FY19 ANALYST PACK

YEAR ENDED 30 JUNE 2019

Contents

Important Note

Information presented in the FY19 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 FY 2019 Financial Report is also available from Nearmap's website at www.nearmap.com.

The analyst pack is not audited. The statutory net loss after tax as disclosed in the consolidated profit or loss (page 16) has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001. The results for FY19 are extracted from the audited 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. 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.

The Nearmap Analyst Pack is prepared for shareholders and investors, and summarises the financial and operational metrics for the 12 months ended 30 June 2019, with comparatives for the 12 months ended 30 June 2018.

Operating segments are as follows:

- **North America (NA) –** sales and marketing efforts in the United States and Canada;
- **Australia and New Zealand (ANZ) –** sales and marketing efforts in Australia and New Zealand.

A portion of General and Administration costs, representing general operating expenses and un-capitalised development expenses, are not directly attributable by operating segment and remain unallocated.

During the reporting period, Nearmap announced a change in accounting estimate relating to the amortisation period of its capture costs asset. This change in the amortisation period has no impact on Nearmap's primary metric, ACV, nor to EBITDA, cash or pre-capitalisation Gross Margin. Amortisation of the intangible capture asset has been accelerated from 1 January 2019 with the financial impact and statutory disclosure presented in the full-year financial statements. See pages 24-25 for a reconciliation of the FY19 results including and excluding the accounting estimate change.

This pack is to be read in conjunction with the "Appendix 4E Full Year Report for the year ended 30 June 2019" and the "Investor Briefing Full Year Results to 30 June 2019" released to the ASX on 21 August 2019.

Nearmap overview

Nearmap is one of the few global companies possessing a rich, continually expanding data set about the real world – data providing high-value insights to a diverse range of businesses and government organisations.

With Nearmap, organisations unlock opportunities that consistently inform decision making and transform the way they work. Delivered within days of capture using a SaaS (Subscription as a Service) model, our imagery is much higher resolution than satellite imagery and shows changes over time.

Aerial imagery is a key component of the location intelligence market – a large and growing market impacting all parts of business life. The companies that win will create and own deep location data and invest in the insights that can be derived from that data.

Nearmap has unique technology and a business model that no other aerial imaging company globally has been able to replicate at scale. This gives Nearmap a multi-year advantage over our closest competitors, with a strong balance sheet that supports our organic growth.

NEARMAP CAPTURES IMAGERY IN 4 COUNTRIES…

United States – 71% population coverage

Canada - 64% population coverage

Australia - 88% population coverage

New Zealand – 75% population coverage

…DELIVERED AS A RANGE OF PRODUCT FEATURES…

Orthogonal (2D) imagery

Oblique cardinal direction imagery

3D online and AI content

…BRINGING THE TRUTH ON THE GROUND TO OUR CUSTOMERS TO ENHANCE THEIR PRODUCTIVITY

Diverse customer base:

- Architecture, Construction & Engineering (ACE)
- Government
- Insurance & Property
- Solar
- Utilities
- Commercial

Reducing the need for costly, time consuming site visits to:

- Plan & inspect
- Monitor & validate
- Assess risk
- Communicate & visualize
- Estimate & quote
- Generate leads

Group performance indicators

	1H18	2H18	FY18	1H19	2H19	FY19	YoY %
Group ACV portfolio (A$'000)							
Opening ACV	46,959	54,227	46,959	66,234	78,316	66,234	41%
New business	5,677	6,771	12,448	7,820	9,566	17,386	40%
Net upsell	3,599	6,286	9,885	4,791	4,361	9,152	(7%)
Churn	(1,888)	(1,651)	(3,539)	(1,351)	(2,163)	(3,514)	1%
Net incremental ACV	7,388	11,406	18,794	11,260	11,764	23,024	23%
FX impact	(120)	601	481	822	160	982	
Closing ACV	54,227	66,234	66,234	78,316	90,240	90,240	36%
Group revenue	24,413	29,140	53,553	35,486	42,156	77,642	45%
Gross margin (%) - pre-capitalisation	61%	62%	62%	69%	69%	69%	
12 month churn (%)	9.0%	7.5%	7.5%	5.5%	5.3%	5.3%	
Closing ARPS ($)	6,598	7,473	7,473	8,410	9,208	9,208	23%
Portfolio LTV (A$m)	368	548	548	983	1,175	1,175	114%
Opening subscriptions	7,832	8,219	7,832	8,863	9,312	8,863	13%
New business	954	1,036	1,990	952	1,049	2,001	1%
Churn	(567)	(392)	(959)	(503)	(561)	(1,064)	(11%)
Closing subscriptions	8,219	8,863	8,863	9,312	9,800	9,800	11%
Group Sales Team Contribution Ratio	97%	129%	114%	117%	99%	106%	
Earnings							
Group EBITDA	1,192	3,664	4,856	8,057	7,427	15,484	219%
Group EBIT	(4,721)	(3,680)	(8,401)	(513)	(10,661)	(11,174)	(33%)
Statutory NPAT	(6,500)	(4,529)	(11,029)	(1,974)	(12,960)	(14,934)	(35%)
Operating cash flow	3,884	9,851	13,735	10,744	14,155	24,899	81%

The key metrics which Nearmap manages represent the following:

Annualised Contract Value (ACV) – ACV represents the annualised value of all active subscription contracts in effect at a particular date. Subscriptions in Australia, New Zealand, the United States and Canada are typically for 12 month periods with customers paying the subscription in full upfront. 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 36% to $90.2m (30 June 2018: $66.2m) with growth in both ANZ and NA. ACV performance in each region 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 decreased to 106% in FY19 (FY18: 114%), reflecting Nearmap's investment in sales and marketing in 2H19 to deliver future growth opportunities.

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 5.3% (FY18: 7.5%) reflecting the continued focus on customer experience and retention, and highlighting the on-going value that customers derive from Nearmap.

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 9,800 (30 June 2018: 8,863) with growth in subscription numbers coming from both ANZ and NA.

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

Group ARPS increased to $9,208 (30 June 2018: $7,473). This growth was experienced in both ANZ and NA, again highlighting the increasing value customers experience from using Nearmap, combined with continued penetration of large enterprise customers, particularly in the NA.

Gross Margin (pre-capitalisation) – Gross Profit is calculated after deducting the costs of capturing, processing and storing the imagery. Capture and processing costs are capitalised and amortised on a straight-line basis. Until 31 December 2018, these costs were amortised over 5 years. From this date, the period has been adjusted to 2 years. For consistency and ease of reporting, Gross Margin in the table above is presented before these costs have been capitalised.

Gross Margin (pre-capitalisation) has grown from 62% in FY18 to 69% in FY19. Capture costs have increased by $3.9m to $24.3m as coverage and frequency improvements are made to the capture program (including the first full capture of Nearmap's Canadian coverage), but this is offset by the 45% growth in Group Revenue over the same period.

