



The small company specialists

# COMPANY INFORMATION

**Qonnectis PLC (LSE:QTI)**

Info sheet compiled December 2006

**Company Eye Ranking**

**10/50**

## EDITOR'S NOTE

Qonnectis' technology enables utilities and their customers to access data from their utilities from any location at any time of day or night, eliminating the costly and time-consuming process of manual meter reading and back-office data entry. The Company's systems can also remotely read and collect data from utility meters at 15 minutes intervals, allowing users to monitor consumptions levels and identify incidences of inefficient usage, billing irregularities or leakage, thereby reducing consumption of resources.

The directors are working towards bringing the Group to a level of profitable trading. In doing so, they are assessing, on a regular basis, cost levels, sales activities and research and development expenditure.

Whilst this seems to be an exciting company, it is actually very hungry for cash with a balance sheet containing £3m of goodwill. Could be considered 'worth a punt' with a valuation at sub £1.5m.

## 1 YEAR CHART



## FUNDAMENTALS

Company Name	Qonnectis PLC
Current Price	0.88
Status	AIM
Market Cap	1.91 m.
Shares in Issue	218.608.023 m.
Price-To-Book Ratio	0.7
Activities	Provides remote data collection technology and services to the energy
Sector	Computer Services
Corporate advisor	HB Corporate
Registrar	Capita Registrars

## HISTORY

The original Qonnectis business was established at the end of 1998 and spent several years in research and development before the wider launch of its products in 2003, following its merger into IP Holdings plc, which

was subsequently renamed Qonnectis plc. Qonnectis plc was listed on the AIM market of the London Stock Exchange in February 2005.

## THE BUSINESS

Qonnectis provides remote data collection technology and services to the energy, water and environmental industries. For example, Qonnectis devices connect providers and users of power and water to remote meters. The technology can provide communications and data collection to any remote devices or sensors - such as an energy meter or temperature sensor - from a web site.

Qonnectis" solutions: an integrated system comprising bespoke software and communications hardware which enables data collection from any type of utility meter (electricity, gas, water) or other devices remotely, anywhere in the world, using the Internet.

The Qonnectis products include the "iStaq" intelligent communications device - a small box which can send data from utility meters or sensors over any communications network such as SMS/GSM or telephone; it can also send instant alarm messages if a pipe burst or power cut occurs in the customers building. Data is collected at Qonnectis" secure data centre and published on customer web sites. Qonnectis provides both the communications hardware, server software and multi-year service contracts to collect and manage the data. Utilities and energy users are therefore able to get 24-hour remote monitoring of their network and consumption.



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### ROLLING EPS



### MONEY FLOW



### ACTIVITIES

Qconnectis principal activity is to provide remote data collection technology and analytical services to the energy, water and environmental industries. Its technology provides communications with and data collection from any remote devices, such as energy meters or temperature sensors, via the Internet. Qconnectis' services enable utilities and end users to monitor their networks in real time, 24-hours a day.

Qconnectis' patented technologies enable the analysis of remote meter data to facilitate water leakage control, customer profiling,

and energy and water management efficiency. The Company's products are already being used by a wide range of UK and overseas utilities including Scottish Water, Cambridge Water, Aquavitaie, Generale des Eaux and Lyonnaise des Eaux as well as large commercial and domestic users of energy or water. The iStaq family of products work by sending meter readings to Qconnectis' secure data centre via SMS text messaging over the GSM network. The data is then aggregated and published online via utility-branded "myMeter" websites operated by Qconnectis. The data can also be sent directly to utilities' billing systems.

### LIST OF CLIENTS

- Compteurs Farnier, a major French manufacturer of water meters.
- The installation of the myMeter system at the World Trade Square commercial complex in Hong Kong.
- The selection by Aquavitaie, on behalf of its customer, of Qconnectis' technology to monitor Associated British Ports' sites.

- 12 sites by Water Utilities Corporation of Botswana.

Scottish Water  
Cambridge Water  
Generale des Eaux  
Lyonnaise des Eaux

### DEVELOPMENT HIGHLIGHTS

#### 15/08/2005

Qconnectis plc, ("Qconnectis" or "the Company"), the provider of remote monitoring and metering services to business users of energy and water, announces that, via its sub-Saharan African business partner, Consolidated African Technologies Pty Limited ("CAT"), it has been awarded a contract by the Water Utilities Corporation of Botswana ("The Water Utilities Corporation" or "WUC") to implement its "Qconnectis Network" Internet-based water metering services at key sites within WUC's network, with an initial twelve sites to be connected, and up to 140 sites in total. This represents Qconnectis' second notable utility order outside Europe, and the first in continental Africa.

