Training puts brakes on Cartrack

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VEHICLE-tracking and fleet management group Cartrack blamed increasing overheads for a marginal rise in profits from SA for the half-year to August.

But the company said this was a necessary evil to ensure future growth at the company as a large portion of this expenditure had gone to employing and training staff.

Overall, Cartrack reported a profit before tax increase of 14% to R164.4m in the interim period.

Cartrack CEO Zak Calisto said the 1% rise in profit before tax to R125.4m from the South African business was due to increased overheads to grow sales and distribution networks.

He also said that tax fees for changes in accounting policies had added to costs.

"We had to employ and train 100 people in sales over the last year, and the fruits thereof will only be seen going forward," Mr Calisto said.

CARTRACK

Half Year	2016	2015
Revenue (Rm)	469.73	397.65
Pretax (Rm)	164.57	144.86
Net Income (Rm)	117.82	104.15
HEPS (c)	37.2	32.2
Dividends PS (c)	20	16

"We just had to do this to avoid stagnant growth."

Mr Calisto said that while the fleet and management vehicle recovery market was shrinking globally, there were still opportunities in SA.

He said the South African market was not saturated and there was still room for growth for vehicle tracking and fleet management.

Operations in Europe and the rest of Africa performed strongly in the first half. Profits before tax in Europe and the rest of Africa more than doubled to R13.2m and R31.4m respectively. "We exercised efficiency in overheads in Europe, while African countries reached the J-curve. This growth is however not sustainable in both regions," said Mr Calisto.

Although the group increased subscribers by 127% in its new market of Asia and the Middle East, that region reported a loss of R5.5m.

The company was expecting to report losses there for the next three years as it bedded down the new business.

Cartrack's expansion plans into the US are under way with the company confident its pricing model and service offering will help it compete in this established market.

"Our strategy into the (US) market will either be going from day one by ourselves, or by a licence agreement with the option to buy out the licensed partner after a few years," said Mr Calisto.

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