

ikeGPS

Margin Strengthens in 1Q25

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ikeGPS (IKE) reported a solid 1Q25 trading update, with the outlook for FY25 remaining positive. While total revenue for the quarter was slightly behind our expectations, sales momentum in Subscriptions continued, as segment revenue rose +29%. IKE's gross margin expanded to 70% in 1Q25 from 61% in 1Q24, reflecting a favourable shift in the product mix towards higher-margin Subscription revenue. The positive trend in margin is expected to continue for FY25, implying stronger-than-anticipated gross margins, relative to our prior expectation of ~69% for the period. We adjust our estimates accordingly and our blended spot valuation increases +5cps to NZ\$0.88. IKE had NZ\$10.0m in cash at the end of 1Q25, which we expect will be sufficient to achieve cash flow breakeven without external capital.

NZX Code	IKE	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.45	Rev (NZ\$m)	21.5	28.4	35.6	43.9	PE	n/a	n/a	n/a	29.6
Spot Valuation	NZ\$0.88 (from 0.83)	NPAT* (NZ\$m)	(15.0)	(8.5)	(3.5)	2.4	EV/EBIT	n/a	n/a	n/a	27.5
Risk rating	High	EPS* (NZc)	(9.4)	(5.3)	(2.2)	1.5	EV/EBITDA	n/a	n/a	44.0	8.7
Issued shares	160.0m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	9.8	40.0	n/a	35.0
Market cap	NZ\$72m	Imputation (%)	100	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	21.3k (NZ\$11k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** Our EBITDA estimates increase by +NZ\$0.3m, +NZ\$0.5m, and +NZ\$0.5m in FY25, FY26, and FY27 respectively.
- **Blended spot valuation:** Rises +6% to NZ\$0.88, reflecting earnings changes and a re-rating in peer multiples.

Segment revenue trends persist

Total revenue for 1Q25 (NZ\$5.8m) was slightly behind our expectation of NZ\$6.0m, largely reflecting continued weakness in IKE's Transaction segment. Transaction revenue was NZ\$1.8m, down -16% versus the pcp and -18% sequentially from 4Q24. By contrast, Subscription revenue grew by +29% versus the pcp and +14% sequentially from 4Q24, underpinned by the continued growth of IKE's core IKE Office Pro product and contract wins for its next-generation PoleForeman product. IKE now has 58 customers for its PoleForeman product, representing >3,700 subscribers and >NZ\$12m in total contract value signed.

Positive outlook for the remainder of FY25

The outlook for the remainder of FY25 is positive for IKE due to: (1) strong growth expectations for Subscriptions, with management reiterating guidance for >+50% revenue growth, (2) further gross margin uplift from the continued shift in the product mix towards higher-margin Subscription revenue, and (3) the introduction of new AI capability into IKE's new and existing products. These factors should lay the platform for IKE to return to sustainable growth after a challenging FY24 period.

Cash position largely unchanged

IKE finished 1Q25 with NZ\$10.0m of cash, down slightly from NZ\$10.2m at the end of FY24. The moderate level of cash burn in the quarter is constructive to our view that IKE will achieve cash flow breakeven without requiring external capital. Based on our new forecasts, we expect IKE to achieve EBITDA breakeven in FY26 and cash flow breakeven in FY27, supported by continued revenue growth and gross margin expansion.

ikeGPS Group (IKE)
Market Data (NZ\$)

Priced as at 15 Jul 2024	0.45
52 week high / low	0.75 / 0.40
Market capitalisation (NZ\$m)	72.0

Key WACC assumptions

Risk free rate	5.00%
Equity beta	1.30
WACC	11.5%
Terminal growth	2.0%

Profit and Loss Account (NZ\$m)

	2023A	2024A	2025E	2026E	2027E
Revenue	31.1	21.5	28.4	35.6	43.9
Normalised EBITDA	(2.1)	(10.7)	(4.0)	1.6	7.9
Depreciation and amortisation	(3.6)	(4.6)	(4.6)	(5.0)	(5.4)
Normalised EBIT	(7.8)	(15.2)	(8.6)	(3.4)	2.5
Net interest	(0.1)	0.2	0.1	(0.0)	(0.1)
Associate income	0	0	0	0	0
Tax	0.0	0	0	0	0
Minority interests	0	0	0	0	0
Normalised NPAT	(7.9)	(15.0)	(8.5)	(3.5)	2.4
Abnormals/other	0	0	0	0	0
Reported NPAT	(7.9)	(15.0)	(8.5)	(3.5)	2.4
Normalised EPS (cps)	(4.9)	(9.4)	(5.3)	(2.2)	1.5
DPS (cps)	0	0	0	0	0

