Trakm8
Data driven insights

2020 Half Year Results

9 December 2019

Overview

Operating Overview

- H1 2019 Results improved year-on-year due to:
  – Improved levels of new orders leading to slightly higher revenues
  – Significantly improved gross margins due to lower hardware, labour, communication and installation costs
  – Reduced overheads despite a £270k increase in non-cash amortisation and depreciation (net of IFRS16 impact) as a result of efficiency improvements implemented in FY2019
  – Significantly improved cash generation due to significant reduction in losses and strong working capital actions, despite R&D tax credit cash not received in the period due to HMRC delays

- Continuation of new contract wins – By Miles, Altrad and a number of other Fleet and Vehicle Leasing clients

- Stronger outlook:
  – Major automotive customer committed to a minimum of 45,000 units over next 12 months
  – Ingenie deployment commenced in November
  – Lexis Nexis expected to start deployment in January
  – Strong level of orders, post period, from existing and new Fleet customers
  – Additional significant efficiency savings implemented

Financial
Income Statement

£000's	6 Months to 30 Sept 2019	6 Months to 30 Sept 2018	FY-2019
	Unaudited	Unaudited	Audited
Revenue	8,867	8,839	19,145
of which, Recurring Revenues	4,885	5,117	10,087
Gross Profit	4,693	3,844	10,255
Gross Profit Margin	52.9%	43.5%	53.6%
Administrative Expenses (excluding exceptional costs)	(6,435)	(6,614)	(12,101)
Adjusted Loss before Tax*	(1,583)	(2,454)	(1,452)
Loss before Tax	(2,197)	(2,926)	(3,563)
Loss after Tax	(1,787)	(2,183)	(2,506)
Adjusted basic loss per share* (p)	(2.53)	(4.94)	(1.89)

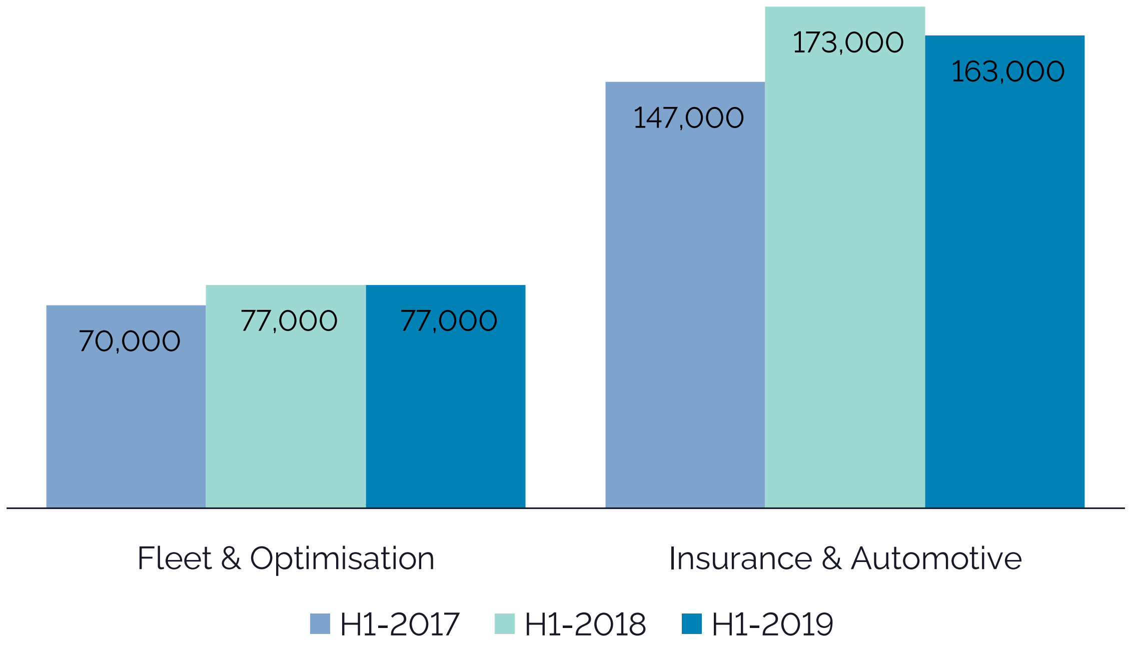
* Adjusted for exceptional costs and share based payments

