



# H1 FY18 ANALYST PACK

SIX MONTHS ENDED 31 DECEMBER 2017

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## Important Note

Information presented in the H1 FY18 Analyst Pack is presented on an operational basis (rather than statutory) to reflect a management view of the business. Nearmap Limited (ACN 083 702 907) also provides statutory reporting as prescribed under the Corporations Act 2001. The Nearmap Limited H1 2018 Financial Report is also available from Nearmap's website at [www.nearmap.com](http://www.nearmap.com).

The analyst pack is not audited. The statutory net loss after tax as disclosed in the consolidated profit and loss (page 6) has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. Nearmap's external auditors, KPMG, have reviewed the statutory net profit after tax as disclosed in the consolidated profit and loss.

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. While Nearmap has sought to ensure that information is accurate by undertaking a review process, it makes no representation 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.



21 February 2018

Dear Nearmap shareholders

We are pleased to again provide Nearmap's Analyst Pack for shareholders and investors summarising:

- Financial and operational metrics for the six months ended 31 December 2017; with
- Comparatives for the six months ended 31 December 2016 and 30 June 2017 respectively.

Operating segment summaries detail:

- **United States** – sales and marketing efforts in the United States;
- **Australia** – sales and marketing efforts in Australia;
- **Corporate** – holds all the IP and product "know-how" which allows Nearmap to deliver its product offering, being online aerial photomapping. The segment facilitates the day to day survey operations globally.

We regularly assess our business model to ensure that it reflects current operations and to ensure that our reporting is clear and transparent. During H1 FY18 we made two changes to our financial reporting:

1. The Group has determined that it can no longer reliably attribute camera system usage to specific images as the variety of applications for this data becomes increasingly sophisticated. Effective from 1 July 2017, depreciation of camera system assets is recognised directly in profit or loss rather than capitalised to capture costs.
2. The Group has tightened its definition of Cost of Revenue such that it now solely reflects the cost of imagery acquisition, processing and storage. This has resulted in a reallocation of costs between operating segments and from Cost of Revenue to Operating Expenses, but has no impact on Group EBIT or EBITDA.

We believe that both changes will assist shareholders and readers of our financial reports with greater clarity and insight into the operations of the Nearmap business.

The income statement and affected operating metrics for H1 and H2 FY17 in this Analyst Pack have been adjusted from 1 July 2016 for these changes. A comparison of restated to reported numbers is set out in more detail later in this Pack.

This pack is to be read in conjunction with the "Appendix 4D Half Year Report for the half year ended 31 December 2017" and the "Investor Briefing Half Year Results to 31 December 2017" released to the ASX on 21 February 2018.

We trust that you find this information useful and insightful.

Kind regards

A handwritten signature in blue ink, appearing to read "A Watt", with a stylized flourish at the end.

Andy Watt  
Chief Financial Officer  
Nearmap Ltd



## Group performance indicators

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in business model discussed on Page 20.

	H1 17	H2 17	FY17	H1 18
<b>Group ACV portfolio (AUD)</b>				
Opening ACV (\$'000)	36,411	41,250	36,411	46,959
New Business ACV	4,013	4,904	8,918	5,677
Net Upsell ACV	2,591	2,857	5,447	3,599
Churn ACV	(1,940)	(1,815)	(3,754)	(1,888)
<b>Net Incremental ACV</b>	4,665	5,946	10,611	7,388
FX Impact	175	(238)	(63)	(120)
<b>Closing ACV</b>	41,250	46,959	46,959	54,227
Group Revenue	19,426	21,639	41,065	24,677
Group Gross Margin (%)	87%	84%	85%	80%
12 month Churn (%)	*	10.3%	10.3%	9.0%
Closing ARPS (\$)	5,496	5,996	5,996	6,598
Portfolio LTV (\$'000s)	*	388,315	388,315	480,724
Opening Subscriptions	7,190	7,505	7,190	7,832
New Business Subscriptions	839	1,007	1,846	954
Churn Subscriptions	(524)	(680)	(1,204)	(567)
Closing Subscriptions	7,505	7,832	7,832	8,219
<b>Group Sales Team Contribution Ratio</b>	88%	92%	90%	97%
<b>Earnings</b>				
EBITDA Group (\$'000)	2,393	3,624	6,017	1,192
EBIT Group (\$'000)	(1,673)	(1,148)	(2,821)	(4,721)
Statutory NPAT	(3,513)	(3,161)	(6,674)	(6,500)
Operating cash flow (\$'000)	(1,115)	4,787	3,672	(3,312)

\* Rolling 12 month churn only reported from 30 June 2017

The key metrics which Nearmap manages represent the following:

**ACV** - Annualised Contract Value represents the annualised value of all active subscription contracts in effect at a particular date. Subscriptions in both Australia and the United States are typically for 12 month periods with customers paying the subscription in full up front. The revenue is recognised evenly over the subscription period. ACV is a key metric for the company, with the nature of the subscription model determining that incremental ACV will drive revenue growth in the subsequent financial period.

Group ACV grew by 15.5% to \$54.2M (30 June 2017: \$47.0M) with growth in both Australia and the United States. ACV performance in each territory is discussed in the segment results below.

**Sales Team Contribution Ratio (STCR)** – STCR represents the ratio of incremental ACV generated by a sales team in a period, compared to the direct costs of obtaining that incremental ACV. This measures how quickly the cost of acquiring a subscription is recovered from the subscription itself, with a ratio of greater than 33% generally seen as effective in a SaaS business (i.e. recovery of customer acquisition costs from customer revenues within a three year period).

Group STCR increased to 97% in H1 FY18 (H2 FY17: 92%), as the US STCR grew on the back of investment in sales and marketing, and AU STCR exceeded 100%.

**Churn** – Churn represents the ACV value of subscriptions which were not renewed by a customer at the end of a subscription period, offset by the value of recovered subscriptions previously churned. The churn percentage is calculated as a proportion of the opening ACV value in a 12 month period.

Group 12 month churn fell to 9.0% (FY17: 10.3%) reflecting the increasing focus placed on retaining the existing customer base.

**Subscriptions** – Subscriptions reflect the number of individual subscription contracts entered into by Nearmap customers, who range from small and medium businesses to large enterprises.

Group subscriptions increased to 8,219 (30 June 2017: 7,832) with growth in subscription numbers coming from both Australia and the United States.

**Average Revenue per Subscription (ARPS)** – ARPS represents the closing ACV portfolio value divided by the number of subscriptions.

