



FOR IMMEDIATE RELEASE, 8 February 2024

**Multiple large, multi-year subscription contracts closed
IKE performance update for Q3 FY24**

ikeGPS Group Limited (IKE) (NZX: IKE / ASX: IKE) is pleased to release an update for the nine-month period to 31 December 2023 (all figures in NZD). IKE will host a webinar 8 February 2024 at 11am AEDT/1pm NZDT to discuss performance and outlook. To register, please click:

https://us02web.zoom.us/webinar/register/WN_k6Z1Ze4oSampfz-39DwurQ

Highlights:

- + YTD revenue of ~NZ\$15.3m (-34% pcp).
 - + Subscription revenue of ~NZ\$7.9m (+24% vs pcp).
 - + Transaction revenue of ~NZ\$5.1m (-65% vs pcp).
- + YTD gross margin of ~NZ\$8.8m (-28% vs pcp), with a gross margin percentage of ~58% (up from pcp of ~53%).
- + Total cash and receivables as of 31 December 2023 of NZ\$15.2m (vs NZ\$16.3m at 30 September 2023), comprised of NZ\$8.0m cash and NZ\$7.2m receivables, with payables of NZ\$0.8m and no debt.
 - + Noting that as at 31 January 2023, cash increased to NZ\$11.0m and receivables decreased to NZ\$3.5m.

Commentary and outlook

IKE CEO Glenn Milnes commented, "Q3 FY24 was a stronger period at IKE. Customer wins and growth in recurring subscription revenue was strong, and the adoption of our recently released IKE PoleForeman product by key clients underscores its value & capabilities and sets a precedent for further adoption across our expansive customer network in the coming quarters.

Recent subscription sales highlights included:

- Signing a ~NZ\$3.7m subscription contract with a Fortune 150 Company and one of the ten largest Investor-Owned-Utilities (IoU's) in the U.S., upgrading them from IKE's legacy product to our new IKE PoleForeman structural analysis platform. Over the coming five years, this long-term customer commitment means over 1,000 engineers at this utility will use IKE PoleForeman's advanced capabilities for network design. This upsell signifies a more the tenfold increase in annual recurring revenue from this customer versus IKE's legacy product (~NZ\$70k p.a. increased to ~NZ\$700k p.a. subscription revenue), demonstrating the value of the product to the customer.
- Early Q4 we closed another large U.S. electric utility to a ~NZ\$450k three-year subscription contract for IKE PoleForeman, representing a five-fold increase in annual recurring revenue from this customer versus our legacy product.

- In addition, we signed a large national engineering firm to a ~NZ\$0.5m three-year subscription contract, also for the new IKE PoleForeman product.
 - o The signing of these long-term subscription contracts, at dramatically increased revenue levels and with multi-year commitments, demonstrates the value of this new product and validates our ability to transition tier-1 infrastructure customers. Additional large subscription contracts from U.S. utility groups are imminent over the coming months.
- Subscription deals for our IKE Office Pro included signing 12-month contracts for ~NZ\$0.2m with one of the largest communications groups in North America, a ~NZ\$0.3m subscription contract with a national engineering group, and a ~NZ\$0.25m subscription contract with another national engineering group.

In terms of transaction revenue, positively, we have seen an uptick in closed contracts as well as various outside pipeline opportunities being progressed. Recognized revenue continued to be low in Q3 relative to pcp however. This slow-down has been well signaled to the market, with several major IKE customers in the U.S. communications segment having network projects slowed, mostly with unrelated regulatory impediments. We continue to reiterate that these long-term customers are not lost, and they have communicated their expectation that the multi-year outlook for use of the IKE platform is robust.

Recent transaction sales highlights included:

- An agreement with a U.S. electric utility expected to generate ~NZ\$1.3m transaction revenue over the next three years, with ~NZ\$0.4m revenue expected over the coming 12 months.
- In addition, one of our 'slowed' long-term communications customers, referenced above, has resumed some volume, placing orders that are expected to generate ~NZ\$0.5m transaction revenue over the coming quarter and with an expectation for another ~NZ\$0.5m in the following quarter.

Overall, our sales pipeline is strong and has grown. We have won approximately 40 new enterprise customers in the U.S. market over the past nine months, continuing a win rate of approximately one new customer per week. As a reminder of our business model, IKE generates additive transaction revenue, on top of subscription revenue, from some customers as they engineer more network assets in our system.

