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1 February 2022

Over 50% revenue growth and 180% growth in new contracts won against PCP

IKE Q3 FY22 Performance Update

ikeGPS Group Limited (IKE) (NZX: IKE / ASX: IKE) is pleased to release an update for the nine-month period to 31 December 2021 (all figures NZD).

Highlights to December 2021:

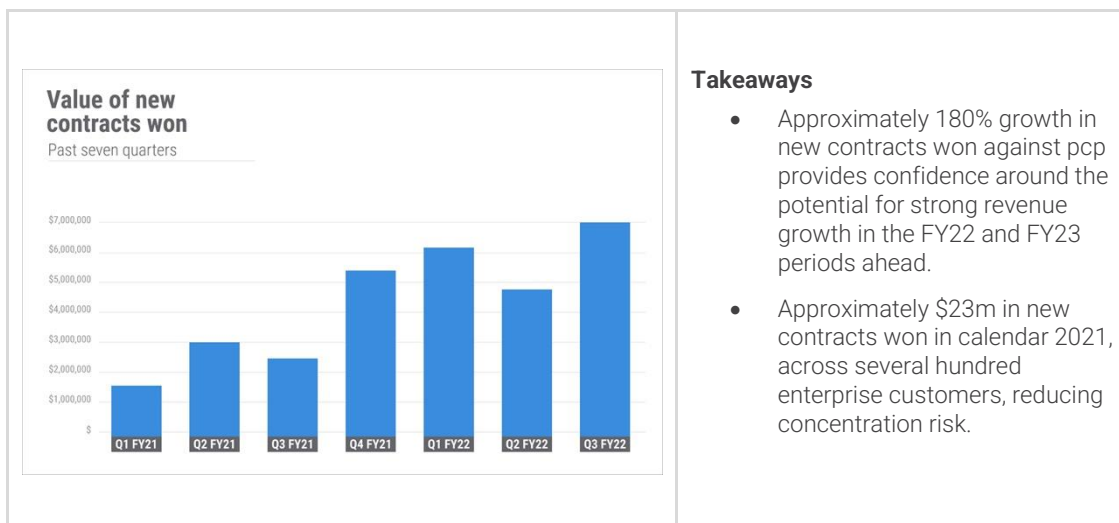
- + YTD revenue of approximately \$9.9m (approximately 53% higher than prior calendar period (pcp)).
- + Q3 FY22 revenue of approximately \$4.2m (approximately 100% higher than pcp).
- + Q3 FY22 subscription and transaction revenue of approximately \$3.3m (approximately 95% higher than pcp).
- + New contracts closed in Q3 FY22 were >\$7m (approximately 180% higher than pcp).
- + YTD gross margin of approximately \$6.3m (pcp of \$4.3m), with a Q3 FY22 gross margin percentage of approximately 63% (pcp of 67%).
- + Total cash and receivables 31 December 2021 of approximately \$29m, with no debt.

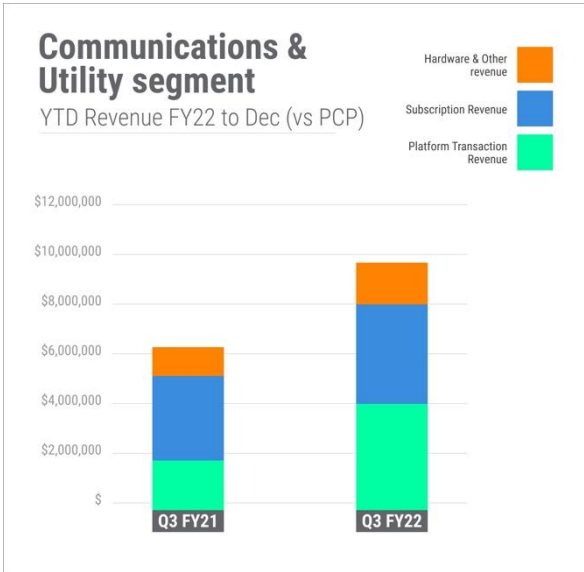
IKE CEO, Glenn Milnes, said: "The Q3 FY22 period was the strongest yet for our business. The level of new contracts won in calendar 2021 total more than \$23m, noting that these contracts are based on our customers entering into network projects and that the timing and delivery of this revenue is dependent on customer execution. However this level of demand and closed business is against FY21 full year revenue (to March 2021) of \$9.3m, and as such provides us with a high level of confidence for the potential for substantial growth in FY22 (to March 2022) and FY23, notwithstanding timing risks around some customer projects as above.

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

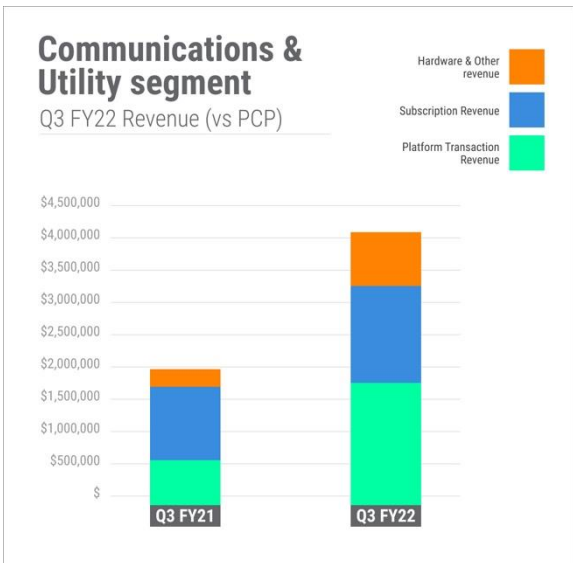
	YTD Q3 FY22	PCP (YTD Q3 FY21)	% Change
Platform Transactions			
# of billable transactions	234k	44k	+430%
Platform transaction revenue	\$4.0m	\$1.7m	+135%
Gross Margin	\$1.9m	\$0.5m	+280%
Q3 Gross Margin %	48%	30%	
Platform Subscriptions			
# of enterprise customers	319	278	+15%
Platform subscription revenue	\$4.0m	\$3.5m	+14%
Gross Margin	\$3.5m	\$3.3m	+6%
Q3 Gross Margin %	88%	94%	
Hardware & Other			
Hardware & Services revenue	\$1.9m	\$1.4m	+36%
Gross Margin	\$0.8m	\$0.5m	+60%
Gross Margin %	44%	37%	





