



1H21 ANALYST PACK

HALF YEAR ENDED 31 DECEMBER 2020

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The Nearmap Analyst Pack summarises the financial and operational metrics for the six months ended 31 December 2020, with comparatives for the six months ended 31 December 2019 and 30 June 2020 respectively.

The Analyst Pack is to be read in conjunction with the “Appendix 4D Interim Financial Report for the half-year ended 31 December 2020” and the “Investor Presentation 1H21 Results” released to the ASX on 15 February 2021.

Important Note

Information presented in the 1H21 Analyst Pack is presented on an operational basis (rather than statutory) to reflect a management view of the business. Nearmap Ltd (ACN 083 702 907) also provides statutory reporting as prescribed under the Corporations Act 2001 (Cth). The Nearmap Ltd Interim Financial Report is also available from the Nearmap website at www.nearmap.com/investors.

The Analyst Pack is not audited. The statutory net loss after tax as disclosed in the consolidated profit or loss (page 27) has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001 (Cth). The results for 1H21 are extracted from the reviewed consolidated statement of comprehensive income.

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 and no guarantee of future returns is implied or given. While Nearmap has sought to ensure that information is accurate by undertaking a review process, it makes no representation, guarantee 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.



Nearmap overview

Nearmap is a leading provider of cloud-based geospatial information services and an innovative location intelligence company.

Nearmap captures a rich data set about the real world, providing high-value insights to a diverse range of more than 10,000 businesses and government organisations.

Using its own patented camera systems and processing software, Nearmap conducts aerial surveys capturing wide-scale urban areas in Australia, New Zealand, the United States of America and Canada multiple times each year, making fresh content instantly available in the cloud via web app or API integration.

Every day, Nearmap helps tens of thousands of users conduct virtual site visits for deep, data-driven insights – enabling businesses and government organisations to make informed decisions, streamline operations and bolster bottom lines.

Founded in Australia in 2007, Nearmap is one of the ten largest aerial survey companies in the world by annual data collection volume, employs nearly 300 people and was named as one of Fast Company’s 10 Most Innovative Enterprise Companies in 2020.

NEARMAP CAPTURES IMAGERY IN 4 COUNTRIES...



United States -
70% population coverage



Canada -
64% population coverage



Australia -
89% population coverage



New Zealand -
73% population coverage

...DELIVERED TO A DIVERSE CUSTOMER BASE...



Commercial



Roofing



Insurance



Government

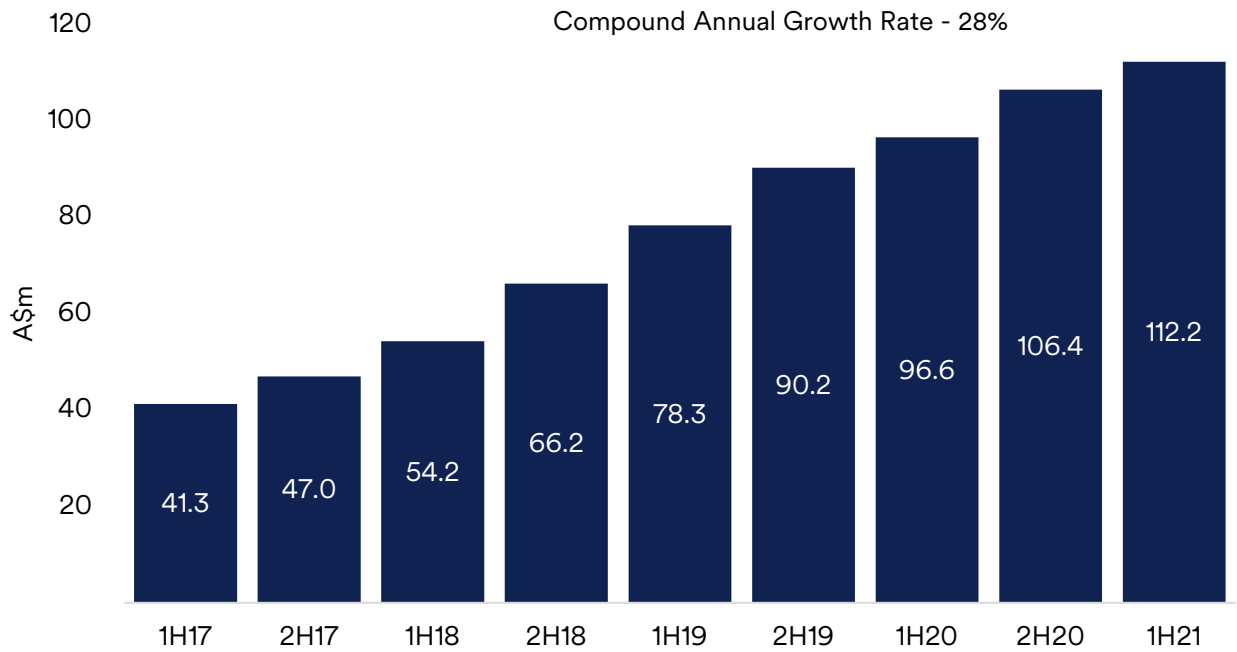
Group performance indicators

A\$'000	1H20 Reported	2H20 Reported	FY20 Reported	1H21 Reported	YoY % Reported	1H21 at CC ¹	YoY % at CC
Group ACV portfolio							
Opening ACV	90,240	96,576	90,240	106,437	18%	105,596	17%
New business	8,584	7,444	16,028	4,902	(43%)	5,159	(40%)
Net upsell	4,599	3,689	8,288	9,245	101%	9,946	116%
Churn	(6,880)	(2,009)	(8,889)	(3,838)	44%	(3,984)	42%
Net incremental ACV	6,303	9,124	15,427	10,309	64%	11,121	76%
FX impact	33	737	770	(4,555)		-	
Closing ACV	96,576	106,437	106,437	112,191	16%	116,717	21%
Retention (%)	88.5%	90.1%	90.1%	93.9%		93.8%	
Opening subscriptions	9,800	10,081	9,800	10,458	7%	10,458	7%
New business	850	923	1,773	900	6%	900	6%
Churn	(569)	(546)	(1,115)	(573)	(1%)	(573)	(1%)
Closing subscriptions	10,081	10,458	10,458	10,785	7%	10,785	7%
Closing ARPS (\$)	9,580	10,178	10,178	10,402	9%	10,822	13%
Group revenue	46,347	50,367	96,714	54,718	18%	55,934	21%
Cash costs to capture	(12,028)	(11,488)	(23,516)	(8,175)	32%	(8,518)	29%
Storage, administration & other	(2,710)	(3,852)	(6,562)	(4,253)	(57%)	(4,456)	(64%)
Cost of revenue - pre-capitalisation	(14,738)	(15,340)	(30,078)	(12,428)	16%	(12,974)	12%
Gross margin - pre-capitalisation	31,609	35,027	66,636	42,290	34%	42,960	36%
Gross margin (%) - pre-capitalisation	68%	69%	69%	77%		77%	
Direct sales and marketing costs	(14,220)	(14,550)	(28,770)	(11,944)	16%	(12,438)	13%
Group Sales Team Contribution Ratio	44%	63%	54%	86%		89%	
Indirect sales and marketing costs	(6,274)	(7,733)	(14,007)	(9,061)	(44%)	(9,351)	(49%)
Total sales and marketing costs	(20,494)	(22,283)	(42,777)	(21,005)	(2%)	(21,789)	(6%)
Overheads	(22,420)	(21,377)	(43,797)	(19,448)	13%	(19,679)	12%
Capture cost amortisation	(14,613)	(14,916)	(29,529)	(12,455)	15%	(12,455)	15%
Other metrics							
Group EBITDA	3,219	5,852	9,071	13,537	321%	13,875	331%
Group EBIT	(18,907)	(18,720)	(37,627)	(9,418)	50%	(9,160)	52%
Statutory NPAT	(18,607)	(18,110)	(36,717)	(9,386)	50%	(9,278)	50%
Portfolio LTV (A\$m)	571	742	742	1,416	148%	1,450	154%
Cash and cash equivalents	49,621	36,140	36,140	129,323	161%	129,846	162%
Cash and cash equivalents movement	(26,293)	(13,481)	(13,481)	93,183	454%	93,706	456%

¹ Constant Currency (CC) revalues 1H21 results at 1H20 FX rates.

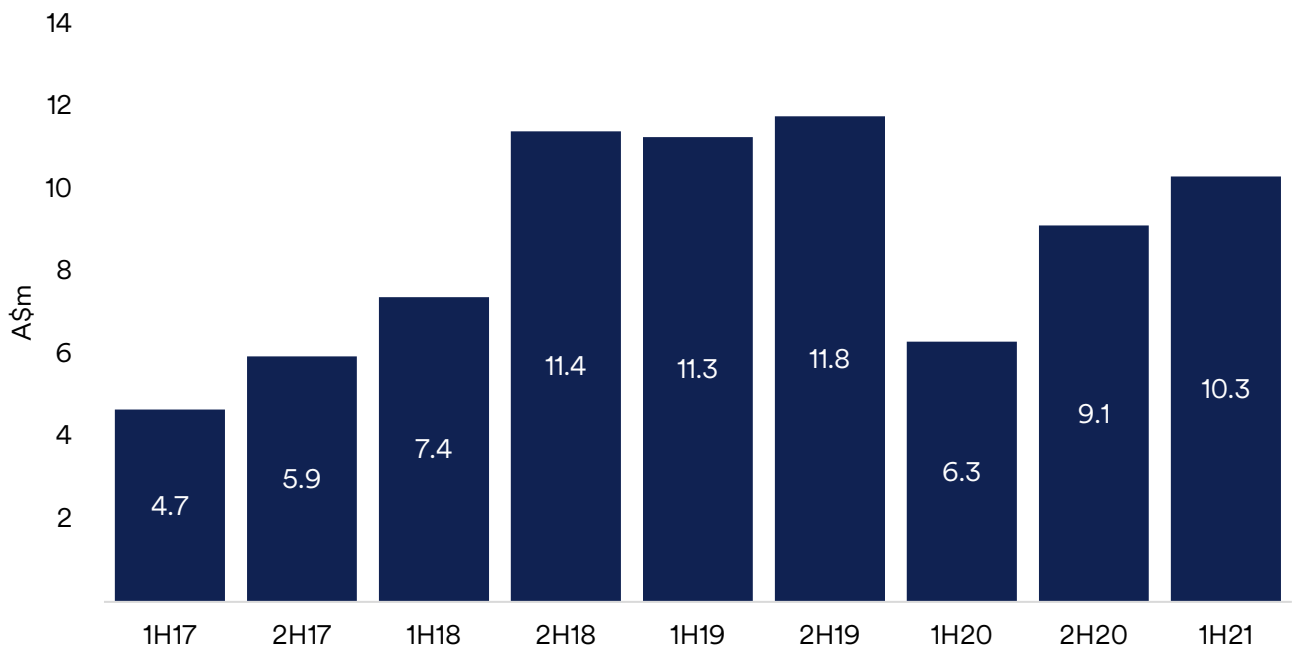
Annual Contract Value

Group Annual Contract Value (ACV) as reported grew by 16% to \$112.2m (31 December 2019: \$96.6m). On a constant currency (CC) basis, Group ACV grew 21% vs pcp to \$116.7m.

