



For immediate release, 24 October 2024

IKE DELIVERS STRONG 1H FY25

Solid subscription revenue growth with an exit run rate of ~NZ\$13.2m annualised (+34% vs pcp).

Record ~NZ\$33m in contracts won in the period, across ~415 deals.

ikeGPS Group Limited (IKE) (NZX: IKE / ASX: IKE) is pleased to release an update for the six-months to 30 September 2024 (1H FY25). All figures are in NZD. IKE will host a webinar today, 24 October 2024, at 9:30am AEDT/11:30am NZDT to discuss its performance and outlook. To register, please click:

https://us02web.zoom.us/webinar/register/WN_R4mMjX3qRKi3XL0cDtpCjA

1H FY25 performance highlights:

- + Exit run rate of annual platform subscription revenue grew to ~NZ\$13.2m (+34% vs pcp).
- + Total recognized revenue in the six-month period of ~NZ\$12.2m (+16% vs pcp).
 - + Recognized subscription revenue of ~NZ\$6.5m (+28% vs pcp).
 - + Recognized transaction revenue of ~NZ\$4.0m (+6% vs pcp).
- + Gross margin of ~NZ\$8.1m (+31% vs pcp), with a gross margin percentage of ~67% (up from pcp of ~59%).
- + Reduction of cash operating expenses by ~NZ\$0.6M (-4% vs pcp).
- + Total cash and receivables as of 30 September 2024 of ~NZ\$11.1m, comprised of ~NZ\$6.8m cash and ~NZ\$4.3m receivables, with payables of NZ\$1.0m and no debt.

Commenting on the first half, IKE CEO Glenn Milnes said: "Q2 FY25 represented another strong period with significant subscription contracts closed with tier-1 North American customers that continue to grow our ARR run rates.

In addition, we closed a record ~NZ\$33m of total contracts in the six-month period across ~415 deals, noting that some subscription and transaction contracts will be recognized over a multi-year period and that execution of some of these transaction contracts rely on underlying IKE customers completing their associated engineering.

Our customer retention rates remain excellent at ~95% and our sales pipeline for new business is strong and growing.

With respect to core subscription revenue and ARR, since the late 2024 launch of the new IKE PoleForeman product, Total Contract Value (TCV) has exceeded \$12.5m from mostly tier-1 electric utilities in the U.S. market. Due to the extremely sticky nature of these customers, the life-time value of these contracts is significant. In total, ~84 customers have now subscribed to this new platform, of which ~50 were existing customers and ~34 are new customers. This has translated to several thousand new seat licenses, each representing a distribution network design engineer utilizing the software. We expect more major customers to close in the near term and that IKE PoleForeman will ultimately be the Standard for structural analysis in eight of the ten largest electric utilities in North America.

Total subscription revenue in FY25 is expected to grow strongly at ~40% or greater vs pcp. This outlook was revised down from 50% from the start of the financial year based on the likely timing to close some major pipeline contracts with various tier-1 investor-owned utilities, given that the associated subscription revenue is recognized over the subsequent 12-month period from close. Our guidance for ~40% growth or greater in FY25 Subscription revenue is somewhat dependent on the timing of customer conversions onto the new IKE PoleForeman product. A delay in the up-sale close processes, with various existing customers, could lead to slightly lower revenue recognition in FY25, but we remain very confident that this revenue would be recognized in subsequent periods. This is because we have customer contracts in place and given the conversion of older version PoleForeman customers has been strong year-to-date due to the enhanced next-gen product on offer and its productivity features.