H1-2019 Results

- Revenues marginally up YoY
  - new telematics units up 5%
  - recurring revenues down 5%
  - optimisation & consulting up 34%
- Overheads down 3%:
  - Sales & Marketing up 14%
  - Engineering down 39%, total R&D down 21%
  - other overheads down 18% (pre IFRS16 adjustment)
  - Deprecation & amortisation up 26% (pre IFRS16 adjustment)
- Reconciliation to statutory PBT
  - exceptional costs £0.5m
  - share based payments £0.1m

Financial
Vertical Performance

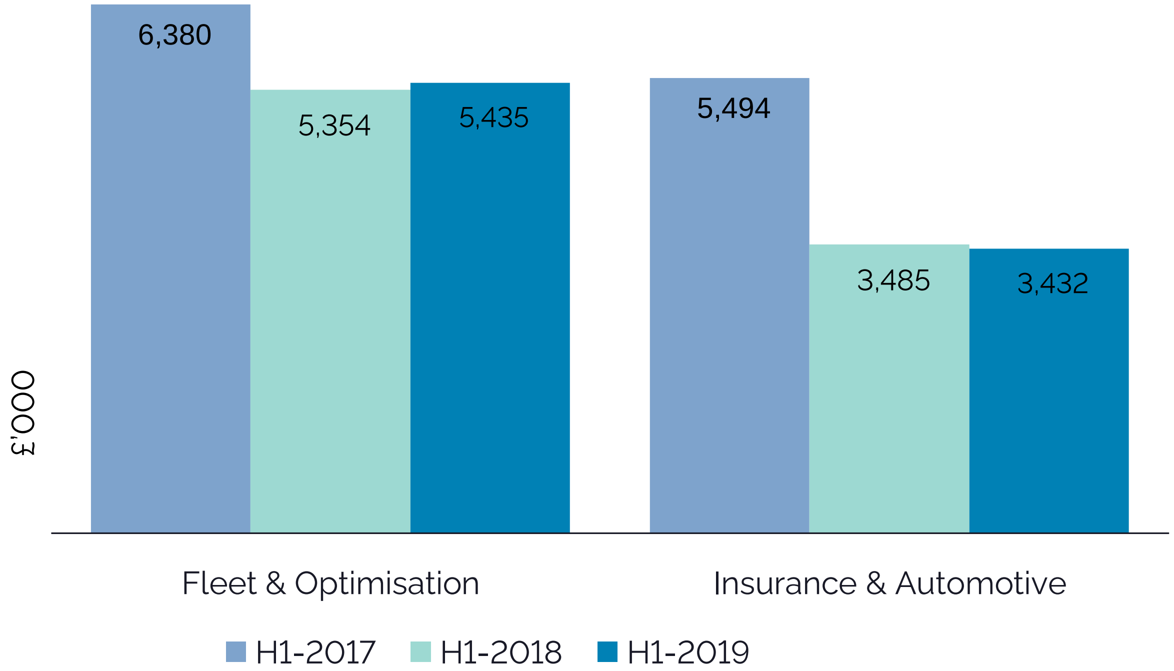
Connections



Movement in last six months:

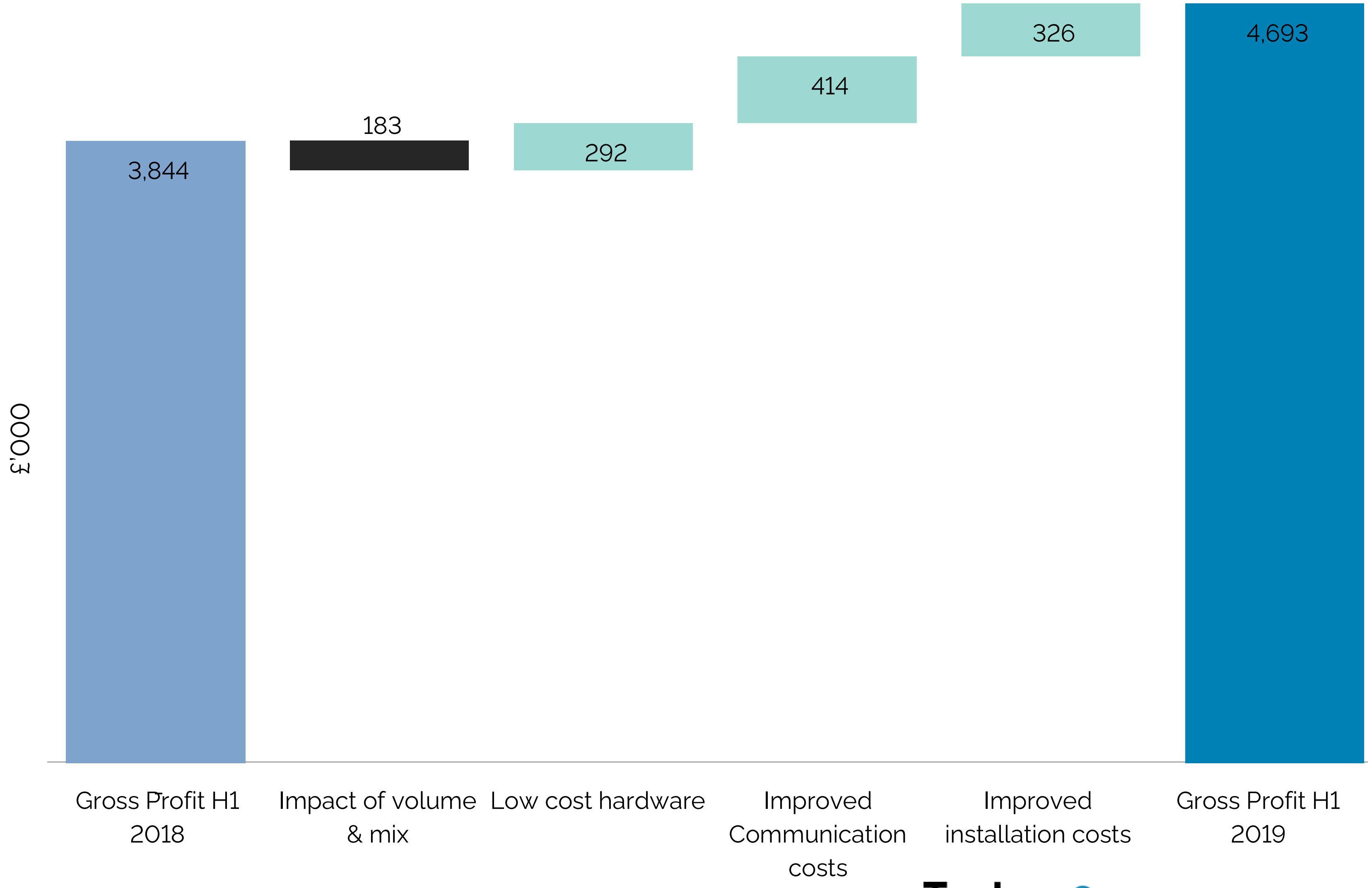
- Fleet Telematics connections up 1,000
- Insurance & Automotive connections down 4,000