Growth Rates

	2023A	2024A	2025E	2026E	2027E
Revenue (%)	93.9	-30.7	31.7	25.6	23.4
EBITDA (%)	n/a	n/a	n/a	n/a	>100
EBIT (%)	n/a	n/a	n/a	n/a	n/a
Normalised NPAT (%)	n/a	n/a	n/a	n/a	n/a
Normalised EPS (%)	n/a	n/a	n/a	n/a	n/a
Ordinary DPS (%)	n/a	n/a	n/a	n/a	n/a

Cash Flow (NZ\$m)

	2023A	2024A	2025E	2026E	2027E
EBITDA	(2.1)	(10.7)	(4.0)	1.6	7.9
Working capital change	(1.2)	(0.4)	1.8	0.5	(2.1)
Interest & tax paid	(0.1)	0.2	0.1	(0.0)	(0.1)
Other	0.9	6.2	0	0	0
Operating cash flow	(2.5)	(4.6)	(2.1)	2.1	5.7
Capital expenditure	(5.1)	(3.8)	(3.9)	(4.1)	(4.3)
(Acquisitions)/divestments	0	0	0	0	0
Other	0.1	0.2	0.2	0.1	0.1
Funding available/(required)	(7.5)	(8.3)	(5.9)	(1.9)	1.6
Dividends paid	0	0	0	0	0
Equity raised/(returned)	0	0	0	0	0
(Increase)/decrease in net debt	(7.5)	(8.3)	(5.9)	(1.9)	1.6

Balance Sheet (NZ\$m)

	2023A	2024A	2025E	2026E	2027E
Working capital	5.4	5.8	4.0	3.5	5.6
Fixed assets	2.8	2.9	2.9	2.8	2.7
Intangibles	13.1	13.1	12.7	12.1	11.4
Right of use asset	0	1.2	1.0	0.8	0.8
Other assets	1.6	1.7	0.9	0.9	0.9
Total funds employed	22.9	24.6	21.5	20.1	21.5
Net debt/(cash)	(18.0)	(10.2)	(4.4)	(2.5)	(4.1)
Lease liability	0	1.0	1.0	0.8	0.8
Other liabilities	7.0	13.4	10.3	12.0	11.2
Shareholder's funds	33.9	20.4	14.5	9.8	13.5
Minority interests	0	0	0	0	0
Total funding sources	22.9	24.6	21.5	20.1	21.5

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend** Information on Forsyth Barr's Carbon and ESG (CESG) ratings can be found at www.forsythbarr.co.nz/corporate-news-events/cesg-report

Spot valuation (NZ\$)

DCF	0.85
EV/sales relative	0.92

0.88
DCF valuation summary

Total firm value	128.5
(Net debt)/cash	10.2
Less: Capitalised operating leases	-3.0
Value of equity	135.7

Valuation Ratios

	2023A	2024A	2025E	2026E	2027E
EV/Sales (x)	1.7	2.8	2.3	1.9	1.6
EV/EBITDA (x)	n/a	n/a	n/a	44.0	8.7
EV/EBIT (x)	n/a	n/a	n/a	n/a	27.5
PE (x)	n/a	n/a	n/a	n/a	29.6
Price/NTA (x)	3.5	9.8	40.0	n/a	35.0
Free cash flow yield (%)	-10.9	-12.2	-8.9	-3.3	1.5
Adj. free cash flow yield (%)	-3.7	-6.9	-3.4	2.4	7.4
Gross dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net dividend yield (%)	0.0	0.0	0.0	0.0	0.0

Capital Structure

	2023A	2024A	2025E	2026E	2027E
Interest cover EBIT (x)	n/a	76.6	96.0	n/a	39.6
Interest cover EBITDA (x)	n/a	53.7	44.5	78.7	>100x
Net debt/ND+E (%)	-113.5	-100.6	-43.0	-33.7	-43.2
Net debt/EBITDA (x)	8.6	1.0	1.1	n/a	n/a

