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NEARMAP FY22 RESULTS TRANSCRIPT

Dr. Rob Newman, Managing Director & Chief Executive Officer

Good morning and welcome to the Nearmap FY22 results conference call. I have with me Penny Diamantakiou, our Chief Financial Officer. This morning Penny and I will speak about our full year results, our FY23 priorities and outlook, and then take any questions from participants on the call.

Today I am pleased to outline another strong performance from Nearmap in FY22. Our Company delivered incremental Annual Contract Value, our ACV, of $31.7m on a constant currency basis, a step up from $25.2m in FY21. This reflects both another outstanding performance from our North American business and an improved performance from our Australia & New Zealand business. We have now clearly established our market leadership position in the North American market and continue to extend our market leadership position in Australia & New Zealand. Our go-to-market strategy continues to produce excellent results in North America and we are now close to finalising our vertical strategy in our ANZ business which suits this market and the opportunity we can see ahead of us.

In parallel with the strong growth we are generating, we have delivered these results with a disciplined approach to cash management, ending FY22 in a strong position with $94 million of cash on the balance sheet and no debt. We consumed less than $20m of cash in FY22, lower than our initial guidance at the beginning of FY22 of $30 million, excluding the impact of the litigation expense. This was during a period where we increased our investment in support of our leading Research & Development (R&D) initiatives and building out the foundations of our operating model.

Our Company is in an incredibly strong cash position. We will continue to manage our cash position in a disciplined way, and we have the capacity to use levers at our disposal should circumstances require.

Looking beyond the strength of our ACV performance and cash position, we have had a very successful year and there was plenty to inspire us in FY22. It is a year where we have lived our ambition: To be the source of truth that shapes our liveable world. For example, our ImpactResponse™ product has helped first responders during the “Rain Bomb” that flooded large parts of East Coast of Australia. In California, ImpactResponse™ was there in the response to the Dixie Wildfires, the single largest wildfire recorded in California. Our customers rely on us to be the source of truth, especially in times of greatest need, and we are delivering on that ambition.

FY22 was also a year where we delivered on our goals. None more so than HyperCamera3, or HC3. I cannot emphasise enough what an achievement this represents globally. The efficiency and output of HC3 is unmatched by any commercial system, in any way, anywhere in the world.

HC3 is custom designed, developed, and built technology. Almost every component part has been designed by our team in Australia using highly specialised materials. I've said this before, but I want to remind everyone today how complex this is. With the roll-out of HC3 systems over the next six months this will deliver more content and new product types to our customers.

The investment in our AI has continued, and we rolled out our Gen 5 update to our AI content. We now have our insurance and government customers using this content in production and are working with our product teams to guide the additional attributes that assist our customers' workflows.

FY22 was the first year we generated materially positive segment free cash flow from our North American business, in addition to our profitable and cash generative ANZ business. This is a sizeable shift in our cash position and reflects many years of investment in both our content and our incredible team in North America. A cash generative business delivering ACV which now makes up the majority of our Group portfolio is an achievement eight years in the making and demonstrates that our North American business is now self-sustaining and delivering on the opportunity we have always seen in that market.

Before I hand over to Penny to take you through the financial highlights, I want to make some brief comments on the litigation in the U.S District Court. As I reiterated in today's results announcement, we continue to believe the allegations made against us are fundamentally without merit and they are having no operational impact on our business. We have filed a number of Inter Party Reviews (IPR) to support our position that the claimant's patents were incorrectly registered, and we have also engaged leading IPR specialists to pursue invalidating the claimant's patents, which include patents outside of the current litigation. We are continuing to vigorously defend the allegations against us.

With that, I will hand over to Penny to take you through the financial highlights for FY22.

Ms. Penny Diamantakiou, Chief Financial Officer

Thanks Rob and good morning, everyone.

Nearmap has delivered another strong performance in FY22, **validating the strength of our underlying business model** and our **vertically aligned strategy.** FY22 has been a year of **continued investment in our core markets and technology together with building out the foundational and operational systems** in support of our vertically aligned strategy. We have made considerable progress in relation to streamlining our systems and processes to support the scaling of our business and as we continue to grow, however **there is more to do.**

Key highlights include:

1. Our **vertical strategy** in North America is now firmly embedded into our organisation and is now delivering consistently strong growth.
2. Incremental ACV growth in **Australia & New Zealand** has improved year-on-year - the building blocks for our continued success and leadership in this market are also in the process of being implemented. I'll touch on that in more detail later.
3. From a **financial perspective**, we are on a pathway to **delivering operating leverage** in our business and generating cash. As Rob mentioned Nearmap consumed less than $20m of cash in FY22, [excluding the impact of the litigation]. That meant we ended FY22 with $94 million of cash in the bank, and no debt, which is an excellent position to be in.
4. We have been **disciplined in our approach to cost and cash management**, strategically deploying capital where we can see sustainable returns. This has meant we came in well under our cash consumption guidance for the year. We will maintain this discipline as we consider our investments going forward.

