

ikeGPS

M&A Offer Undervalues Growth Potential

JAMES LINDSAY

 james.lindsay@forsythbarr.co.nz
 +64 9 368 0145

WILL TWISS

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

ikeGPS (IKE) received an unsolicited, non-binding acquisition proposal from a North American private equity firm in late 2024, valuing the company at approximately NZ\$1.00 per share, representing an enterprise value of NZ\$165m–NZ\$170m and a +62% premium to the 5 February 2025 share price. After assessing the proposal, IKE's board allowed the bidder a short period of exclusive due diligence to determine whether a firm offer could be sufficiently compelling to justify a scheme of arrangement. Following due diligence, the final offer was received in late January 2025. After confidential discussions with major shareholders under standstill agreements, the board determined that the price had no realistic chance of securing the required shareholder support, and the process was terminated. The acquisition proposal would have valued IKE at a ~4.8x 12-month forward EV/Sales multiple, significantly below the median peer multiple of ~9x. While our blended spot valuation for IKE is NZ\$0.92, we have previously noted that a materially higher price may be possible in an M&A scenario, reflecting: (1) IKE's new product development pipeline, and (2) IKE's high-quality customer base, with 34 of the top ~100 investor-owned utilities in North America using its software.

NZX code	IKE	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.82	Rev (NZ\$m)	21.5	26.7	33.9	42.1	PE	n/a	n/a	n/a	n/a
Spot Valuation	NZ\$0.92 (from 0.87)	NPAT* (NZ\$m)	-15.0	-11.1	-5.5	-0.4	EV/EBIT	n/a	n/a	n/a	n/a
Risk rating	High	EPS* (NZc)	-9.4	-6.9	-3.2	-0.2	EV/EBITDA	n/a	n/a	n/a	29.3
Issued shares	160.7m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	17.9	n/a	n/a	n/a
Market cap	NZ\$132m	Imputation (%)	100	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	54.8k (NZ\$31k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Spot valuation:** Increases +5% to NZ\$0.92, reflecting the incorporation of FY26 EV/Sales multiples as a component of our blended valuation.

Lack of shareholder support led to termination of discussions

IKE's board engaged in confidential discussions with major shareholders under standstill agreements to gauge potential support for the NZ\$1.00 per share offer. Feedback from these discussions indicated that the proposed price was unlikely to gain sufficient backing to proceed with a scheme of arrangement. The board weighed this assessment against the potential costs and resource commitments required to advance discussions further. Despite the +62% premium offered, shareholders and the board remained unconvinced that the valuation reflected IKE's long-term growth potential. With no indication that a higher offer would be forthcoming, the board determined that the proposal had no realistic chance of success. As a result, IKE formally terminated discussions, ensuring that management's focus remained on executing its growth strategy rather than pursuing an offer that lacked shareholder support.

IKE's peer group shows significant M&A upside potential under IKE's better-than-sector growth

IKE's peer group trades at between ~4x and ~14x 12-month forward EV/Sales, a material premium to IKE's undisturbed EV/Sales multiple of ~3.0x. This is despite IKE growing substantially faster than its peers. We forecast a revenue growth CAGR of +26% from FY25 to FY27 for IKE, versus a median FY3/FY1 revenue CAGR for its peers of ~+9%. As a scenario, based on IKE's peer group median EV/Sales multiple of 8.8x, we calculate a value of ~NZ\$1.80 per share for IKE.

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

Priced as at 09 Feb 2025	0.82
52 week high / low	0.77 / 0.40
Market capitalisation (NZ\$m)	131.8

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	26.7	33.9	42.1
Normalised EBITDA	(2.1)	(10.7)	(6.8)	(0.9)	4.5
Depreciation and amortisation	(3.6)	(4.6)	(4.4)	(4.5)	(4.7)
Normalised EBIT	(7.8)	(15.2)	(11.2)	(5.4)	(0.3)
Net interest	(0.1)	0.2	0.1	(0.1)	(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)	(11.1)	(5.5)	(0.4)
Abnormals/other	0	0	0	0	0
Reported NPAT	(7.9)	(15.0)	(11.1)	(5.5)	(0.4)
Normalised EPS (cps)	(4.9)	(9.4)	(6.9)	(3.2)	(0.2)
DPS (cps)	0	0	0	0	0