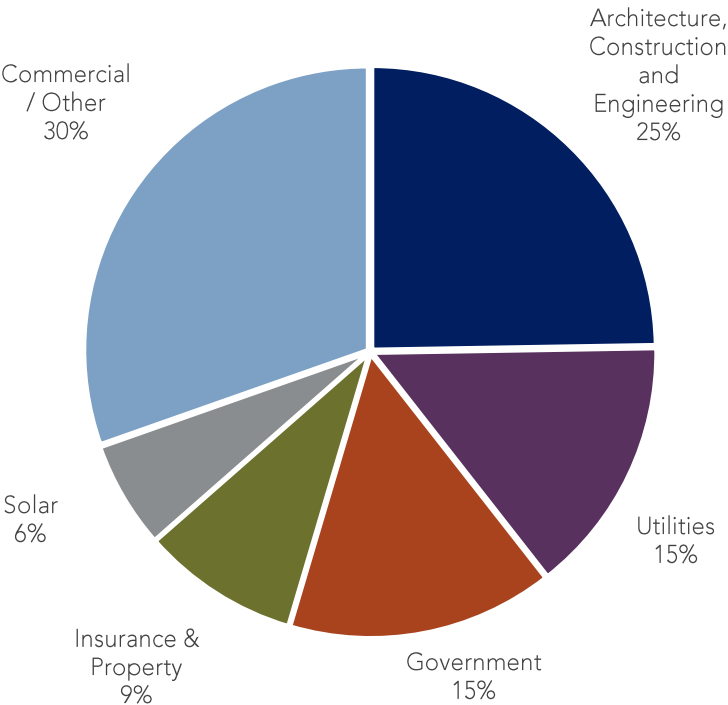
Group ARPS increased to \$6,598 (30 June 2017: \$5,996). This growth was experienced in both Australia and United States, with the majority of the growth coming in the United States from penetration of large enterprise customers.

**Portfolio Lifetime Value (LTV)** – Portfolio LTV is calculated as:

$$\frac{\text{ACV portfolio value} \times \text{Gross Margin \%}}{\text{Churn \%}}$$

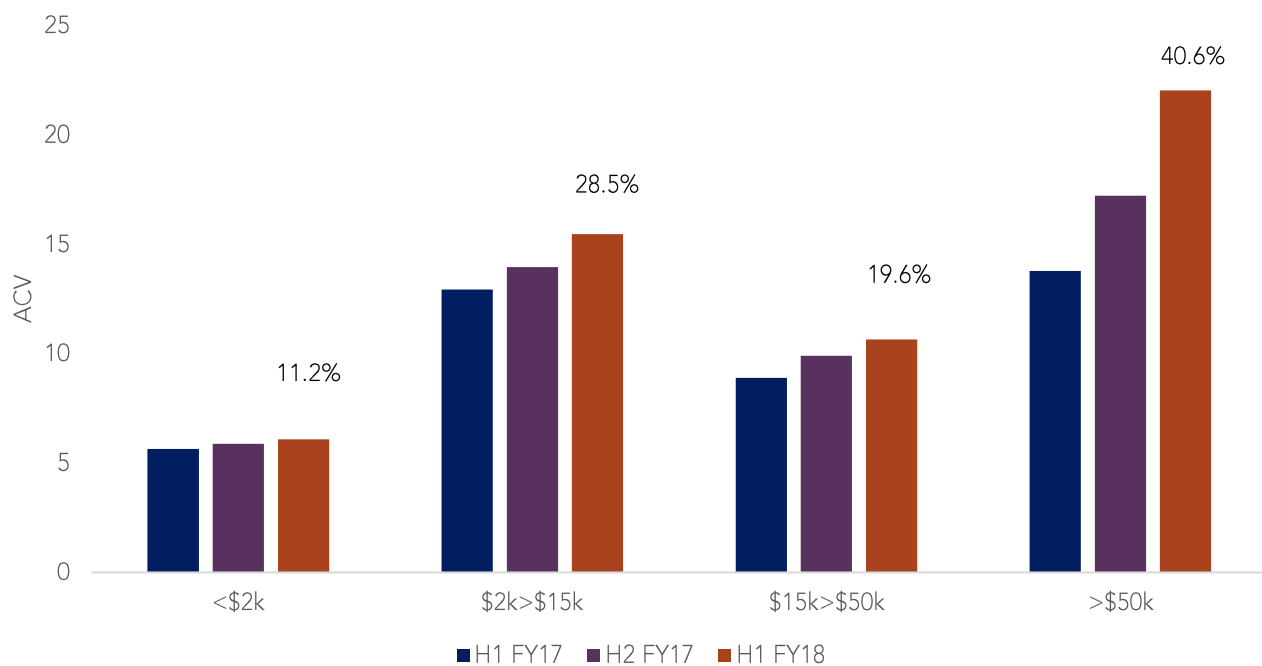
Group Portfolio LTV increased to \$480.7M (FY17: \$388.3M). This reflects the growing size of the Group ACV portfolio and the reduction in subscriber churn.

**Group ACV portfolio by industry (%)**



The Group ACV portfolio is diversified across key focus industries, with the largest sector (Architecture, Construction and Engineering) accounting for 25% of the portfolio. Notably, 30% of the Group portfolio is generated from subscribers in other industry sectors, demonstrating the broad range of application of Nearmap’s content for commercial purposes.

**Group ACV by subscription size (AUD\$M)**



Growth in the Group ACV portfolio continued to be generated across the range of subscription sizes, from SMEs through to large enterprise customers. The largest growth was seen in subscriptions greater than \$50k in value as the US operations contributed significant enterprise subscriptions during the half.

## FTE Breakdown

As at 31 December 2017

	Distribution	Product / Technology / Capture	Corporate	Group
Australia	35	70	35	140
United States	36	7	6	49
Total	71	77	41	189

As at 30 June 2017

	Distribution	Product / Technology / Capture	Corporate	Group
Australia	27	56	33	116
United States	35	6	5	46
Total	62	62	38	162

## Consolidated statutory profit and loss

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in business model discussed on Page 20.

AUD\$'000	H1 17	H2 17	FY17	H1 18
Revenue	19,170	21,423	40,593	24,413
Other income	256	216	472	264
Total Revenue	19,426	21,639	41,065	24,677
Expenses				
Employee benefits expense	(11,216)	(11,525)	(22,741)	(14,724)
Amortisation and depreciation	(4,066)	(4,772)	(8,838)	(5,913)
Net foreign exchange differences	(225)	(250)	(475)	(226)
Other operational expenses	(5,606)	(6,309)	(11,915)	(8,563)
Total expenses	(21,113)	(22,856)	(43,969)	(29,426)
(Loss) / profit before tax	(1,687)	(1,217)	(2,904)	(4,749)
Income tax expense	(1,826)	(1,944)	(3,770)	(1,751)
Loss after tax	(3,513)	(3,161)	(6,674)	(6,500)

**Revenue** – Revenue primarily represents subscription revenue recognised over the life of the underlying subscription contract with the customer in each respective financial period. Group revenues increased 13.8% to \$24.4M (H2 FY17: \$21.5M) reflecting the growth of the subscription ACV portfolio in both Australia and the United States.