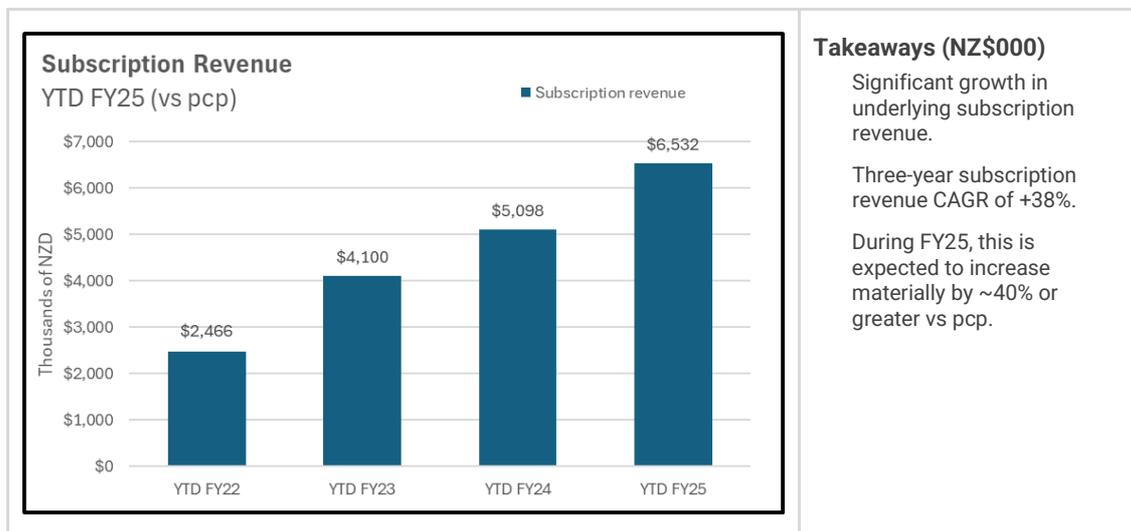
Transaction revenue in FY25 is expected to continue to grow against the prior year based on contracts in place, but with a wider range of potential profiles and, as such, represents higher risk – both upside and downside. IKE generates additive transaction revenue, on top of base subscription revenue, from some customers as they engineer more network assets in our system.

Our margin profile was also stronger in 1H FY25 vs pcp at ~67% (up from 59% in the pcp). This improvement is due to a shift in the product mix toward higher-margin subscription revenue. We expect this trend to continue.

We believe macro-market tailwinds across North America remain highly supportive of IKE’s business and will continue to grow over the coming decades. Our North American-headquartered team is executing on sizable sales opportunities. Based on closed, long-term contracts with some of the largest utilities in this market, an expanding pipeline, and noting that today IKE has less than ~6% market share, we expect healthy growth in the 2H FY25 period and beyond.

Performance summary

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

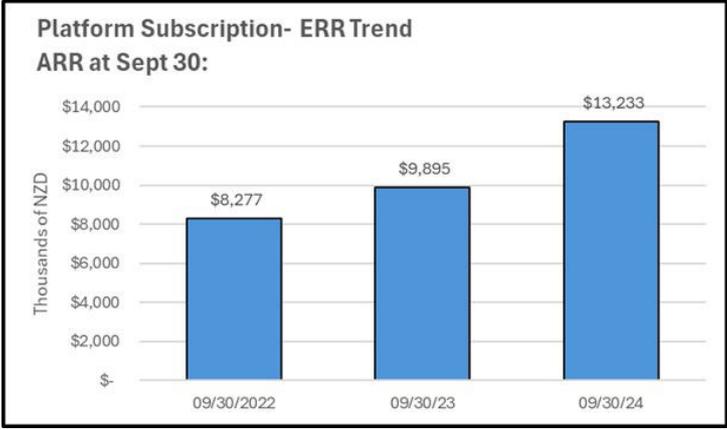


Takeaways (NZ\$000)

Significant growth in underlying subscription revenue.

Three-year subscription revenue CAGR of +38%.

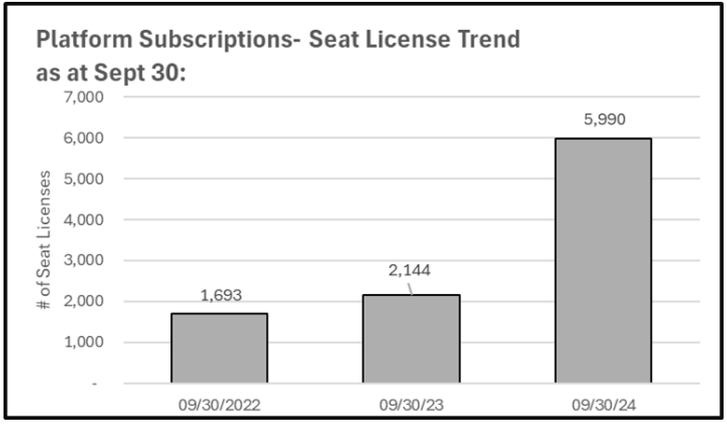
During FY25, this is expected to increase materially by ~40% or greater vs pcp.



Takeaways

+34% YoY growth in the exit run rate (ERR) of annual platform subscription revenue.

