITAL STRUCTURE (in m USD) 13/12/2024	
Net Debt	14.63
Total O/S	17.36
pSh	5.20
Equity	90.22
Total Capitalization V	104.85
D/V	13.95%
E/V	86.05%
D/E	16.21%
COST OF EQUITY	
US E(r) Market Hist. Geometric Avg.	9.80%
US Risk Free Rate Hist. Geometric Avg.	4.57%
MRP	5.23%
Unlevered Industry Beta Mean	0.72
Re-Levered Beta	0.81
US 10Y Treasury Yield Current Risk Free Rate	4.32%
Cost of Equity	8.55%
COST OF DEBT	
Cost of Debt	5.39%
Marginal Tax Rate	21.00%
After Tax Cost of Debt	4.26%
WACC	7.95%

Source: Analyst's Calculations

Cost of Debt: As WATR is a small-cap company without corporate bonds to derive the YTM or a credit rating from a recognized agency, we relied on a synthetic rating. To make this assessment, we first defined WATR's historical average interest coverage ratio, which stands at 6.95. Based on the findings from NYU Stern and Damodaran's "Ratings, Interest Coverage Ratios, and Default Spreads as of January 2024⁹," this ratio corresponds to a rating of A2/A and a default spread of 1.07%. When this default spread is added to the risk-free rate of 4.32%, it results in a synthetic cost of debt of 5.39%, which translates to an after-tax cost of debt of 4.26% when factoring in a marginal tax rate of 21%.

Capital Structure: Given the defensive nature of WATR's end markets, along with its strong cash-generating profile and low capital intensity driven by its franchise model, WATR maintains a conservatively managed balance sheet, evidenced by a historic average gearing ratio of 1.1x ND/EBITDA. This conservative financial positioning is further substantiated by WATR's historical capital structure, which has consistently preserved a debt-to-value ratio below 20%. In recent years, the leverage ratio has seen a slight increase, primarily due to franchise buy-ins and management's strategy to add modest debt to previously debt-free franchises, boosting equity returns. Management has stated, however, that they intend to maintain a prudent debt ratio as a core risk management measure. Given WATR's strong cash generation and low capital intensity, we believe that FCF will primarily be recycled into investments, thereby minimizing reliance on additional debt. We thus project a conservative financing policy, consistent with historical capital structure ratios

WACC: To derive WATR's Weighted Average Cost of Capital (WACC) and establish an appropriate discount rate for future cash flows, we synthesized the estimated inputs. Assuming a target capital structure of 14% D/V and 86% E/V, an after-tax cost of debt at 4.26%, and a cost of equity at 8.55%, we arrive at a WACC of 7.95%.

⁹ Damodaran, A. (2024, January). *Ratings, Interest Coverage Ratios and Default Spread*. NYU Stern School of Business.

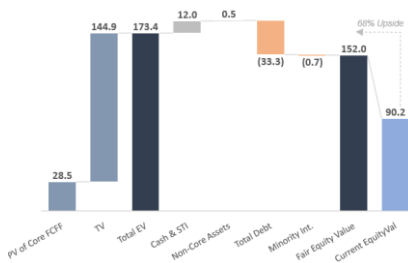
Discounted Cash Flow Model (DCF)

Table 70: DCF Output, USD

Operating EV Calculation (based on FY25E, in USD)	
PV of Core FCFF	28,513,586
PV of Core Terminal Value	144,893,629
Operating EV	173,407,214
PV of TV as % of Fair EV	83.6%
EV-EqV Bridge (based on FY25E, in USD)	
(+) Cash and cash equivalents	11,969,782
(-) Total Debt	33,277,478
(-) Minority Interest	670,429
(+) Non-Core Assets / Listed Equity Investments	525,334
Value of common equity	151,954,424
(/) O/S	17,402,288
Fair Value per share, USD	8.7
GBP / USD	1.268
Fair Value per share, GBP	688.8
Current Share Price, GBP	410.0
Implied Upside to Fair Value pSh	68%

Source: Own Estimates

Figure 71: Ev-EqV Bridge, mUSD



Source: Own Estimates

in USD FISCAL YEAR	Est 2024E	Est 2025E	Est 2026E	Est 2027E	Est 2028E	Est 2029E	Est 2030E
Date	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
Core Operating Unlevered Free Cash Flow	(10,412,490)	4,223,551	5,449,455	6,204,374	7,345,168	8,226,189	9,153,059
Discount Rate (WACC)	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%
Yearfrac			1.0	1.0	1.0	1.0	1.0
Discount period (years)			1.0	2.0	3.0	4.0	5.0
Discount factor	1.0	1.0	0.9	0.9	0.8	0.7	0.7
Discounted Operating U-FCF	-	-	5,048,173	5,324,273	5,839,091	6,057,917	6,244,132

To determine WATR's equity value as of December 31, 2025, we added cash and non-core assets to the Operating Enterprise Value, while deducting total debt, including leases, deferred considerations, and minority interest. This results in an Equity Value of USD 152m. As shown in Table 70, we derived a target share price of GBP 689 for December 31, 2025.

The method used to calculate the Terminal Value is the perpetuity formula. Our baseline assumption is based on a terminal NOPLAT growth rate of 3.5%, which results from multiplying the expected sustainable operating RONIC of 10.0% by an anticipated reinvestment rate of 35%. We consider this long-term growth rate reasonable, as it falls between the US long-term inflation rate of 2% and the nominal GDP growth rate of 3.8%. We believe WATR can achieve a terminal RONIC exceeding the WACC by 2%, driven by its strong competitive advantages. Early success as a technology leader in a niche market has enabled attractive reinvestment returns. By retaining earnings for reinvestment, WATR is positioned for continued growth and long-term value creation, underpinned by capital efficiency and a strengthened moat.

A detailed performance analysis, including capital efficiency, incremental ROICs, and reinvestment rate expectations, is provided in the attached forecast.

Figure 72: 2024 Fwd. Trading Multiples of Peer Group

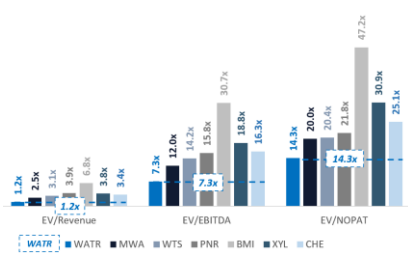
COMPARABLES			2024 Forward Trading Multiples		
Ticker	Company Name	Tier	EV/Revenue	EV/EBITDA	EV/NOPLAT
WATR	WATER INTELLIGENCE PLC		1.2x	7.3x	14.3x
MWA	MUELLER WATER PRODUCTS INC	1	2.5x	12.0x	20.0x
WTS	WATTS WATER TECHNOLOGIES INC	1	3.1x	14.2x	20.4x
PNR	PEN TAIR PLC	2	3.9x	15.8x	21.8x
BMI	BADGER METER INC	3	6.8x	30.7x	47.2x
XYL	XYLEM INC	3	3.9x	18.9x	30.9x
CHE	CHEMED CORP	3	3.4x	16.3x	25.1x

Source: Eikon; Analyst's Calculations

Relative Valuation (CCA)

Our relative valuation methodology began by identifying peer companies within the water technologies and services sector. Recognizing WATR's small-cap profile and differentiated business model – focused on specialized leak detection and repair services via a hybrid corporate-franchise model – we designed a more refined comparability framework. This framework utilizes a three-tier classification system based on key selection ratios, where Tier 1 represents the highest comparability to WATR. For the valuation, we considered four scenarios (minimum, mean, median, and maximum), incorporating a comparability-weighted case. This case allocated 60%, 30%, and 10% to Tiers 1, 2, and 3, respectively, reflecting their alignment with WATR's characteristics.