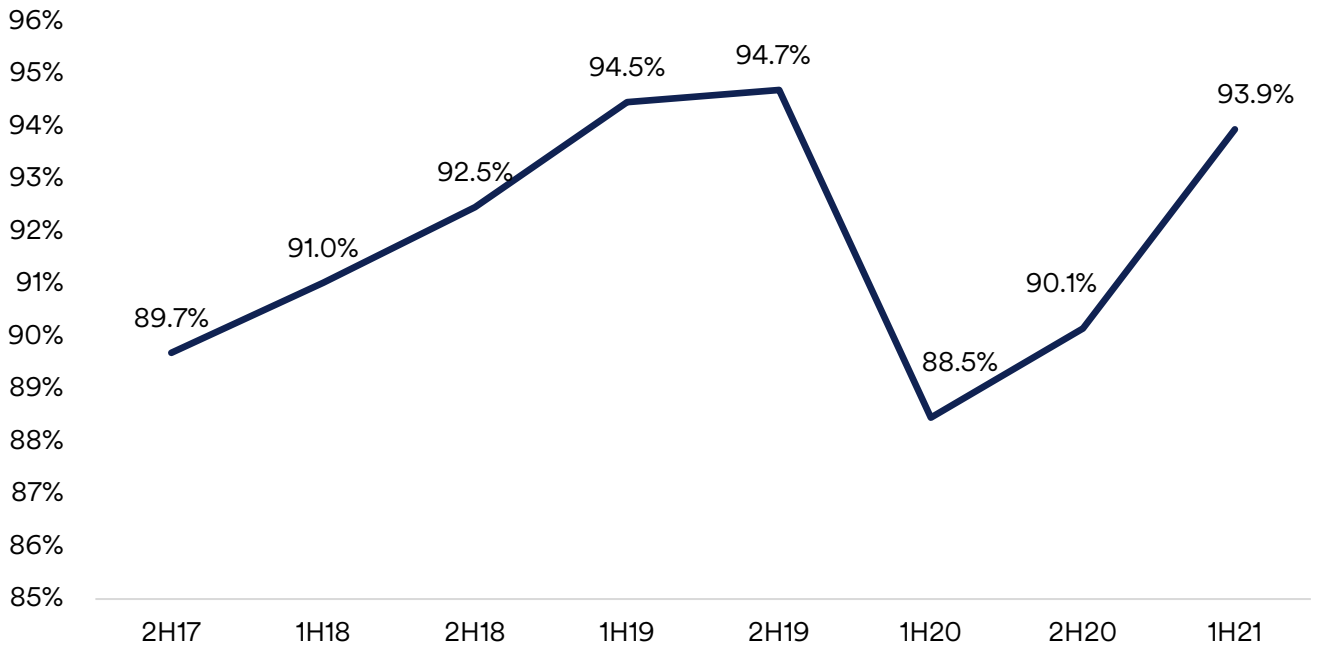


Net incremental ACV

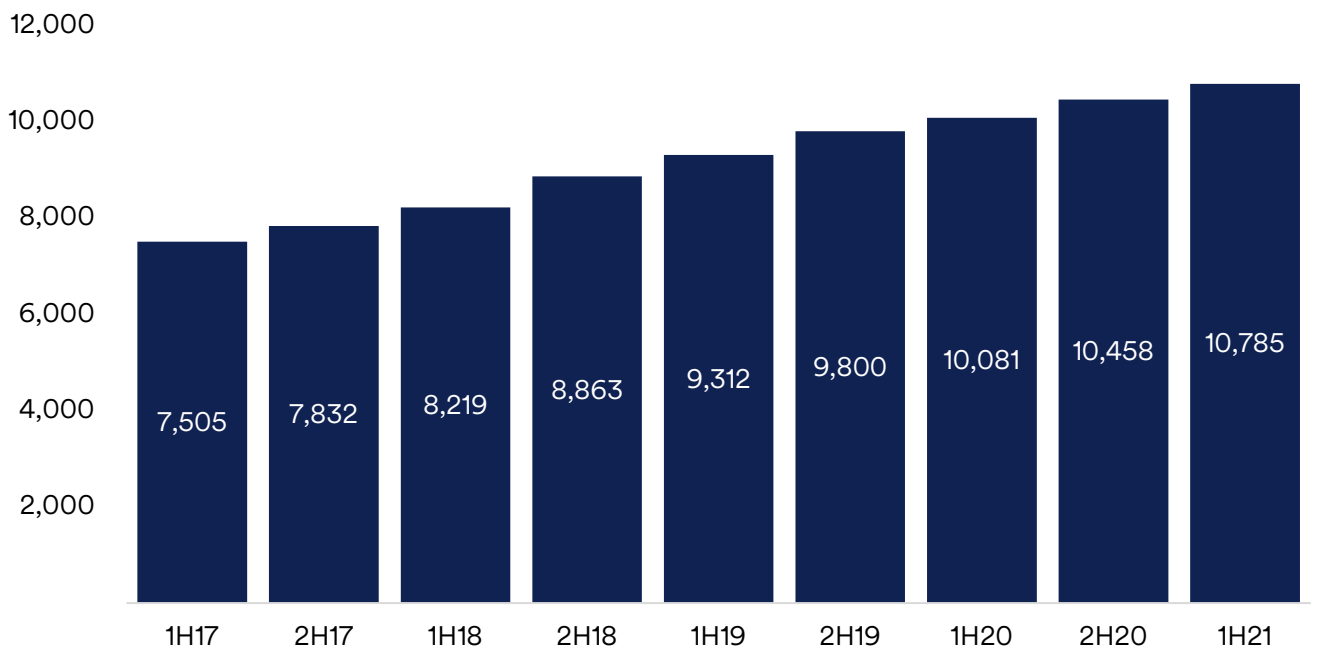
Incremental ACV growth as reported of \$10.3m (31 December 2019: \$6.3m). On a CC basis, incremental ACV grew by \$11.1m, driven by record growth in North America.



Retention

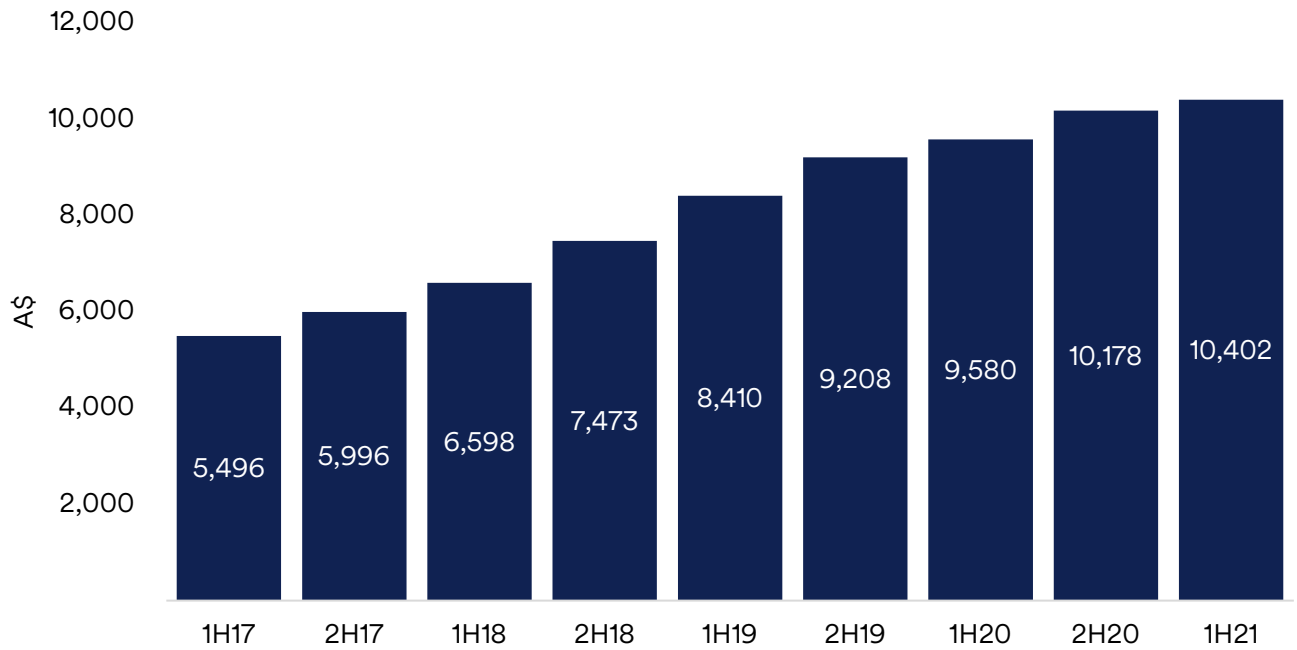


Subscriptions



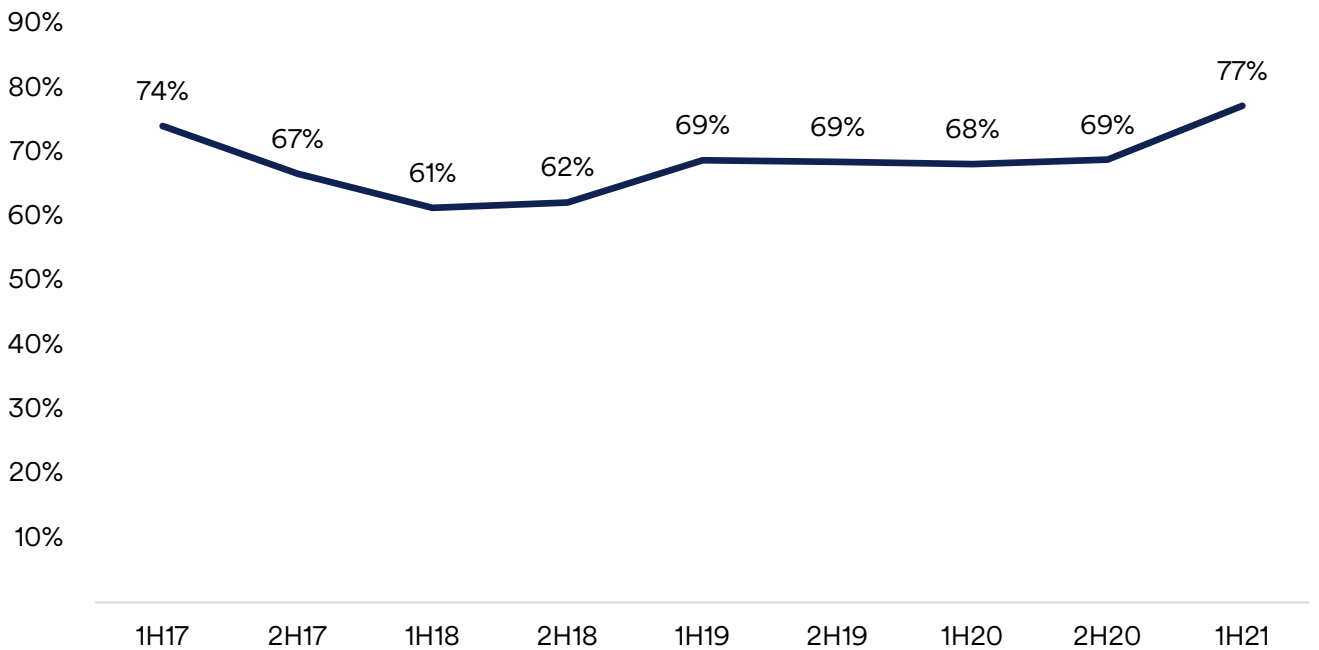
Average Revenue Per Subscription

Group Average Revenue Per Subscription (ARPS) increased to \$10,402 (30 June 2020: \$10,178). This continued the upward trend in this metric, highlighting the increasing utility customers experience from the expanding set of content types provided by Nearmap.



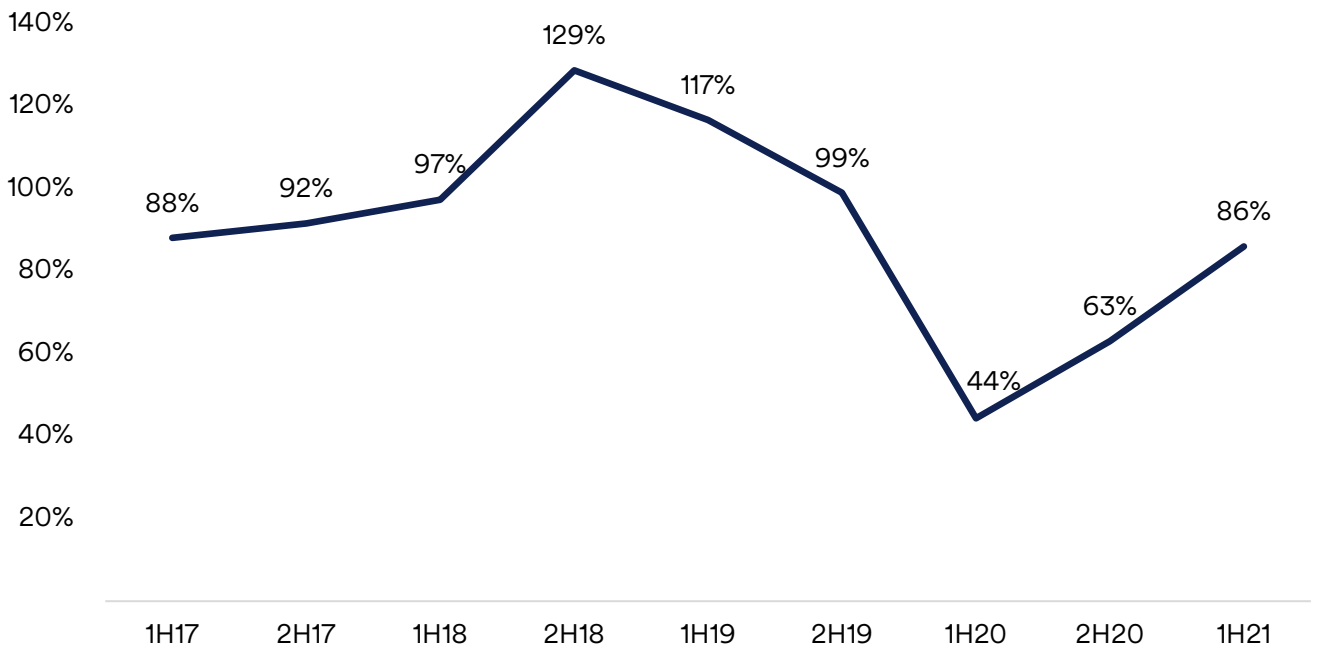
Gross Margin (pre-capitalisation)

Gross Margin (pre-capitalisation) has increased to 77% reflecting the efficiency of the capture program as it supports a growing ACV portfolio.

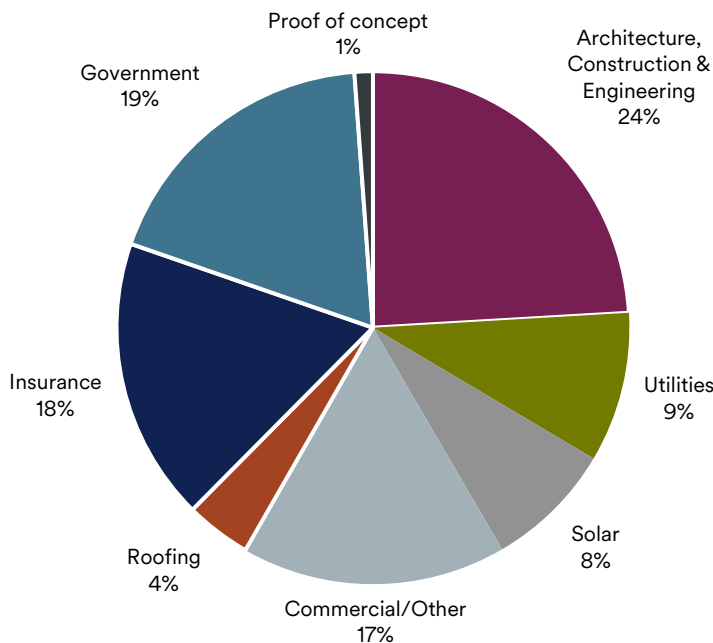


Sales Team Contribution Ratio

Group Sales Team Contribution Ratio (STCR) increased to 86% in 1H21 (FY20: 54%), with strong returns from previous investments made in prior periods into Sales and Marketing initiatives, particularly in North America.

