



# H1 FY19 ANALYST PACK

SIX MONTHS ENDED 31 DECEMBER 2018

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## Important Note

Information presented in the H1 FY19 Analyst Pack is presented on an operational basis (rather than statutory) to reflect a management view of the business. Nearmap Limited (ACN 083 702 907) also provides statutory reporting as prescribed under the Corporations Act 2001. The Nearmap Limited H1 FY 2019 Financial Report is also available from Nearmap’s website at [www.nearmap.com](http://www.nearmap.com).

The analyst pack is not audited. The statutory net loss after tax as disclosed in the consolidated profit and loss (page 6) has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. Nearmap’s external auditors, KPMG, have reviewed the statutory net profit after tax as disclosed in the consolidated profit and loss.

Tables may not add due to rounding of amounts.

Any forward-looking statements included in this document are by nature subject to significant uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to, Nearmap, such that actual results or events may vary from those forward-looking statements and the assumptions on which they are based.

Past performance is not an indicator of future performance. While Nearmap has sought to ensure that information is accurate by undertaking a review process, it makes no representation or warranty as to the accuracy or completeness of any information or statement contained in this document. In particular, information and statements in this document do not constitute investment advice or a recommendation on any matter and should not be relied upon.



20 February 2019

Dear Nearmap shareholders

We are pleased to again provide Nearmap's Analyst Pack for shareholders and investors, summarising financial and operational metrics for the six months ended 31 December 2018, with comparatives for the six months ended 31 December 2017 and 30 June 2018 respectively.

Operating segment summaries detail:

- **United States** – sales and marketing efforts in the United States;
- **ANZ** – sales and marketing efforts in Australia and New Zealand;

A portion of General and Administration costs, representing general operating expenses and uncapitalised development expenses, are not directly attributable by operating segment and remain unallocated.

This pack is to be read in conjunction with the "Appendix 4D Half Year Report for the half year ended 31 December 2018" and the "Investor Briefing Half Year Results to 31 December 2018" released to the ASX on 20 February 2019.

We trust that you find this information useful and insightful.

Kind regards

A handwritten signature in black ink, appearing to read "A Watt". The signature is stylized and cursive.

Andy Watt  
Chief Financial Officer  
Nearmap Ltd

# Nearmap Overview

Nearmap is one of the few global companies possessing a rich, continually expanding data set about the real world – data providing high value insights to a diverse range of businesses and government organisations.

With Nearmap, organisations unlock opportunities that consistently inform decision making and transform the way they work. Delivered within days of capture using a SaaS (subscription as a service) model, our imagery is much higher resolution than satellite imagery and shows changes over time.

Aerial imagery is a key component of the 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 unique technology and a business model that no other aerial imaging company globally has been able to replicate at scale. This gives Nearmap a multi-year advantage over our closest competitors, with a strong balance sheet that supports our organic growth.

## NEARMAP CAPTURES IMAGERY IN 3 COUNTRIES...



Australia - 88% population coverage



United States – 70% population coverage



New Zealand – 72% population coverage

## ...DELIVERED AS A RANGE OF PRODUCT FEATURES...



Orthogonal (2D) imagery



Oblique cardinal direction imagery



3D models and machine learning capability

## ...BRINGING THE TRUTH ON THE GROUND TO OUR CUSTOMERS TO ENHANCE THEIR PRODUCTIVITY



Diverse customer base:

- Architecture, Construction & Engineering (ACE)
- Government
- Insurance & Property
- Solar
- Utilities
- Commercial



Reducing the need for costly, time consuming site visits to:

- Plan & inspect
- Monitor & validate
- Assess risk
- Communicate & visualize
- Estimate & quote
- Generate leads

## Group performance indicators

	1H18	2H18	FY18	1H19	YoY %
<b>Group ACV portfolio (AU\$'000)</b>					
Opening ACV	46,959	54,227	46,959	66,234	41%
New business	5,677	6,771	12,448	7,767	37%
Net upsell	3,599	6,286	9,885	5,121	42%
Churn	(1,888)	(1,651)	(3,539)	(1,628)	14%
<b>Net incremental ACV</b>	<b>7,388</b>	<b>11,406</b>	<b>18,794</b>	<b>11,260</b>	<b>52%</b>
FX impact	(120)	601	481	822	
<b>Closing ACV</b>	<b>54,227</b>	<b>66,234</b>	<b>66,234</b>	<b>78,316</b>	<b>44%</b>
Group revenue	24,677	29,463	54,140	36,312	47%
Group gross margin (%)	80%	81%	81%	82%	
12 month churn (%)	9.0%	7.5%	7.5%	6.0%	
Closing ARPS (\$)	6,598	7,473	7,473	8,410	27%
Portfolio LTV (AU\$'000)	480,724	715,327	715,327	1,070,319	123%
<b>Opening subscriptions</b>	<b>7,832</b>	<b>8,219</b>	<b>7,832</b>	<b>8,863</b>	<b>13%</b>
New business	954	1,036	1,990	952	(0%)
Churn	(567)	(392)	(959)	(503)	11%
<b>Closing subscriptions</b>	<b>8,219</b>	<b>8,863</b>	<b>8,863</b>	<b>9,312</b>	<b>13%</b>
Group Sales Team Contribution Ratio	97%	129%	114%	117%	
<b>Earnings</b>					
Group EBITDA	1,192	3,664	4,856	8,057	576%
Group EBIT	(4,721)	(3,680)	(8,401)	(513)	89%
Statutory NPAT	(6,500)	(4,529)	(11,029)	(1,974)	70%
Operating cash flow	(3,312)	580	(2,732)	1,394	142%

The key metrics which Nearmap manages represent the following:

**Annualised Contract Value** – Annualised Contract Value (ACV) represents the annualised value of all active subscription contracts in effect at a particular date. Subscriptions in Australia, New Zealand and the United States are typically for 12 month periods with customers paying the subscription in full up front. The revenue is recognised evenly over the subscription period. ACV is a key metric for the company, with the nature of the subscription model determining that incremental ACV will drive revenue growth in the subsequent financial period.

Group ACV grew by 44% YoY to \$78.3m (30 June 2018: \$66.2m) with growth in both ANZ and the United States. ACV performance in each territory is discussed in the segment results below.

**Sales Team Contribution Ratio (STCR)** – STCR represents the ratio of incremental ACV generated by a sales team in a period, compared to the direct costs of obtaining that incremental ACV. This measures how quickly the cost of acquiring a subscription is recovered from the subscription itself, with a ratio of greater than 33% generally seen as effective in a SaaS business (i.e. recovery of customer acquisition costs from customer revenues within a three year period).

Group STCR increased to 117% in 1H19 (FY18: 114%), with strong customer acquisition and expansion metrics in both ANZ and the US.

**Churn** – Churn represents the ACV value of subscriptions which were not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions previously churned. The churn percentage is calculated as a proportion of the opening ACV value in a 12 month period.

Group 12 month churn fell to 6.0% (FY18: 7.5%) reflecting the continued focus on customer experience and retention, highlighting the on-going value that customers derive from Nearmap.

**Subscriptions** – Subscriptions reflect the number of individual subscription contracts entered into by Nearmap customers, who range from small and medium businesses to large enterprises.

Group subscriptions increased to 9,312 (30 June 2018: 8,863) with growth in subscription numbers coming from both ANZ and the United States.

**Average Revenue per Subscription (ARPS)** – ARPS represents the closing ACV portfolio value divided by the number of subscriptions.

