

Tracsis plc
(‘Tracsis’, ‘the Company’ or ‘the Group’)

Unaudited Interim results for the six months ended 31 January 2023

Tracsis, a leading provider of software, hardware, data analytics/GIS and services for the rail, traffic data and wider transport industries, is pleased to announce its unaudited interim results for the six months ended 31 January 2023.

Financial Highlights:

- 34% increase in revenue to £39.2m (H1 2022: £29.2m)
 - 13% organic revenue growth
 - 69% revenue growth in Rail Technology and Services Division including further growth in recurring software licence revenue and a strong performance in North America
 - 11% revenue growth in Data, Analytics, Consultancy and Events Division
- Adjusted EBITDA* increased by 21% to £7.5m (H1 2022: £6.2m)
 - Continuing to invest in integrating the Group’s activities, technologies and operating model to accelerate future growth
- 76% increase in profit before tax to £2.3m (H1 2022: £1.3m)
- Total cash balances** of £17.0m with no debt (31 July 2022: £17.2m, 31 January 2022: £25.1m)
- Interim dividend of 1.0p per share

** Earnings before net finance expense, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees. See note 10 for reconciliation.*

*** Cash and cash equivalents, and cash held in escrow*

Operational Highlights:

- Further growth in rail technology software licence usage and annual recurring revenue:
 - Second full deployment of TRACS Enterprise went live in January 2023. Work continues on further passenger and freight deployments from previously announced contract wins
 - Roll-out of RailHub enterprise software contract completed in December 2022, more than doubling the user base to over 40,000 individuals
 - Won two new contracts for the deployment of our Pay-As-You-Go (PAYG) smart ticketing technology
- Record first half revenue for Remote Condition Monitoring technology (46% increase over the same period last year)
- Strong revenue contribution from RailComm following its acquisition in the prior year, including a large software licence deployment for a new product serving the transit market. Growing pipeline of other opportunities in North America
- Increased activity in Data Analytics / GIS including multi-year Earth Observation contract win utilising enhanced capabilities following the prior year acquisition of Icon GEO
- Post-Covid lockdown recovery complete in Events and Traffic Data businesses, with new contract wins in both markets. These business are now fully integrated under a single leadership team
- Accelerating actions to simplify the Group, further integrate our operating model, and invest in new product development to position Tracsis for scalable growth
- Have started work on ISO14001 implementation and other ESG priorities that will enable the business to deliver its objective of being carbon neutral by 2030

Outlook:

- Positive start to Q3 trading with high activity levels across the Group
- Unchanged expectations for the full year

Chris Barnes, Chief Executive Officer, commented:

"I am pleased with the first half performance which was in line with our expectations. We have seen strong revenue and adjusted EBITDA growth, underpinned by strong rail technology recurring revenue growth in both the UK and North America and new large contract wins across Remote Condition Monitoring and Smart Ticketing. I am also delighted to see good growth in our Data, Analytics, Consultancy and Events division which is huge testament to the team and all their hard work throughout the Covid pandemic to ensure that we could respond quickly to market demand post the removal of all lockdown restrictions.

Our future opportunity pipeline is strong and the UK rail industry's transition to a new Great British Railways structure will continue to drive interest in product solutions that will deliver a data-driven, customer-focused, safety-critical future for the industry. Tracsis is well positioned to benefit from the digital transformation of the rail industry both in the UK and North American markets.

We continue to invest in implementing a simplified and more integrated operating model to help us to execute our growth strategy, to improve the speed and robustness of large SaaS programme delivery, to strengthen the resilience of our IT infrastructure, to attract and retain talent, and to meet our objectives of being carbon neutral by 2030.

We are confident that there are strong growth prospects for all parts of our Group and therefore we remain committed to implementing our overall strategic growth and investment plans. We will continue to pursue organic and acquisitive growth, including greater investment in self-funded R&D supported by a strong balance sheet."

Presentation and Overview videos

Tracsis is hosting an online presentation open to all investors on Wednesday 5 April 2023 at 1.00pm UK time. Anyone wishing to connect should register here: https://bit.ly/TRCS_H1_webinar

A video overview of the results featuring CEO Chris Barnes and CFO Andy Kelly is available to view here: https://bit.ly/TRCS_H123_overview_video

Demonstration videos of the Group's TRACS Enterprise, Remote Condition Monitoring, Smart Ticketing and Safety and Risk Management rail technology products are available to view here: [Rail Technology Product Demonstration for Investors | Tracsis](#)

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

Management Overview

Introduction

The Group has performed well in the first half, delivering strong organic and acquisitive growth, making further progress in delivering software deployments from contracts won in previous years, winning new multi-year software contracts that will support further growth in recurring revenues, and accelerating the progression towards a more integrated operating model.

New contract wins and implementations support ongoing Rail Technology revenue growth

We have delivered further growth in rail technology software licence usage in the first half, with new contract wins supplemented by completing delivery milestones on several large deployments. Recurring and repeat revenue for the Rail Technology and Services Division increased by 16% in the period to £10.8m.

In Rail Operations and Planning we completed the second end-to-end deployment of TRACS Enterprise with a Train Operating Company ("TOC") in January 2023, replacing disparate legacy systems. There is an orderbook of three further passenger and freight implementations for this product from previously announced contract wins, and the next full deployment will go-live in our next financial year. We continue to look at opportunities to modularise the product architecture to facilitate faster SaaS deployment. In RailComm we completed acceptance testing with a North American transit customer for a large software licence deployment that was in the business' order book on acquisition. This contributed to a strong total first half revenue performance from RailComm of £5.2m.

In Digital Railway and Infrastructure, the roll-out of the large RailHub contract won in July 2021 was completed in December 2022, which has doubled the user base for this product to over 40,000 individuals. Work is underway on the next phase of development of the RailHub product, and there is a good pipeline of further opportunities. We have also seen record first half revenue for our Remote Condition Monitoring hardware and software.

In Rail Customer Experience, we won another new contract for our PAYG smart ticketing solution with a UK Transport Authority. This will go live later this calendar year and is the first EMV (contactless bank card) deployment of this versatile solution on the UK's national rail network. We have also secured the first pilot deployment of our mobile app platform ("Hopsta") with a UK TOC. We are seeing continued high levels of interest in this product across ITSO smartcard, EMV and barcode solutions.

Post Covid recovery and business integration completed in Events and Traffic Data

Activity levels in both the Events and Traffic Data businesses that were most impacted by Covid-19 have now returned to pre-pandemic levels. Total revenue of £11.1m in the first half was at a similar level to the prior period, however the prior period included c£1m of revenue from supporting Covid testing and vaccination centres that has not been repeated in the current financial year.

During the period these businesses have been fully integrated into a single operating unit under a common leadership team. This will support margin optimisation from operating efficiencies, and enable a consistent and focused approach to health and safety, as well as to reducing the carbon emissions from our vehicle fleet as we move towards our 2030 carbon neutral target.

