



2018 Optimising performance

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Final Results
2 July 2018
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Highlights

A year of strong progress

It is pleasing to report very strong progress during the past year

Operational highlights include:

- Successful exit from non-core Contract Electronics Manufacturing (CEM) activities
- Reduction of annual operating costs by £1.5m with saving reinvested into Sales & Marketing
- Over 251,000 connected units in operation (FY-2017: 190,000)
- Launch of Trakm8 Insight and RoadHawk 600
- New contracts from Intelematics Europe and Calor, and contract extension from Iceland Foods
- Maintained investment in R&D
- Closure of Trakm8's Bodmin and Livingston offices
- Board of Directors strengthened with the appointment of new Finance Director

Markets and Drivers

Fleet and Optimisation

The fleet management market is expected to grow at a compound annual growth rate of 15%

Fleet Markets

- Home Delivery
- Transport and Logistics
- Company Cars
- Passenger Transport
- Small Fleets and Sole Traders
- Electric Vehicle Routing

Fleet Drivers

- Competition to improve productivity and efficiencies i.e. fuel consumption
- Integration of fleet management systems
- Increased focus on air quality and emissions
- Focus on road safety and compliance
- Requirement to reduce risk
- Increasing insurance premiums and vehicle maintenance costs

Optimisation Markets

- Transport and Logistics
- Energy Storage and Smart Grids
- Mobility
- Electric Vehicles
- Vehicle Sharing
- Smart Cities

Optimisation Drivers

- Growth of internet retail and home delivery sectors
- Expansion of clean air zones and air quality concerns
- Growth in ride and freight sharing
- Smarter network planning
- Increased demand for electric vehicles

Markets and Drivers

Insurance and Automotive

Growing at a compound annual growth rate of 34.8%, the number of active insurance telematics policies in Europe is estimated to reach 30 million by 2021

Insurance Markets

- Personal Lines Insurers
- Commercial Lines Insurers
- Reinsurers
- Brokers
- Managing General Agents (MGA's)
- Vehicle Manufacturers

Insurance Drivers

- Increasing car insurance premiums
- Necessity to reduce risk posed by policyholders
- Narrower margins for insurers
- Increase in digitally-savvy policyholders
- Streamlining of the first notification of loss process
- Competition to provide value-added features

Automotive Markets

- Construction and Plant
- OEMs
- Vehicle Leasing
- Breakdown Providers
- Independent Service Provider

Automotive Drivers

- Increase in connected car requirements such as remote diagnostics
- Improvement in maintenance planning
- Competition to improve efficiencies in plant and machinery
- Requirement for accurate usage reporting and service schedules
- Health and safety improvements

Market-leading software and services

TRAKM8 INSIGHT

- Telematics, camera and mobile app data
- Route optimisation and scheduling
- User-friendly personalised dashboard
- Driver risk scoring
- Connected Car
- Vehicle health to predict breakdowns
- Manage service scheduling
- Monitor fuel usage
- Crash detection
- Tacho integration
- Third-party integration via telematics API



Market-leading hardware



TELEMATICS INTEGRATED CAMERAS

- Combines telematics and camera technology
- Live and historical video data
- Advanced Driver Assistance Systems (ADAS)
- Significantly lowers procurement and installation costs



SELF-INSTALL TELEMATICS DEVICES

- Smallest self-install CAN enabled device in the world
- Fits in nearly all vehicles with an OBDII port – ideal for Insurance customers
- No costly or timely installation
- Vehicle health, crash data, driver behaviour, tracking

Financial Highlights

Revenues

£30.1m

Increase:  12% | 2017: £26.8m

Profit before tax

£1.2m

Increase:  69% | 2017: £0.7m

Adjusted PBT

£2.8m

Increase:  142% | 2017: £1.2m

Cash from operations

£4.7m

Increase:  608% | 2017: £0.7m


Adjusted EPS

8.19p

Increase:  41% | 2017: 5.81p

Basic earnings per share

4.40p

Decrease:  2% | 2017: 4.51p

A strong year of progress is supported by:

- Revenue up 12%
- 10% increase in recurring revenue
- 26% growth in core Solutions business
- 32% increase in connected devices

Financial

Income Statement

£000's	FY-2018	FY-2017
Revenue	30,081	26,759
Of which, Recurring Revenues	10,827	9,842
Gross Profit	14,849	13,209
Gross Profit Margin	49.4%	49.4%
Administrative Expenses (excluding exceptional costs)	(12,681)	(12,462)
Adjusted Profit before Tax*	2,794	1,156
Profit before Tax	1,173	693
Profit after Tax	1,580	1,469
Adjusted basic EPS* (p)	8.19	5.81