Before I start on the slide deck, I would just like to call out that we have included a number of new slides with this result but in the interests of time we will not be talking to all of them today. An overview of our **key operating metrics** can be found on slide six of the accompanying investor presentation.

1. **ACV (our primary metric) grew to a reported $168m, or $160m** when considered on a constant currency basis. This represents an **incremental growth in the year of 25% or $32m**, up from $27m in FY21. This was principally driven by the outstanding performance in North America which elevated us to the top of the guidance range as outlined at the time of the AGM in November 2021.
2. Positive momentum was maintained in our **key operating metrics** this financial year, albeit a strategic decision not to a renew customer in North America has impacted some of these metrics at a Group and North American segment level in the second half of FY22.
3. **Retention** is the key indicator to the stickiness and embeddedness of our product, and the lifetime value of our portfolio. At more than 93% it continues to show the increasing value our customers derive from their subscriptions and the positive customer experience we are delivering. As we continue to move **from being a content provider to being part of a solution**

for customers, Nearmap will become more deeply embedded into customer workflows and we should see strong retention rates maintained in future.

4. We measure the **efficiency of our customer-facing sales and marketing teams** through the Sales Team Contribution Ratio, which we present on a pre-capitalised basis. The Contribution Ratio ended the year at **85%, down slightly from 89%** in FY21. We have continued to invest in our Sales & Marketing team in North America, and we will maintain a focus on ensuring we get the balance right so that we can generate strong levels of efficiency from our Sales & Marketing teams.
5. We measure the efficiency of our **capture program** through our pre-capitalised gross margin. This decreased from 75% in FY21 to 72% in FY22, reflecting the increased contribution to gross profit from the North American business, which is earlier in its life cycle and has a cost of capture roughly 4x our cost of capture in ANZ.
6. Our gross margin in North America was 54%, an increase from 50% in FY21, and reflects the growing leverage within the region as operations continue to scale, even during a year when we expanded the U.S capture program. **In Australia & New Zealand our gross margin remained strong at 91%,** a slight change from 92% in FY21 but continues to **demonstrate market-leading unit economics** that we believe can be repeated in other geographies in time.

Slide six also 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 again in FY22, 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.**

You can also see on this slide the progress we continue to make selling more **premium and value-adding content types to our customers**. Customers with access to **premium content types represents 73% of the ACV portfolio, up from 66% at the end of FY21.** Whilst the increased penetration of our premium content can enable greater retention and an even better customer experience, we have a massive opportunity to drive premium content into the hands of all our customers.

As Rob alluded to, in North America we generated materially **positive segment cashflow** for the financial year as can be seen on **slide 10**. We went from a position of $4.6m of negative cash flow in FY21 to a position of $22m of positive cash flow in FY22. **We have reached a significant moment for our North American business** and when combined with our cash generative ANZ business, **our combined segment cash flows** are now approaching $80 million, double what they were only two years ago.

We now move to statutory performance on **slide 11:**

- On a constant currency basis, we have seen a 27% increase in **revenue growth** principally driven by our performance in North America.

- Reported **operating expenses** grew from $55m to $84m reflecting increased investment in headcount from 361 in June FY21 to 462 in June FY22, with growth in support of our North American GTM strategy across technology, product and corporate to support our strategic priorities and scalable operations.
- Headcount **will continue to grow in FY23** as we look to hire additional industry expertise in support of our go-to-market strategy to further extend our market leadership position.
- The Group recorded **Underlying EBITDA of $27m (exc Litigation)** in FY22, a small increase on the prior year, and an **Underlying EBIT** (exc Litigation) loss of $23.1m, which reflects a $5m increase in Depreciation & Amortization expense to $50.1m. Consequently, the underlying net loss grew to $20.4m from $16.8m in FY21.

Reviewing our regional ACV performance, the closing North America ACV portfolio of $64.3m as per **slide 17 represents 45% year-on-year growth.** All verticals contributed **meaningfully to this performance with insurance, government and roofing** growing by a combined 40% over the course of FY22. Incremental ACV increased by $19.8m USD compared with growth of $15.6m in FY21. **Average Revenue Per Subscription grew another 19% year-on-year, the continuation of a positive trend.**

As I called out earlier, we made a strategic decision not to a renew customer in **North America** which has impacted our metrics at a North American segment level this year.

- As per slide 17 we reported subscription retention of 93.3%, a Contribution Ratio of 99% and Net Revenue Retention of 120%. **Were it not for this decision we would have reported subscription retention of 97.1%**, a Contribution Ratio of 107% and Net Revenue Retention of 124%. They are outstanding numbers by any account and the decision we made sets us up to increase our competitive advantage in future.
- Slide 19 demonstrates how we are being successful in North America. Users of our premium content and usage of our premium content **continues to grow strongly**. It is still early days but it's clear to **see the future growth in our portfolio is coming from the premium content types.**

Our ANZ business

- As per slide 20 continues to extend its market leadership position, with **portfolio growth of $5.3m** in FY22, an improvement on the $4.6m of incremental ACV 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 remains a core strength in ANZ** however we acknowledge net upsell continues to be impacted by downgrades from Enterprise accounts and something we're working to improve.