Location data is critical in helping many organisations deliver their ESG commitments

Activity levels in our Data Analytics, GIS and consultancy businesses continue to accelerate. We are seeing increasing demand from across the transport and environmental sectors for a more detailed understanding of how they use geographic tagging and location data to monitor and track the performance of their assets to deliver operational performance improvements, cost savings and ultimately meet regulatory and wider ESG requirements. The Tracsis combination of GIS/Data Analytics, IoT, earth observation services, and custom client web and mobile solutions is well positioned alongside our broad portfolio of software product and modelling solutions to enable Tracsis to expand its footprint across the transport, utilities, and environmental sectors. We see Data-as-a-Service provision as an area of specific future interest given the large amounts of data that Tracsis processes from across the transportation industry each day.

Building a strong foundation for future growth

We recognise the need to continue to integrate the Group's activities, technologies and operating model in order to provide a solid platform for ongoing scalable growth, and have made further progress in the period. We are continuing to invest in this area in order to accelerate future growth.

This includes restructuring our operating model in order to simplify the business, implement a single groupwide IT operating environment, accelerate the implementation of our ESG initiatives, and expand our management capabilities and bandwidth in order to deliver a growing pipeline. This will be completed in the next financial year.

We have continued to deliver our "OneTracsis" leadership programme for managers and senior leaders across the Group. The next phase of this will focus on high performing teams.

We are also investing in technology where we see opportunities to accelerate further growth in our markets. In the first half of the year this has included continuing to develop the Hopsta smart ticketing mobile app platform that is now in pilot stage. We have a pipeline of innovative technology development opportunities under review that leverage our existing product portfolio, industry expertise, and customer relationships. We will review the most appropriate investment model to realise these opportunities, which may include self-funded development where this can deliver an attractive return on investment.

As a result of these actions to better position the Group for the future, we will incur one-off cash costs this financial year of approximately £1m, of which c£0.4m were incurred in the first half.

Digital transformation remains integral to the rail industry's future

Digital transformation will play a significant role in delivering a data-driven, customer-focused, safety-critical rail industry in both the UK and globally, including North America. Tracsis' range of products and services are well aligned with these end market drivers, as they enable our customers to deliver mission-critical activities with increased efficiency, enhanced performance, higher productivity and improved safety.

The UK Transport Secretary recently reaffirmed the Government's commitment to a new Great British Railways (GBR) structure, which will lead the digital transformation of the rail industry in the UK. A recent government announcement confirmed that the new headquarters for GBR will be in Derby where Tracsis already has a strong operational presence. New National Rail Contracts for train operators are driving an ever-increasing focus on operational efficiencies and cost savings aligned to clearly defined Quality Target Measures (QTMs). The industrial action in the UK that has been ongoing since June 2022 is creating some near-term uncertainty

in procurement and delivery timelines, as our customers focus on the operational challenges of continually re-planning timetables and services at short notice. However, the benefits case of our rail technology products remain closely aligned with QTMs and with the operational challenges of running the railway safely and sustainably.

The rail industry in North America is undergoing a similar digital transformation in pursuit of increased efficiency and improved safety outcomes. We are seeing a growing pipeline of opportunities in North America for Tracsis' products. The successful deployment of a new product offering in the period, which fully integrates our Computer Aided Dispatch system with the Positive Train Control protection systems now deployed on the US rail network, opens a large new product segment opportunity for Tracsis in the North American transit market.

Progress on Delivering our Strategy

Our vision for Tracsis is to become the leading provider of high value, niche technology solutions and services that solve complex problems which maximise efficiency in regulated industries. Our business model remains focused on specialist offerings that have high barriers to entry, are sold on a recurring basis under contract, and to a retained customer base that is largely blue chip in nature. Our strategy to achieve this is focused on four areas as outlined below.

We have made good progress in executing this growth strategy since the end of the previous financial year, which leaves the Group well positioned to deliver further growth. Key progress against the objectives for each of our four strategic priorities are summarised in the table below:

Strategic Priority	Progress since 31 July 2022	Future Focus
<p>Drive Organic Growth</p> <p><i>Delivery of our pipeline, continual innovation of products and services, flawless high quality delivery and an excellent close working relationship with our customers</i></p>	<ul style="list-style-type: none"> • 13% organic revenue growth for the Group; 25% organic growth in Rail Technology and Services Division • Second full deployment of TRACS Enterprise completed in January 2023 • Two new smart ticketing contracts won, including the first EMV solution on the UK's national rail network and the first pilot deployment of our mobile app platform • Roll-out of RailHub enterprise software contract completed • Strong demand for Remote Condition Monitoring hardware and software • Work continues on implementing TRACS Enterprise contracts won in previous years and on improving on time delivery • Large pipeline of other rail software opportunities • Multi-year contract wins and renewals in Data Analytics/GIS, Traffic Data and Events • Post-Covid recovery completed in Events and Traffic Data 	<ul style="list-style-type: none"> • Delivery of recent contract wins and pipeline of large multi-year software contracts • Support UK Rail Industry to deliver the strategic vision outlined in the Williams-Shapps plan • Accelerate investment in software & technology products • Strengthening of SaaS delivery capabilities so that we can accelerate implementation timetables and quality, and timeliness of delivery
<p>Expand Addressable Markets</p> <p><i>Selling our products and services into new markets, including overseas, and expansion into selected sectors that share problems with the industries we currently serve</i></p>	<ul style="list-style-type: none"> • Investment in developing mobile app smart ticketing platform; product now in pilot phase • Multi-year contract win in Data Analytics/GIS using combined Compass Informatics and Icon GEO capabilities 	<ul style="list-style-type: none"> • Execute growth strategy for North America • Continued growth in Data Analytics / GIS especially in the UK and in Data-as-a-service provision

	<ul style="list-style-type: none"> • Growing pipeline of opportunities in North America 	<ul style="list-style-type: none"> • Targeted growth opportunities overseas or in adjacent markets
<p>Enhance Growth Through Acquisition</p> <p><i>Reinvesting Group profits to fund further accretive acquisitions that meet our disciplined investment criteria</i></p>	<ul style="list-style-type: none"> • Strong performance from RailComm, including a large software licence deployment in a new product area • Further potential targets being evaluated 	<ul style="list-style-type: none"> • Active pursuit of M&A to extend rail software and data informatics footprint • Focus on recurring revenue growth
<p>Integration and Capability</p> <p><i>Enhanced integration and collaboration across the Group, increasing management capability and bandwidth, and improving our systems and processes, as key foundations to deliver our growth strategy</i></p>	<ul style="list-style-type: none"> • Events and Traffic Data businesses have been integrated under a common management team • Workstreams to integrate the rest of the Group into a simplified organisational structure are underway • Executing people strategy to attract, retain and develop talent • Rolling out a single groupwide IT operating model • Investment in strengthening SaaS delivery capabilities • ISO14001 (Environmental management) implementation underway 	<ul style="list-style-type: none"> • Complete Group restructuring and IT transformation during FY24 • Accelerate R&D collaboration • Continued alignment of groupwide systems and processes • Roll out next stage of 'OneTracsis' leadership training with a focus on high performing teams

Trading Progress and Prospects

Rail Technology & Services

Summary segment results:

Revenue	£19.7m	(H1 2022: £11.7m)
Adjusted EBITDA*	£5.5m	(H1 2022: £4.0m)
Profit before Tax	£2.5m	(H1 2022: £1.6m)

Activity levels in our Rail Technology & Services Division remain high. We have delivered further growth in rail technology software licence usage, with new contract wins supplemented by completing delivery milestones on several large deployments. These included the second full deployment of TRACS Enterprise with a passenger TOC, completing the roll-out of the large RailHub enterprise software contract that was won in July 2021, and a large software licence deployment for a new product in the North American transit market.

