

For Immediate Release

25 March 2019

Revenue and gross margin growth from the Utility & Communications segment.

Enhanced revenue model in place.

IKE confirms the following related to expected full year FY19 results ending 31 March 2019 (all figures NZD):

- Revenue from IKE's core Utility & Communications segment in North America is expected to be greater than 25% higher than PCP (PCP was \$5.8m).
 - This is a result of growing IKE Analyze solution revenue and increased software subscription revenue.
- Total FY19 revenue will exceed FY18 and is expected to be approximately 5% higher than PCP (PCP was \$7.7m)
- Total FY19 gross margin is expected to be greater than 35% higher than PCP (PCP was \$4.0m).
 - Reflecting a focus on the higher value Utility & Communications segment.
- Gross margin percentage in FY19 is expected to increase from PCP of 51% to greater than 65%.
- EBITDA performance has improved significantly against PCP as a result of increased gross margin and reduced expenses, noting EBITDA breakeven for Q4 FY19 will not be achieved.
- Cash-on-hand and receivables at 31 March 2019 are expected to be approximately \$5m.

IKE CEO, Glenn Milnes, commented: "We are pleased that our focus on the North American Utility & Communications market has resulted in the significant growth of segment-specific revenue and gross margin, and significantly improved overall EBITDA performance."

"Importantly for shareholders we have completed the process to extend and enhance our revenue model with the IKE Analyze offering. IKE Analyze leverages our cloud-based pole software platform so that IKE can deliver more value to a customer via asset analysis, make ready engineering and other analytics. The impact is that approximately 80% of FY20 revenues are expected to come from recurring software subscriptions or from the ongoing use of the IKE platform by existing and new customers, via IKE Analyze transactions.

IKE's focus on scale delivery into large infrastructure businesses inherently brings timing uncertainty around deal closures and consequently some lumpiness to growth, particularly in any near-term forecast. We continue to pursue various outsize IKE Analyze contracts with existing customers, noting that one large follow-on opportunity that had been forecasted for FY19 did not close in the period."

Milnes added. "From a market perspective, the pace of the roll out of fiber and related networks across North America continues to increase. IKE has become embedded in the aerial make-ready engineering workflows of several tier-1 infrastructure customers operating nationally, such as AT&T Inc., which gives us heightened visibility into region-by-region growth opportunities for the coming year - directly with these customers and with their engineering service providers. Importantly, the latter part of Q4 FY19 has seen a positive uptick in new run rate contracts which provides positive momentum as we enter FY20."

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. Usage of the IKE pole 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. This means deploying a network faster, for less.

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