

VEHICLE TRACKING

A little off track

DigiCore is the first of a clutch of vehicle tracking companies to offer up its numbers, which reflect business conditions in the second quarter of the year. And it may be the first to show that a promising start to the year was quickly dashed as SA moved into recession.

This led to DigiCore CEO Nick Vlok taking the unusual step of apologising to his investors at the group's results

presentation for the year to end-June, last week.

Vlok felt he needed to explain, after saying in February at the company's half-year results that he expected the company to at least match last year's performance when it presented its full-year results.

It did not live up to his prediction and the four remaining months of the year proved to be very painful. Revenue was down 16% to R576m and operating profit plunged 45% to R113m for the period. DigiCore went from selling 104 000 tracking units a year to just fewer than 50 000.

The global recession got the blame for knocking its numbers, as the credit crunch limited its customers' ability to gain access to funding. A 34% drop in global vehicle production also did not help.

DigiCore's competitors such as Altech Netstar and MiX Telematics presented their results earlier in the year, and at that point their businesses were growing nicely.

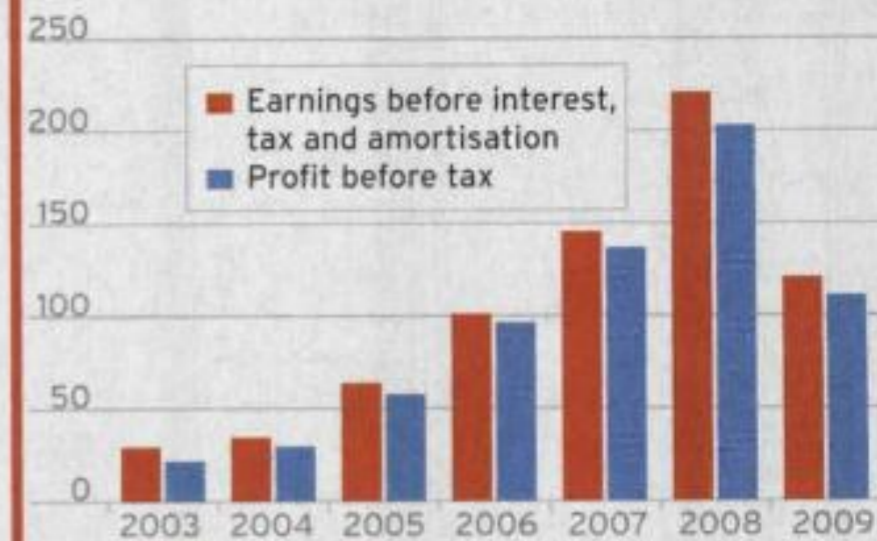
Altech Netstar's results for the year to February showed it increased revenue 20,8% to R829m and operating profit was up 24,3% to R236m. The same goes for MiX Telematics, which pushed up revenue 39% to R958m and operating profit 23% to R197m for the year to the end of March.

It has yet to be seen if DigiCore's numbers are the beginning of a downward trend in the sector or if it was the only one of the listed tracking companies that suffered a knock to its earnings. Altech Netstar, which is part of Altech, has yet to release its latest set of results for the half year and MiX Telematics' numbers should come out only in November.

DigiCore, Altech Netstar and MiX Telematics are not the

DIGICORE

Earnings overview (c)



SOURCE: DIGICORE

only vehicle tracking companies that in some way are listed on the JSE. Venfin has a 31% holding in Tracker but the last time it released information on its performance was in its 2008 annual report, where it showed a modest 1,5% growth in operating profit.

The turnaround in DigiCore's fortunes is a far cry from the rapid growth the sector had experienced during the past few years.

Security concerns and savings arising from better fleet management have enabled the vehicle tracking sector to take off in SA. Vlok estimated as many as 1,5m of SA's 7m vehicles had some kind of tracking device fitted.

But vehicle tracking is not only big in SA, it's become a global trend that local companies have been quick to latch onto. DigiCore has signed up the UK's Royal Mail as a client and MiX Telematics is in the process of signing a contract with Chevron.

MiX Telematics has even based its CEO, Stefan "Joss" Joselowitz, in the US to lead the expansion of its operations there.

