



**Get the measure of your world**

# **ikeGPS Group Limited (NZX:IKE)**

## **Results for the six months to 30 September 2016**

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**16 November 2016**

# Important Notice

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# Results

## Highlights for six months ended 30 September 2016

- Group revenue and other income of \$2.1m (\$4.5m prior calendar period).
- Supply chain event, as previously announced to the market, has been resolved but this pushed approximately \$2.8m of Stanley Smart Measure Pro revenue into 2H FY17.
- Operating costs reduced as several major development cycles were completed.
- Strongly positioned for 2H FY17 and beyond:
  - IKE4 sales, which typically have a lumpy profile, were soft in the period as previously announced to the market. The IKE4 opportunity pipeline, which is the best indicator of medium term sales, continued to grow in volume and quality.
  - Stanley Smart Measure Pro sales volume guidance was upgraded twice during 1H FY17 by approximately 50%, to 39,500 units. Materially all to ship 2H FY17.
  - Spike sales momentum remained strong and on target for 50% year-on-year growth for FY17, with >60% software subscription rates.
- Net loss of \$6.0m (\$4.4m prior calendar period).
- Guidance for cash breakeven in Q4 FY17.
- ASX listing on track for November 2016.

## Operating review

- Efficiency & cost reduction initiatives were implemented through 1H FY17 with the Company's engineering cost base reduced materially following the completion and launch of several new products.
- Headcount at September 2016 reduced more than 25% against headcount at March 2016.
- Projected cash breakeven in Q4 FY17.
- Cash on hand at 30 September 2016 of \$7.5m.

# Consolidated interim statement of profit or loss and other comprehensive income

	Unaudited 6 months to September 2016 \$'000's
<b>Continuing operations</b>	
Operating revenue	1,970
Cost of sales	(902)
<b>Gross profit</b>	<b>1,068</b>
Other income	114
Operations cost	(466)
Sales and marketing expenses	(1,762)
Research and engineering expenses	(2,382)
Corporate costs	(2,528)
Foreign exchange (losses)/gains	(888)
<b>Expenditure</b>	<b>(8,026)</b>
<b>Operating loss</b>	<b>(6,844)</b>
Net finance income	15
<b>Net loss before income tax</b>	<b>(6,829)</b>
Income tax (expense)/credit	(7)
<b>Loss attributable to owners of ikeGPS Group</b>	<b>(6,836)</b>
<b>Other comprehensive loss</b>	
Exchange differences on translation of foreign operations *	830
<b>Comprehensive loss</b>	<b>(6,006)</b>
Basic loss per share	\$ (0.13)
Diluted loss per share	\$ (0.13)

# Consolidated interim balance sheet

Unaudited September 2016

<b>ASSETS</b>		\$'000's
<b>Current assets</b>		
Cash and cash equivalents		7,484
Trade and other receivables		1,127
Prepayments		970
Inventory		1,088
<b>Total current assets</b>		<b>10,669</b>
<b>Non-current assets</b>		
Property, plant and equipment		1,425
Intangible assets	3	4,263
Deferred tax asset		21
<b>Total non-current assets</b>		<b>5,709</b>
<b>Total assets</b>		<b>16,378</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables		798
Employee entitlements		239
Deferred revenue		107
<b>Total current liabilities</b>		<b>1,144</b>
<b>Non-current liabilities</b>		
Deferred revenue non-current		13
<b>Total non-current liabilities</b>		<b>13</b>
<b>Total liabilities</b>		<b>1,157</b>
<b>Total net assets</b>		<b>15,221</b>
<b>EQUITY</b>		
Share capital	4	45,245
Share based payment reserve		368
Accumulated losses		(30,872)
Foreign currency translation reserve		480
<b>Total equity</b>		<b>15,221</b>