Total revenue of £19.7m was 69% higher than prior year. Organic growth of 25% was supplemented by a strong performance from RailComm in North America which benefitted our Rail Operations & Planning and Digital Railway & Infrastructure product segments. There was very strong revenue growth in Customer Experience including the benefit of new contracts for our smart ticketing and delay repay products won in the previous financial year, as well as new contract wins in the period and an increase in transactional delay repay revenue. There was also strong demand for our Remote Condition Monitoring technology in the UK, which delivered record first half revenue.

As a result of the new contract wins and the deployment of contracts won in previous years, annual recurring and routinely repeating revenue in the Rail Technology and Services Division increased by 16% to £10.8m.

Adjusted EBITDA* increased by 40% to £5.5m (H1 2022: £4.0m).

Rail Operations & Planning

Total revenues from the Group's rail operations & planning software and hosting offerings increased by 43% to £7.6m (H1 2022: £5.3m). This includes the various revenue streams from our TRACS, ATTUne, COMPASS and Retail & Operations product suites, as well as software and project implementation for transit operators in North America. Software sales continue to benefit from high renewal rates from existing customers. We are continuing to implement several multi-year contracts for our customers that were won in previous years. The second full deployment of TRACS Enterprise went live with a UK TOC in January 2023, and work is continuing on three further deployments. We continue to see a strong pipeline of new opportunities for this product in both the passenger and freight sectors of the industry. Our focus on these projects is to work closely with our customers as a partner to deliver significant value over the long-term. Delivery timelines in this sector are typically determined in partnership with our customers. The next full TRACS Enterprise go-live is expected to be in the next financial year. We are investing in technical and program management capabilities to support improved delivery in this area, and are looking at opportunities to modularise the product architecture to facilitate faster SaaS deployment of this product.

In North America we delivered a large software licence deployment milestone for a new product (PTC BOS¹). This is part of a large and ongoing project with a transit operator, and will result in increased recurring revenues as the solution is rolled out across its operations. This first deployment opens a large new product segment opportunity for Tracsis in the North American transit market.

Digital Railway & Infrastructure

Total revenues across the Digital Railway and Infrastructure offerings increased by 76% to £8.8m (H1 2022: £5.0m), with good growth in the UK from Remote Condition Monitoring (RCM) and in our safety and risk management product suites supplemented by RailComm's yard automation and infrastructure offerings.

We saw high RCM volumes in the first half of the year, resulting in record revenue. Performance in this part of the Division is linked to the investment cycle trend of its UK customer base which consists of 5 year 'Control Periods'. We have several large contracts with large railway systems integrators and Network Rail for the supply of RCM equipment through the remainder of Control Period 6 which runs to 31 March 2024. We are seeing increased interest in RCM in North America, with ongoing orders from an existing customer and a growing number of initial user trials underway.

In safety and risk management, the roll-out of the large RailHub enterprise software contract that was won in July 2021 was completed in December 2022. This has embedded RailHub as the core platform used to plan and safely deliver upgrade and maintenance work on or near the railway line in the UK, and has more than doubled the user base for this product to over 40,000 individuals across Network Rail and the supply chain. There is a strong pipeline of future opportunities for the RailHub platform including additional functionality that is being developed by Tracsis.

There was a strong revenue contribution from RailComm in the first half, with recurring software licence revenue supplemented by the delivery of project milestones. Work is ongoing on several rail technology projects for delivery in the second half of the year and into next financial year.

Rail Customer Experience

There was very strong growth from our Customer Experience products, with revenue increasing by £1.9m to £3.3m (H1 2022: £1.4m). This includes the benefit from smart ticketing and delay repay contact wins that went live in the previous financial year, as well as new contracts won in the period and an increased level of delay repay transaction volumes.

We continue to see high levels of interest in iBlocks' smart ticketing product offering that is well aligned with passenger requirements and with the UK Government's strategic intent to deliver increased Pay As You Go (PAYG), multi-modal ticketing as outlined in the Williams-Shapps plan for Rail. We have won another new contract for the deployment of this technology with a UK Transport Authority. This will go live later this calendar year and is the first EMV (contactless bank card) deployment of this versatile solution on the UK's national rail network. We have continued to invest in the development of a mobile app platform ("Hopsta") that puts this technology directly in the hands of the consumer and avoids the requirement for expensive gateline infrastructure. We have secured the first pilot deployment of this with a UK TOC, which is underway. We are seeing continued high levels of interest in our smart ticketing product across ITSO smartcard, EMV and barcode solutions.

¹ Positive Train Control Back Office Solution. This integrates RailComm's Computer Aided Dispatching (CAD) product with the positive Train Control (PTC) family of automatic train protection systems in the US.

Data, Analytics, Consultancy & Events

Summary segment results:

Revenue	£19.5m	(H1 2022: £17.5m)
Adjusted EBITDA*	£1.9m	(H1 2022: £2.2m)
Profit before Tax	£0.5m	(H1 2022: £1.1m)

Revenue increased by 11% to £19.5m reflecting good growth in Data Analytics / GIS and Transport Insights, and the completion of the post Covid lockdown recovery in Traffic Data. Activity levels across the Division have been high, with several large contract wins in the period including a multi-year Earth Observation contract in Data Analytics / GIS that utilises the capabilities added to the Group through the Icon GEO acquisition in November 2021, the renewal of a large multi-year contract in Traffic Data at an increased value, and additional fixed venue contracts in Events.

Adjusted EBITDA* of £1.9m includes c£0.4m of non-repeat costs from actions to restructure the Group and from the groupwide one-off cost of living allowance paid to staff in August 2022 in recognition of the increasing cost of food and energy.

During the first half, the Events and Traffic Data businesses have been fully integrated into a single operating unit under a common leadership team. This will support margin optimisation from operating efficiencies, and also enable a consistent and focused approach to health and safety and to reducing the carbon emissions from our vehicle fleet as we move towards our 2030 carbon neutral target. As part of our activities to simplify and streamline the Group, in the second half of this financial year we will integrate the Data Analytics / GIS and Transport Insights businesses under a common leadership team. This will better enable us to provide high value consultancy and services to our customers by combining deep sector expertise with the full range of Tracsis' product and data capabilities, and to grow the addressable market for our consultancy and data analytics / GIS offering across the UK and Ireland.

Data Analytics / GIS

Revenue increased to £5.4m (H1 2022: £3.7m). This includes the initial benefit from a large multi-year Earth Observation contract secured in Ireland which utilises the capabilities added to the Group through the Icon GEO acquisition in November 2021. This contract is to develop an Area Monitoring System (AMS) using satellite data imagery and is being delivered in partnership with two European geospatial companies. We have also secured a range of new contracts with Irish Government departments and Utility companies and have a growing pipeline of future opportunities.

Transport Insights

Revenue of £2.9m was £0.2m higher than prior year (H1 2022: £2.7m). We have seen continued strong demand for our specialist timetabling and rail performance expertise, and have won a large travel survey contract for delivery in the second half of the current financial year.