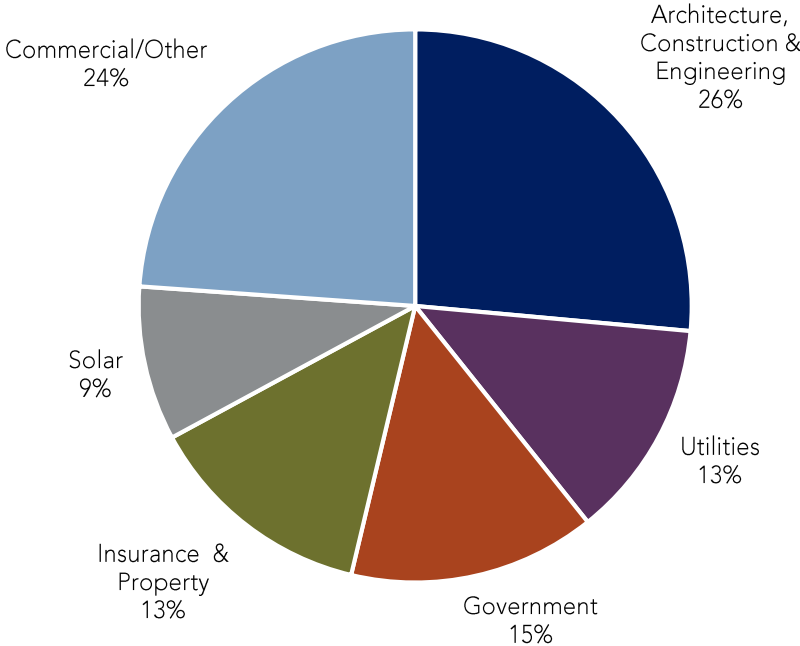
Group ARPS increased to \$8,410 (30 June 2018: \$7,473). This growth was experienced in both ANZ and the United States, again highlighting the increasing value customers experience from using Nearmap, combined with continued penetration of large enterprise customers, particularly in the United States.

**Portfolio Lifetime Value (LTV)** – Portfolio LTV is calculated as:

$$\frac{\text{ACV portfolio value} \times \text{Gross Margin \%}}{\text{Churn \%}}$$

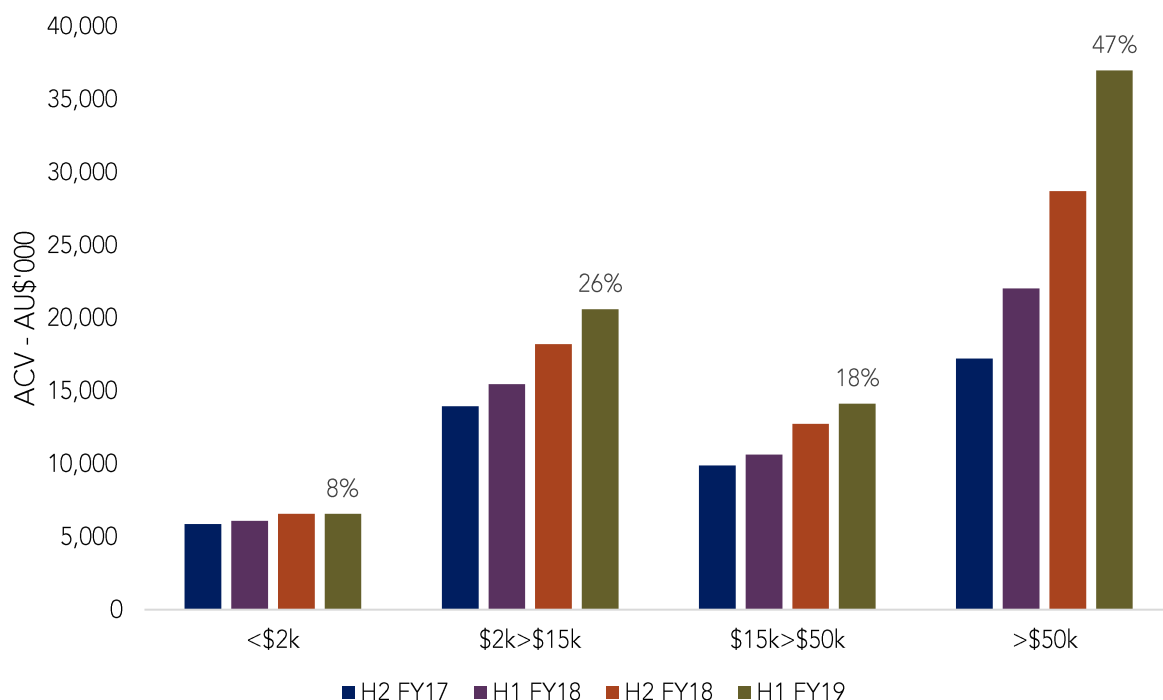
Group Portfolio LTV increased to \$1,070m (FY18: \$715m). The increase in Group LTV shows Nearmap’s progress on a number of key metrics; portfolio growth combined with reducing churn and increasing gross margin rates.

**Group ACV portfolio by industry (%)**



The Group ACV portfolio is diversified across key focus industries, with the largest sector ACE accounting for 26% of the portfolio. Notably, 24% of the Group portfolio is generated from subscribers in other industry sectors, demonstrating the broad range of application of Nearmap’s content for commercial purposes.

## Group ACV by subscription size



Growth in the Group ACV portfolio continued to be generated across the range of subscription sizes, from SMEs through to large enterprise customers. The largest growth was seen in subscriptions greater than \$50k in value as large enterprise accounts continue to experience increasing returns on investment with Nearmap.

## FTE Breakdown

### As at 31 December 2018

As at 31 December 2018	Product / Technology / Corporate Group			
	Distribution	Capture	Corporate	Group
Australia	38	78	41	157
United States	31	11	8	50
<b>Total</b>	<b>69</b>	<b>89</b>	<b>49</b>	<b>207</b>

### As at 30 June 2018

As at 30 June 2018	Product / Technology / Corporate Group			
	Distribution	Capture	Corporate	Group
Australia	36	65	42	143
United States	33	6	8	47
<b>Total</b>	<b>69</b>	<b>71</b>	<b>50</b>	<b>190</b>

1. Distribution headcount remained consistent over the period.
2. The increase in Product, Technology and Capture headcount reflect the investment in the development of new content and products.

## Consolidated statutory profit and loss

AU\$'000	1H18	2H18	FY18	1H19	YoY %
Revenue	24,413	29,140	53,553	35,486	45%
Interest income	199	170	369	647	225%
Other income	65	153	218	179	175%
<b>Total Revenue</b>	<b>24,677</b>	<b>29,463</b>	<b>54,140</b>	<b>36,312</b>	<b>47%</b>
<b>Expenses</b>					
Employee benefits expense	(14,724)	(16,281)	(31,005)	(16,221)	(10%)
Amortisation and depreciation	(5,913)	(7,344)	(13,257)	(8,570)	(45%)
Net foreign exchange differences	(226)	37	(189)	181	180%
Other operational expenses	(8,563)	(9,353)	(17,916)	(11,390)	(33%)
<b>Total expenses</b>	<b>(29,426)</b>	<b>(32,941)</b>	<b>(62,367)</b>	<b>(36,000)</b>	<b>(22%)</b>
<b>(Loss) / profit before tax</b>	<b>(4,749)</b>	<b>(3,479)</b>	<b>(8,227)</b>	<b>312</b>	<b>107%</b>
Income tax expense	(1,751)	(1,051)	(2,802)	(2,286)	(31%)
<b>Loss after tax</b>	<b>(6,500)</b>	<b>(4,529)</b>	<b>(11,029)</b>	<b>(1,974)</b>	<b>70%</b>

**Revenue** – Revenue primarily represents subscription revenue recognised over the life of the underlying subscription contract with the customer in each respective financial period. Group revenues increased 45% YoY to \$35.5m (2H18: \$29.1m) reflecting the growth of the subscription ACV portfolio in both ANZ and the United States.

**Interest income** – Interest income represents interest earned by the company on its cash deposit holdings.

**Other income** – Other income represents payroll tax rebate received for Australian payroll, gain on disposal of assets and gain on the sale of unlisted investments.

**Expenses** – Key expense categories represent:

- Employee benefits expense represents the direct and indirect costs of employing Nearmap staff and directors, including non-cash share-based payments expense. These costs in 1H19 were \$16.2m, consistent with 2H18 (2H18: \$16.3m).
- Amortisation and depreciation reflect the expense applied to the Group's tangible and intangible assets.
- Net foreign exchange differences represent unrealised differences on the translation of the foreign denominated bank account balance (USD) held in Australia from foreign currency into functional currency (AUD). Realised differences namely relate to payments to suppliers in foreign currencies and the revaluation of the US entity balances.
- Other operational expenses represent other costs incurred by the Group in the scaling of its operations, including flight capture costs, cloud based processing and storage costs, rental of office space, travel, administrative costs and other corporate expenses.