- I am also pleased to **announce we have our new General Manager of ANZ** in the business and work is underway to get us back to a level where we believe the ANZ business should be performing at, and further extending our market leadership position in FY23.

In closing, FY22 was yet another year in which we saw strong performance across the core areas of our business. With consistently strong results and with disciplined cash management, we enter FY23 with an opportunity to continue successfully executing on our growth aspirations, our strategy and our ambition.

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

Dr. Rob Newman, Managing Director & Chief Executive Officer

Thanks Penny. As we look forward, it's clear FY23 is a year where Nearmap will continue to execute. 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.

But before I talk to our priorities, I want to talk about our customers. We now have over 12,000 customers and hundreds of thousands of users who rely on Nearmap to help them in their job and make informed business decisions. For the first time we are publishing our customer Net Promoter Score, or NPS as its widely known. We've watched this data internally for some time, but we now have reached a critical mass of responses to be confident in the reliability and accuracy of our NPS. Our score of 55, considered excellent especially from Business to Business (B2B) companies, reflects the return on our investment in Customer Success and Experience in recent years.

What's driving this? Slide 22 gives some examples of what our customers are doing with our content that is making their life both easier but also delivering efficiency gains and cost savings. But don't just take our word for it as slide 23 demonstrates; our customers will tell you for themselves what Nearmap means to them and their businesses and government organisations.

I would also like to make special mention of our incredible team of Nearmappers. Yet again in FY22, through all of the challenges that were thrown at us, the team has remained loyal and passionate about the incredible opportunity ahead. Nearmap has an engaged and motivated workforce which continues to grow and employee engagement levels continue to be top quartile. I want to thank our Nearmappers personally for all they done and delivered for our Company this financial year.

To our priorities on slide 25. In terms of technology leadership, a clear focus for FY23 will be rolling out our world leading HyperCamera3. We already have our first system flying in Australia and we are targeting the manufacture and deployment of another six systems in 1H FY23, five of which we are targeting for deployment in North America. Despite supply chain challenges we remain on track to have five HC3 systems ready for the Spring Leaf Off capture period in 2023. 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.

HC3 will also enable us to make enhancements across the product line from its capabilities - more oblique images giving customers additional angles of a property, improvements to the quality of our 3D reconstructions and significantly, Near Infrared Imagery which can display information that would normally be invisible to the human eye. Overall, HC3 will enable us not only to fly more efficiently, but to deliver even better and expanded content types to our customers as well.

Our priority remains firmly on driving deeper into the North American market, where the opportunity remains significant for our content and where we are achieving excellent results from our go-to-market strategy. We will also focus on extending our market leadership in Australia & New Zealand, and we now have a General Manager in place to drive a further expansion of our ACV portfolio in FY23, and fully implement a go-to-market strategy which we believe will leverage what we have learnt in North America

Finally, to our outlook. FY23 will be a year of investment for Nearmap before we target positive free cash flow for the 2024 financial year. We expect to consume an additional $25m, to be invested into key FY23 strategic priorities and also reflects an annualisation of the cost base from investments made in the second half of FY22. The majority of the additional $25m investment will be consumed in the first half of FY23. This investment excludes costs related to litigation in the United States District Court, which remain uncertain at this time. This would equate to a pro forma cash balance of between $66-71 million at the end of FY23, ensuring we still have a very strong balance sheet.

We will continue to target 20-40% ACV growth medium to long term and underlying retention greater than 90%.

On our final slide we show our 2025 strategy (which we set two years ago) has four key components which we believe will drive our success as an organisation.

1. Employee Engagement that is top quartile and I'm pleased to say that for a second year running we are achieving this
2. A Net Promoter Score above 50, and as outlined earlier we're already well ahead of this goal with our NPS currently sitting at 55
3. Technology Leadership of at least two years over anyone else in the market, which is why our R&D investment is critical to how we believe we will win in this market; and
4. Targeting 20 – 40% ACV growth; again, something that we are achieving today and will continue to target in future

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.

Before I go to Q&A, I'd like to comment on the announcement that was made on Monday. As we announced, we received a proposal from Thoma Bravo to acquire 100% of Nearmap for $2.10 cash per share. Given due diligence is at an advanced stage, we granted Thoma Bravo exclusivity until Monday 22 August.

The Board continues to assess their proposal and potential terms. The Board will only enter into a definitive agreement if it believes a transaction is in the best interests of shareholders.

As you'd appreciate, the discussions are ongoing, so we're not able to provide any further details on their proposal during Q&A today.

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

Authorised by:
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