Traffic Data

Revenue increased by 7% to £4.6m (H1 2022: £4.3m) with activity levels returning to the levels seen prior to the Covid pandemic. Some month to month variability in demand remains and activity levels in this market are more sensitive to central and local authority funding. The large, multi-year National Road Traffic Census (NRTC) contract was renewed in the period at an increased value, and the business has secured other contracts for delivery in the second half of the current financial year.

Event Transport Planning & Management

The Events business delivered a strong first half performance. Revenue of £6.6m was at a similar level to the prior period (H1 2022: £6.8m) that had included c£1m of revenue from supporting Covid testing and vaccination centres which was not repeated in the current financial year. Underlying activity has therefore increased and the business has won a number of new multi-year contracts for fixed venue work.

Financial Summary

H1 revenue of £39.2m was £10.0m (34%) higher than the prior period (H1 2022: £29.2m), reflecting strong organic and acquisitive growth. Revenue in the Rail Technology and Services Division increased by £8.0m (69%) including the benefit from new contract wins in the period and in the prior year, record demand for Remote Condition Monitoring, and a strong performance from RailComm that was acquired in March 2022. Revenue in the Data, Analytics, Consultancy and Events Division increased by £2.0m (11%) and includes strong growth in Data Analytics / GIS and in Transport Insights, and completion of the post Covid lockdown recovery in Traffic Data. New contract wins in Events largely offset the non-repeat of prior period revenue from supporting Covid testing and vaccination centres.

Adjusted EBITDA* of £7.5m was £1.3m (21%) higher than the prior period (H1 2022: £6.2m), and includes £0.4m of one-off costs from actions to restructure the Group and investment in new technologies. We expect an additional net investment of c£0.6m in H2 of costs that will better position the Group for the future. In addition there was £0.4m one-off charge in the period for a cost of living allowance paid to staff in August 2022 in recognition of the increasing cost of food and energy.

A summary of the Group's results is set out below:

	Unaudited Six months ended 31 January 2023 £'000	Unaudited Six months ended 31 January 2022 £'000	Audited Year Ended 31 July 2022 £'000
Revenue	39,213	29,182	68,723
Adjusted EBITDA * (note 10)	7,464	6,167	14,161
Adjusted Profit ** (note 10)	6,398	5,401	12,394
Profit before tax	2,256	1,280	2,558

* Earnings before net finance expense, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees. See note 10 for reconciliation.

** Earnings before net finance expense, tax, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees. See note 10 for reconciliation.

Statutory profit before tax of £2.3m is £1.0m higher than the prior period (H1 2022: £1.3m). In addition to the £1.3m increase in adjusted EBITDA* described above, this reflects the following items:

- £1.1m depreciation charge (H1 2022: £0.8m) which includes additional charges from prior year acquisitions and the prior year investment in IT assets;
- £2.8m amortisation of intangible assets (H1 2022: £2.2m), which includes charges relating to the acquisitions of Icon GEO in November 2021 and RailComm in March 2022;
- £0.7m share based payment charges (H1 2022: £0.8m);
- £0.5m exceptional items (H1 2022: £0.8m) reflecting £0.4m unwinding of previously discounted contingent consideration balances in accordance with IFRS accounting standards at a similar level to the prior period, and £0.1m increase in the assessed fair value of contingent consideration based on the future expectations of performance from previous acquisitions (H1 2022: £0.1m). The prior period charge also included £0.3m of transaction costs associated with the acquisitions of Icon GEO and RailComm;
- £0.1m net finance expense (H1 2022: £0.1m); and
- £nil charge (H1 2022: £0.3m) relating to the share of the result of equity accounted investees.

The Group continues to have significant levels of cash and remains debt free. At 31 January 2023 the Group's cash balances, including balances held in escrow, were £17.0m (H1 2022: £25.1m; FY 2022: £17.2m). Cash generation remains strong.

Cash generated from operations was £2.8m (H1 2022: £3.5m) after a net £4.7m increase in working capital in the period. This reflects normal trading patterns and includes a £1.2m unwind of contract liabilities in RailComm relating to delivery of the orderbook acquired with the business. The Group is historically more cash generative in the second half of the year, reflecting the timing of licence renewals and the seasonality of certain business units.

A summary of cash flows is set out below:

	Unaudited	Unaudited	Audited
	Six months	Six months	Year
	ended	ended	ended
	31 January	31 January	31 July
	2023	2022	2022
	£'000	£'000	£'000
Net cash flow from operating activities	1,636	2,909	8,188
Net cash flow used in investing activities	(1,219)	(2,550)	(16,761)
Net cash flow used in financing activities	(676)	(617)	(2,034)
Movement during the period (before exchange adjustments)	(259)	(258)	(10,607)

Dividend

The Board has declared an interim dividend of 1.0 pence per share which will be paid on 5 May 2023 to shareholders on the register at 21 April 2023.

A final dividend of 1.1 pence per share was paid in respect of the year ended 31 July 2022. The Board intends to pursue a sustainable and progressive dividend policy in the future, having regard to the development of the Group.

Board

Jill Easterbrook was appointed to the Board as a Non-Executive Director on 5 October 2022. Lisa Charles-Jones stepped down from the Board on 31 December 2022. Jill succeeded Lisa as Chair of the Remuneration Committee on this date.

Summary and Outlook

The Board was pleased with the first half performance, with strong revenue growth and a number of important multi-year contract wins in both Divisions that positions it well for further growth.

Our end market drivers are strong and are linked to the ongoing digital transformation of the rail industry in the UK and North America, as well as growing demand for specialist operational consultancy services and for Data Analytics / GIS expertise across all regulated industries. Whilst there is some near-term uncertainty in procurement and delivery timelines from the ongoing industrial action in the UK rail industry, Tracsis' products and services remain closely aligned with these drivers. We deliver positive benefit cases to our clients by enabling them to deliver mission-critical activities with increased efficiency, enhanced performance, higher productivity and improved safety.

The Group has a clear growth strategy and has a strong balance sheet to support its delivery. We are making good progress in delivering this strategy, with further new multi-year software contract wins in the period and a pipeline of deployments on contracts won in previous years. We continue to invest in integrating the Group's activities, technologies and operating model to provide a solid platform for ongoing scalable growth, and are accelerating our actions in this area alongside targeted investment in new product development to capture a growing pipeline of opportunities.

M&A remains a core part of our strategy and we are actively pursuing further opportunities, with a focus on extending our software and technology footprint and enhancing recurring revenue growth.

We have entered the second half of the year with confidence in the strength of our financial position and with high activity levels across the Group. There has been an encouraging start to Q3 trading, and the Board's expectations for the year to 31 July 2023 remain unchanged.