**Other income** – Other income primarily represents interest earned by the company on its cash deposit holdings.

**Expenses** – Key expense categories represent:

- Employee benefits expense represents the direct and indirect costs of employing Nearmap staff and directors, including non-cash share based payments expense. These costs in H1 FY18 were \$14.7M (H2 FY17: \$11.5M), driven by an increase in headcount and activity across the business.
- Amortisation and depreciation reflects the expense applied to the Group's tangible and intangible assets. A reconciliation of amortisation and depreciation is set out in the Corporate Segment section of this Analyst Pack.
- Net foreign exchange differences (unrealised) represent the translation of the foreign denominated bank account balance (USD) held in Australia from foreign currency into functional currency (AUD).
- Other operational expenses represent other costs incurred by the Group in its operations, including flight capture costs, cloud based processing and storage costs, rental of office space, travel, administrative costs and other corporate expenses.

**Tax** – Tax expense for the period was \$1.8m (H1 FY17: \$1.8M). Per the following table, the main component of this is current year losses for which no deferred tax asset is recognised. As at 31 December 2017, the Company has an unrecognised tax loss of \$9.0m relating to the operating losses in the US. The Company has not recognised any further deferred tax assets in relation to US tax losses in the current reporting period.

AUD\$'000	H1 FY17	H2 FY17	FY17	H1 FY18
Total loss before tax	(1,127)	(407)	(1,534)	(4,749)
Prima facie tax benefit at 30%	338	122	460	1,425
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Effect of US tax rates	700	(35)	665	(540)
R&D grant	133	4	137	68
Share based payments expense	(253)	(151)	(404)	(209)
Entertainment expenses and other permanent differences	(52)	12	(40)	3
Recognition of previously unrecognised deductible temporary difference	-	801	801	-
Current year losses for which no deferred tax asset is recognised	(2,692)	(4,063)	(6,755)	(2,498)
Over provision in the prior year	-	1,366	1,366	-
Current year tax expense	(1,826)	(1,944)	(3,770)	(1,751)



## Consolidated balance sheet

AUD\$'000	31-Dec-16	30-Jun-17	31-Dec-17
<b>Current assets</b>			
Cash and cash equivalents	28,395	28,338	20,642
Trade receivables	7,729	7,051	9,699
Other current assets	1,862	1,532	4,836
<b>Total current assets</b>	<b>37,986</b>	<b>36,921</b>	<b>35,177</b>
<b>Non-current assets</b>			
Plant and equipment	8,148	10,610	11,758
Intangible assets	20,026	24,824	29,696
Deferred tax assets	2,690	2,060	2,239
<b>Total non-current assets</b>	<b>30,864</b>	<b>37,494</b>	<b>43,693</b>
<b>Total assets</b>	<b>68,850</b>	<b>74,415</b>	<b>78,870</b>
<b>Current liabilities</b>			
Trade and other payables	1,040	1,609	2,441
Unearned income	21,075	25,171	29,010
Employee benefits	2,212	2,441	3,382
Current tax liabilities	223	298	337
Other current liabilities	1,313	2,039	3,144
<b>Total current liabilities</b>	<b>25,863</b>	<b>31,558</b>	<b>38,314</b>
<b>Non-current liabilities</b>			
Employee benefits	173	105	153
Deferred tax liabilities	4,407	5,594	7,356
Other non-current liabilities	-	-	1,121
<b>Total non-current liabilities</b>	<b>4,580</b>	<b>5,699</b>	<b>8,630</b>
<b>Total liabilities</b>	<b>30,443</b>	<b>37,257</b>	<b>46,944</b>
<b>Net assets</b>	<b>38,407</b>	<b>37,158</b>	<b>31,926</b>
<b>Equity</b>			
Contributed equity	50,441	51,446	51,885
Reserves	11,570	11,667	12,496
Profits reserve	7,078	7,078	7,078
Accumulated losses	(30,682)	(33,033)	(39,533)
<b>Total equity</b>	<b>38,407</b>	<b>37,158</b>	<b>31,926</b>

Key balance sheet items represent:

**Cash** – The group's cash holdings decreased to \$20.6M (30 June 2017: \$28.3M). A breakdown of the movement in the cash balance is shown in the following section.

**Trade receivables** – Amounts outstanding from customers were \$9.7M (30 June 2017: \$7.0M). This increase reflects receivables from significant subscriptions billed in the last month of H1 FY18.

**Other current assets** – The increase in this balance of \$3.3M represents a \$1.3M rental deposit on the Company's new head office lease, a \$1.2M receivable related to the fit-out of the head office, together with an asset related to a rent free period on the head office.

**Plant and equipment and intangible assets** – These balances represent fixed assets, camera assets, capitalised development costs and capitalised capture costs. A reconciliation of amortisation and depreciation is set out in the Corporate segment overview in the following section.

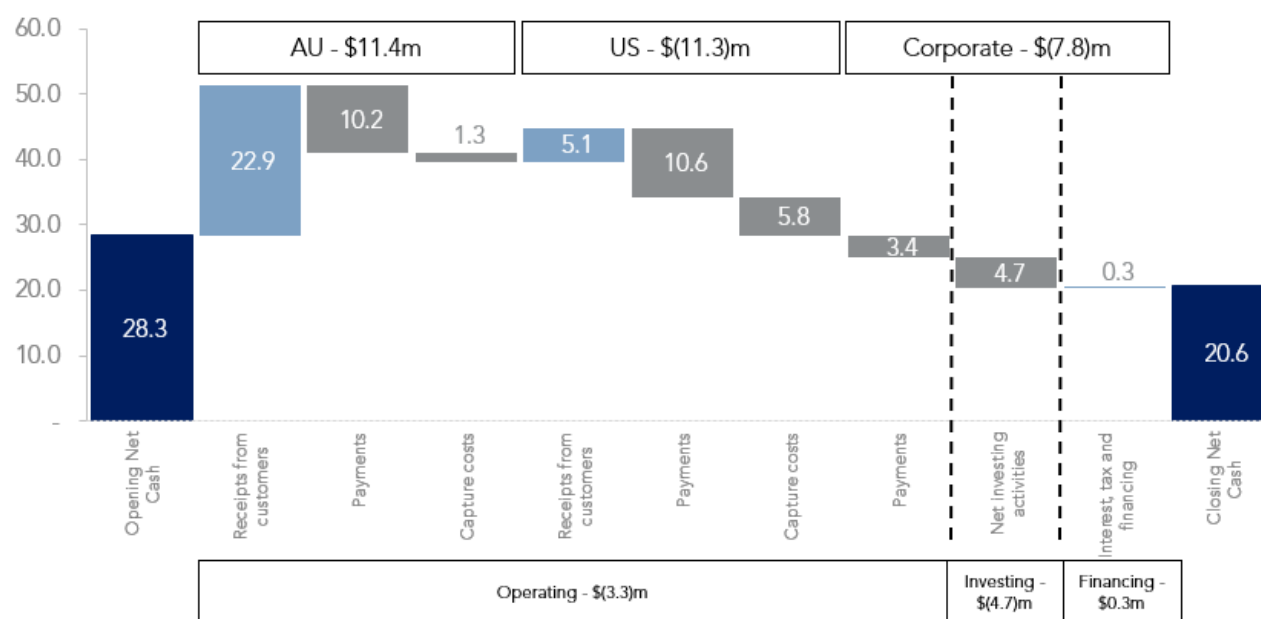
**Unearned income** – Customer subscriptions are invoiced in full at the commencement of a subscription, with the balance initially recorded to unearned income and subsequently amortised to the income statement over the period of the subscription.

