

Corporate

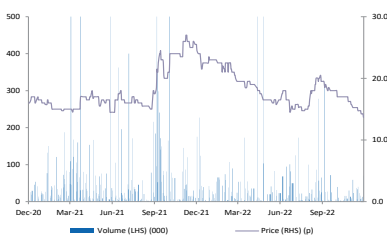
 Current price **13.5p**

 Sector **TMT**

 Code **TRAK.L**

 Listing **AIM**

Share Performance



% Change	1m	3m	12m
TRAK.L	-15.9	-29.9	-46.4

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **6.7**

 Shares in issue (m) **50.0**

52 weeks (p)	High	Low
	26	13.7

 Financial year end **31 March**

Source: Company Data, Allenby Capital

Key Shareholders

Microlise Goup plc 20.0%

J Watkins (CEO) 15.5%

Edric Property & Invest. Co 7.7%

J Hedges 4.6%

T Cowley 4.5%

M Cowley 4.0%

Source: Company Data, Allenby Capital

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Trakm8 Holdings plc (TRAK.L)

H2 demonstrating benefits of H1 actions

Interims from Trakm8 Holdings plc (TRAK.L), the global telematics and data insight provider, in line with FY23 expected to be H2 weighted due to software renewal timings and ongoing connected base growth. This resulted in adj. EBIT losses (£0.8m) in H1 but we expect these will be reversed in H2. There were also one-off costs associated with September's strategic refocus on the Insurance, Automotive and Optimisation sectors, and enterprise sales where management see major growth potential. This streamlining should reduce annual overheads by c. £2.4m with a £0.9m one-off charge, partially financed by a new £1.6m convertible loan note from existing shareholders. As set out in June's [initiation](#), TRAK has a substantial installed base, >50% recurring revenue and products proven to increase productivity/efficiency and tap into the rise of usage-based insurance. H2 has started well with good performance in October and November. No change to P&L forecasts and fair value of 38p/share, equivalent to 3.6x FY24 EV/EBITDA.

- Financial performance:** H1 revenue flat at £9.0m with recurring revenue +6% to £5.1m. Insurance and Automotive revenue +26% to £4.2m while Fleet and Optimisation reduced 15% to £4.8m. Software revenue reduced significantly (£0.2m vs £1.0m), reflecting the timing of renewals, and this contributed to lower GM (58% vs 65%). Total operating costs increased £0.8m to £6.1m, mainly a result of reduced furlough support (£0.4m) and higher real estate and IT costs (£0.3m). On top of this, exceptional costs were £1.3m, including the strategic refocus costs (£0.9m) and hardware supply chain costs (£0.2m). As a result, adj. PBT swung £1.5m to a loss of £1.1m. Cash collection was good (operating cashflow +65% to £1.4m) and net debt reduced £0.7m to £4.7m.
- Operational performance:** During H1, new Insurance units sales increased 118% to 90k whilst new Fleet unit sales decreased 9% to 8k. Insurance unit sales growth reflects the ongoing shift towards usage-based insurance products (Pay as You Drive) with several new services announced/launched during 2022 e.g. in July, TRAK announced a contract with Love Your Miles to provide devices, a custom app and platform services. Total connection increased 13% during H1 to 299k (Insurance +16% to 225k and Fleet connections +4% to 74k, reflecting lower attrition). Management expects significant H2 growth in the number of connections driving recurring revenue as customers look to capitalise on the data provided by TRAK's devices to increase efficiency and performance.
- Outlook:** In September, TRAK refocused resources on the Insurance, Automotive and Optimisation where it sees the main growth opportunities. As part of this, it has significantly reduced overheads (c. £2.4m annualised). These savings also came from the completion of the Trakm8 Insight platform development phase and the hardware platform refresh to address component availability challenges. H2 has started well with substantial improvement reported in October and November's performance.

Year End: March 31					
(£'000)	2020A	2021A	2022A	2023E	2024E
REVENUE	19,550	15,961	18,111	21,162	23,981
ADJ. EBITDA	3,075	2,883	3,424	4,283	6,040
ADJ. PBT	-224	-342	3	313	1,870
ADJ. EPS (p)	0.28	0.07	0.41	1.83	4.54
NET CASH/(DEBT)	(5,445)	(4,300)	(4,966)	(6,506)	(2,943)
EV/REVENUE (x)	0.6	0.7	0.6	0.6	0.4
EV/EBITDA (x)	4.0	3.8	3.4	3.1	1.6

Source: Company; Allenby Capital. Allenby Capital acts as Nomad & Broker to Trakm8 Holdings plc (TRAK.L).