Chris Cole
Non-Executive Chairman

Chris Barnes
Chief Executive Officer

3 April 2023

Tracsis plc
Condensed consolidated interim statement of comprehensive income for the six months
ended 31 January 2023

		Unaudited 6 months ended 31 January 2023	Unaudited 6 months ended 31 January 2022	Audited Year ended 31 July 2022
	Note	£'000	£'000	£'000
Revenue	3	39,213	29,182	68,723
Cost of sales		(14,511)	(11,438)	(26,483)
Gross profit		24,702	17,744	42,240
Administrative costs		(22,322)	(16,109)	(38,985)
Adjusted EBITDA ¹	3, 10	7,464	6,167	14,161
Depreciation		(1,066)	(766)	(1,767)
Adjusted profit ²	10	6,398	5,401	12,394
Amortisation of intangible assets		(2,808)	(2,179)	(5,000)
Other operating income		-	-	426
Share-based payment charges		(666)	(804)	(1,502)
Operating profit before exceptional items		2,924	2,418	6,318
Exceptional items:				
Impairment losses		-	-	(49)
Other	4	(544)	(783)	(3,014)
Operating profit		2,380	1,635	3,255
Net finance expense	5	(124)	(58)	(141)
Share of result of equity accounted investees		-	(297)	(556)
Profit before tax		2,256	1,280	2,558
Taxation		(615)	(487)	(1,056)
Profit for the period		1,641	793	1,502
Other comprehensive income				
Foreign currency translation differences		507	67	423
Revaluation of financial assets		-	-	(50)
Total recognised income for the period		2,148	860	1,875
Earnings per ordinary share				
Basic	6	5.55p	2.70p	5.09p
Diluted	6	5.41p	2.61p	4.95p

¹ Earnings before net finance expense, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees – see note 10

² Earnings before net finance expense, tax, amortisation, exceptional items, other operating income, share-based payment charges, and share of result of equity accounted investees. – see note 10

Tracsis plc
Condensed consolidated interim balance sheet as at 31 January 2023

		Unaudited At 31 January 2023 £'000	Unaudited At 31 January 2022 £'000	Audited At 31 July 2022 £'000
	Note			
Non-current assets				
Property, plant and equipment		4,585	3,767	4,897
Intangible assets		63,071	53,182	65,867
Investments – equity		-	99	-
Investments in equity accounted investees		-	259	-
Deferred tax assets		503	701	410
		68,159	58,008	71,174
Current assets				
Inventories		1,234	406	1,090
Trade and other receivables		17,874	11,786	18,454
Cash held in escrow		2,191	-	2,217
Cash and cash equivalents		14,800	25,057	14,970
		36,099	37,249	36,731
Total assets		104,258	95,257	107,905
Non-current liabilities				
Lease liabilities		1,235	1,205	1,476
Contingent consideration payable	11	790	4,515	736
Deferred consideration payable		303	594	297
Deferred tax liabilities		10,167	8,402	10,671
		12,495	14,716	13,180
Current liabilities				
Lease liabilities		1,316	968	1,291
Trade and other payables		18,645	14,811	24,092
Contingent consideration payable	11	8,150	4,556	8,585
Deferred consideration payable		314	314	308
Current tax liabilities		-	912	-
		28,425	21,561	34,276
Total liabilities		40,920	36,277	47,456
Net assets		63,338	58,980	60,449
Equity attributable to equity holders of the Company				
Called up share capital		119	118	119
Share premium reserve		6,511	6,415	6,436
Merger reserve		6,161	6,161	6,161
Retained earnings		49,755	46,307	47,448
Translation reserve		842	(21)	335
Fair value reserve		(50)	-	(50)
Total equity		63,338	58,980	60,449

Tracsis plc – Consolidated statement of changes in equity

For the six months ended 31 January 2023

Unaudited	Share Capital £'000	Share Premium Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Fair value Reserve £'000	Total £'000
At 1 August 2022	119	6,436	6,161	47,448	335	(50)	60,449
<i>Total comprehensive income for the period</i>							
Profit for the six month period ended 31 January 2023	-	-	-	1,641	-	-	1,641
Other comprehensive income for the period ended 31 January 2023	-	-	-	-	507	-	507
Total Comprehensive income for the period	-	-	-	1,641	507	-	2,148
<i>Transactions with owners of the Company</i>							
Share based payment charges	-	-	-	666	-	-	666
Exercise of share options	-	75	-	-	-	-	75
At 31 January 2023	119	6,511	6,161	49,755	842	(50)	63,338

Unaudited	Share Capital £'000	Share Premium Reserve £'000	Merger Reserve £'000	Retained Earnings £'000	Translation Reserve £'000	Fair value Reserve £'000	Total £'000
At 1 August 2021	117	6,401	5,525	44,710	(88)	-	56,665
<i>Total comprehensive income for the period</i>							
Profit for the six month period ended 31 January 2022	-	-	-	793	-	-	793
Other comprehensive income for the period ended 31 January 2022	-	-	-	-	67	-	67
Total Comprehensive income for the period	-	-	-	793	67	-	860
<i>Transactions with owners of the Company</i>							
Share based payment charges	-	-	-	804	-	-	804
Exercise of share options	1	14	-	-	-	-	15
Shares issued as consideration for business combinations	-	-	636	-	-	-	636
At 31 January 2022	118	6,415	6,161	46,307	(21)	-	58,980

Tracsis plc
Condensed consolidated interim statement of cash flows for the six months to 31 January 2023

	Unaudited 6 months to 31 January 2023	Unaudited 6 months to 31 January 2022	Audited Year ended 31 July 2022
Note	£'000	£'000	£'000
Operating activities			
Profit for the period	1,641	793	1,502
Net finance expense	124	58	141
Depreciation	1,066	766	1,767
(Profit) / Loss on disposal of plant & equipment	11	-	(70)
Non-cash exceptional items	544	443	2,441
Other operating income	-	-	(426)
Amortisation of intangible assets	2,808	2,179	5,000
Share of result of equity accounted investees	-	297	556
Income tax charge	615	487	1,056
Share based payment charges	666	804	1,502
Operating cash inflow before changes in working capital	7,475	5,827	13,469
Movement in inventories	(144)	(25)	(233)
Movement in trade and other receivables	615	275	(4,103)
Movement in trade and other payables	(5,138)	(2,603)	383
Cash generated from operations	2,808	3,474	9,516
Interest received	8	1	6
Income tax paid	(1,180)	(566)	(1,334)
Net cash flow from operating activities	1,636	2,909	8,188
Investing activities			
Purchase of plant and equipment	(263)	(312)	(1,129)
Proceeds from disposal of plant and equipment	9	53	123
Acquisition of subsidiaries (net of cash acquired)	-	(2,033)	(9,097)
Payment of contingent consideration	11 (965)	(258)	(4,126)
Cash held in escrow for payment of contingent consideration	-	-	(2,217)
Payment of deferred consideration	-	-	(315)
Net cash flow used in investing activities	(1,219)	(2,550)	(16,761)
Financing activities			
Dividends paid	-	-	(266)
Proceeds from the exercise of share options	75	16	37
Settlement of financial liability	-	-	(416)
Lease liability payments	(766)	(649)	(1,421)
Lease receivable receipts	15	16	32
Net cash flow used in financing activities	(676)	(617)	(2,034)
Net decrease in cash and cash equivalents	(259)	(258)	(10,607)
Exchange adjustments	89	(72)	190
Cash and cash equivalents at beginning of period	14,970	25,387	25,387
Cash and cash equivalents at end of period	14,800	25,057	14,970

Notes to the consolidated interim report
For the six months ended 31 January 2023

1 Basis of preparation

The unaudited consolidated interim financial information has been prepared under the historical cost convention and in accordance with the recognition and measurement requirements of International Accounting Standards in conformity with Companies Act 2006 ("IFRS"). The condensed consolidated interim financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should therefore be read in conjunction with the Group's Annual Report for the year ended 31 July 2022, which has been prepared in accordance with IFRS and is available on the Group's investor website.