Revenue by Sector



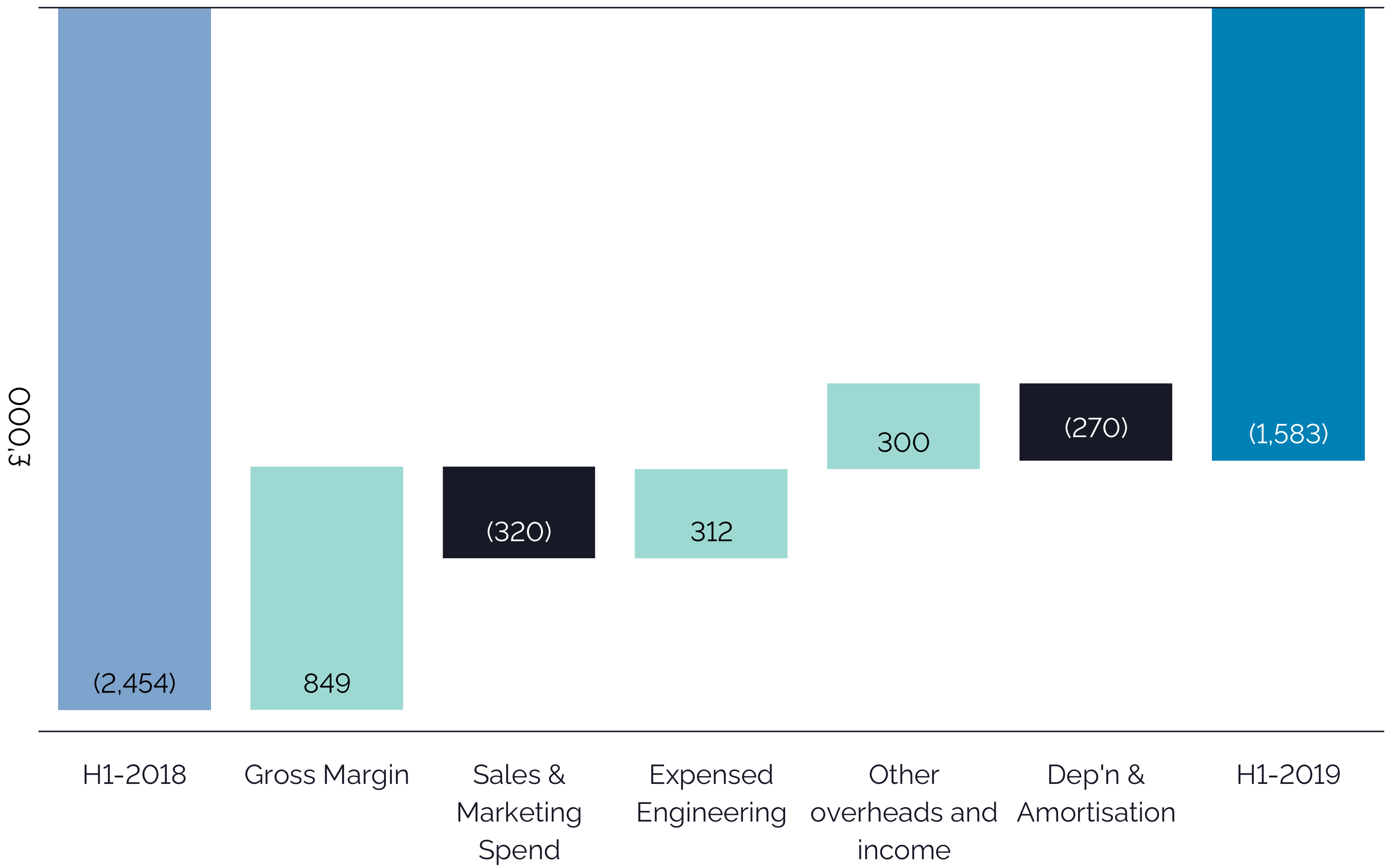
- Fleet & Optimisation revenue includes hardware, installation, service and Optimisation license fees – up 2%
- Insurance & Automotive revenue includes hardware, installation and service fees – down 2%

Financial
Gross Profit Bridge



- Gross Margin % increased to 53%
- Launch of new low cost plug in hardware for volume customers and direct labour reduction
- Communication costs significantly reduced through management focus and impact of lower rates rolling through estate
- Management focus and more stable hardware platform resulting in significant installation cost savings

