

ikeGPS

1H24 Transactional Revenue Weakness

JAMES LINDSAY

 James.Lindsay@forsythbarr.co.nz
 +64 9 368 0145

WILL TWISS

 will.twiss@forsythbarr.co.nz
 +64 9 368 0129

ikeGPS (IKE) experienced a challenging 1H24, witnessed by a -32% fall in revenues to NZ\$10.5m from 1H23. The decline stemmed from a significant, but well-signalled, -60% drop in transactional revenue due to project delays from key long-term customers. In contrast, the subscription segment (revenue +24%) demonstrated resilience, onboarding a net +29 new customers in 1H24. IKE's gross margin improved from 53% in 1H23 to 59% in 1H24, largely due to positive changes in the product mix. Monthly cash burn in 1H24 was ~NZ\$1.3m, with net cash at the end of the period NZ\$10.2m. To maintain its timeline for reaching EBITDA breakeven, IKE began cost reduction measures in 3Q24. IKE's long-term prospects remain favourable, underpinned by: 1) strong ongoing demand for productivity solutions in telecommunications (5G and fibre rollouts), 2) the energy sector (grid capacity and resilience); 3) the recent launch of the revised IKE Structural product; and 4) the potential of the Google partnership for IKE Insight's AI data analytics. We amend our forecasts to reflect short-term revenue challenges and cost out initiatives, which sees our blended spot valuation fall by -13% to NZ\$0.84.

NZX Code	IKE	Financials: Mar/	23A	24E	25E	26E	Valuation (x)	23A	24E	25E	26E
Share price	NZ\$0.54	Rev (NZ\$m)	31.1	22.1	35.4	43.8	PE	n/a	n/a	n/a	42.5
Spot Valuation	NZ\$0.84 (from 0.96)	NPAT* (NZ\$m)	(7.9)	(12.0)	(2.7)	2.0	EV/EBIT	n/a	n/a	n/a	39.0
Risk rating	High	EPS* (NZc)	(4.9)	(7.5)	(1.7)	1.3	EV/EBITDA	n/a	n/a	n/a	10.5
Issued shares	160.0m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	4.1	10.4	25.2	17.0
Market cap	NZ\$86.4m	Imputation (%)	0	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	45.4k (NZ\$38k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Earnings:** Our FY24, FY25, and FY26 revenue estimates decrease -6%, -28%, and -27% respectively
- **Spot valuation:** Our blended spot valuation falls by -12cps to NZ\$0.84.

Transactional slowdown

Transactional revenue experienced a notable fall to ~NZ\$3.7m, down -60% versus the prior comparable period. While well signalled by the company, it remains disappointing that IKE's three largest customers all delayed transactional activity at similar times. IKE noted that, 'These long-term customers are not lost, some have resumed placing contracts already in Q3 or are communicating that they expect strong transaction volumes to resume, and that the multi-year outlook for use of IKE platform is robust.'

Customer wins driving Subscriptions growth

Although not enough to offset transactional revenue declines, subscription revenue increased +24% to ~NZ\$5.1m, evidencing solid customer acquisition and low churn (<4%) in this segment. As subscription revenues are at much higher margins (~88% in 1H24), the positive shift in the sales mix allowed IKE's gross margin percentage to expand +600bp from 1H24 to 59%. IKE is still winning circa one new customer per week and now has 408 enterprise customers, up a net +29 in 1H24. IKE's customer list remains impressive. It has five of the top ten North American utilities on its 'customer council' – which helps IKE develop products. Further, it has seven of the top ten North American utilities as customers – using IKE PoleForeman and IKE Office Pro.

Cost out programme implemented in 3Q24 in an effort to maintain a path towards EBITDA breakeven

To counteract revenue declines, IKE is reducing its global headcount by -19%, mostly in US-based service and back-office roles, alongside lowering contractor costs. IKE expects to generate annual cost savings of ~NZ\$4.0m.

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

Priced as at 29 Nov 2023	0.54
52 week high / low	1.01 / 0.53
Market capitalisation (NZ\$m)	86.4

Key WACC assumptions

Risk free rate	4.50%
Equity beta	1.30
WACC	10.8%
Terminal growth	2.0%

Profit and Loss Account (NZ\$m)

	2022A	2023A	2024E	2025E	2026E
Revenue	16.0	31.1	22.1	35.4	43.8
Normalised EBITDA	(5.3)	(2.1)	(8.0)	0.2	7.6
Depreciation and amortisation	(2.5)	(3.6)	(4.3)	(3.0)	(5.5)
Normalised EBIT	(7.8)	(7.8)	(12.3)	(2.8)	2.0
Net interest	(0.1)	(0.1)	0.3	0.1	0.0
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)	(7.9)	(12.0)	(2.7)	2.0
Abnormals/other	0	0	0	0	0
Reported NPAT	(7.9)	(7.9)	(12.0)	(2.7)	2.0
Normalised EPS (cps)	(4.9)	(4.9)	(7.5)	(1.7)	1.3
DPS (cps)	0	0	0	0	0

