



ASX RELEASE

22 August 2018

NEARMAP FY18 RESULTS CEO & CFO TRANSCRIPT

Dr Rob Newman, Managing Director & CEO

Good morning and welcome to the Nearmap FY18 results conference call. I have with me Andy Watt, our Chief Financial Officer.

As you will see from the results released to the ASX this morning, FY18 has been a strong year, delivering on the expectations we have set for Nearmap. We demonstrated record growth in our subscription portfolio, delivered a suite of new product features to aid our customers, saw increasing traction in the United States market, and built the foundations for sustainable long-term growth for our business.

Let me begin by outlining Nearmap's unique position at the end of fiscal year '18.

At its heart, Nearmap is a technology company founded on the principle that when we change the way people view the world, we can profoundly change the way they work. Over the last 11 years, we have created and own a rich, continually expanding data set about the real world, providing high value insights to a diverse range of businesses and government organisations.

The market for aerial imagery data is significant, expanding and global in nature. And on that basis, we took our unique, scalable business model to the United States four years ago. Our investment in capturing and bringing data to US customers is now generating record growth in our subscription portfolio, in excess of that from Australia – which itself experienced near record portfolio growth in FY18.

After laying the ground work for 18 months, we also announced last week our formal expansion into the New Zealand market, to access the significant growth opportunity which exists there.

The aerial imagery market is also evolving in its sophistication, and Nearmap is focused on maintaining our position at the forefront of that evolution. Our investment in technology has resulted in the FY18 roll-out of subscription access oblique imagery features to our US and Australian customer base.

Subscription access to oblique imagery is a first in the US, and indeed we were the first to provide commercially available oblique imagery by subscription in Australia.

Aerial imagery is a key component of the global location intelligence market, a large and growing market impacting all parts of business life. The companies that win will create and own deep location data and invest in the insights that can be derived from that data. Nearmap's combined data set now allows us to enter other value-added sectors, specifically 3D modeling and to derive analytics from our large dataset. I will discuss these further later in the call when I take you through the outlook for FY19.

I'll now hand over to Andy to take you through the highlights for the FY18 financial year.



Andy Watt, CFO

Thanks Rob, and good morning everyone.

In discussing our performance in FY18, I will turn first to the metric which best demonstrates the value our customers place on our content – our Group ACV, or the Annualised Contract Value of our current subscription contracts.

As we pre-announced last month, FY18 saw record growth, with the portfolio growing by \$19.2 million to \$66.2 million.

Analysing this 41% organic growth in more detail highlights a number of important points which demonstrate the scalability of our business model and the effectiveness of our investments in FY18.

Firstly, our ACV growth was generated by strong increases in both subscribers and their average subscription value as shown on page 4 of the Investor Presentation.

Growth from new subscribers to Nearmap was \$12.4 million, a 39% increase on prior year whilst net upsell to existing customers increased by 83% to \$9.9 million. Even more importantly, group churn fell from 10.3% to 7.5%, and in absolute dollar terms, ACV churn was lower in FY18 than last year.

In addition, the key measure of the productivity of our sales and marketing, the Group Sales Team Contribution Ratio, increased to 114% in FY18, from 90% in FY17. This means that for every dollar invested in our direct sales and marketing efforts in FY18, we generated an incremental \$1.14 in annual subscription value from our customers, with an average customer life of over 10 years.

Looking at the portfolio growth in each territory, our US portfolio growth exceeded the guidance provided at the time of our H1 results, growing by a record 143% in the year to \$12.9 million US. This was achieved through a 43% increase in our new business ACV to \$4.9 million US, as well as percentage churn more than halving to 8.8%, similar to the levels in Australia.

In Australia, ACV growth of \$8.8 million also exceed guidance. Our new business ACV grew by 33% to \$6.0 million, and the enhanced focus on our customer base saw our net upsell increase 27% to \$5.7 million. Percentage churn fell to 7.3% and in absolute dollar terms, fell \$0.5 million to \$2.9 million.

The growth also reflects a number of other factors which demonstrate the quality of our portfolio and the investments Nearmap has made.

With subscriptions globally increasing 13% to over 8,800, our customer base is diversified across a range of industries and use cases, as shown on page 7.

Nearmap's business model is to provide annual subscriptions to our customers, and highlighting the value of our content, over one third of our portfolio have subscribed to us on a multi-year basis.

As Rob mentioned, our technology investment enabled the launch of oblique and panorama product features in FY18. As at 30 June 2018, \$9.0m of ACV, or over 1/7th of the total group portfolio, are accessing these features. This launch, which represents the first significant enhancement to the Nearmap product suite in several years, has significantly aided in customer retention and renewal.

As a result of the strong ACV growth, our group sales revenues grew 32% to \$53.5 million. And as you can see on page 8, US revenues in our 5th year of capture of \$10.6 million exceeded the Australian revenues generated in year 6, and based on our closing US ACV portfolio, are on track to exceed Australia's revenues from the 7th year of capture in FY19.

The portfolio growth, combined with the reduction in churn, continued high gross margins in Australia and a doubling of the gross margin in the US, has seen the lifetime value of our subscription portfolio grow by 84% to \$715 million at the end of the financial year.



We have spoken previously about the investments which we have been making to capitalize on our unique position in the aerial imagery market, and FY18 saw us execute to plan on those investments.

Our oblique capture program is in place and due to favourable conditions in many areas of our capture footprint, we have already commenced early captures of our planned FY19 program. We also expanded our capture footprint to areas of urban development and customer interest.

I mentioned earlier the return on our investment in sales & marketing through our Sales Team Contribution Ratio, and we also increased our indirect investment in key areas such as technical sales, support, and training.

