

Ondo InsurTech plc

Emerging Leader in Home Leak Detection

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Our View

Ondo InsurTech Ltd. ('Ondo', LON:ONDO) is a high-growth technology company that has developed a patented home water leak detection device that has been successful in significantly reducing the cost and frequency of leaks. It is in the early stages of rolling out its product in numerous markets, but results so far have been strong. Its primary clients are insurance companies who a) have very large customer bases and b) existing budgets spent on water damage claims which run in the tens of billions of dollars annually.

The business is highly scalable and Ondo appears to be at an inflection where it has achieved proof of concept and is expanding its customer base dramatically. The company was recently awarded the London Stock Exchange's 'Green Economy Mark' which highlights the company's sustainability attributes and has a number of associated benefits.

The shares have risen over 300% in the past 3-4 months, substantially outperforming the market. But the company has a deep new business pipeline and opportunities to increase penetration with existing customers. As a result we continue to see potential for strong performance for Ondo in the medium and long-term.

ANALYST
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Investment Case

Home Water Leak Detection Technology Saves Money & Energy

Ondo InsurTech Plc is a world leading provider of claims prevention technology for home insurers. Ondo's focus is on the global scale-up of LeakBot - claims prevention technology that prevents water damage claims in houses.

Water damage is the single biggest cause of home insurance claims, accounting for \$17bn of claims every year in the USA and UK combined.

LeakBot partners with over 15 insurance carriers across America, UK and Scandinavia. **Ondo's recent deal with Länsförsäkringar of Sweden could be worth £30M over 5 years, targeting up to 2M customers, an order of magnitude more than its entire user base in FY 2023, demonstrating the major scalability of this business.**

Date	2 August 2023	
Ticker	LON:ONDO	
Share Price	GBx	36.36
52 Wk H/L	GBx	39.00 - 5.27
Avg Volume	000s	1,168
Shares Out	000s	78,370
MCap	£000s	£29,114
Net Debt*	£000s	£5,600
EV	£000s	£34,714



Source: Company Disclosure, Bloom Analytic

*Our estimate based on March 31, 2023 cash balance, subsequent capital raises, and working capital investments

Investment Case

LeakBot Reduces Water Damage Claims By Up To 70%

In a study of over 3,000 homeowners in June 2022, Ondo showed that in the UK LeakBot reduced water damage claims costs by 70%, with a 39% reduction in the frequency of claims, and a further 50% reduction in the severity of the remaining claims.

-70%

Water damage claims

Rapid Partnership Rollout in 2023, With More Catalysts to Come

Ondo has nearly doubled its global partnerships in 2023 in terms of customers and sales, with a deep pipeline of additional newsflow expected this year which we think will continue to deliver transformational revenue deals for the company.

-39%

Claims frequency

Swedish Deal Demonstrates Scalability

Ondo's recent deal with Länsförsäkringar of Sweden could be worth £30M over 5 years, targeting up to 800k customers, an order of magnitude more than its entire user base in FY 2023, demonstrating the major scalability of this business.

£30M

5-year revenue from a single customer

Investment Case

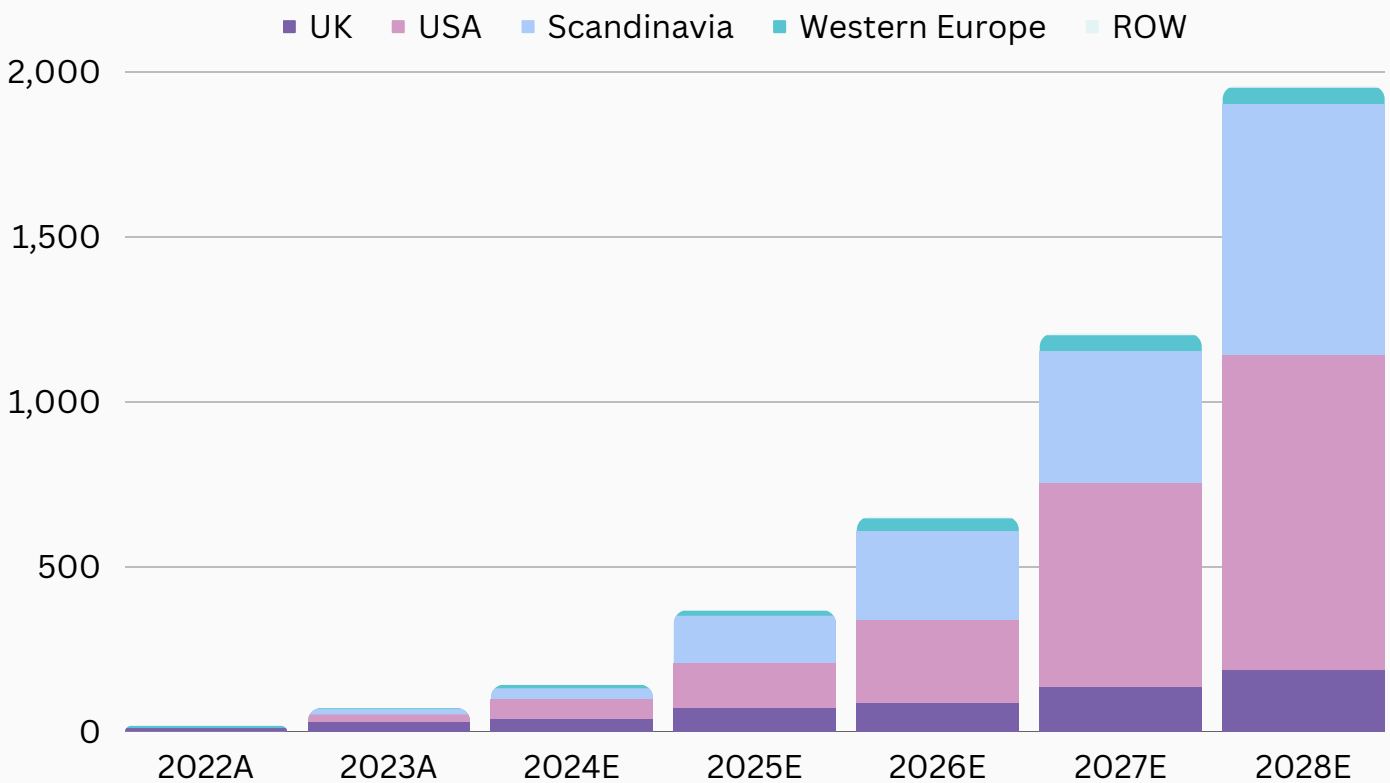
Highly Scaleable Sales Platform

With a highly scalable business model tapping into global home insurance companies with millions of customers, Ondo has potential to dramatically increase revenue through large customer orders in Europe and the US. Our model suggests potential for at least a 15x in unit sales over the coming 5 years, and a transition to cash flow positive in the coming 2 years, which we think could drive a multiple re-rating for the shares.

+15x

Estimated 5-yr unit sales growth from existing customers & near-term leads

Registered Customer Growth (000s)



Source: Company Disclosure, Bloom Analytic Estimates

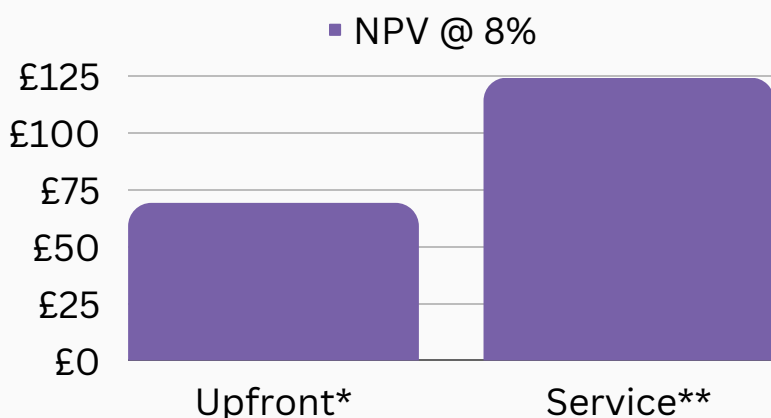
Investment Case

Attractive unit economics and good margins

Ondo generates revenue from 2 sources: LeakBot unit sales and ongoing servicing of the units. Each unit sale can generate £20-30 of revenue, while ongoing servicing generates approximately £1.50-£1.75 per month. Pricing varies by geography and partner and going forward in America, Ondo's strategy is to offer a \$5/month bundled fee including purchase and service.

We estimate the company's long-term operating margin to be at least in the 40-50% range, and each individual unit sale represents a pre-tax net present value, based on a 5-year useful life, of between £69 and £124 per unit sold at a 8% discount rate.

Our base case model excludes the potential benefit from additional repair revenue opportunities, or the possibility of unused units being returned to Ondo and re-monetized. Over time we think both these events could create additional NPV value per unit.



Source: Company Disclosure, Bloom Analytic estimates, further details about this analysis are in 'Case Study: Valuing Customer Contracts'

*Upfront and service revenue model, **Service only revenue model

Important environmental benefits and accreditation – LSE Green Economy Mark

In July 2022 Ondo InsurTech Plc received the London Stock Exchange's Green Economy Mark, which identifies companies with significant sales from green economy products and services. The Mark is given to companies and funds that generate more than 50% of their revenues from environmental solutions. Receiving the London Stock Exchange's Green Economy Mark comes with several benefits for companies including: Enhanced Reputation, Improved Investor Communication, Access to Sustainable Investment Funds, Alignment with Regulatory and Market Trends.

Active Pipeline

Enormous global market with early stages of product rollout

We estimate there are approximately 182M detached homes across Ondo's key markets in America, the UK, Scandinavia, Europe and Australia. Each home is a potential user of the LeakBot product. While Ondo has demonstrated strong growth in FY 2023 over 2022 (Registered Customers up to 70k from 40k year over year), the potential addressable market is likely orders of magnitude from current levels. Ondo has been very active signing new customers and partnerships in FY 2023, including the following:

01 **In FY'23, 54,206 LeakBot units sales**

+300% higher vs the same period a year ago (12 months to 31 March 2022: 13,598)

02 **Registered Customers on platform at period end were 70,000**

approximately, +75% growth (12 months to 31 March 2022: 40,000)

03 **Länsförsäkringar ("LF") 5 year contract**

Sweden's largest non-life insurer - rollout into 23 group regions and 2 million customers following pilot in Södermanland test region

04 **Go-to-market partnership with \$4bn NASDAQ listed WNS**

WNS will offer guaranteed ROI to their Insurance partners for LeakBot deployments

05 **Mutual of Enumclaw to ship 10,000 units**

In Washington state in 6 months from August 2023

06 **Portsmouth Water**

with 320,000 homes in a water-stressed part of the UK - announce LeakBot pilot results to water industry showing LeakBot can reduce household leaks by 60%

Active Pipeline

Making America a Key Focus For Growth

- The US Market also has a number of other favourable features, in addition to its massive size:
- US average underwriting per policy of ~\$200 is significantly higher (3-4x) than in the UK, further justifying LeakBot economics
- The US market features as high as 80% detached households, whereas in Europe a much higher proportion of apartments
- A small number of insurance companies comprise an enormous total market (we estimate the top 10 insurers service in excess of 42M detached households), a market deep enough to keep Ondo growing for years.
- **Ondo has already made a number of important inroads in the US, and we believe 2023/2024 will be a significant period of further expansion in that market. Its partnership with WNS could be a creative way to significantly increase its sales reach without large scale investment in building out distribution infrastructure in America.**

What is Leakbot

The Problem

Leaky water pipes cause an estimated \$17B of home insurance claims in the US and UK alone, and billions more in Europe and elsewhere. Nearly 1/3 of all home insurance claims are attributed to water damage.

