

For Immediate Release

30 May 2018

IKE FY18 results announcement

Significant improvement across all key metrics

ikeGPS (IKE) advises the following as relates to its FY18 period to 31 March 2018 (all figures NZD):

FY18 performance (all figures NZD)

IKE is pleased to report:

- Revenue growth:
 - o Recognised revenue of \$7.7m, 37% higher against PCP (FY17 \$5.7m).
 - o Additional deferred IKE4 revenue of \$1.2m.
 - o 86% growth in revenue of the higher margin IKE-branded products.
- Positive operating cash flow target met:
 - o Operating cash used in the full year of \$2.8m, a 69% or \$6.2m improvement against PCP (FY17 \$9.0m operating cash used).
 - o Approximately \$1.2m operating cash flow positive Q4 FY18, impacted by positive timing differences on receipts and payments.
 - o Approximately \$0.25m operating cash consumed 2H FY18.
 - o \$2.6m cash on hand at the end of the period.
- Gross margin growth:
 - o Gross margin in the period of \$4.0m, 76% higher against PCP (FY17 \$2.3m).
 - o FY18 gross margin was also impacted in FY18 by one-time non-cash charges of \$420k.
 - o IKE branded Products consolidated margin (adjusted for write-offs) of approximately 64% against guidance for 65%.
- Reduced operating expenses:
 - o Operating expenses were \$10.8m, \$2.4m lower than PCP (FY17 \$13.2m).
- Reduced net loss, trending positively:
 - o Net loss after tax was \$6.7m, a 37% improvement against PCP (FY17 \$10.7m).
 - o 2H FY18 net loss was approximately \$2.3m, a 48% improvement against 1H FY18 net loss of approximately \$4.4m.
- Product sales:
 - o Record IKE4 sales into the U.S. communications and electric utility market, with approximately \$5m revenue from a total of 476 systems shipped (including 46 rental contracts), and with approximately \$1.2m additional deferred revenue from IKE4 subscriptions.
 - Approximately 110% system volume sales growth against PCP (FY17 210 systems).
 - Record 243 IKE4 systems shipped 2H FY18.
 - In-market progress with Target Accounts included:
 - Sales and deployment into AT&T Inc., the largest communications company in the U.S., Verizon Communications Inc., the second largest communications company in the U.S., and Cox Communications Inc., a national fibre operator.
 - The IKE4 platform has now been sold into all six investor-owned utilities in the States of California and Washington.
 - Growth of an engineering services company supporting national fibre & communications companies to have approximately 80 IKE4 systems deployed by the end of Q4 FY18.
 - The new 'IKE Analyze' product was launched and delivered 2H FY18, providing the potential for IKE to significantly increase revenue from some target accounts.
 - o Spike sales, primarily into the Signage market, were steady against FY17.

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- Approximately \$1.2m revenue from 2,200 total units shipped (against PCP unit volume of 2,077).
- New solution partner, ESRI Inc., established for the Geospatial market that will expand the verticals that Spike will address FY19.
- Sales of the Stanley Smart Measure Pro of 8,849 units in the period, as expected (against PCP of 30,500 units).

FY19 outlook

Expectations for:

- Greater than 30% revenue and gross margin growth against FY18.
 - IKE4 revenue to be driven from the delivery of a fuller solution:
 - New IKE4 system sales
 - Recurring subscriptions from existing customers
 - IKE Analyze sales
- Operating cash flow breakeven for FY19.
- EBITDA breakeven by Q4 FY19.
- Operating expenditure to be similar in absolute dollar terms against FY18.
 - Sales and marketing costs will be higher than FY18, as investment toward growing existing customers and market share continues.
 - Engineering and corporate costs will decrease relative to FY18.

IKE CEO, Glenn Milnes, commented, “FY18 was a positive period for our business with all key performance metrics improving significantly against FY17. We believe that FY19 can be a stronger period again for both the IKE4 solution in the U.S. communications and electric utility market and for the Spike solution in the signage and geospatial markets.

“Our IKE4 solution has delivered a compelling ROI when deployed at volume across target enterprise accounts such as AT&T Inc. and this efficacy has enabled us to more quickly win new contracts across several more of the largest communications and electric utility businesses in the U.S. market. Simply, IKE4 lets our customers deploy their network faster. The ultimate revenue opportunity within these target accounts is substantial and we believe that market tailwinds, including US\$200B forecast to be invested into fibre network development over the coming years, provides us with the opportunity to take a meaningful position in pole measurement & pole management.”

Milnes added. “Our vision with the IKE4 solution is to be at the centre of every pole transaction as the standard record. We operate in defensive and slow-moving industries, typified by very large infrastructure businesses, but we have made significant progress through FY18 embedding our products in target accounts and in doing so developing diversified, recurring revenue streams. We expect our customer base to grow further in FY19 and remain focused on delivering value-added growth. “

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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