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NEARMAP FY21 RESULTS TRANSCRIPT

Dr. Rob Newman, Managing Director & Chief Executive Officer

Good morning and welcome to the Nearmap FY21 results conference call. I have with me Andy Watt, our Chief Financial Officer and recently appointed Chief Growth & Operations Officer. This morning Andy and I will speak about our full year results, our outlook and then take any questions from participants on the call.

Today I am pleased to report another strong performance from our Company in FY21. Across all of the key metrics in our business we have shown growth and improvement. A highlight was Nearmap delivered a second consecutive record half of incremental Annual Contract Value growth, our ACV, in North America in FY21. The outcome was our North American business achieved in one year the equivalent incremental ACV expansion of the previous two, on a constant currency basis, demonstrating the acceleration in in our North American business.

This has been an unprecedented year, and to deliver a record performance in such a challenging economic environment is a validation of our refined go-to-market strategy in North America, which is clearly working well. Our FY21 performance enabled us to easily exceed the top end of our initial ACV guidance range set at the time of our AGM, and has delivered increased returns on the investments we have made in recent years.

In a year unlike we have seen before, our Company's unique value proposition has been further validated. Our growth has continued because we are providing content and solutions which enable businesses and government organisations to continue operating remotely, and adopt digitalisation to drive the structural change we are seeing in the way businesses and government organisations are going to operate in future.

What has also driven our FY21 performance is the investment we have continued making in our technology. Technology is at the heart of our Company and we have made some significant investments over the past twelve months. I'll touch on two such examples.

FY21 was the first year of commercial availability of Nearmap AI. I consider Nearmap to be the best in the world in delivering wide scale, artificial intelligence (AI) content derived from aerial imagery. In one year, we have gone from beta testing our AI content to delivering tens of millions of attributes to our customers, a phenomenal amount of data and insights from our wide-scale AI content.

The investment in our AI has continued, expanding the uses cases and number of attributes available for our customers. From 17 attributes at the beginning of FY21, we now have hundreds of attributes available. That's an enormous amount of information we are generating from the content we collect every single day. Even though we've only had Nearmap AI commercially available for one year, ACV associated with our artificial intelligence



content has continued to increase. Nearmap AI is proving to be a great commercial success for our Company and a key differentiator in our industry verticals.

This year we achieved another breakthrough. We tested the next generation of our already world leading aerial camera systems, HyperCamera3. I want to give some context on how we achieved this milestone.

We started looking into a new camera system a little over two years ago. The first year was pure research; can we actually solve the physics and science problems that needed to be overcome before trying to build the next generation of camera systems to succeed HyperCamera2. A year later we said yes and in the last twelve months we have been developing what we needed to build a prototype of HyperCamera3 and put one in the sky.

There have been some real, significant technological challenges that we have had to overcome. The first is to put a camera in a plane over 20,000 feet above the earth, bouncing around in the turbulence and taking photos with a resolution of five centimeters, or better. The next challenge is getting enough light into a camera that's over 20,000 feet away from the image that it's capturing. You also need to consider the impact of flying a camera that high and that fast. It's kind of a little like the problem of trying to take a photo of a Formula 1 car driving past you. And after two years of dedicated research and development to solve these complex problems and technological challenges, in June this year our world class team of engineers achieved it.

How did we do it? The only way to solve these complex problems is to custom design, develop, build and test our own technology. Every component part of our prototype was designed at Nearmap using highly specialised materials. There are a number of component parts involved, some of which if extended over 200m (or two football fields) can only vary in height by the width of a human hair. For one of these parts, there are twenty different manufacturing processes and six different manufacturers involved in building that part. This can only happen by using precision techniques and highly specialised applications; these parts cannot be bought off the shelf that in any way come close to being good enough for what we are trying to achieve. That's how challenging this process has been.