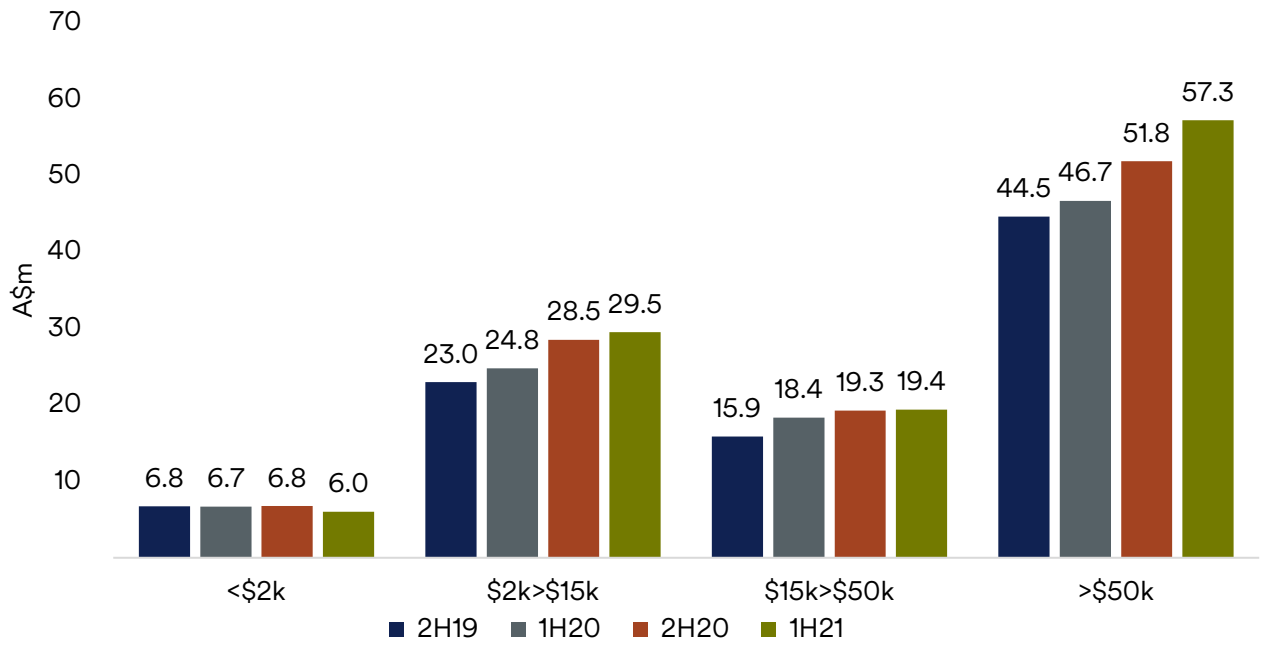


Group ACV portfolio at 31 December 2020 by industry segment (%)

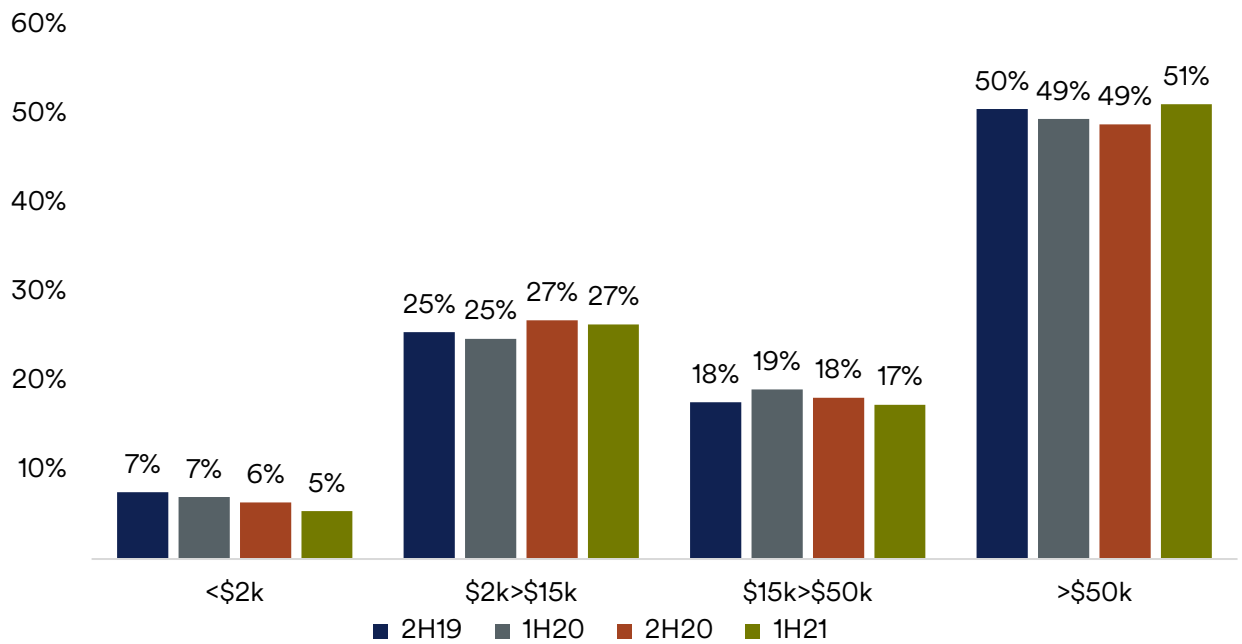


The Group ACV portfolio is diversified across key focus industries with Insurance, Roofing and Government comprising 41% of the total portfolio (30 June 2020: 40%). See comments in NA section for more detail on Proof of Concept ACV.

Group ACV portfolio by subscription size



Group ACV portfolio by % of total portfolio



Other metrics (as a % of the overall portfolio)

	1H20	1H21
Top 10 customers	19%	19%
Multi year deals	42%	42%
Premium content	42%	59%

FTE Breakdown

As at 31 December 2020

Region	Sales and Marketing	Technology and Product	Business operations	Group
ANZ	52	90	63	205
NA	63	1	19	83
Total	115	91	82	288

As at 30 June 2020

Region	Sales and Marketing	Technology and Product	Business operations	Group
ANZ	52	92	58	202
NA	61	2	19	82
Total	113	94	77	284

North America segment

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

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

US\$'000	1H20	2H20	FY20	1H21	YoY %
Opening ACV	22,683	24,949	22,683	28,788	27%
New business	4,016	3,070	7,086	1,991	(50%)
Net upsell	1,583	1,261	2,844	5,469	245%
Churn	(3,333)	(492)	(3,825)	(1,128)	66%
Net incremental	2,266	3,839	6,105	6,332	179%
FX impact	-	-	-	9	
Closing ACV	24,949	28,788	28,788	35,129	41%
Retention (%)	79.4%	83.1%	83.1%	93.5%	
Opening subscriptions	1,425	1,635	1,425	1,856	30%
New business	306	313	619	278	(9%)
Churn	(96)	(92)	(188)	(105)	(9%)
Closing subscriptions	1,635	1,856	1,856	2,029	24%
Closing ARPS (\$)	15,260	15,511	15,511	17,313	13%
Revenue	11,444	12,997	24,441	15,693	37%
Cash costs to capture	(6,579)	(6,252)	(12,831)	(4,665)	29%
Storage, administration & other	(1,546)	(2,157)	(3,703)	(2,641)	(71%)
Cost of revenue - pre-capitalisation	(8,125)	(8,409)	(16,534)	(7,306)	10%
Gross margin - pre-capitalisation	3,319	4,588	7,907	8,387	153%
Gross margin (%) - pre-capitalisation	29%	35%	32%	53%	
Direct sales and marketing costs	(6,676)	(6,647)	(13,323)	(5,741)	14%
Sales Team Contribution Ratio (%)	34%	58%	46%	110%	
Indirect sales and marketing costs	(2,613)	(2,846)	(5,459)	(3,426)	(31%)
Total sales & marketing cost	(9,289)	(9,493)	(18,782)	(9,167)	1%
Overheads	(3,673)	(3,564)	(7,237)	(3,291)	10%
Capture cost amortisation	(7,914)	(7,869)	(15,783)	(7,276)	8%
Segment EBIT	(10,978)	(10,086)	(21,064)	(6,682)	39%
Segment EBIT %	(96%)	(78%)	(86%)	(43%)	

NA ACV portfolio

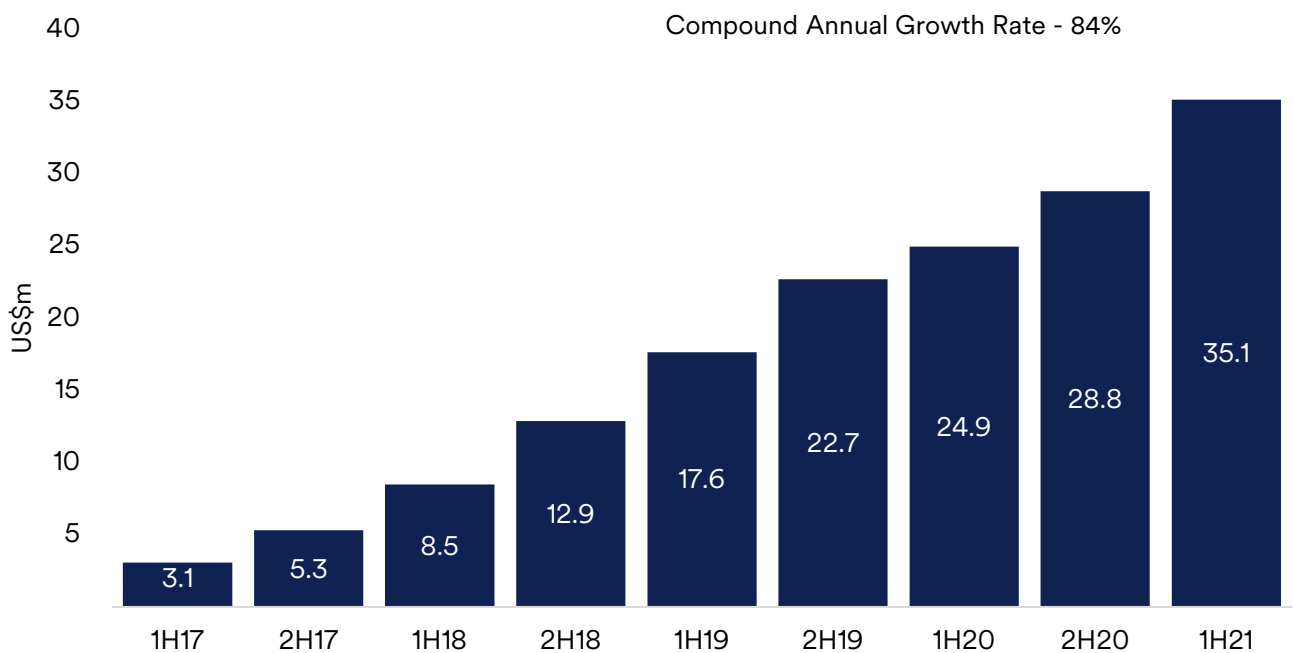
During 1H21, the NA ACV portfolio increased US\$6.3m from US\$28.8m to US\$35.1m, representing 41% growth on pcp. This represents a record half for the NA business with growth in 1H21 greater than FY20.

The key components of this growth were:

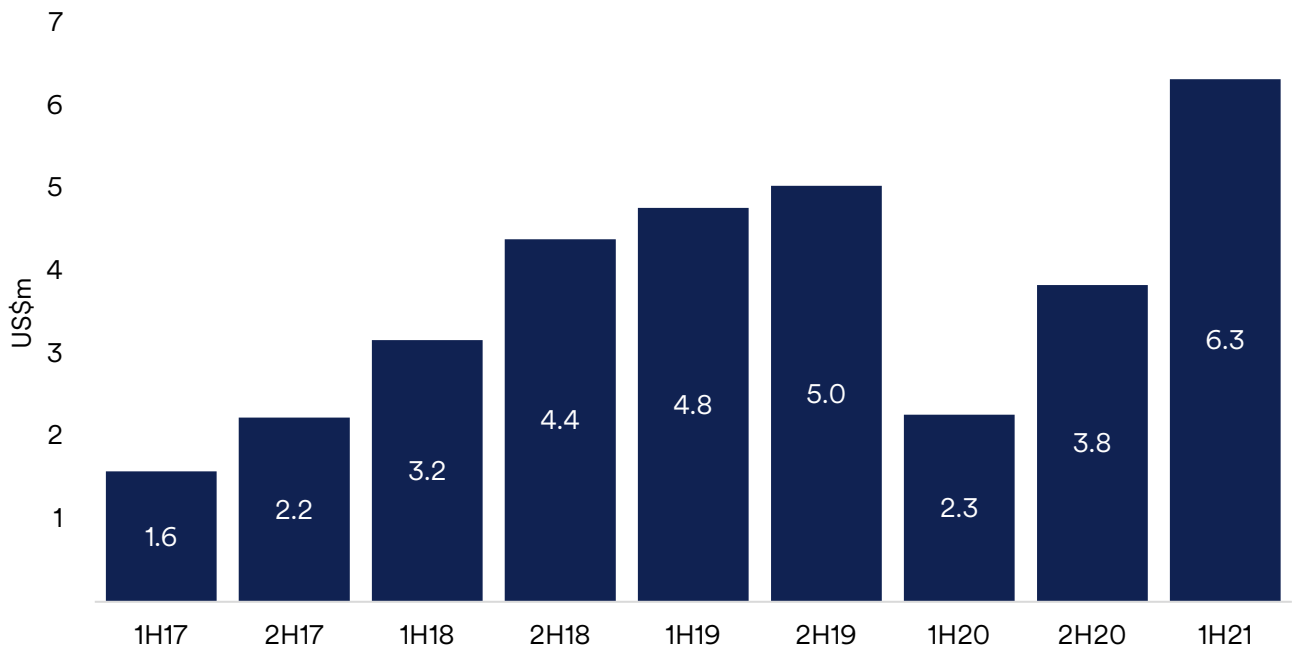
- **New business** of US\$2.0m was underpinned by strong growth in medium-sized businesses, although overall new business performance was below pcp due to the impact of prevailing economic conditions on Enterprise customers.
- **Net upsell** of US\$5.5m shows a 245% increase on pcp and represents early validation of the increased focus on strategic verticals. There were several material upgrades to existing customer accounts reflecting the increased uptake of new content types and the growing relevance of Nearmap content to remote working solutions.
- **Customer portfolio retention** for the 12 months to 31 December 2020 was 93.5% (FY20: 83.1%). FY20 retention was skewed by two material churn events to customers in cyclical industries. The increase in retention reflects a return to normal levels and is evidence of the growing importance of Nearmap to existing customers.

