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27 July 2021

Q1 FY22 Performance Update

Another strong period for new contracts

ikeGPS (IKE) is pleased to release an update for the quarter to 30 June 2021 (all figures NZD).

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 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 the IKE software.

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Highlights for the June 2021 quarter:

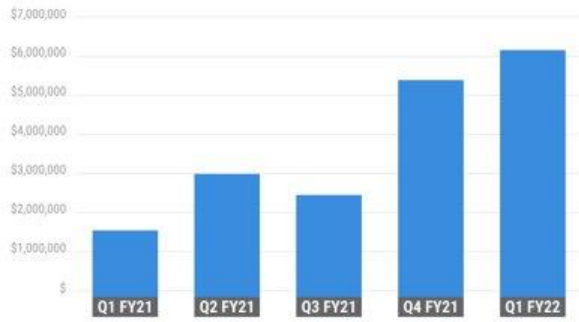
- + Revenue in the quarter of approximately \$2.6m (approximately 12% higher than pcp and 30% higher than pcp on a constant currency basis).
- + New contracts closed in Q1 FY22 were for approximately \$6.1m (greater than 300% higher than pcp).
 - + This is another very strong quarter for new contract wins and approximately \$11.5m in new contracts have been closed in the past six months as U.S. markets have bounced forward from the impacts of COVID-19 in calendar 2020. The majority of these contracts are expected to be recognized over the next 12 months.
- + Gross margin of approximately \$1.8m (pcp of \$1.7m), with a gross margin percentage of approximately 68% (pcp of 71%).
- + Total cash and receivables 30 June 2021 of approximately \$11.2m, with no debt.

The momentum across the business is set out in the charts and tables below:

	Q1 FY22	PCP (Q1 FY21)	% Change
Platform Transactions			
# of billable transactions	58k	20k	+190%
Platform transaction revenue	\$0.95m	\$0.77m	+23%
Gross Margin	\$0.50m	\$0.37m	+35%
Gross Margin %	52%	48%	
Platform Subscriptions			
# of enterprise customers	299	270	+11%
Platform subscription revenue	\$1.2m	\$1.1m	+9%
Gross Margin	\$1.1m	\$1.0m	+9%
Gross Margin %	92%	92%	
Hardware & Other			
Hardware & Other revenue	\$0.47m	\$0.40m	+18%
Gross Margin	\$0.22m	\$0.14m	+57%
Gross Margin %	45%	35%	

Value of new contracts won

Past five quarters

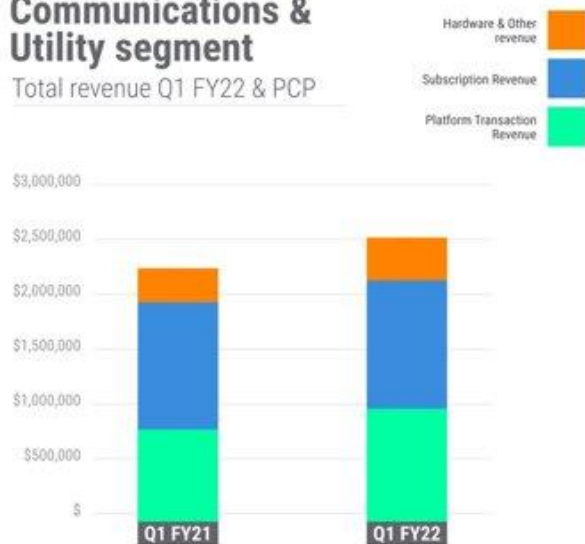


Takeaways

- >300% growth in new contracts won against pcq provides confidence around the potential for strong revenue growth in the year ahead.

Communications & Utility segment

Total revenue Q1 FY22 & PCP



Takeaways

- Recurring subscription and transaction revenues have continued to grow in absolute and relative terms (shown by the Green and Blue segments in this chart).

