



For immediate release, 21 November 2024

1H FY25 Financial Results

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

Gross margin improves to ~NZ\$8.1m (+31% vs pcp), with a Gross Margin percentage of ~67%.

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

ikeGPS Group Limited (IKE) (NZX: IKE / ASX: IKE) is pleased to release the results for 1H FY25 to 30 September 2024. All figures are in NZD.

Highlights for the half year, with results in-line with the performance update on 24 October 2024:

- + 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).
 - + Recognized hardware and other services revenue of ~NZ\$1.7 (in-line with pcp).
- + Gross margin of ~NZ\$8.1m (+31% vs pcp), with a gross margin percentage of ~67% (up from pcp of ~59%).
- + Net loss was ~NZ\$6.9m (pcp ~NZ\$6.4m).
 - + Non-cash items included in this Net loss amount totalled ~\$3.7M (pcp ~NZ\$2.2m).
- + Cash used in Operating activities of ~NZ\$2.6m (~51% lower vs pcp).

Commenting on company progress since the release of its quarterly performance update mid-October 2024, IKE CEO Glenn Milnes said: “since updating the market a month ago we are pleased to have executed on continued sales momentum with ~NZ\$4m in contracts closed in the month of October (~NZ\$2.4m for subscription products and ~NZ\$1.6m for transaction & other products).

Two important items were also advanced from a product perspective since 1 October. AI & automation capabilities have been launched inside of IKE’s core IKE Office Pro product. This will initially drive productivity and increase the gross margin of IKE’s tech-enabled IKE Analyze business process but is expected to become an additional up-sell subscription product for the hundreds of external IKE Office Pro enterprise customers.

Additionally, IKE has continued to collaborate closely with its customer council of leaders of North American electric utility businesses, representing companies delivering power to over seventy million customers. This key customer collaboration targets our development efforts, and based on their inputs, to drive more subscription product adoption.

Our balance sheet position remains strong, noting that cash used in operations in the period decreased to ~NZ\$2.6m, improving 51% vs pcp, and that our overall cash position has reduced ~NZ\$3m over the past 12-months while we’ve invested significantly into building five new products, three of which were launched in 1H FY25, and while we have continued our expansion in the market with new customer wins running at ~one per week.

The commentary and charts below reflect what was released in the mid-October 2024 performance update. It is repeated here for consistency: "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 launch of the new IKE PoleForeman product 10 months ago, 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.

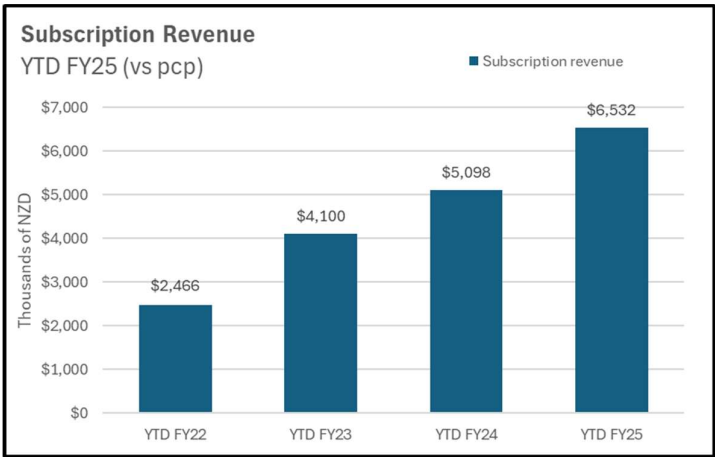
Transaction revenue in FY25 is expected to continue to grow against the prior year based on contracts in place, but with a wider range of potential profiles and, as such, represents higher risk – both upside and downside. IKE generates additive transaction revenue, on top of base subscription revenue,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

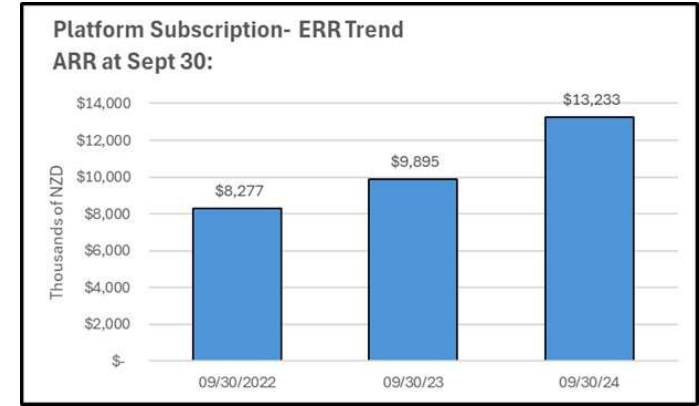


Takeaways (NZ\$000)

Significant growth in underlying subscription revenue.

Three-year subscription revenue CAGR of +38%.