**Other current and non-current liabilities** – General accruals have increased \$1.0M (related to the timing of invoices for the Group's capture program) together with a lease incentive liability of \$1.4M.

## Consolidated operating cash flow

\$'000	H1 17	H2 17	FY17	H1 18
Receipts from customers	19,728	28,288	48,016	27,986
Payments to suppliers and employees	(21,063)	(23,678)	(44,741)	(31,358)
Interest received	175	171	346	204
Other receipts	45	28	73	21
Income taxes received / (paid)	-	(22)	(22)	(165)
Net cash from operating activities	(1,115)	4,786	3,672	(3,312)
Net cash from investing activities	(4,440)	(5,677)	(10,117)	(4,693)
Net cash from financing activities	21,662	1,005	22,667	439

### Cash flow waterfall\*



\*Financing cash flows of \$0.3M include \$0.2M of interest and other receipts classified as operating activities in the statutory cash flow

Key components of the H1 FY18 cash flows represent:

**Australia** – The AU segment generated free cash flows of \$11.4M, with cash receipts of \$22.9M offset by payments of \$11.5M for sales and marketing expenses, allocation of corporate expense payments, capture costs and related net GST payments.

**United States** – The US segment consumed free cash flows of \$11.3M, with cash receipts of \$5.1M offset by payments of \$16.4M on sales and marketing expenses, allocations of corporate expense payments, capture costs and related sales tax remittances.

**Corporate** – The Corporate segment consumed free cash flows of \$7.8M, reflecting:

- Payments for general and administrative costs of \$3.4M;
- Payment for product and technology capital investment of \$4.7M; and
- Net receipt of \$0.3M in interest, tax and financing.

## Segment Performance

The segment results for the business for H1 FY18 (with H1 FY17 and H2 FY17 as a comparative) are set out in the tables below, with individual segment performance set out further below.

Group segment results are summarised below. The US segment discussion is presented in USD, and these USD results have been converted to AUD at the applicable exchange rates for each period, as set out in the tables below.

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in accounting estimates discussed on Page 21.

### Segment Performance

	H1 FY17				USD\$'000
AUD\$'000	Australia	USA	Corporate	Total	USA
Total revenue	17,741	1,429	256	19,426	1,080
Cost of revenue	(961)	(1,591)	-	(2,551)	(1,202)
Gross profit	16,780	(162)	256	16,875	(122)
Direct sales & marketing	(2,719)	(2,578)	-	(5,297)	(1,949)
Indirect sales & marketing	(1,294)	(1,042)	-	(2,336)	(788)
General & administration	(2,656)	(2,719)	(3,129)	(8,504)	(2,053)
Segment contribution	10,112	(6,501)	(2,873)	737	(4,912)
Amortisation & depreciation				(2,198)	
Interest expense				(1)	
FX gain / (loss)				(225)	
Income tax expense				(1,826)	
Profit / (loss) after tax				(3,513)	

	H1 FY18				USD\$'000
AUD\$'000	Australia	USA	Corporate	Total	USA
Total revenue	20,623	3,790	264	24,677	2,944
Cost of revenue	(1,268)	(3,715)	-	(4,983)	(2,887)
Gross profit	19,355	75	264	19,694	57
Direct sales & marketing	(3,275)	(4,317)	-	(7,592)	(3,337)
Indirect sales & marketing	(1,299)	(1,846)	-	(3,145)	(1,446)
General & administration	(3,383)	(3,264)	(3,949)	(10,596)	(2,539)
Segment contribution	11,398	(9,352)	(3,685)	(1,639)	(7,267)
Amortisation & depreciation				(2,883)	
Interest expense				(1)	
FX gain / (loss)				(226)	
Income tax expense				(1,751)	
Profit / (loss) after tax				(6,500)	

## US Segment

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

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

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in business model discussed on Page 20.

USD\$'000	H1 17	H2 17	FY17	H1 18
Opening ACV (\$'000)	1,493	3,072	1,493	5,307
New Business ACV	1,320	2,066	3,386	2,332
Net Upsell ACV	294	435	729	1,061
Churn ACV	(35)	(267)	(302)	(222)
Net Incremental ACV	1,579	2,234	3,813	3,170
Closing ACV	3,072	5,307	5,307	8,477
Opening Subscriptions	363	486	363	605
New Business Subscriptions	143	176	319	173
Churn Subscriptions	(20)	(57)	(77)	(36)
Closing Subscriptions	486	605	605	742
ACV 12 month Churn (%)	*	20.2%	20.2%	15.9%
Closing ARPS (\$)	6,322	8,771	8,771	11,425
Capture Cost Amortisation	761	955	1,716	1,570
Storage, Administration & Other	441	700	1,141	1,317
Cost of Revenue	1,202	1,655	2,857	2,887
Cash Capture Costs	2,236	3,119	5,355	4,561
Revenue	1,080	2,162	3,242	2,944
Cost of Revenue	(1,202)	(1,655)	(2,857)	(2,887)
Gross Margin	(122)	507	385	57
Gross Margin (%)	(11%)	23%	12%	2%
Direct Sales Cost	(1,949)	(2,539)	(4,488)	(3,337)
Sales Team Contribution Ratio (%)	81%	88%	85%	95%
Indirect Sales Cost	(788)	(907)	(1,695)	(1,446)
Total Sales & Marketing Cost	(2,737)	(3,446)	(6,183)	(4,785)
Overheads	(2,053)	(1,927)	(3,980)	(2,539)
Segment Contribution	(4,912)	(4,866)	(9,778)	(7,267)
Segment Contribution %	(455%)	(225%)	(302%)	(247%)