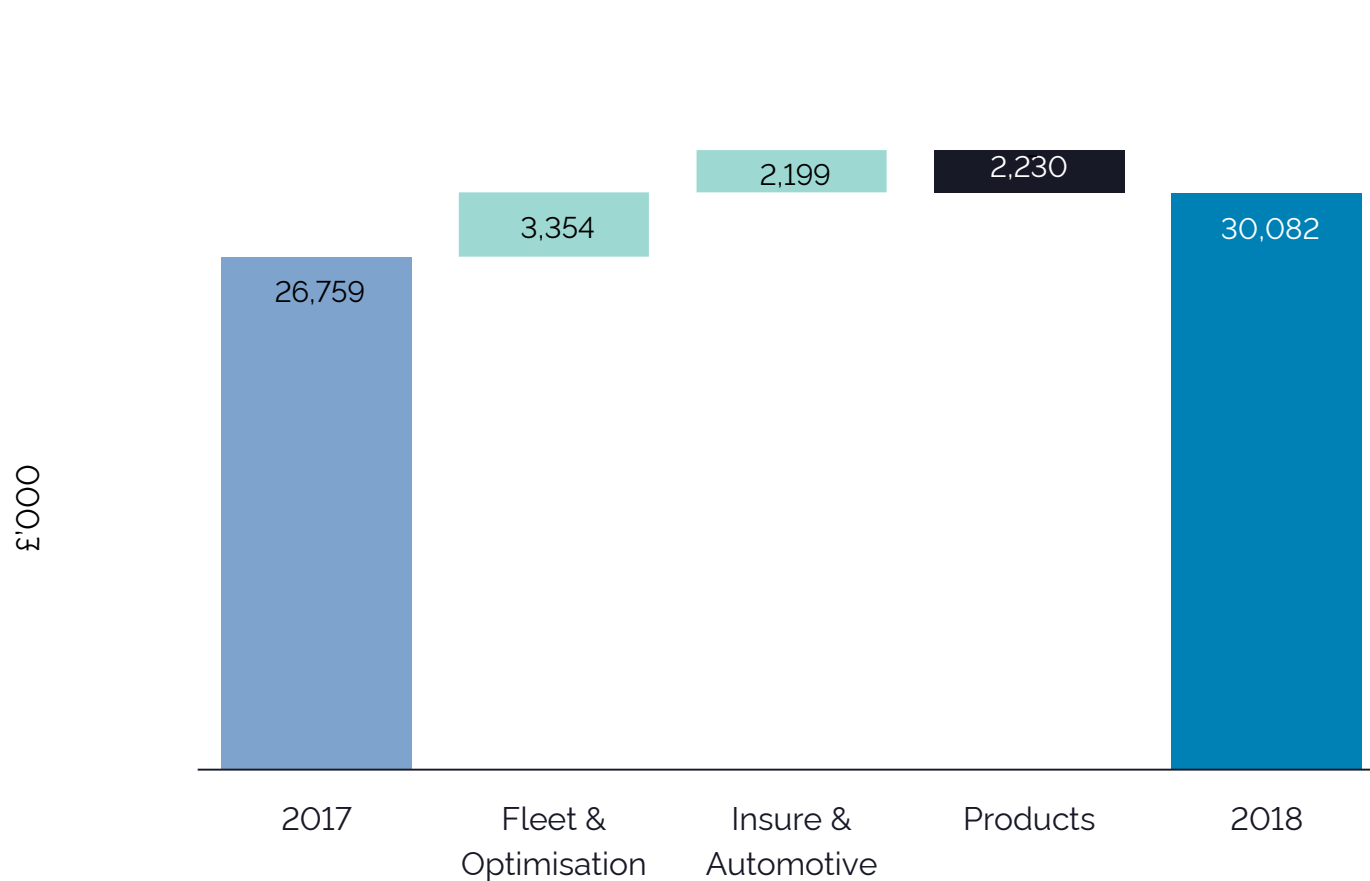
* Adjusted for exceptional costs and share based payments

FY-2018 Results

- Revenues up 12%
 - Solutions revenue up 26%
 - Recurring revenues up 10%
- Increased overheads:
 - Sales & Marketing up 54%
 - Engineering up 13%
 - Other overheads down 24%
- Reconciliation to statutory PBT
 - Exceptional costs £1.4m
 - Share based payments £0.2m