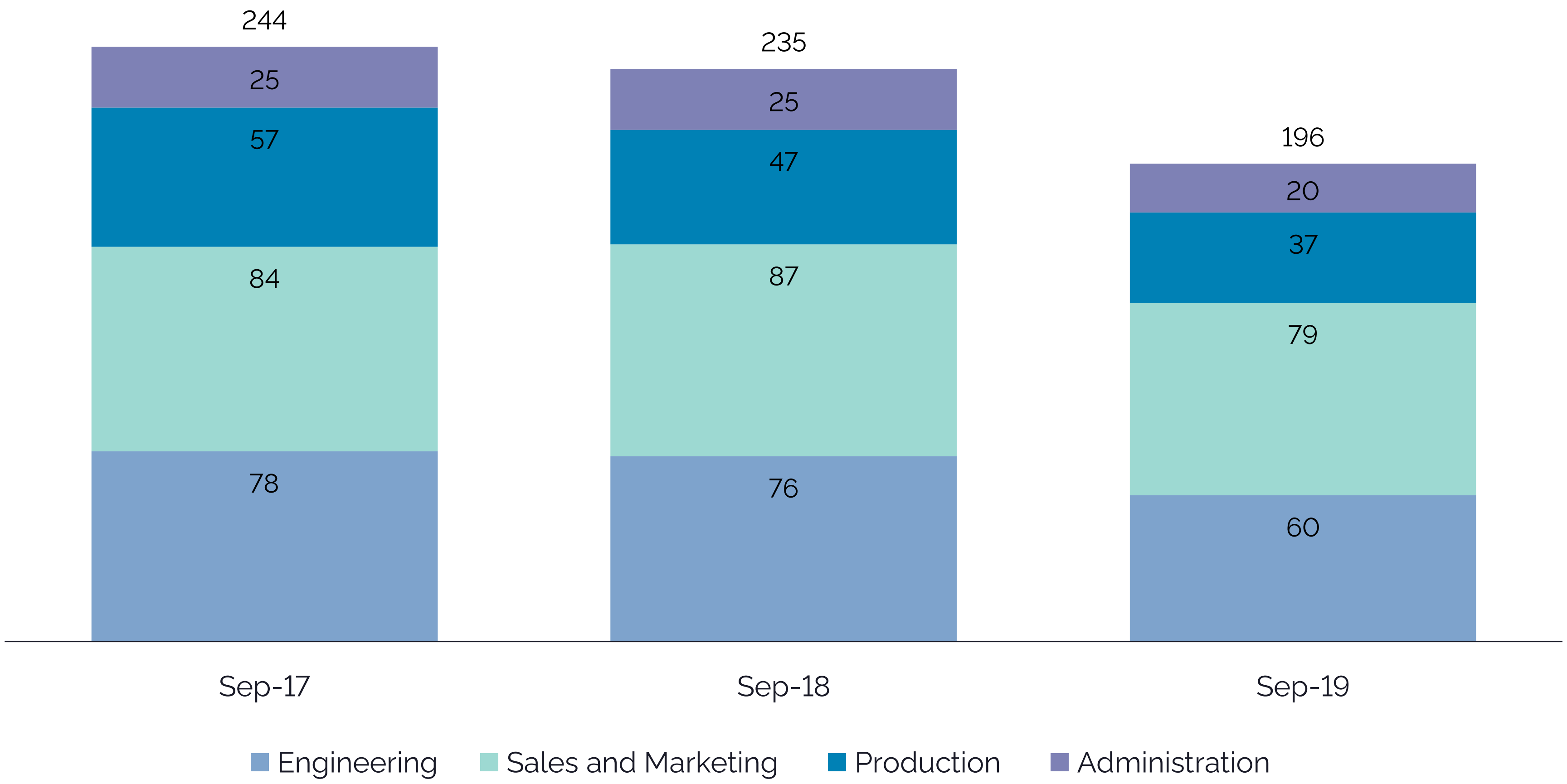
Financial
Adjusted Profit before Tax Bridge



- H1 Loss of £1.6m, £870K improvement YoY
- Sales & marketing costs up 14% due to investment in prior financial year and higher sales commissions driven by increased order entry
- Overall R&D spend down 21% YoY, as significant investment projects coming to end, expensed R&D down 39% YoY
- Continued focus on operating efficiency – other overheads* down 19% YoY
- Depreciation & amortisation* costs up 26% resulting from prior years investments

* Excluding impact of IFRS16 adoption

Financial
Headcount



- 20% reduction in headcount in last 2 Years
- Focus on retaining investment in Sales & Marketing
- Headcount accounts for circa 55% of total overheads