\* - Rolling 12 month churn only reported from 30 June 2017



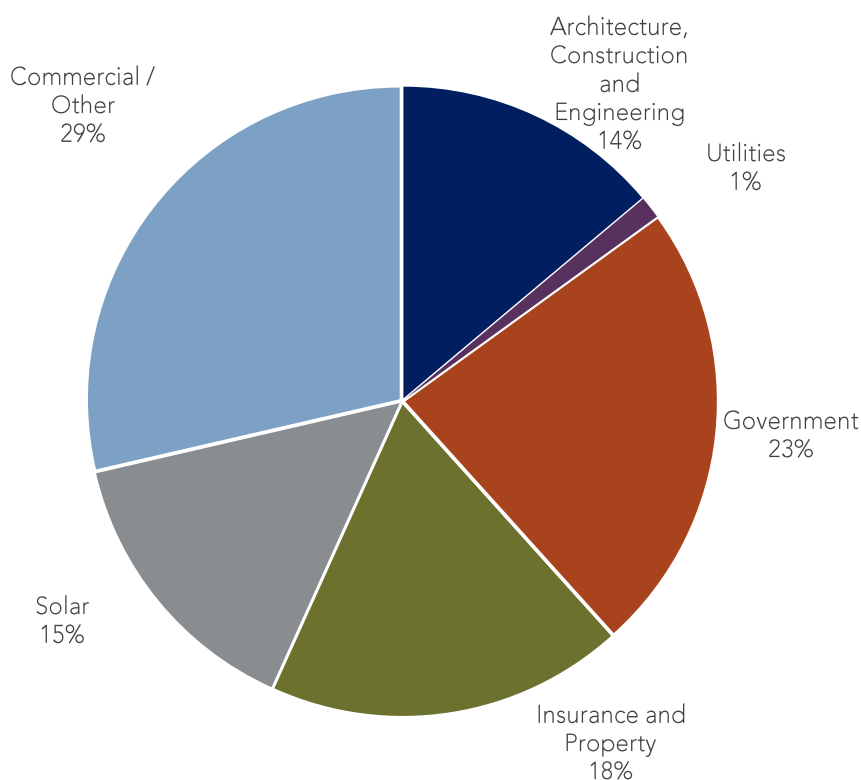
## US ACV Portfolio

During H1 FY18, the US ACV portfolio increased from \$5.3M to \$8.5M. The components of this growth represent:

- **New Business** of \$2.3M reflected the strategic effort to target larger enterprise customers and increasing effectiveness of the sales and marketing effort.
- **Upsell** of \$1.1M reflects the first substantial half year of upsell, representing 20% of the 1 July 2017 opening portfolio.
- **Customer churn** for the 12 months to 31 December 2017 (representing the dollar value of subscriptions not renewed in a 12 month period compared to the opening ACV value) was 15.9% (FY17: 20.2%), having been impacted by the acquisition of a Nearmap partner by a competitor in H2 FY17 and the non-renewal of their subscription.

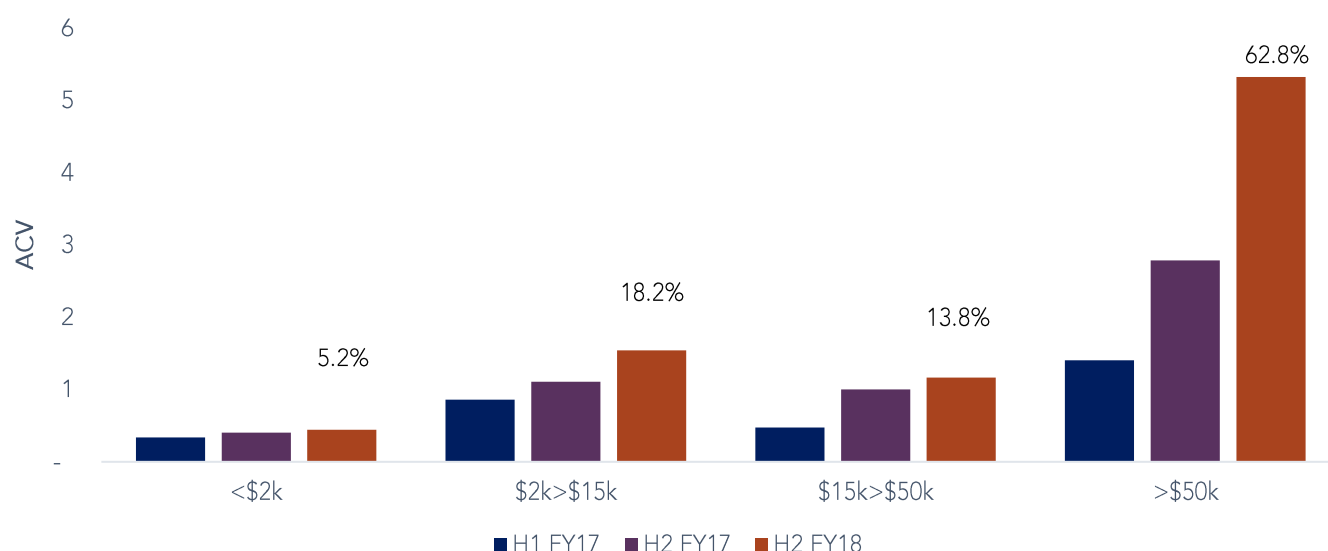
The **number of subscriptions** grew by 22.6% to 742 (30 June 2017: 605), while the **average revenue per subscription** increased to \$11,425 (30 June 2017: \$8,771), reflecting the growth in larger subscriptions with enterprise customers in the United States during H1 FY18.

## Customer portfolio at 31 December 2017 by industry segment



The portfolio is **diversified across customer industries**, with the two largest segments being Commercial / Other (29%) and Government (23%), with the majority of top ten customers in those industry segments at 31 December 2017. Insurance and Property (18%), Solar (15%), and ACE – Architecture, Construction and Engineering (14%) represent the next largest customer industry segments.

## ACV portfolio by subscription size (USD\$M)



All **subscription size categories** demonstrated growth during H1 FY18. The US portfolio has a greater weighting towards larger enterprise subscriptions, with subscriptions to small and medium enterprises (representing subscriptions below \$15,000 p.a.) representing 23% of the portfolio at 31 December 2017, and those to enterprise customers (subscriptions greater than \$15,000 p.a.) being 77%.

## Financial Performance

**US revenue** grew to \$2.9M (H2 FY17: \$2.2M) reflecting the growth in the ACV portfolio. In addition, a small amount of revenue was earned from strategic partners who complement our direct sales efforts.

**Cash costs of capture** have increased from \$3.1M (H2 FY17) to \$4.6M, reflecting the expanded capture footprint and ramp up of HyperCamera2 surveys. **Cost of revenue** has been driven by this increased capture cost. **Gross margins** were 2% in H1 FY18.

**Direct sales costs** have increased to \$3.3M reflecting the full half-year impact of increased headcount in the sales and marketing function, together with increased targeted marketing activities. The performance of the US sales team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in H1 FY18, compared to the direct cost of the sales and marketing effort) was 95% (H2 FY17: 88%) reflecting the increased scale and efficiency of the US sales and marketing efforts.

**Indirect sales & marketing costs** (primarily reflecting sales management and administration functions) were \$1.4M (H2 FY17: \$0.9M). This increase primarily reflects investment in sales training, channel partner efforts and post-sales customer support.