Annual Contract Value

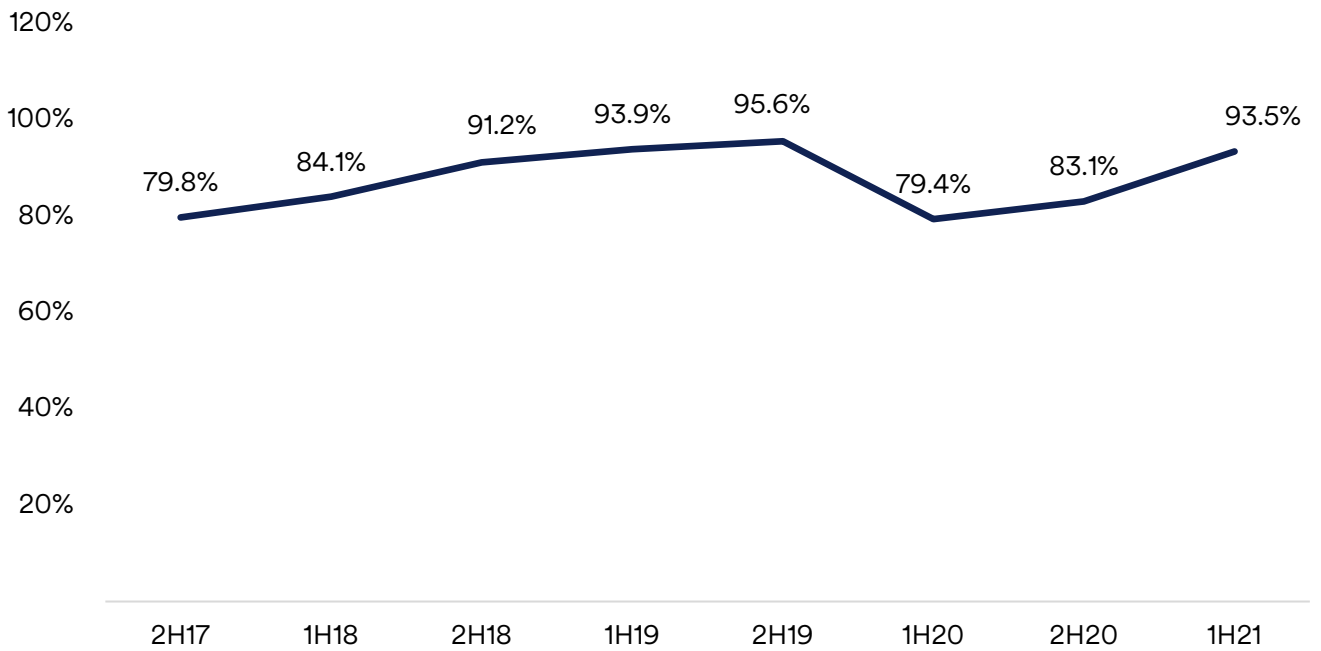
ACV grew by 41% to US\$35.1m (30 June 2020: US\$28.8m), representing strong 84% compound annual growth rate.



Net incremental ACV

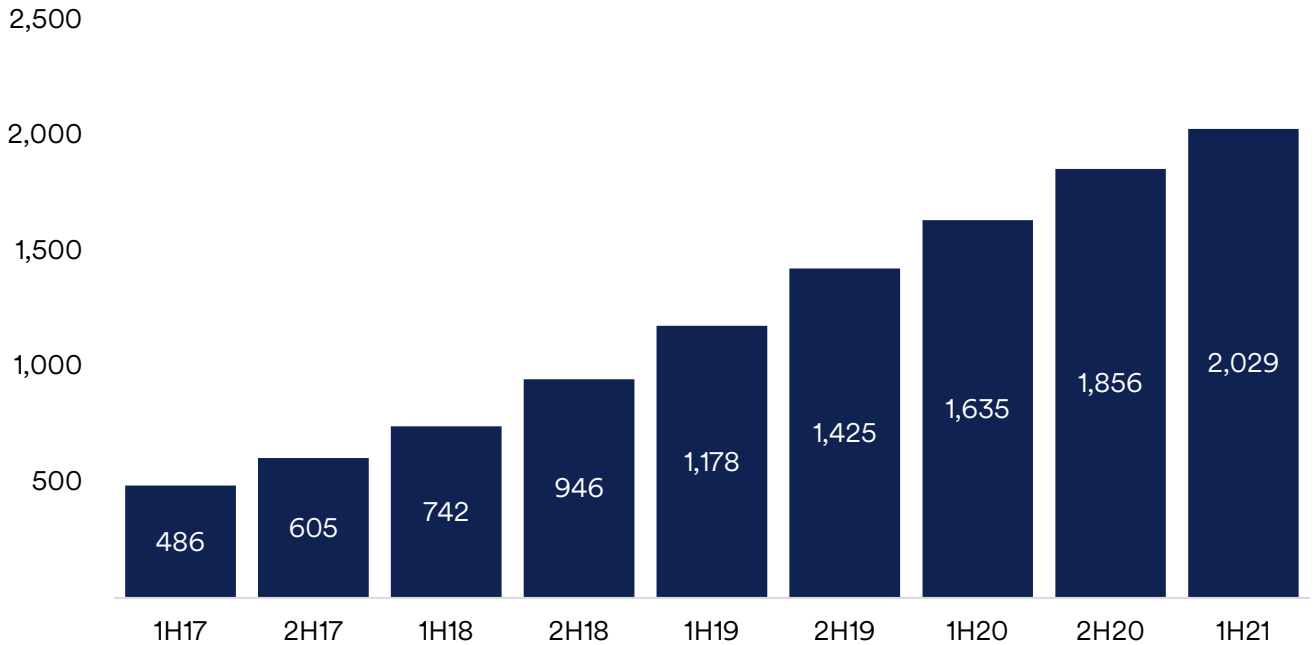


Retention



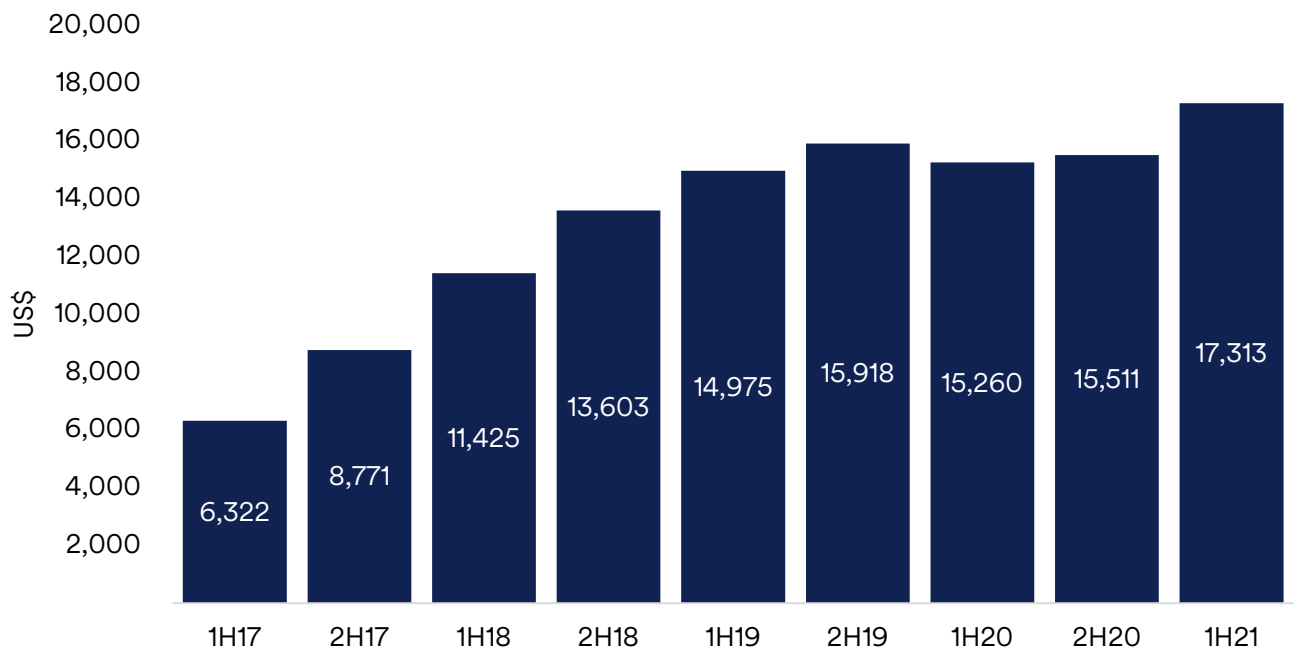
Subscriptions

Subscriptions grew to >2,000 (30 June 2020: 1,856), a significant milestone for the North American business as the business further establishes itself as the industry leader in content provision served via a subscription business model.



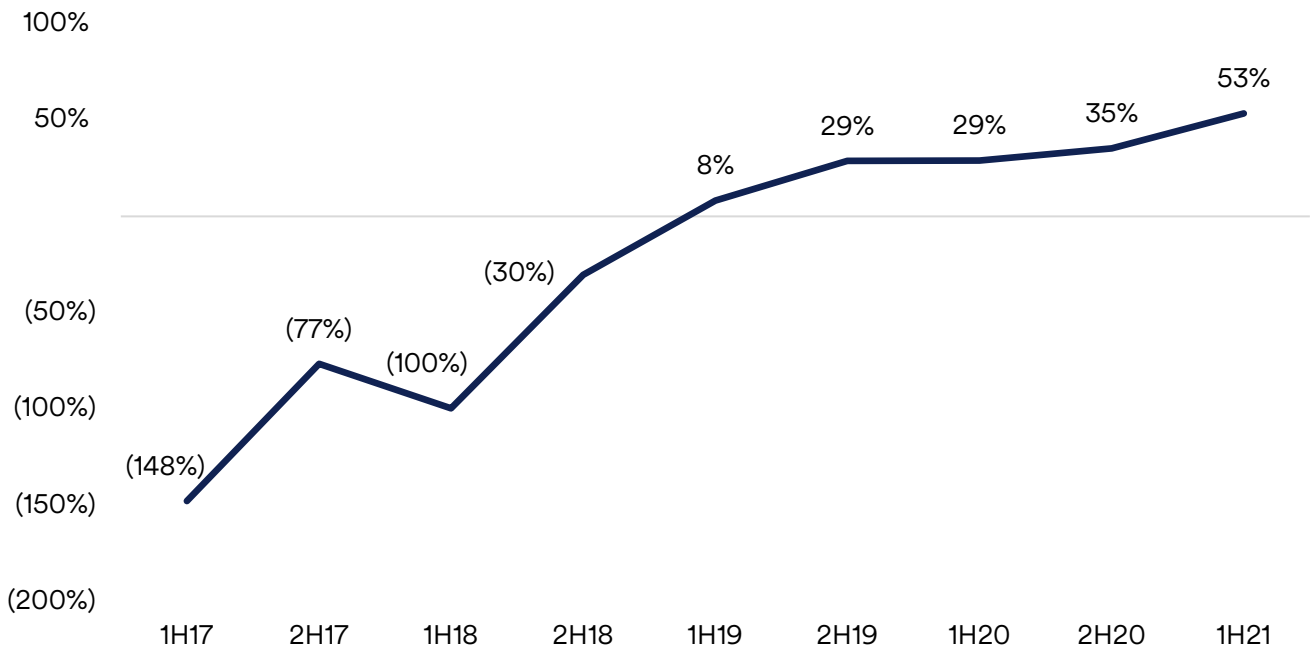
Average Revenue Per Subscription

ARPS increased to US\$17,313 (30 June 2020: US\$15,511). This continued the upward trend in this metric in line with a strong period of growth and continues to highlight the increasing utility customers experience from the expanding set of content types provided by Nearmap.



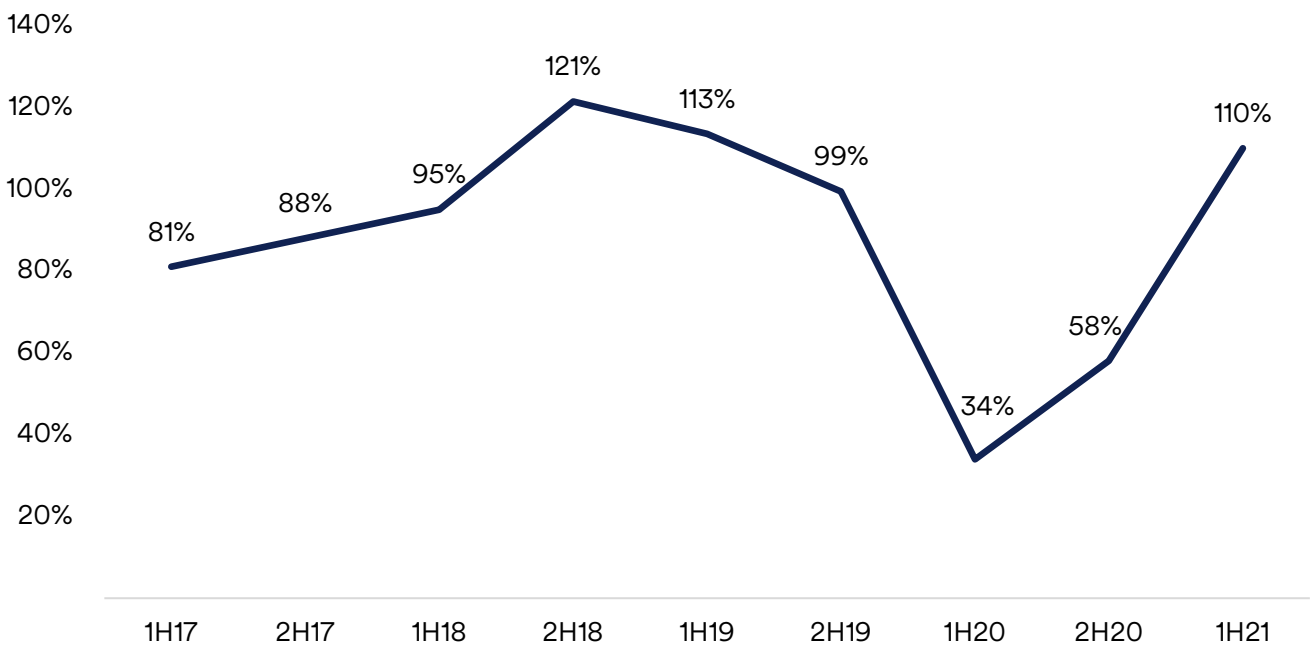
Gross Margin (pre-capitalisation)

Gross Margin (pre-capitalisation) has increased to 53%. The operating leverage of the NA business is demonstrated by the growing ACV portfolio, served by a well-defined capture program.

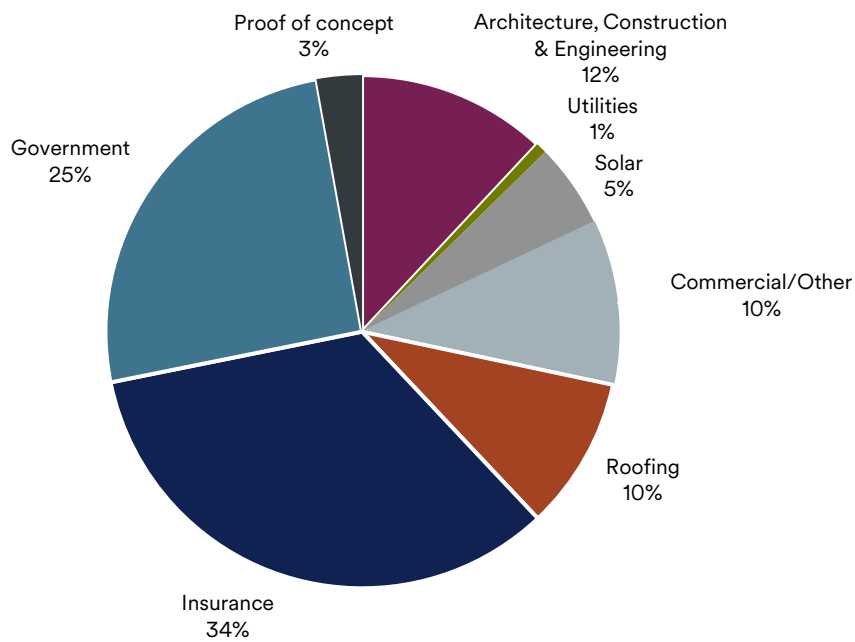


Sales Team Contribution Ratio

STCR increased to 110% in 1H21 representing strong returns on investments previously made and further validating the focus on accelerating the growth opportunity in key industry verticals.