Growth Rates

	2022A	2023A	2024E	2025E	2026E
Revenue (%)	56.6	93.9	-28.7	59.9	23.7
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)

	2022A	2023A	2024E	2025E	2026E
EBITDA	(5.3)	(2.1)	(8.0)	0.2	7.6
Working capital change	(1.7)	(1.2)	0.8	(0.0)	(1.9)
Interest & tax paid	(0.1)	(0.1)	0.3	0.1	0.0
Other	0.5	0.9	0	0	0
Operating cash flow	(6.6)	(2.5)	(6.9)	0.3	5.7
Capital expenditure	(3.6)	(5.1)	(3.8)	(5.5)	(6.1)
(Acquisitions)/divestments	0	0	0	0	0
Other	(0.4)	0.1	(0.1)	(0.1)	(0.1)
Funding available/(required)	(10.6)	(7.5)	(10.8)	(5.3)	(0.6)
Dividends paid	0	0	0	0	0
Equity raised/(returned)	23.1	0	0	0	0
(Increase)/decrease in net debt	12.5	(7.5)	(10.8)	(5.3)	(0.6)

Balance Sheet (NZ\$m)

	2022A	2023A	2024E	2025E	2026E
Working capital	4.2	5.4	4.6	4.6	6.6
Fixed assets	1.8	2.8	2.8	3.2	3.5
Intangibles	14.1	13.1	12.8	13.0	13.4
Right of use asset	0.2	0	0.0	0.0	(0.0)
Other assets	1.8	1.6	0.7	0.7	0.7
Total funds employed	22.1	22.9	20.9	21.6	24.1
Net debt/(cash)	(24.4)	(18.0)	(7.2)	(1.9)	(1.3)
Lease liability	0	0	0.0	0.0	(0.0)
Other liabilities	7.0	7.0	7.1	7.1	7.1
Shareholder's funds	39.4	33.9	21.1	16.5	18.4
Minority interests	0	0	0	0	0
Total funding sources	22.1	22.9	20.9	21.6	24.1

* 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	0.84
EV/Sales relative	0.87
	0.80

DCF valuation summary

Total firm value	136.3
(Net debt)/cash	7.2
Less: Capitalised operating leases	-2.9
Value of equity	140.5

Valuation Ratios

	2022A	2023A	2024E	2025E	2026E
EV/Sales (x)	4.3	2.1	3.2	2.2	1.8
EV/EBITDA (x)	n/a	n/a	n/a	>100x	10.5
EV/EBIT (x)	n/a	n/a	n/a	n/a	39.0
PE (x)	n/a	n/a	n/a	n/a	42.5
Price/NTA (x)	3.4	4.1	10.4	25.2	17.0
Free cash flow yield (%)	-12.1	-9.1	-12.7	-6.3	-0.8
Adj. free cash flow yield (%)	-8.0	-3.1	-8.3	0.0	6.3
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

	2022A	2023A	2024E	2025E	2026E
Interest cover EBIT (x)	n/a	n/a	40.0	25.3	n/a
Interest cover EBITDA (x)	n/a	n/a	26.1	n/a	n/a
Net debt/ND+E (%)	-161.5	-113.5	-52.2	-13.1	-7.8
Net debt/EBITDA (x)	4.6	8.6	0.9	n/a	n/a

Key Ratios

	2022A	2023A	2024E	2025E	2026E
Return on assets (%)	-16.1	-17.9	-41.2	-11.0	7.3
Return on equity (%)	-19.9	-23.2	-56.9	-16.3	11.0
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	-33.3	-6.8	-36.2	0.5	17.3
EBIT margin (%)	-48.6	-25.0	-55.5	-7.9	4.6
Capex to sales (%)	22.3	16.5	17.3	15.5	14.0
Capex to depreciation (%)	360	378	230	6,621	261
Imputation (%)	0	0	0	0	0
Pay-out ratio (%)	0	0	0	0	0

Operating Performance

	2022A	2023A	2024E	2025E	2026E
Sale of products revenue (\$m)	6.4	6.5	6.8	7.3	7.9
IKE Platform revenue (\$m)	8.1	22.1	13.2	23.7	29.9
IKE Structural revenue (\$m)	1.1	1.8	2.4	4.0	5.5
Spike revenue (\$m)	0.4	0.4	0.4	0.4	0.3
Other revenues (\$m)	0.1	0.3	-0.6	0.1	0.1
Total Revenues (\$m)	16.0	31.1	22.1	35.4	43.8
Sale of products % of revenues	40.2	21.0	29.8	20.7	18.1
IKE Platform % of revenues	50.5	71.9	58.1	67.1	68.4
IKE Structural % of revenues	7.0	6.0	10.5	11.2	12.7
Spike % of revenues	2.2	1.2	1.6	1.0	0.8

