

# IKE

## Acquisition and capital raise

CEO Presentation; Glenn Milnes  
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# Summary

- + Financial performance momentum.\*
  - + Transition over past 12 months to >70% of revenue from ongoing transaction or subscription sources.
  - + Forecast approximately EBITDA breakeven Q2 FY20 (for the period ending September 2019), noting that both May and June 2019 were also EBITDA positive.
  - + Forecast Total Cash & Receivables breakeven 1H FY20.
  - + Record revenue and record gross margin 1H FY20.
- + Three large markets being addressed specific to Communications and Electric Utilities in North America. Optimal market timing in two of these. \*
- + Multiple customer proof points.\*
  - + Eight of largest 15 Communications & Cable companies in the U.S as customers or in pilots. All West Coast investor-owned utilities.
  - + Account acceleration opportunities.
- + Operating momentum.\*
  - + Sales Pipeline. Brand. Customer Experience. Process efficiency.
- + The right people.\*
  - + Leadership and pole expertise to lead the marketplace.
- + Acquisition & capital raise
  - + Acquiring selected assets of PowerLine Technology Inc, whose PoleForeman product is one of the three leading structural analysis software companies used in North America with >100 embedded customers.
  - + A strategically important extension of the IKE Analyze platform. An IKE partner for >3 years.
  - + Profitable.
  - + Opportunity to lever its technology, position in the market and customer base for further growth.
  - + Purchase price of US\$3.4m, including an earnout of US\$0.9m.
  - + Capital raising of up to \$6.5m by way of a placement and retail share offer.

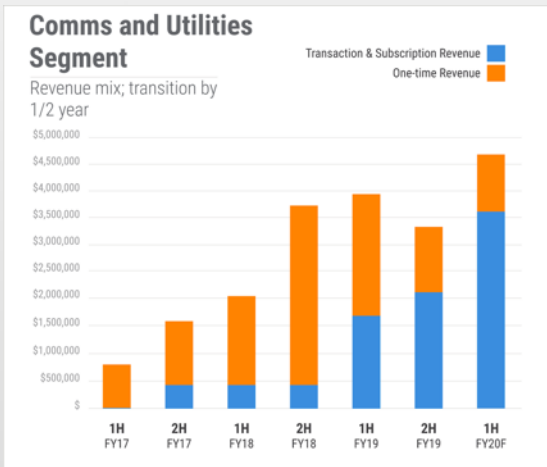
*\* Investors can reference the recently released AGM presentation for further information.*



# Positive shift in revenue composition.

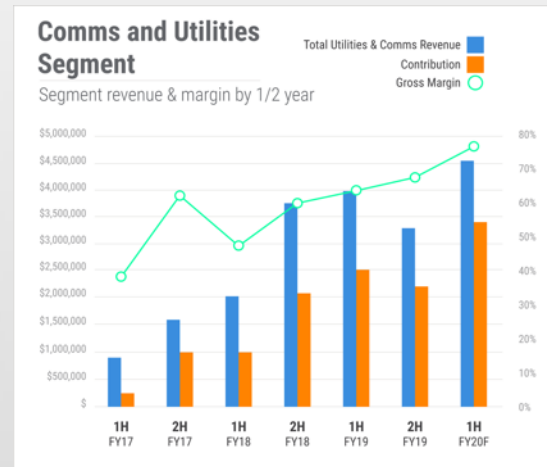
## Takeaways:

- + IKE's total revenue mix has shifted materially over the past 12 months. Greater than 70% of revenue is expected from transaction & recurring sources in FY20 (shown by the blue bar).
- + This is an important transition in terms of increasing revenue quality and predictability to underpin growth.
- + Noting that 2H FY19 represented the launch of IKE Analyze, which delivers a lower upfront revenue component but a higher long-term revenue profile per customer.
- + Record total revenue achieved 1H FY20.



## Takeaways:

- + The expansion of the IKE Analyze product is driving revenue and gross margin growth.
- + Forecast for record revenue from the Communications & Utility segment of approximately \$4.5m in 1H FY20, continuing the positive performance trend of the past 24+ months.
- + High customer retention rates exceeding 90% have supported subscription revenue growth.
- + The above factors have translated to gross margin percentage growth from 51% in FY18 to forecast for greater than 70% 1H FY20F.





# Accessing larger account opportunities. Momentum across all financial metrics.

## Takeaways:

- + IKE is accessing increasingly large and long-term account opportunities via IKE Analyze.
- + A typical IKE Analyze account delivers transaction & subscription revenue on an ongoing basis.
- + IKE's sales run rate over the previous 12 months has been adding approximately five Engineering Service Providers and approximately one Communications Infrastructure Owner per quarter.

