

28 November 2016

TRAKM8 HOLDINGS PLC

("Trakm8" or "the Group")

Half Year Results

Investing for Continuing Growth

Trakm8 Holdings plc, the AIM-listed telematics and data insight provider to the global market place, announces its unaudited results for the six months ended 30 September 2016:

Financial Highlights

	6 months to 30.09.2016 Unaudited £000	6 months to 30.09.15 Unaudited £000	Year to 31.03.16 Audited £000	Change
Revenue	13,181	11,726	25,649	12%
of which, recurring revenue ¹	4,687	3,976	8,309	18%
Operating profit	362	1,282	3,111	-72%
Adjusted operating profit ²	589	1,519	3,921	-61%
Cash generated from operating activities	128	1,336	4,447	-90%
Profit before tax	282	1,241	3,004	-77%
Adjusted earnings per share ²	1.58p	5.08p	13.44p	-69%
Basic earnings per share	0.88p	4.26p	11.15p	-79%

- Orders received increased by 24%, including organic growth of 17%
- 13% Solutions organic revenue growth (excluding acquisitions)
- 12% Products organic revenue growth (excluding acquisition and contract manufacturing eliminations)
- Adjusted operating profit affected by significant increased investment in sales, marketing and engineering resource
- Cash flow impacted by lower profitability and ongoing move to software as a service (SaaS) financial model
- Net debt³ rose to £4.40m (2015: £2.23m)

¹ Fees from service and data

² Adjustment for exceptional costs of acquisitions and share based payments

³ Total borrowings less cash

Operating highlights

- Investment for future growth:
 - Significant additional investment in sales, marketing and engineering resource totalling c.£1.5m
 - Introduction of highly innovative new technologies into production now in test with major customers

- Acquisition of Roadsense Technology Ltd ("Roadsense") in August 2016, a specialist in telematics for the SME market
- UK installed base continues to grow strongly from existing and new customers:
 - approximately 177,000 units (Sept 2015: 131,000 units) reporting to our servers, and an increase of 27,000 units (18%) since last year end
- New contract awards and extensions with major clients including with Scottish Power, Kubota UK, BT Fleet, Shell and Allianz
- Deliberate reduction in contract electronic manufacturing to provide capacity for more in house product build

Current trading

- Exchange rate movements have increased annual costs by c. £0.5m, as previously announced
- Strong contract pipeline provides visibility:
 - Contract win post period end with Smart Drivers Club, as separately announced today
 - Largest ever pipeline of substantial new contracts in place as a result of increased sales and marketing activity
- Outlook:
 - H2 weighting is expected to be more pronounced than previous years
 - Outcome for full year subject to quantum and timing of contract wins

John Watkins, Executive Chairman of Trakm8 said:

"Trakm8 has had another period of growth from existing and new customers. The installed base of devices reporting to our servers continues to increase and these growing recurring revenues are the core of Trakm8's business model and financial security.

"First half profitability has been impacted as expected due to the Group's seasonality and by significantly increased investment in sales, marketing and engineering.

"The outcome for the full year remains subject to the timing and quantum of contract opportunities as well as the impact of exchange rate movements. Strong delivery of our near term pipeline would deliver revenues and profits in line with current expectations, although there is a downside risk that if contracts drift into the next financial year profits would be broadly in line with last year on higher revenues.

"Subsequent years are expected to benefit from recent investments in growth initiatives and the growth of the telematics market."

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About Trakm8

Trakm8 is a UK based Big Data company utilising telematics as its primary enabler. Through IP owned technology, over three billion miles worth of data is collected annually through its fleet management solutions to create and fine tune algorithms used to score driver behaviour, monitor vehicle health and continuously improve the security and operational efficiencies of customers' vehicles.

With its headquarters in Dorset and a manufacturing facility in the West Midlands, the Group supplies a number of well-known customers in the fleet management and insurance sectors across the UK and further afield including customers such as the AA, Saint Gobain, EON, Direct Line Group and Young Marmalade.

