



## FOR IMMEDIATE RELEASE

12 February 2021

### Q3 FY21 performance update

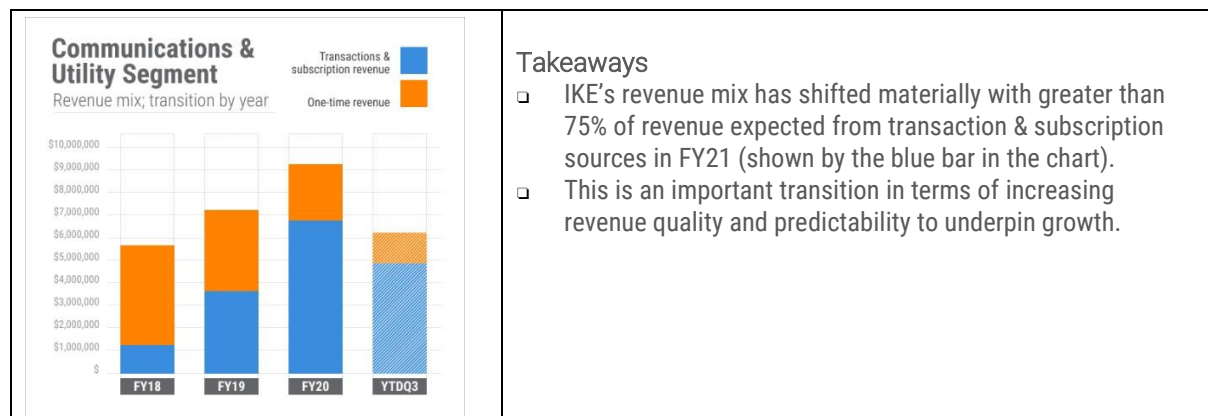
#### Acquisition of Artificial Intelligence software business

ikeGPS (IKE) is pleased to release an update for the quarter to 31 December 2020 (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 assets being processed through the IKE platform. In the Q3 FY21 period, less engineering activity occurred on certain network projects while COVID-19 response measures were put in place in specific U.S. regions. Deferred contracts in Q3 are generally transitioning to delivery and recognized revenue from Q4 FY21, which IKE expects to grow against prior calendar period (pcp).

#### Highlights for the December 2020 quarter:

- + The process to acquire 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.
- + Revenue in the quarter of approximately \$2.1m and approximately \$6.5m YTD (pcp of \$7.3m) reflects a solid outcome in the context of Q1 and then Q3 periods disrupted by COVID-19 impacts on customer projects.
- + New contracts closed in Q3 FY21 were for approximately \$2.5m.
- + Gross margin of approximately \$4.3m (pcp of \$5.2M), with a gross margin percentage of approximately 67% (pcp of 72%).
- + Total cash and receivables 31 December 2020 of approximately \$18m, with no debt.



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## Q4 FY21 outlook

- + The final quarter of FY21 has commenced strongly.
  - o Approximately \$3m of new contracts have been closed in the initial five weeks of Q4, laying a platform for a significant sales quarter.
  - o New contracts won are supporting network projects for important underlying customers including AT&T Inc. (the world's largest communications company), Corning Optical Communications Inc. (the world's largest fiber optics manufacturer), and ALLO Communications (a communications business operating across Nebraska and Colorado).
  - o Several deferred projects from Q3, as detailed above, are coming online as specific impacts of COVID-19 ease.
- + IKE's focus for Q4 FY21 is on three core items: The delivery of contract backlogs, the extension of revenue opportunities from existing customers, and integration of the recently acquired AI-software business.

## Research coverage

- + Bell Potter (<https://bellpotter.com.au>), one of Australia's largest full-service financial advisory firms, has initiated research coverage on IKE. The associated report outlines the growth potential of the business.
- + From Q4 FY21 IKE will report additional quarterly metrics. These additional key metrics include transaction revenue, Platform-as-a-Service revenue (PaaS), and the number of PaaS customers subscribing to the IKE platform (vs legacy business model Software-as-a-Service subscribers).

## Acquisition of assets of Artificial Intelligence software business

- + A significant focus in Q3 was acquiring certain assets of Visual Globe LLC, a US-based Artificial Intelligence (AI) and low code/no code software company that specializes in the automated analysis of power poles from very large data sets:
- + This strategic acquisition complements IKE's existing offering and aligns with the Company's vision to become the standard for collecting, analysing and managing power pole information.
- + Visual Globe's AI platform provides the potential for IKE to grow its addressable market within the electric utility and communication industries and to significantly increase the number of transactions that can process efficiently on its platform.
- + The addition of Visual Globe's technology will enable IKE to process extremely large volumes of pole data that can be collected from new additional sources including drones and smartphones, making the Company's platform even more attractive to electric utilities and communications groups in the North American market.
- + The consideration comprised an initial payment of US\$3.3m in cash and with a potential earn-out component comprising up to an additional US\$4.99m of cash and up to US\$2.1m of IKE shares. The earnout payments are subject to the acquired assets delivering revenue targets totaling US\$21M in aggregate over the period to March 2024 (80% of the total earn-out) and the retention of key people to 31 March 2024 (20% of the total earn-out).

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### *Customer and market commentary*

IKE targets sales and deployments into North America's largest communications companies, investor-owned electric utilities, and their engineering service providers.

- + Q3 FY21 customer wins included a large contract with a major US electric utility.
  - o IKE signed this important agreement in Q3 FY21, to help this utility assess its power distribution infrastructure in a fast, safe, and reliable way. Under this contract IKE will initially analyze 250,000 assets, a small subset of the Group's asset base.
  - o The initial phase for this project is expected to be extended into FY22 and to grow in total to approximately \$850,000 revenue. It is now anticipated that approximately \$400,000 of this network project will be recognized in IKE's 2H FY21 (the period ending 31 March 2021).
  - o The parent company of this customer is an American Fortune 100 energy business with similar companies in its portfolio. This agreement follows a successful pilot program, with the onboarding and implementation process immediately going live from October 2020. Significantly, this is the first major cross-sell from IKE's acquisition of the assets of Powerline Technology completed in October 2019.
- + Other Q3 wins included with Clear Connection LLC, supporting fiber optic engineering in California, Nevada & Arizona, and with prominent fiber engineering groups in Washington and Texas.
- + Several market tailwinds support the high growth potential of the IKE business, 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 platform delivers network construction and maintenance processes that are faster, safer, and to a higher quality data standard.

ENDS

### **About ikeGPS**

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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