And we've been able to do that in an environment that has also been very challenging. We've had to work from home, we've had shutdowns in manufacturing facilities, there's been a global shortage of electronic parts, but despite those challenges the team has delivered. Our world class team has demonstrated an inspiring level of passion and commitment this year and I sincerely thank them for everything they have done for our customers and our shareholders. Their work means that Nearmap has been able to further extend our already significant technology leadership position.

And what is the implication of this: we now have a camera system unmatched by any commercial system. It extends our ability to deliver more content and significantly improve the unit economics of our capture program. And the quality of the 3D data we derive is a step change in fidelity.

Looking beyond our technology, Nearmap remains in a position of financial strength. We have been disciplined in allocating capital post the capital raise in September 2021. Excluding the cost of the capital raise, Nearmap consumed less than \$5m of cash in FY21. This leaves us well prepared for a step-up in investment in FY22, ensuring we build on our market leadership position and accelerate our growth opportunities. Our industry is always evolving, remains dynamic and it's important we continue to invest; reinforcing our market leadership and



taking advantage of the large global opportunity that we can address.

Nearmap has continued to provide certainty for our customers in what remains a very uncertain time in our world. Whether it be the resilience and reliability of our business to deliver consistently updated content for our customers, an ever-expanding product suite, an increase in our technology leadership the passion of our people to support our customers or strength in our financial position, the certainty we provide to our customers ensures that we remain a trusted and valued partner to them.

I would also like to make special mention of our incredible team of Nearmappers. Through all of the challenges that were thrown at us during FY21, the team has remained loyal and passionate about the opportunity ahead of us. I thank them personally for all they done and delivered on all our objectives for the year.

As announced this morning it gives me great pleasure to again confirm the promotion of Andy Watt to Chief Growth & Operations Officer and Tony Agresta to General Manager, North America. Andy and Tony have been with Nearmap since 2016 and know our business and our industry inside-out. As we scale our Company for growth, it's important to have high calibre leaders in our team. Considering the leadership qualities Andy and Tony have consistently demonstrated, it's clear we have exactly that. They are highly deserved of their promotions and I look forward to working with them as we build out our teams, our customers and execute on our go-to-market strategy. As Andy transitions into his new role this year I will be recruiting a new CFO to take on this responsibility at what is an incredibly exciting time for our Company. And, personally, I would like to thank Andy for the outstanding contribution he has made as CFO over the past almost five years.

With that, I will hand over to Andy to take you through the financial highlights for FY21.

Mr. Andy Watt, Chief Financial Officer and Chief Growth & Operations Officer

Good morning everyone. And thanks Rob, I appreciate those comments. Likewise, I am very excited to be taking on a new role and even more excited to be doing this at a pivotal time for Nearmap as we look to accelerate growth in our business. With our world-leading technology, our ever-expanding library of ground-breaking features and content, and with a growing team of highly motivated, highly skilled employees, the bar is already set very high and with strong momentum behind us. It's going to be an exciting journey to lead and for everyone to be a part of. But before we look to the future, let's review what was an incredibly successful FY21.

The last 12 months have been a period of strong growth for our Company, providing further validation of the strength of the underlying business model and our vertically aligned strategy. Our key metrics continued to perform well, especially in North America which has gone from strength to strength in FY21 under this new strategy. We've seen strong growth in premium content uptake, driving increased returns across our portfolio and demonstrating the benefits of our investment into core areas of the business in prior years. And despite an economic environment which remains challenging, our growth has continued across both of our core regions, demonstrating the resilience of our business model and the certainty that our content provides to our customers as they navigate periods of ongoing disruption. Nearmap has come through FY21 in a very healthy position, which I'll now talk to in more detail.



An overview of our key operating and financial metrics can be found on slide six of the accompanying investor presentation. As always, I'll begin today by talking about our primary metric, ACV, which grew to a reported \$128m, or \$134m when looked at on a constant currency basis. This represents incremental growth in the year of 26% or \$27m on a constant currency basis and was driven by that record performance in North America that Rob referred to. This was well in excess of the guidance range as outlined at the time of the AGM in November and also exceeded the revised targets as guided to during the second half of the year.