Financial

Consolidated Statement of Financial Position

£000's	30 Sept 2019	30 Sept 2018	FY-2019
	Unaudited	Unaudited	Audited
Non-current assets			
Intangible assets	21,490	20,282	21,165
Plant, property and equipment	3,636	1,823	1,432
Deferred income tax asset	39	122	-
Amounts receivable under finance leases	65	238	139
	25,230	22,465	22,736
Current assets			
Inventories	2,119	2,529	2,736
Trade and other receivables	6,710	6,789	8,345
Corporation tax receivable	1,320	576	1,050
Cash and cash equivalents	692	1,995	1,205
	10,841	11,889	13,336
Current liabilities	(7,428)	(7,825)	(7,571)
Current Assets less current liabilities	3,413	4,064	5,765
Non-Current liabilities	(8,222)	(7,134)	(6,407)
Net Assets	20,421	19,395	22,094

- Investment in R&D reduced by 13% to £1.5m
- 32% increase in amortisation to £1.2m from H1 FY19
- Increase in Plant, property and equipment due to £2.3m impact of IFRS16 adoption
- £0.6m reduction in inventory due to strong working capital management since end of FY19
- R&D tax credit cash of £1.0m not received at HY end
- Financial Position:
  - Net Debt £6.1m (excluding IFRS16 adjustment), up only £0.5m from year end
  - Unutilised Bank facility £0.15m

