

AIM Market Research Report

**Trakm8 Holdings PLC (TRACK.L)**

Report Date

24th April 2015

Analyst Kuldeep Bhati

Share Price (Pence): 123.4

Year High/Low (Pence) 123.4/61.0

Market Cap (£ m) 32.8

Average Daily Volume (K) 42.31

P/E Ratio 29.87

Sector P/E Ratio 20.75

Fiscal Year 31 March 2014

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Business Background

Trakm8 Holdings PLC is a leading technology designer, developer and manufacturer of telematics products and solutions. Based in Shaftesbury, Dorset, the company distributes its hardware and software through a network of distributors worldwide. In addition the company provides vehicle monitoring and tracking services direct to the B2B market.  Trakm8's IP owned products and services allow vehicles and drivers to be monitored, allowing organisations to manage deliveries and services, or track stolen vehicles down to five metres.

Recently Trakm8 have developed the T10 product range, which includes a self-installed telematics device. Their products also provides driver behaviour management solutions that can reduce fuel consumption by 10% or more, reducing risk of accidents, logistics routing & scheduling packages and tachograph data reporting. The Company offers products and services to a range of industries, including Insurance, Construction, Government and Utilities sectors.

Successful listing on AIM

Trakm8 Limited commenced trading in April 2003, launching its GPRS based GPS tracking system for safety, security and tracking. In November 2005 they listed on London's AIM, raising £0.86m in its initial public offering for 864k new shares at a placing price of 100.0p. The move gives Trakm8 a market capitalisation of £11.0m at listing.

In October 2013 the company completed a reverse takeover of BOX Telematics (BOX) for £3.5 million, greatly increasing the company’s scale. BOX has been in the telematics market since 2000 and brought to Trakm8 an installed customer base as well as facilities for manufacturing and assembly, which Trakm8 previously outsourced.

Trackm8 organic growth through new products and services

Trakm8 provides a niche technology service for fleet operators and bus companies. Its product range includes telematics units used to track the exact location of vans, cabs and fleets, with the data used to monitor the efficiency and location of fleet vehicles. Trakm8 units installed on vehicles across the UK travel over 2 billion miles per annum and this is a comprehensive source of data. Using statistical techniques to analyse big data generated by vehicles improves its monitoring algorithms, feeding back on driver behaviour and its impact on fuel economy and accident risk.

Trakm8 is also developing algorithms to anticipate vehicle service and repair requirements based on the vehicle diagnostic output.

Software solutions such as Trakm8 ecoN, tracks the environmental efficiency and fuel costs of fleets and Trakm8 Logistics is used to monitor a fleet in real time. The company opened an office in the Czech Republic in 2012 to further widen its international footprint. It has a number of overseas customers and was awarded a contract with Motorola Solutions for 2300 units in South America.

Since the acquisition of BOX, Trakm8 has won a number of exciting new contracts. Tractor manufacturer Kubota agreed a £340k contract, providing a way for the company to track its vehicles in the event of theft. The company then announced a contract with C M Downton for its logistics software. Other major customers are Direct Line Group & Marmalade, which will use Trakm8’s telematics software to monitor the driving of customers it insures – a potential very exciting growth market for the company. The company also won a contract worth £1.0m from Saint-Gobain to upgrade the entire installed UK fleet of vehicles to the Trakm8 ecoN fuel saving fleet management solution.



Company Outlook

In a trading update (announced in April 2015) for the year ending March 2015, showed revenues grew by 95% year on year. Like for like orders (not including BOX business as this was owned for just five months of last year) received during the period were 38% higher than the previous year. Revenues on a like for like basis were 73% higher than last year.

The result at BOX was positively impacted by the integration of £1.8m manufacturing build of telematics devices for Trakm8. This followed the introduction of the T10 device and the increased capacity at BOX with a new surface mount pcb line. Group achieved the landmark figure of exceeding 100,000 units reporting to its servers during the year and just over 96,000 units were built and shipped in the financial year as a whole. As a result the recurring revenues increased strongly with annualised March figures 60% up on the previous year at £7.3m.

Trakm8 currently has over 30 significant trials in progress and it would convert these opportunities into contract wins over the coming months. Recent contract wins and the continuous increase in devices reporting to its servers means that the Group expects to achieve another strong trading performance in the new financial year. The company expects revenue and profits for the new financial year ending March 2016 is now expected to be ahead of previous management expectations.