Figure 1: 2024 Fwd. Trading Multiples; WATR as Benchmark



Source: Eikon; Analyst's Calculations

Figure 73: Selection Criteria Overview and Tier Ranks of Peers

Tier	Company Name	Tier	SELECTION CRITERIA			
			Market Cap	Revenue Growth	NOPAT Margin	EV/EBITDA
WATR	WATER INTELLIGENCE PLC	1	15.5B	12.0%	14.2%	14.3x
MN	MUELLER WATER PRODUCTS INC	1	3.9B	2.2%	8.9%	1.8
WTS	WATTS WATER TECHNOLOGIES INC	1	6.91	1.8%	14.6%	6.8
PRR	PEN TAIR PLC	2	14.94	-4.4%	18.4%	6.2
SM	SANDOR WATER INC	3	5.87	24.4%	12.2%	6.8
XYL	XYLEM INC	3	31.94	33.3%	11.9%	6.75
CHE	CHEMED CORP	3	6.57	6.9%	13.7%	6.44

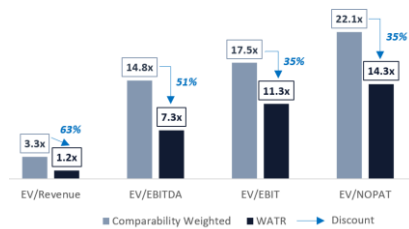
Source: Eikon; Analyst's Calculations

Figure 74: Scenario Overview - Fwd. Trading Multiples

Scenario	2024F TRADING MULTIPLES			
	EV/Revenue	EV/EBITDA	EV/EBIT	EV/NOPAT
Minimum	2.54x	12.03x	15.83x	20.04x
Mean	3.93x	17.96x	21.78x	27.56x
Median	3.61x	16.03x	18.51x	23.42x
Maximum	6.82x	30.73x	37.32x	47.25x
Comparability Weighted	3.34x	14.79x	17.46x	22.11x
WATR	1.24x	7.31x	11.28x	14.28x
Δ Discount to Comp-W	63%	51%	35%	35%

Source: Eikon; Analyst's Calculations

Figure 75: WATR's Trading Discount to Comparability Weighted Fwd Multiples



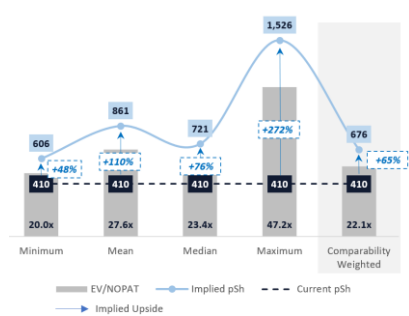
Source: Eikon; Analyst's Calculations

Figure 76: Scenario Overview of Implied Share Price (GBP) & Up-/Downside

Scenario	IMPLIED UP-/DOWNSIDE (values in GBP)			
	EV/NOPAT	EV	EDT/V	Implied pSH
Minimum	20.04	148.56	133.03	676
Mean	27.56	205.54	189.41	901
Median	23.42	179.24	159.61	721
Maximum	47.25	351.44	305.81	1,526
Comparability Weighted	22.11	164.40	148.81	676

Source: Eikon; Analyst's Calculations

Figure 77: Implied pSH in GBP and Up-/Downside Based on EV/NOPAT



Source: Eikon; Analyst's Calculations

Comprehensive descriptions of the business models of the comparable companies can be found in Appendix 10.

To ensure consistency with our chosen asset-side multiple, EV/NOPAT, which is unaffected by capital structure, we prioritized business comparability metrics that reflect asset and operational performance. Our primary selection criteria included revenue growth, which captures alignment in growth trajectory and market exposure; NOPAT margin, which ensures comparability in operational efficiency and profitability; and unlevered beta (β_u), which isolates systematic risk at the asset level, independent of financing decisions. While capital structure metrics such as Debt-to-Equity and Net Debt/EBITDA were retained for context, they were not used as constraints, aligning our approach with an asset-focused valuation perspective. After ranking peers based on these selection criteria, Mueller Water Products and Watts Water Technologies were identified as primary benchmarks due to their strong alignment with WATR's business model, end markets, revenue composition, and operational efficiency. Tier 2 includes moderately aligned companies, while Tier 3 consists of less comparable firms.

Using this structured framework, we applied forward multiples to calculate WATR's implied trading discount and intrinsic valuation, focusing on the 2024 forward EV/NOPAT multiple to capture market expectations and minimize inter-firm variability. The EV/NOPAT multiple effectively excludes non-operating items and capital structure effects, enabling clearer comparisons. A detailed breakdown is presented in Figure 74.

Our analysis revealed that WATR's current trading multiple of 14.3x forward EV/NOPAT reflects a 35% discount compared to the comparability-weighted multiple of 22.1x. Applying this multiple, we derived an implied EV of \$164m and an equity value of \$149m, equating to an implied share price of GBP 676. Relative to the current share price of 410 GBP, this indicates a potential upside of 65% (Figure 77).

Scenario Analysis

Best-Case Scenario: The best-case scenario is based on three key assumptions: enhanced organic growth, accelerated franchise reacquisitions with larger average ticket sizes, and stronger margin expansion from operating leverage. Under this "Bull Case", US store sales are projected to achieve a CAGR of 12.1%, comprising 4.8% organic growth and 7.0% inorganic growth from three franchise buy-ins annually, executed at 5.0x EV/EBITDA (financed 50% by equity). Each acquisition is projected to contribute an average revenue of \$1.5 million, with organic growth of 10% per year, outpacing market rates. The

EBITDA margin is expected to start at 27% and gradually expand to 28% by 2026. Franchise Royalty Income and related services are anticipated to achieve CAGRs of 0.5% and 0.7%, respectively. Additionally, Water Intelligence International is expected to capture further market share, driving a top-line CAGR of 11.6%. Collectively, Group sales are forecasted to grow at a 9.9% CAGR (compared to 8.2% in the base case), while EBITDA margins are projected to expand from 16.8% in FY2024 to 21.1% in FY2030, supported by operating leverage and efficiency improvements across all segments.

Worst-Case Scenario: Recognizing that the base and bull case forecasts already account for a significantly reduced level of M&A activity relative to historical trends, we adopted a worst-case scenario based on highly conservative assumptions for organic top-line growth. This growth is primarily driven by nominal inflation and a modest increase in annual technician jobs completed. The scenario excludes any potential M&A opportunities or sustained strong organic growth performance, and instead illustrates the business's value assuming WATR's organic growth falls 10% below the expected market growth rate for its respective segments, with top-line growth gradually approaching a terminal rate.

In conclusion, our worst-case scenario projects a CAGR of 1.5% for Franchise Royalty Income, 1.6% for Franchise-Related Activities, 8.7% for US Corporate Locations, and 10.4% for Water Intelligence International. On a consolidated basis, total revenue is expected to grow at 7.4% annually, compared to the baseline of 8.2%. Profitability is expected to improve, with EBITDA margin expanding from 16.8% in FY2023 to 17.3% by FY2030

Sensitivity Analysis

To rigorously assess the robustness of our DCF-based valuation, we conducted a sensitivity analysis of the Base Case, examining the impact of key assumptions on the implied share price. Recognizing WACC as a critical determinant in the DCF model, where even minor fluctuations can significantly alter the implied share price due to the compounding effect, we began by analysing its sensitivity to changes in the synthetic cost of debt. The lower bound of our analysis was anchored to the historical geometric mean of the 10-year US Treasury yield (2.54%). The middle value represented WATR's current cost of debt (5.39%), while the upper bound reflected a scenario where the company's credit profile deteriorates to a BB rating (i.e. 2.21% default spread), leading to a 6.53% cost of debt. Our analysis indicates that as the cost of debt increases from 2.54% to 6.53%, WACC rises from 7.63% to 8.07%, underscoring the growing impact of higher debt costs on the firm's financing expenses and discount rate (Figure 78).

Figure 78: Sensitivity of WACC to Variations in Cost of Debt

	Cost of Debt (Rd)				
	2.54%	3.96%	5.39%	5.96%	6.53%
WACC	7.63%	7.79%	7.95%	8.01%	8.07%

Source: Analyst's Calculations

Figure 79: Sensitivity of R_e to Variations in Levered Beta

R_e	Beta Levered				
	0.44	0.59	0.73	0.88	1.03
	6.64%	7.40%	8.16%	8.93%	9.70%

Source: Analyst's Calculations

Figure 80: Sensitivity of WACC to Variations in R_e

WACC	Cost of Equity (R_e)				
	6.64%	7.40%	8.16%	8.93%	9.70%
	6.31%	6.96%	7.62%	8.28%	8.94%

Source: Analyst's Calculations

Figure 81: Sensitivity of pSH in GBp to Variations in WACC

GBX pSH	WACC				
	6.31%	7.13%	7.95%	8.44%	8.94%
	886	765	689	655	628

Source: Analyst's Calculations

Figure 82: Sensitivity of pSH in GBp to Variations in WACC & TGR

TGR		WACC				
		6.31%	7.13%	7.95%	8.44%	8.94%
3.0%		840	743	678	648	624
3.3%		861	753	683	652	626
3.5%		886	765	689	655	628
3.8%		915	778	695	659	630
4.0%		951	794	702	663	632

Source: Analyst's Calculations

Figure 83: Sensitivity of pSH in GBp to Variations in RONIC & TGR

RONIC		TGR				
		3.0%	3.3%	3.5%	3.8%	4.0%
8%		643	643	643	644	644
9%		653	655	657	659	661
9%		663	665	669	672	676
10%		671	675	679	684	690
10%		678	683	689	695	702
11%		691	698	705	714	723
12%		701	710	719	729	741
13%		710	720	731	743	756
14%		718	729	741	754	769
15%		725	736	749	764	780

Source: Analyst's Calculations

Subsequently, we examined the WACC sensitivity to changes in the cost of equity, focusing on levered equity beta. Using peer betas, we established a range with the lower bound at the minimum beta, the upper bound at the maximum, and the middle bound at the peer median. As the levered beta increased from 0.44 to 1.03, the cost of equity rose from 6.64% to 9.70%, reflecting heightened systematic risk and an elevated required return for equity investors. This effect cascades to the WACC, which rises from 6.31% to 8.94%, demonstrating the amplifying effect of higher equity risk on the firm's overall capital structure (Figure 80). In addition, we evaluated the sensitivity of the implied equity value to variations in the discount rate. Given the prior analysis, we established a WACC interval with a minimum of 6.31%, a maximum of 8.94%, and a base of 7.95%. This analysis indicated a potential implied share price range of 628 to 886 GBp.