Financial

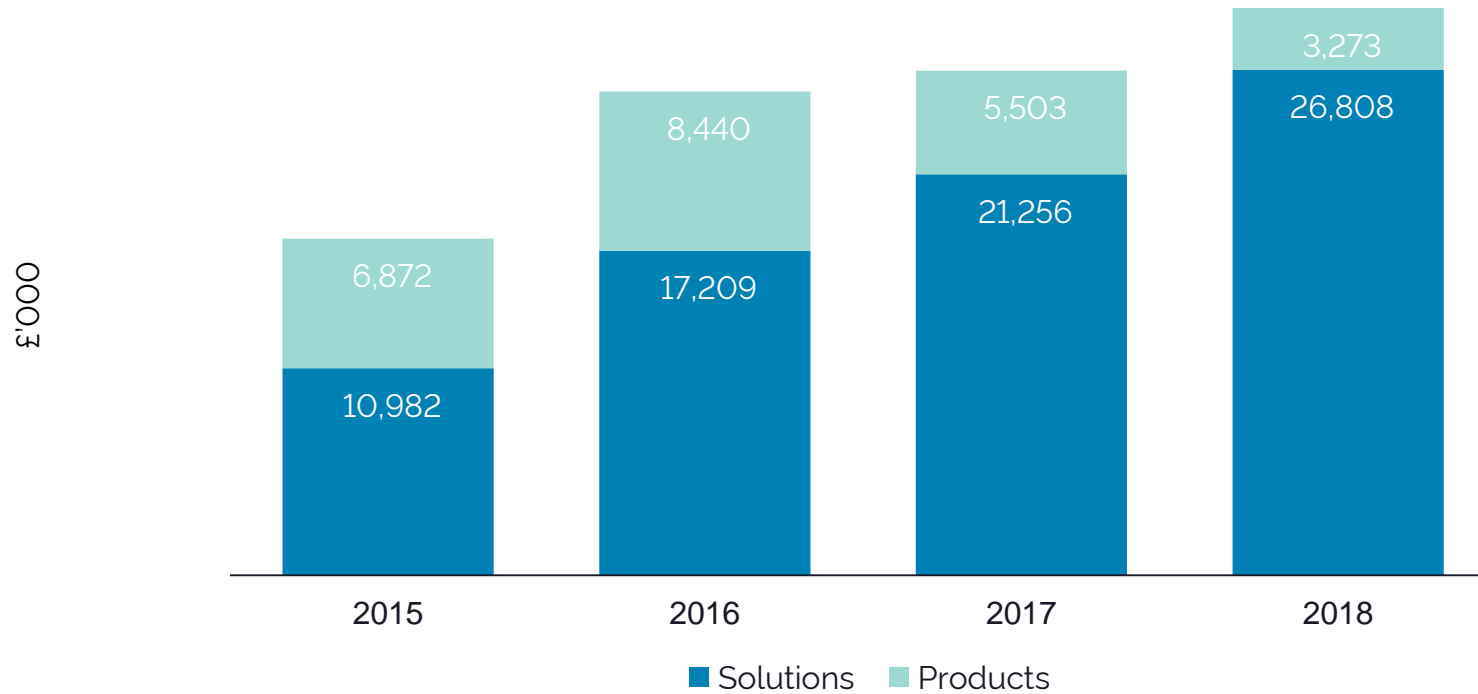
Revenue Bridge



- Solutions Revenue up 26%
- Fleet & Optimisation Revenue up 31%
- Insurance & Automotive Revenue up 21%
- Impact of exit from Contract Manufacturing:
 - Product revenues down 41%