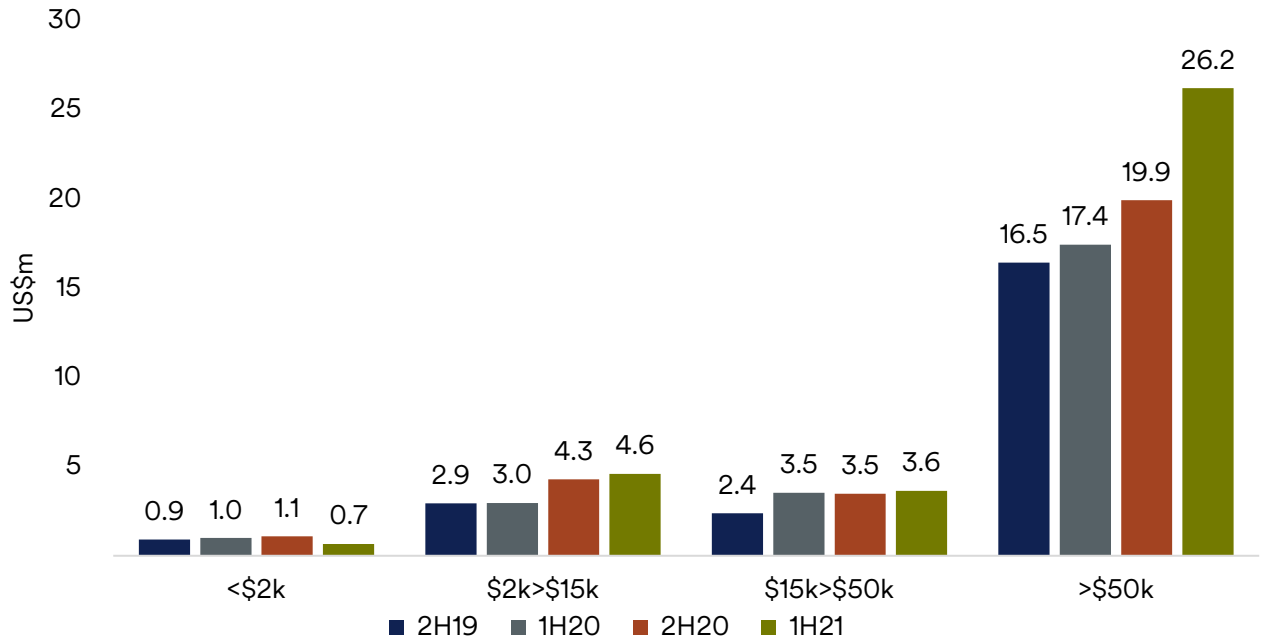


ACV portfolio at 31 December 2020 by industry segment



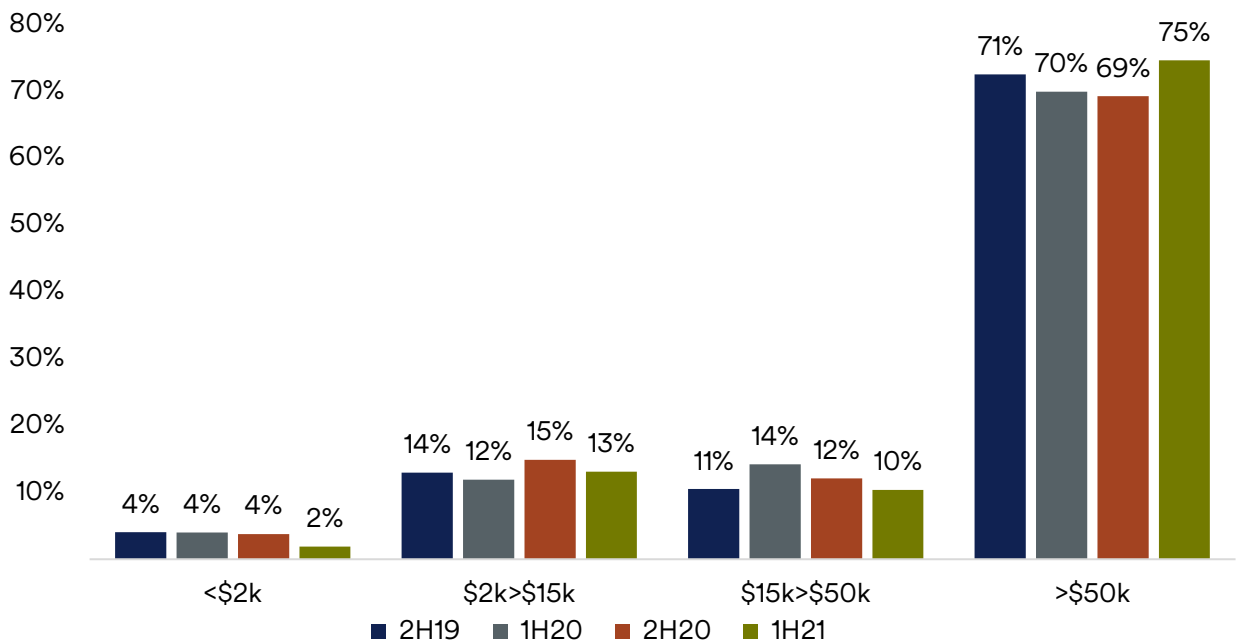
The Group's three core industry verticals – Insurance, Roofing, Government – all contributed to the strong 1H21 performance and now comprise 69% of the NA portfolio. Proof of Concept ACV represents a one-year deal with an Enterprise client that is of a project nature. The outcome of the proof of concept phase will determine whether this becomes a longer-term opportunity.

ACV portfolio by subscription size



The chart shows a clear step-change in the Enterprise segment over the period, highlighting the inherent value and strategic significance of the Nearmap product suite in the identified core verticals. The focus will remain on growing both Enterprise customers whilst also addressing the significant opportunity that exists with small to medium businesses.

ACV portfolio by % of total portfolio



Australia & New Zealand segment

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

A\$'000	1H20	2H20	FY20	1H21	YoY %
Opening ACV	57,896	60,965	57,896	64,490	11%
New business	2,851	2,971	5,822	2,317	(19%)
Net upsell	2,339	1,852	4,191	2,145	(8%)
Churn	(2,122)	(1,292)	(3,414)	(2,373)	(12%)
Net incremental	3,068	3,531	6,599	2,089	(32%)
FX Impact	1	(6)	(5)	1	
Closing ACV	60,965	64,490	64,490	66,580	9%
Retention (%)	92.8%	94.1%	94.1%	94.0%	
Opening subscriptions	8,375	8,446	8,375	8,602	3%
New business	544	610	1,154	622	14%
Churn	(473)	(454)	(927)	(468)	1%
Closing subscriptions	8,446	8,602	8,602	8,756	4%
Closing ARPS (\$)	7,218	7,497	7,497	7,604	5%
Revenue	29,623	30,600	60,223	33,004	11%
Cash costs to capture	(2,409)	(1,881)	(4,290)	(1,702)	29%
Storage, administration & other	(453)	(572)	(1,025)	(598)	(32%)
Cost of revenue - pre-capitalisation	(2,862)	(2,453)	(5,315)	(2,300)	20%
Gross margin - pre-capitalisation	26,761	28,147	54,908	30,704	15%
Gross margin (%) - pre-capitalisation	90%	92%	91%	93%	
Direct sales and marketing costs	(4,461)	(4,445)	(8,906)	(4,049)	9%
Sales Team Contribution Ratio (%)	69%	79%	74%	52%	
Indirect sales and marketing costs	(2,456)	(3,422)	(5,878)	(4,345)	(77%)
Total sales & marketing cost	(6,917)	(7,867)	(14,784)	(8,394)	(21%)
Overheads	(6,580)	(6,307)	(12,887)	(5,383)	18%
Capture cost amortisation	(3,050)	(2,950)	(6,000)	(2,376)	22%
Segment EBIT	12,623	12,904	25,527	16,253	29%
Segment EBIT %	43%	42%	42%	49%	

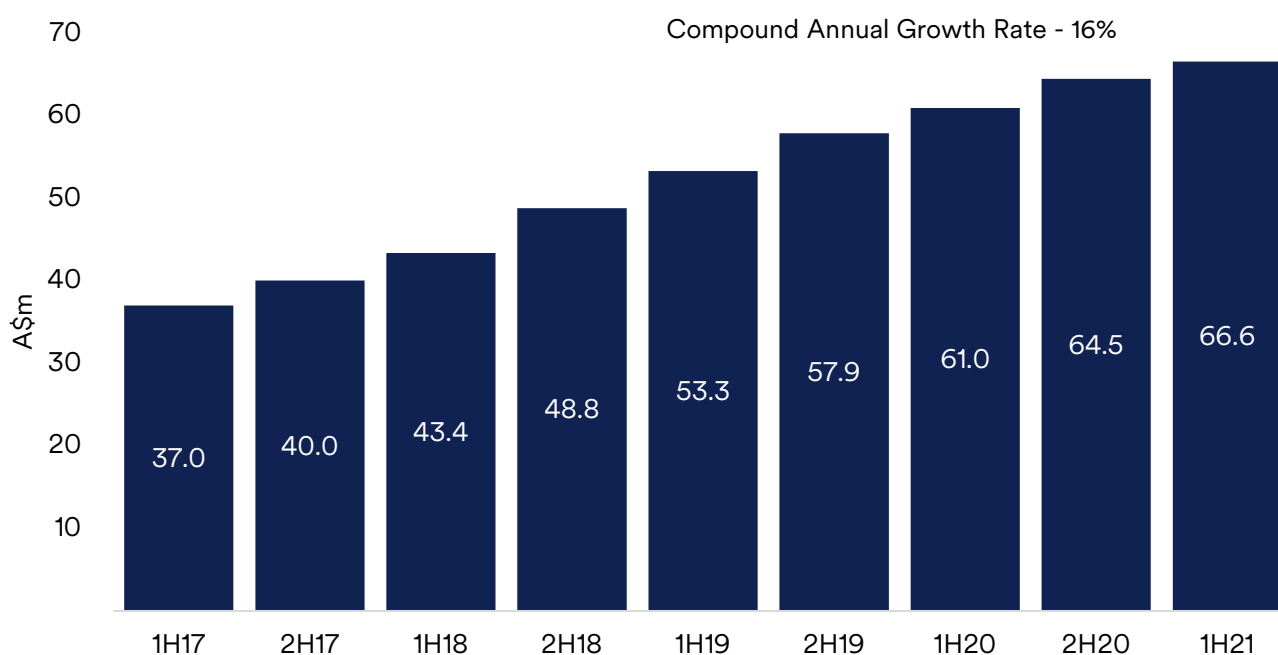
ANZ ACV portfolio

During 1H21, the ANZ ACV portfolio increased from \$64.5m to \$66.6m. Incremental ACV growth of \$2.1m was impacted by two Enterprise downgrade events and, excluding these, ACV growth would have been similar to pcp.

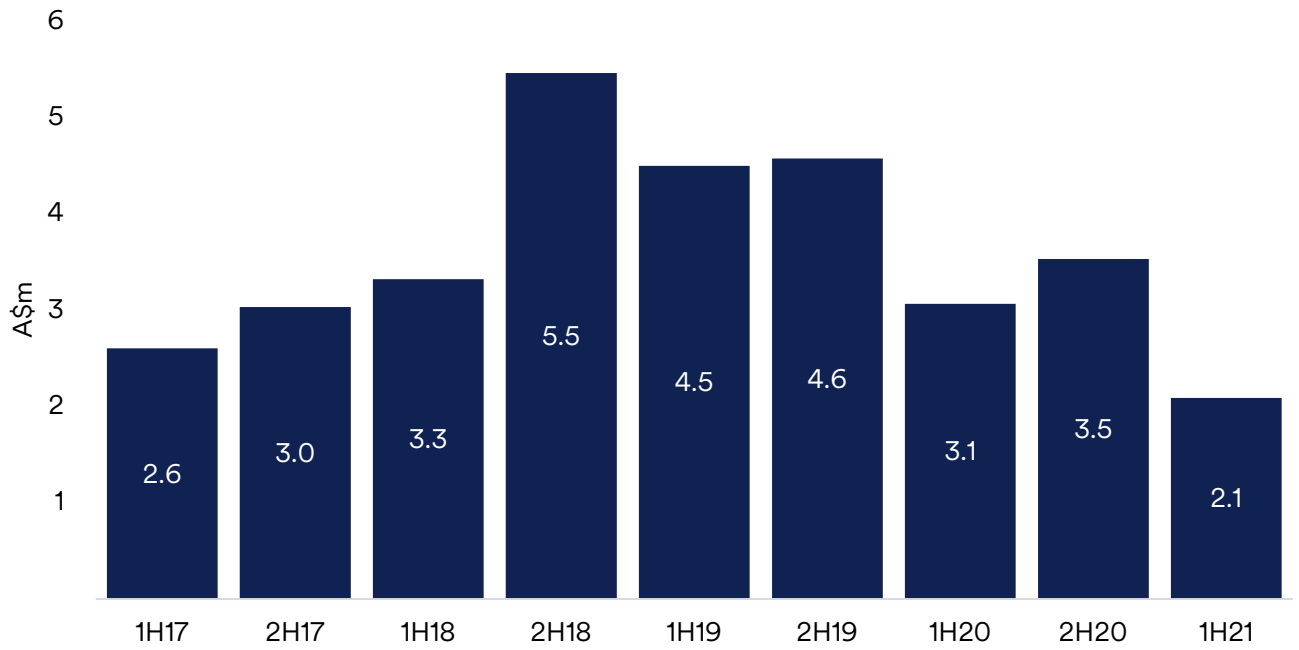
The key components of 1H21 growth were:

- **New business** of \$2.3m showed the continued penetration of the addressable market in Australia and New Zealand. Growth in small and medium-sized businesses continued to be strong as many businesses adapted to working remotely. The slowdown versus pcp was reflective of lower growth through Enterprise customers reflecting macroeconomic conditions and internal execution issues.
- **Net upsell** of \$2.1m extrapolates to 7% expansion of the existing portfolio over a twelve month period, demonstrating strong resilience and utility of Nearmap content through the enabling of effective remote working for customers and their businesses. Splitting net upsell into its component parts, upgrades to existing customer subscriptions remained strong. However, 1H21 was impacted by two downgrades to Enterprise accounts reflecting business restructuring and adverse economic conditions. In these situations, Nearmap's primary focus is to ensure the impact to customers is minimised by enabling continued access to Nearmap content, with a view to the long-term relationship.
- **Customer portfolio retention** for the 12 months to 31 December 2020 was 94.0% (FY20: 94.1%). Stable retention through a period of economic uncertainty highlights the deeply embedded nature of Nearmap in customer workflows and the growing relevance to customers of the expanded Nearmap product and content suite.