The Group's portfolio offers complete telematics solutions including dashboard cameras that enable customers to record driving incidents and mitigate the risk from "crash to cash" accidents. This is complemented through a comprehensive hardware range, which includes a self-install unit that is one of the smallest available on the global market.

The Group has recently acquired both Route Monkey and Roadsense Technologies Ltd. Route Monkey has enhanced Trakm8's logistics solution offering route scheduling and optimisation, including routing for electric vehicles. Roadsense has been acquired to strengthen the Group's presence in the SME fleet management market.

Trakm8 has been listed on the AIM market of the London Stock Exchange since 2005.

www.trakm8.com / @Trakm8

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Executive Chairman's Statement

Results

I am pleased to report Trakm8's results for the six months ended 30 September 2016.

Revenues grew 12% in the period to £13.18m (2015: £11.73m). This comprises 23% growth in Trakm8's core Solutions business to £9.69m (2015: £7.91m). Products sales reduced by 8% to £3.49m (2015: £3.81m) reflecting a deliberate policy of reducing low margin contract manufacturing activity. Last year's acquisitions of Route Monkey (included in Solutions) and Roadhawk (included in Products), and this year's Roadsense, added £1.17m of revenues. Excluding all these impacts, organic revenue growth was 13%.

The value of new orders received during the period continued the good trend of recent years and were up by 24%. Organic growth was 17%. This reinforces the confidence we have that strong organic revenue growth can be delivered for the full year.

During the period we made a deliberate decision to again increase investment for future growth given the potential opportunities we see ahead, with significant year on year increases in engineering, sales and marketing expenditure totalling £1.5m. As a result total costs (excluding exceptional costs) rose by 44% year on year at £5.98m (2015: £4.15m); this led to adjusted operating profit being reduced by 61% to £0.59m (2015: £1.52m). Adjusted operating profit excludes the share based payment charge of £0.13m and exceptional costs of £0.10m. Adjusted earnings per share has reduced by 69% to 1.58p (2015: 5.08p).

Total recurring revenues increased by 18% during the period to £4.69m (2015: £3.98m), which are generated from increased numbers of units reporting to our servers. These revenues remain the core of the Group's business model and financial security. Gross margin percentages have been impacted by the exchange rate induced cost of components but despite this the gross margin has remained very much in line with last year.

Acquisitions

Our recent acquisitions have performed satisfactorily but not yet to their full potential. Route Monkey is still a projects based business and had a quieter period for revenues than the strong performance in the latter months of our last financial year when it was acquired. Revenues were £0.63m plus grant income of £0.15m and operating profits were £0.20m. However, strong order entry of £1.7m and excellent future contract pipeline development has taken place.

The digital camera business, Roadhawk, also made a positive contribution and recent cross selling by the corporate and reseller teams has been good. Revenues were £1.11m, and operating profit was £0.12m. Our forthcoming integrated 4G camera and telematics product is a significant step forward in our camera technology.

Roadsense with just two months trading as part of the Group did not contribute materially to the business but did secure new orders well ahead of expectations.

Overheads

Overheads have increased significantly reflecting our investment in Trakm8's future growth. In part this is due to the acquisitions of the Roadhawk business, Route Monkey and Roadsense (£0.68m additional overhead than the same period last year) but it also reflects the investment of over £0.6m

with ten additional heads in the sales teams and an increase in marketing spend compared to the same period last year. This investment largely took place in the early months of the half year and due to the lag between sales investments and revenues has had a negative impact on profitability. However, as a consequence, the pipeline of new substantial opportunities is considerably greater than ever before.

In addition, we have continued to expand the engineering team with our spend circa £0.9m greater than the same period last year. Whilst we have capitalised much of this investment, the Group has also expensed more this period than last year. There are several outstanding new products and solutions in the final stages of development with the potential to generate significant future revenues. In particular, the new integrated 4G camera and telematics product has created great interest and we have been having discussions with several existing clients keen to be the first to run trials of the system.

