

For Immediate Release

30 May 2019

IKE FY19 results

Growth in the U.S. Communications market. New customers & partners.

ikeGPS (IKE) advises the following, with results in line with its prior announcement 25 March 2019;

FY19 performance to 31 March 2019 (all figures NZD)

- Revenue growth in the core Communications & Electric Utility segment:
 - o Total recognised revenue of \$8.0m (PCP of \$7.7m).
 - o Revenue in IKE's core Communications and Electric Utility segment grew 27% against PCP, to approximately \$7.3m.
- Gross margin growth:
 - o Gross margin in the period of \$5.4m, 34% higher than PCP of \$4.0m.
 - o Gross Margin percentage improved to 67%, an increase against PCP of 51%.
- Lower operating expenses:
 - o Operating expenses were \$10.6m (PCP of \$10.8m), reflecting continued investment into Sales & Marketing and Research & Engineering, and a lower Corporate expense profile.
- Reduced net loss:
 - o Net loss after tax was \$5.1m, a 24% improvement against PCP of \$6.7m.
- Improved revenue mix:
 - o Record sales were made into the U.S. Communications and Electric Utility market, with approximately \$7.3m revenue.
 - \$1.9m revenue was generated from annual software subscriptions, with subscription renewal rates of approximately 91%.
 - \$1.4m revenue was generated from the new 'IKE Analyze' solution.
- Cash and receivables:
 - o IKE ended the period with cash of \$3.5m and receivables of \$1.4m.

Commentary

IKE CEO, Glenn Milnes, commented:

"We are pleased that our focus on the North American Communications & Electric Utility market produced growth in revenue and gross margin. Importantly for shareholders the FY19 period saw the transition to the IKE Analyze offering, which extends our solution offering and revenue model for FY20. Today, seven of the 15 largest Communications & Cable companies in the U.S. market are either in IKE Analyze deployments or engaged in pilots. The ultimate revenue opportunity is significant, with an IKE Analyze customer representing the potential for hundreds of thousands, and eventually, millions of dollars of revenue per annum."

"Recent customer additions have included Charter Communications Inc, the largest cable company in the U.S., and Crown Castle Inc, the largest provider of shared communications infrastructure in the U.S, among others. This followed AT&T Inc, the largest communications company in North America, standardizing on IKE for its aerial make-ready engineering. Approximately 80% of FY20 revenue from this segment is now expected to come from IKE Analyze transactions or from recurring software subscriptions."

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“From a team perspective, Chairman Rick Christie and fellow IKE directors were pleased to welcome Bill Morrow onto IKE’s Board 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 contributions to the business. Bill’s past roles include as CEO of Pacific Gas & Electric Co, 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. His considerable governance experience includes as non-executive director at Broadcom Inc, one of the world’s largest semi-conductor companies, and as a non-executive director at Openwave Inc, a pioneer of the Mobile Internet.”

“Our mobile product, Spike, is not expected to materially contribute to overall revenue in FY20 given the very large opportunity and subsequent focus on the North American Communications and Electric Utility market, however we consider that it has some notable upside potential. FY19 Spike sales were approximately \$0.7m. The strategy for Spike has continued to focus on partnerships so to tie directly into leading enterprise software platforms and established enterprise workflows, with some successes. This has included with ESRI Inc, the largest global GIS software business (see solution integration detail at <https://www.esri.com/en-us/about/esri-partner-network/our-partners/hardware-partners/ikegps-esri>) and also announcing with HP Inc, via integration with their HP WorkExpert for Field Services product (see solution integration detail at <https://www8.hp.com/us/en/solutions/fieldservices.html>). These types of partnerships provide an opportunity for Spike to access a larger volume, enterprise-type, user base. Some positive sales signs have emerged via ESRI in particular - with Spike also recently being awarded ESRI’s Global Partner of Year for Field Efficiency at their worldwide partner conference.”

“Looking to FY20 our focus remains squarely on the North American Communications & Electric Utility sector. From a market timing perspective, the pace of investment into fiber networks continues to increase. The U.S. fiber market is estimated to be at year-two of a seven-year investment super-cycle exceeding \$300B, and with more than 200 entities competing to deploy networks. An additional market tailwind emerging relates to 5G, the next generation mobile technology. IKE has recently been involved in aerial make-ready engineering projects specific to 5G network deployments where IKE Analyze materially improves site assessment workflow productivity. We are pleased to be in front of this market which is also global in nature.”

“As noted, IKE is in the early phases of serving numerous national infrastructure groups and investor-owned utilities. 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. We feel IKE is as well positioned as it has been, and the first quarter of FY20 has begun positively.”

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.

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