



FOR IMMEDIATE RELEASE, 29 November 2023

## 1H FY24 Financial Statements

Revenue of ~\$10.5m (-32% vs pcp).

Strong ongoing growth in subscription revenue (+24% vs pcp).

Short-term slow-down in transaction revenue due to delays in engineering projects with long-term customers, with multi-year volumes expected to resume.

Cost reductions executed in Q3 to accelerate time to EBITDA breakeven.

## IKE financial results for 1H FY24

ikeGPS Group Limited (IKE) (NZX: IKE / ASX: IKE) is pleased to release the financial results for 1H FY24 to 30 September 2023 (all figures in NZD).

Highlights for the half year, with results in line with the performance update of 26 October 2023:

- + Revenue 1H FY24 of ~\$10.5m (-32% vs pcp).
  - + Subscription revenue was ~\$5.1m (+24% vs pcp).
  - + Transaction revenue was ~\$3.7m (-60% vs pcp).
- + Gross margin 1H FY24 of ~\$6.2m (-24% vs pcp), reflected in the revenue mix above.
- + Gross margin percentage 1H FY24 of ~59% (up from pcp of 53%).
- + Net loss was ~ -\$6.9m (pcp \$1.1m profit). This change was primarily due to:
  - + Gross margin of \$6.2M (~-\$2m vs pcp)
  - + Foreign exchange and asset fair value movements of \$0.3m (~-\$4.7M vs pcp).
- + Cash and receivables at 30 September 2023 of ~\$16.3m, comprised of \$10.2m cash and \$6.1m receivables, with payables of \$1.2m and no debt.

## Commentary and outlook

IKE CEO Glenn Milnes commented, "As communicated to the market in October, 1H FY24 was a mixed period at IKE. New customer wins (40 customers YTD) and growth in recurring subscription revenue was strong, positioning the business well for the long term. Net churn of customers at <4% evidence the stickiness of IKE products. However, transaction revenue fell for the first time. This slow-down was well signaled to the market, with several major IKE customers in the U.S. communications segment having network projects slowed in the short-term, mostly because of unrelated regulatory impediments or with short-term disputes with electric utilities. These long-term customers are not lost, some have resumed placing contracts in Q3 or are communicating that they expect transaction volumes to resume and that the multi-year outlook for use of the IKE platform is robust. In addition, IKE continues to pursue new transaction customer opportunities. As a reminder of IKE's business model, the company generates additive transaction revenue, on top of subscription revenue, from some customers as they engineer more network assets in our software system."

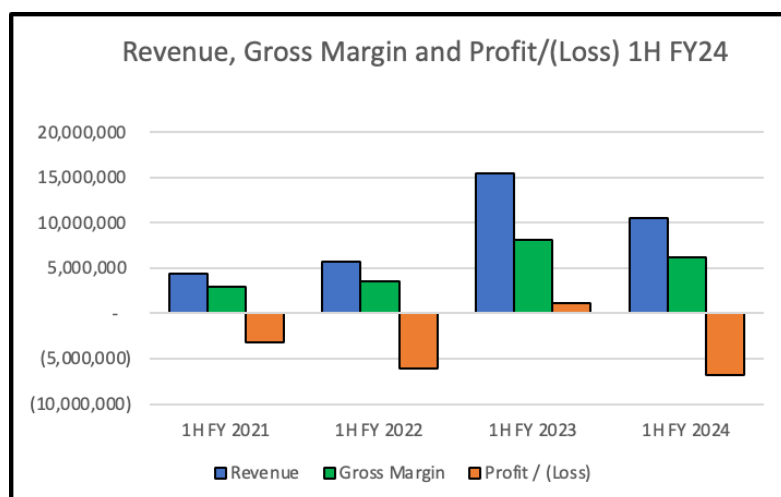
In other areas of business development:

- **New subscription product launched:** Our next-generation IKE PoleForeman product was released to the market in the period, having been designed with a customer council including the Engineering Standards leaders from five-of-the-ten largest investor-owned utilities and the largest communications company in the United States. We are optimistic that this new product will deliver significant value to existing customers and to the wider market. Because of the associated new features, subscription business model and pricing, during FY24 and FY25 it is expected this product will drive an additive \$6-7m of annual recurring subscription revenue from the existing PoleForeman customer footprint, so up to five times higher than legacy product levels. A launch webinar, attended by more than 300 North American utility, communications, and engineering companies, can be viewed at <https://ikegps.com/ike-poleforeman/>.
- **Cost-down program:** In Q3, we reduced IKE's 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. Most of the impacted roles are U.S. based back-office and service positions. We have also reduced other contractor cost items. In total we expect the impact of this process to reduce annualized costs by approximately \$4m. 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.
- **Training business acquisition:** In 1H, we acquired the assets of the Marne & Associates NESC compliance training business to allow us to add more value to, learn from, and cross-sell our technology products to end users via our expanding Training and Education offerings. We anticipate training thousands of engineers at U.S. electric utilities over the coming 12-18 months and have already hosted several training NESC webinars with attendees exceeding 400 engineers per session from U.S. electric utilities, communications companies, and engineering firms.
- **Customer expansion:** We have seen continued expansion of various existing customers. Several new and important tier-1 enterprise groups have been onboarded in the 1H period and we expect more to follow in 2H. 1H customer wins include a North-East electric utility group ranked in North America's top ten investor-owned utilities in a deal worth more than \$400k subscription revenue over the next three years. Another material win was a contract with a national communications company for expected \$1.5m+ subscription revenue. This is supporting an assessment of more than one million distribution assets in California, and cross-sales into other regions of their business are in progress.