During Q3 we also reduced our cost base to maintain the timeframe towards both EBITDA and cash positive operations. Regrettably this included releasing team members representing approximately 19% of total employee numbers and approximately 14% of total employee costs. Most of the impacted roles were U.S.-based back-office and service positions. We also reduced other contractor cost items, and in total expect the impact of this process to reduce annualized costs by ~NZ\$4m beginning Q4 FY24. The Company incurred one-time charges related to these reductions of ~NZ\$0.5m during the Q3 FY24 period. As consistently stated, management and the Board remain cognizant of the importance of maintaining a strong balance sheet position, executing against immediate revenue growth opportunities, whilst retaining the ability to manage costs appropriately.

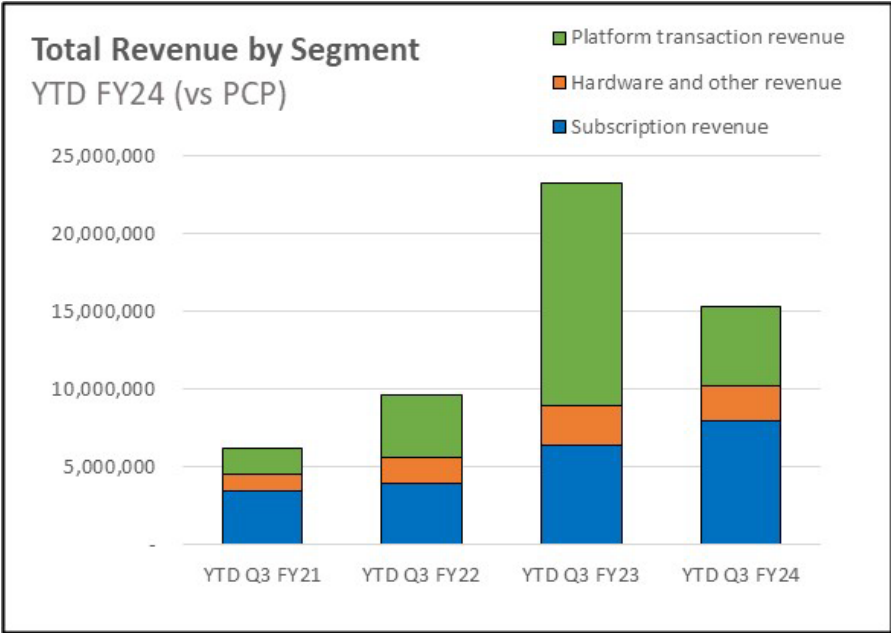
Our balance sheet remains robust, noting that the USD and AUD foreign exchange rates impact our reported NZD position each quarter.

Macro-market tailwinds across North America remain highly supportive, driven by the multi-year investment being made into building overhead fiber and 5G networks, and additively, the forecasted US\$300B investment by electric utilities into building & maintaining distribution power network capacity and associated network hardening. To meet carbon-zero targets in the U.S. by 2050, analysts forecast that the approximately 50% of the energy in the U.S. needs to be on the electrical grid, from a position of just 20% today. IKE's product suite drives productivity in support of these network engineering and capacity activities.

We are executing on sizable sales opportunities and based on closed long-term contracts and an expanding pipeline expect healthy growth in the FY25 period and beyond.”

Performance across the business is set out in the following table and charts.

	YTD FY24	PCP (YTD FY23)	% Change
Total Revenue	NZ\$15.3m	NZ\$23.3m	-34%
Platform Transactions			
# of Billable Transactions	197k	376k	-48%
Platform Transaction Revenue	NZ\$5.1m	NZ\$14.3m	-65%
Gross Margin	NZ\$0.7m	NZ\$5.3m	-87%
Gross Margin %	14%	37%	
Platform Subscriptions			
Total # of Subscription Customers	368	356	3%
Platform Subscription Revenue	NZ\$7.9m	NZ\$6.4m	+24%
Gross Margin	NZ\$6.9m	NZ\$5.7m	+21%
Gross Margin %	87%	88%	
Hardware & Other			
Hardware & Services Revenue	NZ\$2.3m	NZ\$2.5m	-9%
Gross Margin	NZ\$1.3m	NZ\$1.3m	-3%
Gross Margin %	55%	51%	