#### 08/09/2005

Qconnectis plc ("Qconnectis"), the telematics and IT services provider to the utility and business energy and water user markets, announces that Aquavitaie (UK) Limited, a new entrant to the UK's emerging competitive water supply market, has supplied Qconnectis' Internet-based water metering products and services for use on twelve sites at Associated British Ports'

(ABP), Port of Southampton, one of Aquavitaie's above 50 megalitre water supply customers.

#### 04/10/2005

Qconnectis plc ("Qconnectis" or "the Company"), the provider of remote monitoring and metering services to business users of energy and water, announces the successful installation of its 'myMeter' system at World Trade Square, a major office and retail complex (395,000 sq. ft) in Kowloon, Hong Kong. The system was supplied and installed by the Company's local distributor.

#### 01/01/2006

The implementation of a water leakage detection initiative by the NHS trust Energy Management team at County Hospital, Griffithstown, has saved the Gwent Healthcare NHS Trust over £60,000 on its annual water bill and will receive an additional £60,000 in sewerage rebates from its water supplier over the last two years. The water meter monitoring service provided by Qconnectis plc involved the use of a Qconnectis universal meter logger and internet based water meter monitoring and analysis on myMeter.info web site powered by Qconnectis.



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### EXPANSION

Going forward, increasing energy prices, ageing utility infrastructure, environmental considerations and commercial cost pressures are expected to drive demand for Qconnectis' products and services. In the near-term, the Company is looking to expand its direct sales capability and customer support services to broaden its customer

base and assist its existing customers to roll-out the technology and services. Also, by developing its proven technology to connect to environmental sensors, Qconnectis recently has launched a range of environmental solutions, which provide data monitoring for water and gas leaks, flood alerts and air and water quality.

### RECENT HIGHLIGHTS

The Company has recently introduced the "iStaq-AMR", a variant of its meter communications solution targeted at applications for automatic meter reading for billing purposes, on a monthly basis, particularly for water companies and as a way of encouraging customer water and energy conservation in times of potential scarcity. This product is expected, over time, to supersede manual meter reading which is increasingly becoming uneconomic and

addresses the needs of a new, growing market segment. Qconnectis has made further progress towards being an internationally recognised market leader in the supply of innovative technology to utilities. The Company has continued to win new customers, and has increased turnover and improved the gross margin whilst expanding the sales arm and broadening the product range.

### TARGET MARKET

Its first target market is automated meter reading and device management, allowing utility companies to take remote readings and maintain their meters from anywhere in the world. Qconnectis is at the forefront of the development of

technology for energy and water saving and environmental management. Developed in the EU, early assistance was provided by the EU and the UK Department of Trade and Industry (DTI) through the Smart Award scheme for innovative technologies

### DIRECTORS

#### **Richard Mann Taylor**

Non-executive Chairman, Richard has worked for a number of leading international companies such as GEC, Grand Metropolitan, Jardine Matheson in Hong Kong, and American President Companies in the USA. In 1988 he was a founder member of a group which acquired Harry Ramsden's, a fish and chip restaurant company in Guisely, Yorkshire, in the UK. As Group Finance Director and Chief Executive of its International Division, he took Harry Ramsden's public in 1989 and sold it to Granada plc in 1999 as a globally-branded business with outlets throughout the UK and in six international markets. He has a BSc in Engineering and an MBA.

#### **Michael Tapia**

Founder and Chief Executive, Michael had previously founded Talisman Systems for Thames Water and which he took to leadership in the European utility metering market. Talisman was acquired by its largest customer, Severn Trent plc, in 1997. At Qconnectis he developed and funded from concept a patented architecture for communicating with machines and sensors via the

Internet. He previously held business development roles with FW Talbot, then a subsidiary of Thames Water plc and supplier of infrastructure products to the utility industry, Acorn Computer/ARM, a UK IT pioneer, Informática El Corte Inglés, a leading Spanish IT supplier, and Thomson-CSF in France (since renamed Thales), a supplier of advanced electronics to the consumer electronics and defence industries. He has an MBA and BA in Economics.

