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IKEGPS GROUP LIMITED – ACQUISITION AND EQUITY CAPITAL RAISING

Highlights

- IKE has entered into an agreement to acquire certain assets of PowerLine Technology Inc. (“PLT”) for US\$3.4m (NZ\$5.4m).
- PLT’s flagship product, PoleForeman, is a leading pole loading analysis software solution used in the North American market.
- This is a strategically important extension of the IKE Analyse platform. PLT has been an IKE partner for >three years.
- This acquisition provides opportunities for IKE to lever PLT’s technology, position in the market and its customer base for further growth.
- The acquisition is profitable and is expected to be immediately cash flow accretive.
- This builds on IKE’s 1H FY20 performance update (expected 1H FY20 record revenue and EBITDA breakeven Q2 FY20) and the transition in revenue mix from one off sales towards transaction and recurring sources.
- The acquisition will in part be funded by way of a \$5m underwritten placement and a retail offer to IKE’s New Zealand resident shareholders of up to \$1.5m.

New Zealand, 27 September 2019 – ikeGPS Group Limited (NZX: IKE) (ASX: IKE) today announces that it has entered into an agreement to acquire certain assets of PowerLine Technology Inc. (“PLT”) for US\$3.4m (NZ\$5.4m) (“Acquisition”). The Acquisition is being funded through the issuance of IKE shares to PLT combined with cash payments. A \$6.5m equity raising has consisted of an underwritten share placement and a retail share offer, to settle the cash component of the Acquisition.

PowerLine Technology Inc.

United States-based PLT is a developer of engineering software for the electric utility sector. PLT's flagship product, PoleForeman, is a leading pole loading analysis software solution adopted by more than 100 North American-based customers across the electric utility, communications and engineering industries.

PLT has been an IKE partner for several years and this Acquisition represents a strategic extension to the IKE Analyze platform. The combination of these two products is expected to enhance IKE's go-to-market proposition and provide an opportunity to cross-sell IKE products to a wider customer base.

PLT's software business is profitable (calendar 2019 revenue of approximately US\$0.8m and NPAT of approximately US\$0.3m) and is expected to be cash flow accretive upon completion of the Acquisition.

The Acquisition price of US\$3.4m includes an US\$0.9m earn out component and will be paid as 70% cash and 30% scrip across all components. The initial consideration comprises US\$1.75m of cash and US\$0.75m of IKE shares issued at \$0.60 per share in equal tranches over a three year period. The earn out will be paid annually over a three year period subject to the founder remaining employed at IKE, and IKE shares issued under the earn out will also be issued at \$0.60 per share.

The Acquisition is subject to customary settlement conditions and is due to settle 18 October 2019.

IKE CEO, Glenn Milnes said "We have worked with PowerLine Technology for several years and our respective products are highly complementary. This acquisition allows us to bring their technology in-house and opens up a number of additional pathways for growth including through marketing to a broader customer base and an enhanced product offering."

Equity raising

IKE is conducting an equity raising of up to \$6.5m to fund the Acquisition and to fund the continued implementation of its growth strategy. The equity raising comprises a \$5m placement ("Placement") and a subsequent \$1m retail offer (with the ability to accept up to \$0.5m of oversubscriptions) ("Retail Offer").

The Placement was successfully completed overnight and was conducted through a process in which investors in New Zealand and other selected jurisdictions were invited to participate by Forsyth Barr Limited. The Placement is fully underwritten by Forsyth Barr Group Limited.

Under the \$5m Placement, approximately 8.3 million shares were sold at the fixed price of \$0.60 per share, representing a 6% discount to IKE's closing share price on 26 September 2019. The Placement was well supported by investors, and was conducted under IKE's existing placement capacity under the NZX Listing Rules.

The Retail Offer will allow all New Zealand resident IKE shareholders to subscribe for up to \$50,000 of new shares each. The offer price for the Retail Offer has been set at \$0.60 per share, the same price as under the Placement. Further details regarding the Retail Offer can be found in the Corporate Action Notice accompanying this announcement, and the full terms of the Retail Offer will be set out in an Offer Document which will be provided to IKE's New Zealand resident shareholders on 1 October 2019.

Accompanying this announcement is:

- a copy of the cleansing notice (issued under clause 20(1)(a) of Schedule 8 to the Financial Markets Conduct Regulations 2014 and ASIC Instrument 16-1121 for the purposes of undertaking the placement);
- an investor presentation; and
- a Corporate Action Notice in respect of the Retail Offer.

Contact

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