The accounting policies used in the financial information are consistent with those used in the Group's consolidated financial statements as at and for the year ended 31 July 2022, as detailed on pages 76 to 82 of the Group's Annual Report and Financial Statements for the year ended 31 July 2022, a copy of which is available on the Group's website: <https://tracsis.com/investors>.

The comparative financial information contained in the condensed consolidated financial information in respect of the year ended 31 July 2022 has been extracted from the 2022 Financial Statements. Those financial statements have been reported on by Grant Thornton UK LLP, and delivered to the Registrar of Companies. The report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at the year ended 31 July 2022.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended 31 July 2022.

There have been no new accounting standards or changes to existing accounting standards applied for the first time from 1 August 2022 which have a material effect on these interim results. The Group has chosen not to early adopt any new standards or amendments to existing standards or interpretations.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing this interim financial information. The Group is debt free and has substantial cash resources. At 31

January 2023 the Group had net cash and cash equivalents totalling £14.8m. The Board has considered future cash flow requirements taking into account reasonably possible changes in trading financial performance.

The condensed consolidated interim financial information was approved for issue on 3 April 2023.

2 Principal Risk and Uncertainties

The principal risks and uncertainties are consistent with the previous year. These risks and uncertainties are expected to be unchanged for the remainder of the financial year. Further details are provided on pages 44 to 49 of the Annual Report & Accounts for the year ended 31 July 2022. The Board considers risks on a periodic basis and has maintained the key risks as follows, on a Group wide basis:

- Project delivery
- Rail industry structure changes
- Cyber security
- Downturn or instability in major markets
- Reliance on certain key customers
- Attraction and retention of key employees
- Competition
- Technological changes
- Health & safety
- Customer pricing pressure
- Brand reputation
- Regulatory breach
- Integration risk
- Climate change

3 Revenue and Segmental analysis

a) Revenue

Sales revenue is summarised below:

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000	Year Ended 31 July 2022 £'000
Rail Technology & Services	19,751	11,665	29,935
Data, Analytics, Consultancy & Events	19,462	17,517	38,788
Total revenue	39,213	29,182	68,723

A geographical analysis of revenue is provided below:

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000	Year ended 31 July 2022 £'000
United Kingdom	27,262	24,524	55,849
Ireland	6,065	4,088	8,827
Rest of Europe	284	218	280
North America	5,441	10	3,343
Rest of the World	161	342	424
Total	39,213	29,182	68,723

b) Segmental Analysis

The Group has divided its results into two segments being 'Rail Technology & Services' and 'Data, Analytics, Consultancy & Events'. The Group has a wide range of products and services for the rail industry, such as software, hosting services, and remote condition monitoring, and these have been included within the Rail Technology & Services segment as they have similar customer bases (such as Train Operating Companies and Infrastructure Providers). Traffic data collection and event planning & traffic management, and data and analytics and consultancy offerings have similar economic characteristics and distribution methods and so have been included within the Data, Analytics, Consultancy & Events segment.

In accordance with IFRS 8 'Operating Segments', the Group has made the following considerations to arrive at the disclosure made in these financial statements. IFRS 8 requires consideration of the Chief Operating Decision Maker ("CODM") within the Group. In line with the Group's internal reporting framework and management structure, the key strategic and operating decisions are made by the Executive Directors, who review internal monthly management reports, budgets and forecast information as part of this. Accordingly, the Executive Directors are deemed to be the CODM.

Operating segments have then been identified based on the internal reporting information and management structures within the Group. From such information it has been noted that the CODM reviews the business as two operating segments, receiving internal information on that basis. The management structure and allocation of key resources, such as operational and administrative resources, are arranged on a centralised basis.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

Information regarding the results of the reportable segments is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Board of Directors. Segment profit is used to measure performance. There are no material inter-segment transactions, however, when they do occur, pricing between segments is determined on an arm's length basis. Revenues disclosed below materially represent revenues to external customers.

Six months ended 31 January 2023				
	Rail Technology & Services	Data, Analytics, Consultancy & Events	Unallocated	Total
	£'000	£'000	£'000	£'000
Revenues				
Total revenue for reportable segments	19,751	19,462	-	39,213
Consolidated revenue	19,751	19,462	-	39,213
Profit or loss				
EBITDA for reportable segments	5,548	1,916	-	7,464
Amortisation of intangible assets	(2,120)	(688)	-	(2,808)
Depreciation	(459)	(607)	-	(1,066)
Exceptional Items (net)	(464)	(80)	-	(544)
Share-based payment charges	-	-	(666)	(666)
Net finance expense	(38)	(32)	(54)	(124)
Consolidated profit before tax	2,467	509	(720)	2,256

Six months ended 31 January 2022

	Rail Technology & Services £'000	Data, Analytics, Consultancy & Events £'000	Unallocated £'000	Total £'000
Revenues				
Total revenue for reportable segments	11,665	17,517	-	29,182
Consolidated revenue	11,665	17,517	-	29,182
Profit or loss				
EBITDA for reportable segments	3,952	2,215	-	6,167
Amortisation of intangible assets	(1,645)	(534)	-	(2,179)
Depreciation	(342)	(424)	-	(766)
Exceptional Items (net)	(338)	(105)	(340)	(783)
Share-based payment charges	-	-	(804)	(804)
Share of result of equity accounted investees	-	-	(297)	(297)
Net finance expense	(17)	(24)	(17)	(58)
Consolidated profit before tax	1,610	1,128	(1,458)	1,280

Year ended 31 July 2022

	Rail Technology & Services £'000	Data, Analytics, Consultancy & Events £'000	Unallocated £'000	Total £'000
Revenues				
Total revenue for reportable segments	29,935	38,788	-	68,723
Consolidated revenue	29,935	38,788	-	68,723
Profit or loss				
EBITDA for reportable segments	9,780	4,381	-	14,161
Amortisation of intangible assets	(3,731)	(1,269)	-	(5,000)
Depreciation	(748)	(1,019)	-	(1,767)
Exceptional Items (net)	(444)	(176)	(2,443)	(3,063)
Other operating income	-	-	426	426
Share-based payment charges	-	-	(1,502)	(1,502)
Share of result of equity accounted investees	-	-	(556)	(556)
Net interest payable	(46)	(68)	(27)	(141)
Consolidated profit before tax	4,811	1,849	(4,102)	2,558

	31 January 2023			
	Rail Technology & Services	Data, Analytics, Consultancy & Events	Unallocated	Total
	£'000	£'000	£'000	£'000
Assets				
Total assets for reportable segments (exc. cash)	13,359	10,334	-	23,693
Intangible assets and investments	51,999	11,072	-	63,071
Deferred tax assets	-	-	503	503
Cash held in escrow	2,191	-	-	2,191
Cash and cash equivalents	7,408	7,392	-	14,800
Consolidated total assets	74,957	28,798	503	104,258
Liabilities				
Total liabilities for reportable segments	(14,918)	(6,278)	-	(21,196)
Deferred tax liabilities	-	-	(10,167)	(10,167)
Contingent consideration	(7,808)	(1,132)	-	(8,940)
Deferred Consideration	-	(617)	-	(617)
Consolidated total liabilities	(22,726)	(8,027)	(10,167)	(40,920)