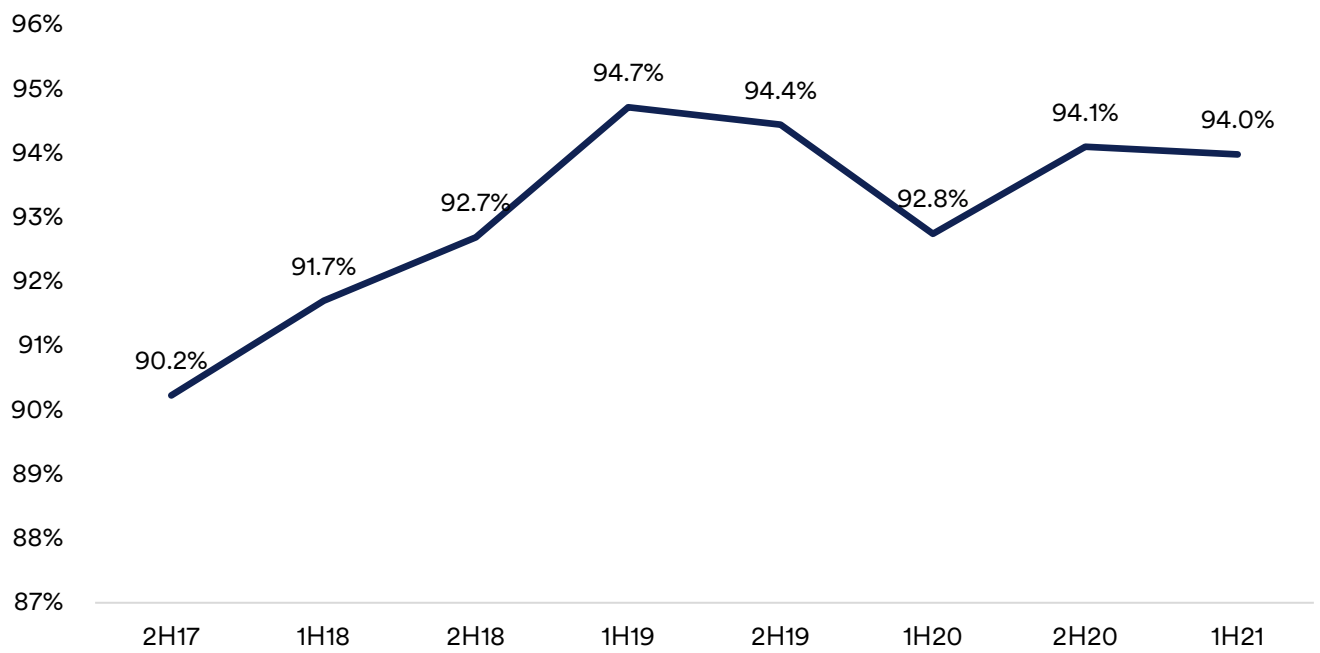
Annual Contract Value



Net incremental ACV

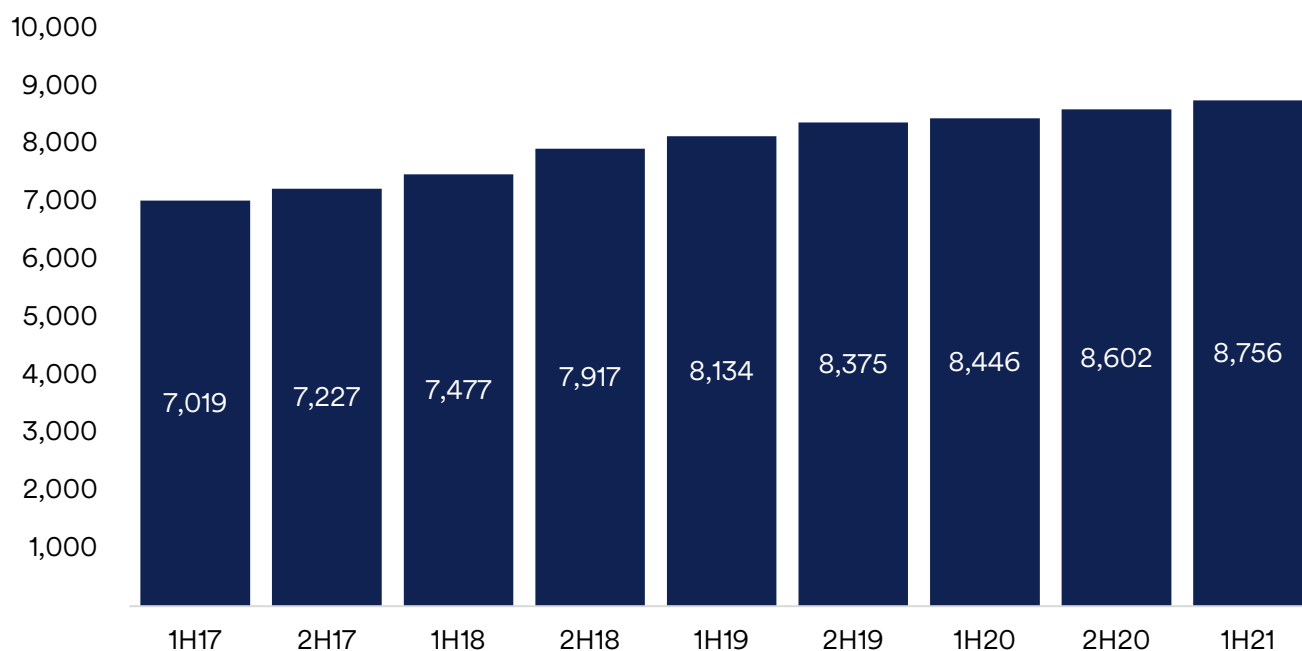


Retention



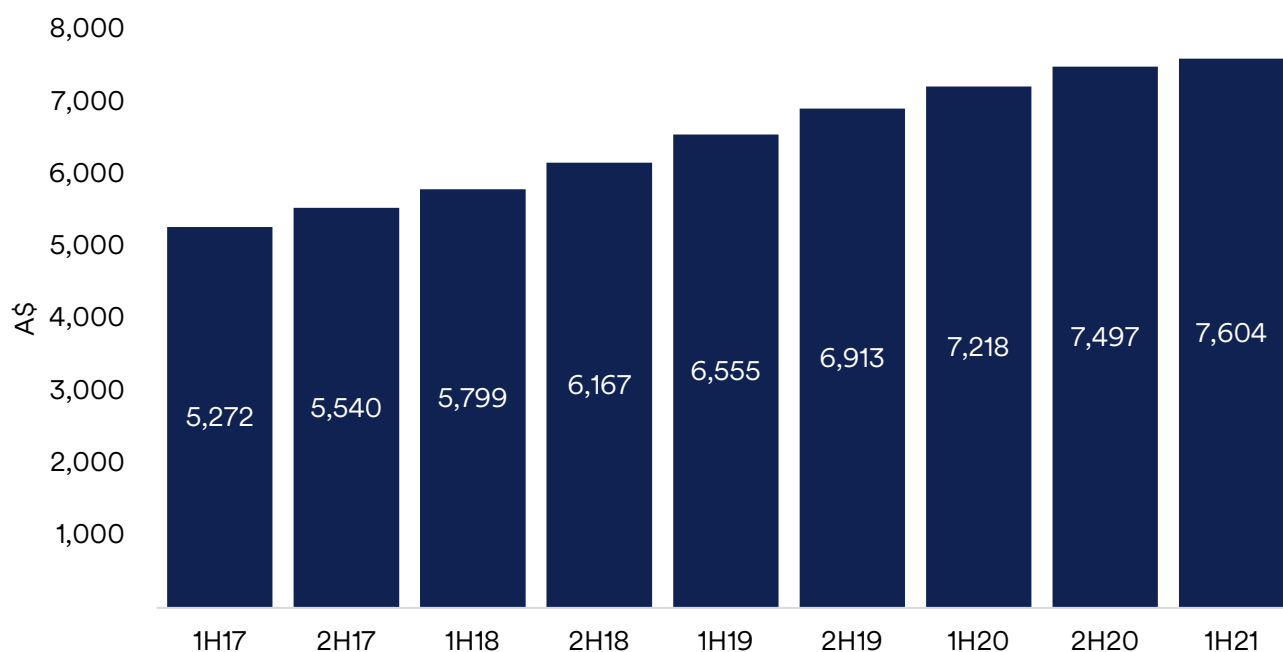
Subscriptions

Subscriptions increased to 8,756 (30 June 2020: 8,602) highlighting the continued effectiveness of customer acquisition strategies over the period and the deeper penetration into the addressable market.



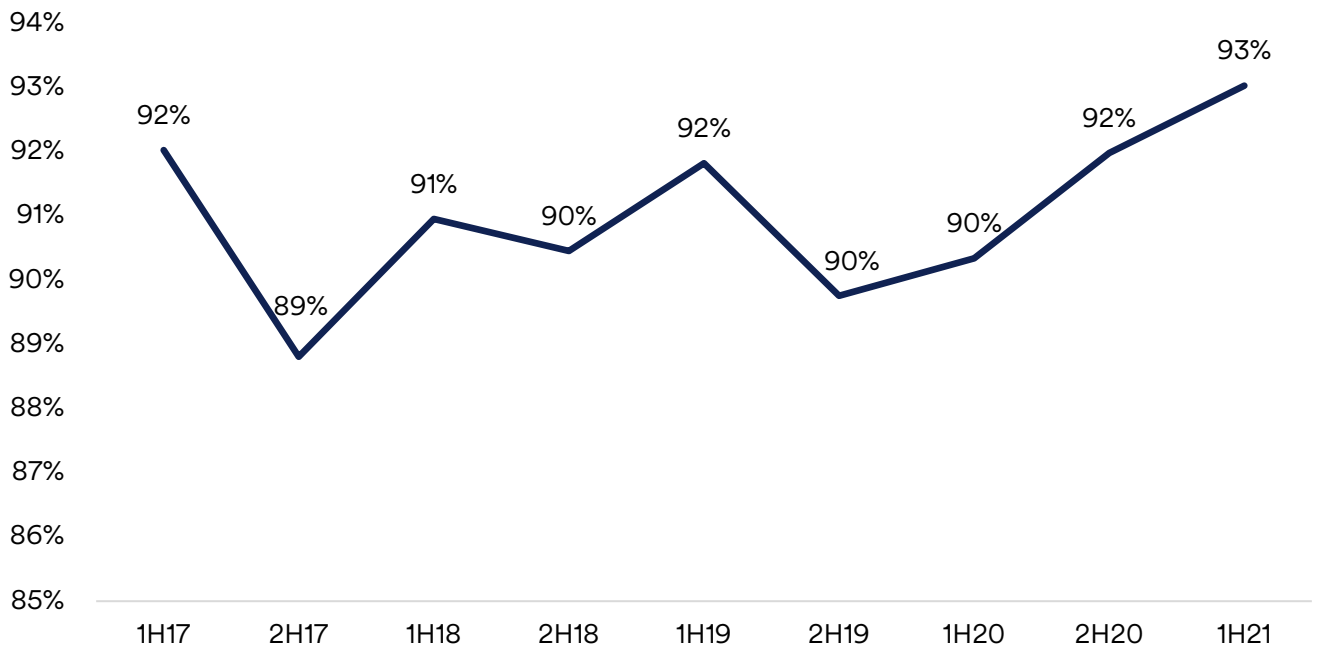
Average Revenue Per Subscription

ARPS increased to \$7,604 (30 June 2020: \$7,497). The upward trend in this metric highlights the increased utility and economic value that the expanded content types bring to both new and existing customers.



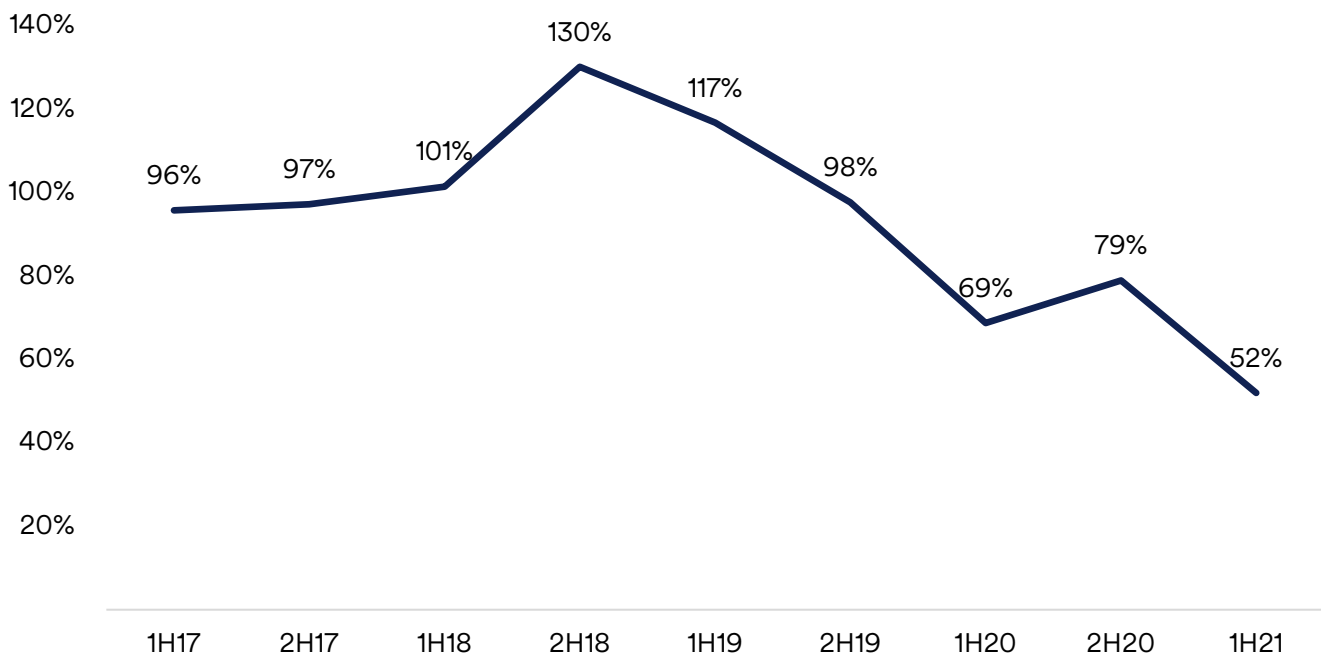
Gross Margin (pre-capitalisation)

Gross Margin (pre-capitalisation) remains >90% reflecting the operating leverage of a growing revenue base against a consistent capture program.