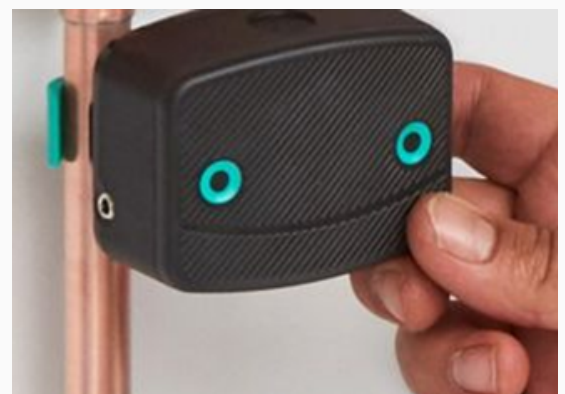
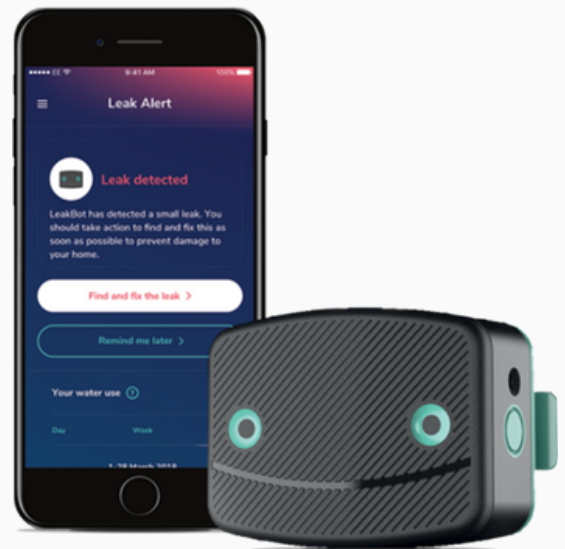
The Solution

LeakBot is an Internet of Things (IoT) enabled water leak system which monitors an entire home and is designed for insurance companies to prevent water damage claims.

By promptly alerting the homeowner, it helps prevent larger and more serious problems from occurring. LeakBot is designed to be user-friendly and self-installed without any tools or plumbing experience. It is mailed to customers and can be clipped onto the mains water pipe where water enters the property.

By downloading the accompanying app and connecting it to home WiFi, the device becomes operational. LeakBot utilizes its patented Thermi-Q technology, which measures both air and water temperatures inside a customer's home. In the event of a leak, colder water from outside continuously enters the property, leading to a consistent temperature differential.

The LeakBot algorithms detects this difference in temperature as the signature of a leak and promptly alerts the customer through the app, notifying them of the issue and enabling them to book a plumber through the app. The integrated plumbing service ensures the root cause of the problem is fixed thus preventing subsequent water damage claims.



Source: Company Disclosure

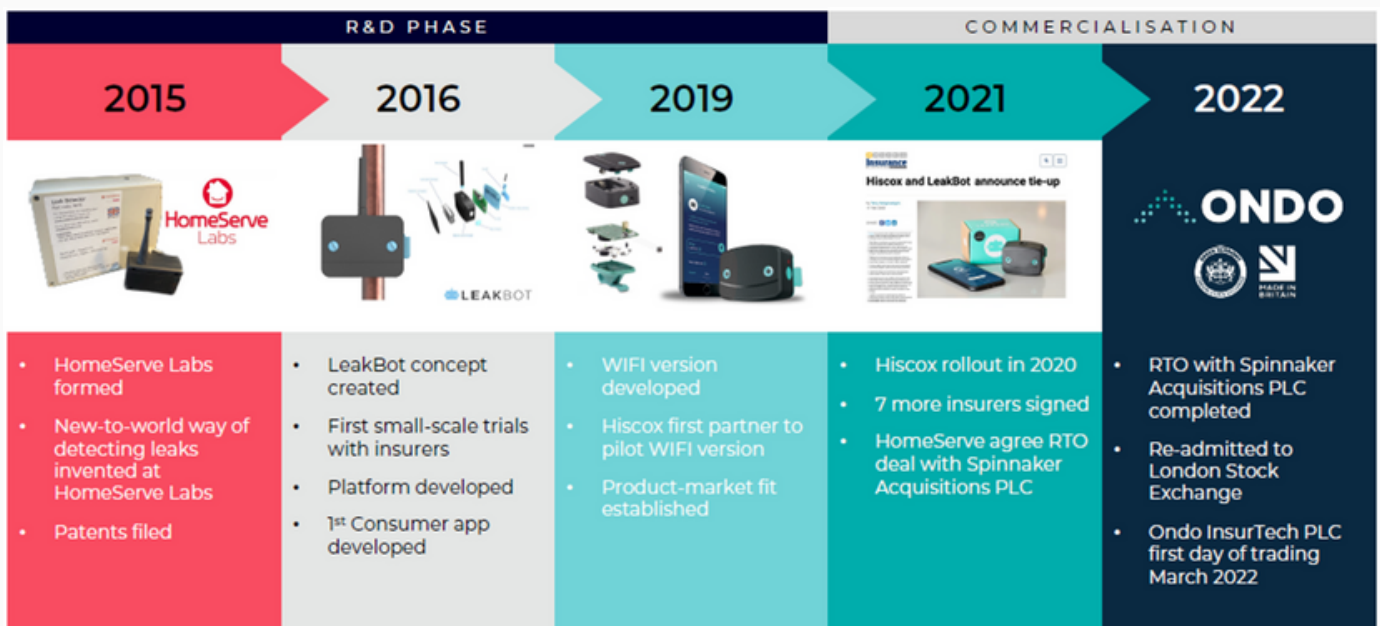
What is Leakbot

Developing a Strong Track Record

Since founding in 2015 by Craig Foster, the company has demonstrated a solid track record of execution, growth, accessing new markets and strong capital management.

Over a 5-year period, the company was founded, developed the LeakBot technology, filed patents, and signed its first major customers. In the following 3 years it completed significant further research, its reverse takeover and go public on the London Stock Exchange.

Ondo's first full year results post completion of their reverse-takeover published July 31, 2023 demonstrate its ability to operate independent of its original parent company HomeServe.



Source: Company Disclosure

Strong Operational Performance

Inflection Point in Sales and Distribution

2023 is proving to be a transformational year for Ondo, the company has signed several contracts delivering an order of magnitude increase in its expected unit sales, with the launch of Mutual of Enumclaw alongside gaining a major foothold in America with its partnership with WNS.

Year over year to March 2023, the company delivered +299% increase in unit sales, +75% increase in total customers, and +182% increase in revenue

	2022 Actuals	2023 Results
Unit Sales	14,000	+54,000 +299%
Total Customers	40,000	+70,000 +75%
Revenue	£0.70M	+£2.1M +182%

Source: Company Disclosure

Strong Operational Performance

Adding New Insurance Partners & Expanding Existing Relationships

	March 2022 Year-End	March 2023 Year-End	New Customers & Major Expansions
Major Partners	     	  	    

Source: Company Disclosure

Adding Value From Existing Customers

Shifting to Auto-Ship and Large Customers = Major Unit Sales Growth

Auto-Ship Model Boosts Customer Penetration

Ondo is experimenting with an 'Auto-ship' model where its insurance partners automatically send out the LeakBot to a whole target cohort of its customers, **resulting in a 60-70% installation rate, meaning Ondo dispatch more devices enabling a faster rollout.**

Over the previous years, Ondo have used an 'opt-in' strategy, offering the LeakBot to its customers, which still had good **uptake rates in the 10-15% range but with an 85% installation rate** typically from a single sales email. But the shift to Auto-Ship has potential to dramatically increase sales penetration with any given insurance partner.

This approach was tested with Admiral and resulted in the entire 20,000 unit commitment being shipped in 6 months. The installation results have encouraged Ondo management who say they are aiming to replicate the results with other partners this year.

Targeting Large Customers Massively Increases Scalability

Ondo's original customer rollout in the UK and Scandinavia during 2022-2023 featured small to medium sized partners (customer numbers in the 10s of thousands), and mainly on a pilot rollout scale, meaning only a fraction of the insurance company's clients were targeted.

Going forward, with its large scale rollout with **Länsförsäkringar (2 million customers)** and **expansion in America with tens of millions of households and insurance partners in the billions of US\$, we think Ondo has potential for ongoing high growth in sales in revenues.**

Case Study

Valuing Customer Contracts

Ondo has performed very well over the past 6-12 months, with the stock up over 300% from its lows, as the market has recognized the significant progress the company is making on signing up new customers and contracts. However the exact value of new contracts, or individual customers remains a matter of interpretation. A key long-term catalyst for Ondo shares is likely to be how the market will value incremental unit sales and customer contracts.

We look at 2 main revenue model scenarios and a new hybrid Ondo is trialing to assess the value of an individual unit sale for Ondo, and what this could mean for the company's net present value.

2 Revenue streams – Installation & Service

Ondo generally has 2 forms of revenue when it signs a contract, the price of sale of individual LeakBot units (usually £20-30 in the UK and or Scandinavia), and an ongoing service revenue agreement that results in approximately \$2.50 per unit per month in service revenue. Ondo is also trialing a sales model where customers pay no upfront fee, but pay a monthly service fee of up to \$5.00 or £4.00, which results in a smoother cash flow profile for the life of the unit and a higher customer net present value ('NPV').

When Ondo is charging only the ongoing \$5.00 service fee, the company is also asking customers to pay an upfront cash advance paid – effectively vendor financing of Ondo's working capital requirements. If the company is able to maintain and scale this model as it expands to higher volumes, this could have a significant positive effect on its future cash flows, and significantly reduce it's working capital requirements.

The company estimates an annual retention rate of about 80-90% per unit, so most units have a useful life of about 5 years. The sales of individual LeakBot units are likely to be low or zero margin in Year 1 – meaning the company sells the units primarily for the ongoing service revenue.

Case Study

Service Agreements Potentially Undervalued in the Market

In our view, Ondo has potential to receive a premium valuation in the market as its service revenue contracts expand and mature. Over time we expect the company to develop attractive, high-margin, long-term and stable recurring revenue contracts via the service agreements.