To deepen our analysis, we examined the joint sensitivity of the implied share price to variations in WACC and TGR. Our findings indicate that the share price is highly sensitive to these variables, ranging from a maximum of 951 GBp to a minimum of 624 GBp. WACC proved to be the dominant driver of valuation. For example, holding TGR constant at 3.5%, a decrease in WACC from 8.94% to 6.31% resulted in a 41% increase in the share price, from 628 GBp to 886 GBp. In contrast, changes in TGR had a more muted effect. Holding WACC at 7.95%, an increase in TGR from 3.0% to 4.0% raised the share price by only 3.5% (27 GBp), emphasizing the stronger influence of WACC (Figure 82).

Finally, we investigated the interaction between the Return on New Invested Capital (RONIC) and TGR on the implied equity value (Figure 83). RONIC proved to be the more significant determinant, with a pronounced increase in valuation as RONIC improves. At a RONIC of 8.0%, changes in TGR from 3.0% to 4.0% have a negligible effect on the implied share price (~644 GBp). However, at a RONIC of 15.0%, the same TGR increase results in a notable increase in share price, from 725 GBp to 780 GBp, highlighting the reinforcing effect of efficient reinvestment on valuation. At lower RONIC levels, such as 8.0%, changes in TGR do not materially affect the implied equity value, indicating that when reinvestment returns are suboptimal, the potential for growth-driven value creation is constrained. Conversely, at higher RONIC levels (e.g., 13.0% or above), the implied share price becomes increasingly sensitive to TGR, signifying that firms with high reinvestment efficiency can more effectively translate growth assumptions into higher shareholder value.

ESG

ENVIRONMENTAL

- › WATR's mission to "**preserve the world's most precious resource**" aligns with **UN SDG 6**, focused on sustainable water & sanitation management for all
- › The group's operations are inherently environmentally beneficial, as they target the reduction of water waste and promote resource efficiency

SOCIAL

- › **The Board values employees as the group's most valuable asset**
- › Mgt. ensures equal opportunities and adherence to anti-discrimination laws
- › WATR offers various training opportunities for career development
- › The corporate culture fosters open communication through briefings and meetings

GOVERNANCE

- › Expansion of the Board and the strategic appointment of a **CPO** are key initiatives to strengthen governance practices
- › Acquisition of the Dallas franchise and appointment of **Will Knell as CEO of ALD** address governance gaps, establishing **independent leadership**

ESG RISKS

- › WATR's operations are subject to **stringent regulations**, such as the **Urban Wastewater Treatment Directive**, and must align with evolving environmental policies like the **Green Deal**
- › **Limited board diversity**, with only one woman out of five board members, presents a risk to effective decision-making and inclusivity

ESG Status: The Group's mission to "preserve the world's most precious resource" aligns directly with the United Nations' Sustainable Development Goal (SDG) 6, which focuses on ensuring the availability and sustainable management of water and sanitation for all. This commitment to water conservation, particularly in addressing both potable and non-potable water leaks, underscores the Group's strong environmental credentials and commitment to sustainability. From a social perspective, WATR emphasizes equal opportunity and adheres to anti-discrimination legislation, fostering inclusive relationships with stakeholders. The Board's expansion, hiring of a Chief People Officer, and appointment of Will Knell as ALD CEO address governance gaps related to key man risk and DeSouza's dual role as Executive Chairman and largest shareholder.

ESG Ratings: In the second half of 2020, WATR received the London Stock Exchange's Green Economy Mark and was included in multiple MSCI indices, which enhanced its visibility among ESG-focused institutional investors. However, the Group has yet to secure formal ESG ratings or certifications, which could further solidify its position in the sustainable investment space.

ESG Competitive Positioning: Despite management's acknowledgment of the importance of ESG efforts and the need for enhanced disclosure in line with the company's growth trajectory, current transparency remains limited without a formal ESG strategy. In contrast, Tier 1 competitors such as MWA and WTS have adopted robust ESG reporting practices. MWA, for instance, uses the Task Force on Climate-related Financial Disclosures (TCFD) framework to effectively communicate its ESG strategy and track key performance indicators. Additionally, both MWA and WTS have received MSCI ESG ratings of AAA and AA, respectively, along with other certifications that affirm their commitment to ESG principles. Therefore, while WATR's efforts align with core ESG objectives, further strategic development, expanded reporting, and formal certifications are necessary to reach industry-leading standards and close the competitive gap.

Key Risks to Rating

People-Intensive Business: WATR's business model is inherently reliant on specialized human capital, with experienced technicians central to operational efficiency and profitability. The firm's ongoing capital allocation towards workforce development, particularly training, represents a significant off-balance-sheet intangible asset. High technician turnover would impair this asset, requiring costly and time-consuming replacement efforts.

Cost Inflation: The firm is exposed to adverse margin dynamics from inflationary pressures, including rising labour costs, fuel prices for service vehicles, and material expenses. Although investments in workflow automation and efficiency may mitigate some headwinds, WATR's reliance on end-market price sensitivity may limit cost pass-through, causing temporary margin compression.

M&A Execution Risks: Inorganic growth will continue to be a primary driver of WATR's top-line and bottom-line expansion. However, aggressive M&A activities pose risks related to integration, mispricing of targets, and overpayment. Moreover, the timing, pricing, and financing structure of future franchise buy-ins or additional acquisitions could significantly affect the company's valuation.

Franchise Reacquisitions: The reacquisition of franchise operations is a key driver of value accretion for WATR, yet the pace and feasibility of these transactions introduce uncertainties. A deceleration in franchise buybacks could temper growth expectations. Nevertheless, we believe the current market valuation already accounts for a slower pace of franchise buy-ins, thereby mitigating valuation risk if this assumption proves accurate.

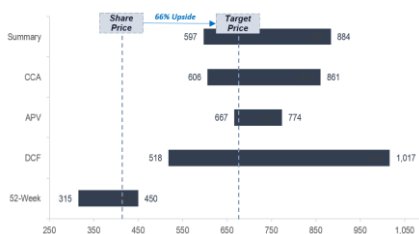
Funding and Capital Market Constraints: Rising interest rates have significantly increased financing costs and led to a sharp stock de-rating, making WATR's stock a more expensive deal currency. This environment affects levered IRRs and credit availability, limiting the multiples buyers can offer. Potential sellers may be deterred, anchoring their valuation expectations to higher historical multiples, which could reduce deal completion rates.

Investment Risks: As a small-cap with a market capitalization of \$90m and free float below \$30m, WATR faces liquidity constraints, low trading volumes (GBP 82k), and FX risks due to USD revenue and GBP-denominated shares.

Recommendation

A combination of qualitative assessments and quantitative financial modeling methodologies, including Discounted Cash Flow, Adjusted Present Value, and Comparable Companies Analysis, was employed. Sensitivity and scenario analyses validated the robustness of the valuation frameworks, resulting in a weighted target price of 682 GBP. The weights assigned to the DCF, APV, and CCA were 60%, 20%, and 20%, respectively. Compared to the current share price of 410 GBP as of December 13th, 2024, this implies a 66% upside potential (66% share price appreciation and 0% from dividends and stock buybacks) by December 31st, 2025, reinforcing a strong BUY recommendation.

