



# ASX RELEASE

20 February 2019

## NEARMAP H1 FY19 RESULTS CEO & CFO TRANSCRIPT

Dr Rob Newman, Managing Director & CEO

Good morning and welcome to the Nearmap H1 FY19 results conference call. I have with me Andy Watt, our Chief Financial Officer.

Before discussing the results, let me review our vision for the great company we are building.

At Nearmap, we believe that we can change the way people view the world, so that they can profoundly change the way they work. That benefits our users, our employees, our other stakeholders and the broader community.

Our leadership in the global location intelligence market is founded on our revolutionary technology, which we continue to enhance to bring new content and features to market.

Our Reality as a Service business model has democratized access to aerial imagery, bringing the power of its insight to new customers and use cases.

Our content embeds into customer workflows, addressing issues and improving their economic efficiency.

We generate effective unit economics across our sales, our capture program, our customer retention, and our customer lifetime value.

This all positions Nearmap as a market leader, delivering a broad range of imagery, data formats and insights to a growing list of businesses and geographies. We are uniquely positioned to be the market leader in providing Reality as a Service globally.

The strong H1 FY19 results we released to the ASX this morning reflect delivery on investments in our product, technology, content and people capability which have been underway for some time at Nearmap.

The focus on our customers, introducing them to Nearmap, providing the content and features which bring insight, and on retaining them, has seen continued growth in our portfolio. We saw record growth in our United States business, and our group lifetime portfolio value is now in excess of \$1 billion, supporting the recent valuation milestone achieved by our company.

Our Reality as a Service business model when combined with the continually improving efficiency of our technology and capture program, generates scalable gross margins.

Our continuing product and technology evolution saw us launch a range of new content types and product features in the half.

We have also continued our investment in machine learning. Our ever-expanding library of historical imagery provides the ideal data set for machine derived insights, such as object identification or change detection. As I have said before, the companies that will win in the global location intelligence market are those who create and own deep location data, and invest in the insights that can be derived from that data.



The market opportunity is so significant that during the half we undertook a \$70 million institutional placement. The proceeds enable us to accelerate our pursuit of key strategic objectives, as well as providing additional balance sheet flexibility. Our implementation of those projects is underway, and I will provide an update on those shortly.

First, I'll hand over to Andy for the financial highlights for the H1 FY19 period.

### Andy Watt, CFO

Thanks Rob, and good morning everyone.

The focus on our customers is evident in the metric which best demonstrates the value placed on our content – the Annualised Contract Value of our current subscriptions.

As we pre-announced in January, H1 FY19 saw the group portfolio grow to \$78.3 million, an \$11.3m increase in the half and 42% organic growth year-on-year, adjusting for movements to the Australian / US dollar exchange rate.

This growth was generated by strong increases in both subscribers and their average subscription value.

\$7.8 million was added from new subscribers to Nearmap, a 37% increase on prior comparative period, whilst net upsell to existing customers increased 42% to \$5.1 million. Most importantly given the impact it has on customer lifetime value, annualized group churn fell from 7.5% to 6.0% over the 6 month period. Not only did churn fall in real terms but in absolute dollar terms, H1 FY19 ACV churn of \$1.6 million is lower than in each of the previous two halves.

As important as the quantum of top line growth is the quality and the means by which we achieve this growth. A measure of the productivity of our sales and marketing efforts is the Group Sales Team Contribution Ratio, which increased to 117% in the half. This means that for every dollar invested in direct sales and marketing, we generated an incremental \$1.17 in annual subscription value from our customers, and with an average customer life exceeding 16 years, this equates to a near 20:1 return on sales and marketing investment.

Looking at growth in each territory, the US portfolio has increased six-fold in the last two years, growing by a record \$4.7 million USD in the half to \$17.6 million. This was driven by a \$3.6 million increase in new business ACV, with growing traction from both the SME and the International and Partners divisions. Following a similar trend in the ANZ market, ACV churn continued to fall, reaching 8.4% at the end of the half.

A focus on winning new SME customers in the US, an important element of our land and expand sales strategy, saw the number of subscriptions in the US increase by almost 25% in the half, to 1,178.

Our ANZ business recorded strong ACV growth of \$4.5 million, a 35% increase on H1 FY18. This growth was driven by \$2.6 million from new Nearmap customers, and expansion to the existing portfolio of \$2.9 million. Annualised percentage churn fell again to 5.3%, down from 7.3% at the end of the FY18 financial year.

The customer base continues to be diversified across a range of industries and use cases. Highlighting the growing value of our content, 36% of our portfolio have subscribed to us on multi-year deals, with one in five customers now accessing enhanced oblique, panorama or 3D content.