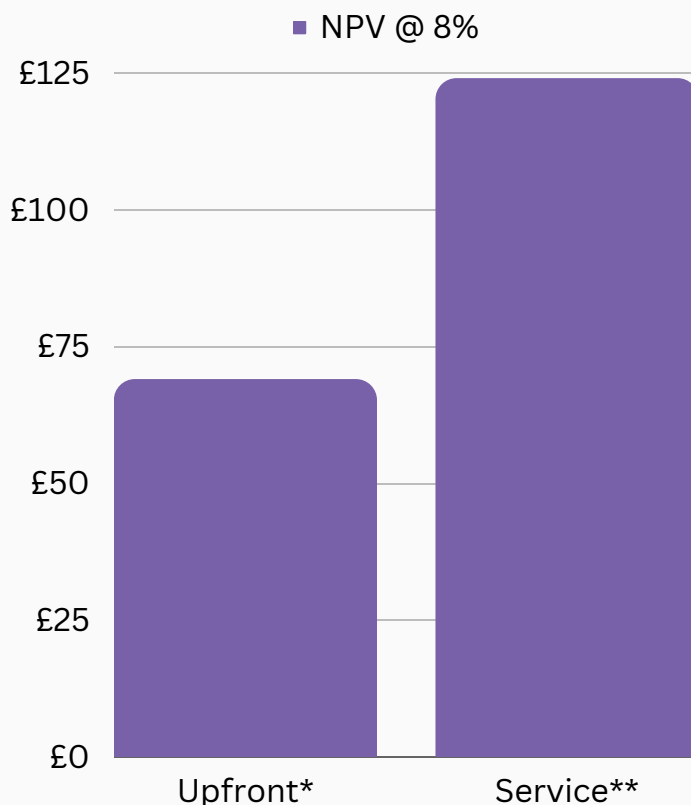
We have modeled 2 basic scenarios to conceptualize the value per unit/customer to Ondo. In the first scenario, the company offers the unit for an upfront fee and an ongoing service revenue over a 5-year period. In the second scenario, the company provides the unit free of charge, but a higher monthly ongoing service revenue.

This analysis suggests a pre-tax value, based on a 5-year useful life, of between £69 and £124 per unit sold at an 8% discount rate.

In practice this analysis slightly overestimates the value per customer, given we do not incorporate head office costs or other overheads. But on an operating basis, this illustration provides a high level valuation per unit or customer

This rudimentary analysis suggests a significant value to Ondo per unit or customer signed on. To date the company has focused on pilot programs and small scale customers, but these estimates suggest the major scalability of revenues and cash flows as Ondo transitions to large customers in the hundreds of thousands or millions of units potential.

Value of Individual Unit over 5-year useful life



Source: Company Disclosure, Bloom Analytic estimates, further details about this analysis are in 'Case Study: Valuing Customer Contracts'

*Upfront and service revenue model, **Service only revenue model

Case Study

LeakBot Cash Flow

Scenario 1 - Service Only Model

- Higher long-term margins and higher NPV
- Lower Year 1 cash flows - except when Ondo receives upfront service payments
- Likely a MORE desirable model
- For simplicity we exclude a) attrition of units (approximately 10-20% per year) from returns/cancellations, and we exclude any value from life extension beyond 5 years, as well as any potential revenue from repairs and replacements

Key Model Assumptions (US\$)

Unit Sale Price	-
COGS	(\$35.00)
Recurring Revenue	\$60.00
Recurring Costs	(\$25.00) year 1 (\$12.50) year 2-5
Useful Life	5 years

Pre-Tax NPV (5-year Life)*

NPV @ 8%	\$157 or £124
NPV @ 10%	\$144 or £114
NPV @ 12%	\$136 or £107

Annual Cash Flows Per Unit (US\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Cumul Cash Flow
Revenue	\$60.00	\$60.00	\$60.00	\$60.00	\$60.00	\$300.00
Operating Cost	(\$60.00)	(\$12.50)	(\$12.50)	(\$12.50)	(\$12.50)	(\$110.00)
Operating Cash Flow	\$0.00	\$47.50	\$47.50	\$47.50	\$47.50	\$190.00
Operating Margin	0%	79%	79%	79%	79%	63%

Source: Bloom Analytic estimates

*assumes GBP/USD of 1.27

Case Study

LeakBot Cash Flow

Scenario 2 - Upfront & Service Model

- Lower long-term margins and lower NPV
- Higher Year 1 cash flows vs Scenario 1 - except when Ondo receives upfront service payments
- Likely a LESS desirable model
- For simplicity we exclude a) attrition of units (approximately 10-20% per year) from returns/cancellations, and we exclude any value from life extension beyond 5 years, as well as any potential revenue from repairs and replacements

Key Model Assumptions (US\$)

Unit Sale Price	\$60.00
COGS	(\$35.00)
Recurring Revenue	\$30.00
Recurring Costs	(\$25.00)
Useful Life	5 years

Pre-Tax NPV (5-year Life)*

NPV @ 8%	\$88 or £69
NPV @ 10%	\$83 or £65
NPV @ 12%	\$80 or £63

Annual Cash Flows Per Unit (US\$)

	Year 1	Year 2	Year 3	Year 4	Year 5	Cumul Cash Flow
Revenue	\$90.00	\$30.00	\$30.00	\$30.00	\$30.00	\$210.00
Operating Cost	(\$60.00)	(\$12.50)	(\$12.50)	(\$12.50)	(\$12.50)	(\$110.00)
Operating Cash Flow	\$30.00	\$17.50	\$17.50	\$17.50	\$17.50	\$100.00
Operating Margin	33%	58%	58%	58%	58%	48%

Source: Bloom Analytic estimates

*assumes GBP/USD of 1.27

Customer Penetration

Existing Customer Base Has Upside in Units and Penetration Rate, Before We Even Look at Growth Opportunities

One of the key investment highlights for Ondo, in our view, is the leverage the company has with its already registered customers. Year over year to March 2023, the company nearly doubled its unit sales from 40k to 70k units, but with that increase, its penetration rate actually declined. This reflects the company's continued growth in partnerships with insurance companies with very large user bases (ie households).

The 2022 penetration rate, being the number of units sold divided by the total number of households served by Ondo's insurance partners, was 8%. In 2023, the penetration rate declined to about 3%, mainly through the addition of several million households via the Admiral and Länsförsäkringar partnerships.

In the pilot program with Länsförsäkringar, Ondo achieved a 40% penetration rate, so if replicated across the 2M customer base, this could result in potentially as many as 800,000 units with just the one customer.

If Ondo can raise its penetration rate amongst its other remaining customers from the 3% achieved in fiscal 2023 to the 8% from 2022, this suggests a potential unit sales of nearly 600k units from its existing 15 customers as of July 2023. If Ondo were able to achieve 40% penetration rate across all its existing customers over time, this would imply nearly 1.0M customers.

	2022 Actuals	2023 Results	Existing Customer Target	Upside Target
Unit Sales	40,000	70,000	~600k +757%	~960k +1,271%
Estimated Customer Households	~480k	~2.4M	~2.4M	~2.4M
Penetration Rate	8%	3%	~25%**	40%***

*Source: Bloom Analytic estimates, assuming approximately 80% of partner households are detached homes

**Assuming long-term 40% uptake with Länsförsäkringar, and reversion to 8% penetration across its remaining customers

***Assuming 40% uptake across all existing customers

Forecasting Strong Growth

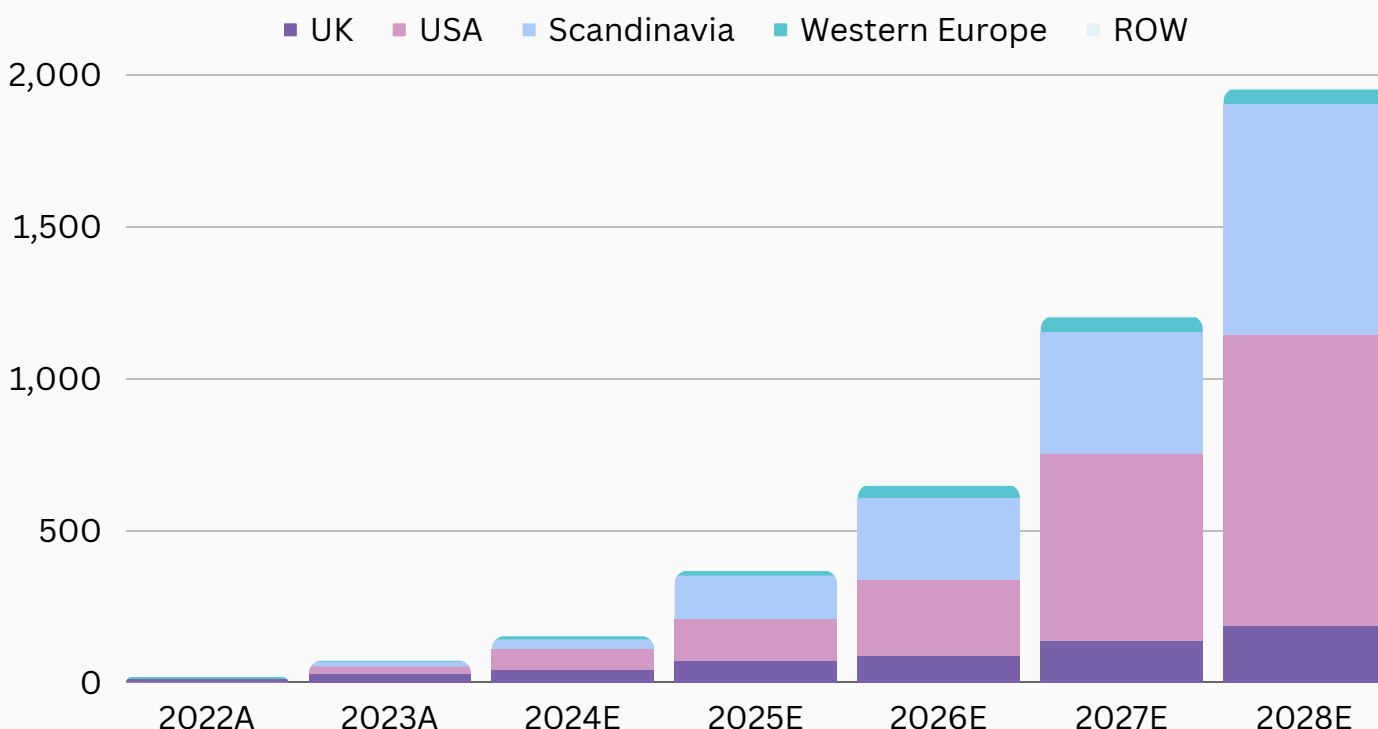
Unit Sales & Financial Results

Ondo's recent contract agreements with Länsförsäkringar in May 2023 are likely to drive a major year-over-year increase in the company's unit sales and we think the company has potential for further transformational sales agreements in the near-term across several markets in America, Europe, Scandinavia and elsewhere. Whereas in 2021 the company sold a total of 16,000 units, the company 54,206 in FY 2023 (ending March 31), a 239% increase.

We think the company can roughly double its annual unit sales from its existing clients alone on an annual basis over the next 2-3 years. Our base case model only factors in existing customers and a very modest assumption of 2 new customer signings in America, though we believe this remains a major opportunity for the company. We think individual contracts with mid-level or large-scale home insurance in any given country have potential for tens of thousands or hundreds of thousands of units each.