Figure 84: Football Field Chart



Source: Analyst's Calculations

Appendix

Appendix 1: Segment Forecast | Corporate Operated US Locations

in USD FISCAL YEAR	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
CORPORATE OPERATED US ALD LOCATIONS										
Sales Organic				53,056,325	55,786,531	58,657,230	61,323,708	63,804,782	66,067,212	68,079,530
Δ YoY (%)					5.1%	5.1%	4.5%	4.0%	3.5%	3.0%
Rolling Acquired Sales				3,900,000	9,400,689	12,756,477	16,347,371	20,148,945	24,122,623	28,223,867
Sales Inorganic Acquired Per Annum				3,900,000	5,300,000	2,872,042	3,011,001	3,140,182	3,259,224	3,366,501
Total corporate-operated sales	31,861,087	47,296,711	50,459,736	56,956,325	65,187,220	71,413,708	77,671,079	83,953,727	90,189,836	96,303,397
Δ YoY (%)	82.8%	48.4%	6.7%	12.9%	14.5%	9.6%	8.8%	8.1%	7.4%	6.8%
(-) Total OpEx (excl. D&A)	(22,894,320)	(34,679,107)	(37,348,942)	(42,147,681)	(48,042,981)	(52,489,075)	(57,088,243)	(61,286,221)	(65,838,580)	(70,301,480)
EBITDA Organic				13,794,645	14,671,858	15,544,166	16,250,783	17,227,291	17,838,147	18,381,473
EBITDA Margin (%)				26.0%	26.3%	26.5%	26.5%	27.0%	27.0%	27.0%
Rolling Inorganic EBITDA				1,014,000	2,472,381	3,380,467	4,332,053	5,440,215	6,513,108	7,620,444
EBITDA Inorganic Acquired Per Annum				994,444	1,358,444	746,731	782,860	816,447	847,398	875,290
Rolling Inorganic EBITDA Margin (%)				26.0%	26.3%	26.5%	26.5%	27.0%	27.0%	27.0%
Total EBITDA	8,966,767	12,617,604	13,110,794	14,808,645	17,144,239	18,924,633	20,582,836	22,667,506	24,351,256	26,001,917
EBITDA Margin (%)	28.1%	26.7%	26.0%	26.0%	26.3%	26.5%	26.5%	27.0%	27.0%	27.0%
(-) D&A	(2,475,567)	(3,608,789)	(3,982,433)	(4,393,344)	(4,059,467)	(3,857,907)	(3,815,203)	(3,887,922)	(4,029,222)	(4,208,026)
as % of Rev	7.8%	7.6%	7.9%	7.7%	6.2%	5.4%	4.9%	4.6%	4.5%	4.4%
EBIT	6,491,200	9,008,815	9,128,361	10,415,301	13,084,772	15,066,726	16,767,633	18,779,584	20,322,034	21,793,892
EBIT Margin (%)	20.4%	19.0%	18.1%	18.3%	20.1%	21.1%	21.6%	22.4%	22.5%	22.6%
(-) Finance Costs	(484,047)	(756,164)	(716,739)	(716,739)	(1,074,339)	(1,166,941)	(1,264,307)	(1,366,100)	(1,472,012)	(1,581,678)
(-) Finance Costs related to acquisitions				(357,600)	(92,602)	(97,367)	(101,793)	(105,911)	(109,667)	(113,007)
Total Finance Costs	(484,047)	(756,164)	(716,739)	(1,074,339)	(1,166,941)	(1,264,307)	(1,366,100)	(1,472,012)	(1,581,678)	(1,694,685)
PBT	6,007,153	8,252,651	8,411,622	9,340,962	11,917,831	13,802,418	15,401,532	17,307,573	18,740,355	20,099,206
PBT Margin (%)	18.9%	17.4%	16.7%	16.4%	18.3%	19.3%	19.8%	20.6%	20.8%	20.9%
CORPORATE OPERATED LOCATIONS - Other KPIs										
# of corporate-operated locations at YE	38	41	44	46	48	50	52	54	56	58
Change in locations	11	3	3	2	2	2	2	2	2	2
Rev per location	838,450	1,153,578	1,146,812	1,238,181	1,358,067	1,428,274	1,493,675	1,554,699	1,610,533	1,660,403
EBITDA per location	235,968	307,746	297,973	321,927	357,172	378,493	395,824	419,769	434,844	448,309
EBIT per location	170,821	219,727	207,463	226,420	272,599	301,335	322,454	347,770	362,893	375,757
EBT per location	158,083	201,284	191,173	203,064	248,288	276,048	296,183	320,511	334,649	346,538
M&A Math										
# of Franchise Reacquisitions	5	3	4	2	2	2	2	2	2	2
% of franchise system-wide sales reacquired (1Y lag)	8.0%	5.9%	5.4%	7.5%	2.5%	2.8%	2.8%	2.8%	2.9%	3.0%
Avg. Rev per location acquired	1,644,714	2,050,000	1,400,000	3,900,000	1,400,000	1,472,042	1,538,959	1,601,223	1,658,001	1,708,501
Avg. PBT per location acquired	422,391	536,667	323,333	994,444	364,000	382,731	400,129	416,318	431,080	444,210
Rev & PBT Integrated During the FY as %				50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
PBT Margin Acquired Locations During the FY (%)	25.7%	26.2%	23.1%	25.5%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
EBITDA Margin Rolling Acquired Locations (%)				26.0%	26.3%	26.5%	26.5%	27.0%	27.0%	27.0%
EBITDA Margin corp. operated Locations (%)	28.1%	26.7%	26.0%	26.0%	26.3%	26.5%	26.5%	27.0%	27.0%	27.0%
Avg. EV/Rev	1.5x	1.5x	1.3x	1.9x	1.4x	1.4x	1.4x	1.4x	1.4x	1.4x
Avg. EV/PBT	5.9x	5.9x	5.7x	7.5x	5.3x	5.3x	5.3x	5.3x	5.3x	5.3x
Equity Financed	38.6%	58.1%	75.8%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Debt Financed	61.4%	41.9%	24.2%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Interest Rate on Debt				6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Debt Issued				5,960,000	1,543,360	1,622,779	1,696,549	1,765,189	1,827,780	1,883,451

Appendix 2: Segment Forecast | Franchise Royalty Income

in USD FISCAL YEAR	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
FRANCHISE NETWORK SALES										
Franchise System Sales	104,669,062	103,798,892	103,674,092	110,113,917	106,240,605	111,318,122	113,139,448	114,348,204	114,914,601	114,820,184
Δ YoY (%)	1.7%	(0.8%)	(0.1%)	6.2%	(3.5%)	4.8%	1.6%	1.1%	0.5%	(0.1%)
Franchise Revenue Reacquired & Integrated	9,810,000	6,150,000	4,200,000	3,900,000	5,300,000	2,872,042	3,011,001	3,140,182	3,259,224	3,366,501
Royalty Income Lost @ 6.5% Rate	637,650	399,750	273,000	253,500	344,500	186,683	195,715	204,112	211,850	218,823
Est. Blended Royalty Rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
FRANCHISE PnL										
ALD Franchise Royalty Income	6,803,489	6,746,928	6,738,816	7,157,405	6,905,639	7,235,678	7,354,064	7,432,633	7,469,449	7,463,312
Δ YoY (%)	1.7%	(0.8%)	(0.1%)	6.2%	(3.5%)	4.8%	1.6%	1.1%	0.5%	(0.1%)
(-) Total OpEx (excl. D&A)	(4,994,759)	(4,790,319)	(4,582,395)	(4,867,035)	(4,695,835)	(4,920,261)	(5,000,764)	(5,054,191)	(5,079,225)	(5,075,052)
EBITDA	1,808,730	1,956,609	2,156,421	2,290,369	2,209,805	2,315,417	2,353,301	2,378,443	2,390,224	2,388,260
EBITDA Margin (%)	26.6%	29.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
(-) D&A	-	-	-	-	-	-	-	-	-	-
EBIT	1,808,730	1,956,609	2,156,421	2,290,369	2,209,805	2,315,417	2,353,301	2,378,443	2,390,224	2,388,260
EBIT Margin (%)	26.6%	29.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
(-) Finance Costs	-	-	-	-	-	-	-	-	-	-
PBT	1,808,730	1,956,609	2,156,421	2,290,369	2,209,805	2,315,417	2,353,301	2,378,443	2,390,224	2,388,260
PBT Margin (%)	26.6%	29.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
FRANCHISE PnL										
# of franchises paying royalty income	83	82	78	76	74	72	70	68	66	64
Δ Delta	(11)	(1)	(4)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Thereof New Franchises Opened/Closed	(6)	2	-	-	-	-	-	-	-	-
Thereof Franchises Reacquired	5	3	4	2	2	2	2	2	2	2
Royalty Income per franchisee	81,970	82,280	86,395	94,176	93,319	100,496	105,058	109,303	113,173	116,614
Royalty income PBT per franchisee	21,792	23,861	27,646	30,136	29,862	32,159	33,619	34,977	36,216	37,317
Rev per franchise	1,261,073	1,265,840	1,329,155	1,397,552	1,469,468	1,545,084	1,615,322	1,680,676	1,740,270	1,793,276
Δ YoY Organic (%)	15.1%	0.4%	5.0%	5.1%	5.1%	5.1%	4.5%	4.0%	3.5%	3.0%
EBIT per franchise	21,792	23,861	27,646	30,136	29,862	32,159	33,619	34,977	36,216	37,317