The long-term growth outlook for IKE remains strong. Key market drivers include the requirement for North American electric utilities to build grid capacity & resiliency over the coming 20-plus years and the race between more than 200 communications companies to build fibre & 5G networks across the U.S. and Canada. IKE solutions drive significant productivity benefits into these network engineering programmes. We anticipate that a healthy run rate of new contracts will close in the 2H FY24 period and beyond."

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

	1H FY24	PCP (1H FY23)	% Change
<b>Total Revenue</b>	\$10.5m	\$15.4m	-32%
Total # of customers	408	361	+13%
<b>Platform Transactions</b>			
# of billable transactions	144k	259k	-44%
Platform transaction revenue	\$3.7m	\$9.4m	-60%
Gross Margin	\$0.7m	\$3.6m	-80%
Gross Margin %	19%	38%	
<b>Platform Subscriptions</b>			
Platform subscription revenue	\$5.1m	\$4.1m	+24%
Gross Margin	\$4.5m	\$3.6m	+23%
Gross Margin %	87%	88%	
<b>Hardware &amp; Other</b>			
Hardware & Services revenue	\$1.7m	\$1.9m	-11%
Gross Margin	\$1.0m	\$0.9m	+5%
Gross Margin %	60%	50%	

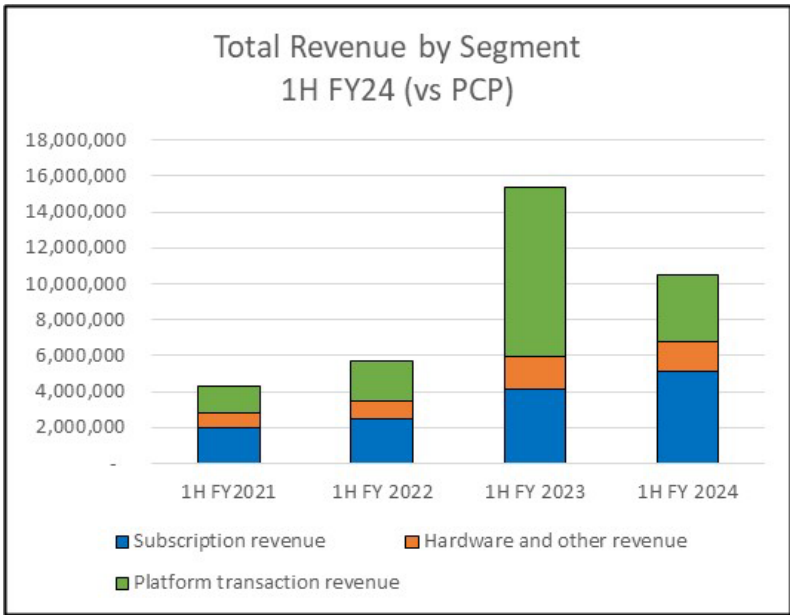


#### Takeaways

Revenue 1H FY24 of ~\$10.5m (-32% vs pcp).

Gross margin percentage 1H FY24 of ~59% (up from pcp of 53%).

Net loss was ~ -\$6.9m (pcp \$1.1m profit). This change was due to lower total gross margin dollars by ~\$2m and lower foreign exchange and fair value movements by ~\$4.7M.



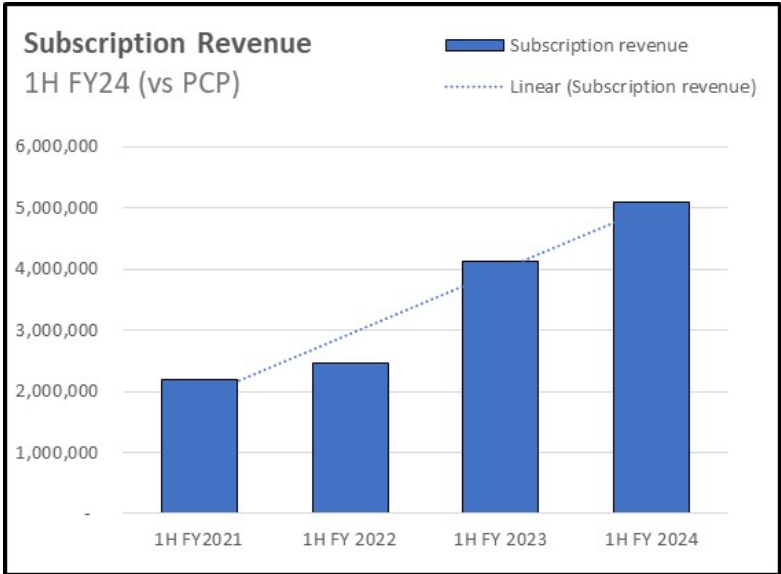
**Takeaways**

Four-year revenue CAGR of 34%.

Recurring subscription and reoccurring transaction revenues (shown by the Green and Blue segments in this chart) dominate IKE's revenue mix, at 84% YTD.

Four-year transaction revenue CAGR of 49%. With FY23 seeing outsize customer growth and activity.

An expectation for healthy growth in the 2H FY24 period and beyond.



**Takeaways**

Significant growth in underlying subscription revenue.

During FY24 and FY25, this is expected to increase materially with IKE's next generation PoleForeman being released in FY24, that is forecast to be adopted by the existing customer footprint of tier-1 utilities currently using the legacy version.

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## About ikeGPS

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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