

Attraqt Group PLC

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ATTRAQT building on strong foundations

If you buy clothes online it is increasingly likely you will do so through a website in some way facilitated by ATTRAQT Group PLC (LON:ATQT).

In 2017, the group added 22 new "logos", as it calls them, to its growing client base, taking the total number of logos well above the 200 mark. Clients include some of the best-known names in the world of couture and, importantly, an increasing amount of US firms.

READ: ATTRAQT Group shares advance as it names Luke McKeever as chief executive officer

The likelihood of finding yourself shopping for clothes on a web site powered by ATTRAQT is even more pronounced since it took over a much bigger competitor, Fredhopper.

Fredhopper, which ATTRAQT bought from SDL PLC (LON:SDL), is a cloud-based provider of on-site search, navigation, recommendation and visual merchandising solutions through a global software-as-a-service (SaaS) platform.

Fredhopper has a large recurring revenue base that accounted for 90% of total revenues in fiscal 2016.

It has a considerable number of long-standing key customer relationships, the best known of which is probably online clothing operator ASOS.

In September, the company said the planned cost savings from the integration of Fredhopper have been delivered.

Right, said Fredhopper?

The average SaaS revenue per logo increased in 2017 by 51% to £62,000 (2016: £41,000), as ATTRAQT's solutions were taken up by larger, enterprise-grade clients. The ability to attract this type of client was a key part of the rationale behind the Fredhopper acquisition and has been an important addition to ATTRAQT's progress in 2017, the company said.

In its full-year results for 2017, the company highlighted the impact of the Fredhopper business it acquired in 2016, which contributed to a 278% increase in revenue to £13.6m from £3.6m the year before.

The addition of Fredhopper to the group did, however, result in the gross margin tumbling to 69% in 2017 from 86% in 2016, reflecting Fredhopper's lower margin of around 59%.

Before exceptional items, adjusted underlying earnings (Ebitda) were negative at around £200,000 compared to a loss the year before of £1.6m but this was in line with management's expectation.

The business traded on an adjusted Ebitda (pre-exceptional) positive basis in the second half of 2017.

Price: 34.5p

Market Cap: £621166000M

1 Year Share Price Graph



August 2018 February 2019 August 2019

Share Information

Code: ATQT

Listing: LSE

52 week High Low
36.89p 24.00p

Sector: Technology Hardware & Equipment [T3]

Website: www.attraqt.com

Company Synopsis:

ATTRAQT provides eCommerce retailers with an all-encompassing software solution to radically empower onsite search, merchandising and personalization capabilities. With human-guided automation and easy-to-use interfaces, our core product helps retailers make their online shop as attractive and successful as their brick-and-mortar stores.

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Cash at the end of 2017 had risen to £1.6m from £1.2m at the end of 2016 and had risen further to £2m at the end of February as the normal working capital movements unwound after the end of the year.

It's a land grab

The standard model for tech companies is to get the top line growing rapidly and worry about the profits later, and ATTRAQT is no different.

The group's business model is based on a recurring monthly service fee plus a one-off set-up fee and additional follow-on project fees. Clients contract up for a minimum of 12 months, with some larger clients signing up for a longer period of two years.

ATTRAQT's platform plugs into a retailer's e-commerce sites and enhances the site search, category pages and new product recommendations.

To give merchandisers greater control of what goes out online is the aim and this applies to devices such as in-store tablet computers as well as traditional e-commerce.

ATTRAQT's Freestyle Merchandising platform allows merchandisers to mix and match product lines in the most effective way to maximise sales.

For example, the buyer of a new raincoat might be prompted to also consider acquiring a new pair of boots and a bag to match.

Tesco, Boohoo and Screwfix were among the early adopters but were quickly followed by Bonmarché, Brown Thomas, ESPA and World Duty Free in the UK and Ben Sherman, Vix Swimwear and TUMI in North America.

Recent contract wins include Fraser Hart & Fields, Volcom, Arc'teryx, Beauty Bay, Hunter Boots, The White Company, Matches Fashion, Moss Bros., Russell & Bromley, JoJo Maman Bebe, Eddie Bauer, LK Bennett, The North Face, OKA Direct, Timberland, Vans (Europe) and Victoria Beckham.

The Freestyle Merchandising platform streamlines and optimises the display, search and recommendation functions. During 2017, it saw seven new core code releases, ensuring it remains cutting edge and state of the art.

ATTRAQT also offers three technologies in one (search, display and control over what is recommended), so the customer doesn't have to go to multiple suppliers, giving a saving in time and cost.

New hand on the tiller

In May, the group announced that it had appointed Luke McKeever as its chief executive officer, allowing interim executive chairman Nick Habgood to revert to his former non-executive role.

The group said McKeever has a strong track record in growing successful international technology businesses, both listed and private.

READ: ATTRAQT's new chief executive joins board

It added that McKeever joins ATTRAQT from Neighbourly.com, the SaaS platform that connects high profile brands with local communities, which he joined as executive chairman in June 2014, becoming CEO in September 2015, and of which he will remain a non-executive director.

ATTRAQT also noted that its new boss served as CEO for three years at OB10, the SaaS global trading network acquired by Tungsten Corporation PLC for £101m in 2013, and was CEO of Portrait Software, an AIM-listed customer interaction optimisation specialist.

Nick Habgood, commented: "After a very thorough process it was clear that Luke was the standout candidate to lead the enlarged group and having worked with members of the board previously, his skills both from a PLC and industry

perspective are proven."

McKeever said: "Strong foundations have been laid and I am committed to building on the momentum ATTRAQT saw towards the end of 2017, with continued innovation, new client wins and further up-sell to current customers."

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