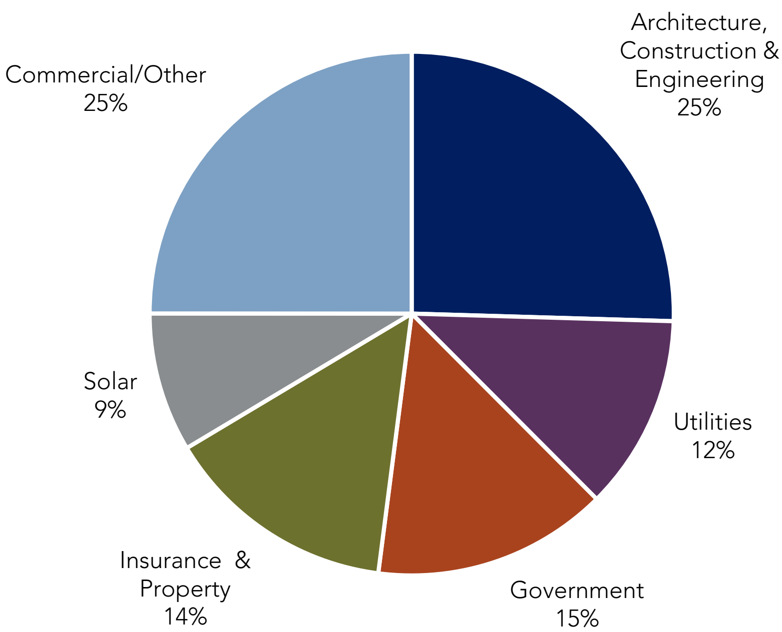
Portfolio Lifetime Value (LTV) – Portfolio LTV is calculated as:

$$\frac{\text{ACV portfolio value x Gross Margin \% (pre-capitalisation)}}{\text{Churn \%}}$$

Group portfolio LTV increased to $1,175m (FY18: $548m). The increase in Group LTV shows Nearmap's progress across all constituent metrics; ACV portfolio growth combined with reducing churn and increasing gross margin rates.

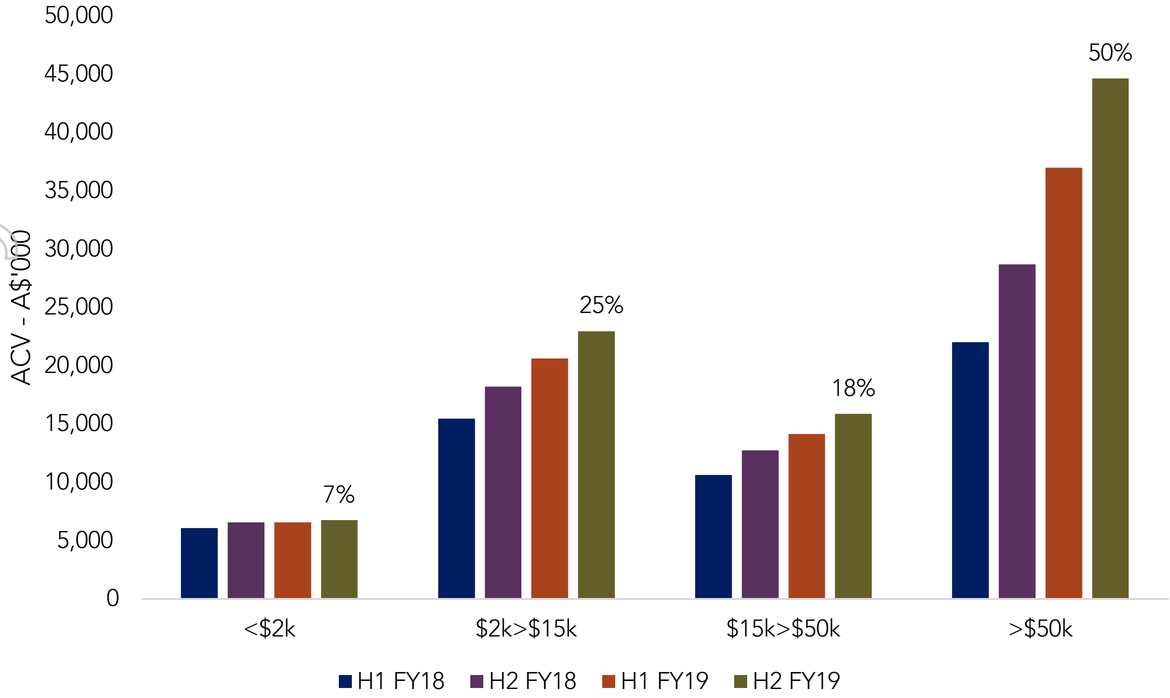
The LTV calculation now reflects pre-capitalisation gross margin – the figures in the table above have been recalculated using the revised methodology.

Group ACV portfolio by industry (%)



The Group ACV portfolio is diversified across key focus industries, with the largest sectors being Architecture, Construction & Engineering (ACE) and Commercial/Other accounting for half of the portfolio. Commercial/Other sector demonstrates the broad range of application of Nearmap's content for commercial purposes.

Group ACV by subscription size



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 large enterprise accounts continue to experience increasing returns on investment with Nearmap.

Other metrics (as a % of the overall portfolio)

	FY18	FY19
Top 10 customers	17%	19%
Multi year deals	35%	40%
Premium content	16%	29%

FTE Breakdown

As at 30 June 2019

As at 30 June 2019	Sales and Marketing	Product / Technology / Capture	Corporate	Group
ANZ	43	101	48	192
NA	55	13	12	80
Total	**98**	**114**	**60**	**272**

As at 30 June 2018

As at 30 June 2018	Sales and Marketing	Product / Technology / Capture	Corporate	Group
ANZ	36	65	42	143
NA	33	6	8	47
Total	**69**	**71**	**50**	**190**

Segment performance

The segment results for the business for FY19 (with FY18 as a comparative) are set out in the tables below, with individual segment performance set out further below.

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

	FY19				US$'000
A$'000	**ANZ**	**NA**	**Unallocated**	**Total**	**NA**
Revenue	53,173	24,469	-	77,642	17,437
Total revenue	**53,173**	**24,469**	**-**	**77,642**	**17,437**
Capture cost amortisation	(3,860)	(14,146)	-	(18,006)	(9,973)
Storage, administration & other	(1,039)	(3,158)	-	(4,197)	(2,255)
Total cost of revenue	**(4,899)**	**(17,304)**	**-**	**(22,203)**	**(12,228)**
Gross profit	**48,274**	**7,165**	**-**	**55,439**	**5,209**
Gross margin %	**91%**	**29%**		**71%**	
Direct sales & marketing	(8,531)	(13,009)	-	(21,540)	(9,277)
Indirect sales & marketing	(2,864)	(3,970)	-	(6,834)	(2,827)
Total sales & marketing	**(11,395)**	**(16,979)**	**-**	**(28,374)**	**(12,104)**
General & administration	(8,786)	(8,552)	(12,429)	(29,767)	(6,112)
Overhead depreciation	(224)	(468)	(98)	(790)	(333)
Other income	-	-	1,733	1,733	-
Interest expense	-	-	(24)	(24)	-
Total general & administration	**(9,010)**	**(9,020)**	**(10,818)**	**(28,848)**	**(6,445)**
Segment contribution	**27,869**	**(18,834)**	**(10,818)**	**(1,783)**	**(13,340)**
Amortisation & depreciation				(7,864)	
FX gain / (loss)				(191)	
Income tax expense				(5,097)	
Profit / (loss) after tax				**(14,934)**	