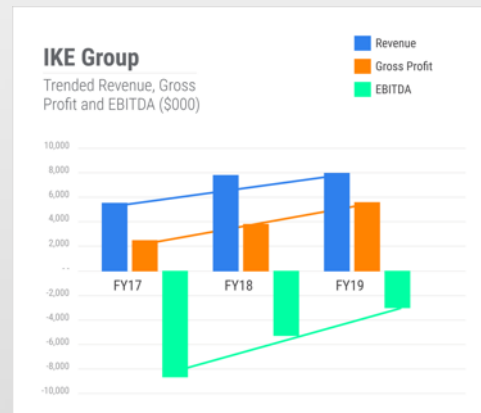
*\* Results for each account will differ. Trend lines are extrapolated from historical data and are not presented as forecasts or estimates of future performance.*



## Takeaways:

- + The positive momentum of the past 24 months has continued through 1H FY20 with respect to revenue, gross profit, and EBITDA growth.
- + Forecast for approximately EBITDA breakeven Q2 FY20 (for the period ending September 2019), noting that both May and June 2019 were also EBITDA positive.
- + Forecast for Total Cash & Receivables to be approximately equal to the level 31 March 2019.
- + Forecast for record total revenue of approximately \$5m in 1H FY20.

*\* Trend lines are extrapolated from historical data and are not presented as forecasts or estimates of future performance"*





# IKE Analyze value drivers

Achieving dramatic productivity gains and improvements in quality & safety for customers.

**9.4 Million**

Photos  
of poles to date

**1.7 Million**

Poles  
in IKE Office

**75%**

Reduce  
personnel requiring field visit

**0**

Zero  
revisits to the pole

**2x Faster**

Improve  
workflows from end to end

**8x**

Reduce  
permit request rejections



# PowerLine Technology Inc. (PLT) overview



PLT delivers software for the structural analysis of utility poles. It has been integrated with IKE products for more than three years.

## Why Pole Loading Analysis software is important

- + Pole Loading Analysis software provides structural integrity of poles.
- + Pole loading analysis is a growing market requirement, underpinned by increasing communications infrastructure roll outs, joint use for existing pole assets, network hardening initiatives and increased regulatory oversight.
- + This is a strategic output/use from IKE's technology. IKE integrates with all major Pole loading software providers

## Why PLT

- + PLT's flagship product, Pole Foreman, is one of the three industry-accepted pole loading analysis software solutions in North America.
- + Greater than 100 PLT customers, including;
  - + >20 investor owned utilities
  - + >20 electric cooperatives
  - + >10 electric municipalities
  - + >30 consulting / engineering services companies
- + Relationships with some customers exceed 10 years.

## Addressable market

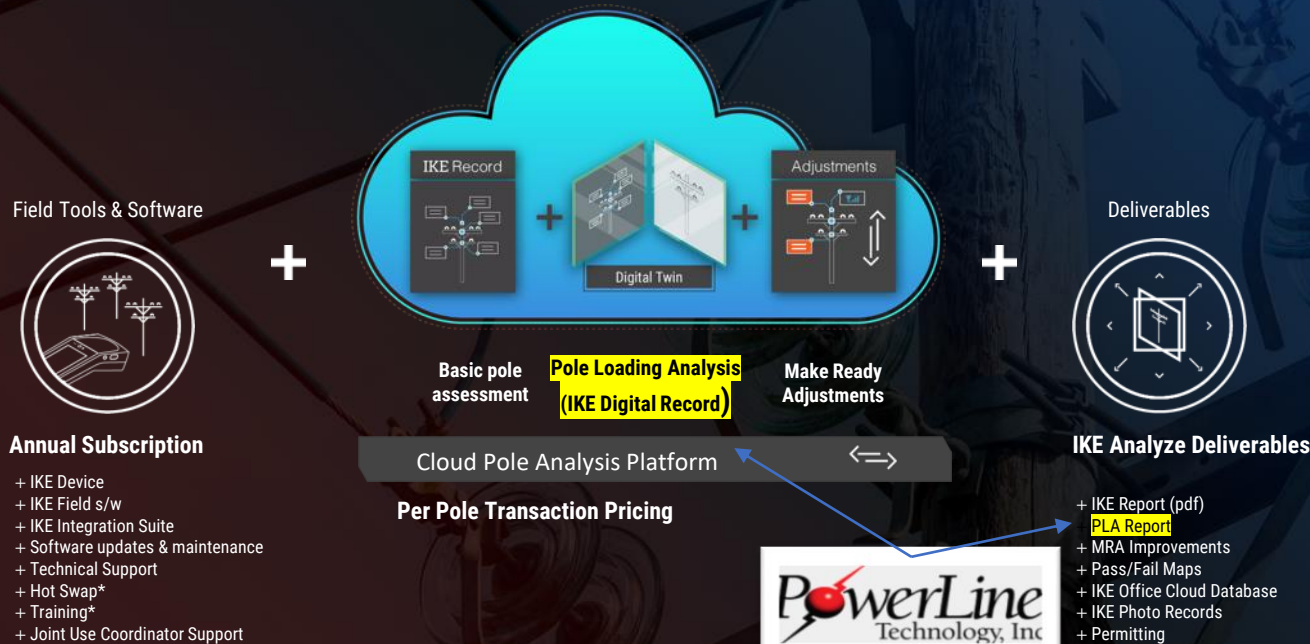
- + All pole related groups across North America (as with IKE)
  - + >3,200 electric utilities
  - + >1,000 engineering service providers
  - + >200 Communications Infrastructure Providers.
- + Estimated that 50% of electric utilities in North America are yet to standardize on their pole loading analysis software.
- + In 3-5 years time, the potential opportunity to extend internationally beyond North America.