This suggests the company could exceed 500k unit sales during FY2025-2026, and potentially over 1M sales the following year.

Registered Customers Growth (000s)



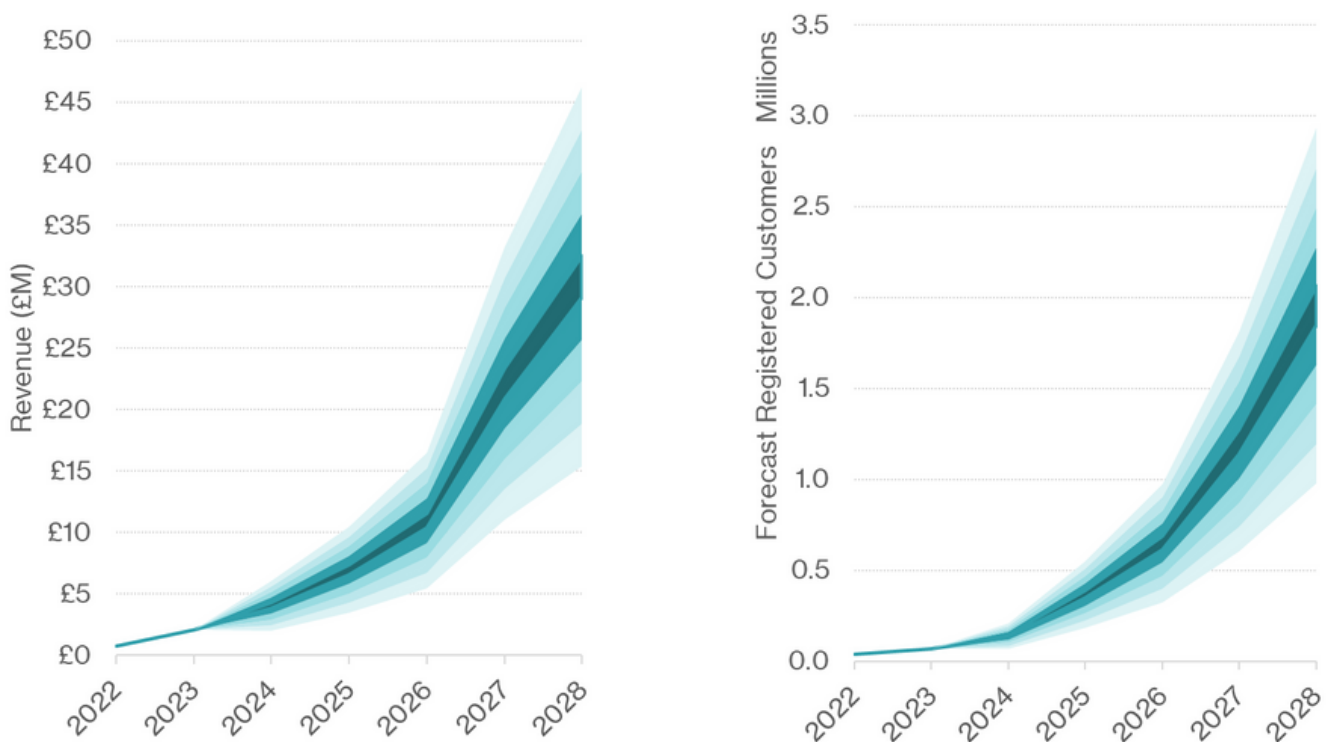
Source: Company Disclosure, Bloom Analytic Estimates

Forecasting Strong Growth

Even in Downside Scenarios, Expect Strong 5-Year Outlook

It is important to note these forecasts are subject to substantial risk and variation. While the addressable market is in the tens or hundreds of millions of households, we expect significant error factors to our forecasts the further out we project. Adding a +/- 50% error factor to our forecasts suggests registered customers as high as 2.9M units or as low as under 1M units by FY 2028E

Even in -50% Scenarios, Expect Strong 5-year Growth vs 2022-2023 results



Source: Company Disclosure, Bloom Analytic Estimates

Cash Flow Forecasting

Modest For Now, But As Business Scales Expect Strong Cash Generation

Our basic model for Ondo suggests that cash flows should be modest over the next 2-3 years. A key priority for the company over this period as they aim to scale the business will be to manage working capital and overall financing situation, so as to minimize the risk of need for significant additional financing. It's tools in this regard include:

01 Higher Upfront Payments

Shifting to higher upfront payments from insurance partners, which can accept as a form of vendor financing for Ondo

02 Managing Debt Maturity Profile

Ondo has demonstrated its ability to restructure the Loan note facility following its announcement in July 2023 showing Ondo focus on activity working capital management. The changes to the facility result in the year 3 (2024/25) cash interest benefit of £0.7m with the interest now starting to be repayable from March 2025 and 25% (£1.6m) principal repayments due to start in March 2026. These adjustments will help the company's ability to self-fund its operations over the next 2-3 years as it scales with cash not being required for interest and repayments of this facility.

03 Cash Infusions From Warrant Exercise

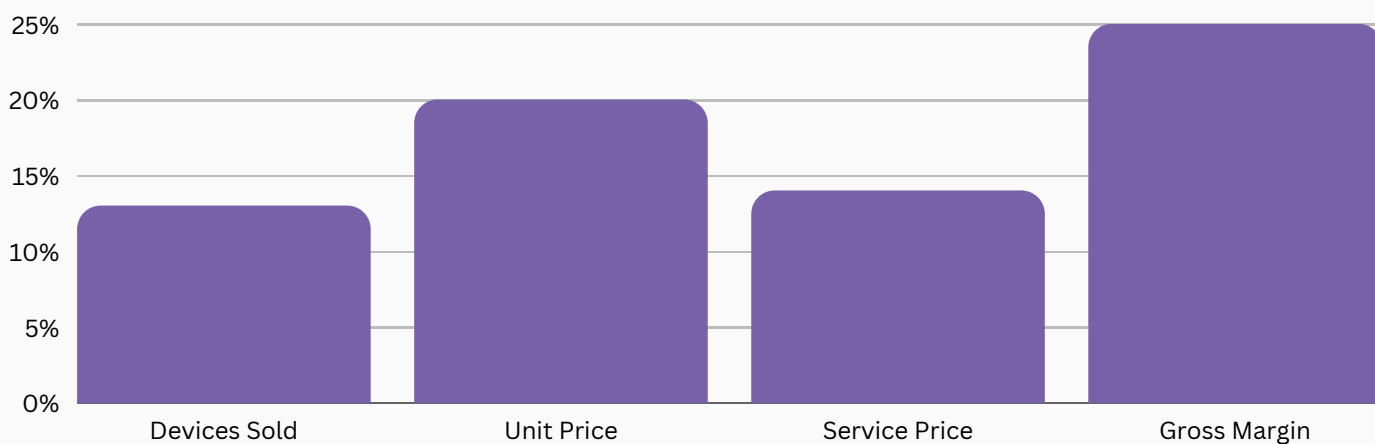
Potential cash from exercise of outstanding warrants totaling up to £6M (approximately 30M warrants outstanding at an average exercise price of £0.21/share)

Cash Flow Sensitivity Analysis

Volumes & Margins Are Key

There are a number of key financial drivers that will determine Ondo's discounted cash flow valuation, earnings, cash flow and other metrics in our model. In particular, unit sales, price point, operating and net margins, the level of capital expenditure required are key drivers to our model's sensitivity.

% Change in Our EBITDA forecast for a 10% Change in Each Variable



Source: Company Disclosure, Bloom Analytic Estimates

Long-Term Potential

Examining the True Market Size Beyond Ondo's Existing Customer Base

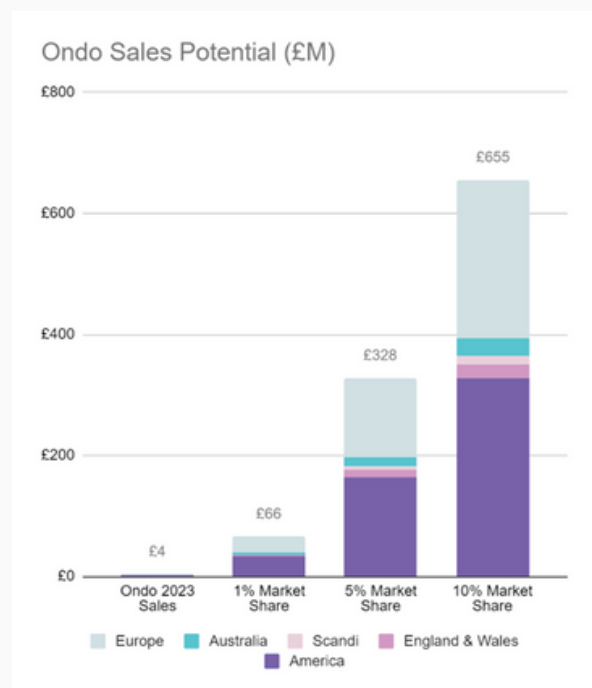
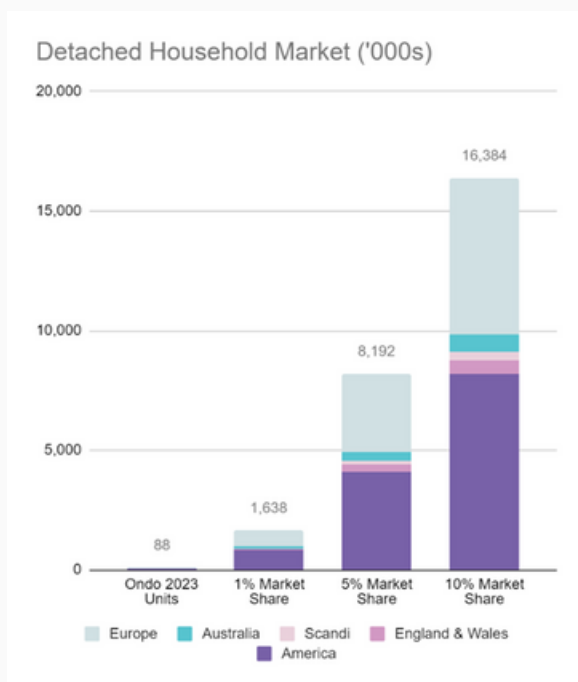
With a highly scalable business model tapping into global home insurance companies with millions of customers, Ondo has potential to dramatically increase revenue through large customer orders in Europe and the US.

Our model suggests potential for at least a **10x in revenue over the coming 5 years, generated from the company's existing customers alone** and assuming no benefit from new customer acquisition. A transition to cash flow positive in the coming 3 years, which we think could drive a multiple rerating for the shares.

Based on the addressable market in Ondo's key operating regions, the company could easily see sales in the long-term **exceeding £65M annually based on only a 1% market share**.

Ondo's recent deal with Länsförsäkringar a 5-year deal to support the rollout to as many of Länsförsäkringar's 2M customers as possible suggests revenue potential of over £30M over 5 years (£6M per year) from just this one customer in Scandinavia at 40% margin. In its pilot program, Ondo hit 40% penetration of the customer base.