Appendix 3: Segment Forecast | Franchise Related Services

in USD FISCAL YEAR	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<i>Date</i>	<i>31/12/2021</i>	<i>31/12/2022</i>	<i>31/12/2023</i>	<i>31/12/2024</i>	<i>31/12/2025</i>	<i>31/12/2026</i>	<i>31/12/2027</i>	<i>31/12/2028</i>	<i>31/12/2029</i>	<i>31/12/2030</i>
Parts and equipment sales	806,000	668,000	670,000	690,606	692,849	694,604	695,841	696,527	696,628	696,108
Franchise Sales	23,000	63,000	13,000	-	-	-	-	-	-	-
B2B - Insurance Channel Sales	8,941,000	9,893,000	10,480,000	10,878,014	11,140,696	11,401,608	11,593,337	11,722,602	11,786,436	11,782,884
Δ YoY (%) - B2B - Insurance Channel Sales	4.7%	10.6%	5.9%	3.8%	2.4%	2.3%	1.7%	1.1%	0.5%	0.0%
Check Line	9,769,657	10,624,268	11,163,422	11,568,620	11,833,545	12,096,212	12,289,178	12,419,129	12,483,064	12,478,992
Δ YoY (%)	2.7%	8.7%	5.1%	3.6%	2.3%	2.2%	1.6%	1.1%	0.5%	0.0%
Total Franchise-Related Services Revenue	9,770,000	10,624,000	11,163,000	11,568,620	11,833,545	12,096,212	12,289,178	12,419,129	12,483,064	12,478,992
Δ YoY (%)	2.7%	8.7%	5.1%	3.6%	2.3%	2.2%	1.6%	1.1%	0.5%	(0.0%)
(-) Total OpEx (excl. D&A)	(8,964,486)	(9,659,601)	(10,238,296)	(10,585,287)	(10,827,693)	(11,068,034)	(11,244,598)	(11,363,503)	(11,422,003)	(11,418,278)
EBITDA	805,171	964,667	925,126	983,333	1,005,851	1,028,178	1,044,580	1,055,626	1,061,060	1,060,714
EBITDA Margin (%)	8.2%	9.1%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
(-) D&A	-	-	-	-	-	-	-	-	-	-
EBIT	805,171	964,667	925,126	983,333	1,005,851	1,028,178	1,044,580	1,055,626	1,061,060	1,060,714
EBIT Margin (%)	8.2%	9.1%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
(-) Finance Costs	-	-	-	-	-	-	-	-	-	-
PBT	805,171	964,667	925,126	983,333	1,005,851	1,028,178	1,044,580	1,055,626	1,061,060	1,060,714
PBT Margin (%)	8.2%	9.1%	8.3%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

SUPPLEMENTAL ITEMS										
Franchise-related sales per franchisee	117,711	129,561	143,115	152,219	159,913	168,003	175,560	182,634	189,137	194,984
thereof B2B per franchisee	107,723	120,646	134,359	141,273	148,543	156,186	163,286	169,893	175,917	181,275
YoY B2B sales per franchisee	18.6%	12.0%	11.4%	5.1%	5.1%	5.1%	4.5%	4.0%	3.5%	3.0%
thereof Parts, Equip. & Franchise Sales per franchisee	9,988	8,915	8,756	10,946	11,370	11,817	12,273	12,741	13,220	13,709
Franchise-related PBT per franchisee	9,701	11,764	11,861	12,939	13,593	14,280	14,923	15,524	16,077	16,574
Parts and equipment sales per franchisee	9,711	8,146	8,590	8,969	9,238	9,515	9,801	10,095	10,397	10,709
Growth of P&E sales per franchisee	0.1%	0.1%	0.1%	4.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%

Appendix 4: Segment Forecast | Water Intelligence International

in USD FISCAL YEAR	2021A	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<i>Date</i>	<i>31/12/2021</i>	<i>31/12/2022</i>	<i>31/12/2023</i>	<i>31/12/2024</i>	<i>31/12/2025</i>	<i>31/12/2026</i>	<i>31/12/2027</i>	<i>31/12/2028</i>	<i>31/12/2029</i>	<i>31/12/2030</i>
Ireland	-	-	4,083,690	2,136,192	4,276,744	4,474,360	4,681,107	4,897,406	5,123,701	5,360,451
Δ YoY (%)	-	-	-	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Sydney, Australia - only rounded values	2,614,000	2,038,000	2,611,000	2,745,359	2,886,631	3,035,173	3,173,148	3,301,529	3,418,597	3,522,723
Δ YoY (%)	38.4%	-22.0%	28.1%	5.1%	5.1%	5.1%	4.5%	4.0%	3.5%	3.0%
Uk-based WII - only rounded values	2,384,000	3,437,000	3,952,000	4,134,610	4,325,658	4,525,533	4,734,645	4,953,418	5,182,301	5,421,759
Δ YoY (%)	49.8%	44.2%	15.0%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Canada - only rounded values	1,111,000	1,191,000	1,050,000	1,113,354	1,180,530	1,251,760	1,327,287	1,407,372	1,492,288	1,582,328
Δ YoY (%)	36.5%	7.2%	(11.8%)	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Total International Sales - rounded values	6,109,000	6,666,000	7,613,000	10,129,515	12,669,563	13,286,826	13,916,186	14,559,725	15,216,886	15,887,262
Δ YoY (%)	42.3%	9.1%	14.2%	33.1%	25.1%	4.9%	4.7%	4.6%	4.5%	4.4%
Check - Actual International Sales	6,109,175	6,665,554	7,612,578							
(-) Total OpEx (excl. D&A)	(5,309,988)	(5,972,693)	(6,548,939)	(8,711,383)	(10,832,477)	(11,293,802)	(11,828,758)	(12,375,767)	(12,934,353)	(13,504,172)
EBITDA	799,187	692,861	1,063,639	1,418,132	1,837,087	1,993,024	2,087,428	2,183,959	2,282,533	2,383,089
EBITDA Margin (%)	13.1%	10.4%	14.0%	14.0%	14.5%	15.0%	15.0%	15.0%	15.0%	15.0%
(-) D&A	(469,728)	(595,980)	(604,856)	(781,343)	(788,984)	(717,780)	(683,563)	(674,265)	(679,813)	(694,202)
as % of Rev	7.7%	8.9%	7.9%	7.7%	6.2%	5.4%	4.9%	4.6%	4.5%	4.4%
EBIT	329,459	96,881	458,783	636,789	1,048,103	1,275,244	1,403,865	1,509,694	1,602,720	1,688,887
EBIT Margin (%)	5.4%	1.5%	6.0%	6.3%	8.3%	9.6%	10.1%	10.4%	10.5%	10.6%
(-) Finance Costs	(13,719)	(11,282)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)
PBT	315,740	85,599	443,180	621,186	1,032,500	1,259,641	1,388,262	1,494,091	1,587,117	1,673,284
PBT Margin (%)	5.2%	1.3%	5.8%	6.1%	8.1%	9.5%	10.0%	10.3%	10.4%	10.5%