A$'000	ANZ	NA	FY18 Unallocated	Total	US$'000 NA
Revenue	42,955	10,598	-	53,553	8,176
Total revenue	**42,955**	**10,598**	**-**	**53,553**	**8,176**
Capture cost amortisation	(1,668)	(4,773)	-	(6,441)	(3,692)
Storage, administration & other	(995)	(2,964)	-	(3,959)	(2,265)
Total cost of revenue	**(2,663)**	**(7,737)**	**-**	**(10,400)**	**(5,957)**
Gross profit	**40,292**	**2,861**	**-**	**43,153**	**2,219**
Gross margin %	**94%**	**27%**		**81%**	
Direct sales & marketing	(7,471)	(8,986)	-	(16,457)	(6,954)
Indirect sales & marketing	(2,726)	(4,002)	-	(6,728)	(3,095)
Total sales & marketing	**(10,197)**	**(12,988)**	**-**	**(23,185)**	**(10,049)**
General & administration	(6,924)	(6,653)	(8,194)	(21,771)	(5,152)
Overhead depreciation	(229)	(415)	(29)	(673)	(322)
Other income	-	-	587	587	-
Interest expense	-	-	(6)	(6)	-
Total general & administration	**(7,153)**	**(7,068)**	**(7,642)**	**(21,863)**	**(5,474)**
Segment contribution	22,942	(17,195)	(7,642)	(1,895)	(13,304)
Amortisation & depreciation				(6,143)	
FX gain / (loss)				(189)	
Income tax expense				(2,802)	
Profit / (loss) after tax				(11,029)	

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$'000	1H18	2H18	FY18	1H19	2H19	FY19	YoY %
Opening ACV	5,307	8,477	5,307	12,868	17,641	12,868	142%
New business	2,332	2,525	4,857	3,678	4,191	7,869	62%
Net upsell	1,061	2,109	3,170	1,366	1,145	2,511	(21%)
Churn	(222)	(243)	(465)	(271)	(294)	(565)	(22%)
Net incremental	3,170	4,391	7,561	4,773	5,042	9,815	30%
Closing ACV	8,477	12,868	12,868	17,641	22,683	22,683	76%
Opening subscriptions	605	742	605	946	1,178	946	56%
New business	173	251	424	293	351	644	52%
Churn	(36)	(47)	(83)	(61)	(104)	(165)	(99%)
Closing subscriptions	742	946	946	1,178	1,425	1,425	51%
ACV 12 month churn (%)	15.9%	8.8%	8.8%	6.1%	4.4%	4.4%	
Closing ARPS ($)	11,425	13,603	13,603	14,975	15,918	15,918	17%
Capture cost amortisation	(1,570)	(2,122)	(3,692)	(2,506)	(7,467)	(9,973)	(170%)
Revenue	2,944	5,232	8,176	7,069	10,368	17,437	113%
Cash costs to capture	(4,561)	(5,873)	(10,434)	(5,493)	(6,118)	(11,611)	(11%)
Storage, administration & other	(1,317)	(947)	(2,264)	(1,000)	(1,255)	(2,255)	0%
Cost of revenue - pre-capitalisation	(5,878)	(6,820)	(12,698)	(6,493)	(7,373)	(13,866)	(9%)
Gross margin - pre-capitalisation	(2,934)	(1,588)	(4,522)	576	2,995	3,571	179%
Gross margin (%) - pre-capitalisation	(100%)	(30%)	(55%)	8%	29%	20%	
Direct sales cost	(3,337)	(3,617)	(6,954)	(4,205)	(5,072)	(9,277)	(33%)
Sales Team Contribution Ratio (%)	95%	121%	109%	113%	99%	106%	
Indirect sales cost	(1,446)	(1,648)	(3,094)	(1,150)	(1,677)	(2,827)	9%
Total sales & marketing cost	(4,783)	(5,265)	(10,048)	(5,355)	(6,749)	(12,104)	(20%)
Overheads	(2,539)	(2,939)	(5,478)	(3,086)	(3,359)	(6,445)	(18%)
Segment EBIT	(7,265)	(6,041)	(13,306)	(4,878)	(8,462)	(13,340)	(0%)
Segment EBIT %	(247%)	(115%)	(163%)	(69%)	(82%)	(77%)	

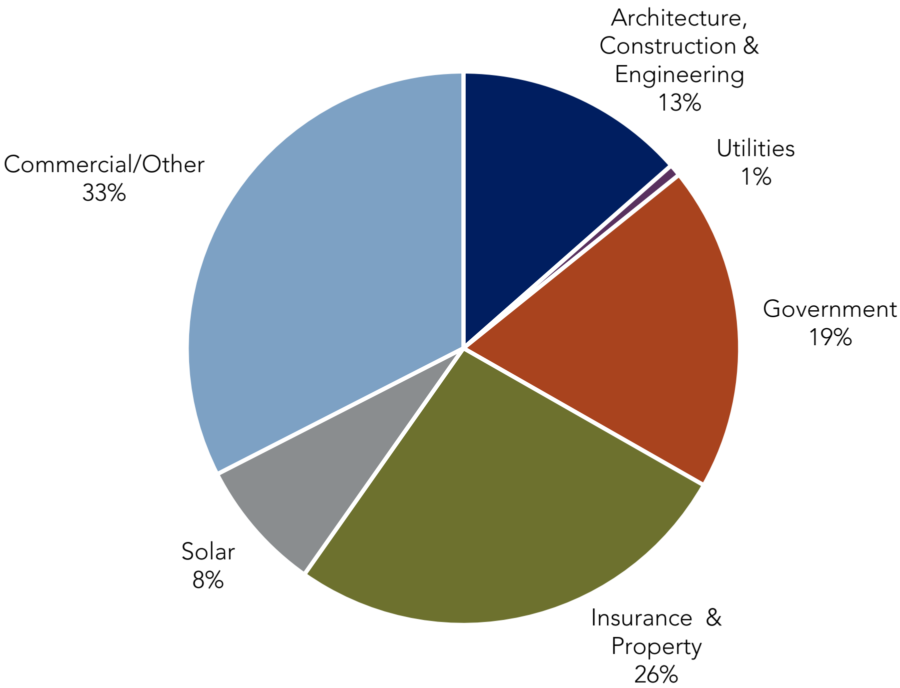
NA ACV portfolio

During FY19, the NA ACV portfolio increased from $12.9m to $22.7m. The components of this growth represent:

- **New business** of $7.9m reflects the continued effectiveness of sales and marketing customer acquisition strategies. Subscription growth combined with ARPS growth highlights this effectiveness in both the Enterprise and small to medium sectors of the market.
- **Net upsell** of $2.5m reflects the increase in value that existing customers are experiencing from using Nearmap. This includes a growing active user base along with the adoption of new products and features.
- **Customer churn** for the 12 months to 30 June 2019 (representing the dollar value of subscriptions not renewed in a 12 month period compared to the opening ACV value) was 4.4% (FY18: 8.8%). This downward trend highlights the effectiveness of Nearmap's customer-centric approach at all stages of the subscription lifecycle and the success of customer experience and retention initiatives over the period.