Financial

Transition to Pure Telematics Provider



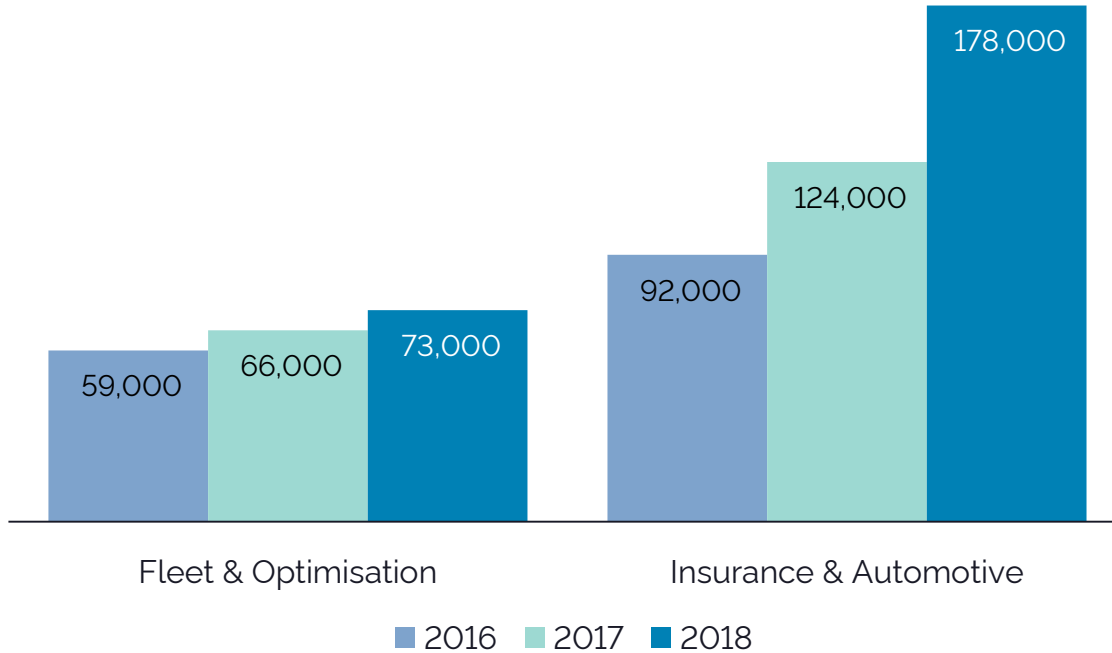
Underlying Revenue growth

- Solutions CAGR up 35%
- Products CAGR down 22%

Financial

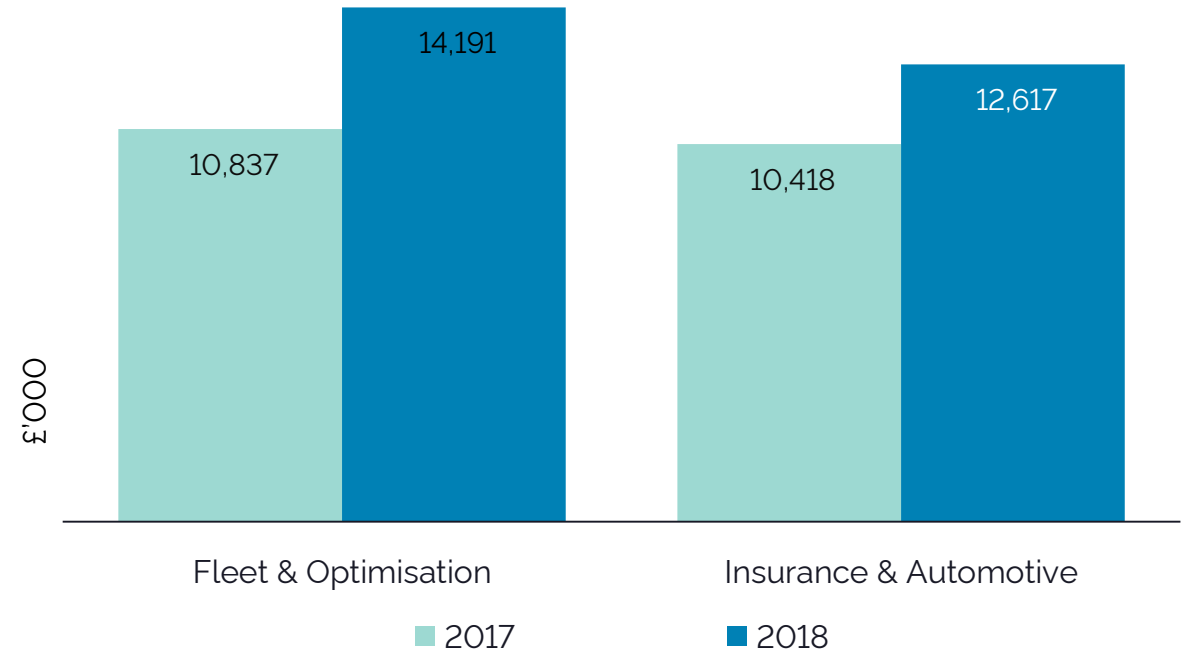
Growth Dynamics

Connections



- Fleet Telematics connections up 11%
- Insurance & Automotive connections up 44%