Sale of products gross margin (%)

	2022A	2023A	2024E	2025E	2026E
Sale of products gross margin (%)	72.3	73.4	73.0	73.5	75.0
IKE Platform gross margin (%)	48.8	43.1	47.0	55.0	56.0
IKE Structural gross margin (%)	100.0	100.0	100.0	100.0	100.0
Spike Gross margin (%)	51.0	62.2	62.2	62.2	62.2
Overall Gross margin (%)	61.9	53.1	60.6	63.9	65.1

1H24 results summary

IKE's 1H24 result was mixed, with strength in subscriptions more than offset by weakness in transactions as group revenue fell -32% to NZ\$10.5m. Subscription revenue rose +24% versus the prior comparable period to NZ\$5.1m as IKE continues to add new enterprise customers. Outside of a spike in 2Q23, subscription revenue has grown sequentially in every quarter since 3Q21 as IKE has established itself in market. Subscription margins were stable at 88%. However, steady growth and resilient margins in subscriptions could not counteract a -60% fall in transaction revenue (to NZ\$3.7m), with the number of billable transactions in the period declining -44% to 144k. Operating leverage meant transactions gross margin contracted to 19% (from 38%) and gross profit plunged -80% to NZ\$0.7m. The fall in transactions revenue and gross profit flowed through to an NPAT decline: from a NZ\$1.1m profit to a -NZ\$6.9m loss. However, the 1H23 result was boosted by NZ\$5.2m of other income, gains and losses. This included a +NZ\$2.2m FX gain and a +NZ\$2.7m fair value movement gain. Other income, gains and losses totalled a more modest NZ\$0.4m in 1H24, which contributed significantly to the fall in NPAT.

IKE remains in a robust financial position with net cash of NZ\$10.2m. However, its monthly cash burn was ~NZ\$1.3m in 1H24. We note that the cost out programme (~NZ\$4.0m annualised benefit), recovery in transaction revenues, and launch of the new IKE Structural product should help to reduce the cash burn over coming periods.

Figure 1. IKE – half year earnings comparisons

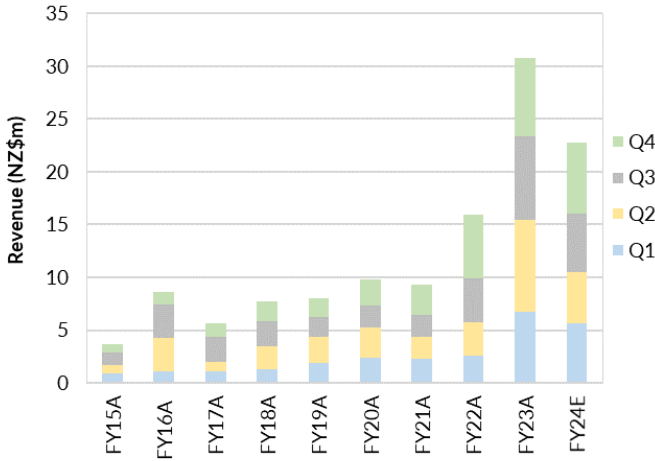
	1H23 Actual NZ\$m	1H24 Actual NZ\$m	Change %
Operating revenue	15.4	10.5	-32%
Cost of sales	(7.2)	(4.3)	-40%
Gross profit	8.2	6.2	-24%
<i>Gross margin</i>	53%	59%	+600bp
Total other income, gains and losses	5.2	0.4	-92%
Support costs	(0.5)	(0.7)	+32%
Sales and marketing expenses	(3.9)	(4.0)	+2%
Research and engineering expenses	(3.8)	(5.3)	+40%
Corporate costs	(4.0)	(3.6)	-10%
Total operating expenses	(12.2)	(13.6)	+11%
Operating profit (loss)	1.1	(7.0)	n/a
Net finance (expense)/ income	(0.0)	0.1	n/a
Net profit (loss) before income tax	1.1	(6.9)	n/a
Income tax (expense)/ credit	0.0	0.0	n/a
Net profit (loss) for the year	1.1	(6.9)	n/a
Basic and diluted loss per share	3.0	(4.0)	n/a

