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ASX release

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2014 CHAIRMAN AND MANAGING DIRECTOR'S ADDRESS TO ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

Fellow shareholders and guests, it is a pleasure to address the nearmap 2014 AGM.

2014 was a busy, successful and pivotal year for nearmap, and 2015 promises to be even more exciting, dynamic and prosperous for your company.

Let me start with a review of the highlights of 2014. The year saw strong growth and significant progress on a number of operational targets.

Having proven the subscription based business model, our focus was on laying the groundwork for building sustainable growth.

During the year we introduced Advantage pricing, a pricing model based on data consumption. Advantage pricing together with initiatives to drive data usage and increase penetration into our customers' businesses are aimed at monetising the increased utility from our products, thereby generating annuity revenue streams.

We implemented a new capture program, which resulted in increased coverage of the Australian population from 75% to 85%.

The successful development and deployment of the Federal Aviation Administration (FAA) approved HyperCamera system, together with the receipt of a new patent for our aerial camera system, validated our strategy of continued focus on research and development.

We successfully launched five marketing platforms: Rail, Solar, Property, Insurance and Construction, aimed at increasing penetration in high value verticals. In the coming year nearmap will for the first time introduce focused marketing targeted at our key verticals.

We signed an important licensing agreement with Google Maps, which together with our move to host our online content on Amazon Web Services in the prior year emphasis the scalability of the nearmap platform.

About nearmap

Built around proprietary PhotoMapsTM aerial imagery technology, nearmap is a visual analytics company with a focus on empowering businesses with timely and reliable information on which to make decisions quickly and with confidence.
Our breakthrough technology enables imagery to be updated much more frequently than other providers. With regular coverage of the population in multiple countries, nearmap is changing the way governments, companies and communities see their world.

Further Information

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We also identified the United States as a market of significant potential for the business. During the year we launched a test capture program and started to develop detailed business plans.

It is pleasing to note we also achieved a maiden net profit before tax of $3.5m, driven by a 62% increase in revenue. Strong cash receipts from sales enhanced our healthy cash position with a cash balance of $23.2m and no debt at year end.

And the Board appointed Gerhard Beukes as the new Chief Financial Officer, who has been instrumental in restructuring the business, achieving the maiden profit and positioning nearmap for future growth. Encouragingly, he can count too.

These results and achievements validate our value proposition to our customers and give us the mandate to continue to build the business around our competitive strengths.

I'm pleased to say this momentum has continued in to 2015 and we have started the new financial year strongly, both in Australia and in our US expansion.

To be clear nearmap is a growth company.

In both regions, Australia and the US, we are distinctly in the growth phase of the company's life cycle, although we are clearly more progressed in our home market.

Subscriber growth, and hence revenue growth are critical metrics for us. We are building a growing subscriber asset base which we can monetise. We see significant scope to continue to grow strongly in both markets and we are investing to drive and support further growth. We are industrialising our IT systems, we are increasing our sales and marketing capabilities and we are building our management bandwidth. All of these investments are to support growth and should have a very short payback period. To be clear, we will not manage this business based on single accounting periods and balance sheet dates. We will not jeopardise our future by managing for short term results. We are determined, in a careful and disciplined way to build the business properly for the long term benefit of all shareholders.

We have a special and unique value proposition. The number of named users in Australia has continued to grow strongly, complimented by the successful take up of our lower priced retail offering. This offer, along with Advantage pricing shows that our sales and marketing strategy is becoming more sophisticated and targeted. These new subscribers enable us to leverage our fixed cost base while building a larger population of customers to whom we can sell more products, such as data, in the future.

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In the US we have accelerated our capture program and have now covered around 110 million people. We see the US market as being multiple times larger than the Australian market. We see a timely opportunity to build a similar business model as we have developed here. Based on our learnings and experiences in Australia we have put together a detailed expansion plan that will guide our execution. We are developing a lean office structure and sales personnel across the country and we plan to have a capture base on the East Coast.

Let me assure you as we expand overseas, attention to detail, thorough analysis, careful planning, rigorous review and a relentless focus on execution are core to nearmap. They are in our DNA. These commitments will not wane.