Estimating the True Size of Insurance Partner Market – Tens of Millions of Units and Hundreds of Millions of £ Sales



*Source: Company disclosure, Insurance Information Institute, Statista, Bloom Analytic Estimates

LSE Green Status

A Significant Investment Feature, Enhances Corporate Environmental, Social and Governance Leadership

In July 2022 Ondo InsurTech Plc received the London Stock Exchange's Green Economy Mark, which identifies companies with significant sales from green economy products and services. The Mark is given to companies and funds that generate more than 50% of their revenues from environmental solutions. Ondo InsurTech derives 100% of its revenues from the deployment of the LeakBot water leak detection system. The company reports that they have resolved 70,000 leaks in the last 12 months, equivalent to saving 9,000,000 litres of water per day. Receiving the London Stock Exchange's Green Economy Mark comes with several benefits for companies.

Overall, the Green Economy Mark provides companies with a platform to showcase their commitment to the green economy, attract sustainable investors, and align with evolving market and regulatory trends related to environmental sustainability.

Classified as a sector in its own right, the Green Economy Mark cohort would be the third largest in terms of capital raising since 2021 – despite only making up 6% of all London-listed companies. Over the past two years (June 2021 – June 2023) they have raised a total of £6.1bn through 85 IPOs. We believe Ondo's ability to access capital will continue to benefit from this trend, reducing its cost of capital and increasing its ability to scale across markets.

LSE Green Status

A Significant Investment Feature, Enhances Corporate Environmental, Social and Governance Leadership

Enhanced Reputation:

The Green Economy Mark is a recognized symbol that identifies companies committed to driving the global green economy. It enhances a company's reputation and demonstrates its dedication to sustainable business practices, which can be appealing to investors, customers, and stakeholders.

Access to Sustainable Investment Funds:

The Green Economy Mark helps companies gain visibility and recognition from sustainable investment funds and environmentally focused investors. This can increase their chances of being included in investment portfolios that prioritize green and sustainable investments, potentially expanding their investor base.

Improved Investor Communication:

The Mark allows companies to better communicate their green credentials to investors and other stakeholders. It provides a clear signal to investors that the company derives a significant portion of its sales from green economy products and services, potentially attracting environmentally conscious investors.

Alignment with Regulatory and Market Trends:

The Mark aligns companies with the growing global focus on environmental sustainability and low-carbon business models. It demonstrates a proactive approach in addressing environmental challenges and positions companies as leaders in the transition to a more sustainable economy.

LSE Green Status

A Significant Investment Feature, Enhances Corporate Environmental, Social and Governance Leadership

Major Investment in Net Zero Should Benefit Ondo

As part of the Green Economy Mark, the London Stock Exchange is actively investing in promoting its member companies that have achieved the certification. In its 'Seizing the Green Growth Opportunity' report published in July 2023, the LSE highlights the major investment effort across governments and economies globally.

More than 90% of global GDP is now covered by a net zero target, with renewable energy investment expected to rise to a record \$2.8 trillion according to the International Energy Agency. Hitting investment targets would have a huge impact. If achieved, the green economy would account for 20% of global equity markets by 2030.

One recent estimate is that the transition to net zero by 2050 will create new industries worth \$10.3trn to the global economy by that same year. The UK Government believes that an additional £50–60bn of capital investment will be required each year through the late 2020s and 2030s to deliver on the UK's net zero ambitions.

Water Preservation Opportunity

UK's Waterwise 2030 Plan to Decrease Water Waste

Water consumption in developed countries continues to rise significantly, despite ongoing shortages. In the UK, home water consumption has doubled in the past 60 years according to the Waterwise 2030 strategy document setting out a cross-sector pathway to greater water efficiency. Increased water efficiency has an essential role to play in helping ensure we have enough water for people, the economy and the environment now and in the future..

It is estimated that by 2050 in the UK there will be a household water shortage of as much as 4 billion litres per day if no action is taken. With Ondo's LeakBot potentially able to curtail or preserve up to 20% of estimated home water losses to leaks, it has potential to be a major contributor to the solution.

Further up to 5-6% of water of UK GHG emissions derive from water use so even a modest saving on water consumption would have a knock on benefit to emissions.

Ondo views this as an opportunity is to bring together the water and insurance sectors to collaborate to solve this problem, as the costs can be shared to deliver two different benefits for one cost:

The same system in same house

- **Prevent claims (find and fixing the hidden damage causing leaks) AND**
- **Reduces water wastage , by fixing leaky loos**

For Insurance Cos



LeakBot can lower home insurance claims costs by 70%

For Water Cos



Each unit installed will save on average 30,000 litres of water over 5 years

For Families



Water bills down with less water used Prevents damage to home and keep insurance costs down

Competitive Advantage

Ondo believes its patented LeakBot technology has a competitive advantage over existing products on market

Flow-based

Flow-based water monitoring equipment is designed to track the volume and duration of water passing through a pipe. By comparing the monitored flow to pre-set thresholds based on typical water usage, the device can detect and respond to potential water leaks. When the thresholds are exceeded, some systems can also automatically shut off the valve, isolating the water supply line and minimizing the extent of the leak. Flow-based water sensors are commonly recommended for residential and small commercial settings, as they can monitor an entire property from a single installation point

The downsides of flow-based water monitoring include limited detection capabilities, inability to detect non-flow-related issues, reliance on preset thresholds, lack of specific leak location information, and cost and complexity requiring professional installation and pipe cutting.

Sensor-Based

Sensor-based water leak detectors utilize various components such as spot water sensors, probes, and cable/distance measuring cables to detect the presence of water accumulation. These detectors relay the information to a central control panel, which can take actions such as stopping water flow or triggering an alarm. These systems can be categorized as single-zone or multi-zone, with single-zone systems monitoring a specific area and multi-zone systems capable of monitoring numerous separate areas, up to a maximum of 500.

Drawbacks include false positives, limited coverage, installation complexity, maintenance requirements, dependency on power supply, limited detection capability in that it cannot locate a sensor on any concealed plumbing (which is most plumbing) and requiring many sensors.

Comparable Companies

Home Technology Companies Benefit From Positive Valuations

AlarmCom Holding Inc (NASDAQ:ALRM)

Alarm.com, Inc is an American technology company offering cloud-based services for remote control, home automation, and monitoring. They provide services such as interactive security, video monitoring, energy management, and home automation. These services can be accessed through an ecosystem of integrated devices and hardware partnerships. Alarm.com also collaborates with third-party contractors like ADT for monitoring services.

21Vianet Group (NASDAQ:VNET)

21Vianet Group is the largest carrier-neutral Internet and data center service provider in China. It is the exclusive operator of Microsoft Azure and Microsoft 365 services in China, and also houses data centers for Alibaba and other Chinese companies

IQGeo Group PLC (LSE:IQG)

IQGeo offers geospatial network management software that covers various processes in the telecoms, fiber, and utility network sectors. Their platform integrates planning, design, construction, operations and maintenance, and sales and marketing activities. They provide flexible system integrations and digital workflows, catering to different network scales and types. Their mobile-first solutions aim to create and update an accurate view of complex network assets, accessible to users anytime, anywhere. IQGeo's focus on usability and real-time collaboration aims to improve work quality and efficiency, while also allowing customers to adapt to future workflows and requirements.

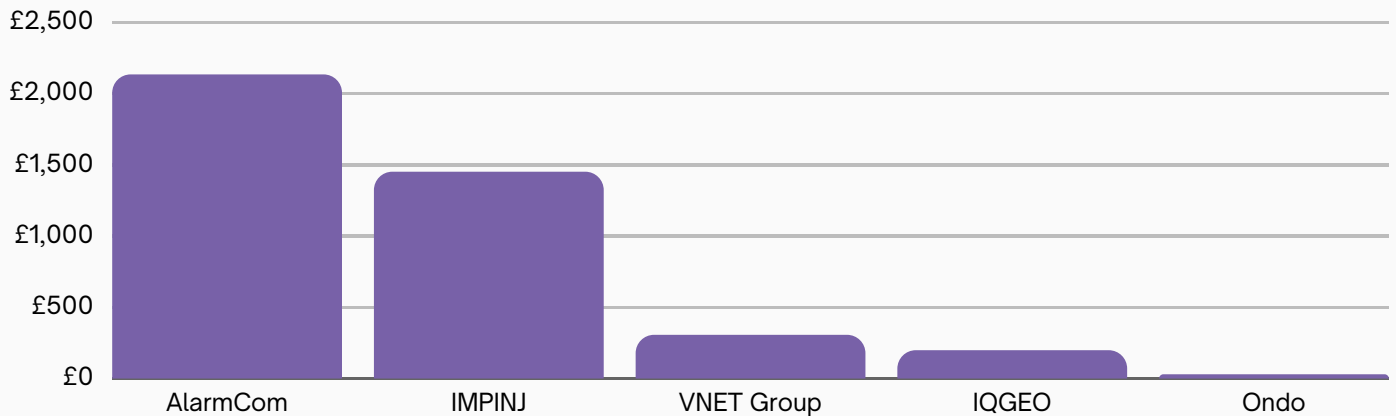
IMPINJ Inc (NASDAQ:PI)

Impinj facilitates digital transformation by connecting physical items to the Internet through edge connectivity devices, enabling an extended reach from the cloud. Their connectivity platform serves as a foundation for partners to develop IoT solutions, offering the ability to virtualize, analyze, and optimize businesses. Impinj's technology has been utilized in various scenarios, including retail apparel purchases, participation in events like the New York City Marathon, using Coca-Cola Freestyle soda fountains, and airport baggage check-ins globally, such as Las Vegas McCarran. The Impinj platform serves as a foundation for developing IoT solutions, allowing the Internet to reach physical items through edge connectivity devices. Their partner ecosystem utilizes the platform's products, capabilities, and technology to deliver comprehensive solutions that meet business requirements. The platform enables wireless connectivity for everyday items, facilitating their identification, location, and protection. It also provides data about these items to applications such as inventory management, asset management, and shipment verification. The platform is designed for easy deployment and use, offering performance that surpasses alternative approaches built from different vendors' products.