# Outlook



# FY17 KPI's: progress update

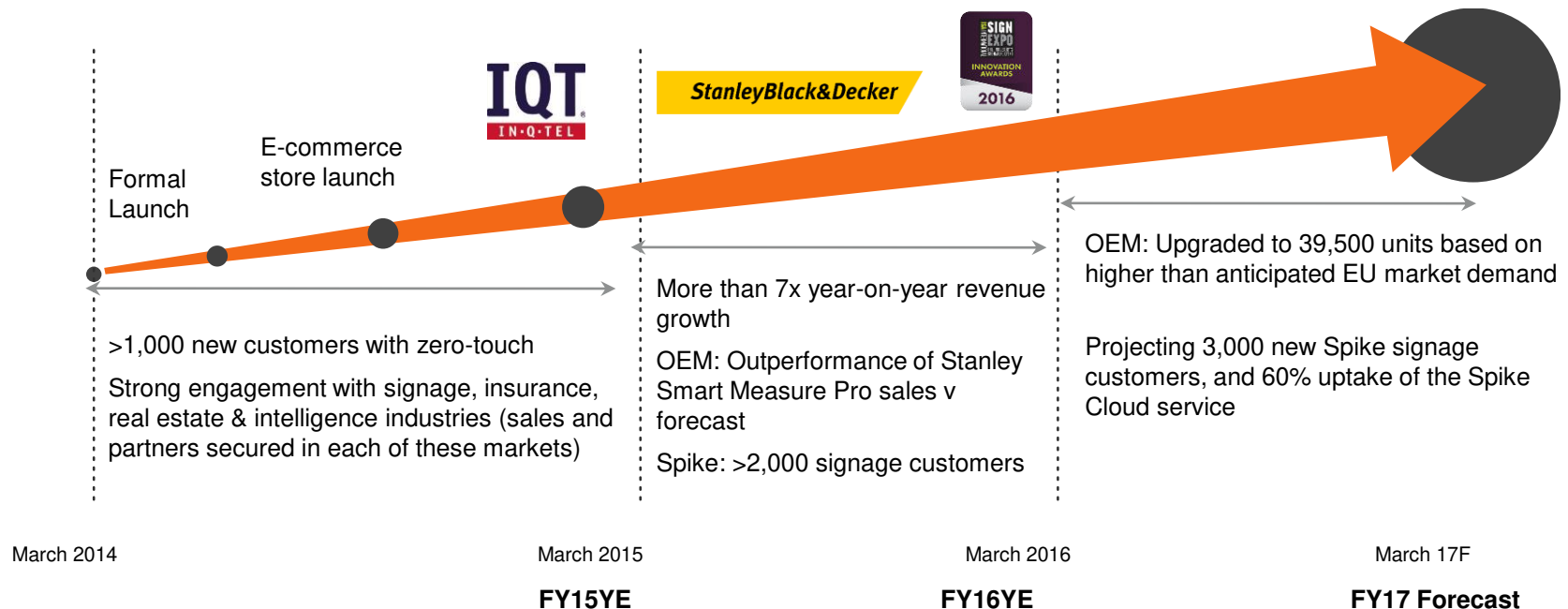
Metric	Projected Performance	Update
Customer and market growth	<p>IKE4 / Electric Utilities vertical * 50% customer growth against FY16</p> <p>Spike / Signage vertical * 50% customer growth against FY16</p> <p>Smart Measure Pro / Construction vertical * 26,000 units in FY17</p>	<p>Soft sales in 1H FY17. - Sales opportunity pipeline for 2H FY17 supports full year guidance, but some risk.</p> <p>On track.</p> <p>Upgraded twice in six month period, and maintained for 39,500 units. - Materially all units to ship, an estimated \$2.8m revenue, to be recognized 2H FY17</p>
Cash	Cash breakeven Q4 FY17	On track.
Gross margins and business model	<p>65% Gross Margin on ike-branded products</p> <p>Recurring revenue streams established across all products</p>	<p>On track.</p> <p>On track.</p>
Sales & Marketing	30% of revenue invested into sales & marketing	On track.
Corporate	Dual listing on ASX	On track to complete November 2016.