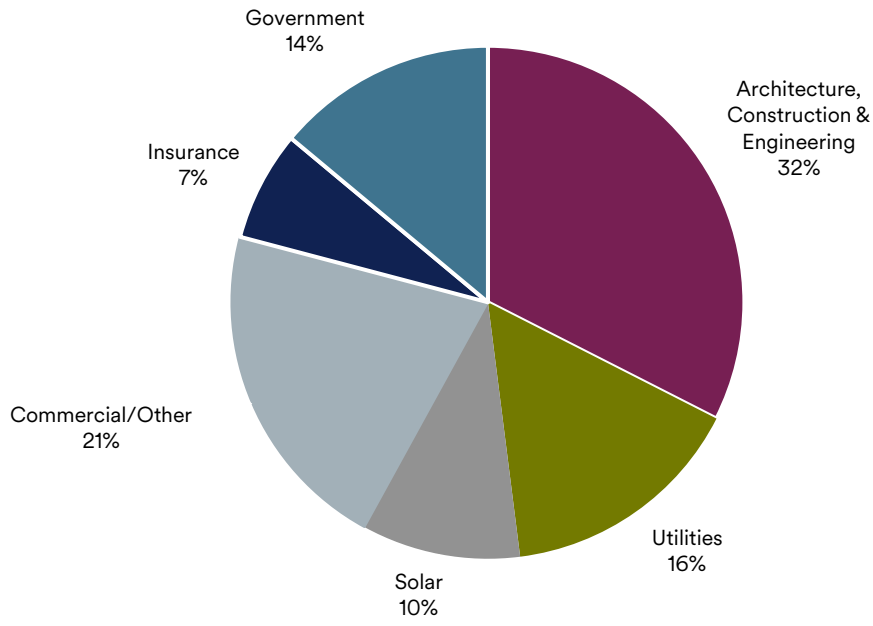


Sales Team Contribution Ratio

STCR decreased to 52% in 1H21 (FY20: 74%), reflecting the higher than normal downgrade events in 1H21.

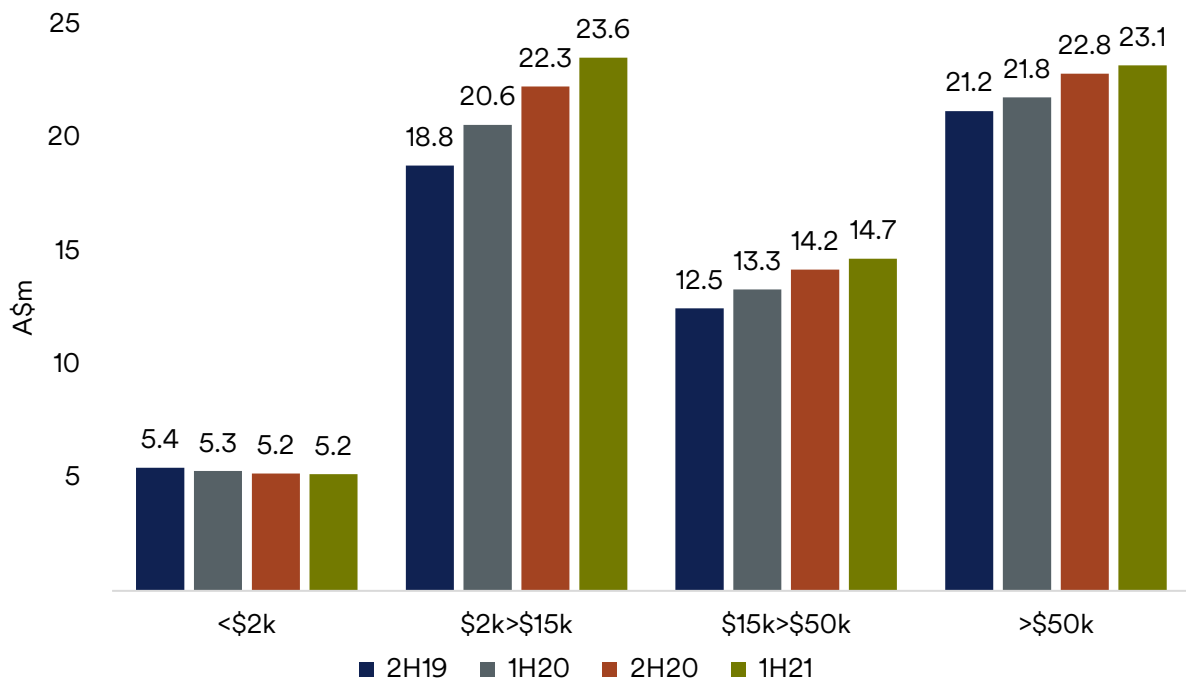


ACV portfolio at 31 December 2020 by industry segment

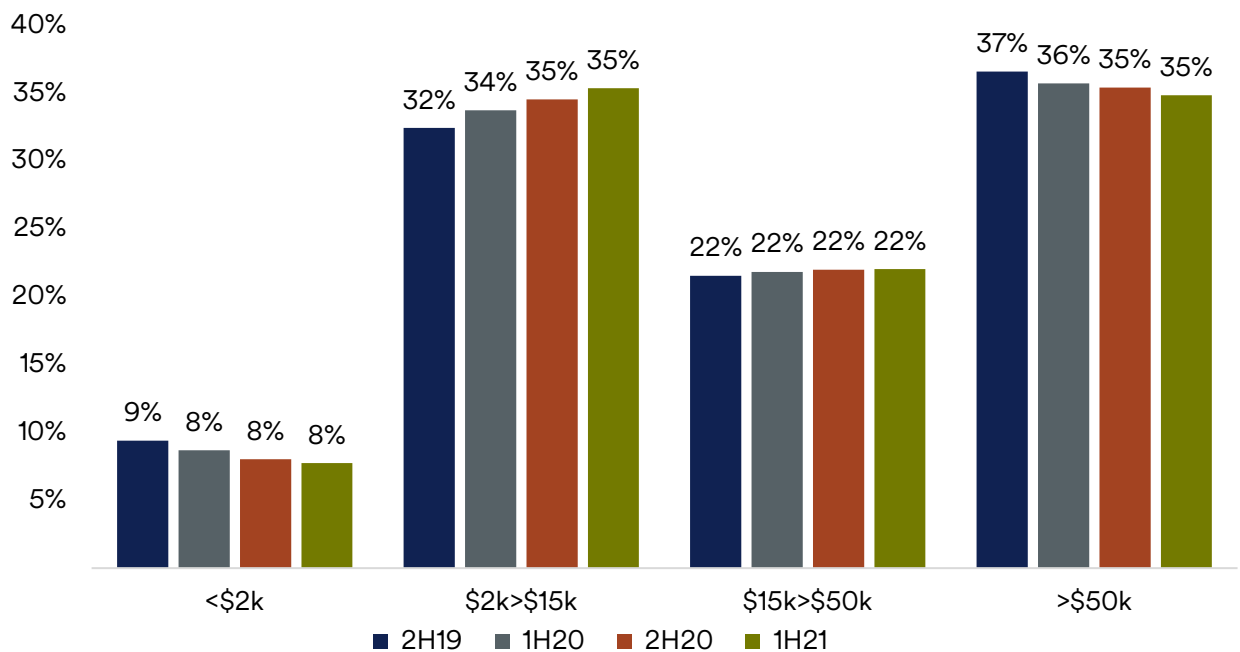


Portfolio diversification is broadly consistent with prior periods across the Group's core industry verticals.

ACV portfolio by subscription size



ACV portfolio by % of total portfolio



The ACV portfolio is diversified across a range of businesses in size, with subscriptions to small and medium businesses (subscriptions below \$15,000 p.a.) representing 43% of the portfolio at 31 December 2020, and those to Enterprise customers (subscriptions greater than \$15,000 p.a.) being 57%.

Segment performance

The segment results for the business for 1H21 (with 1H20 as a comparative) are set out in the tables below, with individual segment operational performance set out further in the pages following.

The NA 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

A\$'000	ANZ	NA	1H21 Unallocated	Total	US\$'000 NA
Revenue	33,004	21,714	-	54,718	15,693
Total revenue	33,004	21,714	-	54,718	15,693
Capture cost amortisation	(2,376)	(10,079)	-	(12,455)	(7,276)
Storage, administration & other	(598)	(3,655)	-	(4,253)	(2,641)
Total cost of revenue	(2,974)	(13,734)	-	(16,708)	(9,917)
Gross profit	30,030	7,980	-	38,010	5,776
Gross margin %	91%	37%		69%	37%
Direct sales & marketing	(4,049)	(7,895)	-	(11,944)	(5,741)
Indirect sales & marketing	(4,345)	(4,716)	-	(9,061)	(3,426)
Total sales & marketing cost	(8,394)	(12,611)	-	(21,005)	(9,167)
General & administration	(4,171)	(3,663)	(8,596)	(16,430)	(2,629)
Overhead depreciation	(1,212)	(915)	(891)	(3,018)	(662)
Other income	-	-	694	694	-
Interest expense	-	-	(301)	(301)	-
Total general & administration	(5,383)	(4,578)	(9,094)	(19,055)	(3,291)
Segment contribution	16,253	(9,209)	(9,094)	(2,050)	(6,682)
Amortisation & depreciation				(7,482)	
Foreign exchange				(1,273)	
Loss before tax				(10,805)	
Income tax benefit				1,419	
Loss after tax				(9,386)	

A\$'000	1H20			Total	US\$'000
	ANZ	NA	Unallocated		NA
Revenue	29,623	16,724	-	46,347	11,444
Total revenue	29,623	16,724	-	46,347	11,444
Capture cost amortisation	(3,050)	(11,563)	-	(14,613)	(7,914)
Storage, administration & other	(453)	(2,257)	-	(2,710)	(1,546)
Total cost of revenue	(3,503)	(13,820)	-	(17,323)	(9,460)
Gross profit	26,120	2,904	-	29,024	1,984
Gross margin %	88%	17%		63%	
Direct sales & marketing	(4,461)	(9,759)	-	(14,220)	(6,676)
Indirect sales & marketing	(2,456)	(3,818)	-	(6,274)	(2,613)
Total sales & marketing cost	(6,917)	(13,577)	-	(20,494)	(9,289)
General & administration	(5,619)	(4,698)	(9,720)	(20,037)	(3,171)
Overhead depreciation	(961)	(731)	(691)	(2,383)	(502)
Other income	-	-	615	615	-
Interest expense	-	-	(317)	(317)	-
Total general & administration	(6,580)	(5,429)	(10,113)	(22,122)	(3,673)
Segment contribution	12,623	(16,102)	(10,113)	(13,592)	(10,978)
Amortisation & depreciation				(5,130)	
Foreign exchange				(489)	
Loss before tax				(19,211)	
Income tax benefit				604	
Loss after tax				(18,607)	

Technology and Product

A\$'000	1H20	2H20	FY20	1H21	YoY %
Technology & product					
Development capex	(10,824)	(7,383)	(18,207)	(6,132)	43%
Maintenance opex	(8,681)	(8,452)	(17,133)	(8,082)	7%
Total	(19,505)	(15,835)	(35,340)	(14,214)	27%
Development technology & product spend as % of revenue	23.4%	14.7%	18.8%	11.2%	
Net investing activities					
Development capex	(10,824)	(7,383)	(18,207)	(6,132)	43%
Corporate capex	(2,965)	(1,463)	(4,428)	(222)	93%
Total	(13,789)	(8,846)	(22,635)	(6,354)	54%

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 (3-5 years). These amounts have decreased by \$1.3m in 1H21 compared to 2H20 reflecting the decrease in development work following the launch of AI and other key products during FY20. On the back of growing revenues, total Technology and Product spend as a proportion of revenue decreased to 11% in 1H21.

Maintenance expenditure represents the cash cost of servicing existing software and camera systems.

Consolidated statutory profit or loss

A\$'000	1H20	2H20	FY20	1H21	YoY %
Revenue	46,347	50,367	96,714	54,718	18%
Interest income	502	174	676	187	(63%)
Other income	113	10	123	507	349%
Total revenue	46,962	50,551	97,513	55,412	18%
Expenses					
Employee benefits expense	(27,760)	(28,782)	(56,542)	(29,051)	(5%)
Amortisation and depreciation	(22,126)	(24,572)	(46,698)	(22,955)	(4%)
Other operational expenses	(15,481)	(15,743)	(31,224)	(12,637)	18%
Total expenses	(65,367)	(69,097)	(134,464)	(64,643)	1%
Net finance (costs)/income	(806)	654	(152)	(1,574)	(95%)
(Loss)/profit before tax	(19,211)	(17,892)	(37,103)	(10,805)	44%
Income tax (expense)/benefit	604	(218)	386	1,419	135%
Loss after tax	(18,607)	(18,110)	(36,717)	(9,386)	50%

The results are extracted from the consolidated statement of comprehensive income.

Revenue – Revenue increased 18% pcp to \$54.7m (2H20: \$50.4m) reflecting the growth of the subscription ACV portfolio in both ANZ and NA.

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

Other income – Other income represents a gain on the sale of an unlisted investment.

Expenses – Key expense categories represent:

- Employee benefits expense represents the direct and indirect costs of employing Nearmap employees and Directors, including non-cash share-based payments expense. These costs in 1H21 were \$29.1m (2H20: \$28.8m), reflecting headcount stability on the back of the cash management initiatives implemented in 2H20. Salaries and associated costs were reduced by \$2.3m as a result of the 20% salary reduction to employees (25% to the Board) for the four months to 31 October 2020. This was offset by an increase to share based payments as salary foregone was offset in the form of restricted stock units (RSUs).
- Amortisation and depreciation reflect the expense applied to the Group's tangible and intangible assets.
- 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, administrative costs and other corporate expenses.