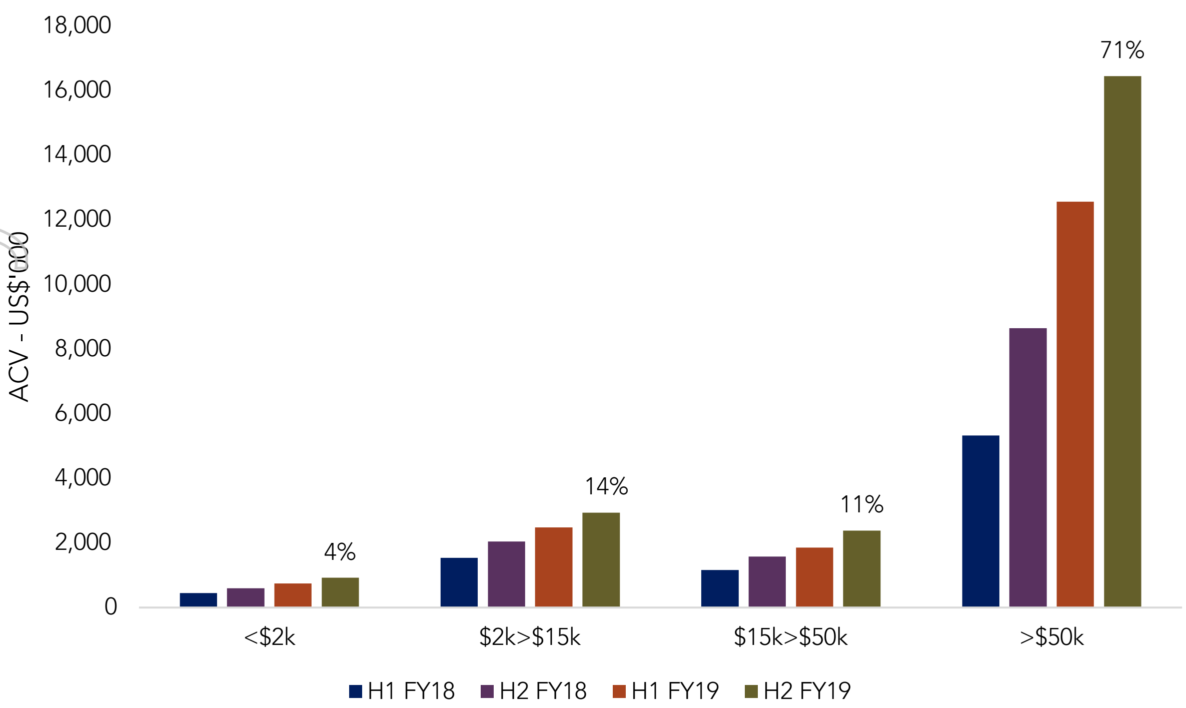
The **number of subscriptions** grew by 51% to 1,425 (30 June 2018: 946), while the ARPS increased to $15,918 (30 June 2018: $13,603). These twin metrics again highlight the continued success of sales and marketing strategies at both the transactional and enterprise level.

Customer portfolio at 30 June 2019 by industry segment



Along with the success in both the enterprise and transactional ends of the market, the growing relevance of the product offering is exhibited by a diversified portfolio across key industry segments.

ACV portfolio by subscription size



All subscription size categories demonstrated growth during FY19. The focus on the new business acquisition of enterprise-level accounts can be seen above, with enterprise customers (subscriptions greater than $15,000 p.a.) making up 82% of the NA portfolio. This shows the inherent value and strategic significance of the Nearmap product suite for large organisations in key industry segments. The focus will remain on growing both the enterprise level customers whilst also addressing the significant opportunity that exists at the transactional end of the market, growing subscription numbers with small to medium enterprises (representing subscriptions below $15,000 p.a.) in FY20.

Financial performance

NA revenue for the year was $17.4m (FY18: $8.2m) reflecting the growth in the ACV portfolio.

Cash costs of capture were $11.6m, up from $10.4m in FY18 reflecting the expanded capture footprint, including Canada.

Gross margin – pre-capitalisation grew to 20% in FY19 (FY18: (55%)).

Direct sales costs were $9.3m reflecting the strategic priority of investing for future growth, along with expanding marketing activities to support this growth. The performance of the NA sales team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in FY19, compared to the direct cost of the sales and marketing effort) was 106% (FY18: 109%) highlighting the positive returns on the increased investment. STCR in 2H19 was 99% as additional headcount was brought into the business to drive future growth opportunities.

Indirect sales & marketing costs (primarily reflecting sales management and administration functions) were $2.8m (FY18: $3.1m).

Overheads primarily represent the allocation of Corporate costs based on usage and activity. These were $6.4m (FY18: $5.5m).

NA Segment Contribution was ($13.3m) (FY18: ($13.3m)).

Australia/New Zealand segment

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

A$'000	1H18	2H18	FY18	1H19	2H19	FY19	YoY %
Opening ACV	40,036	43,359	40,036	48,824	53,322	48,824	22%
New business	2,688	3,354	6,042	2,609	3,590	6,199	3%
Net upsell	2,239	3,432	5,671	2,856	2,728	5,584	(2%)
Churn	(1,603)	(1,322)	(2,925)	(967)	(1,744)	(2,711)	7%
Net incremental	3,324	5,464	8,788	4,498	4,574	9,072	3%
Closing ACV	43,359	48,824	48,824	53,322	57,896	57,896	19%
Opening subscriptions	7,227	7,477	7,227	7,917	8,134	7,917	10%
New business	781	785	1,566	659	698	1,357	(13%)
Churn	(531)	(345)	(876)	(442)	(457)	(899)	(3%)
Closing subscriptions	7,477	7,917	7,917	8,134	8,375	8,375	6%
Churn (%)	8.3%	7.3%	7.3%	5.3%	5.6%	5.6%	
Closing ARPS ($)	5,799	6,167	6,167	6,555	6,913	6,913	12%
Capture cost amortisation	(752)	(916)	(1,668)	(1,065)	(2,795)	(3,860)	(131%)
Revenue	20,623	22,332	42,955	25,719	27,454	53,173	24%
Cash costs to capture	(1,349)	(1,652)	(3,001)	(1,764)	(2,113)	(3,877)	(29%)
Storage, administration & other	(516)	(479)	(995)	(340)	(699)	(1,039)	(4%)
Cost of revenue - pre-capitalisation	(1,865)	(2,131)	(3,996)	(2,104)	(2,812)	(4,916)	(23%)
Gross margin - pre-capitalisation	18,758	20,201	38,959	23,615	24,642	48,257	24%
Gross margin (%) - pre-capitalisation	91%	90%	91%	92%	90%	91%	
Direct sales cost	(3,275)	(4,196)	(7,471)	(3,850)	(4,681)	(8,531)	(14%)
Sales Team Contribution Ratio (%)	101%	130%	118%	117%	98%	106%	
Indirect sales cost	(1,299)	(1,427)	(2,726)	(1,429)	(1,435)	(2,864)	(5%)
Total sales & marketing cost	(4,574)	(5,623)	(10,197)	(5,279)	(6,116)	(11,395)	(12%)
Overheads	(3,383)	(3,770)	(7,153)	(4,196)	(4,814)	(9,010)	(26%)
Segment EBIT	11,398	11,544	22,942	14,839	13,030	27,869	21%
Segment EBIT %	55%	52%	53%	58%	47%	52%	