# Historical Year-on-Year Growth: Results after Tax

	<b>FY14</b>		<b>FY15</b>		<b>FY16</b>
	Audited FY14A \$'000's	Y-O-Y Change	Audited FY15A \$'000's	Y-O-Y Change	Audited FY16A \$'000's
Revenue and other income	1,884	2.1x 114%	4,026	2.3x 129%	9,214
Expenditure	(3,600)		(9,215)		(17,392)
<b>EBITDA / (loss)</b>	<b>(1,716)</b>		<b>(5,189)</b>		<b>(8,178)</b>
Depreciation and amortisation	(363)		(807)		(1,306)
FX gains / (loss)	(158)		625		280
Other expenses from IPO	—		(272)		-
<b>EBIT / (loss)</b>	<b>(2,237)</b>		<b>(5,643)</b>		<b>(9,204)</b>
Net finance income / (expenses)	(49)		565		361
Tax benefit / (expense)	24		(3)		7
<b>NPAT / (loss)</b>	<b>(2,262)</b>		<b>(5,081)</b>		<b>(8,836)</b>

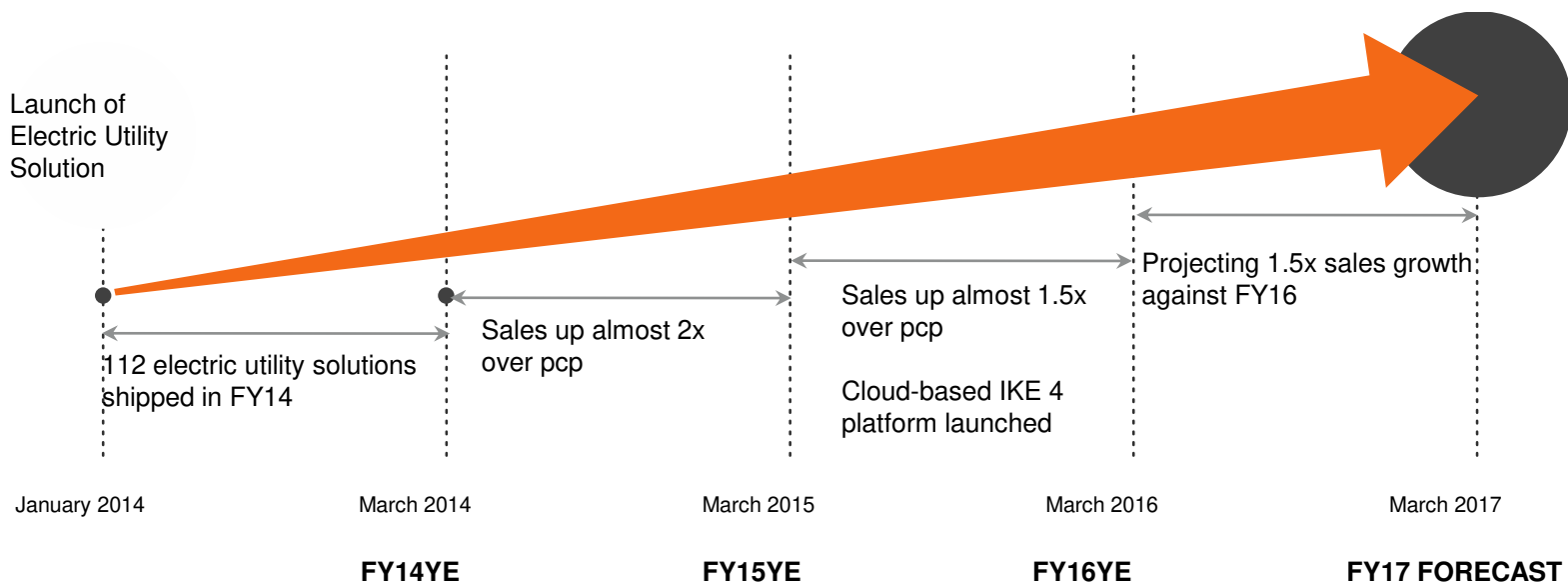
# Mobile solutions momentum: Signage & Construction markets