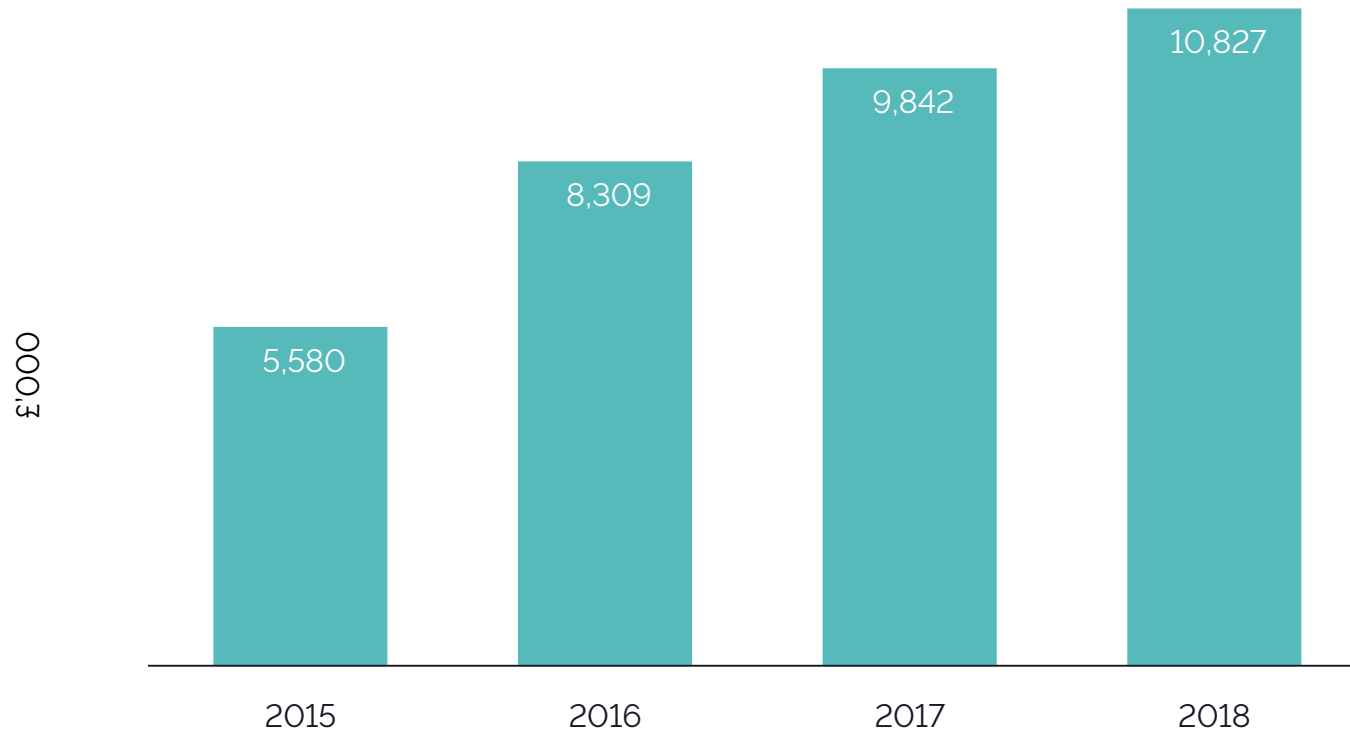
Revenue by Sector



- Fleet & Optimisation revenue includes hardware, installation, service and Optimisation license fees - up 31%
- Insurance & Automotive revenue includes hardware, installation and service fees - up 21%