Growth Rates	2023A	2024A	2025E	2026E	2027E
Revenue (%)	93.9	-30.7	23.9	27.1	24.1
EBITDA (%)	n/a	n/a	n/a	n/a	n/a
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)	(6.8)	(0.9)	4.5
Working capital change	(1.2)	(0.4)	(0.6)	3.2	(2.1)
Interest & tax paid	(0.1)	0.2	0.1	(0.1)	(0.1)
Other	0.9	6.2	0	0	0
Operating cash flow	(2.5)	(4.6)	(7.4)	2.2	2.3
Capital expenditure	(5.1)	(3.8)	(1.2)	(2.5)	(2.9)
(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)	(8.4)	(0.2)	(0.5)
Dividends paid	0	0	0	0	0
Equity raised/(returned)	0	0	0	0	0
(Increase)/decrease in net debt	(7.5)	(8.3)	(8.4)	(0.2)	(0.5)

Balance Sheet (NZ\$m)	2023A	2024A	2025E	2026E	2027E
Working capital	5.4	5.8	6.4	3.2	5.3
Fixed assets	2.8	2.9	2.2	1.7	1.2
Intangibles	13.1	13.1	10.9	9.7	8.7
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	21.4	16.3	16.9
Net debt/(cash)	(18.0)	(10.2)	(1.8)	(1.7)	(1.2)
Lease liability	0	1.0	1.0	0.8	0.8
Other liabilities	7.0	13.4	13.4	13.4	13.4
Shareholder's funds	33.9	20.4	8.8	3.7	3.8
Minority interests	0	0	0	0	0
Total funding sources	22.9	24.6	21.4	16.3	16.9

* 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	0.99

DCF valuation summary

Total firm value	137.2
(Net debt)/cash	9.2
Less: Capitalised operating leases	-4.7
Value of equity	141.7

Valuation Ratios	2023A	2024A	2025E	2026E	2027E
EV/Sales (x)	3.6	5.6	4.8	3.9	3.1
EV/EBITDA (x)	n/a	n/a	n/a	n/a	29.3
EV/EBIT (x)	n/a	n/a	n/a	n/a	n/a
PE (x)	n/a	n/a	n/a	n/a	n/a
Price/NTA (x)	6.3	17.9	n/a	n/a	n/a
Free cash flow yield (%)	-5.9	-6.7	-6.8	-0.5	-0.7
Adj. free cash flow yield (%)	-2.0	-3.8	-5.9	1.4	1.5
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	>100x	n/a	n/a
Interest cover EBITDA (x)	n/a	53.7	76.2	n/a	50.6
Net debt/ND+E (%)	-113.5	-100.6	-26.0	-80.1	-44.9
Net debt/EBITDA (x)	8.6	1.0	0.3	1.8	n/a

Key Ratios	2023A	2024A	2025E	2026E	2027E
Return on assets (%)	-17.9	-42.2	-44.4	-27.3	-1.3
Return on equity (%)	-23.2	-73.7	-126.4	-148.6	-9.4
Return on funds employed (%)	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	-6.8	-49.6	-25.6	-2.7	10.6
EBIT margin (%)	-25.0	-70.8	-41.9	-16.0	-0.6
Capex to sales (%)	16.5	17.8	4.6	7.3	7.0
Capex to depreciation (%)	378	248	75	150	174
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	15.0	21.3	28.2
Transactions revenue	18.7	7.3	8.4	9.7	11.1
Hardware revenue	3.3	3.1	2.9	2.6	2.3
Total Revenues	30.8	21.1	26.3	33.5	41.7
Subscriptions gross profit	7.7	9.2	13.2	18.8	25.0
Transactions gross profit	7.2	1.8	3.3	3.9	4.5
Hardware gross profit	1.4	1.7	1.7	1.5	1.4
Total gross profit	16.3	12.7	18.2	24.1	30.9
Subscriptions gross margin (%)	87.5	86.1	88.0	88.2	88.4
Transactions gross margin (%)	38.4	23.9	39.0	39.8	40.5
Hardware gross margin (%)	43.9	56.0	58.0	59.0	60.0
Total gross margin (%)	53.1	60.1	69.0	71.9	74.0