Appendix 5: Income Statement Forecast | Consolidated

Item in USD / Year	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
Franchise Royalty Income	6,803,489	6,746,928	6,738,816	7,157,405	6,905,639	7,235,678	7,354,064	7,432,633	7,469,449	7,463,312
Franchise Related Activities	9,769,657	10,624,268	11,163,422	11,568,620	11,833,545	12,096,212	12,289,178	12,419,129	12,483,064	12,478,992
US corporated locations	31,861,087	47,296,711	50,459,736	56,956,325	65,187,220	71,413,708	77,671,079	83,953,727	90,189,836	96,303,397
International corporate operated locations	6,109,175	6,665,554	7,612,578	10,129,515	12,669,563	13,286,826	13,916,186	14,559,725	15,216,886	15,887,262
Total Revenue	54,543,408	71,333,461	75,974,552	85,811,865	96,595,968	104,032,424	111,230,507	118,365,215	125,359,235	132,132,962
Δ YoY (%)	43.8%	30.8%	6.5%	12.9%	12.6%	7.7%	6.9%	6.4%	5.9%	5.4%
COGS	(8,964,486)	(9,659,600)	(10,362,197)	(15,683,464)	(17,536,588)	(18,762,676)	(19,983,726)	(21,093,507)	(22,256,530)	(23,373,892)
Gross Profit	45,578,922	61,673,861	65,612,355	70,128,400	79,059,380	85,269,748	91,246,781	97,271,708	103,102,705	108,759,070
Gross Margin (%)	83.6%	86.5%	86.4%	81.7%	81.8%	82.0%	82.0%	82.2%	82.2%	82.3%
SG&A	(32,848,279)	(44,998,929)	(48,203,980)	(50,627,922)	(56,862,398)	(61,008,497)	(65,178,637)	(68,986,174)	(73,017,632)	(76,925,090)
Unallocated head office costs	(2,927,132)	(4,915,011)	(4,627,640)	(4,977,088)	(5,312,778)	(5,513,718)	(5,672,756)	(5,799,896)	(5,891,884)	(5,945,983)
as % of Rev	65.6%	70.0%	69.5%	64.8%	64.4%	63.9%	63.7%	63.2%	62.9%	62.7%
EBITDA	9,803,511	11,759,921	12,780,735	14,523,391	16,884,203	18,747,533	20,395,389	22,485,638	24,193,189	25,887,997
EBITDA Margin (%)	18.0%	16.5%	16.8%	16.9%	17.5%	18.0%	18.3%	19.0%	19.3%	19.6%
D&A	(2,945,295)	(4,204,769)	(4,587,289)	(5,174,687)	(4,848,451)	(4,575,687)	(4,498,766)	(4,562,187)	(4,709,035)	(4,902,227)
as % of Rev	5.4%	5.9%	6.0%	6.0%	5.0%	4.4%	4.0%	3.9%	3.8%	3.7%
Core and Recurrent EBIT	6,858,216	7,555,152	8,193,446	9,348,703	12,035,752	14,171,846	15,896,622	17,923,451	19,484,154	20,985,770
Margin (%)	12.6%	10.6%	10.8%	10.9%	12.5%	13.6%	14.3%	15.1%	15.5%	15.9%
Statutory taxes	(1,440,225)	(1,586,582)	(1,720,624)	(1,963,228)	(2,527,508)	(2,976,088)	(3,338,291)	(3,763,925)	(4,091,672)	(4,407,012)
Tax Adjustments	(49,541)	(935,918)	(387,800)	(747,896)	(962,860)	(1,133,748)	(1,271,730)	(1,433,876)	(1,558,732)	(1,678,862)
Core and Recurrent Result	5,368,450	5,032,652	6,085,022	6,637,579	8,545,384	10,062,011	11,286,602	12,725,650	13,833,749	14,899,897
Margin (%)	9.8%	7.1%	8.0%	7.7%	8.8%	9.7%	10.1%	10.8%	11.0%	11.3%
Non-Core and Core but Non-Recurrent Business										
Total Non-Core Costs (transaction costs and non-recurring costs)	(323,423)	(840,299)	(1,069,322)	(858,119)	(965,960)	(1,040,324)	(1,112,305)	(1,183,652)	(1,253,592)	(1,321,330)
Other Non-Recurrent:										
Other Income	69,484	130,405	59,422	67,116	75,551	81,367	86,997	92,577	98,047	103,345
Non-Core and Core but Non-Recurrent EBIT	(253,939)	(709,894)	(1,009,900)	(791,003)	(890,409)	(958,957)	(1,025,308)	(1,091,075)	(1,155,545)	(1,217,984)
Statutory Taxes	53,327	149,078	212,079	166,111	186,986	201,381	215,315	229,126	242,664	255,777
Tax Adjustments	1,834	87,940	47,799	63,280	71,233	76,717	82,025	87,286	92,444	97,439
Other Comprehensive Income:										
Gain on debt extinguishment	-	-	-	-	-	-	-	-	-	-
Cash flow hedge movement	-	448,177	(171,912)	11,765	-	-	-	-	-	-
Fair value adjustment on listed equity investment (net of deferred tax)	(300,049)	(690,885)	(21,927)	(173,597)	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	(221,281)	(409,371)	199,826	(103,159)	-	-	-	-	-	-
Total OCI	(521,330)	(652,079)	5,987	(264,991)	-	-	-	-	-	-
Total Non-Core and Core but Non-Recurrent Result	(720,107)	(1,124,955)	(744,035)	(826,603)	(632,190)	(680,860)	(727,969)	(774,663)	(820,437)	(864,769)
Financial Result										
Finance income	51,092	229,550	699,819	393,947	295,843	299,245	350,227	430,831	588,724	779,923
Finance expenses	(969,130)	(1,570,592)	(1,643,978)	(1,948,061)	(2,148,503)	(2,320,235)	(2,494,008)	(2,671,267)	(2,850,874)	(3,031,618)
US corporate operated locations	(484,047)	(756,164)	(716,739)	(1,074,339)	(1,166,941)	(1,264,307)	(1,366,100)	(1,472,012)	(1,581,678)	(1,694,685)
International corporate activities	(13,719)	(11,282)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)	(15,603)
Unallocated head office costs	(471,364)	(803,146)	(911,636)	(858,119)	(965,960)	(1,040,324)	(1,112,305)	(1,183,652)	(1,253,592)	(1,321,330)
Recurrent Finance Costs	(918,038)	(1,341,042)	(944,159)	(1,554,114)	(1,852,660)	(2,020,990)	(2,143,781)	(2,240,436)	(2,262,149)	(2,251,695)
Tax Shield	199,420	447,745	242,961	450,693	537,271	586,087	621,697	649,726	656,023	652,992
Recurrent Net Financing Result	(718,618)	(893,297)	(701,198)	(1,103,421)	(1,315,389)	(1,434,903)	(1,522,085)	(1,590,709)	(1,606,126)	(1,598,704)
PPP loan forgiveness	1,869,800	-	-	-	-	-	-	-	-	-
Tax Shield Adjustment for PPP loan forgiveness	(406,165)	-	-	-	-	-	-	-	-	-
Non-Recurrent Net Financing Result	1,463,635	-	-	-	-	-	-	-	-	-
Total Financing Result	745,017	(893,297)	(701,198)	(1,554,114)	(1,852,660)	(2,020,990)	(2,143,781)	(2,240,436)	(2,262,149)	(2,251,695)
Total Comprehensive Income	5,393,359	3,014,400	4,639,789	4,311,209	6,008,994	7,209,949	8,193,345	9,390,995	10,363,740	11,328,557
Margin (%)	9.9%	4.2%	6.1%	5.0%	6.2%	6.9%	7.4%	7.9%	8.3%	8.6%
Other Income	69,484	130,405	59,422	67,116	75,551	81,367	86,997	92,577	98,047	103,345
Non-Operating EBIT	69,484	130,405	59,422	67,116	75,551	81,367	86,997	92,577	98,047	103,345
Statutory Taxes	53,327	149,078	212,079	(14,094)	(15,866)	(17,087)	(18,269)	(19,441)	(20,590)	(21,702)
Tax Adjustments	1,834	87,940	47,799	(580,287)	(743,415)	(895,352)	(1,018,203)	(1,167,355)	(1,285,317)	(1,401,287)
Cash flow hedge movement	-	448,177	(171,912)	11,765	-	-	-	-	-	-
Fair value adjustment on listed equity investment (net of deferred tax)	(300,049)	(690,885)	(21,927)	(173,597)	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	(221,281)	(409,371)	199,826	(103,159)	-	-	-	-	-	-
Non-Operating Result	(396,684)	(284,656)	325,287	(772,256)	(683,730)	(831,072)	(949,475)	(1,094,219)	(1,207,859)	(1,319,644)
EARNINGS PER SHARE										
Weighted avg. number of ordinary shares	15,972,588	17,360,189	17,358,688	17,402,288	17,402,288	17,402,288	17,402,288	17,402,288	17,402,288	17,402,288
Diluted weighted average number of ordinary shares	17,286,616	18,554,459	17,833,235	17,823,584	17,823,584	17,823,584	17,823,584	17,823,584	17,823,584	17,823,584
Earnings per share (cents)	0.34	0.17	0.27	0.25	0.35	0.41	0.47	0.54	0.60	0.65
Diluted earnings per share (cents)	0.31	0.16	0.26	0.24	0.34	0.40	0.46	0.53	0.58	0.64