**Overheads** primarily represent the allocation of Corporate costs based on usage and activity. These were \$2.5M (H2 FY17: \$1.9M).

**US Segment Contribution** was \$(7.3)M (H2 FY17: \$(4.9)M).

## AU Segment

The Australia segment is responsible for all sales and marketing efforts in Australia.

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in business model discussed on Page 20.

AUD\$'000	H1 17	H2 17	FY17	H1 18
Adjusted Opening ACV (\$'000)	34,400	37,004	34,400	40,036
New Business ACV	2,291	2,209	4,500	2,688
Net Upsell ACV	2,207	2,289	4,497	2,239
Churn ACV	(1,894)	(1,467)	(3,361)	(1,603)
Net Incremental ACV	2,604	3,031	5,636	3,324
Closing ACV	37,004	40,036	40,036	43,359
Opening Subscriptions	6,827	7,019	6,827	7,227
New Business Subscriptions	696	831	1,527	781
Churn Subscriptions	(504)	(623)	(1,127)	(531)
Closing Subscriptions	7,019	7,227	7,227	7,477
ACV 12 month Churn (%)	*	9.8%	9.8%	8.3%
Closing ARPS (\$)	5,272	5,540	5,540	5,799
Capture Cost Amortisation	396	516	913	752
Storage, Administration & Other	564	658	1,222	516
Cost of Revenue	961	1,174	2,135	1,268
Cash Capture Costs	850	1,418	2,269	1,349
Revenue	17,741	18,551	36,292	20,623
Cost of Revenue	(961)	(1,174)	(2,135)	(1,268)
Gross Margin	16,780	17,377	34,157	19,355
Gross Margin (%)	95%	94%	94%	94%
Direct Sales Cost	(2,719)	(3,116)	(5,835)	(3,275)
Sales Team Contribution Ratio (%)	96%	97%	97%	101%
Indirect Sales Cost	(1,294)	(717)	(2,011)	(1,299)
Total Sales & Marketing Cost	(4,013)	(3,834)	(7,846)	(4,574)
Overheads	(2,656)	(2,518)	(5,174)	(3,383)
Segment Contribution	10,112	11,027	21,137	11,398
Segment Contribution %	57%	59%	58%	55%

\* Rolling 12 month churn only reported from 30 June 2017

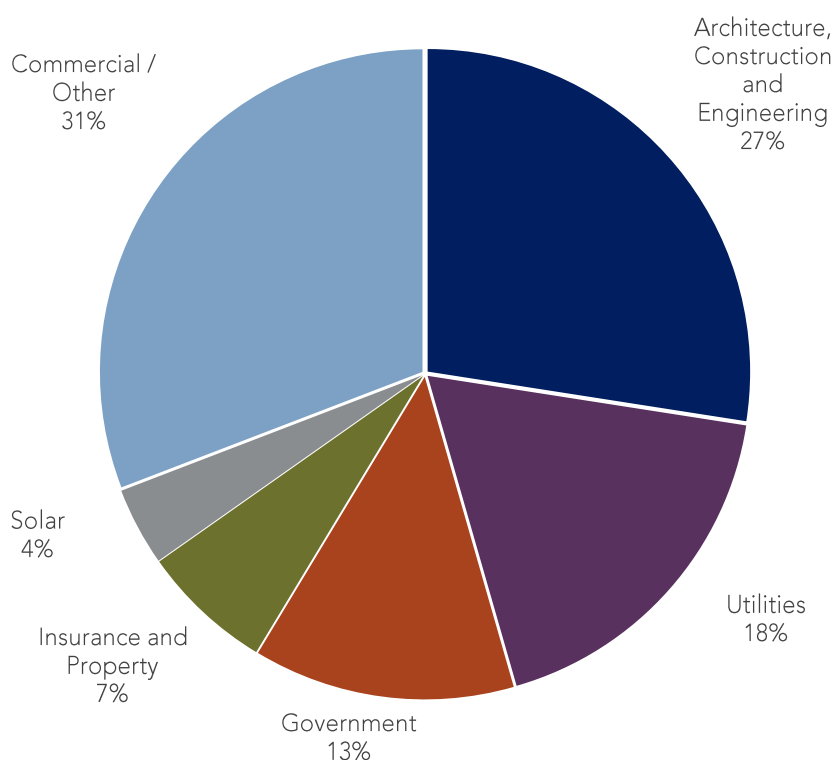
## AU ACV Portfolio

During H1 FY18, the Australian ACV portfolio grew by 8.3% from \$40.0M to \$43.4M. The components of this growth represent:

- **New Business** of \$2.7M reflects implementation of more targeted marketing and structured sales approach of the new strategic sales and marketing leadership.
- **Upsell** of \$2.2M reflects deeper integration of Nearmap content into the existing customer base.
- **Customer churn** (representing the dollar value of subscriptions not renewed in a 12 month period compared to the opening ACV value) for the 12 months to 31 December 2017 was 8.3% (12 months to 30 June 2017: 9.8%), with churn concentrated amongst customers in the SME category with lower value subscriptions.

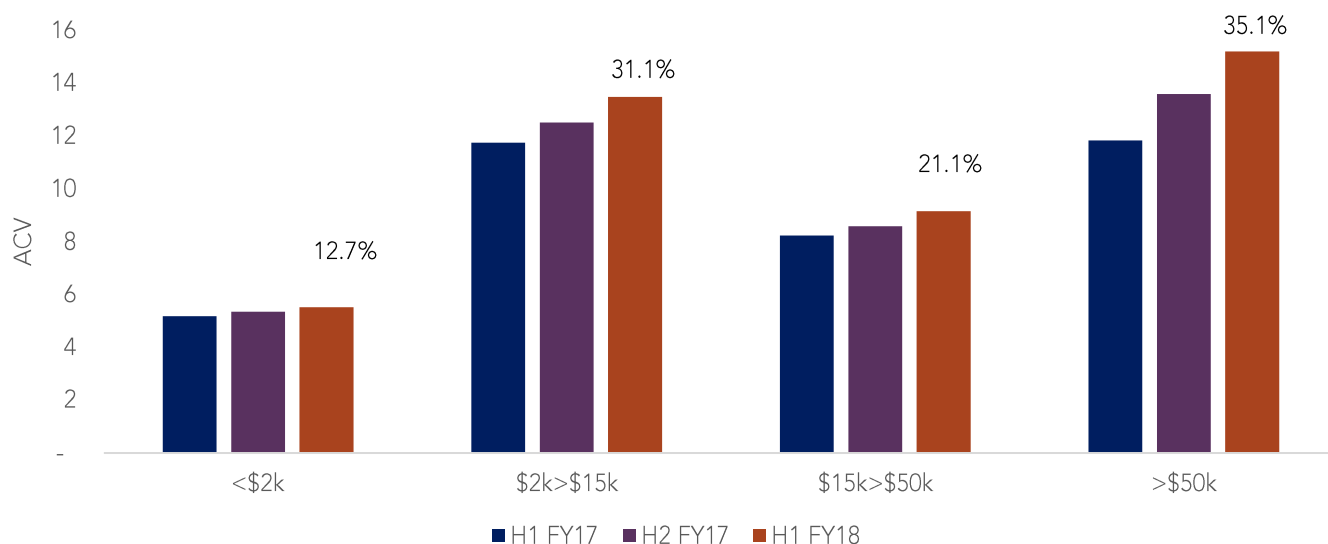
The **number of subscriptions** grew by 4% to 7,477 (30 June 2017: 7,227), while the **average revenue per subscription** grew 4.7% to \$5,799 (30 June 2017: \$5,540), demonstrating the increased value to customers of Nearmap's subscription content.

