ASX RELEASE

19 February 2020

1H FY20 – UNIQUELY POSITIONED FOR A GLOBAL MARKET OPPORTUNITY

Nearmap Ltd (ASX:NEA) today announces its financial results for the half year ended 31 December 2019 (1H20).

- Group Annualised Contract Value (ACV) portfolio at 31 December 2019 of $96.6m (30 June 2019: $90.2m) with 1H20 incremental ACV of $6.4m (1H19: $11.3m). Portfolio growth of 23% on the prior comparative period (pcp) (31 December 2018: $78.3m).
- Statutory revenue of $46.3m, up 31% on pcp (1H19: $35.5m).
- 61% increase in operating cost base, in line with the investment strategy outlined at the time of the 2018 capital raise, and the acceleration of capture cost amortisation.
- Statutory loss after tax of ($18.6m) (1H19: ($2.0m)).
- Group cash balance at 31 December 2019 of $49.6m (31 December 2018: $81.3m), with funds invested across all areas of the business in support of growth initiatives. Cash consumption in 2H20 will be at a reduced rate with a focus on driving returns from investments already made.
- Global subscriptions rose 8% to 10,081, with Group Average Revenue Per Subscription (ARPS) increasing 14% to $9,580 (1H19: $8,410).
- Group customer churn increased to 11.5% (1H19: 5.5%), with 1H20 impacted by a small number of large enterprise subscription churns in North America.
- Group Sales Team Contribution Ratio (STCR) of 44% (1H19: 117%) reflecting the impact of the larger churned subscriptions, and a material downgrade of an enterprise subscription in North America.
- 42% of the Group ACV portfolio is now on multi-year subscriptions.
- $41m (42%) of the portfolio now relates to subscriptions incorporating premium content, a 156% increase on pcp (1H19: $16m).

Commenting on the result, Chief Executive Officer and Managing Director, Dr Rob Newman, said "Our investment into Sales & Marketing in North America was validated by a strong and improved performance from the North American core business. While movements in larger contracts continue to disproportionately influence performance, as we continue to grow the repeatable, scalable core business in that region, our portfolio will become less impacted by these larger customers. With 42% of the ACV portfolio now incorporating our premium content, we are continuing to make strong progress in embedding our content deeper into customer workflows. Our technology leadership position and competitive advantage continued to grow, with the roll-out of Artificial Intelligence capabilities in beta mode and the strategic move into the roof geometry market both significant achievements in 1H20."

Chief Financial Officer, Mr Andy Watt, said "1H20 represented the largest period of investment into the business post the capital raise, with all areas scaling to a critical mass in support of sustainable future growth. With this period of investment largely complete, cash consumption in the second half will be reduced as we focus on driving business performance and leveraging the investments made. We remain fully funded to execute on the growth opportunities that lie ahead and will continue to evaluate inorganic growth opportunities should they align with our strategic priorities."

1H20 FINANCIAL AND OPERATIONAL OVERVIEW

NORTH AMERICA (NA) – 41% INCREASE IN ACV WITH STRONG AND IMPROVED CORE BUSINESS PERFORMANCE

- ACV portfolio at 31 December 2019 of US$24.9m (30 June 2019: US$22.7m) with 1H20 incremental ACV of US$2.3m (1H19: US$4.8m). Portfolio growth of 41% on pcp (31 December 2018: US$17.6m).
- NA core business (excluding large enterprise and partnership deals) delivered a strong and improved performance in its second quarter, validating the Sales & Marketing investment and giving further confidence in the scalability of the NA business.
- STCR of 34% (1H19: 113%) and ACV churn of 20.6% (1H19: 6.1%) as a result of three enterprise churn/downgrade events totaling US$4.85m (AU$6.9m):
  - The cancellation of a large contract by a partner who was subject to a permanent court injunction.
  - Two significant churn/downgrade events due to the slowdown in mapping for the autonomous vehicle industry. Following the churn/downgrade of these two contracts, downside exposure to this market is minimal, with potential future upside as the industry recovers.
- The 1H20 result was also impacted by the inability to close an expected significant roof geometry partnership deal due to the partner's budget constraints.
- Closing subscriptions of 1,635 (1H19: 1,178), growth of 39%, with ARPS increasing 2% to US$15,260 (1H19: US$14,975) reflecting not only the impact of the churn/downgrade events, but the broadening of the SME subscription base within the core business.
- Pre-capitalisation gross margin of 29% (1H19: 8%), demonstrating the increasing operating leverage as the NA business scales.

AUSTRALIA & NEW ZEALAND (ANZ) – CONTINUED GROWTH, STRENGTHENED FOCUS ON SALES & MARKETING

- ACV portfolio at 31 December 2019 of $61.0m (30 June 2019: $57.9m) with 1H20 incremental ACV of $3.1m (1H19: $4.5m). Portfolio growth of 14% on pcp (31 December 2018: $53.3m).
- STCR of 69% (1H19: 117%) and ACV churn of 7.2% (1H19: 5.3%) due to a combination of consolidated subscriptions and Nearmap internal execution issues.
- The number of subscriptions lost to competitors was minimal and Nearmap continued to have considerable success at winning new subscriptions from competitors.
- ARPS increased by 10% to $7,218 (1H19: $6,555) as enhanced content became further embedded into customer workflows.
- Closing subscriptions of 8,446 (31 December 2018: 8,134) reflecting a focus on acquiring higher value customers.
- Pre-capitalisation gross margin of 90% (1H19: 92%).
- Strengthened focus on the ANZ segment through a re-organised sales leadership team, with expectations of improved ACV growth.

GROUP – LEADERSHIP TEAM STRENGTHENED

- The Company hired Simone Shugg as Chief People Officer (CPO) in October 2019. Simone has considerable experience in high growth and subscription-based companies such as Carnival Cruises and Foxtel. Simone's appointment re-emphasises the Company's commitment to evolving its people strategy, organisational structure and talent management as it scales for future growth.
- The Company also hired Jeff Adams as Global Chief Revenue Officer (CRO), based in the US, to strengthen overall sales leadership. Jeff brings a wealth of sales and operations leadership experience from his time at technology and SaaS companies including APT Technologies, Franklin Covey, Sun Microsystems and Pluralsight. In his most recent role at BambooHR, Jeff was instrumental in building and scaling their business globally.

FY20 OUTLOOK

Commenting on the outlook for the business, Dr Newman said that the fundamentals of the Company's business model and the nature of the opportunity are unchanged, and Nearmap continues to be well positioned to deliver on the Company's growth strategy over the medium to long term. "Last month we revised guidance for our FY20 Group ACV portfolio to between $102m-$110m, and to continue to deliver ACV growth of 20-40% in the medium to long term. We are focused on continuing to grow our scalable, repeatable Sales & Marketing efforts in North America, and extending our market leadership in Australia & New Zealand. In 2H20 we will launch our new subscription-based Artificial Intelligence content and develop our newly acquired roof geometry technology, building on the opportunity to become the global leader in subscription-based location intelligence."

Authorised by:
Board of Nearmap Ltd

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Important Note

This announcement includes the following measures used by the Directors and management in assessing the ongoing performance and position of the Group: EBIT, ACV, ARPS, Churn and STCR. These measures are non-IFRS and have not been audited or reviewed. A reconciliation of statutory net loss after tax to EBITDA and EBIT is included in the Appendices of the accompanying Investor Presentation released to the ASX.

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