- Stanley Smart Measure Pro and Construction industry
  - Two upgrades in 1H FY17 to 39,500 units based on orders for several European markets.
  - Upgraded volume guidance maintained. Manufacturing and shipping fully resumed from October.
- Signage industry
  - Near term potential deals expected to further expand geographic distribution
  - The addressable market for Spike in Signage is estimated to be 150,000 businesses & greater than \$300m.
- New partners
  - Recently announced product & licensing deal with OtterBox Products Inc.,
- New vertical markets
  - Progress in industries such as Insurance, Real Estate, Intelligence, Defence and general asset management.

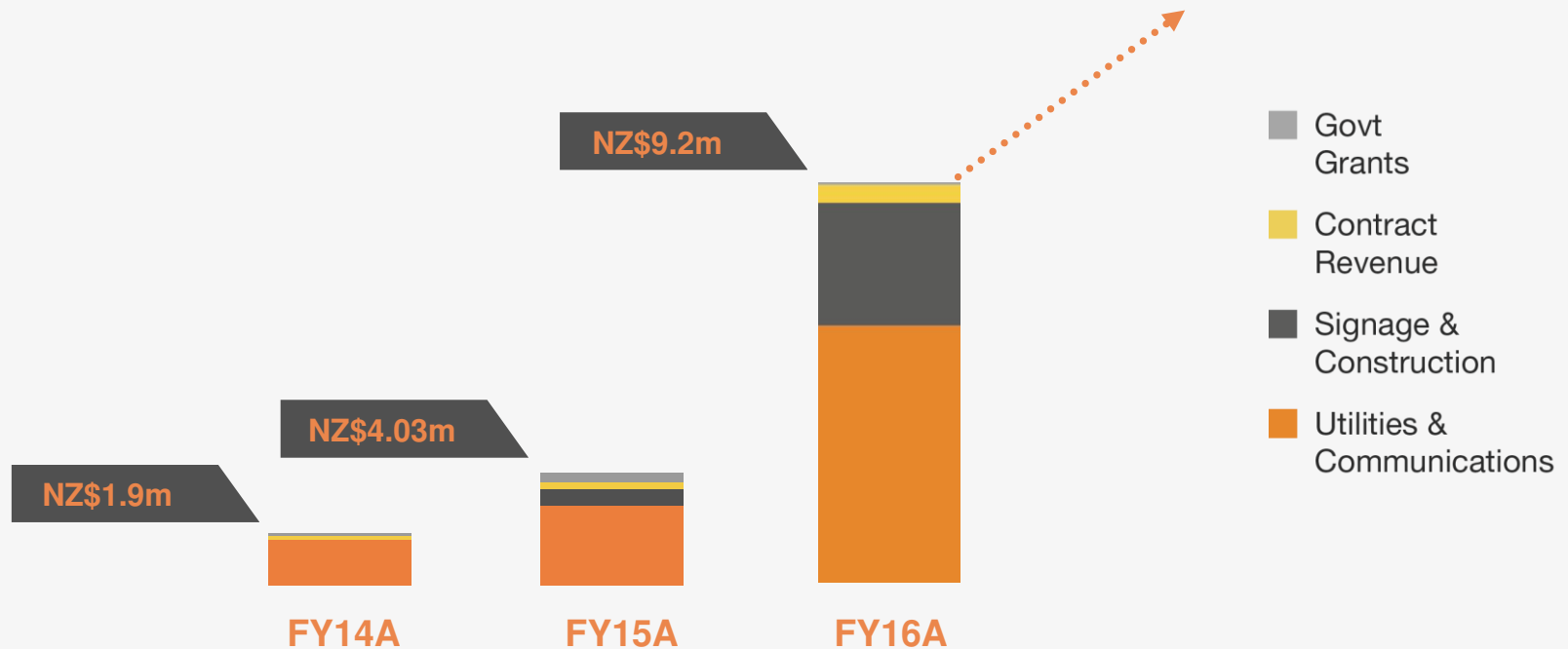


# IKE4 & electric utility & communications market momentum

- Sales were soft in the 1H FY17 period, as previously advised to the market.
- The IKE4 opportunity pipeline for 2H FY17 has the potential to deliver full year target of 50% growth against FY16
- These larger deals remain lumpy, the timing to close deals remains uncertain and there is therefore risk around achievement of this year-on-year growth target.
- New subscription-based IKE solution is positioned to deliver more value to this market - estimated as an addressable opportunity of \$700m.






## New vertical markets being developed



# Product update

Market & business model diversification

# Market, product and business model expansion

Market / solution	Business model	Go-To-Market approach	FY16 momentum	Total Addressable Market
<b>Electric utilities market / IKE4 solutions</b> 	<p>Year 1 (per solution)</p> <ul style="list-style-type: none"> <li>- US\$8,795 for mobile software &amp; device</li> <li>- US\$1,995-2,990 cloud subscription</li> </ul> <p>Year 2 onward</p> <ul style="list-style-type: none"> <li>- US\$1,995-2,990 per annum (cloud subscription)</li> </ul>	<ul style="list-style-type: none"> <li>- Direct sales &amp; service in US.</li> <li>- Direct account management in US.</li> <li>- Partner network ex-US markets.</li> </ul> <p>Typical enterprise account opportunity \$50k to \$1m+</p>	<ul style="list-style-type: none"> <li>- &gt;300 US electric utilities and engineering companies relying on the IKE solution every day</li> <li>- First account grown to over \$1m in revenue, supporting Google Fibre</li> </ul>	<p>\$700m p a in US</p> <p>3,200 electric utilities, &gt;1,000 utility engineering companies in the US</p>