## Customer portfolio at 31 December 2017 by industry segment



The portfolio is **diversified across customer industries**, with the largest segments other than Commercial Enterprises (31%) being ACE – Architecture, Construction and Engineering (27%), Utilities (18%) and Government (13%).

## ACV portfolio by subscription size (AUD\$M)



The ACV portfolio is diversified across **a range of businesses in size**, with subscriptions to small and medium enterprises (representing subscriptions below \$15,000 p.a.) representing 43.8% of the portfolio at 31 December 2017, and those to enterprise customers (subscriptions greater than \$15,000 p.a.) being 56.2%. All subscription size categories demonstrated growth during H1 FY18.

## Financial Performance

**AU revenue** grew by 11% to \$20.6M (H2 FY17: \$18.6M) reflecting the growth in the ACV portfolio.

**Cost of revenue** has to \$1.3M, primarily reflecting the expanded capture program. Cash capture costs were \$1.3M in H1 FY18 (H2 FY17: \$1.4M), incorporating an increased capture footprint as well as the HyperCamera 2 capture program. **Gross margins** have remained consistent at 94%.

**Direct Sales Costs** have increased to \$3.3M reflecting primarily by increased sales headcount focussed on larger enterprise accounts and also government. The performance of the AU sales team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in H1 FY18, compared to the direct cost of the sales and marketing effort) was 101% (H2 FY17: 97%).

**Indirect sales & marketing** costs (primarily reflecting sales management and administration functions) were \$1.3M (H2 FY17: \$0.7M – impacted by the non-cash write backs of share based payments for senior Australian sales management staff who departed during H2 FY17).

**Overheads** represent the allocation of Corporate costs based on usage and activity. These were \$3.4M (H2 FY17: \$2.5M).

**AU Segment Contribution** was \$11.4M, 55% of revenue (H2 FY17: \$11.0M, 59% of revenue).



## Corporate Segment

The Corporate segment holds all the IP and product “know-how” which allows Nearmap to deliver its product offering, being online aerial photomapping. The segment facilitates the day to day survey operations globally.

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in business model discussed on Page 20.

\$'000	H1 17	H2 17	FY17	H1 18
Interest income	211	178	389	199
Other income	45	38	83	65
Total Revenue	256	216	472	264
Total General & Administrative Costs	(8,504)	(8,308)	(16,812)	(10,596)
- Allocation AU	(2,656)	(2,518)	(5,174)	(3,383)
- Allocation US	(2,719)	(2,563)	(5,281)	(3,264)
Corporate General & Administration Costs	(3,129)	(3,227)	(6,356)	(3,949)
Segment Contribution	(2,873)	(3,011)	(5,884)	(3,685)
Product, Engineering & Technology				
- Development CAPEX	4,069	5,451	9,520	4,343
- Maintenance OPEX	2,867	2,816	5,683	4,032
Total	6,936	8,267	15,203	8,376
Development Product & Technology spend as % of revenue	21.2%	25.4%	23.4%	17.8%
Net Investing Activities				
Development CAPEX	4,069	5,451	9,520	4,343
Corporate CAPEX	404	203	607	429
Total	4,473	5,654	10,127	4,772

### General & Administrative Costs

Corporate costs represent the administrative cost of running the Product, Technology & Engineering functions, as well as running the business (including Finance, internal IT, Human Resource, Corporate functions and the Nearmap Board). These costs are largely expensed as incurred and allocated to the three operating segments based on activity and usage. In H1 FY18, the costs remaining after allocation to the US and Australia have increased to \$4.0M in H1 (H2 FY17: \$3.2M), reflecting an increase in non-capitalised product & technology headcount, together with the impact of the change to cost of revenue and related general & administrative expense (discussed further below).

### Product and technology

**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. These amounts have decreased by \$1.1M in H1 FY18. This reflects a \$1.5M reduction in the manufacture of Hypercamera 2 systems (compared to H2 FY17), offset by \$0.4M increased development work on systems and software such as the oblique and 3D product suite. This spend as a proportion of revenue has decreased to 17.8% in H1 FY18.

**Maintenance expenditure** represents the cash cost of servicing existing software and camera systems. These costs are expensed to the segments as follows:

- Maintenance of camera systems expensed to cost of revenue in the respective distribution segments
- Maintenance of software and systems expensed to general and administration expenses, allocated to the three operating segments based on activity and usage.

These costs increased to \$4.0M reflecting the increased servicing required on a growing fleet of camera systems and related software applications.

## Amortisation & Depreciation

The components of amortisation and depreciation are set out in the table below, including a reconciliation to the movement in current year accumulated depreciation in the balance sheet. The depreciation of camera systems is recapitalised to the capture cost asset and amortised over the 5 year life of that asset. H1 and H2 of FY17 reflect reported numbers and have not been restated for the changes in accounting estimates discussed on Page 20.

### Reconciliation of amortisation and depreciation

AUD\$'000	H1 FY17	H2 FY17	FY17	H1 FY18
Capture Costs	1,560	2,082	3,642	2,774
Development Costs	1,632	1,556	3,188	1,798
Camera Systems	555	896	1,451	1,057
Office Equipment & Furniture	237	245	482	78
Other	237	240	477	206
Current Year accumulated amortisation & depreciation (Balance Sheet)	4,221	5,019	9,240	5,913
Capitalisation of amortisation & depreciation	(716)	(1,056)	(1,772)	-
Statutory Amortisation & Depreciation (P&L)	3,506	3,962	7,468	5,913

AUD\$'000	H1 FY17	H2 FY17	FY17	H1 FY18
Capture Cost Additions				
AU				
Cash cost of capture	850	1,418	2,269	1,349
Capitalisation of amortisation & depreciation	229	369	598	-
	1,079	1,787	2,867	1,349
US				
Cash cost of capture	2,953	4,147	7,100	5,847
Capitalisation of amortisation & depreciation	487	687	1,174	-
	3,440	4,834	8,274	5,847
Group				
Cash cost of capture	3,804	5,566	9,370	7,196
Capitalisation of amortisation & depreciation	716	1,056	1,772	-
Additions per Statutory Balance Sheet	4,520	6,622	11,142	7,196

## Financing

At 31 December 2017, Nearmap did not have any debt facilities in 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.