Tax – Tax expense for the period was \$2.3m (2H18: \$1.1m). Per the following table, the main component of this is current year losses for which no deferred tax asset is recognised. As at 31 December 2018, the Group has an unrecognised deferred tax asset of \$14.4m in respect of US tax losses (30 June 2018: \$12.0m). The Group has not recognised any further deferred tax assets in relation to the US tax losses in the current reporting period.

AU\$'000	1H18	2H18	FY18	1H19
Total profit/(loss) before tax	(4,749)	(3,478)	(8,227)	313
Prima facie tax benefit at 30%	1,425	1,043	2,468	(94)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
R&D grant	68	57	125	91
Effect of US tax rates	(540)	(848)	(1,388)	(877)
Share based payments expense	(209)	(201)	(410)	(155)
Entertainment expenses	3	(60)	(57)	(52)
Recognition of previously unrecognised deductible temporary difference	-	1,163	1,163	612
Current year losses for which no deferred tax asset is recognised	(2,498)	(2,941)	(5,439)	(1,814)
Over provision in the prior year	-	736	736	3
<b>Current year tax expense</b>	<b>(1,751)</b>	<b>(1,051)</b>	<b>(2,802)</b>	<b>(2,286)</b>

## Consolidated balance sheet

AU\$'000	31 Dec 17	30 Jun 18	31 Dec 18
<b>Current assets</b>			
Cash and cash equivalents	20,642	17,530	81,333
Trade receivables	9,699	10,116	16,248
Other current assets	4,836	3,892	3,185
<b>Total current assets</b>	<b>35,177</b>	<b>31,538</b>	<b>100,766</b>
<b>Non-current assets</b>			
Plant and equipment	11,758	11,983	13,387
Intangible assets	29,696	36,299	42,606
Deferred tax assets	2,239	2,667	3,794
<b>Total non-current assets</b>	<b>43,693</b>	<b>50,949</b>	<b>59,787</b>
<b>Total assets</b>	<b>78,870</b>	<b>82,487</b>	<b>160,553</b>
<b>Current liabilities</b>			
Trade and other payables	2,441	1,525	3,288
Unearned income	29,010	33,911	39,242
Employee benefits	3,382	5,116	4,142
Other current liabilities	3,144	2,711	4,255
Current tax liabilities	337	337	-
<b>Total current liabilities</b>	<b>38,314</b>	<b>43,600</b>	<b>50,927</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	7,356	8,554	10,786
Employee benefits	153	163	227
Other non-current liabilities	1,121	1,176	1,104
<b>Total non-current liabilities</b>	<b>8,630</b>	<b>9,893</b>	<b>12,117</b>
<b>Total liabilities</b>	<b>46,944</b>	<b>53,493</b>	<b>63,044</b>
<b>Net assets</b>	<b>31,926</b>	<b>28,994</b>	<b>97,509</b>
<b>Equity</b>			
Contributed equity	51,885	52,995	122,998
Reserves	12,496	12,983	13,358
Profits reserve	7,078	7,078	7,078
Accumulated losses	(39,533)	(44,062)	(45,925)
<b>Total equity</b>	<b>31,926</b>	<b>28,994</b>	<b>97,509</b>

Key balance sheet items represent:

**Cash** – The group's cash holdings increased to \$81.3m (30 June 2018: \$17.5m). A breakdown of the movement in the cash balance is shown in the following section.

**Trade receivables** – Amounts outstanding from customers were \$16.2m (30 June 2018: \$10.1m). This increase reflects the strong close to the half and the significant number of subscriptions billed in December.

**Other current assets** – The decrease in this balance of \$0.7m vs 30 June 2018 represents the reduction in general prepayments and the release of the rent-free period (\$0.4m) on the head office, offset by an increase in interest receivable.

**Plant and equipment and intangible assets** – These balances represent fixed assets, camera assets, capitalised development costs and capitalised capture costs. The growth in intangibles reflects the continuing investment in the expanded capture program and the development of new content and products.

**Unearned income** – Customer subscriptions are invoiced in full at the commencement of a subscription, with the balance initially recorded to unearned income and subsequently amortised to the income statement over the period of the subscription.

**Employee benefits** – Employee benefits have decreased by \$1.0m vs 30 June 2018 primarily due to the payment of the FY18 bonuses and commissions.

**Other current and non-current liabilities** – General accruals have increased \$1.5m vs 30 June 2018.

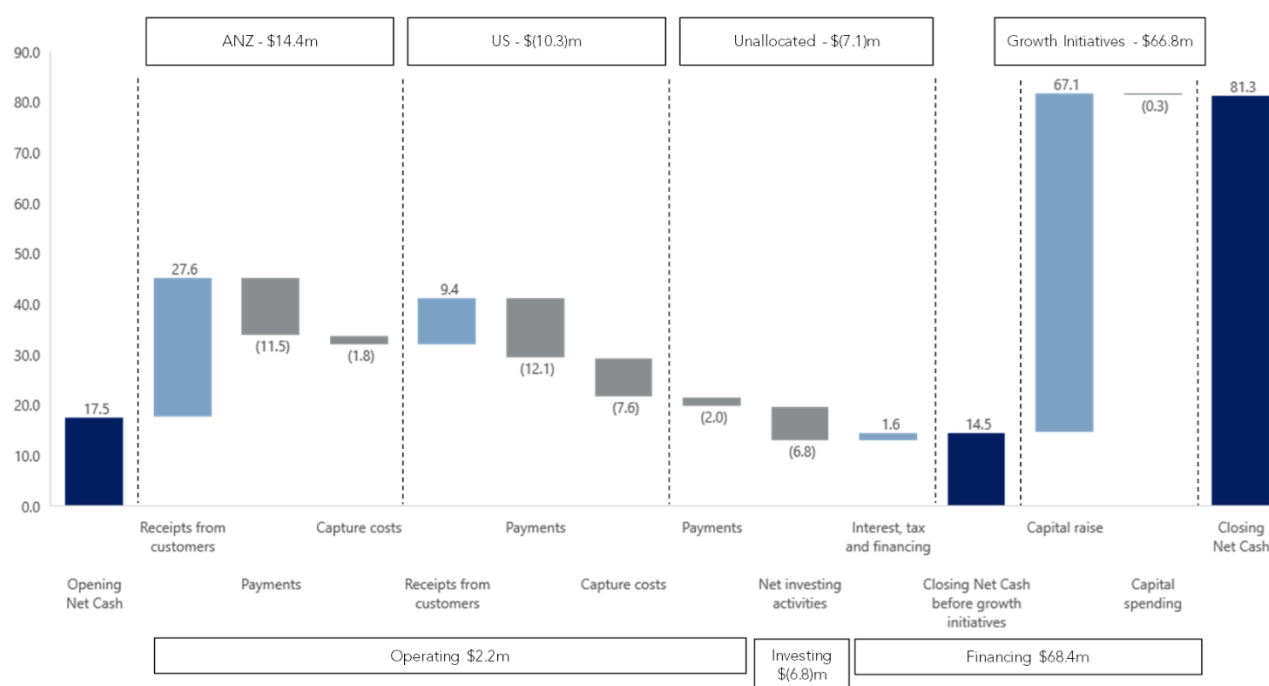
## Financing

At 31 December 2018, Nearmap did not have any debt facilities in place other than corporate credit card facilities. Funding for the group's operations is provided by the cash inflows from the group's sales operations, interest on the group's cash holdings and the group's internal cash resources.