	31 January 2022			
	Rail Technology & Services	Data, Analytics, Consultancy & Events	Unallocated	Total
	£'000	£'000	£'000	£'000
Assets				
Total assets for reportable segments (exc. cash)	6,899	9,060	-	15,959
Intangible assets and investments	40,526	12,656	358	53,540
Deferred tax assets	-	-	701	701
Cash and cash equivalents	13,356	9,681	2,020	25,057
Consolidated total assets	60,781	31,397	3,079	95,257
Liabilities				
Total liabilities for reportable segments	(11,258)	(6,638)	-	(17,896)
Deferred tax liabilities	-	-	(8,402)	(8,402)
Contingent consideration	(7,520)	(1,551)	-	(9,071)
Deferred Consideration	-	(908)	-	(908)
Consolidated total liabilities	(18,778)	(9,097)	(8,402)	(36,277)

	31 July 2022			
	Rail Technology & Services £'000	Data, Analytics, Consultancy & Events £000	Unallocated £000	Total £000
Assets				
Total assets for reportable segments (exc. cash)	10,935	13,506	-	24,441
Intangible assets and investments	54,277	11,590	-	65,867
Deferred tax assets	-	-	410	410
Cash held in escrow	2,217	-	-	2,217
Cash and cash equivalents	8,918	6,052	-	14,970
Consolidated total assets	76,347	31,148	410	107,905
Liabilities				
Total liabilities for reportable segments	(17,070)	(9,789)	-	(26,859)
Deferred tax liabilities	-	-	(10,671)	(10,671)
Contingent consideration	(8,320)	(1,001)	-	(9,321)
Deferred consideration	-	(605)	-	(605)
Consolidated total liabilities	(25,390)	(11,395)	(10,671)	(47,456)

4 Exceptional items

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000	Year ended 31 July 2022 £'000
Contingent consideration fair value adjustment	118	47	1,792
Unwind of discounting of contingent consideration	426	396	774
Legal and professional fees in respect of acquisitions	-	340	622
Other	-	-	(125)
Total	544	783	3,063

5 Net finance expense

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000	Year ended 31 July 2022 £'000
Interest received on bank deposits	8	-	6
Net interest on lease liabilities	(57)	(36)	(95)
Net foreign exchange loss	(64)	(6)	(23)
Unwind of discount of deferred consideration	(11)	(17)	(29)
Total	(124)	(59)	(141)

6 Earnings per share

Basic earnings per share

The calculation of basic earnings per share for the Half Year to 31 January 2023 was based on the profit attributable to ordinary shareholders of £1,641,000 (Half Year to 31 January 2022: £793,000, Year ended 31 July 2022: £1,502,000) and a weighted average number of ordinary shares in issue of 29,583,000 (Half Year to 31 January 2022: 29,397,000, Year ended 31 July 2022: 29,486,000), calculated as follows:

Weighted average number of ordinary shares

In thousands of shares

	Six months ended 31 January 2023	Six months ended 31 January 2022	Year ended 31 July 2022
Issued ordinary shares at start of period	29,486	29,332	29,332
Effect of shares issued related to business combinations	-	34	51
Effect of shares issued for cash	97	31	103
Weighted average number of shares at end of period	29,583	29,397	29,486

Diluted earnings per share

The calculation of diluted earnings per share for the Half Year to 31 January 2023 was based on the profit attributable to ordinary shareholders of £1,641,000 (Half Year to 31 January 2022: £793,000, Year ended 31 July 2022: £1,502,000) and a weighted average number of ordinary shares in issue after adjustment for the effects of all dilutive potential ordinary shares of 30,336,000 (Half Year to 31 January 2022: 30,348,000, Year ended 31 July 2022: 30,330,000).

Adjusted EPS

In addition, Adjusted Profit EPS is shown below on the grounds that it is a common metric used by the market in monitoring similar businesses. A reconciliation of this figure is provided below:

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £'000	Year ended 31 July 2022 £'000
Profit attributable to ordinary shareholders	1,641	793	1,502
Amortisation of intangible assets	2,808	2,179	5,000
Share-based payment charges	666	804	1,502
Exceptional items (net)	544	783	3,063
Other operating income	-	-	(426)
Tax impact of adjusting items	(763)	(516)	(847)
Adjusted profit for EPS purposes	4,896	4,043	9,794

Weighted average number of ordinary shares

In thousands of shares

For the purposes of calculating Basic earnings per share	29,583	29,397	29,486
Adjustment for the effects of all dilutive potential ordinary shares	753	951	844
For the purposes of calculating Diluted earnings per share	30,336	30,348	30,330
Basic adjusted earnings per share	16.55p	13.75p	33.22p
Diluted adjusted earnings per share	16.14p	13.32p	32.29p

7 Seasonality and Phasing

The Group offers a wide range of products and services within its overall suite, meaning that revenues can fluctuate depending on the status and timing of certain activities.

Some of the Group's revenue streams are exposed to high levels of seasonality. This is most material in the Group's Data, Analytics, Consultancy & Events division, which derives significant amounts of revenue from work taking place at certain times of the year, in particular for Events which has a very high level of seasonality based on the timing of events, and Traffic Data where work typically takes place when the weather conditions are more predictable.

Other revenue streams are dependent on the timing of new contract wins, project milestones, and software licence renewals.

The Group's Rail Technology and Services Division delivers some large software development projects, where revenue is recognised dependent on either the work performed or project milestones delivered. The timing of these can vary depending on commercial terms and customer requirements. Revenues from remote condition monitoring are also driven by the size and timing of significant orders received from major customers. The timing of certain software licence renewals, including where revenue is recognised at a point in time, can fluctuate over a twelve month cycle. Finally, the timing of new contract wins is variable between reporting periods.

In the Group's Data, Analytics, Consultancy and Events division, certain revenue streams are similarly impacted by the timing of projects and delivery of work depending on customer requirements.

As such, the overall Group continues to be exposed to a high degree of seasonality throughout the year and variability in revenue phasing between reporting periods

8 Dividends

The Board has declared an interim dividend of 1.0 pence per share which will be paid on 5 May 2023 to shareholders on the register at 21 April 2023. A final dividend of 1.1 pence per share was paid in respect of the year ended 31 July 2022. The Board intends to pursue a sustainable and progressive dividend policy in the future, having regard to the development of the Group.

9 Related party transactions

The following transactions took place during the year with other related parties:

	Purchase of			Amounts owed to		
	goods and services			related parties		
	H1 2023	H1 2022	FY 2022	H1 2023	H1 2022	FY 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Nutshell Software Limited ⁽¹⁾	12	122	157	-	82	12
Vivacity Labs Limited ⁽¹⁾	225	163	409	137	14	24

	Sale of			Amounts owed by		
	goods and services			related parties		
	H1 2023	H1 2022	FY 2022	H1 2023	H1 2022	FY 2022
	£'000	£'000	£'000	£'000	£'000	£'000
WSP UK Limited ⁽²⁾	889	1,013	2,738	75	183	909
Vivacity Labs Limited ⁽¹⁾	-	-	38	-	-	-
Nutshell Software Limited ⁽¹⁾	26	67	37	-	-	-

(1) Nutshell Software Limited and Vivacity Labs Limited are related parties by virtue of the Group's shareholding in these entities.