Communications & Utility segment

Transactions Revenue & Volume

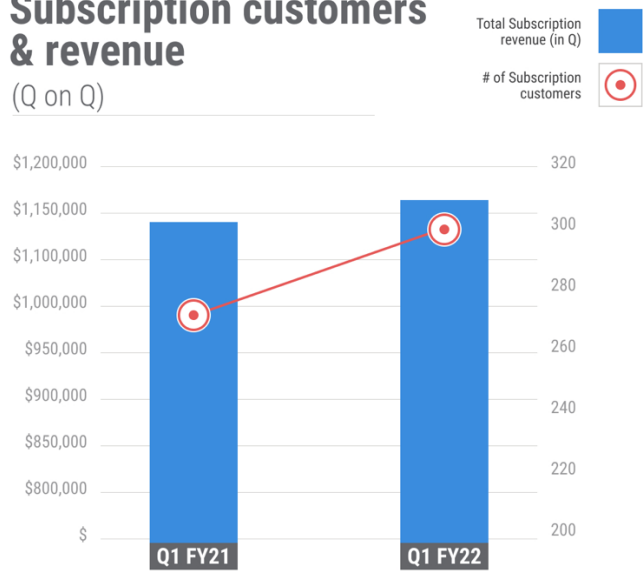


Takeaways

- Transaction revenue is expected to be the major growth engine for IKE.
- Approximately 190% higher transaction volume and 23% higher transaction revenue reflects success in transitioning to the 'subscription plus additive transaction' business model.

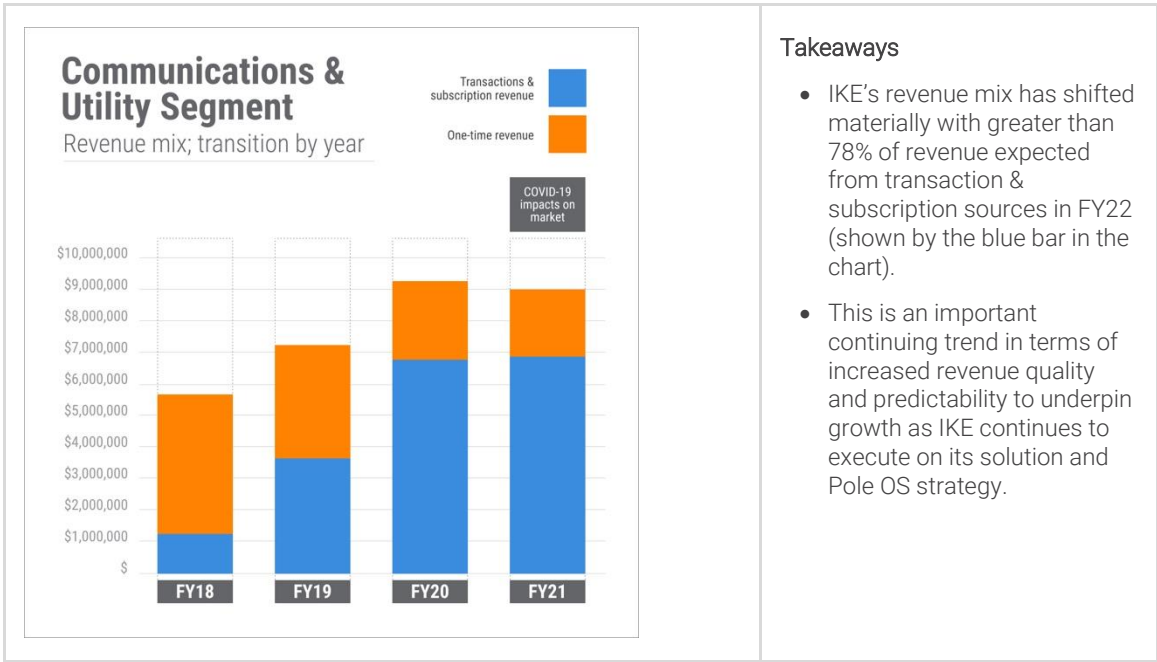
Subscription customers & revenue

(Q on Q)



Takeaways

- Growth in overall number of subscription customers.
- Subscription customers provide the foundation to expand inside existing accounts with other IKE Solutions.