We have set a target for the US market of $30m - $50m revenue run- rate by December 2017. That is how we started in Australia. The consistency is intentional. Setting the sales target here had a motivating and galvanising effect on our team. We expect the same in the US. These targets are not indications of our view of total market sizes. Quite the contrary. We see far more growth potential than that. They are just milestones to measure our progress. I'm delighted to say we are well on track to deliver on these goals. I look forward to updating you on our progress as we grow.

Finally, I would like to thank our Managing Director Simon Crowther, together with his executive team of Gerhard, Paul Lapstun and Paul Peterson. Under their leadership nearmap has consistently delivered on its strategic and operational goals. Beginning with the successful commercialisation of nearmap in November 2012, they have built an operationally efficient, cash flow positive business. As we embark on yet another definitive year ahead Simon and his proven team are well equipped to scale the business and to increase shareholder value.

In conclusion, I would like to thank my fellow directors, our staff and our strategic partners for their invaluable contributions in what has been a milestone year. I look forward to another year of solid growth and achievement. I will now hand over to our Managing Director, Simon.

MANAGING DIRECTOR'S ADDRESS

Thank you Ross.

Ross was right. 2014 was a pivotal year for nearmap. The Group Highlights slide on the screen shows some key features. We delivered a maiden profit. We continued to achieve strong new customer sales and high retention, and we also embarked on building our business in the US leveraging off our experiences and expertise in Australia.

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In this presentation, I would like to expand on some of these strategic and operational milestones. I'll talk of where nearmap is moving in terms of products, services and geographies and then comment on our outlook.

First and foremost let me reaffirm our central message that nearmap is a growth company, firmly in growth mode, in both Australia and the US albeit at different stages of development. The scale and timeliness of our market opportunities are simply too compelling to adopt any other course. But rest assured focus, careful planning, considered decision making, rigorous analysis and above all, disciplined execution are inherent. That's how we operate. You can see that in everything we do and that won't change.

Strategically, nearmap continues to evolve from a pure “imagery” business to an “applications and analytics” business model offering our customers a broader range of unique tools to support their businesses.

Our goal remains to become a visual analytics business where the fusion of our unique PhotoMaps™ and data sets offers the user compelling value and unique insights.

It is worth recapping on this special and timely value proposition. It is the reason our subscriber base and business are growing strongly. As we say: Current. Clear. Change.

Our images are delivered within days of capture. Other competitors' traditional delivery times can take up to six months, sometimes even longer.

Our high resolution imagery enables effective decision making. And as we build an archive of images, we can track changes over time.

Combined with our data tools, this rich archive of recent and historical detailed images enables our customers to build their own businesses and to compete effectively in their own markets. It is a clear competitive strength. Our products and services become embedded in their activity systems creating high barriers to entry and exit. We grow with our customers and we rely on each other. We value these partnerships very highly.

Driven by these advantages and attributes, our Australian business grew substantially last year.

We launched five new products in different industry silos, Rail, Solar, Property, Insurance and last month Construction. We appointed a new CFO to strengthen our leadership team. We received new patents for our aerial mapping system. Demonstrating our commitment and investment in R&D we received a $1.7m R&D tax credit. We also executed a global license agreement with Google Maps to seamlessly interface our products with theirs.

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And for the first time we released the number of named users for our Australian business with 22,000 at the end of June, a sharp increase on this time last year.

As a growth company, the increase in the number of subscribers is obviously a key performance metric, but we also look very closely at customer retention. This measures how useful and competitive we are at providing our services. I'm delighted to say that "churn" is effectively immaterial at nearmap, which for a publishing business, which we are, is almost unheard of. We look forward to delivering that same value and reliability to our customers going forward.

Encouragingly, delivering on these strategic and operational goals drove a strong financial performance. As the slide shows, revenue was up 62% for the year, our EBITDA margin increased to 33% demonstrating the ongoing scalability of our business model and we delivered a maiden net profit after tax of $1.3m adjusting for the one off tax gain.

This performance was recognised by the investment community too. As this graph shows the share price has risen nicely over the last two years. We are pleased that our loyal and supportive shareholders have been rewarded.

Importantly is this growth sustainable?

We see nearmap as entering stage two of a three stage life cycle. The first was the establishment phase where we proved our IP and business model. Would the technology work on an industrial scale? Was our value proposition attractive to customers? Could we build a strong and recurring subscriber base?