Financial

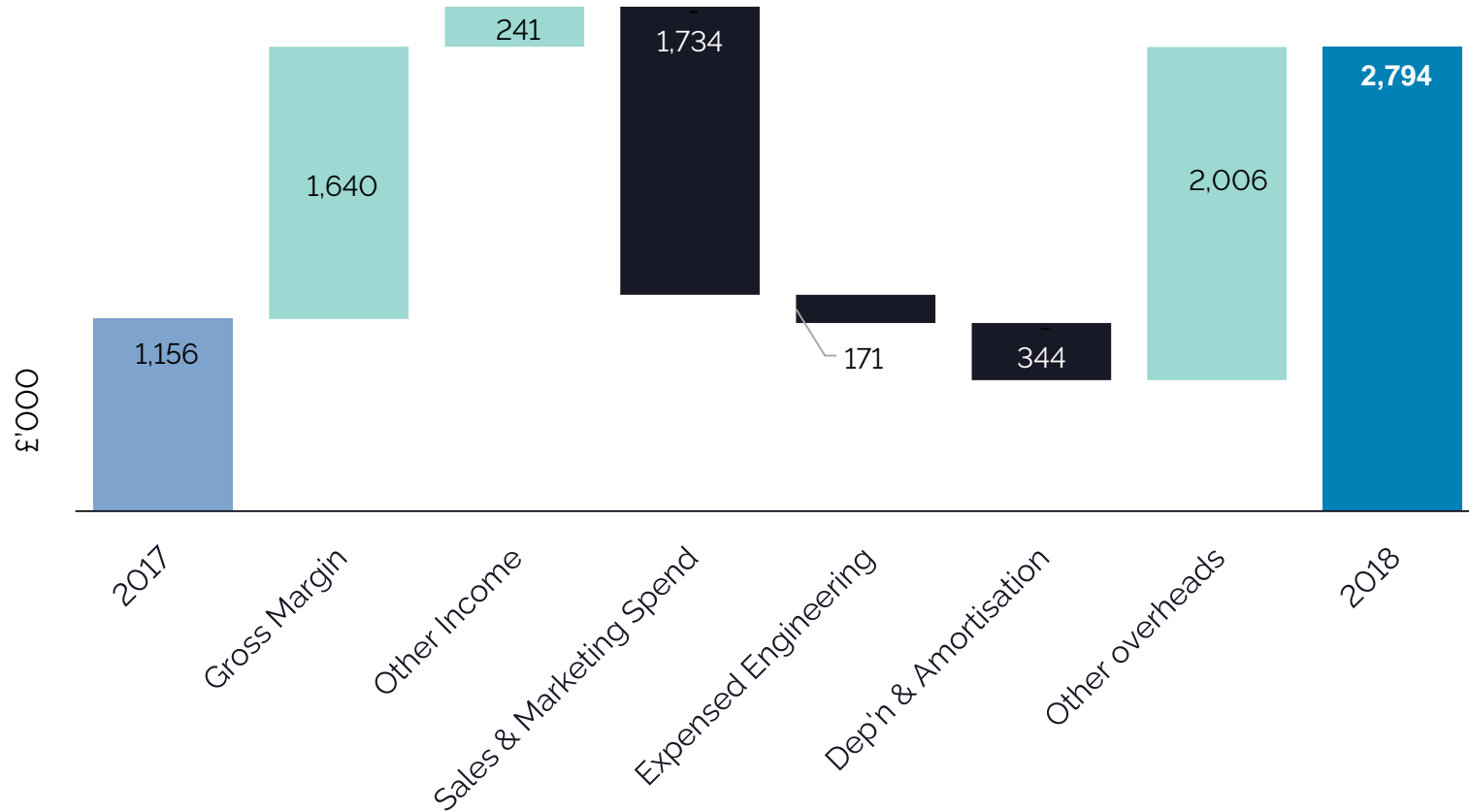
Recurring Revenues



- Recurring Revenue up 10% on FY-2018
- Impact of higher unit growth in lower-priced Insurance and Automotive units

Financial

Adjusted Profit before Tax Bridge



- Adjusted Operating Profit up 142% on FY-2018
- Gross Margin % maintained at 49%
- Significant investment in Sales & Marketing – spend up 54%
- Impact of operations streamlining, other overheads down 31%

Financial

Consolidated Statement of Financial Position

£000's	FY-2018	FY-2017
Non-current assets		
Intangible assets	19,460	17,108
Plant, property and equipment	1,756	1,855
Deferred income tax asset	-	297
Amounts receivable under finance leases	318	499
	21,534	19,759
Current assets		
Inventories	2,556	3,674
Trade and other receivables	10,844	6,076
Corporation tax receivable	1,001	1,645
Cash and cash equivalents	3,472	1,990
	17,873	13,385
Current liabilities		
	(11,025)	(7,585)
Current Assets less current liabilities	6,848	5,800
Non-Current liabilities		
	(6,240)	(5,329)
Net Assets	22,142	20,230

- Investment in R&D up 4% to £3.4m
- Reduction in inventories following prior year build up and strong end of FY-2018
- Receivables up due to:
 - Continued impact of transition to contracted payment models
 - Back-end loading of trading
- Financial Position:
 - Net Debt £3.3m, down £0.6m
 - Unutilised Bank facility £1.6m