Positive momentum continued in each of our key operating metrics. Retention is the key indicator to the stickiness of our product and the lifetime value of our portfolio. At more than 93%, and an increase of three percentage points from FY20, it shows the increasing value our customers derive from their subscriptions and demonstrates the benefits of the investments made over the past 2 years into our customer success programs. A core foundation of our go-to-market strategy is to ensure we invest in new and existing product and content types, embedding Nearmap more deeply into customer workflows and becoming an invaluable resource within their organisation. Strong levels of retention show that we are executing well and we expect this to continue as we roll-out new content and features over the coming years.

We measure the efficiency of our customer-facing sales and marketing teams through the Sales Team Contribution Ratio. We made a change to our sales incentive program in FY21 to reflect the more mature nature of our sales and customer retention programs and, in accordance with the relevant accounting standard, we now capitalise some of these commission payments to the balance sheet. Details of the change can be found on slide 32 of the investor presentation but note that the change has no impact on cash, is consistent with the accounting treatment used by many other SaaS technology companies and, for ease of comparison, we continue to present Sales Team Contribution Ratio on a pre-capitalised basis.

On this basis the Contribution Ratio ended the year at 89%, up significantly from 54% in FY20. The ratio was greater than 100% in North America for the second consecutive half year period, even as we continued to invest in our customer-facing sales and marketing teams. This gives us growing confidence in the capability of our team, in the strength of our vertical strategy, and in our ability to deliver strong returns from ongoing investments as we scale the North American business in support of the large and growing market opportunity.

We measure the efficiency of our capture program relative to the revenue base through our pre-capitalised gross margin. This increased from 69% in FY20 to 75% in FY21, reflecting strong revenue growth in the year of 17% to \$113m, at a time when we kept the cost of our capture program relatively flat. Our gross margin in North America was 50%, an increase from 32% in FY20, and reflects the growing leverage within the region as operations continue to scale. And in Australia & New Zealand the margin remained strong at 92%, a slight uptick from 91% in FY20, highlighting the market-leading unit economics that will enable similar margins to be repeated in other geographies. Our capture program is the key step in the content creation engine and I'll let Rob talk more about how this program will expand in FY22.

The final number I want to talk to on the summary slide is cash. The September capital raise and share purchase plan added net proceeds of \$92m to our cash balance and we closed FY21 with more than \$123m of cash in the bank. Excluding the capital raise, Nearmap consumed less than \$5m of cash in FY21. As always, we have been disciplined in our approach to cash management, selectively deploying capital where we can see line of sight of returns. And working capital has been further enhanced by an improving cash collection cycle and debtor aging



profile. This enables us to accelerate our capital deployment in FY22 in support of our go-to-market strategy, investing in the specific growth and scale initiatives as outlined at the time of the capital raise.

Slide eight breaks down our ACV performance in more detail and demonstrates the balance that we have across the Group incremental ACV growth drivers. New business and net upsell were very evenly matched in FY21, demonstrating the success that we continue to have in bringing new customers to Nearmap as well as the focused efforts to drive net upsell through our land and expand strategy.

This slide also shows the progress we continue to make selling more premium and value-adding content types to our customers. Customers with access to premium content types now represents two thirds of the ACV portfolio, an increase from just over half of the portfolio at the end of FY20. This demonstrates the growing opportunity to provide higher value solutions that penetrate more deeply into customer workflows, with the dual benefit of higher contract values and better rates of retention. We continue to invest in new and expanded content types in support of this strategy.

Looking at statutory performance on slide ten, driven by strong ACV and Revenue performance, the Group recorded EBITDA of \$24m in FY21, up \$9m on prior year, and with a consequent improvement to the net loss position which halved to \$19m. Reported operating expenses grew from \$98m to \$102m reflecting the gradual step-up of investment into the business following the September capital raise. Headcount increased from 284 in June FY20 to 361 in June FY21, with growth across all functions in ANZ and North America. Headcount will continue to grow in FY22 as we look to hire additional industry expertise in support of our go-to-market strategy to further extend our leadership position.