Commentary

IKE CEO, Glenn Milnes, commented "Q1 FY22 was another strong period for our business. The level of new contracts won these past two quarters, totaling approximately \$11.5m against FY21 full year revenue of \$9.3m, provides us with confidence around the potential for substantial revenue growth in the year ahead. We have also been pleased with progress across the recently acquired IKE Insight solution, with numerous prospect customers progressing positively. We are optimistic that this additive AI-based solution specific for poles can become another important growth driver for the IKE business in some new pole-related segments for the electric utility and communications market."

Outlook

- + The record level of new contracts won the past two quarters points to a strong forward revenue growth profile.
- + IKE's opportunity pipeline has also increased significantly over the past six months.
- + IKE's focus for Q2 FY22 continues on three core themes: The delivery of contract backlogs so to recognize revenue from contracts won, the extension of revenue opportunities from existing customers, and building revenue and further market proof points behind the recently acquired AI-software business, called IKE Insight.

Update with respect to IKE's Artificial Intelligence acquisition, called IKE Insight

- + A focus in Q4 FY21 was the acquisition and integration of certain assets of Visual Globe LLC, a US-based Artificial Intelligence (AI) and low code software company that specializes in the automated analysis of power poles from very large data sets, irrespective of the data source.
- + In Q1 FY22 IKE entered into a three-year Master Services Agreement to provide IKE Insight capability into one of the largest communications groups in the U.S. The level of revenue expected from this contract is not yet quantified.

- + The pipeline for additional potential IKE Insight customers has developed robustly, across a range of new pole-related market applications.

Customer, brand and market commentary

- + IKE targets sales into North America's approximately 200 communications companies, approximately 3,000 electric utilities, and their approximately 1,000 engineering service providers (ESP). Once a customer, IKE then aims to embed and expand the use of IKE solutions inside of these accounts.
- + Several recent customer wins and expansion examples help to point to the potential network effects from operating across these related customer groups, and the larger future revenue opportunities that can arise over time. Examples of wins in the quarter to June 2021:
 - + IKE signed an extension to an important agreement with an engineering company supporting communications infrastructure development. This follow-on contract is expected to generate approximately \$1.2m of transaction revenue in IKE's FY22 (the period ending 31 March 2022). This engineering customer will utilise the IKE platform to assess approximately 40,000 assets on behalf of two communications companies. This follow-on agreement follows successful phase one and two programmes, and goes live immediately. This customer has the potential to expand considerably in IKE's FY23.
 - + Separately in May 2021, IKE signed a customer contract with an AT&T-focused ESP. AT&T is an IKE customer and previously standardized on the IKE platform for certain pole work. This ESP has initially contracted to use the IKE platform to support pole project delivery in two states for AT&T, in California and Arizona. It is expected that this will initially generate over \$300k of transaction and subscription revenue for IKE over the coming 12 months. This ESP has more broadly won multi-year contracts to deliver projects into AT&T across 13 states.
- + Brand development: in Q1 FY22 IKE re-launched its website (at www.ikegps.com) and related digital assets clearly setting out the expansion of its products for new market applications achieved via the now four IKE Solutions. Also, IKE's 'Pole OS Company' strap line aligns with its strategy to build and deliver the end-to-end pole platform for the North American market.
- + Market tailwinds continue to support the growth potential of the IKE business in North America, with more than \$350b forecast to be invested into fiber and 5G infrastructure over the next five plus years and with more than 3,000 electric utilities needing to address the challenges of network build, strengthening, and maintenance, The IKE solutions deliver network construction and maintenance processes that are faster, safer, and to a higher quality data standard.

ENDS

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About ikeGPS

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.

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