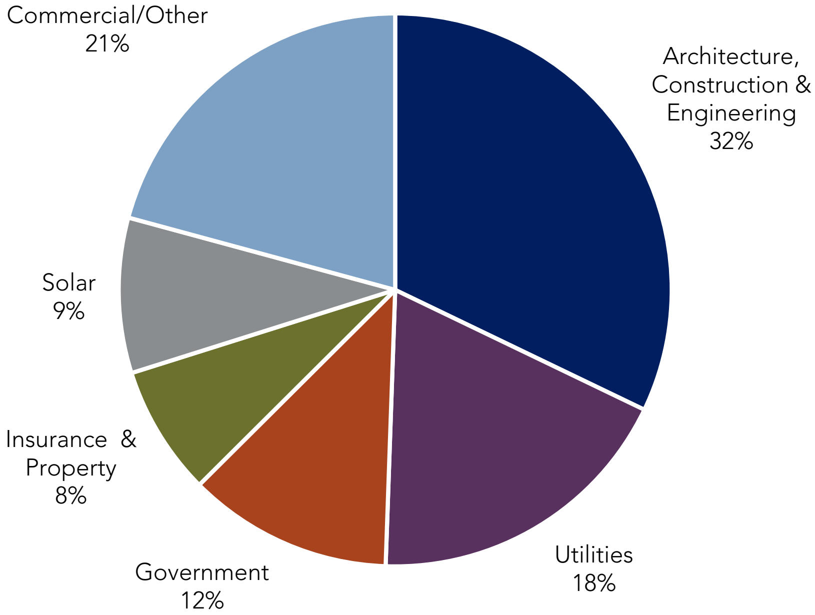
ANZ ACV portfolio

During FY19, the ANZ ACV portfolio increased from $48.8m to $57.9m. The components of this growth were:

- **New business** of $6.2m. This shows Nearmap's continued penetration of the total addressable market in Australia, translating the value of its industry-leading technology to new user groups across key industry segments in ANZ.
- **Net upsell** of $5.6m reflects deeper integration of Nearmap content into the existing customer base and demonstrates the application, relevance and value of product innovation to existing user groups.
- **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 30 June 2019 was 5.6% (30 June 2018: 7.3%). The continued downward trend reflects the success of customer experience and retention initiatives across the portfolio.

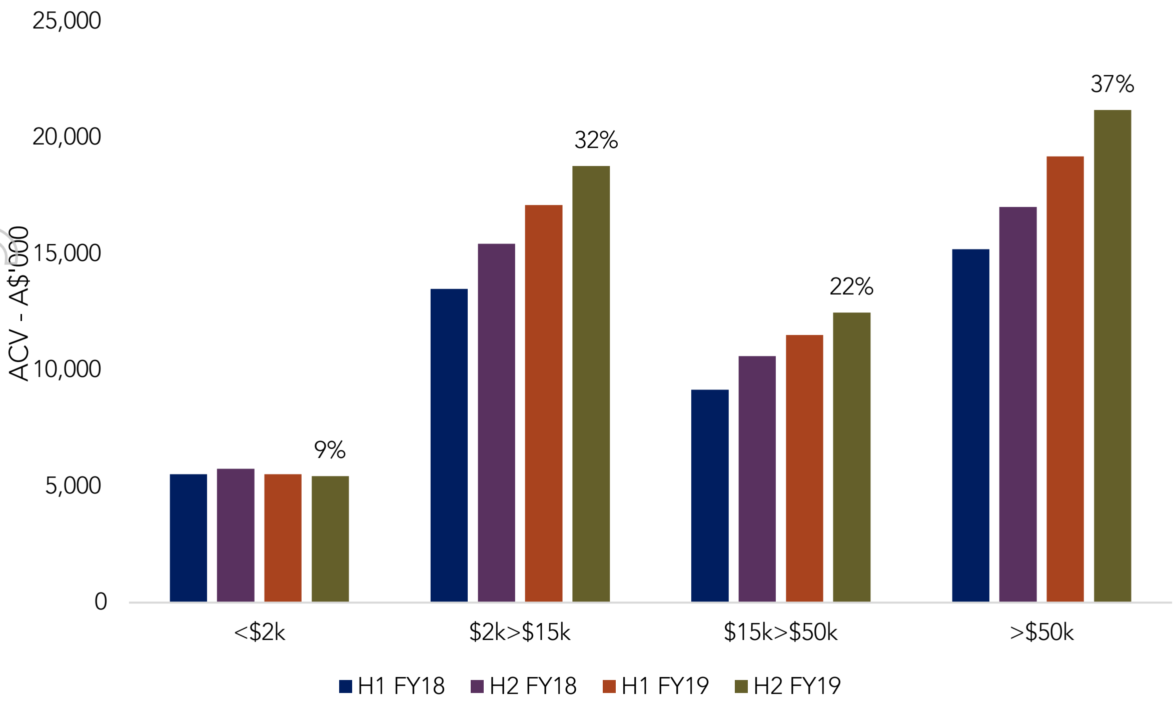
The **number of subscriptions** grew by 6% to 8,375 (30 June 2018: 7,917), while the ARPS grew 12% to $6,913 (30 June 2018: $6,167), demonstrating the increased value to customers of Nearmap's subscription content.

Customer portfolio at 30 June 2019 by industry segment



Portfolio diversification is consistent with prior periods across Nearmap's key industry verticals.

ACV portfolio by subscription size



The ACV portfolio is diversified across a range of businesses in size, with subscriptions to small and medium enterprises (subscriptions below $15,000 p.a.) representing 41% of the portfolio at 30 June 2019, and those to enterprise customers (subscriptions greater than $15,000 p.a.) being 59%. The weighting of subscriptions below $2,000 reduced as a percentage of the overall portfolio composition, with a number of these growing into the next tier, further strengthening the portfolio.

Financial performance

ANZ revenue was $53.2m (FY18: $43.0m) reflecting the growth in the ACV portfolio.

Cash costs of capture were $3.9m in FY19 (FY18: $3.0m), incorporating an increased capture footprint.

Gross margins – pre-capitalisation have remained consistent at 91%.

Direct sales costs were $8.5m reflecting investment in Marketing and Customer Success, allowing the team to deliver on FY19 strategic initiatives. The performance of the ANZ sales and marketing team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in FY19, compared to the direct cost of the sales and marketing effort) was 106% (FY18: 118%). STCR in H219 was 98% as additional headcount was brought into the business and marketing spend to drive future growth opportunities.

Indirect sales & marketing costs (primarily reflecting sales management and administration functions) were $2.9m (FY18: $2.7m).

Overheads represent the allocation of Corporate costs based on usage and activity. These were $9.0m (FY18: $7.2m).

ANZ segment contribution was $27.9m, 52% of revenue (FY18: $22.9m, 53% of revenue).

Unallocated costs

A$'000	1H18	2H18	FY18	1H19	2H19	FY19	YoY %
Interest income	199	170	369	647	906	1,553	321%
Other income	65	153	218	179	1	180	(17%)
Total revenue	**264**	**323**	**587**	**826**	**907**	**1,733**	**195%**
Allocation ANZ	(3,383)	(3,770)	(7,153)	(4,196)	(4,814)	(9,010)	(26%)
Allocation US	(3,264)	(3,804)	(7,068)	(4,259)	(4,761)	(9,020)	(28%)
Corporate general & administration costs	(3,949)	(4,274)	(8,223)	(5,119)	(7,408)	(12,527)	(52%)
Interest expense	(1)	(5)	(6)	(2)	(22)	(24)	(300%)
Total general & administrative costs	**(10,597)**	**(11,853)**	**(22,450)**	**(13,576)**	**(17,005)**	**(30,581)**	**(36%)**
Segment contribution	(3,686)	(3,956)	(7,642)	(4,295)	(6,523)	(10,818)	(42%)
Technology & product							
Development capex	4,343	4,645	8,988	6,358	8,759	15,117	(68%)
Maintenance opex	4,032	4,120	8,152	3,990	6,174	10,164	(25%)
Total	**8,375**	**8,765**	**17,140**	**10,348**	**14,933**	**25,281**	**(47%)**
Development technology & product spend as % of revenue	17.8%	15.9%	16.8%	17.9%	20.8%	19.5%	
Net investing activities							
Development capex	4,343	4,645	8,988	6,358	8,759	15,117	(68%)
Corporate capex	429	374	803	579	1,468	2,047	(155%)
Total	**4,772**	**5,019**	**9,791**	**6,937**	**10,227**	**17,164**	**(75%)**

General & administration costs

G&A costs represent the administrative cost of running the Technology and Product functions, as well as running the business (including Finance, internal IT, Human Resources, 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 FY19, the costs remaining after allocation to the NA and ANZ were $12.5m (FY18: $8.2m), reflecting an increase in non-capitalised Technology and Product headcount and related general & administrative expense (discussed further below).