Appendix 6: Cash Flow Statement Forecast | Consolidated

Item in USD / Year	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
Core EBIT	6,858,216	7,555,152	8,193,446	9,348,703	12,035,752	14,171,846	15,896,622	17,923,451	19,484,154	20,985,770
Notional Taxes	(1,440,225)	(1,586,582)	(1,720,624)	(1,963,228)	(2,527,508)	(2,976,088)	(3,338,291)	(3,763,925)	(4,091,672)	(4,407,012)
Tax Adjustment	(49,541)	(935,918)	(387,800)	(747,896)	(962,860)	(1,133,748)	(1,271,730)	(1,433,876)	(1,558,732)	(1,678,862)
Core NOPLAT	5,368,450	5,032,652	6,085,022	6,637,579	8,545,384	10,062,011	11,286,602	12,725,650	13,833,749	14,899,897
(+) D&A	2,945,295	4,204,769	4,587,289	5,174,687	4,848,451	4,575,687	4,498,766	4,562,187	4,709,035	4,902,227
(+) Non-cash OCI	442,708	462,097	571,970	646,030	727,217	783,202	837,392	891,106	943,760	994,755
Core Gross Cash Flow	8,756,453	9,699,518	11,244,281	12,458,296	14,121,052	15,420,900	16,622,761	18,178,943	19,486,544	20,796,879
(-) Investment in NWC	(2,934,069)	(1,630,068)	(153,637)	(1,091,315)	(1,238,526)	(850,491)	(825,589)	(811,398)	(800,571)	(774,734)
(-) Net CapEx - PPE	(5,110,075)	(4,654,411)	(5,058,953)	(2,359,860)	(2,443,242)	(2,607,498)	(2,766,489)	(2,924,080)	(3,078,564)	(3,228,182)
(-) Investment in Intangible Assets	(2,636,967)	(3,169,409)	(2,662,313)	(3,111,415)	(3,452,859)	(3,713,135)	(3,965,068)	(4,214,783)	(4,459,573)	(4,696,654)
(-) Change in Goodwill	(15,108,633)	(7,698,203)	(4,824,531)	(16,672,606)	(3,476,766)	(3,675,314)	(3,859,738)	(4,031,338)	(4,187,816)	(4,326,995)
(-) Change in Other Operating Assets	771,674	480,356	782,606	364,410	713,892	874,994	998,497	1,147,823	1,266,170	1,382,743
Total Investments	(25,018,070)	(16,671,735)	(11,916,828)	(22,870,786)	(9,897,501)	(9,971,445)	(10,418,386)	(10,833,775)	(11,260,354)	(11,643,821)
Core Operating Free Cash Flow	(16,261,617)	(6,972,217)	(672,547)	(10,412,490)	4,223,551	5,449,455	6,204,374	7,345,168	8,226,189	9,153,059
Non-Operating										
Non-operating Result	(253,939)	(709,894)	(1,009,900)	67,116	75,551	81,367	86,997	92,577	98,047	103,345
Statutory Taxes	53,327	149,078	212,079	(14,094)	(15,866)	(17,087)	(18,269)	(19,441)	(20,590)	(21,702)
Tax Adjustments	1,834	87,940	47,799	(560,287)	(743,415)	(895,352)	(1,018,203)	(1,167,355)	(1,285,317)	(1,401,287)
Change in Non-Core Invested Capital	379,215	262,249	199,294	198,162	-	-	-	-	-	-
Other non-cash adjustments	(300,049)	(242,708)	(193,839)	(161,832)	-	-	-	-	-	-
Foreign currency translation adjustment (OCI)	(221,281)	(409,371)	199,826	(103,159)	-	-	-	-	-	-
Total Unlevered Free Cash Flow	(16,602,509)	(7,834,923)	(1,217,288)	(10,986,584)	3,539,822	4,618,383	5,254,899	6,250,949	7,018,330	7,833,414
Debt Free Cash Flow										
Net Finance expenses	(918,038)	(1,341,042)	(944,159)	(1,554,114)	(1,852,660)	(2,020,990)	(2,143,781)	(2,240,436)	(2,262,149)	(2,251,695)
Financial Tax Shield	(206,745)	447,745	242,961	-	-	-	-	-	-	-
Change in Net Debt	(7,318,687)	9,369,639	2,014,581	12,206,922	(2,016,740)	(3,074,460)	(3,695,089)	(4,720,563)	(5,540,394)	(6,430,354)
Transactions with Shareholders	25,045,980	(641,419)	(96,095)	333,775	329,579	477,067	583,971	710,050	784,214	848,635
Financing Parties Cash Flows	16,602,509	7,834,923	1,217,288	10,986,584	(3,539,822)	(4,618,383)	(5,254,899)	(6,250,949)	(7,018,330)	(7,833,414)

Appendix 7: Performance (ROIC) Analysis | Consolidated

Item in USD Year	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
RETURN ON INVESTED CAPITAL										
Core NOPLAT	5,368,450	5,032,652	6,085,022	6,637,579	8,545,384	10,062,011	11,286,602	12,725,650	13,833,749	14,899,897
Core Invested Capital (incl. Goodwill)	54,790,897	67,257,863	74,587,402	92,283,501	97,332,551	102,728,308	108,647,928	114,919,516	121,470,835	128,212,429
Operating ROIC	16.4%	9.2%	9.0%	8.9%	9.3%	10.3%	11.0%	11.7%	12.0%	12.3%
Core Invested Capital (ex. Goodwill)	17,522,428	22,291,191	24,796,199	25,819,692	27,391,975	29,112,419	31,172,301	33,412,551	35,776,054	38,190,653
Operating ROIC w/o Goodwill	50.8%	28.7%	27.3%	26.8%	33.1%	36.7%	38.8%	40.8%	41.4%	41.6%
Nonoperating NOPLAT	(198,777)	(472,876)	(750,022)	(561,612)	(632,190)	(680,860)	(727,969)	(774,663)	(820,437)	(864,769)
Nonoperating Invested Capital	1,185,039	922,790	723,496	525,334	525,334	525,334	525,334	525,334	525,334	525,334
Nonoperating ROIC	(12.7%)	(39.9%)	(81.3%)	(77.6%)	(120.3%)	(129.6%)	(138.6%)	(147.5%)	(156.2%)	(164.6%)
Total NOPLAT	5,169,672	4,559,776	5,335,000	6,075,968	7,913,194	9,381,151	10,558,633	11,950,987	13,013,312	14,035,128
Total Invested Capital (incl. Goodwill)	55,975,936	68,180,653	75,310,898	92,808,835	97,857,885	103,253,642	109,173,262	115,444,850	121,996,169	128,737,763
Total Invested Capital (ex. Goodwill)	18,707,467	23,213,981	25,519,695	26,345,026	27,917,309	29,637,753	31,697,635	33,937,885	36,301,388	38,715,987
Overall ROIC (incl. Goodwill)	15.1%	8.1%	7.8%	8.1%	8.5%	9.6%	10.2%	10.9%	11.3%	11.5%
Overall ROIC (ex. Goodwill)	42.6%	24.4%	23.0%	23.8%	30.0%	33.6%	35.6%	37.7%	38.3%	38.7%

Appendix 8: Balance Sheet Forecast | Consolidated

Item in USD Year	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
NET WORKING CAPITAL										
Cash Needed for Operations	2,181,736	2,853,338	3,038,982	3,432,475	3,863,839	4,161,297	4,449,220	4,734,609	5,014,369	5,285,318
As % of Sales	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Inventories	677,218	759,070	723,315	1,080,040	1,207,655	1,292,090	1,376,177	1,452,602	1,532,693	1,609,640
Trade and other receivables	8,379,894	11,393,584	11,063,253	12,225,252	13,761,617	14,821,058	15,846,538	16,862,990	17,859,398	18,824,422
Trade and other payables	(4,194,031)	(6,331,107)	(5,997,028)	(6,817,929)	(7,674,748)	(8,265,590)	(8,837,492)	(9,404,360)	(9,960,049)	(10,498,235)
Net Working Capital	7,044,817	8,674,885	8,828,522	9,919,838	11,158,363	12,008,854	12,834,443	13,645,841	14,446,412	15,221,146
As % of Revenues	12.9%	12.2%	11.6%	11.6%	11.6%	11.5%	11.5%	11.5%	11.5%	11.5%
Change in Net Working Capital	2,934,069	1,630,068	153,637	1,091,315	1,238,526	850,491	825,589	811,398	800,571	774,734
Net Working Capital (excl. cash needed for ops)	4,863,081	5,821,547	5,789,540	6,487,363	7,294,524	7,847,557	8,385,223	8,911,232	9,432,042	9,935,827
As % of Revenues	8.9%	8.2%	7.6%	7.6%	7.6%	7.5%	7.5%	7.5%	7.5%	7.5%
NET CORE INVESTED CAPITAL										
Property, plant and equipment	7,807,227	9,224,955	10,538,135	8,577,359	7,503,884	7,034,789	6,917,015	7,005,119	7,211,584	7,483,016
Other intangible assets	3,818,037	6,019,360	7,840,157	10,097,520	12,218,645	14,432,686	16,783,251	19,271,822	21,894,459	24,645,634
Trade and other receivables	429,219	287,572	207,990	234,921	264,444	284,802	304,508	324,040	343,187	361,731
Deferred tax liability	(1,576,872)	(1,915,581)	(2,618,605)	(3,009,946)	(3,753,361)	(4,648,712)	(5,666,915)	(6,834,270)	(8,119,587)	(9,520,874)
Net Core Non-current Assets (excl. Goodwill)	10,477,611	13,616,306	15,967,677	15,899,854	16,233,612	17,103,565	18,337,858	19,766,710	21,329,642	22,969,507
As % of Revenues	19.2%	19.1%	21.0%	18.5%	16.8%	16.4%	16.5%	16.7%	17.0%	17.4%
Goodwill	37,268,469	44,966,672	49,791,203	66,463,809	69,940,575	73,615,890	77,475,627	81,506,965	85,694,781	90,021,776
Net Core Non-current Assets (incl. Goodwill)	47,746,080	58,582,978	65,758,880	82,363,663	86,174,187	90,719,454	95,813,485	101,273,676	107,024,424	112,991,283
As % of Revenues	87.5%	82.1%	86.6%	96.0%	89.2%	87.2%	86.1%	85.6%	85.4%	85.5%
Core Invested Capital excl. Goodwill	17,522,428	22,291,191	24,796,199	25,819,692	27,391,975	29,112,419	31,172,301	33,412,551	35,776,054	38,190,653
Core Invested Capital	54,790,897	67,257,863	74,587,402	92,283,501	97,332,551	102,728,308	108,647,928	114,919,516	121,470,835	128,212,429
As % of Revenues	100.5%	94.3%	98.2%	107.5%	100.8%	98.7%	97.7%	97.1%	96.9%	97.0%
NON-CORE NON-CURRENT ASSETS										
Listed equity investment	1,185,039	474,613	447,231	237,304	237,304	237,304	237,304	237,304	237,304	237,304
Interest rate swaps	-	448,177	276,265	288,030	288,030	288,030	288,030	288,030	288,030	288,030
Non-Core Invested Capital	1,185,039	922,790	723,496	525,334	525,334	525,334	525,334	525,334	525,334	525,334
Total (Core and Non-Core) Invested Capital	55,975,936	68,180,653	75,310,898	92,808,835	97,857,885	103,253,642	109,173,262	115,444,850	121,996,169	128,737,763
Total Sources										
Short-term borrowings and lease liabilities	3,325,579	5,519,560	6,805,131	6,805,131	6,805,131	6,805,131	6,805,131	6,805,131	6,805,131	6,805,131
Short-term deferred consideration	5,494,663	5,109,093	4,752,175	4,752,175	4,752,175	4,752,175	4,752,175	4,752,175	4,752,175	4,752,175
Total Short Term Debt	8,820,242	10,628,653	11,557,306	11,557,306	11,557,306	11,557,306	11,557,306	11,557,306	11,557,306	11,557,306
Long-term borrowings and lease liabilities	8,176,893	15,334,813	12,510,867	10,678,533	12,221,893	13,844,672	15,541,221	17,306,409	19,134,189	21,017,641
Long-term deferred consideration	8,220,613	7,164,421	3,632,074	13,353,680	9,498,279	6,542,877	4,087,476	3,632,074	3,632,074	3,632,074
Total Long-Term Debt	16,397,506	22,499,234	16,142,941	24,032,213	21,720,172	20,387,549	19,628,696	20,938,483	22,766,263	24,649,715
Financial Debt	25,217,748	33,127,887	27,700,247	35,589,519	33,277,478	31,944,855	31,186,002	32,495,789	34,323,569	36,207,021
Excess of Cash	(21,620,616)	(20,161,116)	(12,718,895)	(8,401,245)	(8,105,943)	(9,847,781)	(12,784,017)	(18,814,368)	(26,182,542)	(34,496,347)
Net Financial Debt	3,597,132	12,966,771	14,981,352	27,188,274	25,171,534	22,097,074	18,401,985	13,681,422	8,141,027	1,710,673
ND / EBITDA	0.4x	1.1x	1.2x	1.9x	1.5x	1.2x	0.9x	0.6x	0.3x	0.1x
Equity attributable to holders of the parent	51,766,276	54,615,246	59,719,171	65,020,790	72,015,922	80,348,060	89,770,173	100,503,542	112,284,129	125,093,487
Non-controlling interest	612,528	598,636	610,375	599,770	670,429	808,509	1,001,104	1,259,886	1,571,014	1,933,603
Total Equity	52,378,804	55,213,882	60,329,546	65,620,560	72,686,350	81,156,569	90,771,277	101,763,428	113,855,142	127,027,089
Total Funding	55,975,936	68,180,653	75,310,898	92,808,835	97,857,885	103,253,642	109,173,262	115,444,850	121,996,169	128,737,763