# How PowerLine Technology fits within IKE Analyze

IKE Analyze is set out below, showing how PLT extends IKE's capability, revenue model and access to customers.



## Annual Subscription

- + IKE Device
- + IKE Field s/w
- + IKE Integration Suite
- + Software updates & maintenance
- + Technical Support
- + Hot Swap\*
- + Training\*
- + Joint Use Coordinator Support

\* = Customer Paid Shipping







# Acquisition Rationale

## Strategic

### PLT enhances IKE's go-to-market proposition

- + PLT adds an important vertical extension to the 'analysis' element of the IKE Analyze solution.
- + Ownership of PoleForeman protects a key part of the end-to-end IKE Analyze workflow.
- + Refining PLT's software delivery platform over time to a Cloud/SaaS model will enhance the quality of IKE's revenue base.

### Together, PLT & IKE provide industry thought-leadership and technical-leadership

- + PLT enhances IKE's in-house technical capability specific to the structural integrity of a pole and a network, adding another layer of expertise to allow IKE to further pursue its goal to set the industry "pole standard".

## Growth/Financial

### Opportunity to lever PLT's client base

- + PLT is the structural analysis platform used by more than 100 Electric Utilities, Communications groups and their engineering service providers. IKE has the opportunity to directly upsell IKE Analyze to many of these customers.
- + PLT has been a founder-led business with engineering roots. There is an opportunity to lever IKE's sales, account management and brand capabilities to grow the value of PLT products in the market.

### Cashflow positive acquisition

- + Expected FY20 pro forma annualised contribution from PLT of approximately US\$0.3m NPAT.
- + The acquisition is expected to be cashflow positive from day one.



# Acquisition terms

- + Purchase price of up to US\$3.4m including a US\$0.9m earnout.
- + Based on calendar 2019 revenue of US\$0.8m and NPAT of US\$0.3m
- + Consideration of US\$2.5m to be paid by way of 70% cash and 30% scrip on closing, and up to US\$0.9m in earn out payments by way of 70% cash and 30% scrip. All scrip consideration to be issued at the same price as the placement.
- + Issue of earn out cash and shares over a three-year period of US\$0.3m per year, subject to key employee / the founder remaining employed at IKE.



# Capital raise overview

- + IKE has today completed a \$5 million placement (the “Placement”), underwritten by Forsyth Barr Group Limited and announced a Retail Offer of up to \$1.5 million.
- + Proceeds of the capital raise will be used in part to fund the acquisition of selected assets of PowerLine Technology and for general corporate purposes.
- + The Placement price has been set at \$0.60 per share, equating to an 6% discount to the last traded price on 26 September.
- + Approximately 8.3 million shares to be issued under the Placement representing approximately 9% of current shares on issue.
- + IKE intends to undertake an offer of ordinary shares to existing shareholders via a Retail Offer of up to \$1.0 million with the option to accept oversubscriptions of up to \$0.5 million.
- + New shares will rank equally in all aspects with IKE’s existing ordinary shares from allotment.

# Timetable

## Placement

Placement announced

27 September 2019

Settlement and allotment of Placement

2 October 2019

## Retail offer

Record date

26 September 2019

Expected release of offer documents and application form

1 October 2019

Retail Offer opens

1 October 2019

Retail Offer closes

17 October 2019

Retail Offer allotment

23 October 2019

This timetable is indicative only and subject to change