Key Ratios

	2023A	2024A	2025E	2026E	2027E
Return on assets (%)	-17.9	-42.2	-31.0	-14.0	9.1
Return on equity (%)	-23.2	-73.7	-58.6	-35.2	18.1
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	-6.8	-49.6	-14.0	4.4	18.0
EBIT margin (%)	-25.0	-70.8	-30.3	-9.7	5.7
Capex to sales (%)	16.5	17.8	13.8	11.5	9.7
Capex to depreciation (%)	378	248	229	216	206
Imputation (%)	0	100	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Operating Performance

	2023A	2024A	2025E	2026E	2027E
Subscriptions revenue	8.8	10.7	17.0	23.4	30.6
Transactions revenue	18.7	7.3	8.1	9.3	10.7
Hardware revenue	3.3	3.1	2.9	2.6	2.3
Total Revenues	30.8	21.1	28.0	35.3	43.6

Total gross profit

Subscriptions gross profit	7.7	9.2	15.1	20.8	27.2
Transactions gross profit	7.2	1.8	2.9	3.4	4.0
Hardware gross profit	1.4	1.7	1.6	1.5	1.4
Total gross profit	16.3	12.7	19.6	25.7	32.6

Subscriptions gross margin (%)

Subscriptions gross margin (%)	87.5	86.1	88.6	88.8	89.0
Transactions gross margin (%)	38.4	23.9	36.0	37.0	38.0
Hardware gross margin (%)	43.9	56.0	56.0	57.0	58.0
Total gross margin (%)	53.1	60.1	70.0	72.8	74.8

Earnings revisions

We make minor upwards revisions to our gross profit estimates following IKE's 1Q25 trading update. Our revenue and operating expense estimates are unchanged, with limited information in the 1Q25 release to change our view.

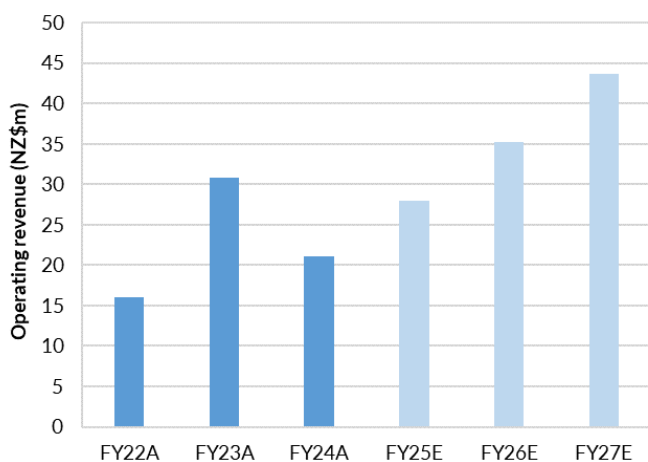
Figure 1. Earnings revisions (NZ\$m)

	FY25			FY26			FY27		
	Old	New	Change	Old	New	Change	Old	New	Change
Operating Revenue	28.0	28.0	+0%	35.3	35.3	+0%	43.6	43.6	+0%
Cost of sales	(8.7)	(8.4)	-4%	(10.0)	(9.6)	-4%	(11.5)	(11.0)	-5%
Gross profit	19.3	19.6	+2%	25.2	25.7	+2%	32.1	32.6	+2%
Total other income	0.4	0.4	n/a	0.4	0.4	n/a	0.4	0.4	n/a
"Support costs" / Other operating expenses	(1.4)	(1.4)	+0%	(1.4)	(1.4)	+0%	(1.5)	(1.5)	+0%
Sales & marketing expenses	(10.9)	(10.9)	+0%	(11.5)	(11.5)	+0%	(12.0)	(12.0)	+0%
Research & engineering expenses	(10.1)	(10.1)	+0%	(10.2)	(10.2)	+0%	(10.5)	(10.5)	+0%
"Corporate Costs" / General & Admin expenses	(6.2)	(6.2)	+0%	(6.4)	(6.4)	+0%	(6.6)	(6.6)	+0%
Total operating expenses	(28.6)	(28.6)	+0%	(29.5)	(29.5)	+0%	(30.5)	(30.5)	+0%
Operating profit (loss)	(9.3)	(9.0)	n/a	(4.2)	(3.8)	n/a	1.6	2.1	n/a
Finance costs	0.1	0.1	n/a	(0.0)	(0.0)	n/a	(0.1)	(0.1)	n/a
Profit (loss) before income tax	(8.8)	(8.5)	n/a	(3.9)	(3.5)	n/a	1.9	2.4	n/a
Income tax	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Net Profit (Loss) for the Year	(8.8)	(8.5)	n/a	(3.9)	(3.5)	n/a	1.9	2.4	n/a