Financial position

Net cash generated from operating activities was £0.13m (2015: £1.34m). This decrease was due to lower profits but also an increase in our working capital requirements due to the gradual move of a number of customers to a software as a service (SaaS) financial model (principally in fleet telematics); in these cases the customer pays solely a monthly rental fee rather than including a one off amount for hardware at the start of the contract. As Trakm8 incurs its manufacturing and installation costs at the start of the contract, this results in an initial mismatch of costs and cash flows.

Route Monkey moved to the SaaS model this year to satisfy customer demand, a year in advance of our plans; and the largest contract won in the period was also on a SaaS basis and had a significant cash impact. As the transition of more customers to the SaaS model takes place, we anticipate a lower level of cash generation this year and next year, with stronger cash flows accruing the following year.

In any event, Trakm8 has historically been more cash generative in its second half and we expect this characteristic to be repeated this year given the pronounced second half weighting of revenues and profitability we expect.

In total there was a net cash outflow in the six months of £2.43m which also reflected the acquisition of Roadsense (£0.76m) and the payment of our inaugural dividend to shareholders (£0.65m). Our net debt as at September 2016 was £4.40m (2015: £2.23m) including £1.44m of cash (2015: £1.42m). In addition, the Group retained at 30 September 2016 an undrawn facility of £3.80m at HSBC.

Operations

During the period we devoted much of our engineering resource on delivering three major new product lines: a next generation T10 Micro; the fully integrated 4G Camera/Telematics units; and our Connected Car solution. These products are using cutting edge technology and have had engineering challenges to overcome that have resulted in delays to our original time lines. We expect some of these new revenues to be earned in the second half with the rest now deferred into later periods.

We implemented a change in engineering leadership during the period and invested in additional engineers and the subsequent progress on project delivery has been excellent.

The integration of the route and scheduling optimisation into the Fleet Management solution has gone well and we have secured orders for this from four Trakm8 customers already.

The integration of all aspects of the businesses into a single functionally managed business has now been completed and increasingly all activities will trade under the single Trakm8 brand.

We continue to invest in human resources with over 20 new colleagues employed since the end of the last financial year.

We analyse our revenues in two ways:

Solution Sales

This area of sales comprises Fleet Management, Optimisation, Insurance and Vehicle Service Solution revenues including associated engineering services.

Recurring revenues from this base have grown by 18% to £4.69m (2015: £3.98m) and represent 36% of Group revenues. At the period end we had approximately 177,000 units (Sept 2015: 135,000 units) reporting to our servers, being an increase of 31% over last year. This is an increase of 27,000 units (18%) since 31 March 2016.

Since March 2016 Fleet units installed have increased by 9,000 units to 67,000 (including Roadsense Technology), whilst Insurance increased by 18,000 to 110,000.

In addition, there were several customer funded engineering projects completed during the period.

Overall, Solution sales were 22% greater than the same period of 2015 at £9.69m (2015: £7.91m) and represent 74% of Group revenue (2015: 68%).

We have a record high level of significant opportunities in the pipeline as a result of the expansion of the sales teams. We anticipate that revenues will continue to grow strongly in this area.

Product Sales

This area of sales comprises all the hardware revenues from our sales to other telematics integrators, camera unit sales and sales to our contract manufacturing services customers.

Total revenues amounted to £3.49m (2015: £3.81m) representing 26% of the Group total and a reduction of 9% on last year (2015: £3.81m). This decrease in sales of products reflects the continuing process of elimination of a number of lower margin contract manufacturing service customers to focus on core telematics device shipments to our Solutions customers. Included in this rationalisation was the impact of one former low margin customer representing £1m of revenues alone.

In addition, during the period, Box Telematics manufactured 31% more product for Trakm8 amounting to £2.39m of Group revenue (2015: £1.82m). We are making a well-planned transition in this area.

Strategy

The Group has been following the strategy outlined in the 2016 Annual Report. Our focus is to provide ever more meaningful insights to our customers using the data generated by our installed devices so that they can run their operations more efficiently and safely.

We continue to seek to increase the number of installed devices reporting to our servers in order to generate long term, recurring revenues. We will continue to own the majority of IP in our value chain and are investing heavily in our technology to ensure we remain at the leading edge of the telematics industry. We also continue to seek complementary acquisitions that will add to our organic growth and market share.

