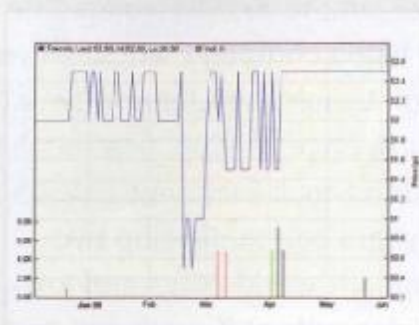


II COMPANY WATCH

Tracsis: on a profitable track

TRAC SIS

Growth Company Recommendation – Buy



Ticker: TRCS
Sector: Support Services
Listing: AIM
Mid-price: 52.5p
Spread: 50p-55p
Market cap: £9.96m
12-month high/low: 55p/50.5p
Normal market size: 3,000
Average sector p/e: 13.9

RESULTS	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	p/e
2006 (A)	0.5	0.25*	n/a	n/a
2007 (A)	0.74	0.42	n/a	n/a
2008 (A)	0.8	0.4	2.47	21

*denotes operating profit

SECTOR PEERS	Ticker	Market cap (£m)	Pre-tax profit (£m)	Forecast p/e
Allocate Software	ALL	22.5	1.83	10.5

James Crux

Although it may come as a surprise to squeezed commuters, the recession is causing a reduction in the number of passengers using our buses and trains. In turn, this is putting pressure on transport operators to improve service delivery and efficiency at reduced cost. Profiting from this state of affairs is Tracsis, a software provider to the transport sector, whose products and services are more in demand than ever.

Tracsis was formed in 2004 in order to commercialise transport-scheduling technology developed at the University of Leeds (which still holds an 18 per cent stake in the company). Led by CEO John McArthur, the company floated on AIM towards the end of 2007, debuting with a £7 million valuation thanks to a £2 million fundraising at 40p per share.

In brief, Tracsis's software can optimise on-board crew resources for bus and train companies. Its technology automates and optimises the creation of work schedules for drivers, conductors and catering staff. Considering the thousands of services run every day, involving huge numbers of drivers, buses and trains, the creation of such schedules is a massively intricate business and represents one of the biggest challenges operators face.

Significantly, Tracsis's technology gets the job done with great speed, saving clients money and helping them run their services far more efficiently. A specialist in this area, Tracsis is leading the way in a market with high entry barriers and works with most of the biggest operators, among them Virgin, National Express, Arriva and First Group.

Sales are mainly derived from software licences, as well as from associated maintenance and support, meaning that the company

enjoys high levels of very visible repeat revenue.

Back in April, Tracsis's interim results to January revealed continuing profitable growth against the backdrop of the wider challenges facing the transport sector. Sales rose from £271,000 to £945,000, driven by last August's

base and giving Tracsis an encouraging foothold in the areas of rosters, performance planning and timetabling. In addition, enthused by the deal, McArthur insists his larger team can now offer a broader range of services and undertake bigger, more profitable, projects for clients.

'WHILE NO COMPANY CAN EVER CLAIM TO BE ENTIRELY INSULATED FROM THE WIDER WORLD, TRACSIS HAS LITTLE TO FEAR AND MUCH TO GAIN IN THIS PRESENT DOWNTURN'

important and complementary acquisition of RWA Rail, a provider of consultancy services to the rail sector, although the existing software licensing business grew turnover by an encouraging 15 per cent.

Operating profits accelerated from £77,000 to £194,000, with pre-tax profits improving to £249,000 (2008: £95,000), enhanced by earnings from RWA. Unfettered by debt, Tracsis finished the half with healthy, and increased, cash reserves of almost £2.8 million.

Going forwards, RWA has significantly improved the group's growth prospects, offering the potential for plenty of cross-selling across the collective client

While no company can ever claim to be entirely insulated from the wider world, Tracsis has little to fear and much to gain in this present downturn, since its complex problem-solving abilities are clearly in demand and its sales pipeline remains very healthy. 'Our model,' explains McArthur, 'is just as strong in a downturn, because our software for transport operators is all about making the most out of what you've got.'

Highly profitable, having carved out a lucrative niche for itself, boasting high levels of recurring revenue and robust of balance sheet, Tracsis is giving out every signal of being on a very profitable track. Get on board.



John McArthur says his team can now offer a broader range of services