The evolution of our capture program has been driven by the ongoing investment in our capture technology. The US footprint has been expanded to cover more than 400 urban areas, at a reduced cost to H2 of FY18. We've also continued to expand our capture footprint to cover new areas of urban development and customer interest.



Product and technology investment in the half continued to be focused on the development of new content and customer features. These included the launch of a range of new products such as offline 3D subscription availability and roof measurement tools. We also upgraded our in-house research capability to derive greater insight from our extensive data set.

The efficient deployment of capital funds remains a strong focus and, as shown by the cash waterfall in the presentation, Australian cash flows of \$14.4 million continued to self-fund the US as well as corporate operations. Importantly, the US business is now at a scale whereby the ACV portfolio exceeds the annual cost of capture, meaning that incremental expenditure in that market drives further growth in the ACV portfolio – with a consequent growth in the portfolio lifetime value.

The cash balance as at 31 December was \$81.3m which includes the net proceeds of the \$70m capital raise in September. Excluding the impact of the capital raise for a moment, the core business had a net cash outflow of \$3 million over the half, consistent with the guidance given at the start of the year regarding the cash flow neutral position of the core business over the course of the full year. Deployment of the capital raise proceeds against the three strategic initiatives identified at the time of the raise is now underway, and Rob will discuss these in more detail shortly.

Reflecting the strong ACV growth, group sales revenues grew to \$35.5 million, a 45% increase on prior year. The growing efficiency of our capture program meant that we were able to increase frequency and coverage whilst simultaneously reducing capture costs. ANZ gross margins remain at 95% whilst in the US, gross margins grew to 50% demonstrating the leverage and scale of our business model. Group gross margins increased by 2% on the prior comparative period to 82%.

Reflecting disciplined cost management and further demonstrating the scale in our business model, the rate of growth in the operating cost base was half that of revenue growth. Group operating expenses increased by 23% and we closed the half with an EBITDA of \$8.1 million. Its important to note that these results reflect the outcomes of the investment program which has been underway at Nearmap since our last capital raise in 2016, with the focus on efficient capital deployment and driving investment returns.

2018 has been a landmark year for Nearmap in so many ways, with new products and ongoing improvements to unit economics delivering strong ACV portfolio growth in our core markets. The performance in H1 FY19 follows a very strong second half to FY18, and the positive outlook for the business is enhanced by the recent capital raise, enabling Nearmap to accelerate its strategic objectives in pursuit of the considerable global market opportunity.

With that in mind, I'll hand back to Rob for the outlook for the upcoming period, and an update on those strategic priorities.

**Rob Newman**

Thanks Andy.

Before I get to those topics, let me come back to my earlier point. Nearmap is uniquely positioned to be the market leader in providing Reality as a Service globally. With the proceeds from our capital raise, we are now able to accelerate some of our key strategic priorities to achieve that global leadership.

Firstly, we have already committed at least \$5 million to be invested over the next 12 months into an expanded US sales and marketing strategy, for deep penetration of a specific US vertical and geography. Planning and operational set-up of this initiative is already underway, with the campaign to be announced and launched in Q4 of this financial year.

Secondly, we will invest at least \$5 million over the coming 18 months in our geographic expansion into the Canadian market. We estimate the addressable market opportunity to be between \$300 and \$400 million Canadian. Initially, we will commence capturing Canadian content in April, with initial population coverage of



60%. We will leverage our existing US infrastructure for sales and operations, as well as explore partnerships to speed our entry into that market.

Thirdly, we will invest at least \$5 million over 18 months on expanded product and content, in the form of location intelligence, enabling 3D content in MapBrowser, and continuing the evolution of our camera system.

The expansion of our internal technology capability and headcount is already underway, and this is something which I am extremely passionate about.

My entire career has been based on the belief that Australia has the capability to generate home-grown sustainable global technology businesses; and not just license it off. In order for that to happen, Australian technology businesses must meet the challenge and provide opportunities for STEM students and workers to have rich and stimulating careers here, without feeling compelled to move to the more traditional technology hubs to seek employment.

I am proud that Nearmap is creating these opportunities right here in the Sydney CBD, for people all the way from Ph.D.'s in robotics and artificial intelligence, through to providing undergraduate engineering students with internships where they can apply their learnings in a cutting-edge commercial environment. These opportunities are core to Nearmap's DNA.

With our company's vision and the three strategic growth initiatives already underway, we continue to assess other opportunities for organic and inorganic growth, including acquisition opportunities if these were accretive.

As well as implementing these initiatives, our focus remains on continuing to deliver the scale emerging in our business.