Comparable Companies

Ondo Has Outperformed, But IoT Stocks Tend to Have Significantly Higher Valuations

Home Internet Appliance Companies (Market Cap £M)



Source: Company Disclosure, Google Finance, Bloom Analytic



Global Home Insurance Market

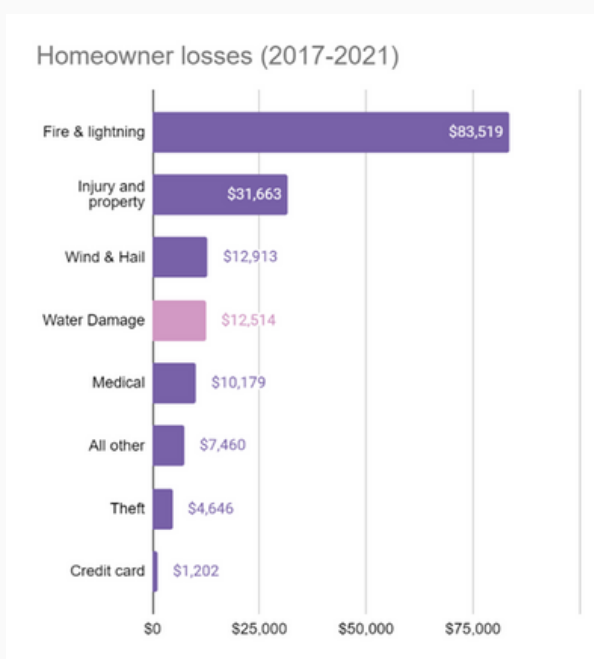
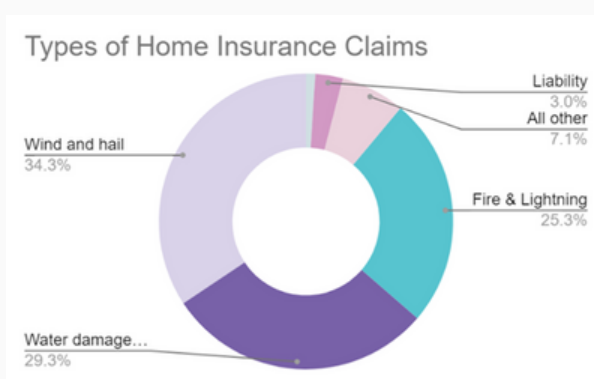
Assessing Large Opportunities in Ondo's Key Target Markets

Over the past year Ondo has demonstrated numerous partnerships with insurance companies in various markets, demonstrating the company's ability to operate across borders and leverage its patented technology. But it continues to be in the early stages of its rollout across several markets that have extremely large potential, particularly in the US.

America is a Huge Market and Ondo is Making inroads

Water damage is a significant issue in the United States, affecting around 14,000 people on a daily basis. The average insurance claim to repair water damage in a home amounts to over \$12,000. Each year, approximately 1 in 60 insured homes make a claim for water or freezing damage, which equates to roughly 1.6% of homes nationwide experiencing water damage annually, suggesting ~\$192 of policy claims for water damage per policy per year on average.

Conversely, Ondo's LeakBot costs about \$5/month and reduces claims by up to 70% per year, suggesting a strong ROI for its insurer partners. Water damage ranks as the second most common home insurance claim, accounting for approximately 29.4% of all claims, surpassed only by damage from wind and hail. Flooding events have impacted 99% of U.S. counties between 1996 and 2019. It is also worth noting that nearly 98% of basements in the country will encounter some form of water damage at least once. The restoration cost for water damage typically falls within a price range of \$1,240 to \$5,342. Additionally, Americans waste an estimated 1 trillion gallons of water each year due to issues like leaky pipes, faucets, and sprinkler systems.



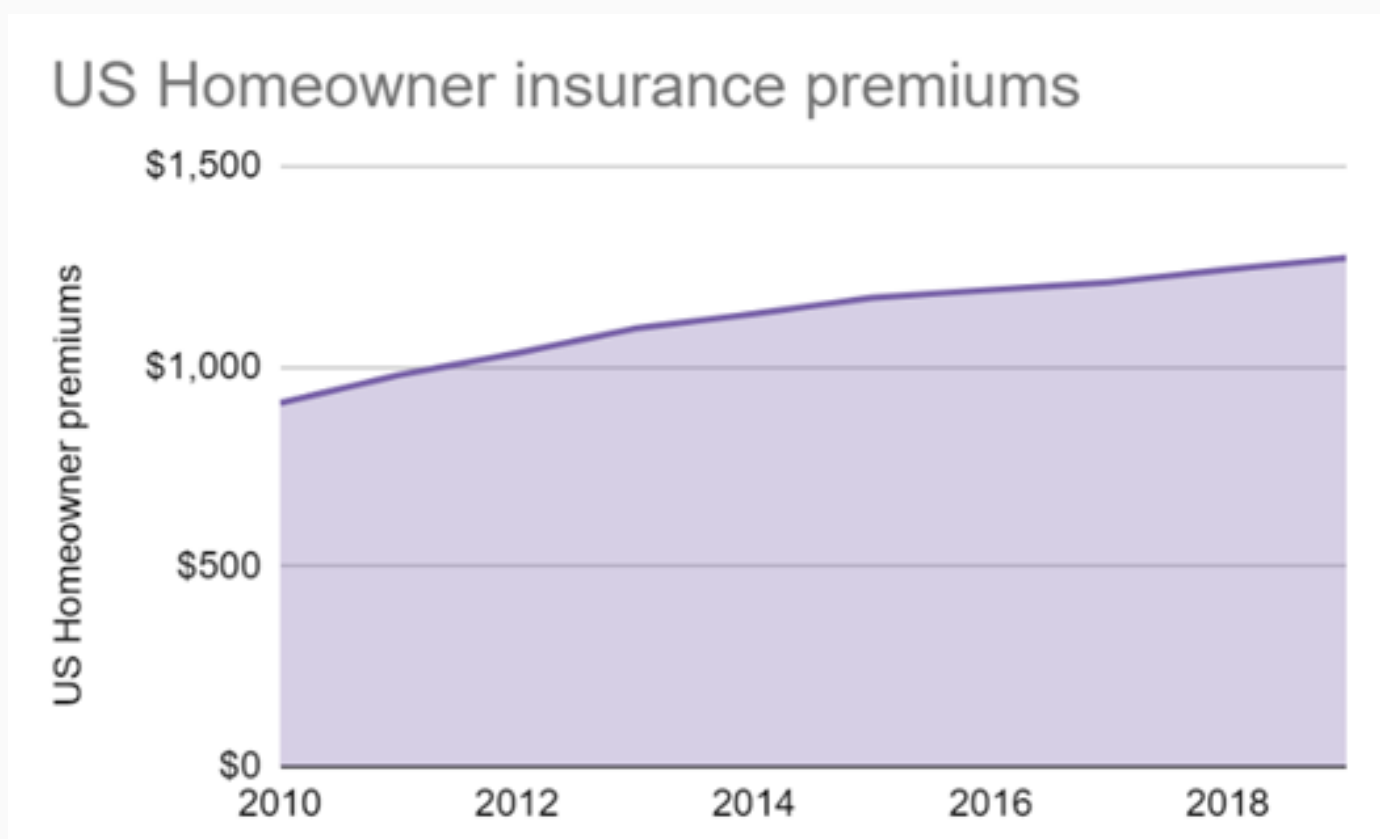
Source: Insurance Information Institute, Statista, Ondo, Bloom Analytic Estimates

Global Home Insurance Market

Assessing Large Opportunities in Ondo's Key Target Markets

In the 10 years to 2020, average insurance premiums in the US rose by 30-40%, and while specific statistics are not known up to the present, Ondo has noted there is inflationary pressure in this market currently that could help drive up unit prices and revenue for the company.

The US Home Insurance market is estimated at US\$130B in 2022 according to the Insurance Information Institute



Source: Insurance Information Institute, Statista, Ondo, Bloom Analytic Estimates

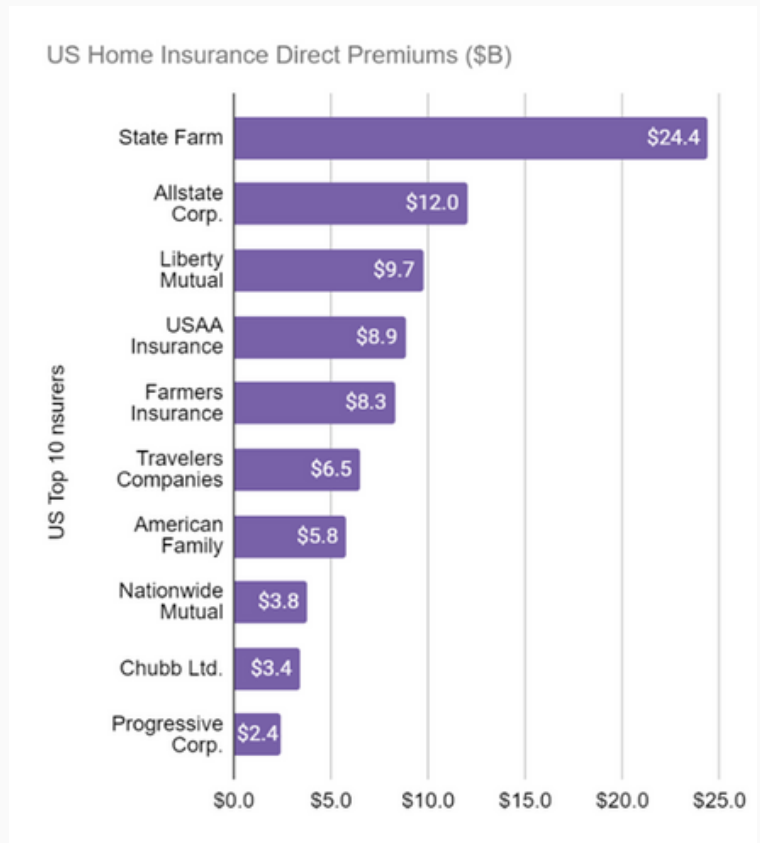
Global Home Insurance Market

Assessing Large Opportunities in Ondo's Key Target Markets

Market Potential in America is in the Millions of Units

The top 10 US Home insurers comprise approximately \$85B in annual premiums, about 56% of the US\$130B market, comprising 129M households. Within this, approximately 63% of US households are single-family homes which we use as a proxy for detached homes, the most prospective clients for LeakBot.

So amongst the top 10 home insurers, we estimate in excess of 42M household clients are potential customers for LeakBot. This compares to the company's *global* 2023 sales of 54,206 units in a primarily pilot phase. But with several successful pilots already complete in the US, we think the company is nearing an inflection point for a major growth phase for its sales in the US.



