



FOR IMMEDIATE RELEASE, 25 October 2023

1H FY24 Performance Update

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

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

Slow-down in transaction revenue due to delayed engineering projects with long-term customers, with volumes expected to resume.

IKE performance update for 1H FY24

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

Highlights for the quarter:

- + 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%).
- + Cash and receivables as at 30 September 2023 ~\$16.3m, comprised of \$10.2m cash and \$6.1m receivables, with payables of \$1.2m and no debt.

IKE notes that the full financial statements for the six-month period to 30 September 2023 are expected to be released 29 November 2023.

Commentary and outlook

IKE CEO Glenn Milnes commented, "1H FY24 was a mixed period at IKE. Customer wins and growth in recurring subscription revenue were strong, positioning the business well for the long-term. 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, mostly with unrelated regulatory impediments. These long-term customers are not lost, and have communicated that they expect transaction volumes will resume and that the multi-year outlook for use of IKE platform is robust. As a reminder of IKE's business model, IKE generates additive transaction revenue, on top of subscription revenue, from some customers as they engineer more network assets in our system.

In other areas of business development:

- Our next-generation PoleForeman product was released to 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 business model and pricing, it is expected this product will drive an

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additive \$4-7m of annual recurring subscription revenue from the existing PoleForeman customer footprint, so up to five-times higher than legacy product revenues.

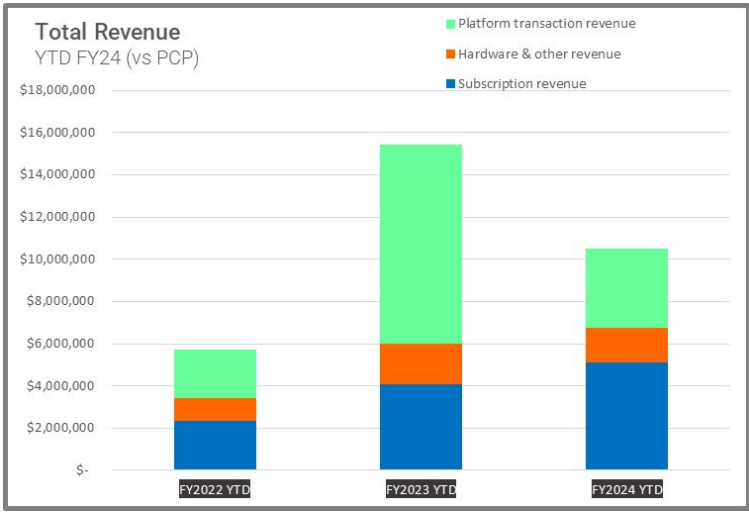
- In 1H we acquired the assets of the Marne & Associates NESC compliance training business to allow us to add more value to, learn from, and cross-sell our technology products to end users via our expanded Training and Education business unit. The expanded Training and Education business unit will also give us access to thousands of industry specific engineers at U.S. electric utilities each year, and will strengthen our position as a thought leader in pole infrastructure in the USA.
- 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 included a North-East electric utility group ranked in the top ten investor-owned utilities in North America, in a deal worth more than \$400k subscription revenue over the next three years. Another material win was closing 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 States are in progress.

Management and the Board remain cognizant of the importance of maintaining a strong balance sheet position, and are focused on maintaining a strong balance sheet by managing costs appropriately to align with revenue growth opportunities.

The long-term growth outlook for IKE remains solid, with key market drivers being the 20-plus year requirement for North American electric utilities to build grid capacity & resiliency, and the five-plus year requirement for communications companies to build fibre & 5G networks. IKE solutions drive dramatic productivity benefits into these network engineering programs. We anticipate that a healthy run rate of new contracts will continue to close in the 2H FY24 period and beyond.”

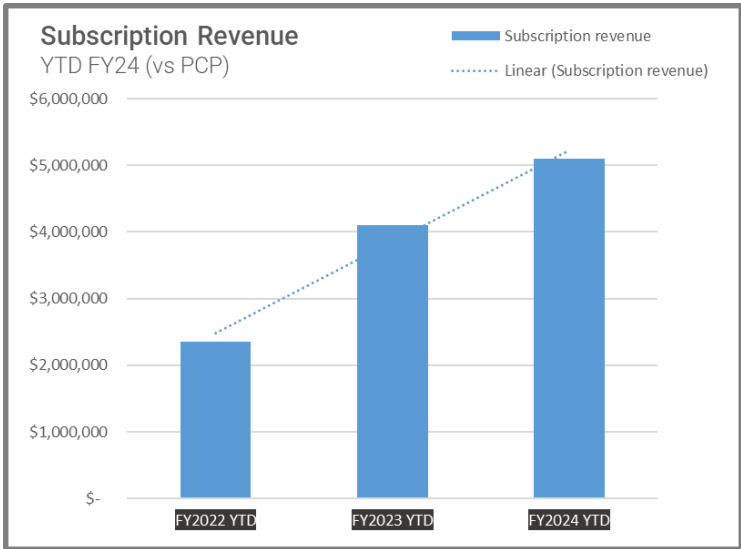
Performance across the business is set out in the following table and charts:

	1H FY24	PCP (1H FY23)	% Change
Total Revenue	\$10.5m	\$15.4m	-32%
Platform Transactions			
# of billable transactions	142k	259k	-45%
Platform transaction revenue	\$3.7m	\$9.4m	-60%
Gross Margin	\$0.7m	\$3.6m	-80%
Gross Margin %	19%	38%	
Platform Subscriptions			
Platform subscription revenue	\$5.1m	\$4.1m	+24%
Gross Margin	\$4.5m	\$3.6m	+23%
Gross Margin %	87%	88%	
Hardware & Other			
Hardware & Services revenue	\$1.7m	\$1.9m	-11%
Gross Margin	\$1.0m	0.9m	+5%
Gross Margin %	60%	51%	



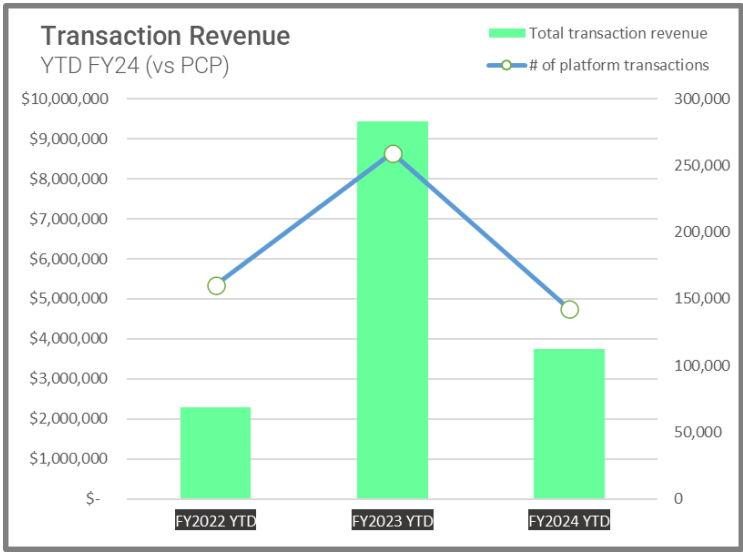
Takeaways

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 growth in the 2H FY24 period and beyond.



Takeaways

Significant growth in underlying subscription revenue. 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 footprint of tier-1 utility customers currently using the legacy version.



Takeaways

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This slow-down was well signalled to the market, with several major IKE customers in the U.S. communications segment having network projects slowed, mostly with unrelated regulatory impediments.

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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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