Technology and product

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 increased by $6.1m in FY19 compared to FY18. This reflects a $3.4m increase in the manufacture of Hypercamera2 systems (compared to FY18), as well as a $2.7m increase in development work on systems and software such as the 3D and AI/ML content. The spend as a proportion of revenue has increased to 20% in FY19.

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 administrative expenses, allocated to the operating segments based on activity and usage.

The costs of $10.2m reflect the servicing required to the fleet of camera systems and related software applications.

Consolidated statutory profit or loss

A$'000	1H18	2H18	FY18	1H19	2H19	FY19[1]	YoY %
Revenue	24,413	29,140	53,553	35,486	42,156	77,642	45%
Interest income	199	170	369	647	906	1,553	321%
Other income	65	153	218	179	1	180	(17%)
Total revenue	**24,677**	**29,463**	**54,140**	**36,312**	**43,063**	**79,375**	**47%**
Expenses							
Employee benefits expense	(14,724)	(16,281)	(31,005)	(16,221)	(20,622)	(36,843)	(19%)
Amortisation and depreciation	(5,913)	(7,344)	(13,257)	(8,570)	(18,089)	(26,659)	(101%)
Net foreign exchange differences	(226)	37	(189)	181	(372)	(191)	(1%)
Other operational expenses	(8,563)	(9,353)	(17,916)	(11,390)	(14,129)	(25,519)	(42%)
Total expenses	**(29,426)**	**(32,941)**	**(62,367)**	**(36,000)**	**(53,212)**	**(89,212)**	**(43%)**
(Loss) / profit before tax	**(4,749)**	**(3,479)**	**(8,227)**	**312**	**(10,149)**	**(9,837)**	**(20%)**
Income tax expense	(1,751)	(1,051)	(2,802)	(2,286)	(2,811)	(5,097)	(82%)
Loss after tax	**(6,500)**	**(4,529)**	**(11,029)**	**(1,974)**	**(12,960)**	**(14,934)**	**(35%)**

[1] The FY19 results are extracted from the audited consolidated statement of comprehensive income.

Revenue – Revenue primarily represents subscription revenue recognised over the life of the underlying subscription contract with the customer in each respective financial period. Revenue increased 45% to $77.6m (FY18: $53.6m) 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 payroll tax rebate received for Australian payroll, gain on disposal of assets and gain on the sale of unlisted investments.

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 FY19 were $36.8m (FY18: $31.0m), driven by an increase in headcount (82 additional heads) and activity across the business.
- Amortisation and depreciation reflect the expense applied to the Group's tangible and intangible assets.
- Net foreign exchange differences represent unrealised differences in the translation of the foreign-denominated bank account balances (USD) held in Australia from foreign currency into functional currency (AUD). Realised differences relate to payments to suppliers in foreign currencies.
- 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, rental of office space, travel, administrative costs and other corporate expenses.

Tax – Tax expense for the period was $5.1m (FY18: $2.8m). Per the following table, the main component of this is current year losses for which no deferred tax asset is recognised. As at 30 June 2019, the Group has an unrecognised deferred tax asset of $18.3m in respect of US tax losses (30 June 2018: $12.0m). The Group has not recognised any further deferred tax assets in relation to the US tax losses in the current reporting period.

A$'000	1H18	2H18	FY18	1H19	2H19	FY19
Total profit/(loss) before tax	**(4,749)**	**(3,478)**	**(8,227)**	**312**	**(10,149)**	**(9,837)**
Prima facie tax benefit at 30%	1,425	1,043	2,468	(94)	3,045	2,951
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:						
R&D grant	68	57	125	91	90	181
Effect of US tax rates	(540)	(848)	(1,388)	(877)	(1,539)	(2,416)
Share based payments expense	(209)	(201)	(410)	(155)	(350)	(505)
Entertainment expenses	3	(60)	(57)	(52)	(36)	(88)
Recognition of previously unrecognised deductible temporary difference	-	1,163	1,163	612	131	743
Current year losses for which no deferred tax asset is recognised	(2,498)	(2,941)	(5,439)	(1,814)	(4,005)	(5,819)
Over provision in the prior year	-	736	736	3	(147)	(144)
Current year tax expense	**(1,751)**	**(1,051)**	**(2,802)**	**(2,286)**	**(2,811)**	**(5,097)**

Consolidated balance sheet

A$'000	31 Dec 17	30 Jun 18	31 Dec 18	30 Jun 19
Current assets				
Cash and cash equivalents	20,642	17,530	81,333	75,914
Trade receivables	9,699	10,116	16,248	14,535
Other current assets	4,836	3,892	3,185	5,741
Total current assets	35,177	31,538	100,766	96,190
Non-current assets				
Plant and equipment	11,758	11,983	13,387	16,782
Intangible assets	29,696	36,299	42,606	42,132
Deferred tax assets	2,239	2,667	3,794	3,086
Total non-current assets	43,693	50,949	59,787	62,000
Total assets	78,870	82,487	160,553	158,190
Current liabilities				
Trade and other payables	2,441	1,525	3,288	3,777
Unearned revenue	29,010	33,911	39,242	42,034
Employee benefits	3,382	5,116	4,142	5,701
Other current liabilities	3,144	2,711	4,255	5,446
Current tax liabilities	337	337	-	2,107
Total current liabilities	38,314	43,600	50,927	59,065
Non-current liabilities				
Deferred tax liabilities	7,356	8,554	10,786	10,190
Employee benefits	153	163	227	280
Other non-current liabilities	1,121	1,176	1,104	1,002
Total non-current liabilities	8,630	9,893	12,117	11,472
Total liabilities	46,944	53,493	63,044	70,537
Net assets	31,926	28,994	97,509	87,653
Equity				
Contributed equity	51,885	52,995	122,998	124,617
Reserves	12,496	12,983	13,358	14,843
Profits reserve	7,078	7,078	7,078	7,078
Accumulated losses	(39,533)	(44,062)	(45,925)	(58,885)
Total equity	31,926	28,994	97,509	87,653

Key balance sheet items represent:

Cash – The Group's cash holdings increased to $75.9m (30 June 2018: $17.5m). A breakdown of the movement in the cash balance is shown in the following section.

Trade receivables – Amounts outstanding from customers were $14.5m (30 June 2018: $10.1m). This increase reflects the strong close to the financial year and the significant number of subscriptions billed in the last month of FY19.

Other current assets – The increase in this balance of $1.8m vs 30 June 2018 represents a $1.1m rental deposit on an additional level at the Company's head office, together with an increase in general prepayments.

Plant and equipment and intangible assets – These balances represent fixed assets, camera assets, capitalised development costs and capitalised capture costs. The growth in intangibles reflects the continuing investment in the expanded capture program and the development of new content and products.

Unearned revenue – 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.

Employee benefits – Employee benefits have increased by $0.6m vs 30 June 2018 primarily due to the accrual of the FY19 bonuses and commissions.