Reconciliation Operating profit (loss) to EBITDA									
NPAT (\$m)	(8.8)	(8.5)	n/a	(3.9)	(3.5)	n/a	1.9	2.4	n/a
add back Income tax paid (\$m)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
add back Finance costs paid (\$m)	(0.1)	(0.1)	n/a	0.0	0.0	n/a	0.1	0.1	n/a
add back Depreciation (\$m)	1.4	1.4	n/a	1.6	1.6	n/a	1.8	1.8	n/a
add back Lease depreciation (\$m)	0.3	0.3	n/a	0.3	0.3	n/a	0.3	0.3	n/a
add back Amortisation (\$m)	2.9	2.9	n/a	3.1	3.1	n/a	3.3	3.3	n/a
remove adjustments (\$m)	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Operating EBITDA (\$m)	(4.3)	(4.0)	n/a	1.1	1.6	n/a	7.4	7.9	n/a

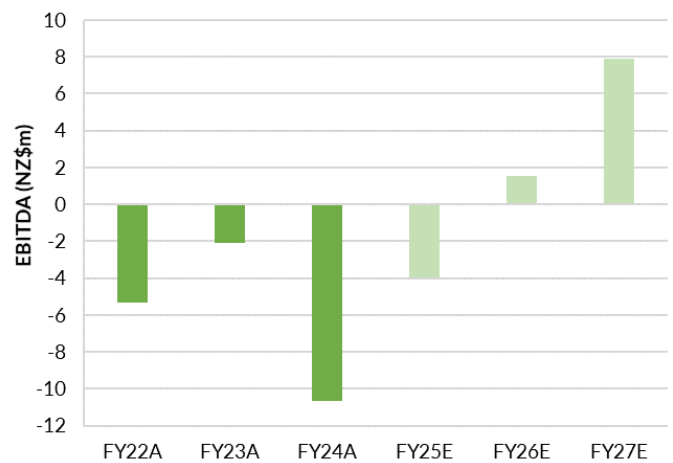
Source: Forsyth Barr analysis

Figure 2. IKE – Operating revenues (NZ\$m)



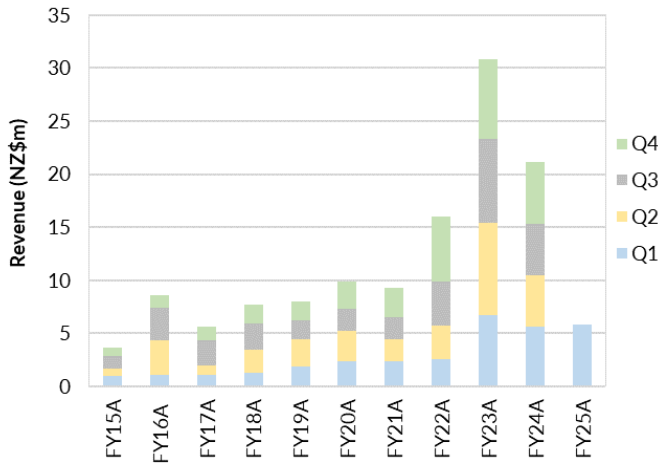
Source: Company, Forsyth Barr analysis

Figure 3. IKE – EBITDA (NZ\$m)