Tax – Tax benefit for the period was \$1.4m. Per the following table, the increased profitability and appreciated AUD reduced US losses from unrecognised deferred tax assets for the current period. As at 31 December 2020, the Group has a total unrecognised deferred tax asset of \$23.9m in respect of US tax losses (30 June 2020: \$25.9m), the decrease is due to the appreciation of the AUD versus USD. The Group has not recognised any further deferred tax assets in relation to the US tax losses in the current reporting period. There is a significant increase in the share-based payment expense, which is mainly driven by the RSU's issued under the COVID-19 Compensation Scheme.

A\$'000	1H20	2H20	FY20	1H21
Total profit/(loss) before tax	(19,211)	(17,892)	(37,103)	(10,805)
Prima facie tax benefit at 30%	5,763	5,368	11,131	3,242
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Effect of US tax rates	(947)	(1,467)	(2,414)	(853)
Share based payments expense	(400)	(1,209)	(1,609)	(1,502)
Entertainment expenses	(196)	81	(115)	9
Current year losses for which no deferred tax asset is recognised	(4,360)	(2,842)	(7,202)	(809)
Over provision in the prior year	744	(149)	595	1,332
Current year tax benefit/(expense)	604	(218)	386	1,419

Reconciliation of statutory net loss after tax to EBIT & EBITDA

A\$'000	1H20	2H20	FY20	1H21	YoY %
Loss after tax	(18,607)	(18,110)	(36,717)	(9,386)	50%
Income tax	(604)	218	(386)	(1,419)	135%
Interest income	(502)	(174)	(676)	(187)	(63%)
Interest expense	317	364	681	301	5%
Foreign exchange	489	(1,018)	(529)	1,273	(160%)
EBIT	(18,907)	(18,720)	(37,627)	(9,418)	50%
Amortisation & depreciation	22,126	24,572	46,698	22,955	(4%)
EBITDA	3,219	5,852	9,071	13,537	321%

Consolidated balance sheet

A\$'000	31 Dec 19	30 Jun 20	31 Dec 20
Current assets			
Cash and cash equivalents	49,621	36,140	129,323
Trade receivables	23,868	23,706	27,150
Other current receivables	3,195	612	2,525
Other current assets	3,761	3,180	5,484
Total current assets	80,445	63,638	164,482
Non-current assets			
Other non-current receivables	-	-	427
Property, plant and equipment	36,300	33,408	28,641
Intangible assets	48,443	47,415	42,613
Deferred tax assets	4,481	4,313	5,761
Total non-current assets	89,224	85,136	77,442
Total assets	169,669	148,774	241,924
Current liabilities			
Trade and other payables	4,758	5,574	6,823
Unearned revenue	49,158	49,576	52,326
Employee benefits	5,518	6,534	10,083
Lease liabilities	4,434	4,500	4,339
Other current liabilities	9,370	2,398	1,004
Current tax liabilities	834	1,220	1,804
Total current liabilities	74,072	69,802	76,379
Non-current liabilities			
Unearned revenue	-	-	901
Deferred tax liabilities	10,490	9,716	7,739
Employee benefits	433	379	489
Lease liabilities	11,751	9,896	7,519
Other non-current liabilities	1,348	2,233	2,123
Total non-current liabilities	24,022	22,224	18,771
Total liabilities	98,094	92,026	95,150
Net assets	71,575	56,748	146,774
Equity			
Contributed equity	125,870	126,577	221,343
Reserves	16,461	19,055	23,641
Profits reserve	7,078	7,078	7,078
Accumulated losses	(77,834)	(95,962)	(105,288)
Total equity	71,575	56,748	146,774

Key balance sheet items represent:

Cash – The Group’s cash balance increased to \$129.3m (30 June 2020: \$33.8m¹). The increase is mainly driven by the net proceeds from the capital raise in September 2020 and the Share Purchase Plan in October 2020.

Trade receivables – Amounts outstanding from customers were \$27.2m (30 June 2020: \$23.7m). The increase reflects the continued growth in ACV for the half. There was no discernible change to the cash collection cycle or debtor aging profile during the period.

Other current assets – The increase in this balance of \$2.3m vs 30 June 2020 represents an increase in general prepayments.

Plant and equipment and intangible assets – These balances represent fixed assets, camera assets, capitalised development costs, capitalised capture costs, right-of-use assets and intellectual property.

Unearned revenue – Subscriptions are invoiced upfront on an annual basis 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 increased by \$3.5m vs 30 June 2020 primarily due to the half year end commission accrual, the FY20 and 1H21 bonus accruals and an increase in the provision for annual leave.

Financing

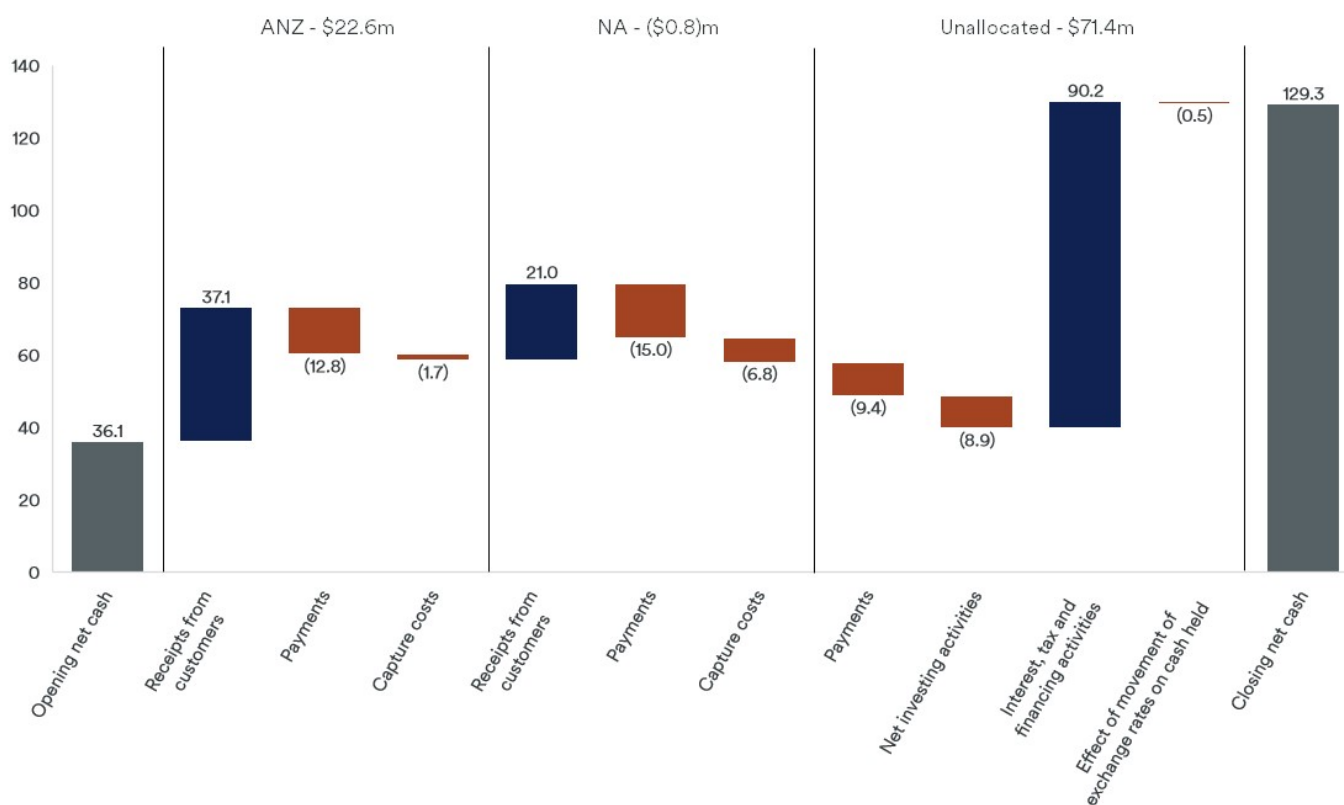
At 31 December 2020, Nearmap did not have any debt facilities in a place other than corporate credit card facilities. Funding for the Group’s operations is provided by the cash inflows from the group’s sales operations, interest on the Group’s cash holdings and the Group’s internal cash resources.

¹ Excludes bank guarantees of \$2.3m which were classified as cash on the Balance Sheet.

Consolidated operating cash flows

A\$'000	1H20	2H20	FY20	1H21	YoY %
Receipts from customers	46,647	53,542	100,189	58,119	25%
Payments to suppliers and employees	(46,501)	(40,789)	(87,290)	(37,173)	20%
Interest received	618	231	849	56	(91%)
Other receipts	-	10	10	-	
Income taxes received/(paid)	(1,551)	(119)	(1,670)	(1,363)	12%
Net cash used in operating activities	(787)	12,875	12,088	19,639	>100%
Net cash used in investing activities	(24,838)	(24,685)	(49,523)	(17,458)	30%
Net cash flows from financing activities	(655)	(1,674)	(2,329)	91,546	>100%
Effect of movement of exchange rates on cash held	(13)	3	(10)	(544)	<100%
Total movement	(26,293)	(13,481)	(39,774)	93,183	>100%

Cash flow waterfall



Key components of the 1H21 cash flows represent:

ANZ – The ANZ segment generated free cash flows of \$22.6m (2H20: \$14.5m), with cash receipts of \$37.1m offset by payments of \$14.5m for sales and marketing expenses, allocation of corporate expense payments, capture costs and related net GST payments.

NA – The NA segment consumed free cash flows of \$0.8m (2H20: \$6.0m), with cash receipts of \$21.0m offset by payments of \$21.8m on sales and marketing expenses, allocations of corporate expense payments, capture costs and related sales tax remittances.

Unallocated – The Unallocated segment generated cash flows of \$71.4m, reflecting:

- Payments for general and administrative costs of \$9.4m;
- Net investing activities consist of the following:
 - o Investment in fixed-term deposits \$ 2.3m
 - o Payments for development costs \$ 6.3m
 - o Purchase of plant and equipment \$ 0.8m
 - o Proceeds from sale of unlisted investment \$ 0.5m
- Net inflows of \$90.2m in interest, tax, lease payments, options exercised and the proceeds from the capital raise.

Appendices

Foreign exchange rates

The following exchange rates were applied during each period.

	Currency	1H20	2H20	FY20	1H21
Average rate	USD	0.6845	0.6579	0.6712	0.7230
Period end spot rate	USD	0.7006	0.6863	0.6863	0.7702
Average rate	NZD	1.0592	1.0499	1.0545	1.0174
Period end spot rate	NZD	1.0412	1.0703	1.0703	1.0665
Average rate	CAD	0.9037	0.8963	0.8999	0.9540
Period end spot rate	CAD	0.9144	0.9387	0.9387	0.9818

Pre-capitalisation segment note

A\$'000	1H20				1H21				YoY %
	ANZ	NA	Unallocated	Group	ANZ	NA	Unallocated	Group	
Revenue	29,623	16,724	-	46,347	33,004	21,714	-	54,718	18%
Total revenue	29,623	16,724	-	46,347	33,004	21,714	-	54,718	18%
Cost of sales (pre-capitalisation)									
Cash costs to capture	(2,409)	(9,619)	-	(12,028)	(1,731)	(6,735)	-	(8,466)	30%
Storage, administration & other	(453)	(2,257)	-	(2,710)	(598)	(3,655)	-	(4,253)	(57%)
Total cost of sales	(2,862)	(11,876)	-	(14,738)	(2,329)	(10,390)	-	(12,719)	14%
Gross profit (pre-capitalisation)	26,761	4,848	-	31,609	30,675	11,324	-	41,999	33%
Gross margin % (pre-capitalisation)	90%	29%		68%	93%	52%		77%	
Sales & marketing									
Direct sales & marketing	(4,461)	(9,759)	-	(14,220)	(4,049)	(7,895)	-	(11,944)	16%
Indirect sales & marketing	(2,456)	(3,818)	-	(6,274)	(4,345)	(4,716)	-	(9,061)	(44%)
Total sales & marketing costs	(6,917)	(13,577)	-	(20,494)	(8,394)	(12,611)	-	(21,005)	(2%)
Technology & product expensed	(885)	(907)	(6,889)	(8,681)	(830)	(1,161)	(6,091)	(8,082)	7%
Technology & product development costs ¹	-	-	(8,571)	(8,571)	-	-	(5,839)	(5,839)	32%
Total technology & product costs ²	(885)	(907)	(15,460)	(17,252)	(830)	(1,161)	(11,930)	(13,921)	19%
Corporate expensed	(4,734)	(3,791)	(2,831)	(11,356)	(3,341)	(2,502)	(2,505)	(8,348)	26%
Corporate development costs	-	-	(17)	(17)	-	-	-	-	
Total corporate costs	(4,734)	(3,791)	(2,848)	(11,373)	(3,341)	(2,502)	(2,505)	(8,348)	27%
Segment contribution (pre-capitalisation)	14,225	(13,427)	(18,308)	(17,510)	18,110	(4,950)	(14,435)	(1,275)	93%
Camera units ¹				(2,236)				(293)	87%
Corporate capex				(2,965)				(222)	93%
Total capex costs				(5,201)				(515)	90%
Other income				615				694	13%
Cash receipts from unearned income				7,124				3,651	(49%)
Capital raise net proceeds				-				92,728	
Other items				(11,321)				(2,100)	81%
Net increase/(decrease) in cash				(26,293)				93,183	454%

¹ \$0.2m of employment costs in 1H21 are capitalised to camera units on the balance sheet (1H20: \$1.0m)

² Technology & product costs exclude the costs of camera units

Glossary of terms

Term	Definition
ACV	Annual Contract Value – annual value of all active subscription contracts in effect at a particular date
ARPS	Average Revenue Per Subscription – Portfolio ACV divided by the total number of subscriptions
Churn	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 previously churned
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"> - Capture flights, processing and related staff costs are capitalised to the balance sheet and amortised to the income statement over a 2-year useful life. Depreciation of existing camera systems are also capitalised to the balance sheet and amortised to the income statement. - Administration, storage, data layers, maintenance and technical support are expensed as incurred
EBITDA	Earnings before interest, tax, depreciation, amortisation, realised and unrealised foreign exchange gains/losses
FTE	Full-time employee equivalent
Gross Margin (pre-capitalisation)	This represents the gross margin of revenue after deducting the cost of capture, processing and storage of the imagery before any such costs have been capitalised
Incremental ACV	$\text{New Business ACV} + \text{Net Upsell ACV} - \text{Churn ACV}$
LTV	Lifetime Value= $\text{ACV portfolio value} \times \text{Gross Margin: (pre-capitalisation \%)} / \text{Churn \%}$
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
PCP	Prior Comparative Period
Retention	ACV value of subscriptions renewed at the end of a customer's subscription period
STCR	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