## Consolidated operating cash flow

AU\$'000	1H18	2H18	FY18	1H19	YoY %
Receipts from customers	27,986	36,215	64,201	37,022	32%
Payments to suppliers and employees	(31,358)	(35,603)	(66,961)	(35,209)	(12%)
Interest received	204	170	374	189	(7%)
Other receipts	21	61	82	21	-
Income taxes received / (paid)	(165)	(263)	(428)	(629)	(281%)
<b>Net cash from operating activities</b>	<b>(3,312)</b>	<b>580</b>	<b>(2,732)</b>	<b>1,394</b>	<b>142%</b>
<b>Net cash from investing activities</b>	<b>(4,693)</b>	<b>(4,807)</b>	<b>(9,500)</b>	<b>(6,773)</b>	<b>(44%)</b>
<b>Net cash from financing activities</b>	<b>439</b>	<b>1,110</b>	<b>1,549</b>	<b>69,147</b>	<b>15,651%</b>
Effect of movement in exchange rates on cash held	(130)	5	(125)	35	127%
<b>Total movement</b>	<b>(7,696)</b>	<b>(3,112)</b>	<b>(10,808)</b>	<b>63,803</b>	<b>929%</b>

### Cash flow waterfall\*



\*Financing cash flows of \$68.4m include (\$0.4m) of interest, other receipts and income taxes classified as operating activities in the statutory cash flow

Key components of the 1H19 cash flows represent:

**ANZ** – The ANZ segment generated free cash flows of \$14.4m, with cash receipts of \$27.6m offset by payments of \$13.3m for sales and marketing expenses, allocation of corporate expense payments, capture costs and related net GST payments. Free cash flow conversion remains >50%.

**United States** – The US segment consumed free cash flows of \$10.3m, with cash receipts of \$9.4m offset by payments of \$19.7m on sales and marketing expenses, allocations of corporate expense payments, capture costs and related sales tax remittances.

Corporate – The Corporate segment consumed free cash flows of \$7.1m, reflecting:

- Payments for general and administrative costs of \$2.0m;
- Payments for product and technology capital investment split out as follows:
  - o Development costs \$(3.9m)
  - o Plant and equipment \$(3.0m)
  - o Gain on sales \$ 0.1m; and
- Net receipts of \$1.6m in interest, tax and financing.

In addition, the company undertook a fully underwritten \$70m institutional placement to accelerate the pursuit of key strategic objectives and provide additional balance sheet flexibility. After payment of costs associated with the placement, \$67.1m was received. \$0.3m of the proceeds have been deployed during 1H19.

## Segment Performance

The segment results for the business for 1H19 (with 1H18 as a comparative) are set out in the tables below, with individual segment performance set out further below.

The US segment discussion is presented in USD, and these USD results have been converted to AUD at the applicable exchange rates for each period.

### Segment Performance

AUS\$'000	H1 FY19			Total	US\$'000 USA
	ANZ	USA	Unallocated		
Revenue	25,719	9,767	-	35,486	7,069
Other income	-	-	826	826	-
<b>Total revenue</b>	<b>25,719</b>	<b>9,767</b>	<b>826</b>	<b>36,312</b>	<b>7,069</b>
Capture cost amortisation	(1,065)	(3,461)	-	(4,526)	(2,506)
Storage, administration & other	(340)	(1,379)	-	(1,719)	(1,000)
<b>Total Cost of revenue</b>	<b>(1,405)</b>	<b>(4,840)</b>	<b>-</b>	<b>(6,245)</b>	<b>(3,506)</b>
<b>Gross Profit</b>	<b>24,314</b>	<b>4,927</b>	<b>826</b>	<b>30,067</b>	<b>3,563</b>
<b>Gross margin %</b>	<b>95%</b>	<b>50%</b>		<b>83%</b>	
Direct sales & marketing	(3,850)	(5,806)	-	(9,656)	(4,205)
Indirect sales & marketing	(1,429)	(1,589)	-	(3,018)	(1,150)
<b>Total Sales &amp; Marketing Cost</b>	<b>(5,279)</b>	<b>(7,395)</b>	<b>-</b>	<b>(12,674)</b>	<b>(5,355)</b>
General & administration	(4,082)	(4,059)	(5,075)	(13,216)	(2,941)
Overhead depreciation	(114)	(200)	(44)	(358)	(145)
Interest expense	-	-	(2)	(2)	-
<b>Total general &amp; administration</b>	<b>(4,196)</b>	<b>(4,259)</b>	<b>(5,121)</b>	<b>(13,576)</b>	<b>(3,086)</b>
<b>Segment contribution</b>	<b>14,839</b>	<b>(6,727)</b>	<b>(4,295)</b>	<b>3,817</b>	<b>(4,879)</b>
Amortisation & depreciation				(3,686)	
FX gain / (loss)				181	
Income tax expense				(2,286)	
<b>Profit / (loss) after tax</b>				<b>(1,974)</b>	

Note: Gross profit includes Other income

AUS\$'000	H1 FY18				US\$'000
	ANZ	USA	Unallocated	Total	USA
Revenue	20,623	3,790	-	24,413	2,944
Other income	-	-	264	264	-
<b>Total revenue</b>	<b>20,623</b>	<b>3,790</b>	<b>264</b>	<b>24,677</b>	<b>2,944</b>
Capture cost amortisation	(752)	(2,020)	-	(2,772)	(1,570)
Storage, administration & other	(516)	(1,695)	-	(2,211)	(1,317)
<b>Total Cost of revenue</b>	<b>(1,268)</b>	<b>(3,715)</b>	<b>-</b>	<b>(4,983)</b>	<b>(2,887)</b>
<b>Gross Profit</b>	<b>19,355</b>	<b>75</b>	<b>264</b>	<b>19,694</b>	<b>57</b>
<b>Gross margin %</b>	<b>94%</b>	<b>2%</b>		<b>80%</b>	
Direct sales & marketing	(3,275)	(4,317)	-	(7,592)	(3,337)
Indirect sales & marketing	(1,299)	(1,846)	-	(3,145)	(1,446)
<b>Total Sales &amp; Marketing Cost</b>	<b>(4,574)</b>	<b>(6,163)</b>	<b>-</b>	<b>(10,737)</b>	<b>(4,783)</b>
General & administration	(3,300)	(3,074)	(3,964)	(10,338)	(2,390)
Overhead depreciation	(83)	(190)	15	(258)	(149)
Interest expense			(1)	(1)	
<b>Total general &amp; administration</b>	<b>(3,383)</b>	<b>(3,264)</b>	<b>(3,950)</b>	<b>(10,597)</b>	<b>(2,539)</b>
<b>Segment contribution</b>	<b>11,398</b>	<b>(9,352)</b>	<b>(3,686)</b>	<b>(1,640)</b>	<b>(7,265)</b>
Amortisation & depreciation				(2,883)	
FX gain / (loss)				(226)	
Income tax expense				(1,751)	
<b>Profit / (loss) after tax</b>				<b>(6,500)</b>	

## US Segment

The US segment is responsible for all sales and marketing efforts in the United States.

All figures in this section are stated in United States dollars.

US\$'000	1H18	2H18	FY18	1H19	YoY %
<b>Opening ACV</b>	<b>5,307</b>	<b>8,477</b>	<b>5,307</b>	<b>12,868</b>	<b>142%</b>
New business	2,332	2,525	4,857	3,640	56%
Net upsell	1,061	2,109	3,170	1,599	51%
Churn	(222)	(243)	(465)	(466)	(110%)
<b>Net incremental</b>	<b>3,170</b>	<b>4,391</b>	<b>7,561</b>	<b>4,773</b>	<b>51%</b>
<b>Closing ACV</b>	<b>8,477</b>	<b>12,868</b>	<b>12,868</b>	<b>17,641</b>	<b>108%</b>
<b>Opening subscriptions</b>	<b>605</b>	<b>742</b>	<b>605</b>	<b>946</b>	<b>56%</b>
New business	173	251	424	293	69%
Churn	(36)	(47)	(83)	(61)	(69%)
<b>Closing subscriptions</b>	<b>742</b>	<b>946</b>	<b>946</b>	<b>1,178</b>	<b>59%</b>
ACV 12 month churn (%)	15.9%	8.8%	8.8%	8.4%	
Closing ARPS (\$)	11,425	13,603	13,603	14,975	31%
Capture cost amortisation	(1,570)	(2,122)	(3,692)	(2,506)	(60%)
Storage, administration & other	(1,317)	(947)	(2,264)	(1,000)	24%
<b>Cost of revenue</b>	<b>(2,887)</b>	<b>(3,069)</b>	<b>(5,956)</b>	<b>(3,506)</b>	<b>(21%)</b>
Cash costs to capture	(4,561)	(5,873)	(10,434)	(5,493)	(20%)
Revenue	2,944	5,232	8,176	7,069	140%
Costs of revenue	(2,887)	(3,069)	(5,956)	(3,506)	(21%)
<b>Gross margin</b>	<b>57</b>	<b>2,163</b>	<b>2,220</b>	<b>3,563</b>	<b>6,151%</b>
Gross margin (%)	2%	41%	27%	50%	
Direct sales cost	(3,337)	(3,617)	(6,954)	(4,205)	(26%)
Sales Team Contribution Ratio (%)	95%	121%	109%	113%	
Indirect sales cost	(1,446)	(1,648)	(3,094)	(1,150)	20%
Total sales & marketing cost	(4,783)	(5,265)	(10,048)	(5,355)	(12%)
Overheads	(2,539)	(2,939)	(5,478)	(3,086)	(22%)
Segment EBIT	(7,265)	(6,041)	(13,306)	(4,879)	33%
Segment EBIT %	(247%)	(115%)	(163%)	(69%)	