Other current and non-current liabilities – General accruals have increased $2.3m vs 30 June 2018.

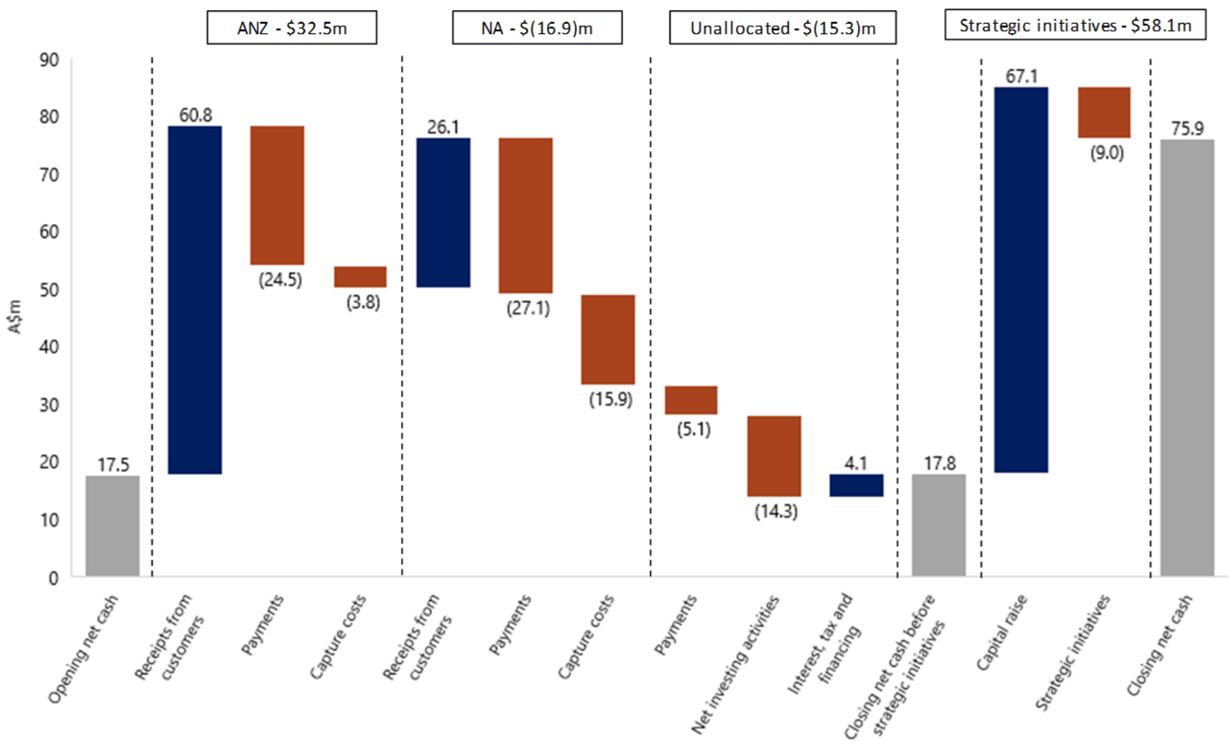
Financing

At 30 June 2019, 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, following the receipt of the funds from the institutional placement undertaken by the Company in FY19 (discussed in the next section).

Consolidated operating cash flow

A$'000	1H18	2H18	FY18	1H19	2H19	FY19	YoY %
Receipts from customers	27,986	36,215	64,201	37,022	49,844	86,866	35%
Payments to suppliers and employees	(24,162)	(26,332)	(50,494)	(25,859)	(36,658)	(62,517)	(24%)
Interest received	204	170	374	189	1,215	1,404	275%
Other receipts	21	61	82	21	-	21	(74%)
Income taxes received / (paid)	(165)	(263)	(428)	(629)	(246)	(875)	(104%)
Net cash from operating activities	3,884	9,851	13,735	10,744	14,155	24,899	81%
Net cash from investing activities	(11,889)	(14,078)	(25,967)	(16,123)	(21,010)	(37,133)	(43%)
Net cash from financing activities	439	1,110	1,549	69,147	1,393	70,540	4,454%
Effect of movement in exchange rates on cash held	(130)	5	(125)	35	43	78	162%
Total movement	(7,696)	(3,112)	(10,808)	63,803	(5,419)	58,384	640%

Cash flow waterfall



Key components of the FY19 cash flows represent:

ANZ – The ANZ segment generated free cash flows of $32.5m (FY18: $26.7m), with cash receipts of $60.8m offset by payments of $28.3m for sales and marketing expenses, allocation of corporate expense payments, capture costs and related net GST payments. Free cash flow conversion remains >50%.

NA – The NA segment consumed free cash flows of $16.9m (FY18: $22.7m), with cash receipts of $26.1m offset by payments of $43.0m 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 $15.3m, reflecting:

- Payments for general and administrative costs of $5.1m;
- Payments for product and technology capital investment split out as follows:
    - Development costs $8.4m
    - Plant and equipment $6.0m
    - Gain on sales $ 0.1m; and
- Net receipts of $4.1m in interest, tax and financing.

In addition, the Company undertook a fully underwritten $70m institutional placement to accelerate the pursuit of key strategic objectives and provide additional balance sheet flexibility. After payment of costs associated with the placement, $67.1m was received. $9.0m of the proceeds have been deployed during FY19.

Appendices

Constant currency

FY18 Profit or Loss numbers have been revalued using the average FY19 foreign exchange rate of AUD/USD 0.7154. ACV has been revalued using the 30 June 2019 spot rate of AUD/USD 0.7013.

	1H18	2H18	FY18	1H19	2H19	FY19	YoY %
Group ACV portfolio (A$'000)							
Opening ACV	47,603	55,447	47,603	67,173	78,476	67,173	41%
New business	6,013	6,954	12,966	7,854	9,566	17,420	34%
Net upsell	3,752	6,440	10,191	4,803	4,361	9,164	(10%)
Churn	(1,920)	(1,669)	(3,589)	(1,354)	(2,164)	(3,517)	2%
Net incremental ACV	7,844	11,725	19,569	11,304	11,764	23,067	18%
FX impact	-	-	-	-	-	-	
Closing ACV	55,447	67,172	67,173	78,476	90,240	90,240	34%
Group revenue	24,738	29,646	54,384	35,601	41,946	77,547	43%
Group gross margin (%) - pre-capitalisation	59%	61%	60%	69%	69%	69%	
12 month churn (%)	9.0%	7.5%	7.5%	5.5%	5.2%	5.2%	
Closing APPS ($)	6,746	7,579	7,579	8,427	9,208	9,208	21%
Portfolio LTV (A$m)	368	537	537	985	1,197	1,197	123%
Opening subscriptions	7,832	8,219	7,832	8,863	9,312	8,863	13%
New business	954	1,036	1,990	952	1,049	2,001	1%
Churn	(567)	(392)	(959)	(503)	(561)	(1,064)	11%
Closing subscriptions	8,219	8,863	8,863	9,312	9,800	9,800	11%
Group Sales Team Contribution Ratio	99%	127%	114%	116%	121%	107%	
Earnings							
Group EBITDA	353	2,931	3,285	7,935	7,775	15,711	378%
Group EBIT	(5,577)	(4,431)	(10,008)	(636)	(10,309)	(10,945)	(9%)
Statutory NPAT	(7,359)	(5,281)	(12,640)	(2,111)	(12,548)	(14,659)	(16%)

Foreign exchange rates

The following exchange rates were applied during each period.