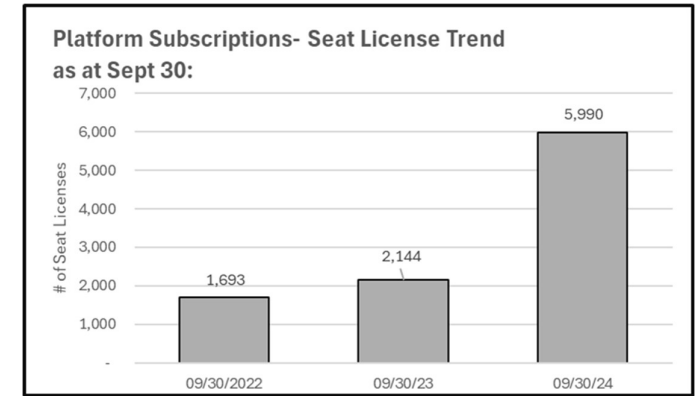
During FY25, this is expected to increase materially by ~40% or greater vs pcp.



Takeaways

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

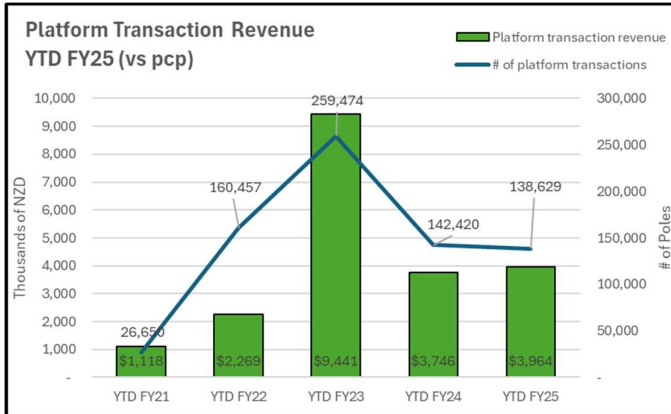
As stated, during the FY25 period this metric is expected to continue to grow materially (by ~40% or greater vs pcp) driven by continued growth of IKE Office Pro subscription sales and successful sell-through of IKE's next-generation IKE PoleForeman subscription product, with TCV of ~NZ\$12.5m already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



Takeaways

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

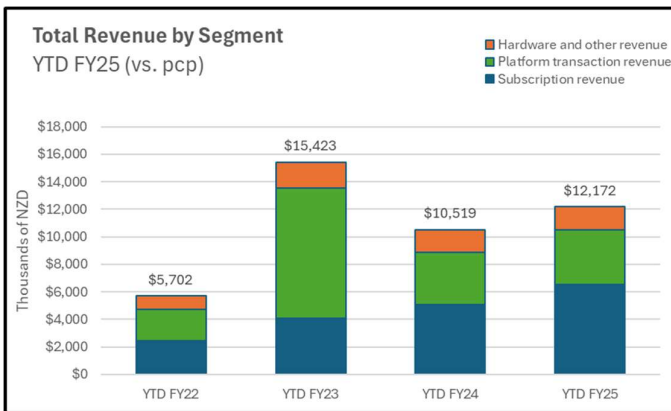
Seat count growth has accelerated at a fast pace due to customer additions and upsells, as well as selling customers onto a new per-seat subscription model when adopting the new IKE PoleForeman product (released late FY 2024).



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.

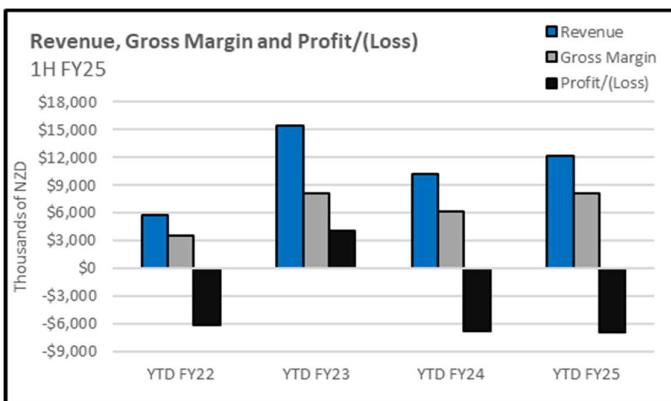


Takeaways (NZ\$000)

Three-year total revenue CAGR of +29%.

Recurring subscription and reoccurring transaction revenues (shown in the green and blue segments in this chart) dominate IKE's revenue mix, at 86% for YTD FY25.

An expectation for healthy revenue growth in the FY25 period, including ~40% or greater growth in subscription ARR.



Takeaways (NZ\$000)

Revenue 1H FY25 of ~NZ\$12.2m (+32% pcp)

Gross margin percentage 1H FY25 of ~67% (up from ~59% pcp)

Net loss was ~NZ\$6.9M (pcp ~NZ\$6.4M). Net loss includes non-cash items of ~NZ\$3.7m (pcp ~NZ\$2.2m)

Cash used in operations improves to ~NZ\$2.6m, a decrease of 51% vs. pcp.

	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 10 million 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 200 million 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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