With the bulk of our next generation HyperCamera 2 systems constructed in FY17, product and technology investment focused on development of our product and software. In addition to the Oblique and Panorama product features, we upgraded our MapBrowser to make it mobile enabled, and invested in 3D modeling which represents the next evolution of our data set.

As shown in the cash waterfall on page 10, Australian cash flows of \$26.7 million continued to self fund the US operations, which experienced cash outflows of \$22.7 million.

An important milestone was achieved during FY18, namely that our US ACV portfolio now exceeds our annual capture costs in that market. This now means that incremental expenditure in that market drives further growth in our ACV portfolio – with a consequent growth in the portfolio lifetime value.

As a result, our net operating cash inflows were \$0.6 million in H2 of FY18, compared to a \$3.3 million outflow in H1 as the business in the US scales.

Overall, net cash outflows declined from \$7.7 million in H1 to \$3.2 million in H2, and we closed the year with a cash balance of \$17.5 million.

Turning to our key income statement numbers on page 11, whilst we increased the investment in our expanded capture program, we were able to maintain group gross margin above 80%. Australian gross margins of 94% remained consistent with FY17, while the US gross margin more than doubled to 27%. This result demonstrates the scale inherent in our business model and the leverage of our increasing portfolio to our capture program expenditure.

Group Expenses increased by 38% and we closed with an EBITDA of \$4.9 million. It is important to note that these two metrics reflect the investment program already outlined. Expenses are now at a level consistent with what was communicated at the time of the capital raise and our focus is very much on driving investment returns.

In response to feedback from our investor community, in the Appendix on page 17, we've included a reconciliation from our reported revenues to the movement in cash, providing the key cost categories which drive the results of the business. This also demonstrates the key areas of investment which were made during the year, namely sales and marketing, the capture program, and product and technology.

Most importantly, these investments are now firmly in place. Whilst we will tactically review our levels of investment during FY19, as we continue to demonstrate the scale of our business model and drive continued organic portfolio growth in our markets, we have the cash resources to enable us to organically fund the next stage in our growth.

I'll now hand back to Rob for our priorities and outlook for the upcoming financial year.



Rob Newman

Thanks Andy.

In looking forward to the priorities and outlook for FY19, let me reiterate something that I said at the start of this call.

Aerial imagery is a key component of the global location intelligence market, a large and growing market impacting all parts of business life. The companies that win will create and own deep location data and invest in the insights that can be derived from that data.

Nearmap has already demonstrated that we have been able to deliver sustainable long-term growth in this market.

Our market expanding business model continues to open up aerial imagery to new customers and use cases.

Our investment in sales and marketing enabled us to deliver record growth in our portfolio in FY18. With record growth in the United States, our portfolio there now exceeds our cost of capture, and the scale of our business model demonstrated in Australia is becoming evident in the much larger US market.

And we have recently launched in New Zealand, using a capital light approach. This also demonstrates that our internal systems have the potential to scale to multiple geographies around the world.

Most importantly, the investment we have made in our product and technology means our rich data set of 2D and oblique imagery is now being enhanced. The ability to create 3D information, and the opportunity to apply machine learning to our data, not only open up additional, larger components of the global location intelligence market, they enable Nearmap to provide further insight and solutions to our customers, rather than just data and content.

As Andy mentioned, we have now completed the first pass of our oblique capture footprint in both Australia and the United States. From that data, we now derive 3D content in a number of formats processed using a high-performance 3D pipeline.

During FY18, we have had proven success in a range of industries adopting wide-area 3D, including real estate, public safety, government and energy customers.

Our initial pricing with these trial customers has been on an 'area of interest' based pricing model. This is typically priced on a per square kilometer basis, pricing which users of more traditionally generated 3D content are familiar with. We will work on enabling our 3D content through the Nearmap platform in FY19, and explore other pricing models.

Nearmap's 3D opportunity is in the early stages of development, with a number of pilot and commercial sales in H2 FY18. Our sales focus in both Australia and the US will target 3D growth industries such as telco wireless planning, public safety, property management and construction and engineering. We will continue to invest in 3D content standards to support a greater range of customer applications.

As important as our expanded location content offering is to our customers, providing them with rapid insight from that data is the next step in our evolution. We have been doing some early stage R&D with a small group of internal data scientists to determine how such a technology can bring greater value to our content and to our customers, partners and prospects.



Literally, moving us from data, to insight.

Our sales and marketing efforts in FY19 will include commercializing our new content. We will further enhance the productivity of our sales and marketing teams to continue our portfolio growth. In Australia, we will deepen and broaden our customer experience, whilst in the United States, we will build on the capability in our small to medium enterprise customer focus whilst maintaining our success at penetrating the enterprise market.

We will establish our New Zealand presence following the launch there last week, and more strategically explore the potential for national and multinational partnerships. The diversity of the location intelligence ecosystem provides a range of opportunities for Nearmap to expand the channels for the delivery of its content, explore geographic expansion and integrate our rich data set into providing insight for business and government customers.

Finally, after several years of investment, in our US operations, in our product, our technology and our capture program, FY19 will mark a turning point for Nearmap. Our business model will continue to scale, generating returns on our investments in the form of continued portfolio growth, and we expect FY19 to be cash flow break even.

I will now open up the call for questions from the conference call participants.

-ends-

**WE CHANGE THE WAY PEOPLE
VIEW THE WORLD, SO THEY CAN
PROFOUNDLY CHANGE THE WAY
THEY WORK.**

NEARMAP.COM

Level 4 Tower One, 100 Barangaroo Avenue
Barangaroo NSW 2000

T: +61 2 8076 0700 | F: +61 2 8076 0701

E: queries@nearmap.com | Twitter: @nearmap

ABN 37 083 702 907

Investors: investor.relations@nearmap.com