Source: Insurance Information Institute, Statista, Ondo, Bloom Analytic Estimates

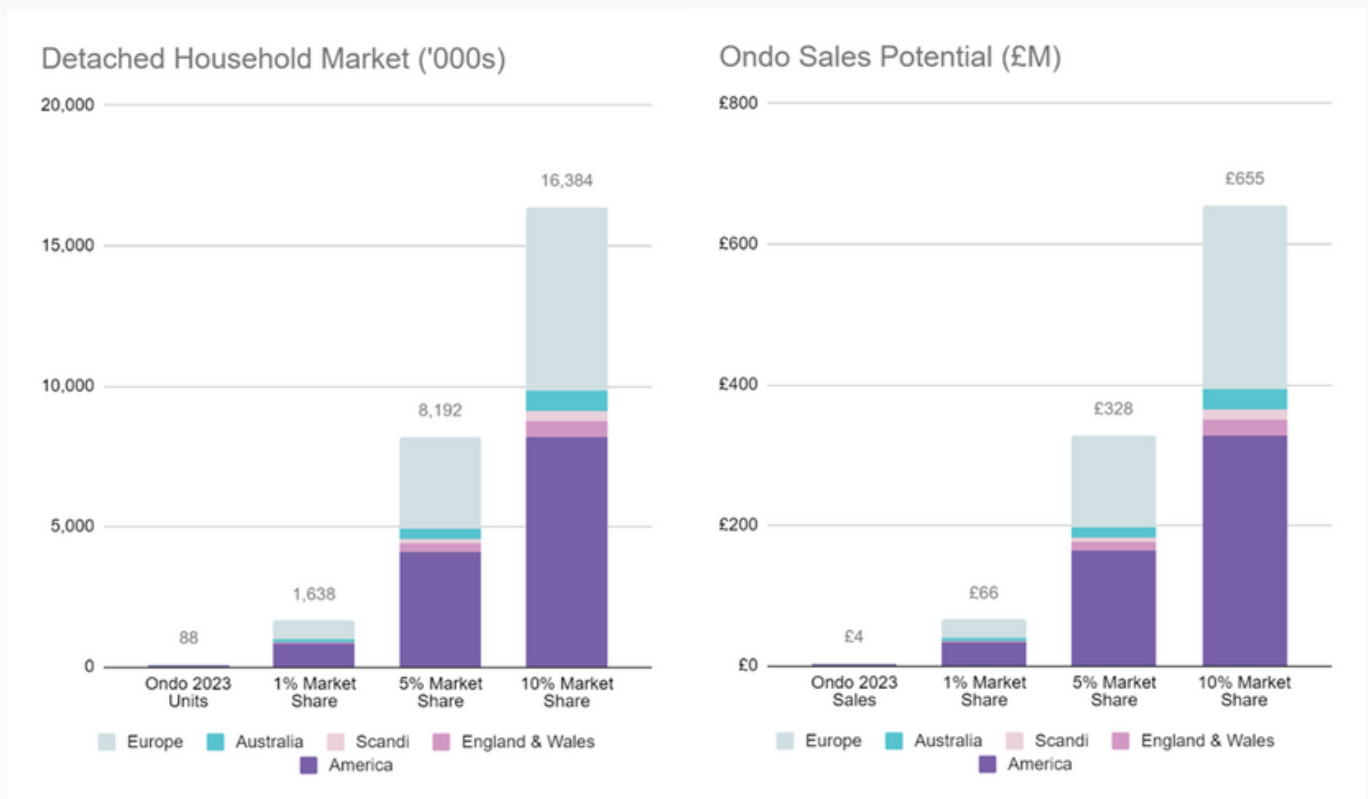
Global Home Insurance Market

Expect America to Be a Major Focus for Ondo

The US Market also has a number of other favourable features, in addition to its massive size:

- US average underwriting per policy of ~\$200 is significantly higher (3-4x) than in the UK, further justifying LeakBot's economics
- The US market features as high as 80% detached households, whereas in The UK and Europe a much higher proportion of apartments

Our Base Case Model Has Yet to Include Any Contribution from the Top 10 US Home Insurers, so America's overall Share of Ondo's Unit Sales & Revenue Will Likely Grow



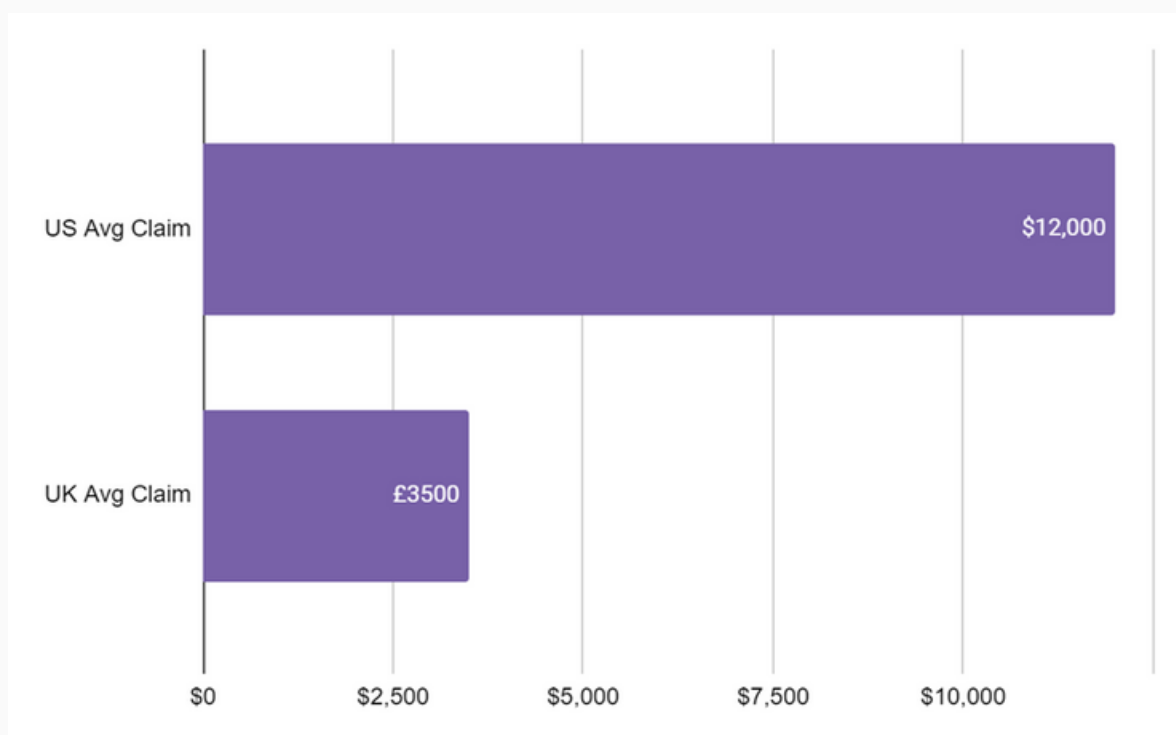
*Source: Company disclosure, Insurance Information Institute, Statista, Bloom Analytic Estimates

Global Home Insurance Market

America Has Favourable Structural Economics Per Policy

The cost of water damage claims PER POLICY are much higher than in Europe, exceeding \$12,000 per water damage claim on average vs the average claim in the UK of £3,500, meaning the value saved for every leak detected or averted is significantly higher in the US.

US Average Household Insurance Claim Values Significantly Higher Than in UK



Source: Insurance Information Institute, Ondo, Bloom Analytic Estimates

Global Home Insurance Market

UK Market Shows Potential As Well

One in three Brits, or 21.5 million people, have experienced a leak in their home in the past year according to a 2020 survey based on a sample of 2,000 people by Neos. The average cost of leak repair in the UK is £632.80. Approximately 44.77 million Brits have encountered a leak in their current or past homes. Many individuals do not take precautions against leaks due to it being a hidden problem that often only becomes apparent when the damage is already done.

Only one in 10 Brits have a leak detector installed according to the survey though its likely the true number is far lower, and 11% do not have insurance coverage for leak damage. London homes have the highest incidence of leak damage, with 81% of people having to pay for repairs. Scots are the most likely to have experienced a leak in the past year, at a rate of 38%.

The south-west region has the lowest occurrence of leaks, with 41% of residents stating they have never experienced a leak. Individuals living in council housing are less likely to experience leaks compared to homeowners and private renters. While the average cost of leak repair is £633, some individuals had to pay as much as £12,000. Northern Ireland residents pay the highest average cost for leak repair (£724), while those in the East Midlands pay the least (£425).

Around 30% of Brits had their leakage costs covered by insurance, but 24% ended up paying themselves because they did not inform their insurer, possibly due to misunderstanding their policy or fear of penalties.

Global Home Insurance Market

Encouraging Pilot Results With Portsmouth Water And Potential For Ofwat Innovation Fund

In June 2023 Ondo released results of a pilot program with Portsmouth Water, the water utility covering South East Hampshire and West Sussex from the River Meon in the West to the river Arun in the East, encompassing 868 sq. kilometres. Portsmouth Water provide high quality public water supplies to a domestic population exceeding 698,000, as well as industrial, defense and other commercial businesses.

Ofwat have created an innovation fund of up to £100m to encourage solutions that can drive water efficiency in England and Wales from 2024 onwards. The Water Services Regulation Authority, or Ofwat, is the body responsible for economic regulation of the privatized water and sewerage industry in England.

Based on the Portsmouth Water pilot results, Ondo estimates £100m could be enough to install LeakBot in over 3,000,000 UK houses and achieve an ongoing water saving of up to 100 megalitres per day – enough water to fill 38 Olympic size swimming pools every day and help the UK to meet its stretching water efficiency goals in the coming years.

01 Pre-existing Leaks

In the Portsmouth Water trial 24% of houses that installed a LeakBot had a pre-existing leak

02 60% Leak Reduction Post LeakBot Installation

Data from the pilot shows that after 6 months there had been a 60% reduction in the number of leaks

03 Even More Leaks At National Level

Data from the pilot shows that after 6 months there had been a 60% reduction in the number of leaks

04 Wider Rollout In the Works

Following the successful trial, Portsmouth Water is considering a wider rollout to reduce in-home consumption.

Global Home Insurance Market

Scandinavian Stronghold in the Works

Länsförsäkringar, the largest non-life insurer in Sweden, has initiated the rollout of the LeakBot service to its policyholders. The expansion follows a successful pilot program in the Södermanland region, where the penetration rate reached 40% among eligible policyholders and new home insurance sales increased by 50%.

The rollout begins with an initial order of LeakBot devices from the second regional business, with expectations for further orders from other regional businesses within Länsförsäkringar. The CEO of Länsförsäkringar Södermanland expressed satisfaction with the popularity and benefits of LeakBot, and other regional businesses within the company are eager to implement the technology as well. Ondo InsurTech sees the partnership with Länsförsäkringar as highly successful, with the potential to drive rapid growth of the active LeakBot device fleet in the coming years, contingent upon the participation of each regional business in the rollout.

Case in point Ondo's new 5-year agreement as of July 2023 with Länsförsäkringar (2M customers) and revenue potential of over £30M over 5 years (£6M per year).

In January Ondo signed a new contract with Topdanmark, a major insurance company in Denmark. Under the agreement, Ondo will expand its LeakBot service to 20,000 new customers in Denmark over the course of 18 months starting from March 2023. Topdanmark, which already offers LeakBot to its customers since 2019, has witnessed positive results in claims reduction and aims to extend the benefits to a larger customer base. This contract, in addition to the LB Forsikring roll-out announced in July 2022, is expected to contribute to Ondo's growth. Both companies express enthusiasm for the expansion and believe it will bring cost reductions, water conservation, and enhanced protection against water damage for customers. Ondo InsurTech sees this as a promising start to 2023 and a significant opportunity for future growth.

Global Home Insurance Market

New Pilot Program with G4S in Denmark

In June 2023 Ondo announced a new pilot program with G4S in Denmark. The program aims to evaluate an alternative go-to-market strategy for their product, LeakBot, in the Danish market.

G4S, the global security and facilities services company, is owned by Allied Universal and has annual revenues of \$20 billion. In Denmark, G4S is a key player in the smart alarm systems sector, offering the G4S Shield alarm and emergency response network. With over 70,000 active customers in Denmark, G4S Shield collaborates with Danish insurance companies to generate sales leads for in-home security visits.

During the one-month pilot program, G4S will assess the viability of providing customers of one of Denmark's largest insurers with a complimentary LeakBot installation as an incentive to accept an in-home security assessment visit. This innovative approach aims to determine whether the "Free LeakBot" offer can effectively drive customer engagement and become a significant component of G4S Shield's customer acquisition efforts in Denmark.