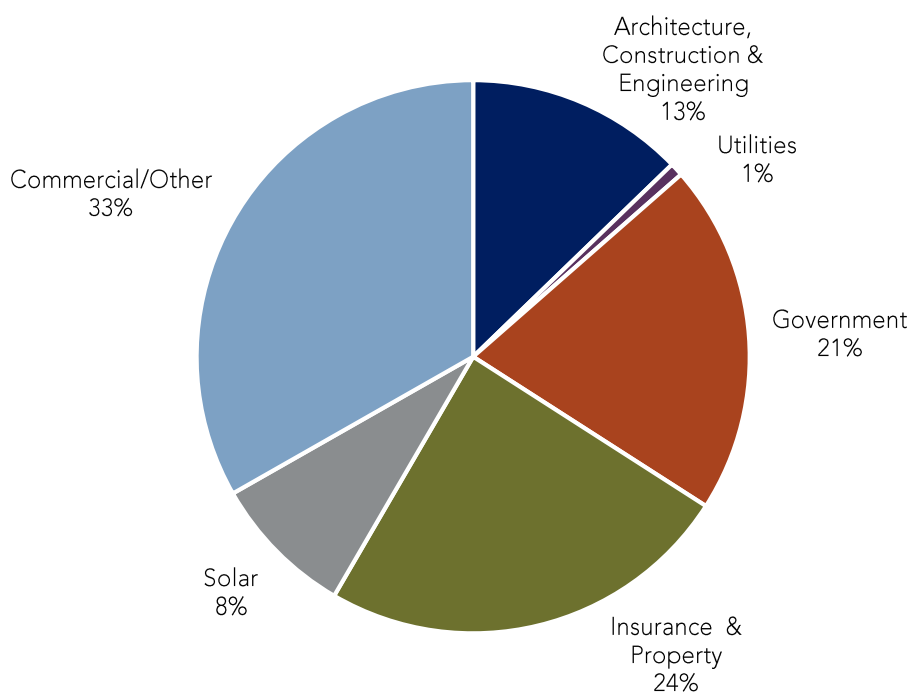
## US ACV Portfolio

During 1H19, the US ACV portfolio increased from \$12.9m to \$17.6m. The components of this growth represent:

- **New Business** of \$3.6m reflects the focussed effort to target larger enterprise customers and the increasing effectiveness of sales and marketing acquisition strategies. The rate of acquisition of transactional customers also increased through 1H19, adding to the New Business ACV result.
- **Net Upsell** of \$1.6m reflects the increase in value that existing customers are experiencing from using Nearmap. This is also evidence of the continuing innovation that Nearmap is bringing to market, and the demand generated from this enhanced feature set.
- **Customer churn** for the 12 months to 31 December 2018 (representing the dollar value of subscriptions not renewed in a 12 month period compared to the opening ACV value) was 8.4% (FY18: 8.8%). This downward trend highlights the effectiveness of Nearmap's customer centric approach at all stages of the subscription lifecycle and the success of customer experience and retention initiatives over the period.

The **number of subscriptions** grew by 25% to 1,178 (30 June 2018: 946), while the **average revenue per subscription** increased to \$14,975 (30 June 2018: \$13,603). The steady increase in the number of subscriptions, while also increasing the ARPS shows the continued success of attracting customers at both the transactional and enterprise level.

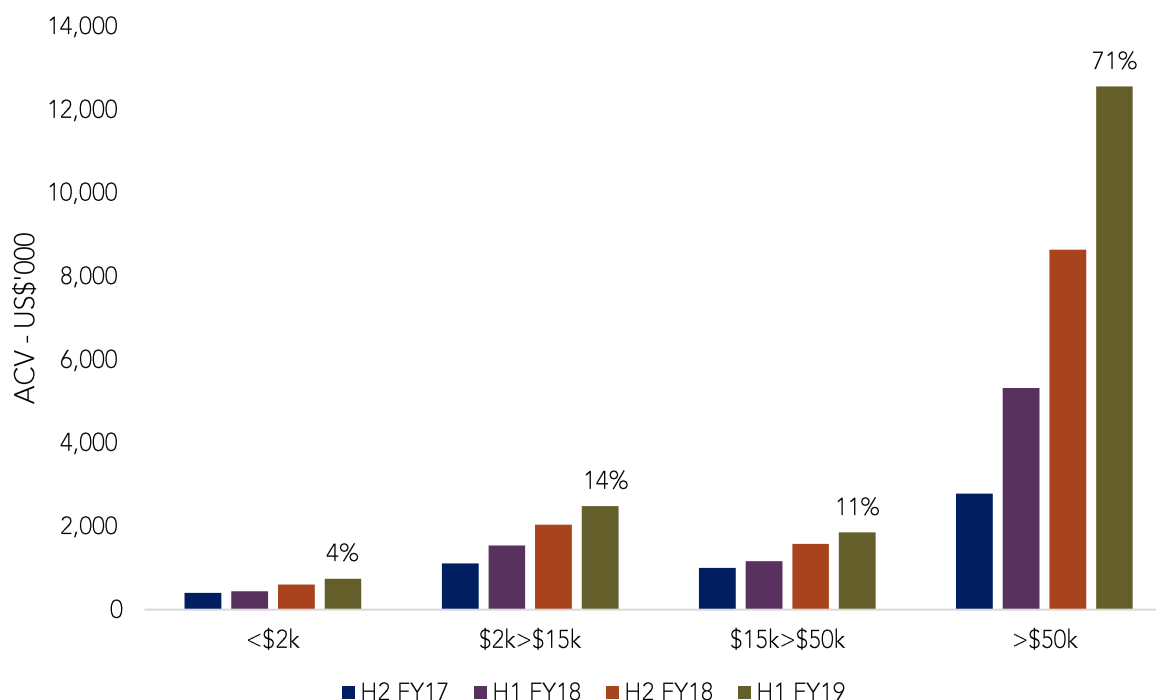
## Customer portfolio at 31 December 2018 by industry segment



The growing relevance of product offering exhibited by a diversified portfolio across key industry segments.

Key differences to the ANZ portfolio relate to the unique landscape of certain US industries, namely Insurance & Property, as well as Government, where Nearmap content has proven valuable in enabling greater efficiency and profitability for customers. The portfolio weighting towards Commercial/Other also highlights the greater awareness and understanding of aerial imagery in the US market.

## ACV portfolio by subscription size



All subscription size categories demonstrated growth during 1H19. The focus on the new business acquisition of enterprise level accounts can be seen above, with enterprise customers (subscriptions greater than \$15,000 p.a.) making up 82% of the US portfolio. This shows the inherent value and strategic significance of the Nearmap product suite for large organisations in key industry segments. The focus will remain on growing both the enterprise level customers whilst also addressing the significant opportunity that exists at the transactional end of the market, growing subscription numbers with small to medium enterprises (representing subscriptions below \$15,000 p.a.) in FY19.

