

For Immediate Release

28 November 2018

Continued growth in the U.S. Communications and Electric Utilities market

Financial results for 1H FY19 period

ikeGPS (IKE) advises the following as relates to 1H FY19 results for the period ending September 2018 (all figures NZD). These results are in line with the pre-announced metrics advised to the market in October:

- Revenue in the period \$4.4m (26% growth against PCP of \$3.5m).
 - o Positive contribution from IKE Analyze Solution revenue, which offers an end to end technical solution to customers performing make ready engineering (MRE) projects
- Gross margin in the period of \$2.9m (93% growth against PCP of \$1.5m).
 - o Gross margin percentage of 65% (against PCP of 44%) reflects growing IKE Solution sales including recurring SaaS revenue, with subscription renewal rates >85% in the period.
- Net loss in the period of \$1.9m (51% improvement against PCP loss of \$3.9m).
- Cash on hand of approximately \$5.4m and receivables of approximately \$2.5m.
- Additional milestones in the period included:
 - o Confirmation that AT&T Inc., the largest communications company operating across North America, is writing the 'IKE Standard' into its Articles for all aerial make-ready-engineering.
 - o Sales growth of the new IKE Analyze product. Six enterprise customers are now contracted including two tier-1 electric utilities and four engineering groups who are performing network development for communications companies.
 - o Sales into additional target account customers including Verizon Communications Inc. and Cox Communications Inc.
 - o Continued progress with the Spike program in line with the strategy to integrate Spike with industry leading software partners such as ESRI Inc., so to target larger enterprise sales opportunities.

Further commentary:

IKE CEO, Glenn Milnes, commented, "Through 1H FY19 we were pleased to make further progress in the North American poles market targeting Communications companies & Electric Utilities. Most notably for shareholders we have seen growth of sales, and substantial growth of pipeline opportunities, for the new IKE Analyze offering. IKE Analyze utilizes our cloud-based pole software so to ingest customers raw field data and enable IKE to complete the required asset analysis via our cloud platform, such as pole loading analysis or make-ready-engineering to speed network builds. We view IKE Analyze as an important potential additive growth engine over the coming years. In addition to revenue from IKE4 unit sales, the annualised run rate revenue from IKE Analyze sales grew to approximately \$2m in Q2 FY19, approximately double the level in early calendar 2018. Based on contracts in place we expect this annualised run rate to continue to increase through Q3 FY19 and with the potential for IKE Analyze sales to deliver outsize revenue growth, acknowledging that we do expect ongoing lumpiness because of the nature of the contracts being pursued.

Working capital in place to support IKE Analyze growth and delivery:

As previously advised to the market an oversubscribed capital raise closed in the period, raising approximately \$5.9m. The new IKE Analyze Solution has a higher initial working capital requirement than the historical business model but provides substantially higher potential revenue amounts (and absolute margin) per customer against a historical IKE4 sale. A stronger balance sheet is also important for some of the large infrastructure business that IKE is already selling to or is targeting, given that IKE hosts their critical infrastructure data and asset records.

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The above working capital will specifically support the sales process and delivery of targeted IKE Analyze contracts, to support the lumpy sales cycles associated with IKE's core business selling IKE4 systems, and to enable investment into some additional IKE Analyze sales resources. Related, in Q2 FY19 IKE was pleased to appoint new senior enterprise sales and delivery leaders with extensive experience across the U.S. Communications and Fibre market, including Malcolm Taylor - formerly VP Sales at Arris Solutions where he led their US\$400m p a business and the appointment of Matthew Worster – formerly solution engineering lead at Alden Systems, as VP IKE Analyze.

FY19 Guidance maintained.

IKE maintains its full year FY19 guidance, for:

- Greater than 30% revenue and gross margin growth against FY18.
- Operating cash flow breakeven for FY19, from forecast increasing IKE Solution revenue in 2H FY19 alongside continued prudent management of operating expenses.
- EBITDA breakeven by Q4 FY19.

ENDS

IKE seeks to be the standard for collecting, managing and analysing pole and overhead asset information for electric utilities, communications companies and their engineering service providers. Usage of the IKE pole solution shows that against existing work practices IKE increases efficiency for field engineering by approximately two times and increases efficiency for back-office engineering by approximately five times.

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