<b>Signage &amp; new markets / Spike mobile solutions</b> 	<p>Year 1 (per solution)</p> <ul style="list-style-type: none"> <li>- US\$499 for Spike device, mobile app and cloud subscription</li> </ul> <p>Year 2 onward:</p> <ul style="list-style-type: none"> <li>- US\$50-249 per annum (cloud subscription)</li> </ul>	<ul style="list-style-type: none"> <li>- Web &amp; e-commerce.</li> <li>- Sign supply resellers (globally).</li> <li>- Franchise partnerships.</li> </ul> <p>Highly scalable, low touch</p>	<ul style="list-style-type: none"> <li>- &gt;2,000 US sign companies relying on the Spike solution every day</li> <li>- &gt;60% cloud adoption</li> <li>- Winner International Sign Association's Product of the Year</li> </ul>	<p>\$300-500m TAM for signage market</p> <p>150,000 signage businesses in North America &amp; Europe</p> <p>Multiple large additional vertical markets such as insurance and real estate</p>
<b>Construction market / Stanley Smart Measure Pro</b> 	<p>Year 1 (per solution)</p> <ul style="list-style-type: none"> <li>- US\$149-219 MSRP for mobile app and device</li> <li>- US\$19,99 per month (cloud subscription)</li> </ul> <p>Year 2 onward:</p> <ul style="list-style-type: none"> <li>- US\$19,99 per month (cloud subscription)</li> </ul>	<ul style="list-style-type: none"> <li>- ikeGPS as OEM</li> <li>- Fortune 500 brand in Stanley Black &amp; Decker</li> <li>- Big Box retail stores, globally, for distribution</li> <li>- Mobile app and web marketing to drive subscriptions</li> </ul> <p>Highly scalable, low touch</p>	<ul style="list-style-type: none"> <li>- Successful launch through Lowe's stores across North America</li> <li>- Sell through rates approximately 1,000 units per week</li> <li>- Launching into European markets through 2016 &amp; 2017</li> </ul>	<p>Very large, unquantified TAM</p>

# The global requirement for electric utilities to measure & manage distribution structures is vast



The market  
(utility poles)



