



## FOR IMMEDIATE RELEASE

6 September 2019

# IKE Annual General Meeting Chairman's address

## Introduction

- + Welcome everyone to the fifth AGM since we became a listed company in 2014. It is timely to reflect on what is different since then, as in one sense nothing has changed, but in others, the changes have been profound.
- + In 2014 our key products were essentially laser-based measurement devices with associated software and geospatial capability. Our revenue model was driven by sales of these specialised devices to the utility sector in the USA, and to a lesser extent by sales of Spike devices to attach to mobile phones aimed at lower-cost consumer and commercial devices targeting the AEC and small business sector. We had 21 staff in total, with 16 in NZ and 5 in the USA which was seen as the largest and potentially most lucrative marketplace.
- + So, what's changed?...
- + In 2019 devices are still an element in driving IKE solution deployments, but device or one-time sales are no longer key.
- + Today, we are squarely focused on the poles and the distribution asset market. And with IKE Analyze, we focus on ongoing transaction revenue via data analytics that occurs over the IKE technology platform. This translates to higher quality and a sustainable revenue mix.
- + The USA remains the focus for IKE, but our customer sets have grown beyond electrical utilities to the fast-growing communications sector.
- + The center of gravity of our operational activities is now the USA with a total headcount of about 45 with two thirds of these positions now in the USA - reflecting the need to be close to our customers.
- + So, where are we today?...

## 2019 Report

- + 2019 was a positive year for our business with growth and improvement across key metrics.
- + Our core target market has continued to develop positively, being tier-1 U.S. communications companies, electric utilities and their engineering service providers. Success within this market is the long-term value driver for our business.
- + Glenn, our CEO, will shortly talk in detail about the positive financial performance and momentum across the business, both in terms of revenue, gross margin and EBITDA

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growth in the FY19 period and also our expectations for 1H FY20 out turn, which we believe shows important progress.

- + I would like to focus my address on two important issues that should be well understood by shareholders and the market more generally:
  1. The transition of our market offering and business model to IKE Analyze - at the headline level, meaning high levels of ongoing transaction and subscription revenue - and a higher quality & predictability of revenue as we grow.
  2. Market tailwinds; IKE is now in the right place at the right time - a critical factor with the major changes sweeping across USA telecoms and electrical utility markets.

- + ***The transition of our market offering and business model to IKE Analyze -***

- + The transition to the IKE Analyze platform and business model was completed in FY19. Adding to our historical model of selling field tools and software subscriptions, IKE Analyze leverages our cloud-based pole software platform so that IKE can deliver significantly more value to customers via asset analysis & make ready engineering.
- + The depth and specificity of the IKE Analyze offering for distribution asset projects is important and provides an opportunity to access materially larger customer contracts.
- + As a result of this product transition, we expect that >70% of FY20 revenue will be derived from either recurring subscription or ongoing transaction sources.
- + The ultimate revenue opportunity per IKE Analyze customer is significant, representing the potential for hundreds of thousands, and eventually, millions of dollars of revenue per Annum.
- + We believe this shift in market offering and model translates to a higher quality of revenue with greater predictability of growth potential.
- + Broader sales proof points support this approach. In FY19 we closed record IKE solution sales with \$7.3m revenue representing 27% growth against PCP. Most important however was the in-market progress with the sales & delivery of IKE Analyze to target accounts.
- + Today, eight of the largest 15 Communications & Cable companies operating in the U.S. market are engaged in deployments or pilots of IKE Analyze. Entities within this category include Charter Communications Inc. - the largest cable company in the U.S., Crown Castle Inc. - the largest provider of shared communications infrastructure in the U.S., and Cox Communications Inc. - the 6th largest cable company in the U.S. Additional customer progress included at AT&T Inc., the largest communications company operating across North America, which has written the 'IKE Standard' into its Articles for aerial make-ready-engineering. We are confident that additional tier-1 customers will be added through FY20.

- + ***Expanding Markets and Optimal Timing***

- + As we have consistently communicated the key value driver for IKE is the development and delivery of IKE Analyze across target accounts, typically the largest communications companies and electric utilities operating in the North American market.

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- + From a market timing perspective, the pace of investment into fiber networks and 5G continues to increase. The U.S. fiber market is estimated to be at year-two of a seven-to-ten year investment super-cycle exceeding \$300B, and with more than 200 entities competing to deploy networks as fast as they can
- + IKE helps them do that.
- + An additional large market tailwind has emerged relating to 5G, the next-generation mobile technology. IKE has recently been involved in deploying IKE Analyze for aerial make-ready engineering projects specific to 5G network deployments. The usage of IKE Analyze materially improves productivity for fiber network development and 5G site assessment workflow processes, and we have a line of sight to several major projects as we speak.
- + IKE and IKE Analyze are well-positioned in front of these very large macro-market opportunities.

#### + **Team Development**

- + As we signaled at last years' AGM we have been actively seeking to develop the Board, and we were pleased to welcome Bill Morrow as a Director at the beginning of Q4 FY19. Bill brings leadership experience from positions across our targeted industries and geographical markets. He has consequently 'hit the ground running' with respect to contribution to the business. Bill's past roles include being CEO of Pacific Gas & Electric Co, one of the largest US electric utilities, CEO of Vodafone Europe, President of Vodafone KK Japan, CEO of Clearwire Corporation Inc., and most recently CEO of Australia's national fiber network, nbn co - Australia's \$40B fiber network. His considerable governance experience includes as a non-executive director at Broadcom Inc, one of the world's largest semiconductor companies, and as a non-executive director at Openwave Inc, a pioneer of the Mobile Internet. It is great to have Bill here today in Wellington for his first IKE AGM.
- + We continue to add key experienced management resources to our team in the USA, and out-source basic analytical processes.

#### + **Outlook**

- + Our vision remains consistent. We are seeking to put IKE Analyze at the centre of every pole transaction. Looking to FY20 our focus remains squarely on the North American Communications & Electric Utility sector. As detailed above we believe that market timing is optimal. The pace of investment into fiber networks and 5G mobile networks is continuing to increase and usage of the IKE 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.
- + We are also in the early phases of serving numerous national infrastructure groups. Our focus on these very large businesses will continue to bring some timing uncertainty but we are optimistic about the potential to deliver a strong FY20 performance, including new tier-1 customer wins.

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- + We feel IKE is as well-positioned as it has ever been, noting that the first half of FY20 has been positive in terms of customer development and our steps towards delivering important financial performance milestones in terms of revenue, gross margin growth and the positive trend in EBITDA and cash performance ... which Glenn will talk to shortly in detail.....

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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