Financial

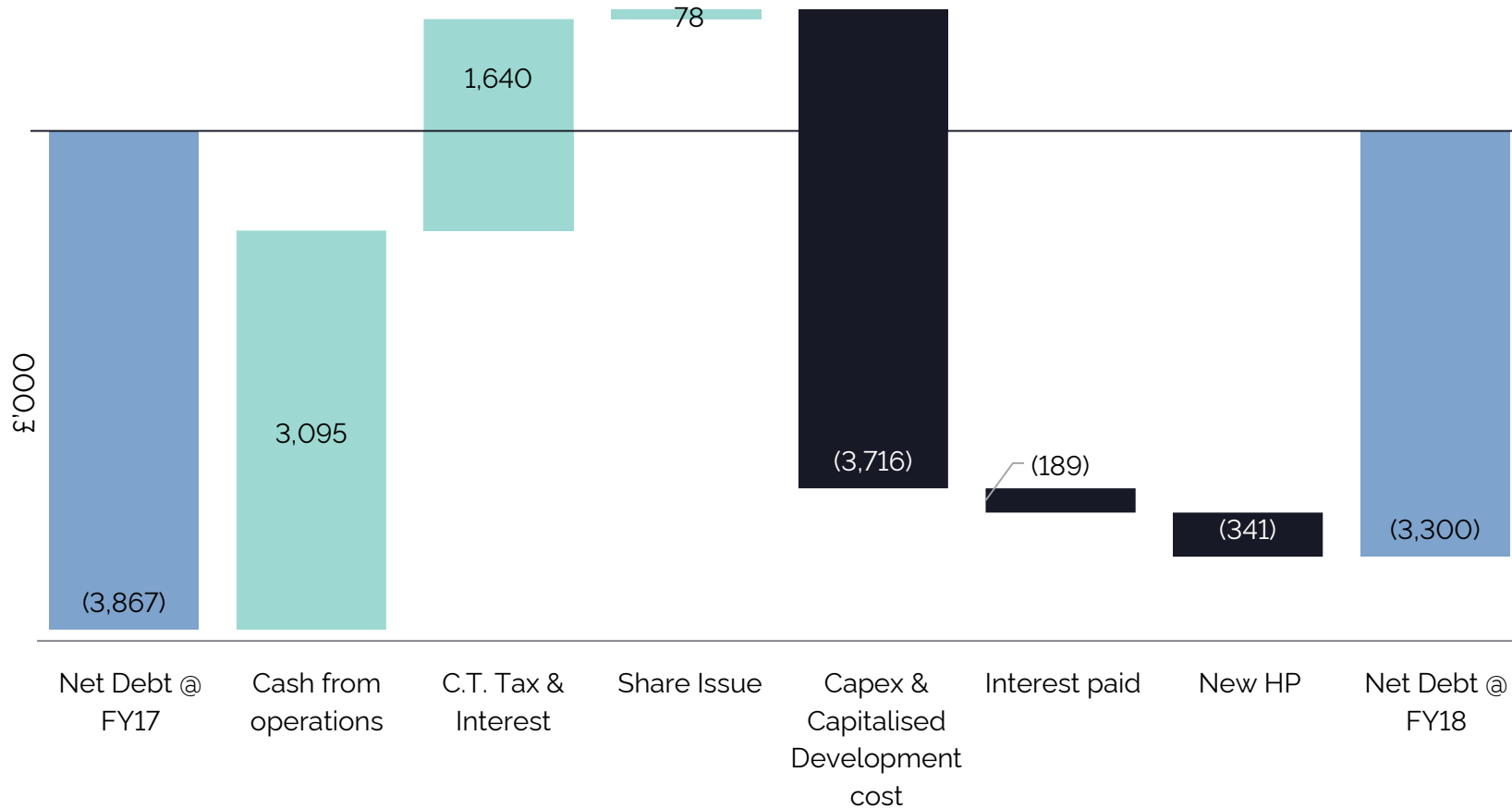
Consolidated Cash Flow Statement

£000's	FY-2018	FY-2017
Net cash inflow from operating activities	4,735	668
Cash flows from Investing Activities		
Acquisition of subsidiary undertaking (net of cash)	-	(763)
Purchases of property, plant and equipment	(91)	(181)
Purchases of software	(236)	(262)
Capitalised development costs	(3,389)	(3,241)
Net cash used in investing activities	(3,716)	(4,447)
Cash flows from financing activities		
Issue of new shares	78	2,070
Increase in bank loan	2,600	2,700
Repayments of bank loans	(1,880)	(1,954)
Repayment of obligations under HP agreements	(146)	(104)
Interest paid	(189)	(165)
Dividend paid to owners of parent	-	(649)
Net Cash used in financing activities	463	1,898
Net increase in cash and cash equivalents	1,482	(1,881)
Cash and cash equivalents at beginning of year	1,990	3,871
Cash and cash equivalents at end of year	3,472	1,990

- Net cash generated from operating activities of £4.7m
- Cash from operating activities includes a R&D tax credit cash receipt of £1.6m
- Continued investment in intangible assets
- Strong conversion from Profit before tax to Free Cash Flow – 87%