The Board and management feel that our capability on these tests has been proven and these questions have been answered.

We are now in stage two of our development. Stage two, is centered on growing our subscriber base. This is the case in both Australia and the US. We are at times creating a market, and at other times winning share. nearmap has grown to date with very little marketing focus. Word of mouth and customer endorsements have effectively got us to here. As part of the company's increasing sophistication we are now looking to accelerate growth by building a targeted marketing capability. Our marketing strategy will target industries, sectors and specific customers where we can generate significant traction and high returns.

Stage three is the optimisation stage. While we still expect to grow our subscriber base during this phase we will also seek to increase yields and optimise returns. Advantage pricing, where we can increase yields by aligning charges with data usage, is an early step in that direction.

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I mentioned that although both the Australian and US business are in stage two, they are at different stages of development.

Looking at the Australian business in more detail I'd like to highlight what I call the multiplier effect in our revenue model. Our strategy is to grow named users. They are shown at the bottom of the triangle on the chart.

One of our strategies to accelerate growth in named users has been to up sell – that is increase the number of named users per enterprise customers. An enterprise customer may have an existing contract for a set number of users within that organisation. We can look to increase the number of users across the organisation for an incremental charge in a new agreement. We have had some success on this front.

We focus on named users because customer acquisition costs are lower and the extra subscriber revenues are an efficient and effective way to leverage our fixed cost base and grow gross profit. Moreover, knowing these users and how to engage with them creates an asset and opportunities to optimise down the track. As the triangle shows, these upselling agreements are increasing the number of named users at a faster rate than the number of customers. We expect our investment in marketing to drive further gains in this area.

The growth in our recently launched retail product is also designed to grow our number of named users. While the sales mix is changing and their ARPU is lower, these accounts are "lite touch" to service and add to gross profit. They are margin accretive and create future up sell and yield optimisation opportunities.

Our US business is probably the largest development since we met this time last year. We have made good progress over there. All our findings so far verify the market opportunity. In fact we believe, we can be disruptive over there. That's exciting.

The nearmap business model is a natural fit for the US market with its high level of urbanisation and similar business mix to Australia. Furthermore our experiences and expertise in Australia are of great value and assistance as we expand offshore.

We will start by establishing a sales and marketing organisation that will initially target government and enterprise customers to generate immediate subscription revenue. We expect our first commercial sales in calendar year 2015.

Just as we did in Australia, small business users and personal users are being given a period of free access to drive adoption.

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Our capture program is well advanced and ahead of schedule. The program is designed to capture 33% (100m) of the US population this financial year, rising to 50% (150m) of the US population during FY16. As in Australia we will capture these images multiple times a year.

As usual our imagery is stored via Amazon Web Services.

Our easy to user browser has already been localised for the US, including Google Street Maps and address search, demographic data overlays and features for key verticals such as solar and insurance.

Financially, the first year combined capital and capture costs are expected to be around $8m.

Ongoing capture costs should be a further $8m pa. On top of this sales and marketing costs will be incurred to drive growth. We expect the payback on these costs to be quick.

We will isolate and report separately our Australian business' results, corporate costs and the US to clearly identify performance and these investments.

Turning now to the Outlook.

Let me start by saying that FY15 has started strongly for nearmap with continued growth in named users.

In Australia the December 2015 revenue run rate target of $30m - $50m is on track. I'd also say that this target is not an indicator of the total market size. We think the market is much larger than that. This target is merely a milestone to measure performance.

The US expansion is tracking ahead of expectations. We reaffirm the aspirational target we have set for the US business of reaching a revenue run rate of $30m - $50m by December 2017. 110m people have already been captured.

We are making some modest investments to strengthen the business and support growth. Along with increasing our marketing ability, we are industrialising our systems and broadening management bandwidth. These investments should have a short pay-back period and support a much larger future revenue base.

In conclusion, I would say 2014 gave us renewed and strengthened confidence in our ability to grow, and the scale of the market opportunities we face. Our value proposition is current and clear. We have valuable experiences and expertise in building a strong subscriber base and building a profitable business model. Our optimism is only matched by our disciplined focus on detail and execution. I look forward to updating you on our progress in the future.

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