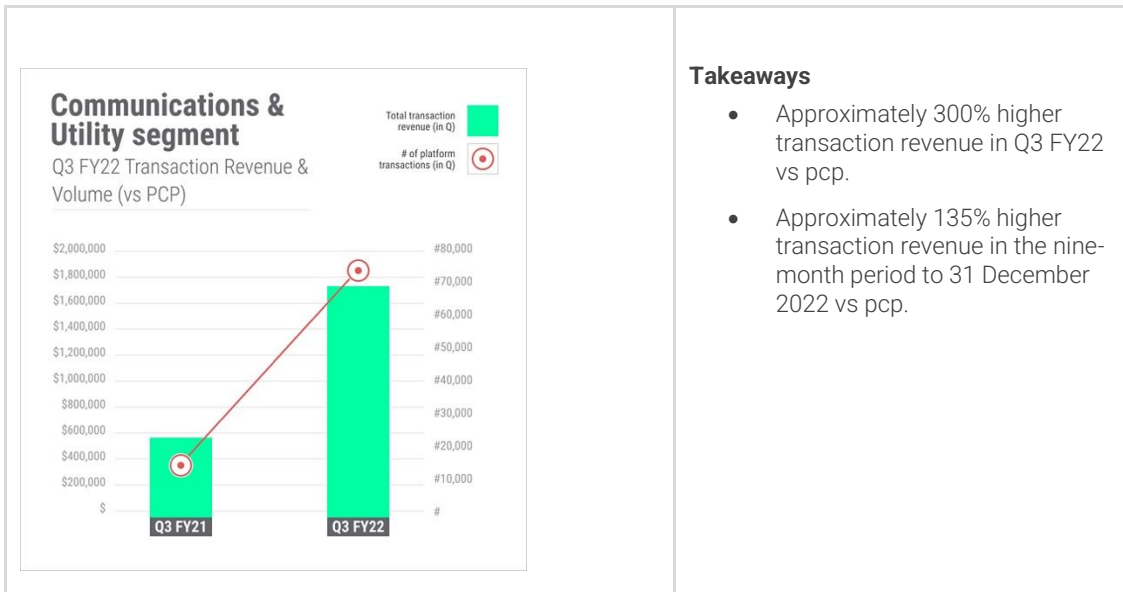
Takeaways

- Recurring subscription and transaction revenues have continued to grow (shown by the Green and Blue segments in this chart).
- IKE's revenue mix has continued to shift materially over the past three years with greater than 80% of revenue expected from subscription and transaction sources in FY22.
- This is an important continuing trend in terms of increased revenue quality and predictability to underpin growth as IKE continues to execute on its solution and Pole OS™ strategy.



Takeaways

- Annualized revenue run rate from Q3 FY22 of c \$17m.
- Growth in overall number of enterprise subscription customers and subscription revenue. This provides the foundation to expand inside these existing accounts with other IKE Solutions and build transaction/usage-based revenues.



Outlook

- + The substantial increase of new contracts won year-to-date points to a strong potential forward revenue growth profile. IKE’s sales opportunity pipeline has continued to develop robustly quarter over quarter.
- + The month of January 2022 has also been positive in terms of demand and continued momentum. This has included announcements of:
 - + Signing an extension to a contract with an existing communications customer supporting fibre infrastructure deployment in the U.S. This customer is expected to now generate >\$4m of transaction revenue for IKE in the coming 12-18 months.
 - + Receiving an approximately \$0.9m contract from a new tier-1 North American electric utility customer. This revenue will be fully recognized over the coming 12 months and at this initial level of platform usage, the expected ongoing software subscription revenue from this customer will be approximately \$200k per annum.
- + In addition to the product deals closed above, in January 2022 IKE was also awarded a \$0.6m co-investment cash grant from NZ Trade & Enterprise to support the go-to-market program for IKE’s AI Software solution, called IKE Insight.
- + IKE’s focus for Q4 FY22 (period to March 2022) continues on three core themes:
 - + The delivery of contracts to recognize revenue from contracts in place,
 - + The extension of revenue opportunities from existing customers, and
 - + Building further market proof points behind IKE’s AI-software business segment, called IKE Insight. Certain pilot projects in process, if proven out, have the potential to disrupt the way that the electric utility sector completes network-wide structural analysis programs.

Customer and market commentary

- + IKE targets sales into North America’s approximately 200 communications companies, approximately 3,000 electric utilities, and their engineering service providers. Once a customer, IKE then aims to embed and expand the use of its three IKE solutions inside of these accounts.

- + As above, Q4 FY22 has started positively in terms of demand and revenue momentum.
- + Market tailwinds continue to support the growth potential of the IKE business in North America.
 - + An additional US\$60b of investment into broadband network development, as part of the Biden administration's \$1 trillion Infrastructure bill, is additive to more than US\$350b forecasted to be invested into fibre and 5G infrastructure over the next five plus years as a baseline.
 - + Additionally, more than 3,000 electric utilities are needing to address the urgent challenges of network strengthening and maintenance over the next five to ten years.
- + 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.

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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