Source: Company, Forsyth Barr analysis

Cost out programme announced

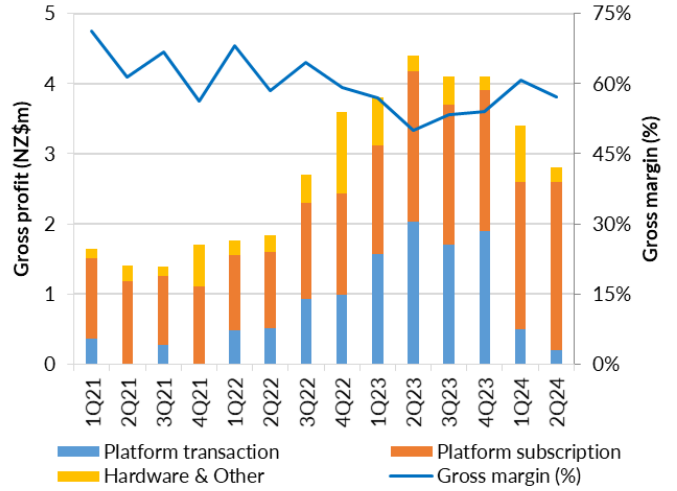
IKE launched a significant set of cost reduction measures in 3Q24 to mitigate the challenging operating landscape and assist in its move towards EBITDA breakeven. There will be a -19% reduction in IKE's global workforce, with most of the redundant roles in US-based service and back-office positions. The redundancies, alongside reduced contractor costs, are expected to drive ~NZ\$4.0m in annual cost savings. We estimate that around NZ\$0.5m to NZ\$0.75m of savings will come from the General and Admin segment, a similar NZ\$0.5m to NZ\$0.75m from sales and marketing, and the remainder from cost of sales. We expect ~NZ\$0.7m of one-off redundancy costs to be included in the Other gains or losses line in the FY24 result. As part of the staff reorganisation, IKE has moved some engineering analysts and software engineering resources to its Mexico City office, where like-for-like salaries for talented resources are at a substantial discount to US rates. We consider it likely that IKE will expedite plans to utilise Mexican workers to do more of its processing and initial sales tasks, thereby improving ongoing gross margins.

Figure 2. IKE – Quarterly revenues



Source: Company, Forsyth Barr analysis

Figure 3. IKE – Quarterly gross margin by segment and margin



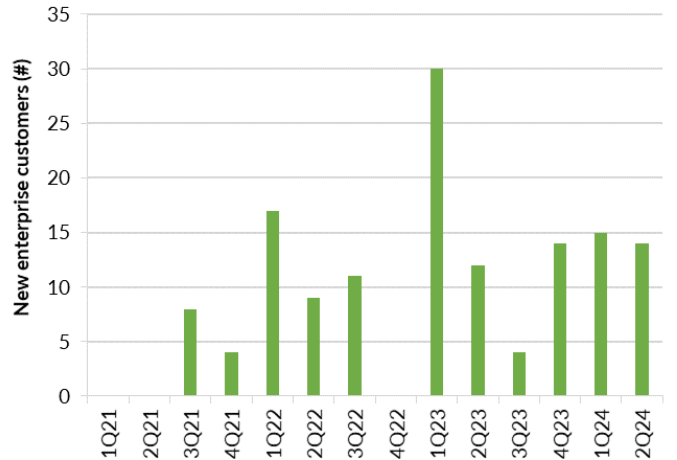
Source: Company, Forsyth Barr analysis

Figure 4. IKE – Total enterprise customers by quarter



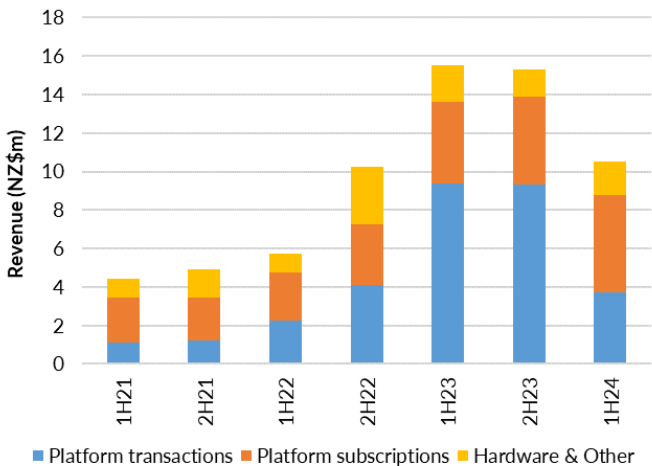
Source: Forsyth Barr analysis.

Figure 5. IKE – Net enterprise customer growth by quarter



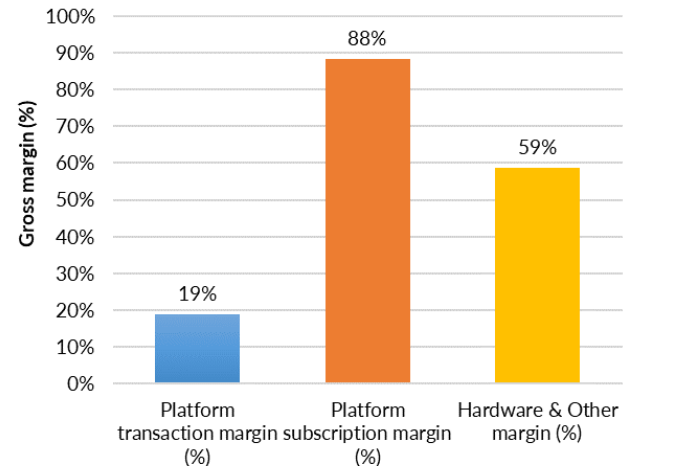
Source: Company, Forsyth Barr analysis.