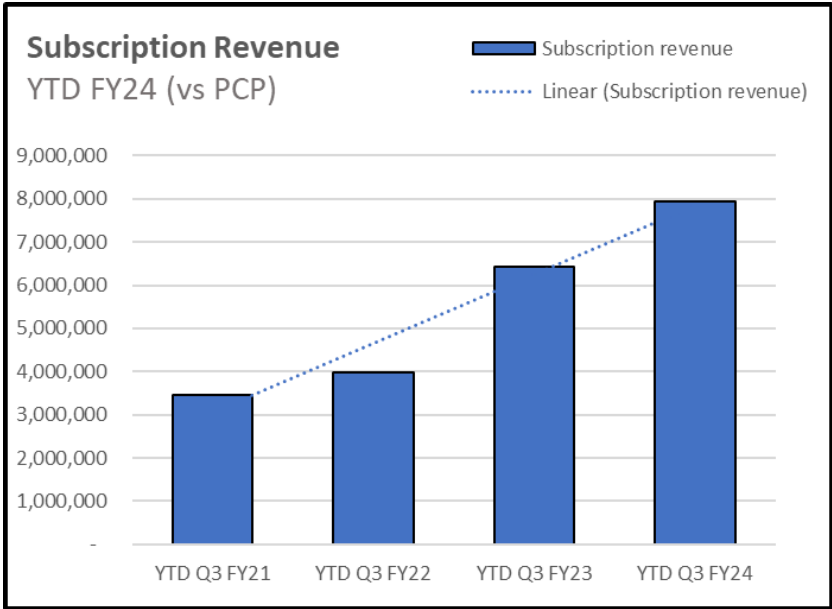


Takeaways

Four-year revenue CAGR of 35%

Recurring subscription and reoccurring transaction revenues (shown by the green and blue segments in this chart) dominate IKE's revenue mix, at 85% YTD.

An expectation for healthy contract growth in the FY25 period and beyond.

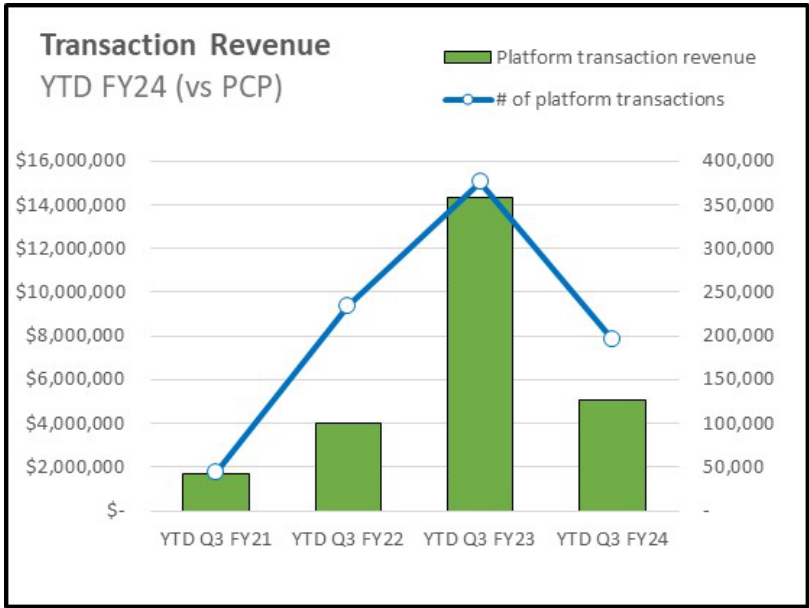


Takeaways

Significant growth in underlying subscription revenue.

Four-year subscription revenue CAGR of 32%,

During FY25, this is expected to increase materially due to sales of IKE's next-generation IKE PoleForeman product.



Takeaways

Four-year transaction revenue CAGR of 45%, but 65% lower YTD FY24 vs pcp due to FY23 seeing outsize customer growth and activity.

Based on guidance from long-term customers IKE expects transaction volumes and associated revenue to build into FY25.

ENDS

About IKE

We're IKE, the PoleOS™ Company. IKE seeks to be the standard for collecting, analysing and managing pole and overhead asset information for electric utilities, communications companies, and their engineering service providers.

The IKE platform allows electric utilities, communications companies, and their engineering service providers to increase speed, quality, and safety for the construction and maintenance of distribution assets.

The core revenue engine for IKE is driven by the number of enterprise customers subscribing to the IKE platform and the volume of assets (called Transactions) being processed through IKE's software.

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