We believe that the market opportunity is extraordinary – the telematics industry and Trakm8 within it sits at the centre of several megatrends: big data analysis, cloud computing, the connected car, the internet of things, and mobility. The market for fleet management solutions is expected to grow at double digits annually, doubling in the five years to 2020, according to recent third party reports. Trakm8 is investing in resources to take advantage of this growth, both in the UK and in new international markets, including China, where a new subsidiary is currently being established to support existing and potential customers.

Dividend

Following the payment of a maiden dividend for our last financial year, which was paid in September 2016, the Board reiterates its commitment to dividend payments going forward subject to the Group's financial performance and prospects. The Board therefore intends announcing a proposed dividend for the current financial year at the time of the announcement of the Group's final results in July 2017.

Outlook

We anticipate a much stronger second half with the weighting of revenue, profit and cash flow more pronounced than in recent years. We expect to benefit from the investments made in the first half in sales and marketing and new products. Exchange rate movements since the EU Referendum in June 2016 are a drag on profitability given many of our components are priced in US\$ and we anticipate that the full year impact will be £0.5m, subject to rates during the remainder of the financial year.

With our largest ever pipeline of substantial new contracts in place as a result of increased sales and marketing activity, international expansion and the contract win announced today with Smart Drivers Club, we have good visibility to support our growth aspirations.

The outcome for the full year remains subject to the timing and quantum of contract opportunities as well as the impact of exchange rate movements. Strong delivery of our near term pipeline would deliver revenues and profits in line with current expectations, although there is a downside risk that if contracts drift into the next financial year profits would be broadly in line with last year on higher revenues.

We anticipate subsequent years will benefit from recent investments in growth initiatives and the growth in the telematics market.

JOHN WATKINS

Executive Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Six months to 30 September 2016 Unaudited	Six months to 30 September 2015 Unaudited	Year to 31 March 2016 Audited
	for the six months to 30 September 2016			
	Note	£'000	£'000	£'000
Continuing operations				
Revenue		13,181	11,726	25,649
Cost of sales		(6,888)	(6,140)	(13,252)
Gross profit		6,293	5,586	12,397
Other income		148	-	81
Administrative expenses excluding exceptional costs		(5,983)	(4,145)	(8,755)
Exceptional administrative costs	6	(96)	(159)	(612)
Total administrative costs		(6,079)	(4,304)	(9,367)
Operating Profit		362	1,282	3,111
Finance income		-	-	1
Finance costs		(80)	(41)	(108)
Profit before taxation		282	1,241	3,004
Income tax		-	-	341
Profit attributable to the owners of the parent	4	282	1,241	3,345
Other Comprehensive Income				
Items that may be subsequently reclassified to profit or loss:				
Currency translation differences		-	-	4
Total other comprehensive income		-	-	4
Total Comprehensive Income for the period attributable to owners of the parent		282	1,241	3,349
Adjusted Operating Profit	5	589	1,519	3,921
Basic earnings per share (pence)	7	0.88	4.26	11.15
Diluted earnings per share (pence)	7	0.84	4.00	10.27

