

ikeGPS

Transactions Back on the Map

JAMES LINDSAY

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

WILL TWISS

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

KYLIE MILLS

 kylie.mills@forsythbarr.co.nz
 +64 9 918 9265

ikeGPS (IKE) has announced a major new Transactions contract, which is expected to generate ~NZ\$19m of revenue over the next 36 months. The announcement of this contract, which represents ~68% of our cumulative Transactions revenue for FY25, FY26 and FY27, significantly de-risks our estimates over the next three years. Transaction revenue is inherently volatile and the key swing factor in IKE's performance. Although we leave our forecasts unchanged (as new contract wins were implicitly factored into our growth expectations) we now have an even stronger conviction that IKE will be able to (1) deliver significant revenue growth (+27% CAGR from FY24–FY27) and (2) reach EBITDA breakeven without external capital. Our blended spot valuation falls -1cps to NZ\$0.87 due to a de-rating in peer multiples.

NZX Code	IKE	Financials: Mar/	24A	25E	26E	27E	Valuation (x)	24A	25E	26E	27E
Share price	NZ\$0.74	Rev (NZ\$m)	21.5	28.4	35.6	43.9	PE	n/a	n/a	n/a	48.7
Spot Valuation	NZ\$0.87 (from 0.88)	NPAT* (NZ\$m)	(15.0)	(8.5)	(3.5)	2.4	EV/EBIT	n/a	n/a	n/a	46.0
Risk rating	High	EPS* (NZc)	(9.4)	(5.3)	(2.2)	1.5	EV/EBITDA	n/a	n/a	73.8	14.5
Issued shares	160.0m	DPS (NZc)	0.0	0.0	0.0	0.0	Price / NTA	16.1	n/a	n/a	n/a
Market cap	NZ\$118m	Imputation (%)	100	0	0	0	Cash div yld (%)	0.0	0.0	0.0	0.0
Avg daily turnover	28.9k (NZ\$15k)	*Based on normalised profits					Gross div yld (%)	0.0	0.0	0.0	0.0

What's changed?

- **Blended spot valuation:** Falls -1% due to a de-rating in peer multiples.

Details of the new NZ\$19m contract

IKE has signed a contract with a prominent utility group based in the South West of the US to support a 'multi-year fiber and grid resiliency program.' The contract is expected to generate ~NZ\$19m of revenue over the 36 months from the end of July 2024. It represents a positive shift in momentum for IKE's Transactions segment after a challenging FY24 that was affected by delays from IKE's major customers.

Transactions revenue estimates significantly de-risked, earnings risk to the upside

While we had anticipated a recovery in Transactions revenue from depressed levels in FY24, our estimates have now been significantly de-risked. The new contract represents ~68% of our cumulative Transactions revenue estimates for FY25, FY26 and FY27, and provides some much needed certainty to the market on the outlook for Transactions. We leave our Transactions revenue estimates unchanged over the next three years as at least one major contract win was already factored into our forecasts. However, earnings risk is now skewed to the upside, in our view, particularly in FY26 and FY27 as we expect revenue from the new contract to be weighted towards the back end of the 36 month period.

Outlook remains compelling

The outlook for IKE over the next 12 months is compelling, characterised by (1) robust revenue growth – we forecast +33% revenue growth in FY25, (2) potentially reaching the milestone of positive EBITDA in 2H25, and (3) the integration of AI into new and existing products. IKE is well positioned in a large and growing addressable market in North America, underpinned by the need to build grid resilience and capacity. We estimate that IKE has achieved ~8% penetration of its potential customer base, providing scope for significant future growth.

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

Priced as at 26 Jul 2024	0.74
52 week high / low	0.75 / 0.40
Market capitalisation (NZ\$m)	118.4

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)	(2.1)	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	0.87
EV/Sales relative	0.90
	0.84

DCF valuation summary

Total firm value	137.2
(Net debt)/cash	10.2
Less: Capitalised operating leases	-3.0
Value of equity	144.4

Valuation Ratios

	2023A	2024A	2025E	2026E	2027E
EV/Sales (x)	3.2	5.0	4.0	3.3	2.6
EV/EBITDA (x)	n/a	n/a	n/a	73.8	14.5
EV/EBIT (x)	n/a	n/a	n/a	n/a	46.0
PE (x)	n/a	n/a	n/a	n/a	49.4
Price/NTA (x)	5.7	16.1	65.7	n/a	58.4
Free cash flow yield (%)	-6.6	-7.4	-5.4	-2.0	0.9
Adj. free cash flow yield (%)	-2.3	-4.2	-2.1	1.4	4.5
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	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

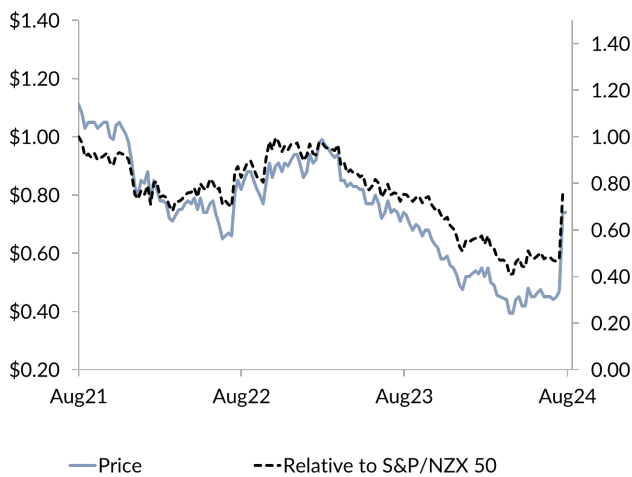
Total gross profit

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

Figure 1. Price performance



Source: Forsyth Barr analysis

Figure 2. 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 3. 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\$0.74	NZ\$118	<0x	<0x	<0x	73.8x	<0x	<0x	0.0%
Autodesk Inc	ADSK US	US\$242.45	US\$52,250	29.3x	26.2x	23.6x	21.5x	24.2x	22.3x	0.0%
Altair Engineering Inc - A	ALTR US	US\$89.73	US\$7,451	69.9x	62.4x	48.6x	40.9x	50.5x	41.9x	n/a
Ansys Inc	ANSS US	US\$314.54	US\$27,459	32.5x	29.1x	24.5x	23.0x	26.0x	23.5x	0.0%
Bentley Systems Inc-Class B	BSY US	US\$48.47	US\$15,999	45.1x	39.8x	35.6x	31.3x	36.9x	32.1x	0.6%
Dassault Systemes Se	DSY FP	€34.46	€46,145	26.0x	23.8x	19.1x	17.2x	21.8x	20.8x	0.9%
Hexagon Ab-B Shs	HEXAB SS	€115.30	€311,942	>75x	>50x	>75x	>75x	>75x	>75x	0.1%
Rockwell Automation Inc	ROK US	US\$269.76	US\$30,753	24.8x	21.5x	18.5x	16.7x	20.4x	18.2x	2.0%
Roper Technologies Inc	ROP US	US\$567.31	US\$60,727	30.5x	27.7x	23.9x	21.9x	33.4x	30.1x	0.6%
Trimble Inc	TRMB US	US\$55.98	US\$13,671	20.0x	17.7x	17.0x	16.1x	18.5x	17.4x	n/a
Compco Average:				34.8x	31.0x	26.4x	23.6x	29.0x	25.8x	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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