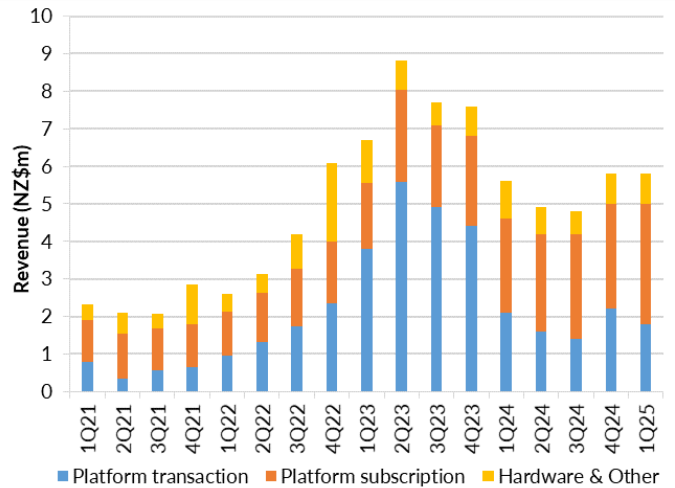
Source: Company, Forsyth Barr analysis

Figure 4. IKE – Quarterly revenue



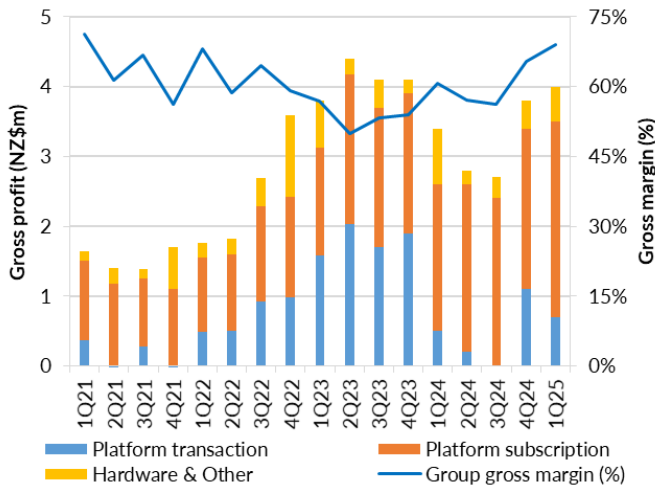
Source: Company, Forsyth Barr analysis

Figure 5. IKE – Quarterly revenue by segment



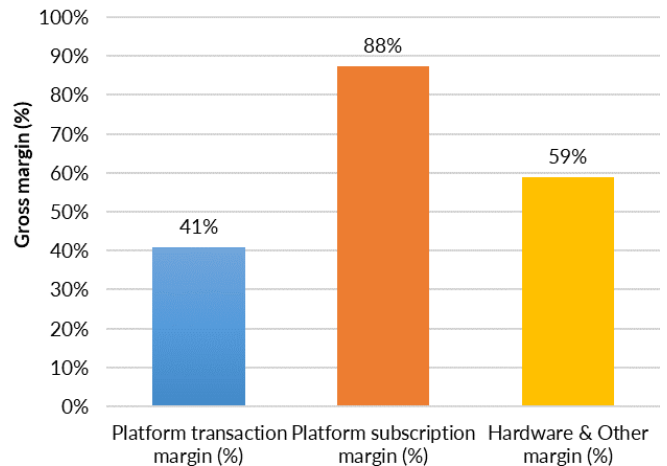
Source: Company, Forsyth Barr analysis

Figure 6. IKE – Quarterly gross profit by segment



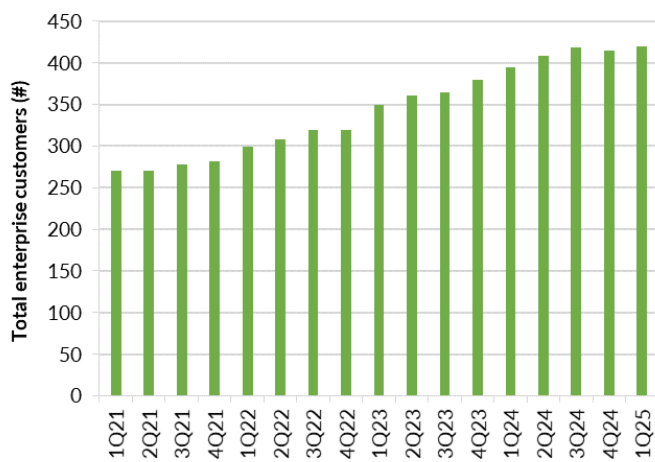
Source: Company, Forsyth Barr analysis

Figure 7. IKE – Gross margin by segment 1Q25 (%)