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months to 30 September 2016

	Share capital	Share premium	Merger reserve	Translation reserve	Treasury reserve	Retained earnings	Total equity attributable to owners of the parent
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2015	290	3,757	510	196	(12)	2,254	6,995
Comprehensive income							
Profit for the period	-	-	-	-	-	1,241	1,241
Total comprehensive income	-	-	-	-	-	1,241	1,241
Transactions with owners							
Shares issued	11	129	-	-	-	-	140
Sale of own shares	-	73	-	-	7	-	80
IFRS 2 Share based payments	-	-	-	-	-	78	78
Transactions with owners	11	202	-	-	7	78	298
Balance as at 30 Sept 2015	301	3,959	510	196	(5)	3,573	8,534
Comprehensive income							
Profit for the period	-	-	-	-	-	2,104	2,104
Other comprehensive income							
Exchange differences on translation of overseas operations	-	-	-	4	-	-	4
Total comprehensive income	-	-	-	4	-	2,104	2,108
Transactions with owners							
Shares issued	19	5,982	612	-	-	-	6,613
Share placing fees	-	(300)	-	-	-	-	(300)
Reclassification of previous Treasury Share Transactions	-	-	-	-	-	-	-
Reclassification of Sale of own shares	-	-	-	-	-	-	-
IFRS2 Share based payments	-	-	-	-	-	120	120
Transactions with owners	19	5,682	612	-	-	120	6,433
Balance as at 31 March 2016	320	9,641	1,122	200	(5)	5,797	17,075
Comprehensive income							
Profit for the period	-	-	-	-	-	282	282
Total comprehensive income	-	-	-	-	-	282	282
Transactions with owners							
Shares issued	5	90	-	-	-	-	95
Equity dividends paid by the company	-	-	-	-	-	(649)	(649)
IFRS2 Share based payments	-	-	-	-	-	131	131
Transactions with owners	5	90	-	-	-	(518)	(423)
Balance as at 30 Sept 2016	325	9,731	1,122	200	(5)	5,561	16,934

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 September 2016

	30 September 2016 Unaudited £'000	30 September 2015 Unaudited £'000	31 March 2016 Audited £'000
Non-current assets			
Intangible assets	15,990	6,379	13,996
Plant, property and equipment	1,839	1,656	1,573
Deferred income tax asset	801	666	801
	18,630	8,701	16,370
Current assets			
Inventories	2,542	2,579	2,259
Trade and other receivables	7,593	4,588	7,620
Cash and cash equivalents	1,439	1,423	3,871
	11,574	8,590	13,750
Current liabilities			
Trade and other payables	(6,827)	(4,655)	(7,541)
Borrowings	(1,017)	(609)	(981)
Provisions	(92)	(92)	(92)
	(7,936)	(5,356)	(8,614)
Current assets less current liabilities	3,638	3,234	5,136
Total assets less current liabilities	22,268	11,935	21,506
Non-current liabilities			
Trade and other payables	(448)	(309)	(395)
Borrowings	(4,826)	(3,044)	(3,976)
Provisions	(60)	(48)	(60)
	(5,334)	(3,401)	(4,431)
Net assets	16,934	8,534	17,075
Equity			
Share capital	325	301	320
Share premium	9,731	3,959	9,641
Merger reserve	1,122	510	1,122
Translation reserve	200	196	200
Treasury reserve	(5)	(5)	(5)
Retained earnings	5,561	3,573	5,797
Total equity attributable to owners of the parent	16,934	8,534	17,075

Note
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CONSOLIDATED CASH FLOW STATEMENT

for the six months to 30 September 2016

	Six months to 30 September 2016 Unaudited	Six months to 30 September 2015 Unaudited	Year to 31 March 2016 Audited
Net cash generated from operating activities	Note 9 £'000 128	£'000 1,336	£'000 4,447
Cash flows from investing activities			
Interest received	-	-	1
Acquisition of subsidiary undertaking (net of cash)	(763)	(3,275)	(7,698)
Purchases of property, plant and equipment	(324)	(505)	(529)
Purchases of software	(255)	-	(79)
Proceeds from sale of plant	-	47	-
Capitalised Development costs	(1,455)	(581)	(1,852)
Net cash used in investing activities	(2,797)	(4,314)	(10,157)
Cash flows from financing activities			
Issue of new shares	80	140	5,840
Sale of treasury shares	-	80	80
New bank loan	1,200	1,000	6,000
New hire purchase contract	177	102	126
Interest paid	(80)	(41)	(108)
Repayment of loans	(474)	(288)	(5,752)
Repayment of obligations under hire purchase agreements	(17)	-	(13)
Dividend paid	(649)	-	-
Net cash generated from financing activities	237	993	6,173
Net (decrease) / increase in cash and cash equivalents	(2,432)	(1,985)	463
Cash and cash equivalents at beginning of period	3,871	3,408	3,408
Cash and cash equivalents at end of period	1,439	1,423	3,871