It should be noted that operating expenses, EBITDA and net loss were favourably impacted by the change to the structure of the sales incentive plan mentioned earlier, with \$6m of commission costs capitalised in the second half of FY21.

Keeping with the flow of the slides I'll return now to review regional ACV performance. As has been previously stated, the key driver of ACV portfolio growth was the record performance in North America, with incremental ACV growing by \$15.6m USD compared with growth of \$6.1m in FY20. As can be seen on slide fourteen, Average Revenue Per Subscription grew by 28% year-on-year, a positive trend that evidences that larger North American organisations are deriving increasing value from our unique content types. We saw a marked improvement in subscription retention from 83% to 93.5%, and a 21% increase in subscriptions. The closing ACV portfolio of \$44.5m represents 54% YoY growth. All verticals contributed meaningfully to this with insurance, government and roofing growing by a combined 48% over the year such that they now comprise two-thirds of the North American portfolio. Accelerating this growth is the primary focus for us in FY22 and beyond, with Tony Agresta building strength and depth into the go-to-market team.



Our ANZ business continues to extend its market leadership position, with portfolio growth of \$4.6m in FY21. ANZ performance continues to be driven by the strength of our SME portfolio, again demonstrating the value of a scalable and repeatable Sales & Marketing engine in this region. Portfolio expansion through new business and upsell was consistent with FY20, but as we mentioned in the February results announcement, a softer performance from the team responsible for Enterprise accounts meant that this segment saw higher than normal levels of downgrade activity. In these situations, Nearmap's primary focus is to invest in the customer relationship with a view to the benefits of that ongoing engagement over the longer term. We strengthened our sales leadership over the course of FY21 and are in a stronger position to extend our ANZ market leadership position heading into FY22.

And finally, slides seventeen and eighteen serve as great reminder of our achievements-to-date and of the growth trajectory in North America. Revenue continues to accelerate at a greater pace than at the same stage of development in our ANZ business, and from a cash flow perspective we consumed less cash in North America than at any time since we established a full survey program many years ago. Just under \$5m of cash outflow in FY21 shows the ability to run the North American business towards a break-even position and highlights the growing operating and financial leverage enabled by previous investments.

In closing, FY21 was a year in which we saw strong performance across each of the core areas of our business – our market leading technology enabling higher value content and product types, our sales and marketing teams forging deeper relationships and deriving greater value from new and existing customers, and our world-class operations team once again showing that this is an area in which we continue to excel and to derive a growing competitive leadership position. With record results and with the selective and disciplined deployment of capital funds in FY21, we enter FY22 in an incredibly strong position and ready to deliver on our long-term growth aspirations.

With that I'll hand back to Rob to discuss our outlook further.

Dr. Rob Newman, Managing Director & Chief Executive Officer

Thanks Andy. As we look forward, it's clear FY22 is shaping up as another pivotal year for Nearmap. We have set ourselves a number of strategic priorities to continue to make Nearmap a great place to work, to deepen our engagement with our customers, to further extend our technology leadership and as a result continue to deliver to our growth aspirations.

In terms of technology leadership, a clear focus for FY22 will be HyperCamera3. We have continued prototype testing of this new and revolutionary camera system and the results thus far give me the confidence in our previous guidance that we expect commercial roll-out of these systems in FY22. Given the scale of the opportunity in North American capture programs, it's highly likely we will initially deploy these systems in North America. This can enable us to improve our capture efficiency as well as serve new use cases requiring higher resolution content at altitudes currently flown with HyperCamera2.

We will continue the execution of our go-to-market strategy in North America, and I want to talk to what that actually means. As slide twenty outlines, we break down our strategy into four key component parts.



Firstly, it's about operational regionalisation. We recognise every region is unique and we will give our people autonomy to make decisions based on the best outcome in each region where we operate. In recent months as you will have seen today, we have increased the investment in expanding our world class team, so that each region is resourced to drive the growth and meet the needs of their customers in their respective markets. We have positioned our regions for success, and this will continue in FY22.