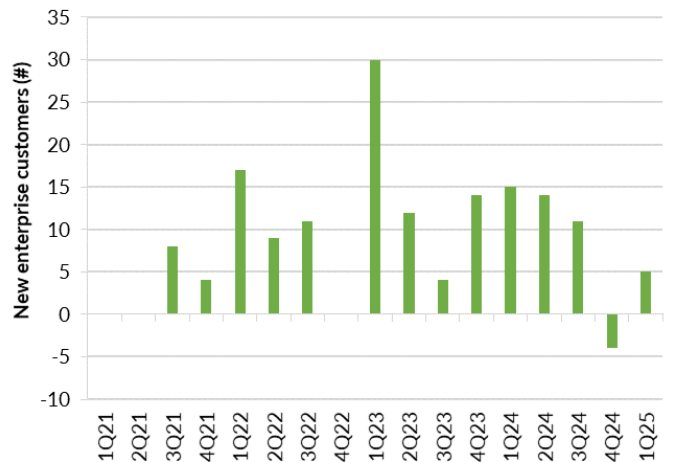
Source: Company, Forsyth Barr analysis

Figure 8. IKE – Total enterprise customers by quarter



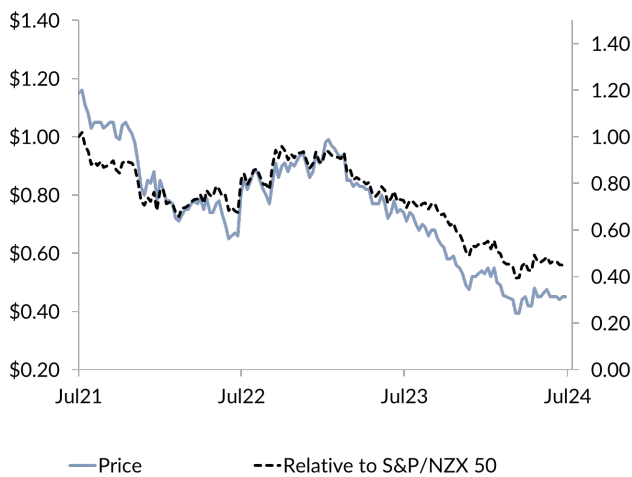
Source: Company, Forsyth Barr analysis

Figure 9. IKE – Net enterprise customer growth by quarter



Source: Company, Forsyth Barr analysis

Figure 10. Price performance



Source: Forsyth Barr analysis

Figure 11. Substantial shareholders

Shareholder	Latest Holding
Wilson Family Trust	17.5%
Scobie Ward	8.3%
TEK Trust	7.2%
K & M Douglas Trust	6.1%

Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 12. International valuation comparisons

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 2026E
				2025E	2026E	2025E	2026E	2025E	2026E	
ikeGPS	IKE NZ	NZ\$0.45	NZ\$72	<0x	<0x	<0x	44.0x	<0x	<0x	0.0%
Autodesk Inc	ADSK US	US\$253.45	US\$54,621	30.7x	27.4x	25.2x	22.4x	25.4x	23.3x	0.0%
Altair Engineering Inc - A	ALTR US	US\$100.25	US\$8,324	>75x	69.7x	54.5x	45.8x	56.6x	47.0x	n/a
Ansys Inc	ANSS US	US\$329.36	US\$28,753	34.1x	30.5x	25.7x	24.1x	27.2x	24.6x	0.0%
Bentley Systems Inc-Class B	BSY US	US\$49.93	US\$16,481	46.4x	41.0x	36.6x	32.1x	37.9x	33.0x	0.5%
Dassault Systemes Se	DSY FP	€34.48	€46,172	26.1x	23.9x	18.7x	17.2x	21.8x	20.8x	0.9%
Hexagon Ab-B Shs	HEXAB SS	€121.80	€329,527	>75x	>50x	>75x	>75x	>75x	>75x	0.1%
Rockwell Automation Inc	ROK US	US\$283.35	US\$32,303	26.0x	22.6x	19.0x	17.4x	21.4x	19.1x	1.9%
Roper Technologies Inc	ROP US	US\$558.38	US\$59,772	30.0x	27.3x	23.6x	21.6x	32.9x	29.6x	0.6%
Trimble Inc	TRMB US	US\$57.35	US\$14,005	20.5x	18.2x	17.4x	16.4x	18.8x	17.7x	n/a
Compco Average:				30.5x	32.6x	27.6x	24.6x	30.2x	26.9x	0.6%
EV = Mkt cap+net debt+lease liabilities+min interests-investments				IKE Relative:		n/a	n/a	n/a	n/a	-100%

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (IKE) companies fiscal year end

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