Financial

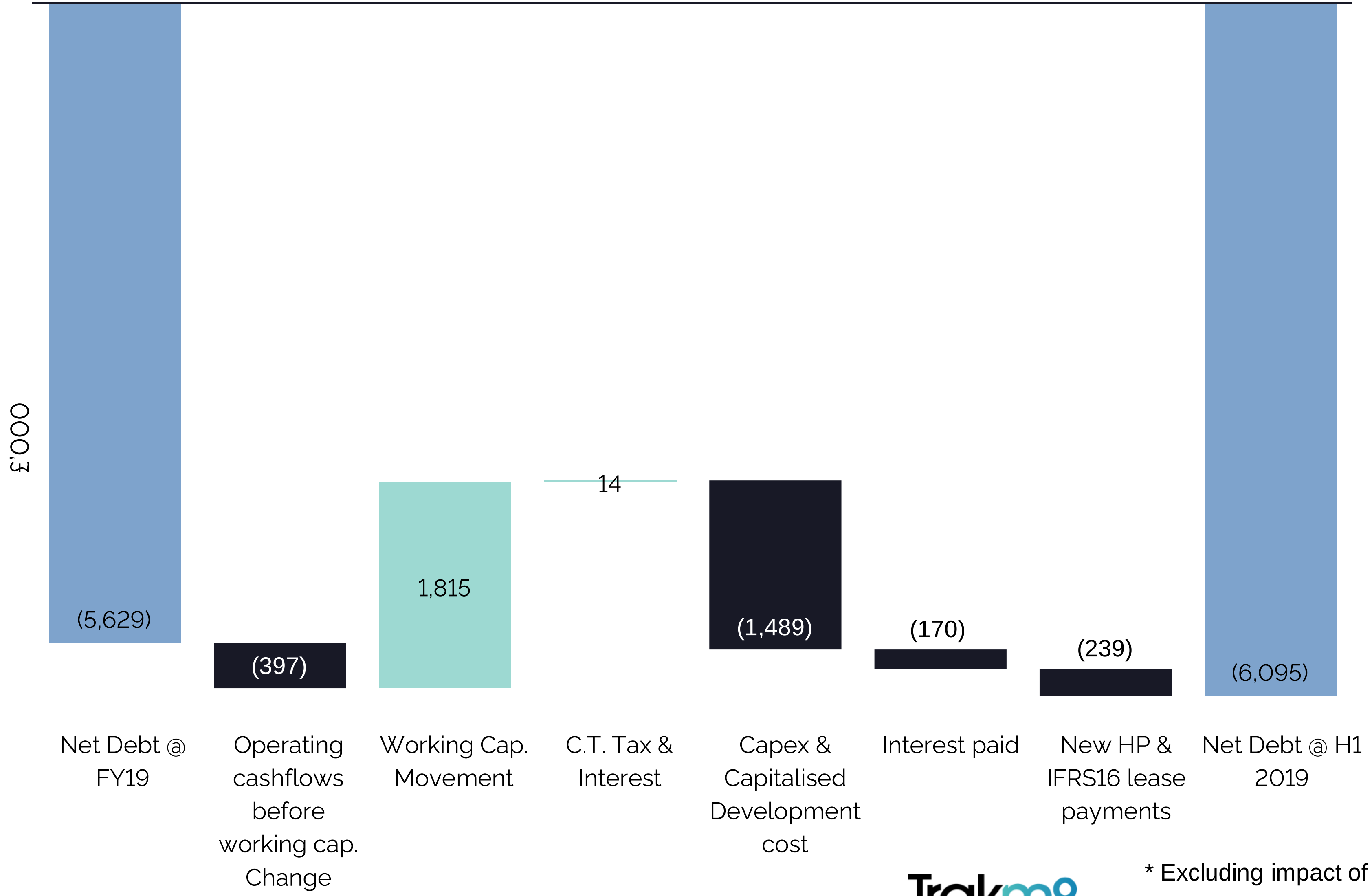
Consolidated Cash Flow Statement

£000's	30 Sept 2019	30 Sept 2018	FY-2019
	Unaudited	Unaudited	Audited
Net cash generated from operating activities	1,432	(421)	(1,752)
Cash flows from Investing Activities			
Purchases of property, plant and equipment	-	(2)	(103)
Purchases of software	(1)	(4)	(158)
Proceeds from sale of property	-	-	495
Capitalised development costs	(1,488)	(1,713)	(3,413)
Net cash used in investing activities	(1,489)	(1,719)	(3,179)
Cash flows from financing activities			
Issue of new shares	-	52	3,082
Increase in bank loan	500	1,350	2,000
Repayments of bank loans	(505)	(537)	(2,026)
Repayment of obligations under HP agreements	(281)	(85)	(187)
Interest paid	(170)	(117)	(205)
Net Cash used in financing activities	(456)	663	2,664
Net decrease in cash and cash equivalents	(513)	(1,477)	(2,267)
Cash and cash equivalents at beginning of year	1,205	3,472	3,472
Cash and cash equivalents at end of year	692	1,995	1,205

- Cash from operating activities:
  - includes £1.8m working capital benefit
  - R&D tax credit cash receipt of £1.0m not received at HY end
- Investment in intangible assets down 13%
- Continued pay down of Term Loan

Financial

Net Debt Bridge*



- Net debt increased by £0.47m in FY-2019
- Operating cash outflows before working capital movement reduced by £1.2M from H1 in prior year
- Working capital benefit of £1.8m resulting from tight management, £1.6m improvement on H1 in prior year
- R&D Tax credit cash of £1.0m not received in H1
- Ongoing investment in development reduced by £0.2m to £1.5m

* Excluding impact of IFRS 16 adoption

Our strategy

Focus in FY-2020

Focus on returning Group to profitable, cash-generative growth

01 DELIVERING A CUTTING-EDGE SOLUTIONS PORTFOLIO

- Launch of integrated optimisation & telematics SaaS platform
- Improved features of Trakm8connectedcare solution
- Integration of new services including fuel management, insurance and vehicle servicing