## Financial Performance

**US revenue** for the half was \$7.1m (2H18: \$5.2m) reflecting the growth in the ACV portfolio.

**Cash costs of capture** were \$5.5m, down from \$5.9m in 2H18 as the efficiencies of the HyperCamera2 surveys are realised. **Cost of revenue** has been driven by the unwinding of capture cost amortisation over time. **Gross margins** grew to 50% in 1H19 (2H18: 41%).

**Direct sales costs** were \$4.2m reflecting the full year impact of headcount changes in the sales and marketing function, together with increased targeted marketing activities. The performance of the US sales team as measured by the **Sales Team Contribution Ratio (STCR)** (being the incremental ACV generated in 1H19, compared to the direct cost of the sales and marketing effort) was 113% (FY18: 109%) reflecting the scale and efficiency of the US sales and marketing efforts.

**Indirect sales & marketing costs** (primarily reflecting sales management and administration functions) were \$1.2m (2H18: \$1.6m). This decrease relates to management restructure between direct and indirect sales.

**Overheads** primarily represent the allocation of Corporate costs based on usage and activity. These were \$3.1m (2H18: \$2.9m).

**US Segment Contribution** was (\$4.9m) (2H18: (\$6.0m)).

## ANZ Segment

The ANZ segment is responsible for all sales and marketing efforts in Australia and New Zealand.

AU\$'000	1H18	2H18	FY18	1H19	YoY %
Opening ACV	40,036	43,359	40,036	48,824	22%
New business	2,688	3,354	6,042	2,609	(3%)
Net upsell	2,239	3,432	5,671	2,856	28%
Churn	(1,603)	(1,322)	(2,925)	(967)	40%
Net incremental	3,324	5,464	8,788	4,498	35%
Closing ACV	43,359	48,824	48,824	53,322	23%
Opening subscriptions	7,227	7,477	7,227	7,917	10%
New business	781	785	1,566	659	(16%)
Churn	(531)	(345)	(876)	(442)	17%
Closing subscriptions	7,477	7,917	7,917	8,134	9%
Churn (%)	8.3%	7.3%	7.3%	5.3%	
Closing ARPS (\$)	5,799	6,167	6,167	6,555	13%
Capture cost amortisation	(752)	(916)	(1,668)	(1,065)	(42%)
Storage, administration & other	(516)	(479)	(995)	(340)	34%
Cost of revenue	(1,268)	(1,395)	(2,663)	(1,405)	(11%)
Cash costs to capture	(1,349)	(1,652)	(3,001)	(1,764)	(31%)
Revenue	20,623	22,332	42,955	25,719	25%
Costs of revenue	(1,268)	(1,395)	(2,663)	(1,405)	(11%)
Gross margin	19,355	20,937	40,292	24,314	26%
Gross margin (%)	94%	94%	94%	95%	
Direct sales cost	(3,275)	(4,196)	(7,471)	(3,850)	(18%)
Sales Team Contribution Ratio (%)	101%	130%	118%	117%	
Indirect sales cost	(1,299)	(1,427)	(2,726)	(1,429)	(10%)
Total sales & marketing cost	(4,574)	(5,623)	(10,197)	(5,279)	(15%)
Overheads	(3,383)	(3,770)	(7,153)	(4,196)	(24%)
Segment EBIT	11,398	11,544	22,942	14,839	30%
Segment EBIT %	55%	52%	53%	58%	

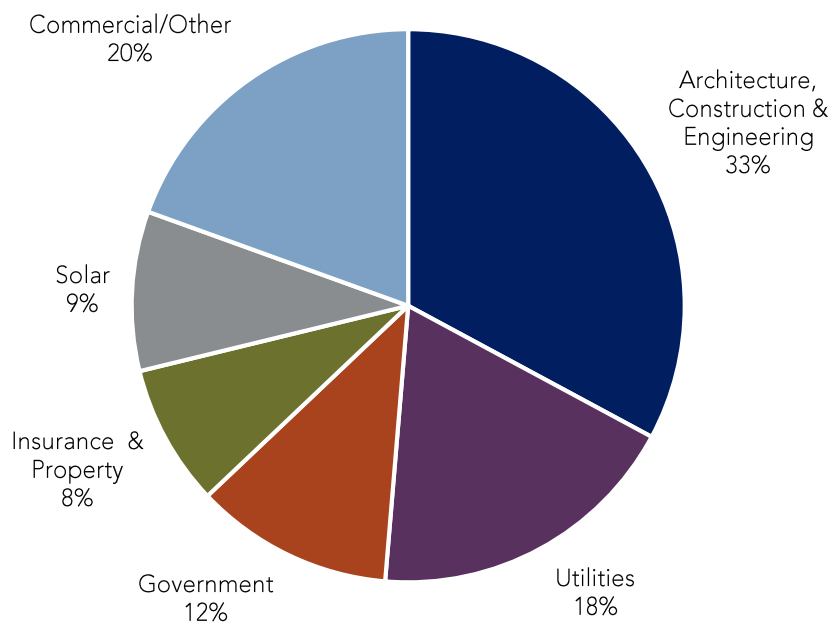
## ANZ ACV Portfolio

During 1H19, the ANZ ACV portfolio increased from \$48.8m to \$53.3m. The components of this growth were:

- **New Business** of \$2.6m. This performance highlights Nearmap's continued success in translating the value of its industry leading technology to new user groups across key industry segments in ANZ and the increasing awareness and understanding of the use and relevance of aerial imagery in the ANZ market.
- **Net Upsell** of \$2.9m reflects deeper integration of Nearmap content into the existing customer base and demonstrates the application, relevance and value of product innovation to existing user groups.
- **Customer churn** (representing the dollar value of subscriptions not renewed in a 12 month period compared to the opening ACV value) for the 12 months to 31 December 2018 was 5.3% (12 months to 30 June 2018: 7.3%), with churn concentrated amongst customers in the SME category with lower value subscriptions. The downward trend demonstrates the effectiveness of the retention initiatives implemented in FY18, particularly in the more transactional end of the portfolio, along with the success of the continued focus on customer centricity over the subscription lifecycle.

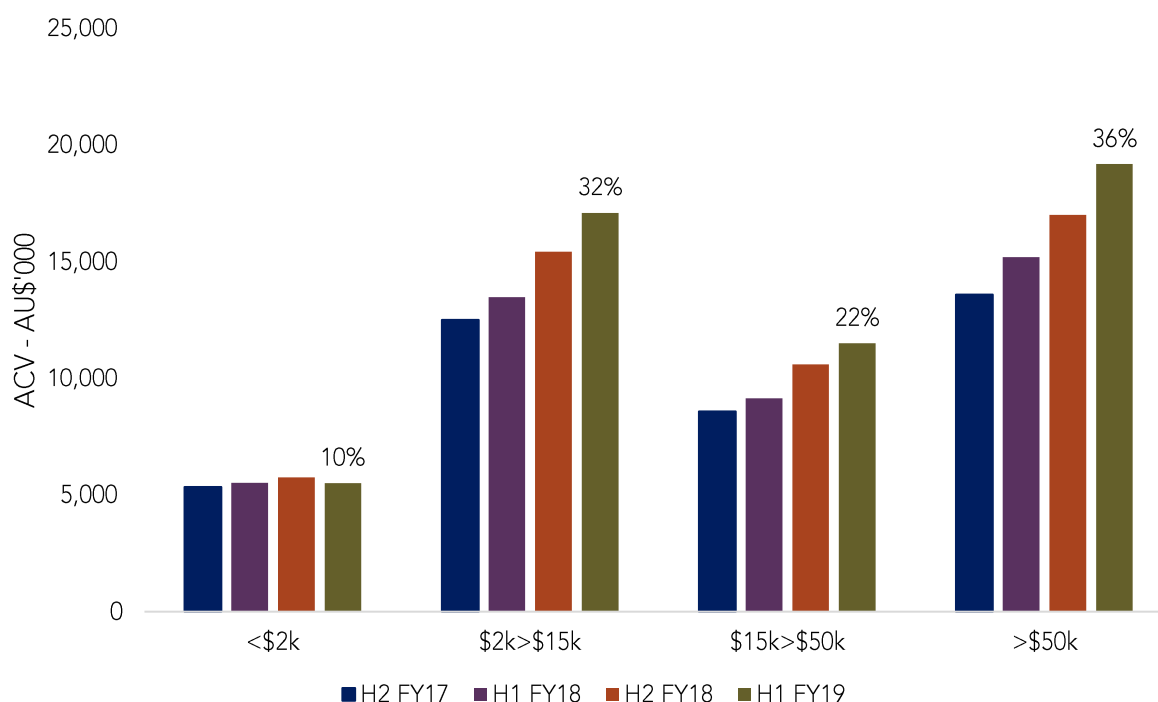
The **number of subscriptions** grew by 9% to 8,134 (30 June 2018: 7,917), while the **average revenue per subscription** grew 13% to \$6,555 (30 June 2018: \$6,167), demonstrating the increased value to customers of Nearmap's subscription content.