The outcome of this rapid pilot program will inform G4S's decision to potentially scale up the "Free LeakBot" offering and incorporate it into their broader customer growth initiatives in Denmark.

 *G4S pilot program will provide LeakBot free of charge to Danish home insurance customers as an incentive for home security assessment visits.*

If successful, this could allow LeakBot to rapidly scale up onto via G4S' platform


Global Home Insurance Market

Beachhead in Oceania

Ondo also announced in June 2023 that Firemark Collective, the innovation and venturing arm of IAG (Australia's and New Zealand's largest general insurer), has initiated a proof-of-concept pilot in collaboration with LeakBot. The aim of this pilot is to reduce water damage claims.

Unlike in the UK, plumbing in Australia has external supply pipes and stop taps. In a fully funded deal, the next 12 months will involve testing and developing an outdoor "All Weather" version of the LeakBot product. Ondo will own all intellectual property resulting from this development.

Ondo also noted that this pilot program could serve a proof of concept for other hot climatic regions like Southern Europe where the stop taps are also outside.

 *Hot climates tend to cause stop taps to be installed on the exterior of homes, a favourable setup for LeakBot installation.*

Ondo's trial with Firemark Collective in Australia could give insights for potential new opportunities in hot climates in Southern Europe.

Investment & Execution Risks

Competitive Risk

Ondo believes LeakBot has a significant competitive advantage over existing competitor products in terms of pricing, quality and the overall business model, likely all contributing factors to the strong growth it is experiencing. A key future risk for the company will be if new products or copy-cats eventually come to market to effectively compete.

Financing Risk

As with many small cap development companies, ONDO faces a likely multi-year development timeline before it becomes reliably cash flow positive. Capital markets fluctuations, movements in the broader economy, and timing of capital requirements could all adversely affect the company's ability to raise capital to fund its programs.

Manufacturing/Operational Risk

Ondo's domestic production base in the UK provides high skilled and high quality manufacturing, but is also potentially exposed to higher cost structures, trade frictions post Brexit and other import/export challenges as the company distributes products globally.

Key Person Risk

Ondo is dependent on the leadership of its key management and board members. A departure of these key personnel could impact the company's ability to execute its strategy.

Smallcap, liquidity risk

Despite its strong operational and market performance, Ondo remains a small company (approximately £15-30M market cap), with low trading volumes on the London Stock Exchange. Low liquidity poses a risk for the share price and likely increases volatility.

Manufacturing and Distribution Bottlenecks

Ondo currently has capacity at its contract manufacturing facility in the UK to produce approximately 10k steady state and 20k maximum units per month, implying a maximum annual supply of about 200-250k units. As the company expands in the US in particular but also in other markets, it will need to secure new third party contract manufacturing partners. The execution of these buildouts will present a likely execution risk for the company over the medium-term. That said, Ondo's manufacturing contractor is a global partner, and therefore there may be an opportunity to expand to other plants, especially in North America where the partner has facilities and potentially has capacity to expand.

Experienced Management & Board



Mark Wood NON-EXECUTIVE CHAIRMAN

Mark Wood is a prominent figure in the UK's financial sector, having held senior positions in various global institutions, including Barclays Bank, Prudential UK and Europe, and AXA UK. In 2006, he founded Paternoster, a market-leading bulk annuities company backed by private equity. He is also a Non-Executive Director of RAC Motoring Services and has received recognition for his contributions to the British public sector.



Andy Morrison NON-EXECUTIVE DIRECTOR

Andy Morrison is an entrepreneur and investor with experience in junior public markets. He founded Spinnaker Opportunities Plc and led it through a reverse takeover to form Kanabo Group Plc, a medicinal cannabis business. He has worked with several natural resources companies and has a background in oil products trading and business development at Shell.



Stefania Barbaglio NON-EXECUTIVE DIRECTOR

Stefania Barbaglio is an entrepreneur and business strategist specializing in investor relations and PR. She is the CEO of Cassiopeia Services, an Investor & Public Relations agency, and has advised companies in various sectors. She is recognized for her expertise in fintech and new technologies and is considered an opinion leader in the crypto sphere.

Experienced Management & Board



Craig Foster FOUNDER AND CEO

Craig Foster is the founder and CEO of Ondo InsurTech. He has extensive experience in leading businesses and brands globally. He played a significant role in the development and launch of LeakBot within HomeServe Labs. Foster received the Insurance Times "Tech Champion of the Year" Award for the breakthrough nature of LeakBot.



Kevin Withington CHIEF FINANCIAL OFFICER

Kevin Withington joined Ondo as Chief Financial Officer in 2022. With over 25 years of experience in the insurance industry, he has worked at companies such as MyPolicy, AJ Gallagher & Co, and TowerGate. Withington's appointment to the Board of Directors further strengthens Ondo's leadership team during a period of growth.

Capital Structure & Financing Situation

On May 12, 2023 the company announced a £815,000 equity financing through an oversubscribed placing and subscription for new ordinary shares to provide additional working capital to support the growing deployment pipeline of the LeakBot system.

A total of 6,791,666 shares were issued at a price of £0.12 per share, accompanied by 6,791,666 warrants exercisable at £0.20 per share, valid for 3 years.

Following the admission of the new shares, and the exercise of 3,408,332 warrants announced July 31, the total number of ordinary shares in issue was 78,369,610. The company also has approximately 30M warrants outstanding with an average exercise price of £0.22 (in-the-money as of the time of writing) which would bring an additional £6M cash if exercised. We note the company has done a block listing of these shares, suggesting these shares should be efficiently listable.

Ondo's recently announced a restructuring of the repayment period on its £6.4M loan note has benefited the company by rolling up year 3 cash interest of £0.7m and pushing out its repayment schedule by another year. This removes approximately £2.5m cash cost in the short term. As a result, its debt repayments will only begin in FY 2026, giving the company a significant period of time to generate cash flow as it scales.

Date	2 August 2023	
Ticker	LON:ONDO	
Share Price	GBx	36.36
52 Wk H/L	GBx	39.00 - 5.27
Avg Volume	000s	1,168
Shares Out	000s	78,370
MCap	£000s	£29,114
Net Debt*	£000s	£5,600
EV	£000s	£34,714

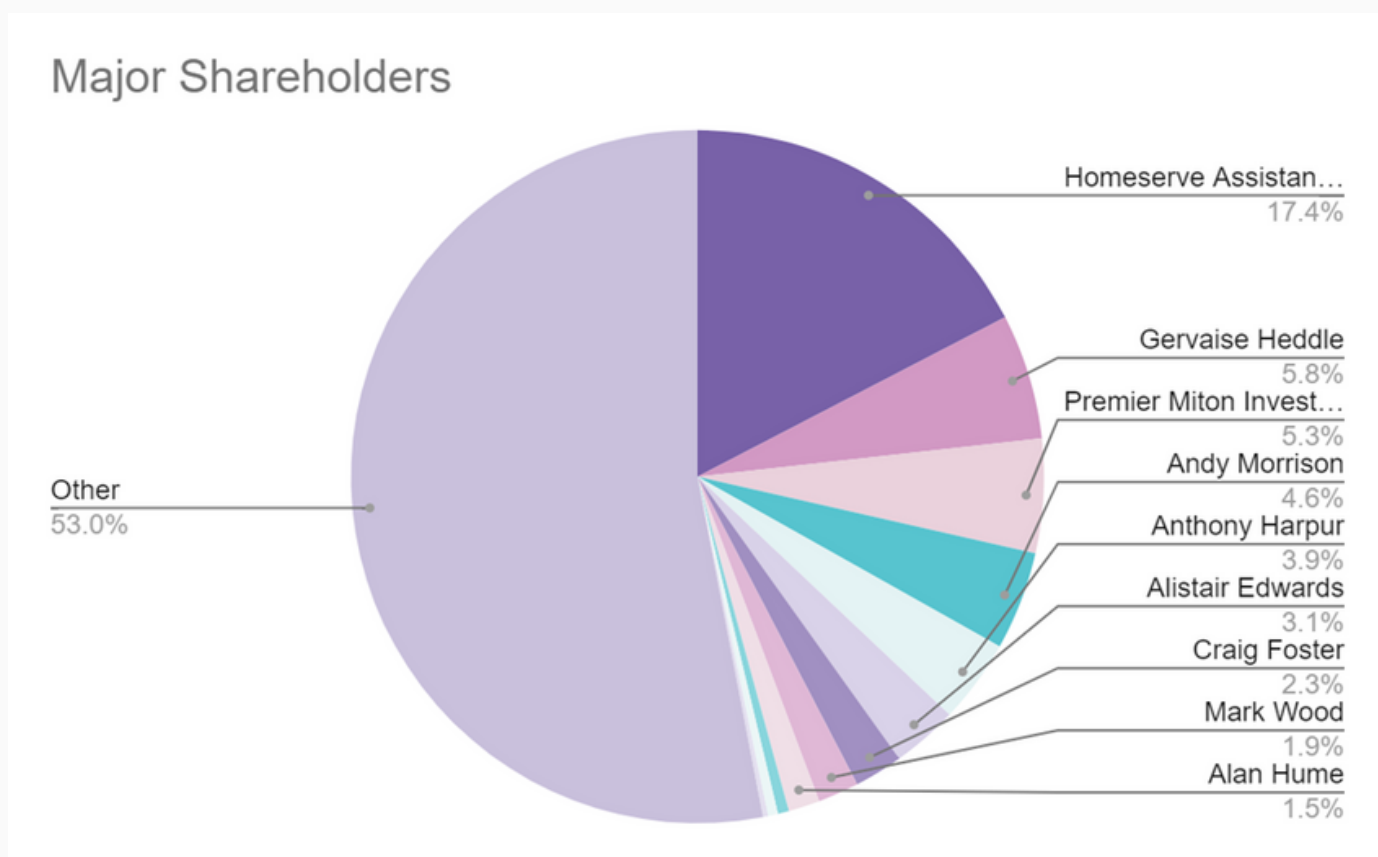
*We estimate the company's approximate cash on hand at between £700k and £800k as of August 2023, including the £376k cash on hand as of March 31 year-end, the additional £1.3M of cash proceeds from share issuances, and the ongoing working capital investment.

Balance Sheet (£000s)	Mar-23	Aug-22	Aug-21
Cash	£376	£1,872	£0
Inventories	£423	£225	£279
Trade and other receivables	£829	£829	£800
Total Current Assets	£1,628	£2,926	£1,079
Liabilities			
Trade & other payables	-£1,823	-£774	-£826
Bank overdraft	£0	£0	-£1,344
Loans & borrowings	-£6,401	-£6,401	£0
Working Capital	-£195	£2,152	-£1,091
Net Liabilities	-£6,596	-£4,249	-£1,091

Source: Insurance Information Institute, Ondo, Bloom Analytic Estimates

Major Shareholders

Management and insiders own a combined 14.3% including CEO Craig Foster with a 2.3% stake in the shares of the company.



Source: Insurance Information Institute, Ondo, Bloom Analytic Estimates

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