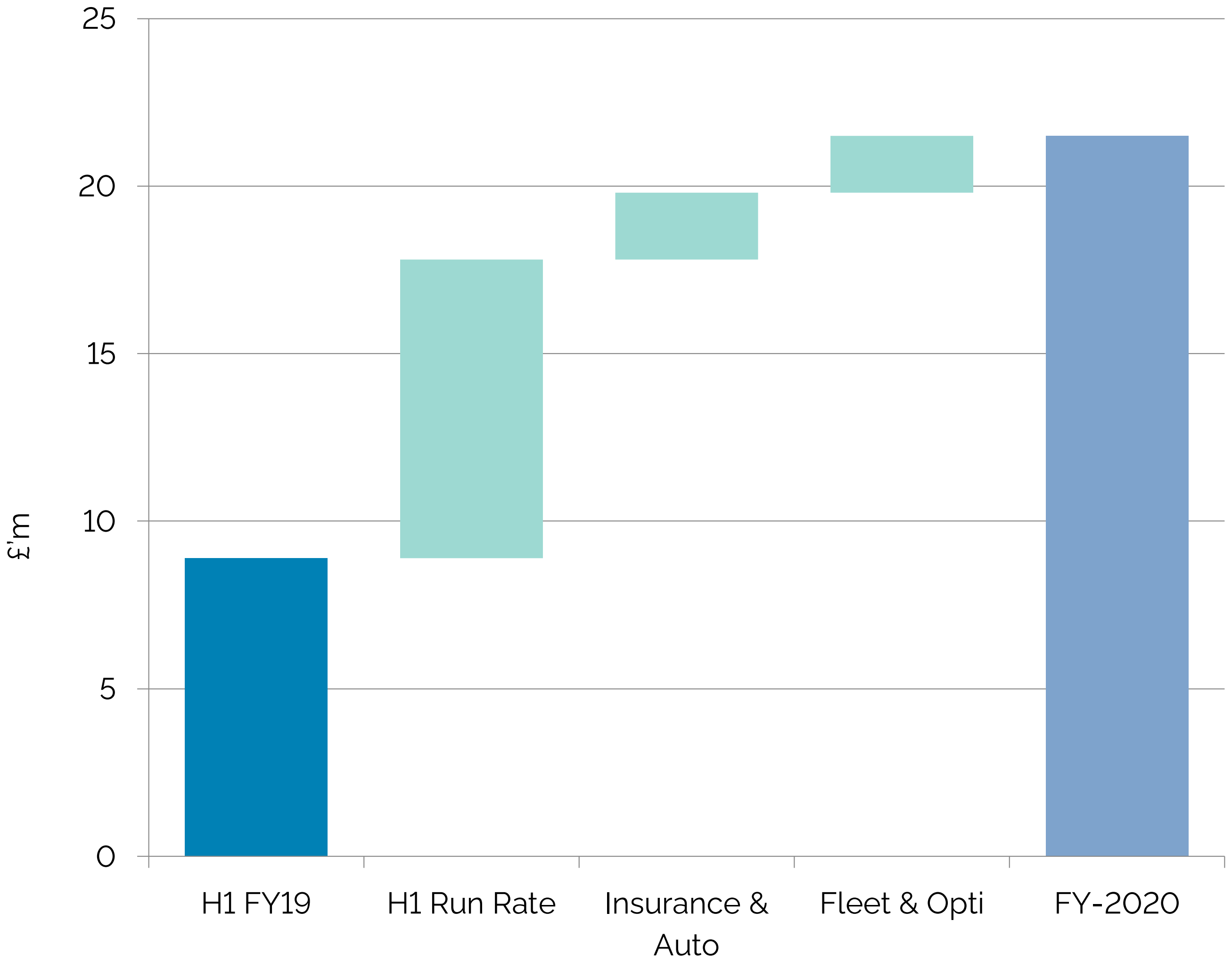
02 INCREASING OUR MARKET SHARE

- Focus on lead generation and marketing ROI
- Develop further relationships with leasing providers
- Further development of digital platform

03 STREAMLINING OUR INTERNAL OPERATIONS

- Improved MI driving significant cost improvements
- Continued focus on identifying additional cost efficiencies
- Expecting H2 Overheads to be lower than H1 due to additional efficiency savings taken in first half

Improved H2 expectations with improving visibility



- Broker forecast FY-2020 revenue £21.3m – 11% growth on PY
- Improved H2 performance driven by:
  - Insurance & Automotive
    - full deployment with LexisNexis & InGenie
    - resumption of supply to automotive customer
  - Fleet & Optimisation
    - Significant H2 Fleet pipeline
    - Maturing Optimisation pipeline

Outlook

- H2-2020 anticipated to be stronger than H1:
  - Full deployment of recent insurance contracts
  - Resumption of supply to automotive customer
- FY-2020 modest adjusted profit before tax
- H2 is expected to be profitable and cash generative
- Strong H2 will provide platform for stronger FY21 due to increased levels of run rate from existing contracts
- Board confident that market expectations for the full year will be met

Questions?