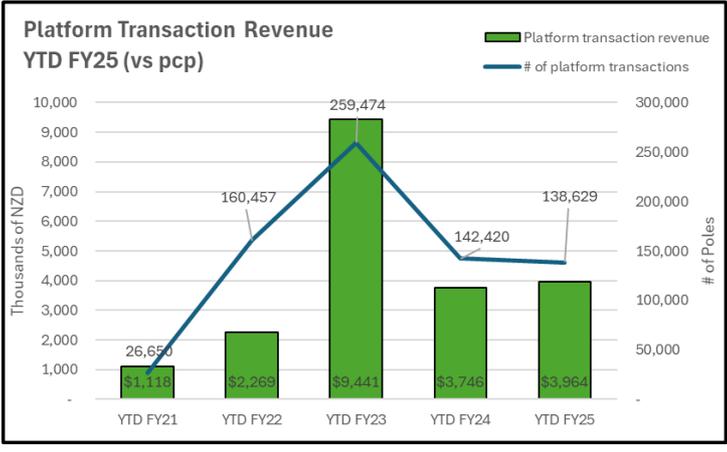
As stated, during the FY25 period this metric is expected to continue to grow materially (by ~40% or greater vs pcp) driven by continued growth of IKE Office Pro subscription sales and successful sell-through of IKE's next-generation IKE PoleForeman subscription product, with TCV of ~NZ\$12.5m already closed.



Takeaways

Subscription seat license growth of +179% over the past year.

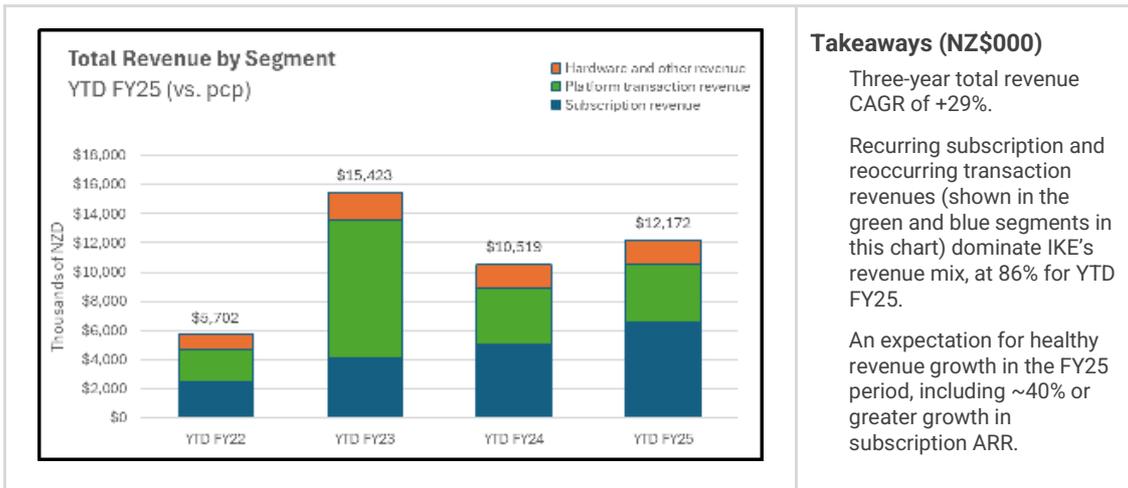
Seat count growth has accelerated at a fast pace due to customer additions and upsells, as well as selling customers onto a new per-seat subscription model when adopting the new IKE PoleForeman product (released late FY 2024).



Takeaways

Three-year transaction revenue CAGR of +20%, noting that gross margin increased +107% vs pcp.

Based on contracts signed in Q2, IKE expects transaction volumes and associated revenue to continue to build into 2H FY25.



| | 1H FY25 | 1H FY24 | % Change |
|-----------------------------------|---------|---------|----------|
| Total Revenue | \$12.2m | \$10.5m | +16% |
| Platform Subscriptions | | | |
| Total # of Subscription Customers | 413 | 368 | +12% |
| Total Number of Seat Licenses | 5,990 | 2,144 | +179% |
| Platform Subscription Revenue | \$6.5m | \$5.1m | +28% |
| Gross Margin | \$5.7m | \$4.5m | +27% |
| Gross Margin % | 87% | 87% | |
| Platform Transactions | | | |
| # of Billable Transactions | 160k | 142k | +13% |
| Platform Transaction Revenue | \$4.0m | \$3.7m | +6% |
| Gross Margin | \$1.5m | \$0.7m | +107% |
| Gross Margin % | 37% | 19% | |
| Hardware & Other | | | |
| Hardware & Services Revenue | \$1.7m | \$1.7m | 0% |
| Gross Margin | \$1.0m | \$1.0m | 0% |
| Gross Margin % | 58% | 60% | |