Exhibit 1: Summary income statement

Year End March	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024E
Connections	245	254	264	364	460
Revenue	19,550	15,961	18,111	21,162	23,981
YoY Growth	2%	-18%	13%	17%	13%
Cost of sales	(7,991)	(6,643)	(7,004)	(9,015)	(9,472)
Gross profit	11,559	9,318	11,107	12,147	14,508
Gross margin	59.1%	58.4%	61.3%	57.4%	60.5%
Other income	364	194	13	16	-
Total operating expenses	(11,562)	(9,391)	(10,180)	(11,339)	(12,093)
YoY growth	-1%	-19%	8%	11%	7%
Reported operating (Loss)/Profit	(1,299)	(1,415)	359	(692)	2,415
Adjustments					
Share based payments	(185)	(183)	443	(75)	(75)
Exceptional items	(1,296)	(1,342)	(568)	(1,500)	-
Operating (loss)/Profit before Exceptional Items	182	110	484	883	2,490
Amortisation	(2,194)	(1,992)	(2,134)	(2,400)	(2,600)
Depreciation	(699)	(781)	(806)	(1,000)	(950)
Adj. EBITDA	3,075	2,883	3,424	4,283	6,040
Adj. EBITDA margin	15.7%	18.1%	18.9%	20.2%	25.2%
Reported EBITDA	1,594	1,358	3,299	2,708	5,965
Net interest	(406)	(452)	(481)	(570)	(620)
Adj. profit before tax	(224)	(342)	3	313	1,870
PBT margin	NEG	NEG	N/A	1.5%	7.8%
Profit before tax (reported)	(1,705)	(1,867)	(122)	(1,262)	1,795
Tax	612	630	309	600	400
Adj. profit after tax	142	33	204	913	2,270
Adj. PAT margin	0.7%	0.2%	1.1%	4.3%	9.5%
Reported profit after tax	(1,093)	(1,237)	187	(662)	2,195
Loss for the year	(1,100)	(1,240)	197	(662)	2,195
Shares in issue (basic and diluted)	50,004	50,004	50,004	50,004	50,004
Earnings per share (basic and diluted) (p)	(2.2)	(2.5)	0.4	(1.3)	4.4
Adj. earnings per share (p)	0.3	0.1	0.4	1.8	4.5

Source: Company; Allenby Capital

Exhibit 2: Summary balance sheet

Year End March	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024E
Assets					
Non-current assets					
Intangible assets	21,997	22,187	23,012	22,512	21,112
Property, plant and equipment	717	891	803	653	503
Total non-current assets	25,759	25,640	25,874	24,995	23,145
Current assets					
Inventories	2,043	1,409	1,322	1,565	1,708
Trade and other receivables	7,854	6,679	7,888	8,291	8,673
Corporation tax receivable	863	690	709	500	500
Cash and cash equivalents	1,665	2,370	1,004	-69	2,494
Total current assets	12,425	11,148	10,923	10,287	13,375
Total assets	38,184	36,788	36,797	35,282	36,520
Current liabilities					
Trade and other payables	(6,180)	(5,417)	(7,465)	(7,189)	(8,147)
Right of use liability	(656)	(680)	(612)	(612)	(230)
Provisions	(27)	(27)	(27)	(27)	(27)
Total current liabilities	(7,988)	(6,979)	(9,219)	(8,943)	(9,519)
Net current liabilities	4,437	4,169	1,704	1,344	3,856
Non-current liabilities					
Borrowings	(5,675)	(5,815)	(4,855)	(5,322)	(4,322)
Right of use liability	(2,162)	(1,767)	(1,367)	(1,697)	(477)
Total non-current liabilities	(9,017)	(9,687)	(7,702)	(8,179)	(5,899)
Total liabilities	(17,005)	(16,666)	(16,921)	(17,122)	(15,418)
Net assets	21,179	20,122	19,876	18,160	21,102

Source: Company; Allenby Capital

Exhibit 3: Summary cashflow

Year End March	FY 2020A	FY 2021A	FY 2022A	FY 2023E	FY 2024E
Loss before taxation	(1,705)	(1,867)	(122)	(1,362)	1,795
Adjustments for:					
Depreciation	699	781	806	600	600
Net bank and other interest	406	452	481	600	650
Exceptional costs	-	1,342	568	1,600	-
Amortisation of intangible assets	2,194	1,992	2,134	2,400	2,600
Exchange rate movement	(7)	(3)	10	-	-
Share based payments	185	183	(443)	75	75
Operating profit before movements in working capital	1,772	3,198	3,697	4,001	5,720
(Increase)/decrease in inventories	693	634	87	(243)	(143)
Decrease / (increase) in trade and other receivables	589	1,166	(1,186)	(403)	(382)
Increase / (decrease) in trade and other payables	(21)	70	1,128	(276)	958
Cash flow from operations before exceptional costs	3,075	5,101	3,648	3,100	6,153
Interest received	12	78	67	30	30
Income taxes received	1,028	865	663	600	400
Net cash flow from operations	4,115	4,702	3,810	2,130	6,583
Purchase of property, plant and equipment	(20)	(330)	(420)	(450)	(450)
Purchase of software	(23)	(47)	(48)	(50)	(50)
Proceeds from sale of property	-	-	125	-	-
Capitalised development costs	(3,156)	(2,290)	(2,911)	(1,900)	(1,200)
Net cash flow from investing activities	(3,199)	(2,667)	(3,254)	(2,400)	(1,700)
Increase in loans	2,000	5,212	(5)	1,567	-
Repayment of loans	(1,440)	(5,379)	(743)	(1,100)	(1,000)
Repayment of obligations under lease agreements	(630)	(670)	(674)	(670)	(670)
Net cash flow from financing activities	(456)	(1,330)	(1,922)	(803)	(2,320)
Net increase / (decrease) in cash and cash equivalents	460	705	(1,366)	(1,073)	2,563
Cash and cash equivalents at beginning of period	1,205	1,665	2,370	1,004	(69)
Cash and cash equivalents at end of period	1,665	2,370	1,004	(69)	2,494
Net cash	(5,445)	(4,300)	(4,966)	(6,506)	(2,943)

Source: Company; Allenby Capital

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