



FOR IMMEDIATE RELEASE

27 November 2020

COVID-19 impacted Q1. Momentum returned Q2. 1H FY21 financial performance

ikeGPS (IKE) today released its financial statements relating to performance for the six-month period to 30 September 2020 (all figures NZD).

The IKE platform allows electric utilities, communications companies, and their engineering service providers to increase speed, quality, and safety for the construction and maintenance of distribution power pole assets.

Commentary;

- + IKE performed solidly amongst the backdrop of COVID-19 through 1H FY21 and pleasingly resumed growth momentum into 2H FY21.
- + As previously advised, IKE and its customers in North America were impacted by COVID-19 through Q1 to June 2020. As context, and despite the 'essential' status of IKE and its electric utility and communications customers, the initial approximately 90-days of COVID-19 saw new sales and pipeline volumes decrease 50-70% versus subsequent levels through Q2 FY21
- + The outlook for 2H FY21 is positive and IKE expects to return to its trended growth profile of the prior three years. This is based on new contracts that closed in the Q2 period to 30 September 2020 of approximately \$3M and continued positive operating & sales momentum since October.
- + IKE successfully raised \$19.7m capital in the period through an oversubscribed institutional placement, accelerated entitlement offer and oversubscribed retail offer. The additional funds enable IKE to:
 - o Increase sales and implementation teams to support the growing sales pipeline. IKE has successfully begun to increase capability across these areas.
 - o Provide funding capacity for potential inorganic growth opportunities. IKE has continued to progress specific opportunities since the capital raise.

Key metrics 1H FY21:

- + Revenue of approximately \$4.4m (15% below pcp of \$5.2m) reflects a solid result in the context of the disrupted Q1 period.
- + Gross margin of approximately \$2.9m (pcp of \$3.8M), with a gross margin percentage of approximately 67% (pcp of 72%)
- + Operating loss for the period was approximately \$2.5m (pcp of (\$1.1m))
- + Operating cash flow for the period was approximately (\$1.35m) (pcp of (\$0.8m))
- + Total cash and receivables 30 September 2020 of \$21.9m, with no debt

ikeGPS Group Limited

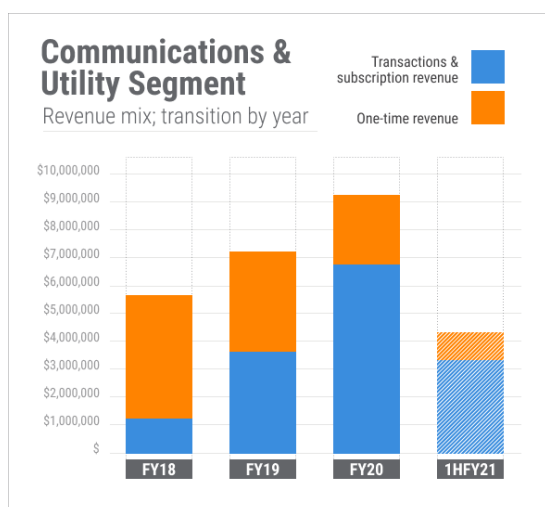
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The chart below sets out the broader momentum in the business;



Takeaways;

- IKE's revenue mix has shifted materially over the past 24 months.
- Greater than 75% of revenue is expected from transaction & recurring sources in FY21 (shown by the blue bar in the chart).
- This is an important transition in terms of increasing revenue quality and predictability to underpin growth.

Financial commentary

Lower revenue in 1H 2021 (\$4.4m compared with pcp of \$5.2m) was caused primarily by the short but sharp impact from COVID-19 on IKE's market from approximately early-March to mid-June 2020. IKE did not lose any material customers nor material pipeline contracts through this period. However, the revenue engine for IKE is the number of assets being processed through the IKE platform and less engineering activity occurred while initial COVID-19 response measures were put in place by customers. Generally, network projects were deferred rather than cancelled.

Subscription revenue tracked to plan with subscription renewal rates high at 87%, indicating that IKE's customers are committed to the long-term use of the platform.

Gross margin in the period was 67%. Fixed costs specific to the IKE Analyze segment were retained over the period, where spare capacity was leveraged to prepare for greater operating efficiency through 2H FY21 and FY22 with additional quality control procedures and increased offshore efficiencies implemented.

Operating expenses for the period of \$6.3m compared with pcp of \$4.9m. This reflects investment into IKE's growth strategy. Sales and marketing expenses were \$2.9m for the period with this investment growing capability across sales, solutions engineering, delivery, and marketing teams to support the sales pipeline, customer onboarding and the broader customer experience requirements of the very large infrastructure customers that IKE serves.

Customer and market commentary

IKE targets sales and deployments into North America's largest communications companies, investor-owned electric utilities, and their engineering service providers.

Recent customer wins include;

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Major U.S. infrastructure group standardizes on the IKE Platform;

In the period IKE announced that the largest shared communications infrastructure company in the U.S. has standardized on the IKE platform for all pole-related 5G and fiber deployment processes. The expected revenue impact is not yet defined however IKE believes this will have a positive impact on financial performance 2H FY21 and beyond, and on IKE's broader position in the North American market.

This customer has now commenced internal deployment and standardization of the IKE platform in nine operating regions across the U.S. The subsequent roll out step is to introduce the IKE platform to more than 100 initial engineering services companies that perform network development on its behalf. This introduction will take place from Q4 FY21 and into FY22.

Large contract with US electric utility (signed October 2020);

IKE signed an important agreement with a large U.S. electric utility to help assess its power distribution infrastructure in a fast, safe, and reliable way. Under this contract IKE will initially analyze 250,000 assets, a small subset of the Group's asset base. The initial phase is expected generate approximately \$750,000 revenue in IKE's 2H FY21 (the period ending 31 March 2021). This customer's parent company is an American Fortune 100 energy business with similar companies in its portfolio. This agreement follows a successful pilot program, and the onboarding and implementation process went live immediately in October 2020. Significantly, this is the first major cross-sell from IKE's acquisition of the assets of Powerline Technology that was completed October 2019

Outlook

IKE's primary focus for 2H FY21 is on delivery of contracts and the extension of revenue opportunities from customers under contract. The Company is at the early stages of penetrating these large existing customer groups, where it is currently active in analyzing a small percentage of their respective assets.

Several significant market tailwinds support the high growth potential of the IKE business, with more than \$350B forecast to be invested into fiber and 5G infrastructure over the coming five plus years and with more than 3,000 electric utilities needing to address the challenges of network build, strengthening, and maintenance, The IKE platform delivers network construction and maintenance processes that are faster, safer, and to a higher quality data standard.

ENDS

IKE seeks to be the standard for collecting, analysing and managing pole and overhead asset information for electric utilities, communications companies, and their engineering service providers.

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