## Customer portfolio at 31 December 2018 by industry segment



The portfolio is diversified across customer industries, with the largest segments being ACE (33%), followed by Commercial Enterprises (20%), Utilities (18%) and Government (12%). The penetration of the ACE industry highlights the success of the Nearmap product and business model in capturing both the enterprise and transactional ends of the market, with the use of Nearmap imagery widespread from sole trader tradespeople right through to large construction and engineering firms.

## ACV portfolio by subscription size



The ACV portfolio is diversified across a range of businesses in size, with subscriptions to small and medium enterprises (subscriptions below \$15,000 p.a.) representing 42% of the portfolio at 31 December 2018, and those to enterprise customers (subscriptions greater than \$15,000 p.a.) being 58%. The weighting of subscriptions below \$2,000 reduced as a percentage of the overall portfolio composition, with a number of these grow into the next segment and further strengthening the portfolio.

## Financial Performance

**ANZ revenue** was \$25.7m (2H18: \$22.3m) reflecting the growth in the ACV portfolio.

**Cost of revenue** was \$1.4m, flat against 2H18. Cash capture costs were \$1.8m in 1H19 (2H18: \$1.7m), incorporating an increased capture footprint. **Gross margins** have remained consistent at 95%.

**Direct Sales Costs** were \$3.9m reflecting the stability in team structure allowing the team to deliver on 1H19 strategic initiatives. The performance of the ANZ sales team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in 1H19, compared to the direct cost of the sales and marketing effort) was 117% (FY18: 118%).

**Indirect sales & marketing** costs (primarily reflecting sales management and administration functions) were \$1.4m (2H18: \$1.4m).

**Overheads** represent the allocation of Corporate costs based on usage and activity. These were \$4.2m (2H18: \$3.8m).

**ANZ Segment Contribution** was \$14.8m, 58% of revenue (2H18: \$11.5m, 52% of revenue).

## Unallocated Costs

AU\$ '000	1H18	2H18	FY18	1H19	YoY %
Interest income	199	170	369	647	225%
Other income	65	153	218	179	175%
<b>Total revenue</b>	<b>264</b>	<b>323</b>	<b>587</b>	<b>826</b>	<b>213%</b>
Allocation ANZ	(3,383)	(3,770)	(7,153)	(4,196)	(24%)
Allocation US	(3,264)	(3,804)	(7,068)	(4,259)	(30%)
Corporate general & administration costs	(3,949)	(4,274)	(8,223)	(5,119)	(30%)
Interest expense	(1)	(5)	(6)	(2)	(100%)
<b>Total general &amp; administrative costs</b>	<b>(10,597)</b>	<b>(11,853)</b>	<b>(22,450)</b>	<b>(13,575)</b>	<b>(28%)</b>
Segment contribution	(3,686)	(3,956)	(7,642)	(4,295)	(17%)
<b>Technology, Engineering &amp; Product</b>					
Development CAPEX	4,343	4,645	8,988	6,357	(46%)
Maintenance OPEX	4,032	4,120	8,152	3,989	1%
<b>Total</b>	<b>8,375</b>	<b>8,765</b>	<b>17,140</b>	<b>10,346</b>	<b>(24%)</b>
Development Technology & Product spend as % of revenue	17.8%	15.9%	16.8%	17.9%	
<b>Net investing activities</b>					
Development CAPEX	4,343	4,645	8,988	6,357	(46%)
Corporate CAPEX	429	374	803	579	(35%)
<b>Total</b>	<b>4,772</b>	<b>5,019</b>	<b>9,791</b>	<b>6,936</b>	<b>(45%)</b>

### General & Administrative Costs

Corporate costs represent the administrative cost of running the Technology, Engineering and Product functions, as well as running the business (including Finance, internal IT, Human Resource, Corporate functions and the Nearmap Board). These costs are largely expensed as incurred and allocated to the three operating segments based on activity and usage. In 1H19, the costs remaining after allocation to the US and ANZ were \$5.1m (2H18: \$4.3m), reflecting an increase in non-capitalised Technology and Product headcount and related general & administrative expense (discussed further below).

### Product and Technology

**Development expenditure** represents cash costs incurred in the construction of new camera systems and capitalised development costs of software and systems. These amounts are capitalised to the respective balance sheet assets and amortised over the applicable useful lives of those assets. These amounts have increased by \$1.7m in 1H19 compared to 2H18. This reflects a \$0.2m increase in the manufacture of Hypercamera 2 systems (compared to 2H18), as well as a \$1.5m increase in development work on systems and software such as the oblique and 3D product suite. This spend as a proportion of revenue has increased to 18% in 1H19.

**Maintenance expenditure** represents the cash cost of servicing existing software and camera systems. These costs are expensed to the segments as follows:

- Maintenance of camera systems expensed to cost of revenue in the respective distribution segments
- Maintenance of software and systems expensed to general and administrative expenses, allocated to the operating segments based on activity and usage.

The costs of \$4.0m reflect the servicing required to the fleet of camera systems and related software applications.

# Appendix

## Constant Currency

FY18 Profit and Loss numbers have been revalued using the average 1H19 foreign exchange rate of AUD/USD 0.7245. ACV has been revalued using the spot rate AUD/USD 0.7058.

	1H18	2H18	FY18	1H19	YoY %
<b>Group ACV portfolio (AU'\$000)</b>					
Opening ACV	47,554	55,370	47,554	67,056	41%
New business	5,992	6,932	12,924	7,767	30%
Net upsell	3,742	6,421	10,163	5,121	37%
Churn	(1,918)	(1,667)	(3,585)	(1,628)	15%
<b>Net incremental ACV</b>	<b>7,816</b>	<b>11,686</b>	<b>19,502</b>	<b>11,260</b>	<b>44%</b>
FX impact	-	-	-	-	
<b>Closing ACV</b>	<b>55,370</b>	<b>67,056</b>	<b>67,056</b>	<b>78,316</b>	<b>41%</b>
Group revenue	23,608	27,491	51,099	36,312	54%
Group gross margin (%)	83%	85%	84%	82%	
12 month churn (%)	9.0%	7.5%	7.5%	6.0%	
Closing APPS (\$)	6,737	7,566	7,566	8,410	25%
Portfolio LTV (AU'\$000)	480,724	751,027	751,027	1,070,319	123%
Group Sales Team Contribution Ratio	123%	155%	140%	117%	
<b>Earnings</b>					
Group EBITDA	954	3,485	4,439	8,057	745%
Group EBIT	(4,965)	(3,862)	(8,827)	(513)	90%
Statutory NPAT	(6,745)	(4,717)	(11,462)	(1,974)	71%

## Foreign Exchange Rates

The following exchange rates were applied during each period.