Figure 6. IKE – Revenue breakdown by segment



Source: Company, Forsyth Barr analysis

Figure 7. IKE – Gross margin by segment 1H24 (%)



Source: Company, Forsyth Barr analysis

Earnings revisions

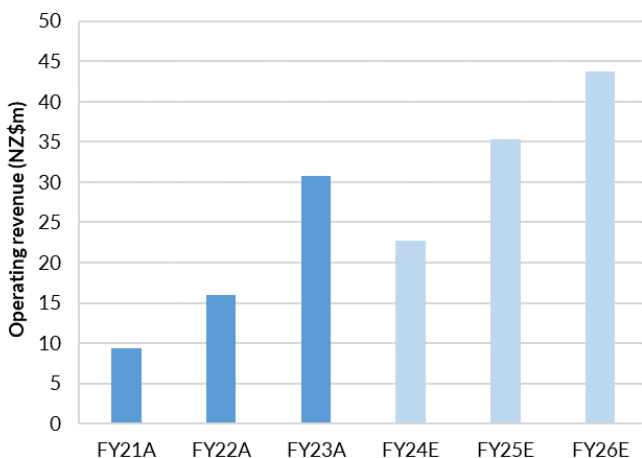
Following a weak 1H24 result, we now forecast additional impact from customer delays, leading to softer transactional revenues in 4Q24 relative to prior modelling, and expect impacts on 1H25 trading as well. While we still anticipate transaction volume to return, we anticipate the pace and magnitude of recovery will be weaker than was previously assumed. We now forecast transactional revenues in FY25 bouncing back to just below FY23 levels, although we acknowledge downside risk potential without new customer wins. Given the redundancies instigated in 3Q24 and a lower revenue base, we have also amended our cost estimates. Post adjustments, we still forecast IKE will marginally breakeven at the EBITDA level in FY25 despite the expectations of a revenue fall, given the cost-out initiatives undertaken. Whilst we note risks to timing on transactional activity, this may be more than offset by the roll out of IKE Structural and the Google AI/ IKE Insight collaboration.

Figure 8. Earnings revisions

	FY24			FY25			FY26E		
	Old	New	Change	Old	New	Change	Old	New	Change
Operating Revenue	24.1	22.8	-6%	48.8	35.3	-28%	60.0	43.7	-27%
Cost of sales	(10.6)	(9.0)	-16%	(19.5)	(12.7)	-35%	(23.5)	(15.3)	-35%
Gross profit	13.5	13.8	+2%	29.2	22.6	-23%	36.6	28.4	-22%
Total other income, gains and losses	0.1	(0.9)	n/a	0.1	0.1	n/a	0.1	0.1	n/a
Support costs	(1.1)	(1.1)	+0%	(1.2)	(1.2)	+0%	(1.2)	(1.2)	+0%
Sales and marketing expenses	(8.0)	(7.6)	-6%	(9.9)	(7.3)	-26%	(11.1)	(8.1)	-27%
Research and engineering expenses	(9.6)	(9.3)	-3%	(9.8)	(9.3)	-4%	(10.2)	(9.3)	-8%
Corporate Costs	(7.7)	(7.4)	-4%	(8.2)	(7.6)	-7%	(8.7)	(7.8)	-10%
Total operating expenses	(26.4)	(26.4)	-0%	(28.9)	(25.4)	-12%	(31.1)	(26.4)	-15%
Operating profit (loss)	(12.9)	(12.3)	-5%	0.3	(2.8)	n/a	5.4	2.0	-63%
Net finance (expense)/ credit	0.3	0.3	+0%	0.1	0.1	+14%	(0.0)	(0.0)	n/a
Net profit (loss) before income tax	(12.6)	(12.3)	-3%	0.4	(2.7)	n/a	5.4	2.0	-63%
Income tax (expense)/ credit	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Net profit (loss) for the year	(12.6)	(12.3)	-3%	0.4	(2.7)	n/a	5.4	2.0	-63%
add back Income tax paid (\$m)	-	-	n/a	-	-	n/a	-	-	n/a
add back Finance costs paid (\$m)	(0.3)	(0.3)	+0%	(0.1)	(0.1)	+14%	0.0	0.0	n/a
add back Depreciation (\$m)	1.6	1.6	-1%	-	-	n/a	2.7	2.3	-15%
add back Lease depreciation (\$m)	0.1	0.1	+0%	0.1	0.1	+0%	0.0	0.0	+0%
add back Amortisation (\$m)	2.6	2.6	-0%	3.0	2.9	-4%	3.4	3.2	-7%
remove adjustments (\$m)	-	-	n/a	-	-	n/a	-	-	n/a
Operating EBITDA (\$m)	(8.6)	(8.3)	-4%	3.4	0.2	-95%	11.6	7.6	-35%