Secondly, it's about industry verticalisation. Within each region, we will focus on several core industry verticals where customers derive the most value from our knowledge, expertise and leading product and content types. As you will have heard us talk about before, we refined our strategy at the end of FY20 to focus on the core industry verticals of insurance, government and roofing in North America, establishing dedicated sales, marketing and product teams in support of those verticals. We will continue investing in these teams, adding industry specialists and targeted marketing programs and delivering tailored industry vertical solutions in support of our growth.

With these components in place it allows us to further increase our customer orientation. We have put in place the teams, the processes and the culture to determine how we can add value for our customers and help them solve their most complex and difficult challenges. Our customers place an enormous value on the certainty and content that we deliver. And going that extra mile to give them a better user experience and assist them with the solutions they require is a core capability we will continue to enhance.

And finally, it's about workflow integration. We invest in new and existing product and content types, embedding Nearmap more deeply into customer workflows and becoming an invaluable resource within their organisations. Our expanded content and ongoing investment in our technology capabilities will continue in FY22, enabling our content to be more deeply embedded, either directly or via our trusted and valued partners, as we scale our product offering and serve even more customers next year.

In support of our go-to-market strategy, we will continue investment into operational systems and data to support this strategy and deliver a superior experience for our customers. Nearmap is already a very data led organisation, but as we increase in scale and invest in new and expanded content types, it's important our decisions are made using market leading operational systems and informed by the best architecture to harvest the data available to us.

We will also continue evaluating geographic expansion, but our near-term priority remains firmly on driving deeper into the North American market, where the opportunity remains significant for our content. A key part of this is expanding our coverage footprint in the United States in FY22. We are doubling down on our footprint by providing customers with access to 130,000 unique square miles of additional coverage. This will deliver coverage for over 80% of the population, 1,740 urban areas and more than 300,000 unique square miles to be captured annually.

We will continue to extend our market leadership in Australia & New Zealand. We now have sales leadership in place to drive an expansion of our ACV portfolio in FY22, and adopt a similar in go-to-market strategy as we have in North America.



And we will continue to assess opportunities for organic and inorganic growth, however our focus remains on driving returns from the investments made in new and expanded content types.

Finally, to our outlook. FY22 can be characterised as a year of investment for Nearmap as we capitalise on the momentum that exists in our industry and our business. As we outlined at the time of the capital raise in September last year, we expect \$30m of capital raise proceeds to be deployed into key FY22 growth initiatives which will support the four foundations of our go-to-market strategy. This excludes costs related to litigation in the United States District Court, which remain uncertain at this time. We will continue to target 20-40% ACV growth medium to long term, and underlying retention greater than 90%. If we capitalise on the strong momentum within our North American business, I would expect ACV from the North American portfolio to approach or surpass that of the Australia & New Zealand portfolio over the course of FY22.

There are many people on this call and webcast today in lock-down or navigating other restrictions across Australia, New Zealand and North America. It's important we recognise there is still uncertainty associated with the pandemic and as such, the global macro-economic environment. However, as has been the case throughout this pandemic our business is well positioned to support our people and our customers during this time.

FY21 was a year unlike any other. But through it all, the opportunity in front of our Company has remained significant. We have a strong Balance Sheet to fund increased investment and innovation in FY22, to scale our business for growth.

Nearmap has remained uniquely positioned to be the global leader in the delivery of location intelligence content derived from aerial imagery. Our scalable, subscription business model, clear technology leadership and world class team have strongly positioned our Company to continue its growth in the months and years ahead.

With that, I will now hand back to the operator for questions.

Authorised by:

Dr. Rob Newman, Managing Director & Chief Executive Officer

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

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For further information please contact:
Andy Watt, Chief Financial Officer
Level 4, Tower One, International Towers,
100 Barangaroo Avenue, Barangaroo NSW 2000
T: +61 2 8076 0700 | F: +61 2 8076 0701
E: investor.relations@nearmap.com
ABN 37 083 702 907