Appendix 9: Balance Sheet Key Ratios

Item in USD Year	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Date	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027	31/12/2028	31/12/2029	31/12/2030
CAPITAL INTENSITY										
Fixed Assets / PPE as % of Rev.	14%	13%	14%	10%	8%	7%	6%	6%	6%	6%
NWC as % of Rev.	13%	12%	12%	12%	12%	12%	12%	12%	12%	12%
Goodwill & Other Intangibles as % of Rev.	75%	71%	76%	89%	85%	85%	85%	85%	86%	87%
Cash needed in Op as % of Rev.	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Total Capital Employed (Core) as % of Rev.	100%	94%	98%	108%	101%	99%	98%	97%	97%	97%
Tangible Capital Employed (TTCE) as % of Rev.	32%	31%	33%	30%	28%	28%	28%	28%	29%	29%
KEY LIQUIDITY RATIOS										
Current Ratio	2.5x	2.1x	1.6x	1.4x	1.4x	1.5x	1.7x	2.0x	2.4x	2.7x
Quick Ratio	2.5x	2.0x	1.5x	1.3x	1.3x	1.5x	1.6x	1.9x	2.3x	2.7x
Cash Ratio	1.9x	1.4x	0.9x	0.7x	0.6x	0.7x	0.9x	1.1x	1.5x	1.8x
Interest Coverage Ratios (EBITDA / Interest Expenses)	10.1x	7.5x	6.8x	7.5x	7.9x	8.1x	8.2x	8.4x	8.5x	8.5x
Interest Coverage Ratios (EBIT / Interest Expenses)	6.8x	4.4x	3.1x	4.4x	5.2x	5.7x	6.0x	6.3x	6.4x	6.5x
LEVERAGE RATIOS										
Total Debt / Equity	0.6x	0.7x	0.6x	0.7x	0.6x	0.6x	0.5x	0.5x	0.5x	0.4x
Debt Ratio (Total Debt / Total Assets)	0.4x	0.4x	0.4x	0.4x	0.4x	0.4x	0.3x	0.3x	0.3x	0.3x
Net Debt / EBITDA	0.4x	1.1x	1.2x	1.9x	1.5x	1.2x	0.9x	0.6x	0.3x	0.1x
Net Debt / EBIT	0.5x	1.9x	2.1x	3.2x	2.3x	1.7x	1.2x	0.8x	0.4x	0.1x
Net Debt / Core NOPLAT	0.7x	2.6x	2.5x	4.1x	2.9x	2.2x	1.6x	1.1x	0.6x	0.1x
Net Debt / Core Gross Cash Flow	0.4x	1.3x	1.3x	2.2x	1.8x	1.4x	1.1x	0.8x	0.4x	0.1x
Net Debt / FCFF (pre M&A)	1.0x	2.5x	2.2x	3.7x	3.0x	2.3x	1.7x	1.1x	0.6x	0.1x

Appendix 10: CCA Analysis | Peer Description

COMPARABLES			Description
Ticker	Company Name	Tier	Business Model Summary
MWA	MUELLER WATER PRODUCTS INC	1	MWA designs and provides products and services for the transmission, distribution, and measurement of water, including valves, hydrants, metering systems, and leak detection solutions. Its offerings support water infrastructure management across North America.
WTS	WATTS WATER TECHNOLOGIES INC	1	WTS supplies products and systems that manage and conserve the flow of fluids and energy in buildings. Its offerings include flow control, leak detection, HVAC, drainage, water quality, and safety products for residential, commercial, and industrial applications.
PNR	PENTAIR PLC	2	PNR provides sustainable water solutions across Residential, Commercial, Industrial, Municipal, and Agricultural applications. Its offerings include pool and spa equipment, water filtration, irrigation, industrial filtration, and solutions for HVAC, and wastewater management.
BMI	BADGER METER INC	3	BMI manufactures flow measurement, water quality monitoring, and acoustic leak detection products, along with data analytics and communication solutions. Its offerings include smart meters, real-time water quality and leak detection systems, and the ORION communication platform to optimize customer operations.
XYL	XYLEM INC	3	Xylem Inc. is a water technology company providing engineered products and solutions for water and energy applications. Its offerings span water infrastructure, applied water systems, advanced measurement & control technologies, and integrated services for industrial & municipal needs.
CHE	CHEMED CORP	3	CHE operates through two segments: VITAS, which provides hospice and palliative care services, and Roto-Rooter, which offers plumbing, drain cleaning, and water restoration services. Roto-Rooter serves residential and commercial customers through a network of branches, contractors, and franchisees.

Appendix 11: CCA Analysis | Peer Selection Criteria

COMPARABLES			SELECTION CRITERIA					
Ticker	Company Name	Tier	Context	Operational & Asset Based Performance			Capital Structure	
			M-Cap in m	YoY 22-23A	NOPAT Margin	β_u	D/E	ND/EBITDA
WATR	WATER INTELLIGENCE PLC		90	6.51%	7.47%	0.83	0.17	1.27
MWA	MUELLER WATER PRODUCTS INC	1	3,068	2.33%	8.87%	1.00	0.07	1.02
WTS	WATTS WATER TECHNOLOGIES INC	1	6,371	3.84%	14.03%	0.69	(0.00)	(0.05)
PNR	PENTAIR PLC	2	14,544	-0.41%	16.40%	0.42	0.11	1.69
BMI	BADGER METER INC	3	5,887	24.40%	13.25%	0.58	(0.04)	(1.21)
XYL	XYLEM INC	3	31,544	33.36%	11.50%	0.75	0.04	0.85
CHE	CHEMED CORP	3	8,537	6.04%	13.74%	0.44	(0.03)	(0.49)

Disclosures and Disclaimers

Report Recommendations

Buy	Expected total return (including expected capital gains and expected dividend yield) of more than 10% over a 12-month period.
Hold	Expected total return (including expected capital gains and expected dividend yield) between 0% and 10% over a 12-month period.
Sell	Expected negative total return (including expected capital gains and expected dividend yield) over a 12-month period.

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