Customer Number Reconciliation:

Since 31 December 2023, IKE has changed its reporting of customer numbers from 'All Enterprise Customers' to 'Subscription Customers', reflecting only customers with recurring subscription revenue. The reconciliation between these two metrics will be reported until 31 December 2024. Reconciliation is as follows:

| Customer Recon | 1H FY25 | 1H FY24 | |
|-----------------------------------|---------|---------|------|
| Total # of Enterprise Customers | 436 | 392 | +11% |
| Less: Non-Subscription Customers | (23) | (24) | -4% |
| Total # of Subscription Customers | 413 | 368 | +12% |

Additional commentary:

New AI-based products launched to market in Q2. Unique whole-of-network intelligence for the North American industry.

Q2 FY25 was an exciting period for IKE in terms of innovation with the launch of new AI-based products. This has followed significant investment into building automation capability specific to productivity outcomes for the assessment & design of distribution networks and associated engineering workflows.

The solutions launched in Q2 were:

- Double-Wood Detective, see <https://ikegps.com/ike-insight/double-wood-detective/>.
 - o Double-Wood (also known as a buddy-pole, ghost-pole, or two-pole) is a prevalent issue for all electric utilities, with up to 10M of these assets estimated to be across the U.S. power network. Double-Wood can result in lagging pole transfers, backlogs, and communication gaps between pole owners and 'attachers'. When unaddressed, these assets create a safety hazard and can be the most vulnerable point in a distribution power network. Regulators are increasing their focus on this risk as well. Because of the size and age of any distribution network, many utilities do not have a strong grasp of these assets and their exposure.
 - o Double Wood Detective from IKE helps utilities identify and validate double-wood instances at whole-of-network scale, using bulk imagery & AI. This dramatically increases network intelligence and reduces cost and time resource-intensive field inspection requirements.
- Joint-Use Ticket Automation, see <https://ikegps.com/ike-insight/joint-use-ticket-automation/>.
 - o Joint-Use Ticketing represents an industry-wide requirement across North America for network owners to communicate with one-another wherever a distribution pole is shared, say between a power company and a fiber company, for billing, engineering and maintenance. There are more than 200M poles in the U.S. market alone, most of them shared, so joint-use ticketing is currently a significant cost, risk, and administrative burden for all network operators. Backlogs put these companies at risk with contractual or regulatory obligations, creating liability exposure.
 - o The Joint-Use Ticketing Automation solution from IKE helps utilities, communications companies, and engineering firms dramatically streamline this process. Using AI & machine learning, this product seamlessly creates, populates, and updates NJUNS tickets using existing bulk data, dramatically reducing costs and time, and materially increasing process accuracy.

Several other new AI solutions will be launched to market from 2H FY25. Capabilities will include automation tools inside of IKE's Office Pro product. This will initially drive productivity for IKE's internal Analyze team but ultimately will be an up-sell opportunity into IKE's widely established customer footprint of IKE Office Pro users, further increasing ARPU.

Balance sheet & working capital strength:

As of 30 September 2024, total cash and receivables are ~NZ\$11.1m, comprised of ~NZ\$6.8m cash and ~NZ\$4.3m receivables, with payables of NZ\$1.0m and no debt.

As context, cash has reduced ~NZ\$3m over the past 12 months during a period of substantial investment into building five new products, three of which have now been launched to market, and through a period of substantial recurring revenue and customer growth. Investment into product development is paying back, an example being IKE PoleForeman. This new product has been in-market for ~nine months and as above to date the product has generated ~\$12.5m in Total Contract Value and has increased IKE's ARR by ~NZ\$4.0m.

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.

Macro-market tailwinds remain across North America

As consistently stated, macro-market tailwinds across North America remain highly supportive of IKE's business and are growing, driven by the forecasted \$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 approximately 50% of the energy in the U.S. needs to be on the electrical grid, from a position of just 20% today. Additively, there are multi-year investments being made into building overhead fiber and 5G networks by more than 200 communications companies. IKE's product suite drive productivity outcomes supporting the lifecycle of these networks.

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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