

For Immediate Release

23 May 2016

## **ikeGPS Group Limited FY2016 Financial Results**

### **Performance highlights (all figures in NZD)**

#### *Strong revenue growth*

- Revenue and other income of \$9.2 million, a year-on-year increase of 129%.
- Mobile products (Spike and Stanley Smart Measure Pro) year-on-year sales growth of more than 7x into the signage and construction markets, to approximately \$4.2m.
- Approximately 46% year-on-year growth of solution sales into the electric utility and communications market, in line with latest guidance but below the forecast set out in the Company's July 2014 listing documents.

#### *Improvement in operating metrics*

- Gross profit increased over 115% year-on-year to \$4.5m.
- Net loss of \$8.8m for the year as the Company continued to invest in scaling its business focused primarily on the North American market, however now with a faster than previously projected path to cash break even.

#### *Product innovation highlights*

- Four new products released to market, providing a portfolio of offerings and so expanding the Company's FY2017 focus to several new vertical markets such as insurance and residential construction.
- The introduction of cloud services to enable customers to measure and report on their desktop. This enables subscription business models and the potential for increased product margins in FY2017 and beyond.
- Integration offerings for Spike: an API launched in FY2016 enables Spike to be connected into other industry workflows and incumbent mobile apps.

#### *Cost efficiencies and cash*

- FY2016 closing cash of \$5.3m.
- Cost efficiencies introduced from 2H FY2016 provide for projected cash breakeven in Q4 FY2017, earlier than previously forecast.

#### *Guidance*

- 50% customer growth over FY2016 on IKE-branded products (IKE 4 and Spike) into both the electric utility market and signage market.
- Further improvement in gross margins of IKE-branded products (IKE 4 and Spike) to 65%.
- Recurring revenue streams established across all products to materially increase the lifetime value of a customer.
- Stanley Smart Measure Pro to expand into new markets in Europe, and for this product to average volumes of approximately 500 units per week.
- Cash breakeven in Q4 FY2017, driven by a combination of projected sales growth, increased margins on products, and operating and cost efficiencies.

**Find Out More At:**  
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## **Wellington, 23 May 2016:**

ikeGPS Limited (NZX: IKE) today reported full-year earnings to 31 March 2016 posting revenue and other income of \$9.2m, a 129% year-on-year increase.

IKE CEO, Glenn Milnes, commented, "We have made good progress in the United States electric utility and signage markets in FY2016, which is where we have focused our sales & marketing efforts. In addition, the development and launch of four new product platforms through the past year positions us well to expand into new vertical markets in FY2017, such as insurance and residential construction, as well as into new geographic markets where there is the opportunity to replicate success in the U.S., such as in the signage market."

During the year ended 31 March 2016, IKE continued its investment in growth while improving margins across its IKE-branded products and, from 2H FY2016, moderating cash usage. The Company is pleased to announce that in its business plan for FY2017 (period ending 31 March 2017) it expects to reach cash breakeven in Q4, more quickly than previously modelled. This is the result of forecasted continuing sales growth across its portfolio of measurement products, increased margins on all new products, operating and cost efficiencies that have been put in place since 2H FY2016, and expandable product-to-market infrastructure that is now in place and is underpinning the Company's multiple new products.

FY2017 sales growth of the IKE 4 solution into the U.S. electric utility and communications market: Larger utility sales contracts remained lumpy through FY2016 and although this business grew nearly 50% in the period, sales levels were below those projected in the company's IPO offering documents. However, the new subscription-based IKE 4 solution is well positioned to grow existing customer accounts and capture larger market share, estimated to be an addressable opportunity of \$700m. IKE 4 is a complete redesign and extension of software and hardware to address the needs of the market. IKE has recently announced a major new IKE 4 customer, Cyient, tied to Google Fiber deployment projects across the U.S.

Continued sales growth of the Spike solution into the signage & digital graphics market: Over the past 12 months Spike has been adopted by approximately 2,000 signage businesses in North America and Spike was recently recognized as 'the most significant new product to enter the signage market in the past decade' in winning the International Sign Association's most innovative product award. The addressable market for Spike is estimated to be 150,000 businesses across North America, Europe and the Middle East, representing an addressable opportunity of \$300-500m. The Company is now seeking to introduce new software features tailored for these end users and is aggressively seeking to expand Spike's geographic reach. IKE expects to imminently announce further new distribution agreements for markets in Europe and South America.

Expansion of the sales territories of the Stanley Smart Measure Pro solution into the global construction and contractor market: The initial launch and sell-through in North America has been successful via Lowe's Home Improvement stores, with product launches confirmed in several new European markets in FY2017.

Extension of a cloud software component to all of IKE's products, enabling customers to perform additional analysis, reporting, and management of their data: For IKE, this new cloud software platform enables subscription business models to be introduced that will generate higher levels of

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recurring revenue and materially increased margins over the lifetime of a customer. Early adoption of the cloud offering has been positive, for example with nearly 70% of IKE's approximate 2,000 signage business customers using the cloud service.

As further context to the base case business plan and growth outlook, and notwithstanding the Company's forecast transition to cash break even, IKE reiterates that the Company is investigating a potential NASDAQ Capital Market listing subject to the Board's review and approval of the terms and benefits.

"IKE solutions have now become central to thousands of businesses," said Glenn Milnes. "We have extended our position in the U.S., and have an opportunity to take a leading position in mobile measurement solutions & software for electric utility and signage customers. For many customers, the IKE and Spike platform is not just a stand-alone measurement product, it has become integrated into their business alongside other tools they use daily to get the job done more quickly, effectively and cheaply." added Milnes. "In the past 12 months, IKE products have been used to measure and record hundreds of thousands of assets to drive business decisions. Our vision in the electric utility market is put IKE at the centre of every distribution asset transaction, and with our mobile products our vision is to put Spike at the centre of many enterprise mobile workflows where external assets need to be assessed, analysed and managed." said Milnes.

"In markets with hundreds of thousands of potential customers, we're only just getting started. Our customer base continues to grow strongly and we remain focused on financial progress and taking further steps towards value-added growth. "

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