Global 1.24b

IKE solves a global problem



- Initial target: U.S. pole owners, those attaching to poles, and their service providers.
- Expanding into new geographical markets such as Australia & South Korea
- Motivation: Utilities and communications companies are required to measure, audit & model distribution networks for operational, revenue generating and regulatory reasons



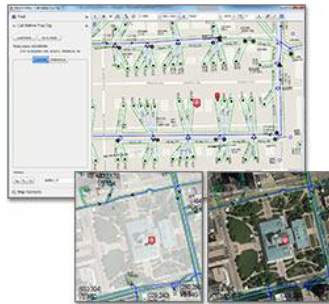
# The IKE4 Poles solution is end-to-end

## Unique Mobile Tool



- Designed from the ground-up to sense and measure poles and wires
- Integrates laser, camera, IMU, cellular communications and positioning tech in an Android platform.

## Mobile Software



## Cloud software



- Workflow management software
- Measurement and modelling software to analyse and manage structures
- Data exported into back-end software with large customer bases



## Business model

US\$8,795 per  
mobile device



US\$1,995 - \$2,990  
p a cloud sub



US\$995 services  
per solution



**Year 1 : US\$11,785 per solution**

**Year 2 + : US\$1,995 - \$2,990 per sub**

# Spike turns your Smartphone & PC into a powerful measurement & workflow solution



Smartphone



Spike tool



Spike Cloud

## Business Model

BYOD – Smartphone or Tablet



Free iOS or Android App



Spike Device + Spike Cloud  
\$499 (USD), Year 1



Subscription up to \$249 (USD),  
Year 2



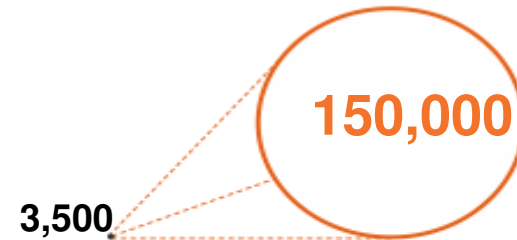
Year 1 : \$499 (USD) per solution

Year 2+ : ongoing sub revenue

# An opportunity to dominate the \$300-500m Signage market



signage businesses relying on Spike every day to improve their business processes and save time & money



while we've won 3,500 customers in the initial 18 months since launching into this market, there are another 147,000 to serve

*"The most important product to enter the signage market in the past decade"*



# Spike has broad market opportunities in FY17 and beyond



Architecture



Construction



**Defence**



Facilities Management



**Government**



**Insurance**



Law Enforcement



**Real Estate**



Retail



**Sign & Graphics**



Utilities

Strategy is to develop these new verticals based on:

- 1) Parallel niches to the Sign and Digital Graphics Industry
- 2) Integration tools: API's and SDK's targeting lead software providers in industry segments in which measurement is missing from the solution app/service



# Stanley Smart Measure Pro is a retail solution with Cloud upsell



- Successful US launch at Lowe's during Holiday promo 2015
- Successful UK product introduction in early 2016
- Targeting the construction and contractor market



## Business Model

ikeGPS is OEM Supplier



Stanley provides strong brand with global retail distribution



Stanley Device sold at retail POS & online, \$149 (USD)



Cloud Subscription at \$19.99 (USD) /month



Hardware Revenue: Supply price per unit  
Software Revenue: Revenue share on user subscription

# Success in the US brings Europe market entry 2H FY17



## 5 STEPS TO WORKING SMARTER

### ATTACH

The Smart Measure Pro clips onto your phone and communicates with the app via Bluetooth. It works with most Apple and Android phones.



### SNAP

Take photos on your phone of the area you need to measure, from up to 137m away if it's a big job.

### MEASURE

Use the simple app to capture the width, height and area of your target.



### CALCULATE

Then use the calculator function to quickly estimate materials required for the job, such as bricks, drywall, insulation or paint.

### SHARE

Send images and measurements to customers, colleagues or suppliers as JPEG or PDF files.

# Thanks

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