We expect that our "business as usual" sales and marketing costs will be broadly consistent with those in the first half, and these have demonstrated that they are capable of supporting higher revenues. The impact of our three strategic initiatives are aimed to deliver further growth over a 12 to 18-month time frame.

H2 FY19 will also see continued enhancement in our product, with a range of releases to be rolled out to increase the workflow utility and customer stickiness of our MapBrowser platform.

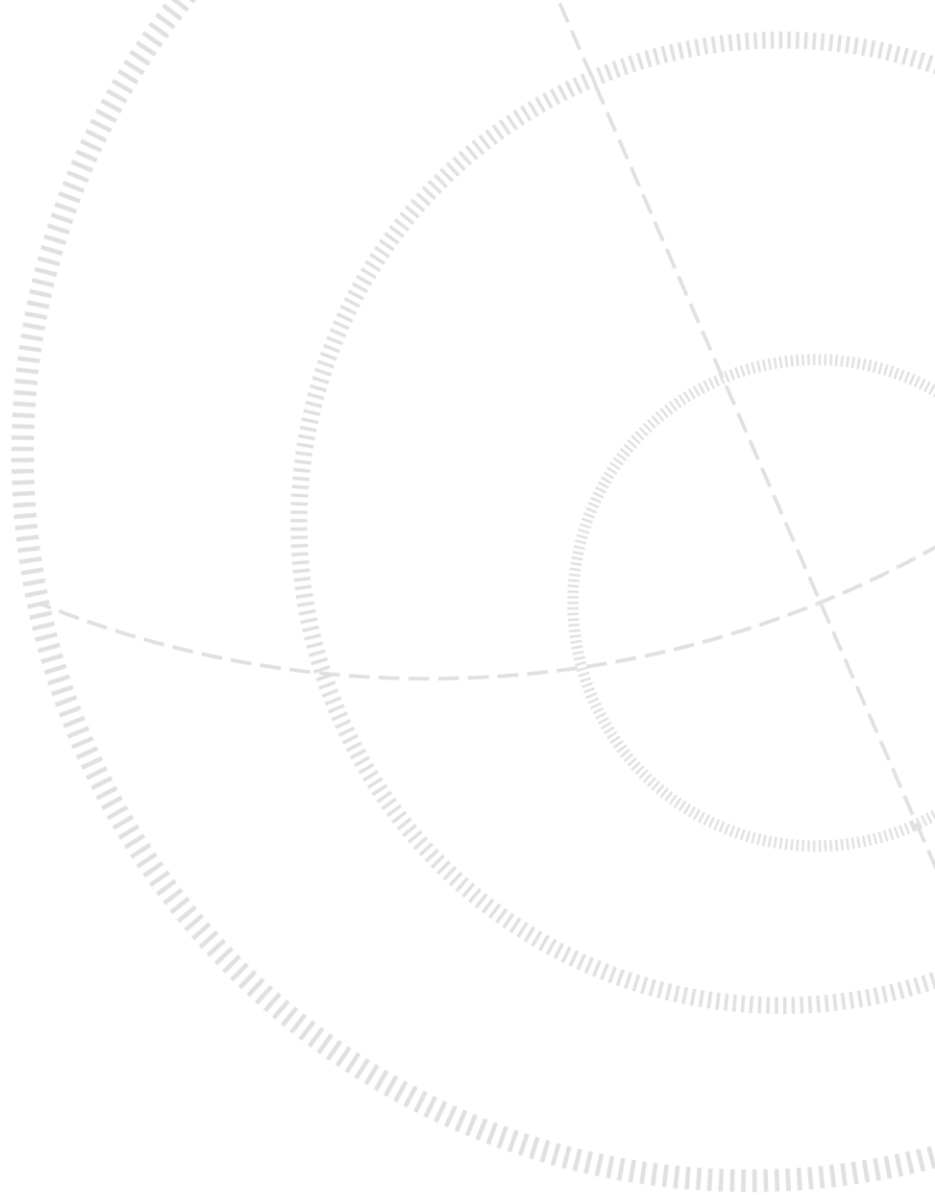
Building on our 3D content which is already available to customers offline through their existing subscriptions, we also anticipate releasing our ground breaking widescale 3D visualisation and export tools in a simple to use browser in this half.

Finally, in addition to the three key strategic priorities outlined, we will continue to invest to support sustained growth. Given our disciplined approach to capital management, we reaffirm our cash flow break even guidance for FY19 excluding the deployment of the capital raise proceeds. This marks a turning point for Nearmap after several years of investment, in our US operations, our product, our technology, our capture program and, most importantly, our people.

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](mailto:queries@nearmap.com) | Twitter: @nearmap

ABN 37 083 702 907

Investors: [investor.relations@nearmap.com](mailto:investor.relations@nearmap.com)