#### **Percival Albuquerque**

Non-executive Director, Percy joined the board in May 2004 having assisted as a consultant in the development of national and international business strategy and sales. He was previously the Managing Director and Vice President of Radix Corporation (USA), a company specialising in mobile computing systems for utility meter reading. He was responsible for the expansion of Radix's sales channels in over 50 countries, development and launch of several innovative mobile computing products and operational management.



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## SHAREHOLDINGS

	Number	%
Michael Tapia	21,028,776	9.62

	Number	%

## FINANCIAL HISTORY

### Profit and loss account for the year ended 30<sup>th</sup> June 2006

£	Year end 30 <sup>th</sup> June 2006	Year end 30 <sup>th</sup> June 2005
TURNOVER	109,425	60,007
Cost of sales	(77,553)	(32,510)
GROSS PROFIT / (LOSS)	31,872	27,497
Administrative expenses	(920,742)	(1,097,720)
Other operating income - R&D tax credit	75,952	24,815
OPERATING LOSS	(812,918)	(1,045,408)
Net finance costs	5,972	(3,095)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(806,946)	(1,048,503)
Tax credit on loss on ordinary activities	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	(806,946)	(1,048,503)
LOSS FOR THE FINANCIAL YEAR	(806,946)	(1,048,503)
Loss per share - basic	(0.51p)	(0.93p)

### Balance Sheet as at 30<sup>th</sup> June 2006

£	30 <sup>th</sup> June 2006	30 <sup>th</sup> June 2005
Goodwill	3,523,852	3,733,709
Tangible assets	5,916	3,514
FIXED ASSETS	3,529,768	3,737,223
Stock	19,209	9,601
Debtors	99,331	58,855
Cash at bank and in hand	10,410	710,336
CURRENT ASSETS	128,950	778,792
CREDITORS: amounts falling due within one year	(256,468)	(270,819)
NET CURRENT (LIABILITIES)/ASSETS	(127,518)	507,973
TOTAL ASSETS LESS CURRENT LIABILITIES	3,402,250	4,245,196
CREDITORS: amounts falling due after more than one year	(42,000)	(78,000)
NET ASSETS	3,360,250	4,167,196
CAPITAL AND RESERVES		
Called up share capital	9,658,588	9,658,588
Share premium account	1,675,050	1,675,050
Profit and loss account	(7,973,388)	(7,166,442)
EQUITY SHAREHOLDERS' FUNDS	3,360,250	4,167,196

## GROWTH POTENTIAL AND RETURNS

The Company's strategic focus remains on expanding its client base by delivering customer-focused utility management solutions, whilst relentlessly driving down production costs to enable Qconnectis to achieve breakeven as soon as possible. Qconnectis Plc particularly is looking to increase the number of resellers that the Company work with to enable any business consuming

more than £10,000 of utility services a year to benefit from the cost and efficiency savings that Qconnectis provides. The Company is confident about the future and what they can achieve with its range of innovative products, loyal customers and distribution partners, and its dedicated staff.

## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the

acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:



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The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable. In the event of an aborted acquisition it is likely that resources may

have been expended on investigative work and due diligence, which cannot be recovered. The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

## MARKET OPPORTUNITY

With less than 10% of the world's estimated 1.3 billion utility meters currently automated, the management believes that this represents a significant market opportunity. As well as selling directly to the utilities,

Qonnectis is also targeting their commercial and industrial customers, where utilities are expected to focus their initial investment in automated meter reading (AMR) technology.

## CONTACT

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Middlesex  
TW2 5RF

## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	17
Customers	10
Low cost	8
Management	
- corporate governance	7
- quality	10
- shareholding	
Product	11
Sector	11
<b>Financial evaluation</b>	
Early and profitable exit potential	5
Financial strength	
- cash flow	
- conservative accounting	
- need for funding	
Growth at a reasonable price	11
Risk	10
<b>Overall average rating</b>	10



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### FURTHER INFORMATION ABOUT THE RANKING

#### Competitive advantage

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### Competition

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### Customers

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### Profitable exit potential

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### Low costs

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### Financial strength

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### Management

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### Growth at a reasonable price

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### Product

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### Risk

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

#### Sector

Is the company in an attractive sector that is profitable and adds value?

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