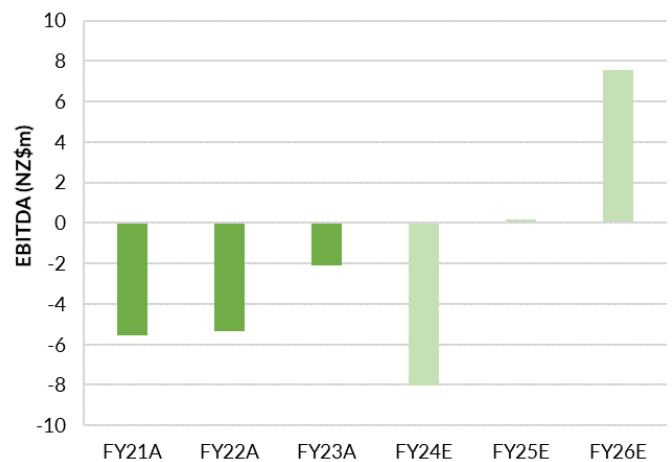
Source: Forsyth Barr analysis

Figure 9. IKE – Operating revenues (NZ\$m)



Source: Company, Forsyth Barr analysis

Figure 10. IKE – EBITDA (NZ\$m)



Source: Company, Forsyth Barr analysis

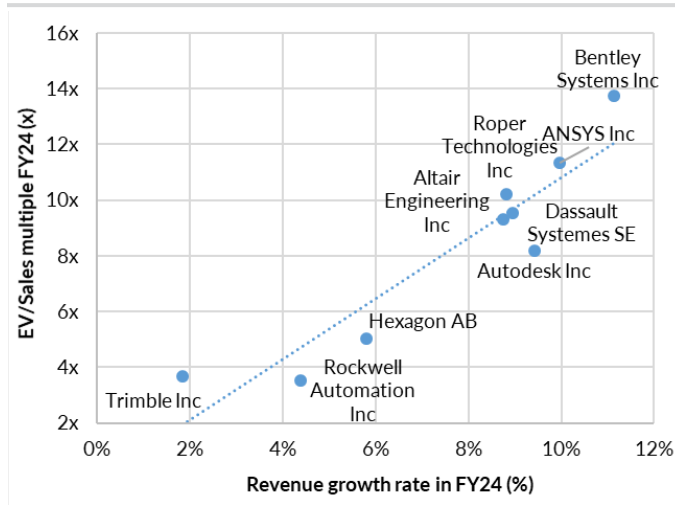
Valuation metrics

Figure 11. IKE – Table of competitor and comparable metrics

Ticker	Company	Head Office	Market Capitalisation (NZ\$m)	Gross profit margin	EBITDA margin	R&D / Sales	EV / EBITDA (x)	EV / Sales (x)	Previous FY revenue growth (%)
ALTR.O	Altair Engineering Inc	USA	\$9,525	74%	5%	32%	45.9x	9.3x	8%
BSY.O	Bentley Systems Inc	USA	\$25,054	75%	25%	23%	40.5x	13.7x	14%
HEXAB.ST	Hexagon AB	Sweden	\$42,234	65%	37%	6%	14.4x	5.0x	19%
TRMB.O	Trimble Inc	USA	\$18,106	56%	20%	15%	14.3x	3.7x	0%
ADSK.OQ	Autodesk Inc	USA	\$72,243	90%	24%	24%	21.7x	8.2x	16%
ANSS.O	ANSYS Inc	USA	\$41,673	87%	35%	21%	25.1x	11.3x	8%
DAST.PA	Dassault Systemes SE	France	\$102,152	77%	34%	20%	25.8x	9.5x	9%
ROK	Rockwell Automation Inc	USA	\$50,319	41%	21%	6%	15.9x	3.5x	11%
ROP	Roper Technologies Inc	USA	\$91,549	70%	40%	10%	25.5x	10.2x	11%
Average of all comps				70%	27%	17%	25.5x	8.3x	11%
IKE.NZ	Ikeggs Group Ltd	NZ	\$86	53%	-26%	37%		4.0x	93%

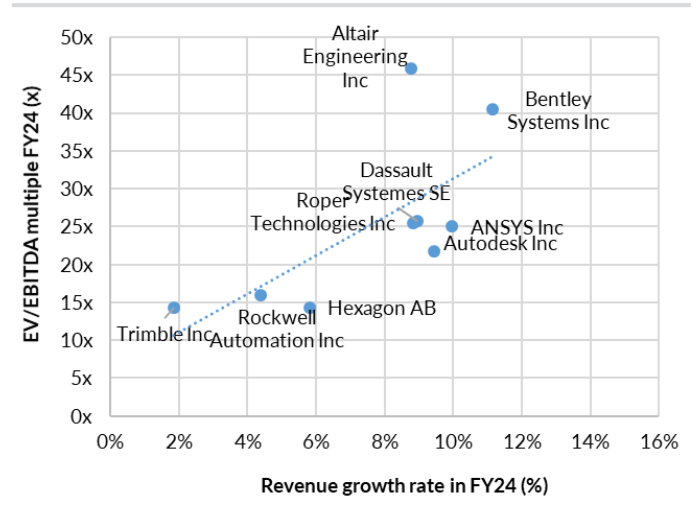
Source: Refinitiv, Forsyth Barr analysis