(2) WSP UK Limited (WSP) is a company which is connected to Chris Cole who serves as non-executive Chairman of Tracsis plc and also of WSP Global Inc, WSP's parent company. Sales to WSP took place at arm's length commercial rates and were not connected to Mr Cole's position at WSP.

10 Reconciliation of alternative profit metrics (“APMs”)

The Group uses APMs, which are not defined or specified under the requirements of International Financial Reporting Standards (“IFRS”), to improve the comparability of reporting between different periods. These metrics adjust for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. The largest components of the adjusting items, being depreciation, amortisation, share based payments, and share of result of equity accounted associates, are ‘non cash’ items and so are separately analysed in order to assist with the understanding of underlying trading. Share based payments are adjusted to reflect the underlying performance of the group as the fair value is impacted by market volatility that does not correlate directly to trading performance. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes.

Adjusted EBITDA

Adjusted EBITDA is defined as Earnings before net finance expense, tax, depreciation, amortisation, exceptional items, other operating income, share-based payment charges and share of result of equity accounted investees. This metric is used to show the underlying trading performance of the Group from period to period in a consistent manner and is a key management incentive metric. Adjusted EBITDA can be reconciled to statutory profit before tax as set out below:

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £000	Year ended 31 July 2022 £000
Profit before tax	2,256	1,280	2,558
Net finance expense	124	58	141
Share-based payment charges	666	804	1,502
Exceptional items - net	544	783	3,063
Other operating income	-	-	(426)
Amortisation of intangible assets	2,808	2,179	5,000
Depreciation	1,066	766	1,767
Share of result of equity accounted investees	-	297	556
Adjusted EBITDA	7,464	6,167	14,161

Adjusted Profit

Adjusted profit is defined as Earnings before net finance expense, tax, amortisation, exceptional items, other operating income, share-based payment charges, and share of result of equity accounted investees. This metric is used to show the underlying business performance of the Group from period to period in a consistent manner. The closest equivalent statutory measure is profit before tax. Adjusted profit can be reconciled to statutory profit before tax as set out below:

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £000	Year ended 31 July 2022 £000
Profit before tax	2,256	1,280	2,558
Net finance expense	124	58	141
Share-based payment charges	666	804	1,502
Exceptional items – net	544	783	3,063
Other operating income	-	-	(426)
Amortisation of intangible assets	2,808	2,179	5,000
Share of result of equity accounted investees	-	297	556
Adjusted profit	6,398	5,401	12,394

Adjusted EBITDA reconciles to adjusted profit as set out below:

	Six months ended 31 January 2023 £'000	Six months ended 31 January 2022 £000	Year ended 31 July 2022 £000
Adjusted EBITDA	7,464	6,167	14,161
Depreciation	(1,066)	(766)	(1,767)
Adjusted profit	6,398	5,401	12,394

Adjusted Basic Earnings per Share

Calculated as Profit After Tax before amortisation, share-based payment charges, exceptional items and other operating income divided by the weighted average number of ordinary shares in issue during the period. This is a common metric used by the market in monitoring similar businesses and is used by equities analysts who cover the Group to better understand the underlying performance of the Group. See note 6 “Earnings per share”.

11 Contingent Consideration

During the financial year ended 31 July 2019, the Group acquired Compass Informatics Limited and Bellvedi Limited. Under the share purchase agreements in place for each of these acquisitions, contingent consideration is payable which is linked to the profitability of the acquired businesses for a two to four year period post acquisition. The maximum amount payable over the contingent consideration period is €1,500,000 (£1,322,000) for Compass Informatics Limited and £7,900,000 for Bellvedi Limited. The fair value at 31 January 2023 is assessed at €311,000 (£273,000) for Compass Informatics Limited and £3,218,000 for Bellvedi Limited.

In the financial year ended 31 July 2020 the Group acquired iBlocks Limited. Under the share purchase agreement in place for this acquisition contingent consideration is payable which is linked to the profitability of the acquired business for a three year period post acquisition. The maximum amount payable is £8,500,000, and the fair value of the amount payable was assessed at £2,410,000 at 31 January 2023.

In November 2021 the Group acquired The Icon Group Limited ("Icon"). Under the share purchase agreement in place, contingent consideration is payable which is based on the profitability of Icon in the 3 year period after the acquisition, and on the successful renewal of certain key contracts. Contingent consideration is payable in

Euros up to a maximum of €1,750,000 (£1,542,000). The fair value of the amount payable was assessed at €974,000 (£858,000) at 31 January 2023.

In March 2022 the Group acquired Railcomm LLC and Railcomm Associates Inc (together “Railcomm”). Contingent consideration under the share purchase agreement for Railcomm is payable up to a maximum of \$2,700,000 (£2,191,000) linked to the financial performance of the business in the year following the acquisition through to 31 March 2023. At the half year the fair value of the amount payable was assessed at \$2,669,000 (£2,181,000). Cash held in escrow for the purpose of settlement of the contingent consideration for the Railcomm acquisition totalled £2,191,000 at the balance sheet date. The cash held in escrow is held as a financial asset not within the overall cash and cash equivalents balance, due to restrictions on access to the cash on demand. Prior approval of any transfers must be completed by both Tracsis and the seller before they can take place, and as such the cash is not considered to be available on demand. If the financial performance metrics linked to the contingent consideration are not met in full, the balance will be returned to Tracsis.

The movement on contingent consideration is summarised in the table below. As detailed in note 4, a net exceptional charge of £118,000 was recognised, following a review of the assumptions of the fair value of contingent consideration as at 31 January 2023. This relates to increased profit performance in Bellvedi, iBlocks and Icon.

	31 January 2023 £000	31 January 2022 £000	31 July 2022 £000
At the start of the year	9,321	7,909	7,909
Arising on acquisition	-	977	2,832
Cash payment	(965)	(258)	(4,126)
Fair value adjustment to Statement of Comprehensive Income	118	47	1,792
Unwind of discounting	426	396	774
Exchange adjustment	40	-	140
At the end of the period	8,940	9,071	9,321

The ageing profile of the remaining liabilities can be summarised as follows:

	31 January 2023 £000	31 January 2022 £000	31 July 2022 £000
Payable in less than one year	8,150	4,556	8,585
Payable in more than one year	790	4,515	736
Total	8,940	9,071	9,321

Further information for Shareholders

Company number: 05019106

Registered office: Nexus
Discovery Way
Leeds
LS2 3AA

Directors: Chris Cole (Non-Executive Chairman)
Chris Barnes (Chief Executive Officer)
Andrew Kelly (Chief Financial Officer)
Jill Easterbrook (Non-Executive Director)
Liz Richards (Non-Executive Director)
James Routh (Non-Executive Director)

Company Secretary: Andrew Kelly