



**FOR IMMEDIATE RELEASE, 18 April 2024**

**Multiple large subscription contracts closed that will underpin substantial FY25 subscription revenue growth.**

ikeGPS Group Limited (IKE) (NZX: IKE / ASX: IKE) is pleased to release an update for the Q4 and 12-month period to 31 March 2024 (all figures in NZD, unaudited). IKE will host a webinar on 18 April 2024 at 11am AEDT/1pm NZDT to discuss performance and outlook. To register, please click:

[https://us02web.zoom.us/webinar/register/WN\\_Gj-GgYM1QWGA-C\\_MhXHZTg](https://us02web.zoom.us/webinar/register/WN_Gj-GgYM1QWGA-C_MhXHZTg)

#### **FY24 Highlights:**

- + Revenue of ~NZ\$21.1m (-31% pcp).
  - + Subscription revenue of ~NZ\$10.7m (+22% vs pcp).
  - + Transaction revenue of ~NZ\$7.3m (-61% vs pcp).
- + Gross margin of ~NZ\$12.7m (-23% vs pcp), with a gross margin percentage of ~60% (up from pcp of ~53%)
- + Total cash and receivables as of 31 March 2024 of NZ\$15.4m comprised of NZ\$10.2m cash and NZ\$5.2m receivables, with payables of NZ\$1.2m and no debt. (up from the position 31 December 2023 of NZ\$8.0m cash and NZ\$7.2m receivables, and flat against the cash position 30 September 2023).

#### **Commentary**

IKE CEO Glenn Milnes commented, "Q4 FY24 was a stronger period again at IKE with more significant subscription contracts closed with tier-1 North American electric utility customers that, although not materially impacting recognized revenue in the FY24 period to March 2024, will substantially grow FY25 subscription revenue run rates.

That said, the FY24 period saw a substantial year-on-year reduction in revenue from our lower margin transaction revenue. A 61% reduction vs pcp was due to the FY23 period having outsized activity from certain customers that as context was up 191% on FY22 levels. Our three-year transaction revenue CAGR, or growth rate, is 47% and based on guidance from these long-term customers we expect transaction volumes and associated revenue to build into FY25.

With respect to core subscription revenue, since the Q3 launch of our new IKE PoleForeman product Total Contract Value (TCV) won has exceeded \$8m from mostly tier-1 electric utilities in the U.S. market. In total ~42 customers have subscribed to the platform, of which 23 were existing customers and 19 are new, including one of the 10 largest electric utilities in the U.S. We do expect further 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.

Examples of recent subscription contracts include:

- An agreement with the second largest electric utility group in North America for a five-year term that is expected to generate ~NZ\$2.0m in total subscription revenue, or an additive NZ\$0.4m ARR.
- A large U.S. electric utility signed to a ~NZ\$0.5m three-year subscription contract for IKE PoleForeman, representing a five-fold increase in annual recurring revenue from this customer versus our legacy product.
- A ~NZ\$0.8M three-year subscription contract from a major east coast U.S. electric utility, who is a Fortune 500 company, to use IKE PoleForeman.
- A ~NZ\$0.4M annual contract with an engineering group supporting this market for IKE Office Pro use.
- A ~NZ\$3.7m three-year subscription contract with a Fortune 150 Company and one of the ten largest Investor-Owned-Utilities (IoU's) in the U.S., upgrading them from IKE's legacy product to our new IKE PoleForeman structural analysis platform.

Over the coming years, these long-term customer commitments are estimated to translate to more than 2,500 distribution engineers across our customer footprint using IKE PoleForeman's advanced capabilities for network design.

## FY25 Outlook

Subscription revenue in FY25 is expected to grow strongly, at 50% or greater vs pcp to ~\$16m per annum or greater. This outlook is based on the ongoing growth of our core IKE Office Pro subscription product, which has seen >30% CAGR over the past three years and with ~95% customer retention. It is also based on the success of the launch of our new IKE PoleForeman product with more than NZ\$8m of TCV closed since its Q3 launch.

Transaction revenue in FY25 is expected to grow, but with a wide range of potential growth profiles and as such represents higher risk – both upside and downside. Transaction revenue at IKE over the past three years has grown at a ~45% CAGR, although FY24 levels were down against FY23 due to FY23 seeing outsized customer activity. Based on guidance from long-term customers we expect transaction volumes and associated revenue to build into FY25.