Figure 12. Sector – EV/Sales multiple (x) vs Revenue growth (%)



Source: Refinitiv, Forsyth Barr analysis

Figure 13. Sector – EV/EBITDA multiple (x) vs Revenue growth



Source: Refinitiv, Forsyth Barr analysis

Figure 14. Nasdaq emerging cloud index (EV/Sales multiple)



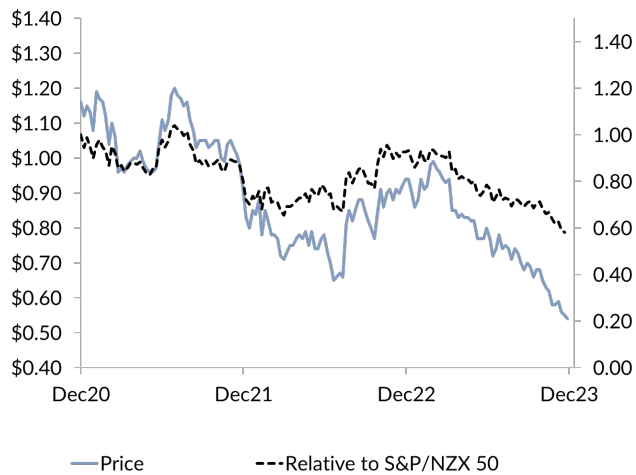
Source: Refinitiv, Forsyth Barr analysis

Figure 15. Nasdaq emerging cloud index (EV/Sales multiple)



Source: Refinitiv, Forsyth Barr analysis

Figure 16. Price performance



Source: Forsyth Barr analysis

Figure 17. 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 18. International valuation comparisons

Company (metrics re-weighted to reflect IKE's balance date - March)	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 2025E
				2024E	2025E	2024E	2025E	2024E	2025E	
ikeGPS	IKE NZ	NZ\$0.54	NZ\$86	<0x	<0x	<0x	>75x	<0x	<0x	0.0%
Autodesk Inc	ADSK US	US\$217.51	US\$46,495	28.6x	25.1x	23.5x	20.8x	23.7x	21.2x	0.0%
Altair Engineering Inc - A	ALTR US	US\$72.32	US\$5,906	66.4x	59.4x	44.7x	36.9x	51.2x	45.4x	n/a
Ansys Inc	ANSS US	US\$300.59	US\$26,113	34.2x	30.6x	25.4x	23.3x	27.4x	24.8x	0.0%
Bentley Systems Inc-Class B	BSY US	US\$52.41	US\$17,086	57.7x	50.9x	43.3x	37.9x	45.5x	39.9x	0.1%
Dassault Systemes Se	DSY FP	€42.46	€56,770	34.6x	31.6x	25.7x	24.1x	28.4x	25.7x	0.6%
Hexagon Ab-B Shs	HEXAB SS	€102.50	€277,311	>75x	>50x	>75x	>75x	>75x	>75x	0.1%
Rockwell Automation Inc	ROK US	US\$270.02	US\$30,964	21.7x	20.2x	16.1x	15.6x	18.5x	16.9x	1.9%
Roper Technologies Inc	ROP US	US\$527.13	US\$56,309	31.5x	29.1x	24.8x	22.8x	35.0x	31.3x	0.8%
Trimble Inc	TRMB US	US\$42.90	US\$10,672	16.1x	15.4x	13.5x	12.9x	14.5x	13.9x	n/a
Compcpo Average:				36.3x	32.8x	27.1x	24.3x	30.5x	27.4x	0.5%
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, Compcpo metrics re-weighted to reflect headline (IKE) companies fiscal year end

Important information about this publication

Forsyth Barr Limited (“**Forsyth Barr**”) holds a licence issued by the Financial Markets Authority to provide financial advice services. In making this publication available, Forsyth Barr (and not any named analyst personally) is giving any financial advice it may contain. Some information about us and our financial advice services is publicly available. You can find that on our website at www.forsythbarr.co.nz/choosing-a-financial-advice-service. Please note the limitations in relation to distribution generally, and in relation to recipients in Australia in particular, as set out under those headings below.

This publication has been commissioned by ikeGPS (“**Researched Entity**”) and prepared and issued by Forsyth Barr in consideration of a fee payable by the Researched Entity. Forsyth Barr follows a research process (including through the Analyst certification below) designed to ensure that the recommendations and opinions in our research publications are not influenced by this arrangement and the other interests of Forsyth Barr and related parties disclosed below. However, entities may not be willing to continue to pay for research coverage that includes unfavourable views.