Notes to the financial information (unaudited)

1. The financial information contained in this interim statement has not been audited or reviewed by the Group's auditor and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Directors approved and authorised this interim statement on 25 November 2016. The financial information for the preceding full year is extracted from the statutory accounts for the financial year ended 31 March 2016. Those accounts, upon which the auditor issued an unqualified opinion and did not include a statement under Section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Trakm8 Holdings PLC ("Trakm8") is a public limited company incorporated in the United Kingdom under the Companies Act 2006. Trakm8 is domiciled in the United Kingdom and its ordinary shares are traded on AIM, the market operated by the London Stock Exchange plc.

3. As permitted this Interim Report has been prepared in accordance with UK AIM Rules for Companies and not in accordance with IAS 34 "Interim Financial Reporting" and therefore is not fully in compliance with IFRS. The Interim results have been prepared in a manner consistent with the accounting policies set out in the statutory accounts for the financial year ending 31 March 2016.

4. Profit per ordinary share attributable to the owners of the parent

	Six months to 30 September 2016 Unaudited	Six months to 30 September 2015 Unaudited	Year to 31 March 2016 Audited
	£'000	£'000	£'000
Profit attributable to the owners of the parent	282	1,241	3,345

5. Adjusted operating profit

Adjusted Operating Profit is monitored by the Board and measured as follows:

Operating profit	362	1,282	3,111
Exceptional administrative costs	96	159	612
Share based payments	131	78	198
	589	1,519	3,921

6. Exceptional costs

	Six months to 30 September 2016 Unaudited	Six months to 30 September 2015 Unaudited	Year to 31 March 2016 Audited
	£'000	£'000	£'000
Exceptional costs	(96)	(159)	(612)

On 1 August 2016 Trakm8 Holdings PLC completed the acquisition of the entire share capital of Roadsense Technology Ltd. The exceptional costs related to costs incurred in connection with the Groups acquisitions.

7. Shares in issue

Weighted average number of ordinary shares in issue:

	Six months to 30 September 2016 Unaudited	Six months to 30 September 2015 Unaudited	Year to 31 March 2016 Audited
	No. '000	No. '000	No. '000
Basic	32,315	29,124	30,001
Diluted	33,714	30,611	32,572
Adjusted earnings per share	1.58p	5.08p	13.44p
Adjusted for Exceptional costs and Share based payments			

8. Acquisition of share capital of Roadsense Technology Ltd

On 1 August 2016 Trakm8 acquired the entire share capital of Roadsense Technology Limited which specialises in the sale and distribution of telematics devices for the motor vehicle market.

An initial review of the assets acquired is detailed below:-

	£'000
Intangible assets	100
Tangible assets	100
Inventories	38
Debtors	62
Creditors	(187)
Net assets acquired	113
Goodwill	665
Total consideration	778
Satisfied by:-	
Fair value of shares in the Company	15
Cash	763
	778

9. Reconciliation of cash flows from operating activities:

	Six months to 30 September 2016 Unaudited £'000	Six months to 30 September 2015 Unaudited £'000	Year to 31 March 2016 Audited £'000
Net profit before taxation	282	1,241	3,003
Adjustments for:			
Depreciation	158	120	232
Bank and other interest charges	80	41	107
Amortisation of intangible assets	481	282	656
Share based payment expense	131	78	198
Operating cashflows before movement in working capital	1,132	1,762	4,196
Retranslation of overseas operations	-	1	3
Movement in inventories	(245)	(360)	(39)
Movement in trade and other receivables	(35)	443	(1,211)
Movement in trade and other payables	(867)	(510)	1,486
Movement in provisions	-	-	12
Cash generated from operations	(15)	1,336	4,447
Income taxes received	143	-	-
Net cash inflow from operating activities	128	1,336	4,447

10. Copies of the report are available on the Group's website www.trakm8.com and also from the registered office of Trakm8 Holdings PLC. The address of the registered office is: Lydden House, Wincombe Business Park, Shaftesbury, Dorset, SP7 9QJ.