Overall, we closed ~NZ\$27m of contracts in the FY24 period, against approximately NZ\$21m of recognized revenue. Our customer retention rate is excellent, at approximately 95% and our sales pipeline for new business is strong and is growing. We won 59 new subscription customers in the U.S. market over the past year, continuing a win rate of approximately one new customer per week. As a reminder of our business model, IKE generates additive transaction revenue, on top of subscription revenue, from some customers as they engineer more network assets in our system.

Our margin profile improved to ~60% in FY24, from ~53% in FY23, due to a continued shift in the product mix toward higher margin subscription revenue. We expect this trend to continue into FY25 with the growth in our subscription revenue outpacing other segments resulting in a material improvement in margins again in FY25.

During 2H FY24 we also reduced our cost profile to maintain the timeframe towards both EBITDA and cash positive operations. As consistently stated, 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. Our balance sheet remains strong, noting that the USD and AUD foreign exchange rates impact our reported NZD position each period.

Macro-market tailwinds across North America remain supportive of the productivity products that IKE delivers, driven by the forecasted US\$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. Overall, analysts forecast that capex and opex spend across distribution networks in the U.S. market will increase 4% annually for the next decade. Further, the multi-year investment being made into building overhead fiber and 5G networks, IKE's product suite drives productivity in support of these network engineering and capacity activities.

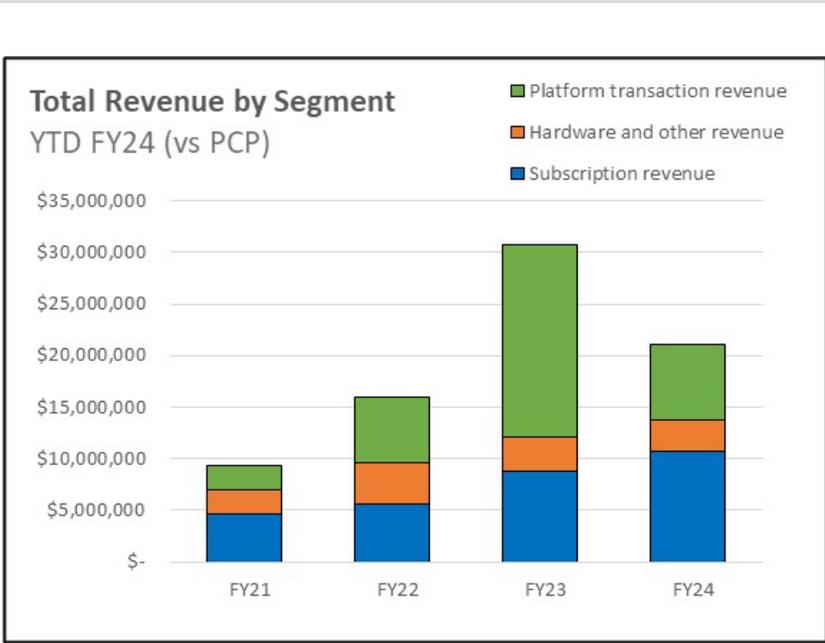
Performance across the business is set out in the following table and charts.

	FY24	FY 23	% Change
<b>Total Revenue</b>	\$21.1M	\$30.8m	-31%
<b>Platform Transactions</b>			
# of Billable Transactions	279K	490K	-43%
Platform Transaction Revenue	\$7.3M	\$18.7m	-61%
Gross Margin	\$1.8M	\$7.2m	-76%
Gross Margin %	24%	39%	
<b>Platform Subscriptions</b>			
Total # of Subscription Customers	395	367	+8%
Platform Subscription Revenue	\$10.7M	\$8.8m	+22%
Gross Margin	\$9.2M	\$7.7m	+20%
Gross Margin %	86%	88%	
<b>Hardware &amp; Other</b>			
Hardware & Services Revenue	\$3.1M	\$3.3m	-9%
Gross Margin	\$1.7M	\$1.5m	+11%
Gross Margin %	56%	45%	

*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 for the next 4 periods to 31 December 2024. Reconciliation as follows:

Customer Recon	FY 24	FY 23	
Total # of Enterprise Customers	415	379	+9%
Less: Non-Subscription Customers	(20)	(12)	+67%
Total # of Subscription Customers	395	367	+8%