	1H18	2H18	FY18	1H19	2H19	FY19
Average rate	0.7788	0.7718	0.7753	0.7245	0.7063	0.7154
Year end spot rate	0.7800	0.7391	0.7391	0.7058	0.7013	0.7013

Pre-capitalisation segment note

A$'000	FY18 ANZ	FY18 NA	FY18 Unallocated	FY18 Group	FY19 ANZ	FY19 NA	FY19 Unallocated	FY19 Group	YoY %
Revenue	42,955	10,598	-	53,553	53,173	24,469	-	77,642	45%
Total revenue	**42,955**	**10,598**	**-**	**53,553**	**53,173**	**24,469**	**-**	**77,642**	**45%**
Cost of sales (pre-capitalisation)									
Cash costs to capture	(3,001)	(13,466)	-	(16,467)	(3,877)	(16,256)	-	(20,133)	(22%)
Storage, administration & other	(995)	(2,964)	-	(3,959)	(1,039)	(3,158)	-	(4,197)	(6%)
Total cost of sales	**(3,996)**	**(16,430)**	**-**	**(20,426)**	**(4,916)**	**(19,414)**	**-**	**(24,330)**	**(19%)**
Gross profit (pre-capitalisation)	**38,959**	**(5,832)**	**-**	**33,127**	**48,257**	**5,055**	**-**	**53,312**	**61%**
Gross margin %	**91%**	**(55%)**		**62%**	**91%**	**21%**		**69%**	
Sales & marketing									
Direct sales & marketing	(7,471)	(8,986)	-	(16,457)	(8,531)	(13,009)	-	(21,540)	(31%)
Indirect sales & marketing	(2,726)	(4,002)	-	(6,728)	(2,864)	(3,970)	-	(6,834)	(2%)
Total sales & marketing	**(10,197)**	**(12,988)**	**-**	**(23,185)**	**(11,395)**	**(16,979)**	**-**	**(28,374)**	**(22%)**
Technology & product expensed	(1,687)	(1,169)	(5,296)	(8,152)	(890)	(329)	(8,945)	(10,164)	(25%)
Technology & product development costs [1]	-	-	(7,168)	(7,168)	-	-	(9,889)	(9,889)	(38%)
Total technology & product [2]	**(1,687)**	**(1,169)**	**(12,464)**	**(15,320)**	**(890)**	**(329)**	**(18,834)**	**(20,053)**	**(31%)**
Corporate	(5,237)	(5,484)	(2,898)	(13,619)	(7,896)	(8,223)	(3,484)	(19,603)	(44%)
Corporate development costs	-	-	-	-	-	-	(41)	(41)	
Total corporate	**(5,237)**	**(5,484)**	**(2,898)**	**(13,619)**	**(7,896)**	**(8,223)**	**(3,525)**	**(19,644)**	**(44%)**
Segment contribution (pre-capitalisation)	**21,838**	**(25,473)**	**(15,362)**	**(18,997)**	**28,076**	**(20,476)**	**(22,359)**	**(14,759)**	**22%**
Camera units [1]				(1,820)				(5,187)	(185%)
Corporate capex				(803)				(2,047)	(155%)
Total capex				**(2,623)**				**(7,234)**	**(176%)**
Other income				587				1,733	195%
Cash receipts from unearned income [3]				8,740				8,234	(6%)
Capital raise net proceeds				-				67,146	
Other items				1,485				3,264	(120%)
Net increase/(decrease) in cash				**(10,808)**				**58,384**	**640%**
Other items:									
Share based payments				1,367				1,684	
Interest expense				(6)				(24)	
FX gain / (loss)				(189)				(191)	
Income tax expense				(2,802)				(5,097)	
Capex disposal				153				6	
Working capital				1,464				2,234	
Movement in reserves				(51)				176	
Proceeds from exercise of share options				1,549				3,210	
Other movements in contributed equity				-				1,266	
				1,485				3,264	

[1] $1.3m of employment costs in FY19 are capitalised to camera units on the balance sheet (FY18: $1.5m)
[2] Technology & product costs exclude the costs of camera units
[3] Adjustment to the opening balance of unearned income of $111k due to AASB 15

Change to accounting estimate

Nearmap has reviewed the appropriateness of the amortisation period and methodology of its capture costs. Since July 2013 Nearmap has capitalised capture costs and amortised these costs on a straight-line basis over 5 years.

Nearmap reviews the appropriateness of the amortisation period and methodology on a regular basis and, in light of the growing need for the most recent imagery, has concluded that the business has developed such that a change in accounting estimate, effective 1 January 2019, be applied to reduce the amortisation period from 5 years to 2 years. No change has been made to the straight-line amortisation method.

The change in the amortisation period reflects the growing sophistication of the business, as it evolves from a single-product aerial imagery company to becoming a multi-product player in the location intelligence market. This evolution has been accelerated by the launch of HyperCamera2, which has created higher quality imagery and enabled the roll-out of new products and content types such as oblique imagery and 3D content. This and the increasing frequency of Nearmap's capture program has meant that demand for the most recent imagery has grown significantly.

Customers continue to derive benefits from the large and growing library of historical content and this remains a key differentiator against other players in the market. It is, therefore, appropriate to continue to recognise the capture asset on the Balance Sheet and, as demand for the most recent imagery grows, to change the amortisation period from 5 years to 2 years. The change in the amortisation estimate has no impact on ACV, Cash or EBITDA, and does not affect the Company's growth strategy or outlook.

Note that the accelerated amortisation only impacted 2H19. Amortisation booked prior to this date has not been changed.

Group

A$'000	FY19 5 Years	FY19 2 Years	Variance
ACV	90,240	90,240	-
Revenue	77,642	77,642	-
Capture cost amortisation	(10,026)	(18,006)	(7,980)
Storage, administration & other	(4,197)	(4,197)	-
Cost of revenue	(14,223)	(22,203)	(7,980)
Gross margin	63,419	55,439	(7,980)
Gross margin (%)	82%	71%	
EBITDA	15,484	15,484	-
EBIT	(3,194)	(11,174)	(7,980)
Portfolio LTV (A$m)	1,396	1,209	(187)
Cash	75,914	75,914	-

NA

US$'000	FY19 5 Years	FY19 2 Years	Variance
ACV	22,683	22,683	-
Revenue	17,437	17,437	-
Capture cost amortisation	(5,636)	(9,973)	(4,337)
Storage, administration & other	(2,255)	(2,255)	-
Cost of revenue	(7,891)	(12,228)	(4,337)
Gross margin	9,546	5,209	(4,337)
Gross margin (%)	55%	30%	

ANZ

A$'000	FY19 5 Years	FY19 2 Years	Variance
ACV	57,896	57,896	-
Revenue	53,173	53,173	-
Capture cost amortisation	(2,127)	(3,860)	(1,733)
Storage, administration & other	(1,039)	(1,039)	-
Cost of revenue	(3,166)	(4,899)	(1,733)
Gross margin	50,007	48,274	(1,733)
Gross margin (%)	94%	91%	

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 the 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	These represent the costs of capturing, processing and storing the aerial imagery. The two key components are as follows: - 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
Incremental ACV	New Business ACV + Net Upsell ACV – Churn ACV
LTV	Lifetime Value= (ACV portfolio value x Gross Margin: pre-capitalisation %) / 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
Pre-capitalisation Gross Margin	This represents the gross margin of Nearmap's revenue after deducting the cost of capture, processing and storage of the imagery before any such costs have been capitalised
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

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