Financial

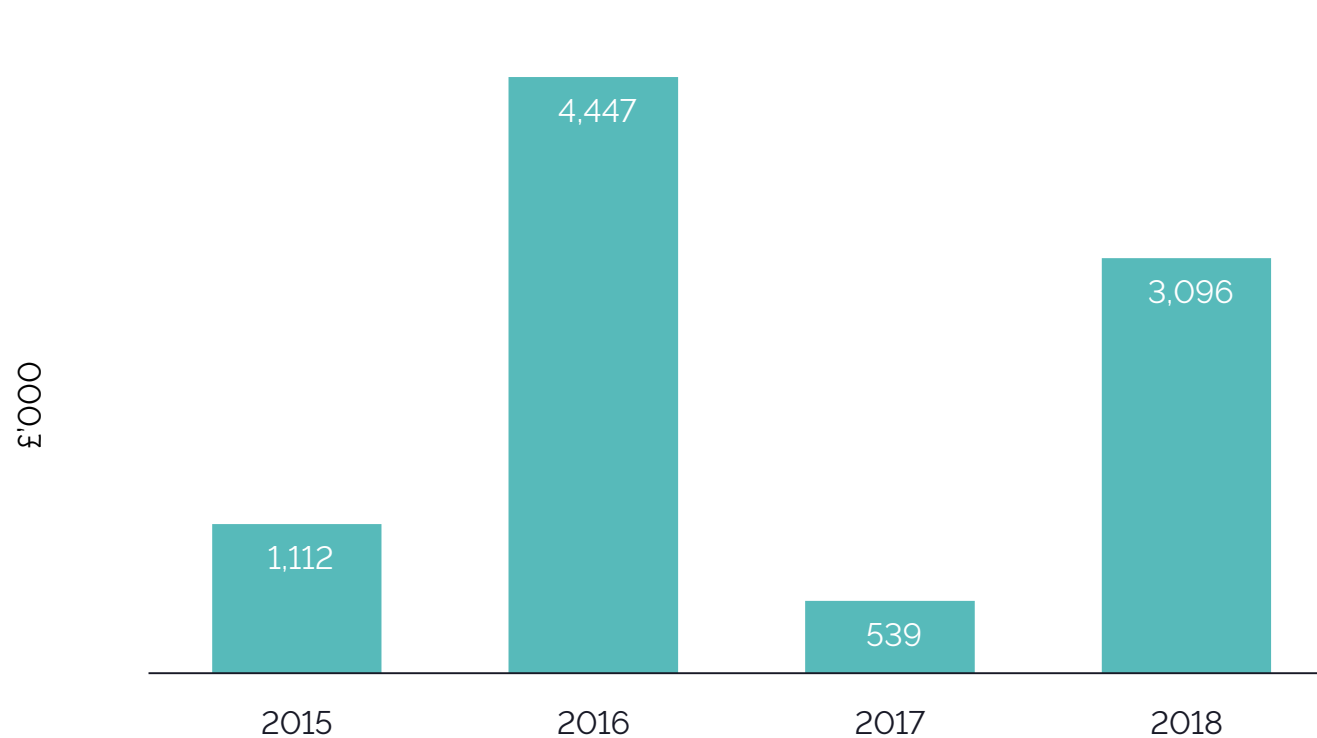
Net Debt Bridge



- Net Debt reduced by £0.6m in FY-2018
- FY-2018 Cash generated from Operations of £3.1m
- Ongoing investment in development & other Capex of £3.7m

Financial

Cash generated from operations



- Significant improvement in Cash generated from operations – up £2.6m
- Additional R&D tax credit cash received of £1.6m

Our strategy

Progress in FY-2018

In order to provide value for investors and customers, we will deliver on the following strategic objectives:

01

DELIVERING A CUTTING-EDGE SOLUTIONS PORTFOLIO

Continued investment in research and development to maintain our market-leading product portfolio and meet the demands of our customers

Progress in FY-2018

- Launch of Insight and RoadHawk 600
- Integration of route optimisation algorithms, tacho and driver ID
- Leading Crash and Scoring algorithms
- Launch of Connect 300 insurance device

02

INCREASING OUR MARKET SHARE

The Group will continue to expand the number of connections reporting to its servers, with a particular focus on expanding outside of the UK

Progress in FY-2018

- Number of connected devices grew by 32%
- Major contract wins with Iceland Foods and Calor Gas
- 3,000 RoadHawk 600 devices connected to date

03

STREAMLINING OUR INTERNAL OPERATIONS

The Group will continue to focus on improving operational efficiencies and its cost as a percentage of revenues

Progress in FY-2018

- Reduced operating costs by £2m
- Eliminated CEM operations
- Closure of Livingston and Bodmin offices

Our strategy

Focus in FY-2019

In order to provide value for investors and customers, we will deliver on the following strategic objectives:

01

DELIVERING A CUTTING-EDGE SOLUTIONS PORTFOLIO

- Continued product development
- Further investment in algorithms and software
- Improved features of Trakm8connectedcare solution
- Integration of new services including fuel management, insurance and vehicle servicing

02

INCREASING OUR MARKET SHARE

- Increased investment in sales and marketing
- Maximise value from existing partnerships
- Further development of digital sales platform
- Geographical expansion in Europe and Asia

03

STREAMLINING OUR INTERNAL OPERATIONS

- Implementation of market-leading ERP system
- Proposing to invest in world-leading manufacturing operations through new machinery and facilities to drive high levels of automation in assembly and test.

Outlook

The Board is confident of meeting market expectations for FY-2019

- First half revenues are expected to be below previous year; but the full year result is expected to be in line with market expectations and higher than last year
- The new financial year has begun with a new contract awards from Intelematics Australia, a contract extension from FMG and a positive growth in connections
- Trakm8 has decided to expand its existing facilities in Coleshill to meet demand for both product and people resources

Summary

Strong progress against all of our key objectives

Another year of growth underlines Trakm8's focus on its core KPIs, while positioning the Group well for further success in 2019 and beyond:

- Substantial increase in units in operation
- Increased revenues, profitability and cash generation
- Healthy mix of new contract wins and contract extensions / repeat business
- New products well received by customer base
- Significant reduction in operating costs
- Commitment to expand manufacturing facilities and increase automation
- Continued investment in Sales and Marketing
- Well-positioned for future growth



+ Questions?