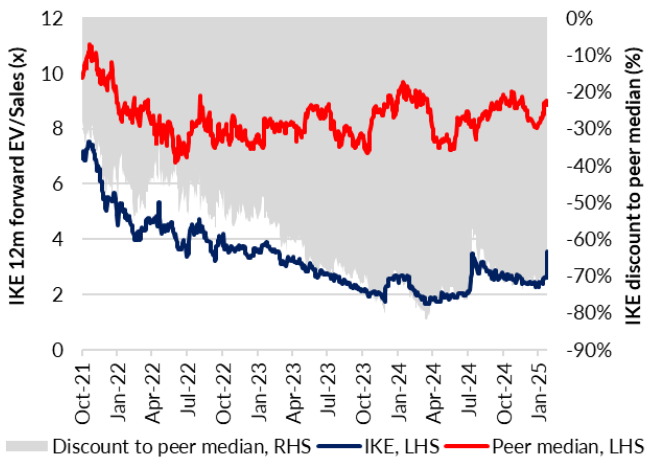
Valuation

Figure 1. Sector metrics

Ticker	Company	Head Office	Market Cap (NZ\$m)	Gross margin	EBITDA margin	R&D / Sales	EV/ EBITDA (x)	EV/ Sales (x)	FY3/FY1 rev. CAGR
ALTR.O	Altair Engineering	USA	\$16,694	75%	7%	35%	63.5x	12.9x	9%
BSY.O	Bentley Systems	USA	\$24,442	75%	26%	22%	32.2x	10.1x	11%
HEXAB.ST	Hexagon AB	Sweden	\$52,120	67%	40%	13%	14.5x	5.5x	7%
TRMB.O	Trimble Inc	USA	\$32,292	59%	22%	17%	18.8x	5.5x	1%
ADSK.OQ	Autodesk Inc	USA	\$114,394	90%	24%	25%	28.2x	9.5x	12%
ANSS.O	ANSYS Inc	USA	\$53,283	87%	34%	22%	27.0x	10.8x	9%
DAST.PA	Dassault Systemes	France	\$99,150	78%	31%	21%	21.7x	7.8x	9%
ROK	Rockwell Automation	USA	\$53,601	39%	18%	6%	19.7x	4.0x	6%
ROP	Roper Technologies	USA	\$108,510	69%	40%		22.7x	8.8x	8%
	Median of all comps			71%	27%	21%	22.7x	8.8x	9%
IKE.NZ	Ikegps Group Ltd	NZ	\$131	69%		45%		3.9x	26%

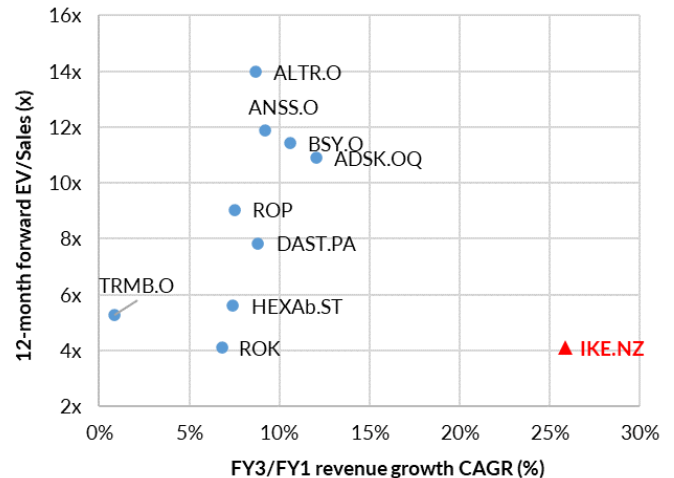
Source: Refinitiv, Forsyth Barr analysis