Any recommendations or opinions in this publication do not take into account your personal financial situation or investment goals, and may not be suitable for you. If you wish to receive personalised financial advice, please contact your Forsyth Barr Investment Adviser.

Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer’s securities or investments.

This publication has been prepared in good faith based on information obtained from sources believed to be reliable and accurate. However, that information has not been independently verified or investigated by Forsyth Barr. If there are material inaccuracies or omissions in the information it is likely that our recommendations or opinions would be different. Any analyses or valuations will also typically be based on numerous assumptions (such as the key WACC assumptions); different assumptions may yield materially different results.

Forsyth Barr does not undertake to keep current this publication; any opinions or recommendations may change without notice to you.

In giving financial advice, Forsyth Barr is bound by duties under the Financial Markets Conduct Act 2013 (“**FMCA**”) to:

- exercise care, diligence, and skill,
- give priority to the client’s interests, and
- when dealing with retail clients, comply with the Code of Professional Conduct for Financial Advice Services, which includes standards relating to competence, knowledge, skill, ethical behaviour, conduct, and client care.

There are likely to be fees, expenses, or other amounts payable in relation to acting on any recommendations or opinions in this publication. If you are Forsyth Barr client we refer you to the Advice Information Statement for your account for more information.

Analyst certification: The research analyst(s) primarily responsible for the preparation and content of this publication (“**Analysts**”) are named on the first page of this publication. Each such Analyst certifies (other than in relation to content or views expressly attributed to another analyst) that (i) the views expressed in this publication accurately reflect their personal views about each issuer and financial product referenced; and (ii) no part of the Analyst’s compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that Analyst in this publication.

Analyst holdings: The following Analyst(s) have a threshold interest in the financial products referred to in this publication: N/A. For these purposes, a threshold interest is defined as being a holder of more than \$50,000 in value or 1% of the financial products on issue, whichever is the lesser.

Other disclosures: Forsyth Barr and its related companies (and their respective directors, officers, agents and employees) (“**Forsyth Barr Group**”) may have long or short positions or otherwise have interests in the financial products referred to in this publication, and may be directors or officers of, and/or provide (or be intending to provide) corporate advisory or other services to, the issuer of those financial products (and may receive fees for so acting). Members of the Forsyth Barr Group may buy or sell financial products as principal or agent, and in doing so may undertake transactions that are not consistent with any recommendations contained in this publication. Other Forsyth Barr business units may hold views different from those in this publication; any such views will generally not be brought to your attention. Forsyth Barr confirms no inducement has been accepted from the issuer(s) that are the subject of this publication, whether pecuniary or otherwise, in connection with making any recommendation contained in this publication. In preparing this publication, non-financial assistance (for example, access to staff or information) may have been provided by the issuer(s) being researched.

Corporate advisory engagements: Other than confidential engagements, Forsyth Barr has not within the past 12 months been engaged to provide corporate advisory services to the Researched Entity.

Complaints: Information about Forsyth Barr’s complaints process and our dispute resolution process is available on our website – www.forsythbarr.co.nz.

Disclaimer: Where the FMCA applies, liability for the FMCA duties referred to above cannot by law be excluded. However to the maximum extent permitted by law, Forsyth Barr otherwise excludes and disclaims any liability (including in negligence) for any loss which may be incurred by any person acting or relying upon any information, analysis, opinion or recommendation in this publication. The information contained within this publication is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy.

Distribution: This publication is not intended to be distributed or made available to any person in any jurisdiction where doing so would constitute a breach of any applicable laws or regulations or would subject Forsyth Barr to any registration or licensing requirement within such jurisdiction.

Recipients in Australia: This publication is only available to “wholesale clients” within the meaning of section 761G of the Corporations Act 2001 (Cth) (“**wholesale clients**”). In no circumstances may this publication be made available to a “retail client” within the meaning of section 761G. Further, this publication is only available on a limited basis to authorised recipients in Australia. Forsyth Barr is a New Zealand company operating in New Zealand that is regulated by the Financial Markets Authority of New Zealand and NZX. This publication has been prepared in New Zealand in accordance with applicable New Zealand laws, which may differ from Australian laws. Forsyth Barr does not hold an Australian financial services licence. This publication may refer to a securities offer or proposed offer which is not available to investors in Australia, or is only available on a limited basis, such as to professional investors or others who do not require prospectus disclosure under Part 6D.2 of the Corporations Act 2001 (Cth) and are wholesale clients.

Terms of use: Copyright Forsyth Barr Limited. You may not redistribute, copy, revise, amend, create a derivative work from, extract data from, or otherwise commercially exploit this publication in any way. By accessing this publication via an electronic platform, you agree that the platform provider may provide Forsyth Barr with information on your readership of the publications available through that platform.