	1H18	2H18	FY18	1H19
Average rate	0.7788	0.7718	0.7753	0.7245
Year end spot rate	0.7800	0.7391	0.7391	0.7058

## Pre-Capitalisation Segment Note

	1H FY18				1H FY19				
	ANZ	US	Unallocated	Group	ANZ	US	Unallocated	Group	YoY %
Revenue	20,623	3,790	-	24,413	25,719	9,767	-	35,486	45%
Other income	-	-	264	264	-	-	826	826	213%
<b>Total revenue</b>	<b>20,623</b>	<b>3,790</b>	<b>264</b>	<b>24,677</b>	<b>25,719</b>	<b>9,767</b>	<b>826</b>	<b>36,312</b>	<b>47%</b>
<b>Cost of sales (pre-capitalisation)</b>									
Cash costs to capture	(1,349)	(5,847)	-	(7,196)	(1,764)	(7,586)	-	(9,350)	(30%)
Storage, administration & other	(516)	(1,695)	-	(2,211)	(340)	(1,379)	-	(1,719)	22%
<b>Total cost of sales</b>	<b>(1,865)</b>	<b>(7,542)</b>	<b>-</b>	<b>(9,407)</b>	<b>(2,104)</b>	<b>(8,965)</b>	<b>-</b>	<b>(11,069)</b>	<b>(18%)</b>
<b>Gross profit (pre-capitalisation)</b>	<b>18,758</b>	<b>(3,752)</b>	<b>264</b>	<b>15,270</b>	<b>23,615</b>	<b>802</b>	<b>826</b>	<b>25,243</b>	<b>65%</b>
<b>Gross margin %</b>	<b>91%</b>	<b>(99%)</b>		<b>62%</b>	<b>92%</b>	<b>8%</b>		<b>70%</b>	
<b>Sales &amp; marketing</b>									
Direct sales & marketing	(3,275)	(4,317)	-	(7,592)	(3,850)	(5,806)	-	(9,656)	(27%)
Indirect sales & marketing	(1,299)	(1,846)	-	(3,145)	(1,429)	(1,589)	-	(3,018)	4%
<b>Total sales &amp; marketing</b>	<b>(4,574)</b>	<b>(6,163)</b>	<b>-</b>	<b>(10,737)</b>	<b>(5,279)</b>	<b>(7,395)</b>	<b>-</b>	<b>(12,674)</b>	<b>(18%)</b>
Technology, Engineering & Product expensed	(859)	(591)	(2,582)	(4,032)	(428)	(162)	(3,400)	(3,990)	1%
Technology, Engineering & Product development costs <sup>1</sup>	-	-	(3,217)	(3,217)	-	-	(4,321)	(4,321)	(34%)
<b>Total Technology, Engineering &amp; Product<sup>2</sup></b>	<b>(859)</b>	<b>(591)</b>	<b>(5,799)</b>	<b>(7,249)</b>	<b>(428)</b>	<b>(162)</b>	<b>(7,721)</b>	<b>(8,311)</b>	<b>(15%)</b>
Corporate costs	(2,441)	(2,483)	(1,383)	(6,307)	(3,654)	(3,897)	(1,676)	(9,227)	(46%)
Corporate costs development costs	-	-	-	-	-	-	(24)	(24)	
<b>Total Corporate</b>	<b>(2,441)</b>	<b>(2,483)</b>	<b>(1,383)</b>	<b>(6,307)</b>	<b>(3,654)</b>	<b>(3,897)</b>	<b>(1,700)</b>	<b>(9,251)</b>	<b>(47%)</b>
<b>Segment contribution (pre-capitalisation)</b>	<b>10,884</b>	<b>(12,989)</b>	<b>(6,918)</b>	<b>(9,023)</b>	<b>14,254</b>	<b>(10,652)</b>	<b>(8,595)</b>	<b>(4,993)</b>	<b>45%</b>
Camera units <sup>1</sup>				(1,126)				(2,013)	(79%)
Corporate capex				(429)				(579)	(35%)
<b>Total capex</b>				<b>(1,555)</b>				<b>(2,592)</b>	<b>(67%)</b>
Cash receipts from unearned income <sup>3</sup>				3,839				5,442	42%
Capital raise net proceeds				-				67,146	
Other items				(957)				(1,199)	(25%)
<b>Net increase/(decrease) in cash</b>				<b>(7,696)</b>				<b>63,804</b>	<b>929%</b>
<b>Other items:</b>									
Share based payments				698				518	
Interest expense				(1)				(2)	
FX gain / (loss)				(226)				181	
Income tax expense				(1,751)				(2,286)	
Capex disposal				35				6	
Working capital				(282)				(2,330)	
Movement in reserves				131				(143)	
Proceeds from exercise of share options				439				2,102	
Other movements in contributed equity				-				755	
				(957)				(1,199)	

<sup>1</sup>\$518k of employment costs in 1H19 are capitalised to camera units on the balance sheet (FY18: \$1,517k)




<sup>2</sup>Technology, Engineering & Product costs exclude the costs of camera units

<sup>3</sup>Adjustment to the opening balance of unearned income of \$111k due to AASB 15

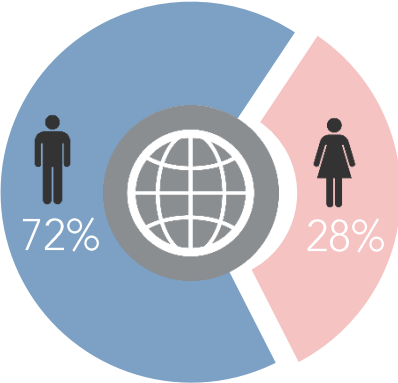


## Nearmap's ESG (Environmental, Social & Governance) Credentials

Our content facilitates a range of customer benefits which impact our community.

	<p><b>EMPLOYEE SAFETY</b></p> <p>80% of Nearmap customers experience reductions in physical site visits, with a consequent impact on employee safety – key insights from a location can be obtained without presenting occupational health &amp; safety risks</p>
	<p><b>TIME AND EMISSIONS REDUCTIONS</b></p> <p>Reductions in physical site visits have a consequent impact on productivity and emissions from reduced travel and time on site</p>
	<p><b>COMMUNITY BENEFITS</b></p> <p>Nearmap's content facilitates a range of use cases which benefit the broader community, including police search &amp; rescue, emergency response, monitoring of historic houses and sites, and urban planning including smart cities</p>

An increasingly gender diverse workforce with a range of employee benefits.

	<p>Employee Matching Share Plan – Employees can elect to contribute up to 10% of gross pay to purchase Nearmap shares, with the company providing a matching share for every three purchased, subject to time based vesting</p> <p>Life Event Support – Up to 12 weeks paid parental leave for primary carers and 2 weeks paid parental leave for secondary carers.</p> <p>LinkedIn Learning – Access to LinkedIn Learning modules</p> <p>Other benefits – Include Employee Helpline, Phone Allowance, Flexible Working with the opportunity to work from home, flu vaccinations, well-being allowance, discounts with corporate health providers.</p>
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Directly supporting others in our community.



## Glossary of terms

Term	Definition
ACV	Annualised Contract Value – annualised value of all active subscription contracts in effect at a particular date
ARPS	Average Revenue per Subscription – Total ACV divided by total number of subscriptions
Churn ACV	ACV value of subscriptions which are not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions churned in the previous 12 months
Cost of Revenue	<p>These represent the costs of capturing, processing and storing the aerial imagery.</p> <p>The two key components are as follows:</p> <ul style="list-style-type: none"> <li>- Capture flights, processing and related staff costs are capitalised to the balance sheet and amortised to the income statement over a 5 year useful life. Depreciation of existing camera systems are also capitalised to the balance sheet and amortised to the income statement.</li> <li>- Administration, storage, data layers, maintenance and technical support are expensed as incurred</li> </ul>
EBITDA	Earnings before interest, tax, depreciation, amortisation, realised and unrealised foreign exchange gains/losses
FTE	Full-time employee equivalent
Incremental ACV	New Business ACV + Net Upsell ACV – Churn ACV
LTV	$\frac{\text{ACV portfolio value} \times \text{Gross Margin \%}}{\text{Churn \%}}$
Net Upsell ACV	ACV value of the net upsell and downsell on subscriptions renewed during or at the end of an existing subscription
New Business ACV	ACV value of subscriptions entered into during a period with a customer who has not previously been a Nearmap customer, or not a customer in the last 12 months
Sales Team Contribution Ratio	The ratio of incremental ACV generated by a sales team in a period, compared to the direct costs of obtaining that incremental ACV
Subscriptions	Subscriptions reflect the number of individual subscription contracts entered into by Nearmap customers



