

For Immediate Release

30 January 2018

## Continued record sales into the U.S. electric utility & communications market

### Q3 FY18 Update and FY18 IKE4 upgrade

ikeGPS (IKE) advises the following as relates to Q3 FY18 performance ending December 2017 (all figures NZD):

- Further record unit volume sales of the IKE4 product, the largest contributor to overall IKE revenue and gross margin, into the U.S. electric utility and communications market:
  - o IKE4 Q3FY18 sales and orders received YTD:
    - 143 IKE4 systems shipped in Q3 FY18 (c. 2.8x higher than PCP of 51 systems).
    - Total orders received YTD (including 17 rentals or leases) are approximately 362 systems, exceeding the recently upgraded full year guidance for 360 systems and greater than 70% YoY growth.
    - The IKE4 sales process for large enterprise accounts remains lumpy, however should various pipeline deals conclude through the balance of 2H FY18 then IKE expects that full year volumes could reach 420 systems. This would approximately equate to an additional \$1m revenue over the prior raised guidance.
  - o IKE4 target account wins announced in the period included:
    - A first phase order for 112 systems from AT&T Inc., the largest communications company in the U.S., supporting their national fiber network roll out. This deployment represents approximately \$1.3m recognized revenue in FY18 and approximately \$400k p.a. ongoing subscription revenue.
    - A first phase order for c. \$200k into the largest communications company operating across Canada.
    - An approximately \$0.6m sale into an investor-owned utility in California. The IKE4 platform is now in all investor-owned utilities in the States of California and Washington.
    - A third phase order of 15 IKE4 systems, for approximately \$180k, from an engineering services company. This customer grew to have more than 50 IKE systems deployed by the end of Q3. Associated subscription revenue from this customer at current volumes is expected to be approximately \$0.5m over the next 36 months.
  - o More generally, proof-of-concept trials with target accounts have included reports showing that, against existing work practices, IKE4 increases efficiency in the field by approximately 2x and increases efficiency in the back-office by approximately 5x for make-ready engineering.
- As per previous guidance IKE anticipates achieving operating cashflow breakeven in FY18 based on sales won and shipped YTD.
- The new 'IKE Analyze' product is delivering pole analysis and pole asset reports at an annualized run rate of approximately \$1m p. a. In Q4 FY18 the business is delivering on initial projects and building capability to position IKE Analyze with enterprise customers, targeting to substantially grow revenue from this product in FY19.
- Spike sales, primarily into the Signage market, were soft in Q3 FY18 with approximately 440 units sold in the period and approximately 1,750 units sold YTD.
  - o Q4 FY18 is expected to be a stronger period for Spike sales but, while remaining optimistic about the long-term potential for strong growth, IKE does not expect the targeted 3,000 unit and 50% YoY growth metric to be achieved in FY18. While disappointing this lower volume in FY18 is not material in the context of IKE's overall business.
  - o A joint-product release with Esri is on track for launch late Q4 FY18.
    - Esri is the most widely deployed software in the geospatial market - used by more than 350,000 organisations including the world's largest cities and many national governments.

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- This product integration has been enabled by IKE's investment in building a SDK and is expected to be the catalyst for the potential to sell Spike at higher volume into large enterprise deals. Because the joint-launch with Esri is expected at the end of Q4, the impact on unit volumes and revenue is expected in FY19 and beyond.
- Approximately 8,800 Stanley Smart Measure Pro units have shipped on schedule YTD into the European and Australian markets. No further units are expected to be delivered in FY18.
- Previous guidance indicated that the gross margin percent of IKE-branded products would improve on the FY17 blended actual of 69%. This guidance is revised to approximately 65% reflecting volume discounting on the hardware component (recognizable in FY18) of IKE4 enterprise level transactions with customers such as AT&T Inc., and certain one-off costs associated with the process to end-of-life the predecessor IKE3 product. Positively, subscription pricing has maintained in these enterprise transactions, benefiting outer year revenue recognition.

IKE CEO, Glenn Milnes, commented, "Q3 FY18 was a very positive period for our business with IKE4 winning material initial contracts across some of the largest infrastructure businesses in the U.S. market - where we have been engaged in pilot processes for some time. The scale of the ultimate revenue opportunity within these accounts is large. The IKE4 system has been designed to speed up the assessment & deployment of overhead infrastructure and market tailwinds, particularly in the U.S. fiber industry, are strong. More than \$300B of investment is expected over the coming 10 years and the participants competing in this industry are actively pursuing new technology that lets them deploy faster, such as IKE4. We do expect ongoing lumpiness because of the nature of the contracts being pursued however the pipeline of opportunities for the next 12-24 months is encouraging in terms of potential to support continued growth"

ENDS

IKE seeks to be the data standard for collecting, managing and analysing pole and overhead asset information for electric utilities, communications companies and their engineering service providers. IKE's target accounts are defined as larger enterprise sales opportunities estimated to each have the potential to generate greater than \$1M revenue.

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