## Pro-forma impact of changes in business model

In preparing the consolidated financial statements, the judgements made by the Company in applying the Group's accounting policies are the same as those applied to the consolidated financial statements for the year ended 30 June 2017, with the exception of the following two items:

**Camera system asset depreciation no longer capitalised to capture costs** – Effective from 1 July 2017, depreciation of camera system assets is recognised directly in the profit and loss rather than capitalised to capture costs. Based on the expected pattern of consumption of assets used in the generation of aerial images, the Group has determined that it can no longer reliably attribute camera system usage to specific images as the variety of applications for this data becomes increasingly sophisticated.

**Cost of Revenue solely reflects cost of imagery capture, processing and storage** – Effective from 1 July 2017, Cost of Revenue will continue to reflect the direct costs of the Group's capture program, namely:

- Amortisation of capture cost assets (capitalised when incurred and amortised on a straight line basis over a 5 year useful life); and
- Cost of storing and processing imagery, and the administrative costs (primarily staff) of coordinating the Group's capture program.

Other expenses included within Cost of Revenue prior to 1 July 2017 (technical product enablement and various customer and operational systems) are included in General & Administrative Costs from 1 July 2017. This reallocation of costs does not impact Group EBITDA or EBIT.

These changes are effective from 1 July 2017, and to illustrate the pro-forma impact of these changes on the two comparable half year periods in FY17, key financial metrics for these periods have been restated as indicated in the tables below as if the changes had taken place as at 1 July 2016.

FY17												
AUD\$'000	Australia			US			Corporate			Total		
	Old	New	Var	Old	New	Var	Old	New	Var	Old	New	Var
Total revenue	36,292	36,292	-	4,301	4,301	-	472	472	-	41,065	41,065	-
Cost of revenue	(3,538)	(2,135)	1,403	(4,578)	(3,848)	730	-	-	-	(8,116)	(5,983)	2,133
Gross profit	32,754	34,157	1,403	(277)	453	730	472	472	-	32,949	35,082	2,133
Direct sales & marketing	(5,835)	(5,835)	-	(5,927)	(5,927)	-	-	-	-	(11,762)	(11,762)	-
Indirect sales & marketing	(2,425)	(2,011)	413	(2,651)	(2,273)	378	-	-	-	(5,076)	(4,284)	792
General & administration	(3,620)	(5,174)	(1,555)	(3,824)	(5,281)	(1,457)	(6,847)	(6,356)	491	(14,291)	(16,812)	(2,521)
Segment contribution	20,875	21,137	262	(12,679)	(13,029)	(349)	(6,375)	(5,884)	491	1,820	2,224	399
Amortisation & depreciation										(2,881)	(4,654)	(1,773)
Interest expense										(2)	(2)	-
FX gain / (loss)										(475)	(475)	-
Income tax expense										(3,769)	(3,769)	-
Profit / (loss) after tax										(5,305)	(6,674)	(1,374)

H1 FY17												
AUD\$'000	Australia			US			Corporate			Total		
	Old	New	Var	Old	New	Var	Old	New	Var	Old	New	Var
Total revenue	17,741	17,741	-	1,429	1,429	-	256	256	-	19,426	19,426	-
Cost of revenue	(1,564)	(961)	604	(1,941)	(1,591)	350	-	-	-	(3,505)	(2,551)	954
Gross profit	16,177	16,780	604	(512)	(162)	350	256	256	-	15,920	16,875	954
Direct sales & marketing	(2,719)	(2,719)	-	(2,578)	(2,578)	-	-	-	-	(5,297)	(5,297)	-
Indirect sales & marketing	(1,517)	(1,294)	223	(1,227)	(1,042)	185	-	-	-	(2,744)	(2,336)	408
General & administration	(1,772)	(2,656)	(884)	(1,932)	(2,719)	(787)	(3,595)	(3,129)	466	(7,299)	(8,504)	(1,205)
Segment contribution	10,169	10,112	(57)	(6,249)	(6,501)	(253)	(3,340)	(2,873)	466	580	737	157
Amortisation & depreciation										(1,482)	(2,198)	(716)
Interest expense										(1)	(1)	-
FX gain / (loss)										(225)	(225)	-
Income tax expense										(1,826)	(1,826)	-
Profit / (loss) after tax										(2,953)	(3,513)	(560)

H2 FY17												
AUD\$'000	Australia			US			Corporate			Total		
	Old	New	Var	Old	New	Var	Old	New	Var	Old	New	Var
Total revenue	18,551	18,551	-	2,872	2,872	-	216	216	-	21,640	21,640	-
Cost of revenue	(1,974)	(1,174)	800	(2,637)	(2,258)	380	-	-	-	(4,611)	(3,432)	1,179
Gross profit	16,578	17,377	800	(235)	614	380	216	216	-	17,029	18,208	1,179
Direct sales & marketing	(3,116)	(3,116)	-	(3,349)	(3,349)	-	-	-	-	(6,465)	(6,465)	-
Indirect sales & marketing	(908)	(717)	191	(1,424)	(1,231)	193	-	-	-	(2,332)	(1,948)	384
General & administration	(1,847)	(2,518)	(671)	(1,892)	(2,563)	(671)	(3,252)	(3,227)	25	(6,991)	(8,308)	(1,317)
Segment contribution	10,706	11,025	319	(6,431)	(6,529)	(98)	(3,035)	(3,011)	25	1,240	1,487	242
Amortisation & depreciation										(1,399)	(2,456)	(1,057)
Interest expense										(1)	(1)	-
FX gain / (loss)										(250)	(250)	-
Income tax expense										(1,943)	(1,943)	-
Profit / (loss) after tax										(2,351)	(3,161)	(814)



## Glossary of terms

Term	Definition
ACV	Annualised Contract Value – annualised value of all active subscription contracts in effect at a particular date
ARPS	Average Revenue per Subscription – Total ACV divided by total number of subscriptions
Churn ACV	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 churned in the previous 12 months
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"> <li>- Capture flights, processing and related staff costs are capitalised to the balance sheet and amortised to the income statement over a 5 year useful life. Depreciation of existing camera systems are also capitalised to the balance sheet and amortised to the income statement.</li> <li>- Administration, storage, data layers, maintenance and technical support are expensed as incurred</li> </ul>
EBITDA	Earnings before interest, tax, depreciation, amortisation, realised and unrealised foreign exchange gains/losses
FTE	Full-time employee equivalent
Incremental ACV	New Business ACV + Net Upsell ACV – Churn ACV
LTV	$\frac{\text{ACV portfolio value} \times \text{Gross Margin \%}}{\text{Churn \%}}$
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
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