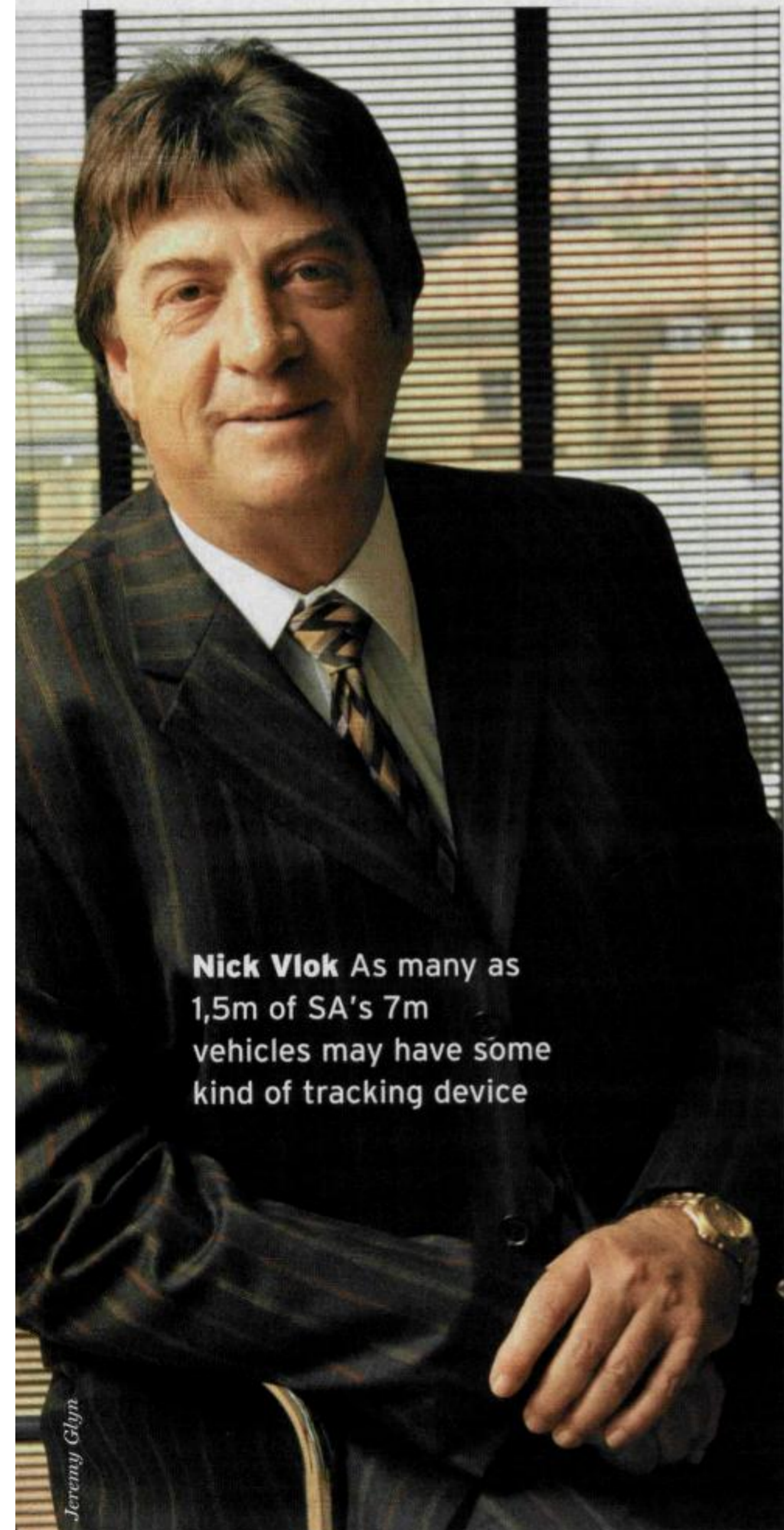
DigiCore is also expanding overseas. It already has a well-established presence in Europe and Pakistan, and is trying to expand into Malaysia and South America.

Vlok said though the recession had put DigiCore in cost-cutting mode, it was not going to stop it from continuing its expansion abroad. It has increased its sales team in the UK and opened up offices in Belgium as well as boosted its presence in France.

The recession also did not stop it from hiring 18 new research and development staff and buying three fitment centres.

Vlok said the group had to balance cutting cost with investing for long-term growth.

Larry Claasen



Nick Vlok As many as 1,5m of SA's 7m vehicles may have some kind of tracking device