

## Qconnectis (QTI)

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Qconnectis: An AIM listed company which makes remote data logging and transmission systems targeted at remote, real time meter reading for utilities. For example gas metres or most recently measurement of water leaks at the pipework leading up to houses. Interesting because of the technologies potential for allowing identification of areas where utility consumption can be decreased, therefore making green savings. Without doubt a speculation rather than an investment but we think a good one.

### Company Summary:

- AIM listed company which provides the communication systems (hardware and software) to allow meters (generally utility meters) to communicate in real time (although generally updates are about every 15 minutes) over standard communications networks (such as GSM telephone networks) with their secure data centre. The data is then published to customer's websites to allow them to monitor the meter readings constantly.
  - Qconnectis provides the communication hardware, the server software and service contracts.
  - Their most recent product, Leakfrog, which has been developed in partnership with Thames water (and who owns 50% of the intellectual property rights) allows monitoring of water leaks at the customer side, an area which previously has been hard to monitor.
  - General use of the product line has been (according to website case studies) use in government buildings such as town halls or older listed buildings to identify trends in power usage and identify times of high usage which should not be there, for example early morning
- Reasons to Buy:
- Thames water was recently threatened with a fine, which was replaced with them making a commitment to spend £150m (twice the fine) replacing water mains across London. As part of this program Leakfrog has been installed, this combined with the joint development of the product with Thames Water gives it credibility with other water companies seeking to meet green targets.
  - Being green is likely to become a major issue in future local and national elections, these systems allow new initiatives results to be seen as they happen and for the results to be explained quickly, something essential for elections.
  - Whilst the idea of remote data logging is not particularly new, the utility orientated stance seems to be unique and their existing contracts mean that councils and other companies with no expertise in the area are likely to go for the proven product instead of investigating the highly technical and none specific remote data acquisition systems provided by other companies.
- Reasons not to buy:
- Many other companies do provide the same basic service (remote data acquisition via GSM)
  - The company is currently making a loss of around £850,000 per year.
  - Very small market cap (£4.86m)

Update 21st January 2008

QTI released an announcement yesterday stating that it: "is pleased to announce that it has signed a memorandum of understanding to enter into a distribution agreement for its new Leakfrog product with Halma Water Management."

Halma Water Management (HLMA) are a large company, experienced in providing solutions in domestic leakage monitoring and will enable them to distribute Leakfrog worldwide.

Furthermore Halma PLC seem to have a tendency to purchase smaller companies they enter into agreements with, so if they end up buying QTI you heard it here first!

Update: 14th May 2008

As I Write this QTI is trading at 1.27 pence per share. Those of you who are mathematically inclined will notice this is significantly below what we paid for them. Are disaster you ask? I would say not. Whilst the price has gone down, the reasons we purchased the share all hold good. The decline seems to correlate heavily with the release of a further £1 million of shares to institutional investments. Whilst this shows QTI is short of money, we already knew this and the fact the institutional investors were prepared to buy them at all shows they have some belief QTI may succeed.

If the above mentioned deal with Halma materialises then the price is likely to increase dramatically. In my opinion declines are probably due to people who bought the stock with the expectation that it would continue to go up as it did in late 2007 and are now getting out because this hasn't happened. This was not why we bought the share and so we have no reason to get out.

On this basis, subject to some analysis of Halmas finances given the current market conditions, I will, at the next MYM meeting, be proposing that QTI is currently looking attractively cheap and we should increase our holding of it by approximately 2/3's.