Figure 2. IKE's EV/Sales multiple is well below its sector peers



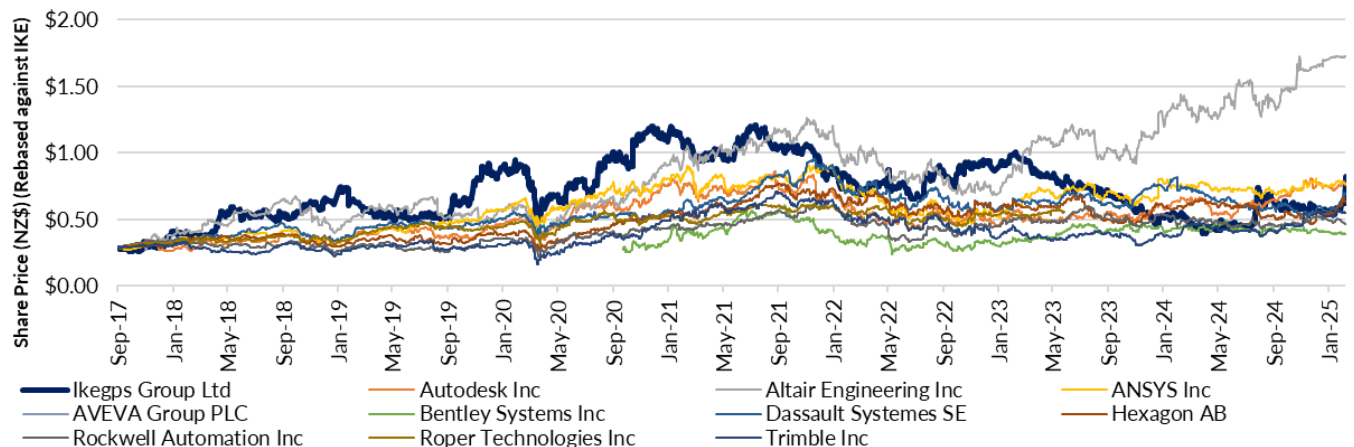
Source:Workspace, Forsyth Barr analysis

Figure 3. Sector peers EV/Sales multiple versus growth



Source: Refinitiv, Forsyth Barr analysis

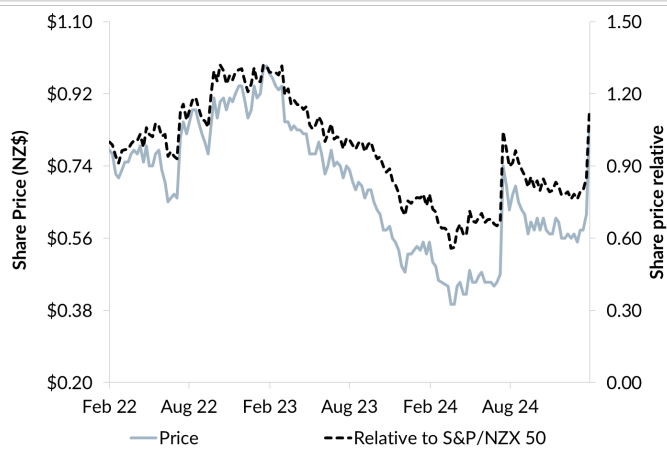
Figure 4. IKE's relative performance to its peers



Source: Refinitiv, Forsyth Barr analysis

Additional data

Figure 5. Share price performance



Source: LSEG, Forsyth Barr analysis

Figure 6. Substantial shareholders

Shareholder	Latest Holding
Wilson Family Trust	16.7%
Scobie Ward	7.9%
TEK Trust	7.2%

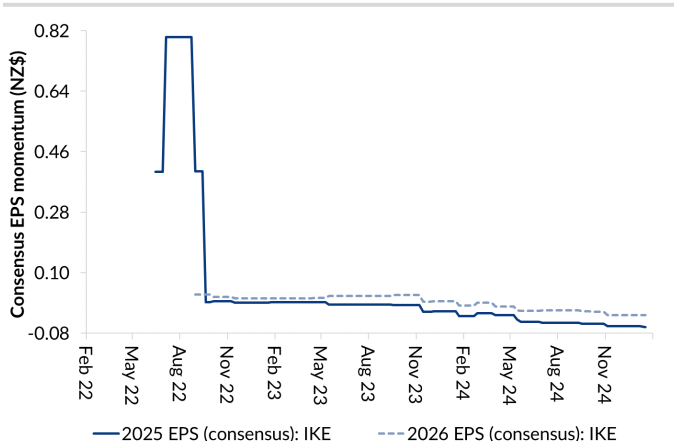
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 7. International valuation comparisons using consensus data (one and two year forward)

Company	Code	Price	Mkt Cap (m)	PE		EV/EBITDA		EV/EBIT		Cash Yld 1yr
				1yr	2yr	1yr	2yr	1yr	2yr	
IkeGPS	IKE NZ	NZ\$0.82	NZ\$132	<0x	<0x	<0x	29.7x	<0x	<0x	0.0%
Autodesk	ADSK US	US\$307.70	US\$66,156	33.2x	29.0x	26.5x	22.7x	27.0x	23.6x	0.0%
Altair Engineering	ALTR US	US\$110.46	US\$9,448	74.3x	64.5x	53.5x	44.6x	58.1x	50.8x	0.0%
Ansys	ANSS US	US\$346.62	US\$30,312	30.3x	27.7x	24.0x	22.0x	24.7x	22.4x	0.0%
Bentley Systems	BSY US	US\$46.74	US\$15,533	38.5x	33.8x	31.0x	27.8x	33.0x	29.1x	0.6%
Dassault Systemes	DSY FP	€40.49	€54,245	28.7x	26.2x	21.9x	19.7x	25.9x	23.3x	0.7%
Hexagon	HEXAB SS	€126.40	€341,972	>75x	>75x	>75x	>75x	>75x	>75x	0.1%
Rockwell Automation	ROK US	US\$268.72	US\$30,339	27.5x	23.4x	19.8x	17.8x	22.8x	19.8x	2.0%
Roper Technologies	ROP US	US\$583.42	US\$62,560	29.0x	26.7x	22.8x	21.0x	31.5x	28.5x	0.6%
Trimble	TRMB US	US\$75.37	US\$18,525	25.6x	22.1x	22.2x	20.0x	23.6x	21.3x	0.0%

Source: Forsyth Barr analysis, Bloomberg, NOTE: all multiples based on Bloomberg consensus estimates, EV = market cap+net debt+lease liabilities+min interests-investments

Figure 8. Consensus EPS momentum (NZ\$)



Source: Bloomberg, Forsyth Barr analysis

Disclosures

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.