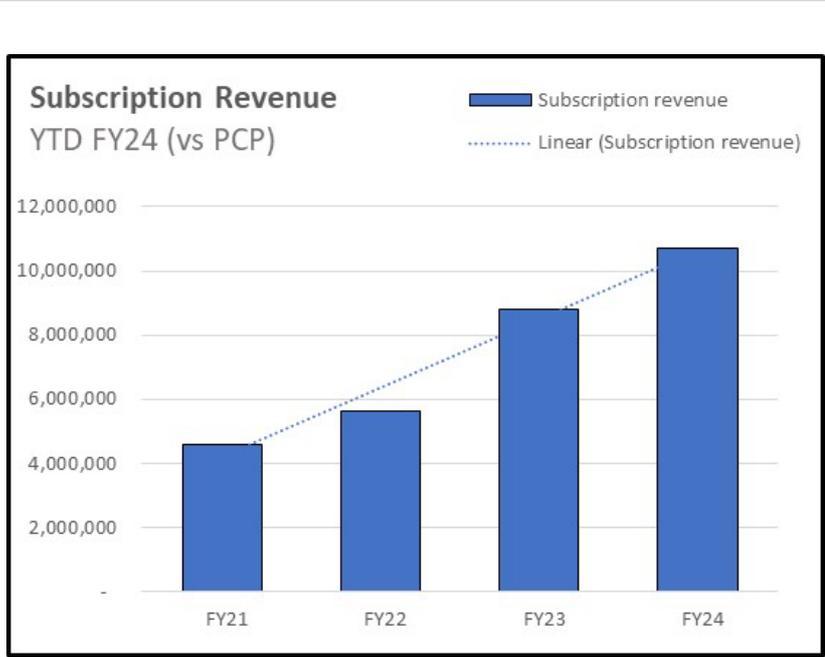


**Takeaways**

Three-year revenue CAGR of 31%

Recurring subscription and reoccurring transaction revenues (shown by the green and blue segments in this chart) dominate IKE's revenue mix, at 86% for FY24.

An expectation for healthy growth in the FY25 period.

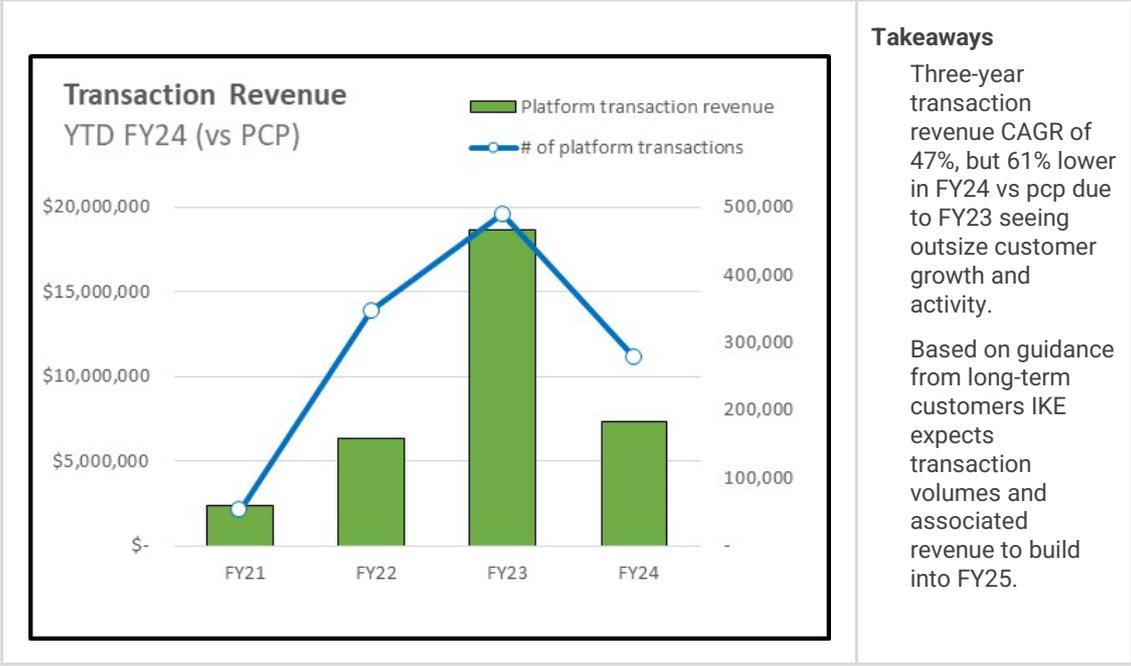


**Takeaways**

Significant growth in underlying subscription revenue.

Three-year subscription revenue CAGR of 33%,

During FY25, this is expected to increase materially, by greater than 50%, due to the successful Q3 FY24 launch & sell-through of IKE's next-generation IKE PoleForeman product.



**Takeaways**

Three-year transaction revenue CAGR of 47%, but 61% lower in FY24 vs pcp due to FY23 seeing outside customer growth and activity.

Based on guidance from long-term customers IKE expects transaction volumes and associated revenue to build into FY25.

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## 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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