

For Immediate Release

16 November 2016

ikeGPS Half Year Results for six months to 30 September 2016

Highlights for six months ended 30 September 2016

- Group revenue and other income of \$2.1m (\$4.5m prior calendar period).
- Supply chain event, as previously announced to the market, has been resolved but this pushed approximately \$2.8m of Stanley Smart Measure Pro revenue into 2H FY17.
- Operating costs reduced materially as several major development cycles were completed.
- Strong position for 2H FY17 and beyond:
 - o IKE4 sales, which typically have a lumpy profile, were very soft in the period as previously announced to the market. The IKE4 opportunity pipeline, which is the best indicator of medium term sales, continued to grow in volume and quality.
 - o Stanley Smart Measure Pro sales volume guidance was upgraded twice during 1H FY17 by approximately 50%, to 39,500 units.
 - o Spike sales momentum remained strong and is on target for 50% year-on-year growth for FY17.
- Net loss of \$6.0m (\$4.4m prior calendar period).
- Guidance for cash breakeven in Q4 FY17.
- ASX listing on track for November 2016.

Outlook

Guidance maintained for:

- Cash breakeven in Q4 FY17.
- Gross margin growth across IKE-branded products to greater than 65%, based on increasing subscription software sales.
- Spike sales growth of 50% against FY16.
- Stanley Smart Measure Pro sales volumes of 39,500 units based on orders received.

Strong 2H FY17 underpinned by:

- A strengthening sales opportunity pipeline for the IKE4 solution in the U.S. electric utility and communications market, despite soft sales into this market in 1H FY17.
- High rates of Stanley Smart Measure Pro shipping that is currently taking place, together with the associated order backlog.

Operating review

- Efficiency & cost reduction initiatives were implemented through 1H FY17 with product development cost base reduced materially following the completion of the engineering of several new products.
- Headcount at September 2016 more than 25% lower against headcount at March 2016.
- Projected cash breakeven in Q4 FY17 based on forecasted sales growth, increasing margins and lower cost base.
- Cash at 30 September 2016 of \$7.5m.

Products & markets

IKE4 solution:

- U.S. Electric Utility & Communications market:
 - o Sales were soft in the 1H FY17 period, as previously advised to the market.
 - o The IKE4 opportunity pipeline for 2H FY17 has the potential to deliver full year target of 50% growth against FY16 however these larger deals remain lumpy, the timing to close deals remains uncertain and there is therefore risk around achievement of this year-on-year growth target.
 - o As background the IKE4 business has experienced year-on-year growth of approximately 50% over the past two years and has historically had lumpy quarters - typical of selling into this customer set.
 - This 'lumpiness' was experienced through 1H FY17, with many potential contracts being progressed through the sales pipeline but not closing in the period.
 - Historically, the best predictor for IKE4 sales in the medium term is the number and size of qualified deals in the opportunity pipeline, and this pipeline has continued to grow quarter over quarter.
 - o More broadly, the new subscription-based IKE 4 solution is positioned to deliver more value to this market - estimated to be an addressable opportunity of \$700m.

Spike solution:

- Signage industry
 - o Near term deals are expected to further expand geographic distribution, as customer adoption grows and additional use cases for Spike develop within the Signage vertical.
 - o The addressable market for Spike in Signage is estimated to be 150,000 businesses across North America, Europe and the Middle East, representing an addressable opportunity greater than \$300m.
- New partners
 - o Positive post-balance date news included the announcement of a product & licensing deal with OtterBox Products Inc., the largest smartphone case and protection technology company in the U.S., that opens new potential distribution channels.
- New vertical markets
 - o Progress is being made in other vertical markets with customers won in industries such as Insurance, Real Estate, Intelligence, Defence and general asset management.

Stanley Smart Measure Pro:

- Construction industry
 - o Full year volumes upgraded twice through 1H FY17 from 26,000 units to 39,500 units based on orders for several European markets.
 - o Upgraded volume guidance maintained. Manufacturing and shipping fully resumed from October.

ASX listing

- On track to complete dual-listing on ASX in November 2016



Get the measure of your world

IKE CEO, Glenn Milnes, commented, “The first half of the year was a positive one for orders and momentum relating to our mobile products, Spike and the Stanley Smart Measure Pro, but was a challenging one in terms of the associated short-term supply chain issue and softer sales of IKE4 into the electric utility & communications market. With the supply chain issue resolved these large order volumes for the Stanley Smart Measure Pro will ship in the second half of the financial year, and we expect both Spike and the Stanley Smart Measure Pro to continue to see rapid market adoption. We are also optimistic that the current IKE4 opportunity pipeline can deliver a strong second half result for that part of the business.”

“More generally IKE solutions are today central to thousands of businesses, and we are only just getting started.” said Milnes. “We have continued to extend our position in the U.S. market, and have an opportunity to take a leading product and brand position in mobile measurement solutions for electric utility and communications, signage and construction customers. For many customers, IKE products have become integrated into their business alongside other core tools they use daily to get the job done more quickly, effectively and cheaply. Our target markets consist of hundreds of thousands of potential end-users, where our objective in the electric utility and communications market is to put IKE at the centre of every pole transaction, and with our mobile products our objective is to put these at the centre of many enterprise workflows where external assets need to be assessed, analysed and managed.”

ENDS

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