

IkeGPS Group Ltd

In pole position

IkeGPS Group Ltd (ASX:IKE) seeks to be the standard for collecting, analysing and managing pole and overhead assets' information for electric utilities, communications companies and their engineering service providers, with a focus in North America. IKE has three key products in its portfolio: a cloud software and field tool solution to standardise data and create accurate pole records fast (IKE Office); pole load analysis software (IKE Structural); and an AI solution to process bulk data and imagery specific to distribution asset projects (IKE Insight). Recent trading updates suggests this portfolio is gaining traction, with YTD revenue for the nine months to December 2021 +53% on the PCP (at NZ\$9.9m), with Q3 FY22 revenue +100% on the PCP (at NZ\$4.2m). Management estimates CY21 new contracts won exceeds NZ\$23m in total contract value, providing good visibility for FY22 and FY23. To fund such growth and provide flexibility to pursue potential acquisition opportunities IKE raised A\$23.6m via a oversubscribed placement and SPP in August 2021 at A\$0.95/share. As a result, IKE ended December 2021 with a cash and receivables balance of NZ\$29m. Acquisitions have been a feature of the small-cap "tech" space over the past 12 months as smaller players look to consolidate and fast-track customer acquisitions. IKE is currently trading at a slight premium to assessed peers on an EV/ARR basis (~5.5x vs ~4.0x), with these multiples compressing across the sector in recent months.

Business model

IKE generates revenue from three distinct revenue streams: an initial sale of the field tools and mobile software (supporting the IKE Office product; a subscription to the IKE Office cloud software product or to the IKE Structural software product ; and transactional revenue based on the usage of the platform on a per-pole or per-seat basis (IKE Office and IKE Insight products). Transactions include additional value-add options using AI, machine learning and predictive analysis to create actionable insights. As of September 2021, ~15% of revenues were related to field tools and mobile software, ~45% subscription and ~40% transactional.

Contract wins accelerating

Following relatively modest revenue growth over the past three years (CAGR ~7%), FY22 has seen an acceleration in growth with the nine months YTD December 2021 +53%, and the December quarter +100% on the PCP. The total value of new contracts won over CY21 is said to be >NZ\$23m, providing strong visibility into FY23. The company is well funded to deliver this growth following a A\$23.6m capital raise in August 2021, which also provides some flexibility for acquisitions, which has been a feature of "small-cap tech" stocks in recent quarters.

Slight premium to latest peer EV/ARR

Peers for IKE are small-cap tech stocks with an initial hardware sale then ongoing SaaS/transaction fees from the software products. Such stocks do not have to operate in the same field but typically have the same drivers and challenges including hardware upgrades, dealing with large customers and long lead times. Such peers include transport technology company EROAD (ASX:ERD) and sports science and analytics company Catapult (ASX:CAT), both of whom have made acquisitions in the past 12 months. On latest disclosed ARR we estimate IKE is trading at 5.5x EV/ARR against 4.0x for CAT and ERD.

Historical earnings and ratios (In NZ\$m unless otherwise stated)

Year end	Revenue	EBITDA Adj.*	NPAT Adj.	NPAT Rep.	EPS Adj. (c)	EPS Rep. (c)	EV/Revenue (x)^	GP (%)
03/18a	7.73	(4.81)	(6.44)	(6.73)	(0.09)	(0.09)	10.18	51.1%
03/19a	8.00	(3.77)	(5.09)	(5.09)	(0.06)	(0.06)	9.83	67.0%
03/20a	9.84	(3.28)	(4.94)	(6.04)	(0.05)	(0.06)	7.99	70.5%
03/21a	9.32	(6.18)	(8.13)	(7.49)	(0.07)	(0.06)	8.44	63.3%

Source: Company data; *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^calculated from current enterprise value

Technology Hardware & Software

11th March 2022

Share Details

ASX code	IKE
Share price	\$0.68
Market capitalisation	\$109.0M
Shares on issue	159.2M
Net cash at 30-Sept-2021	\$29.6M
Free float	50.5%

Share Performance (12 months)



Upside Case

- Secure new utility/communications clients
- Existing clients transact more on the IKE platform
- Accretive acquisition adding clients and function

Downside Case

- Pricing pressure from existing customers
- Higher long-term cost base to support product
- Industry multiple contraction

Catalysts

- Further contract announcements
- FY22 full-year result (May 2022)

Comparable Companies (Aust/NZ)

EROAD (ASX:ERD), Catapult (ASX:CAT)

Board and Management

Alex Knowles	Non-Executive Chair
Glenn Milnes	Managing Director/CEO
Rick Christie	Ind. Non-Executive Director
Eileen Healy	Ind. Non-Executive Director
Mark Ratcliffe	Ind. Non-Executive Director

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FINANCIAL SERVICES GUIDE

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of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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