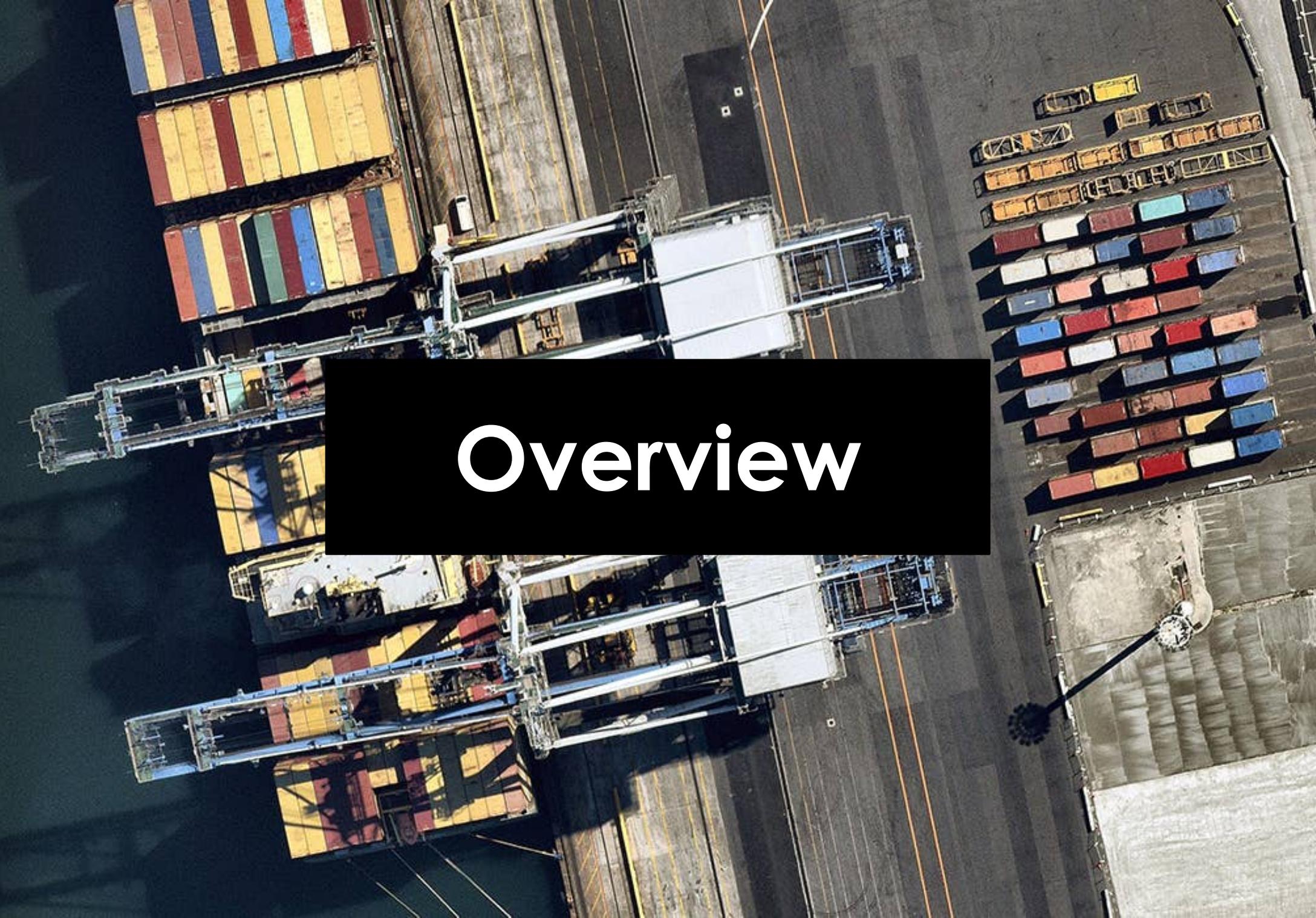




# Stock Pitch

Michael de Boyett



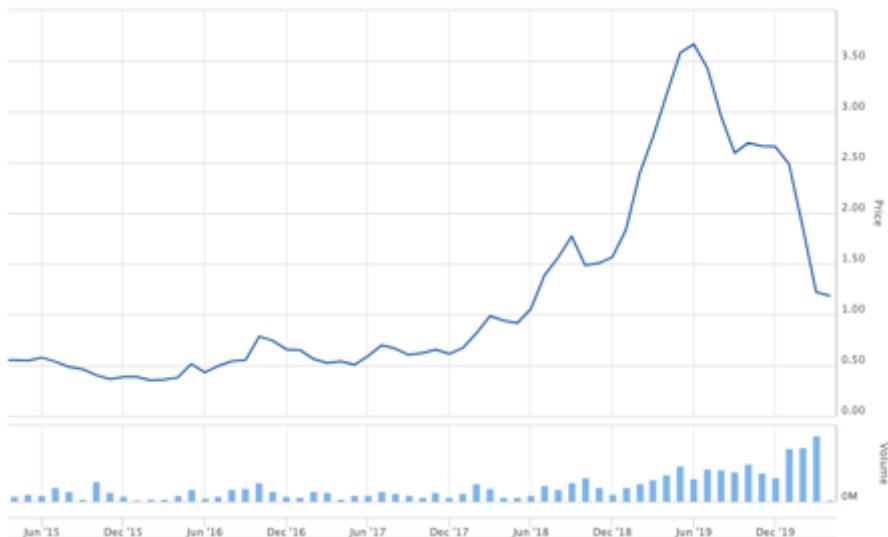
An aerial photograph of a port terminal. In the center, a large white cargo ship is docked at a quay. Several blue and grey gantry cranes are positioned along the ship's side, some with their booms extended towards the deck. The quay is lined with stacks of shipping containers in various colors, including yellow, red, blue, and white. In the background, more containers are stacked on the land, and a road or railway track is visible.

# Overview

# Nearmap Ltd

## Company Profile

### Nearmap Ltd



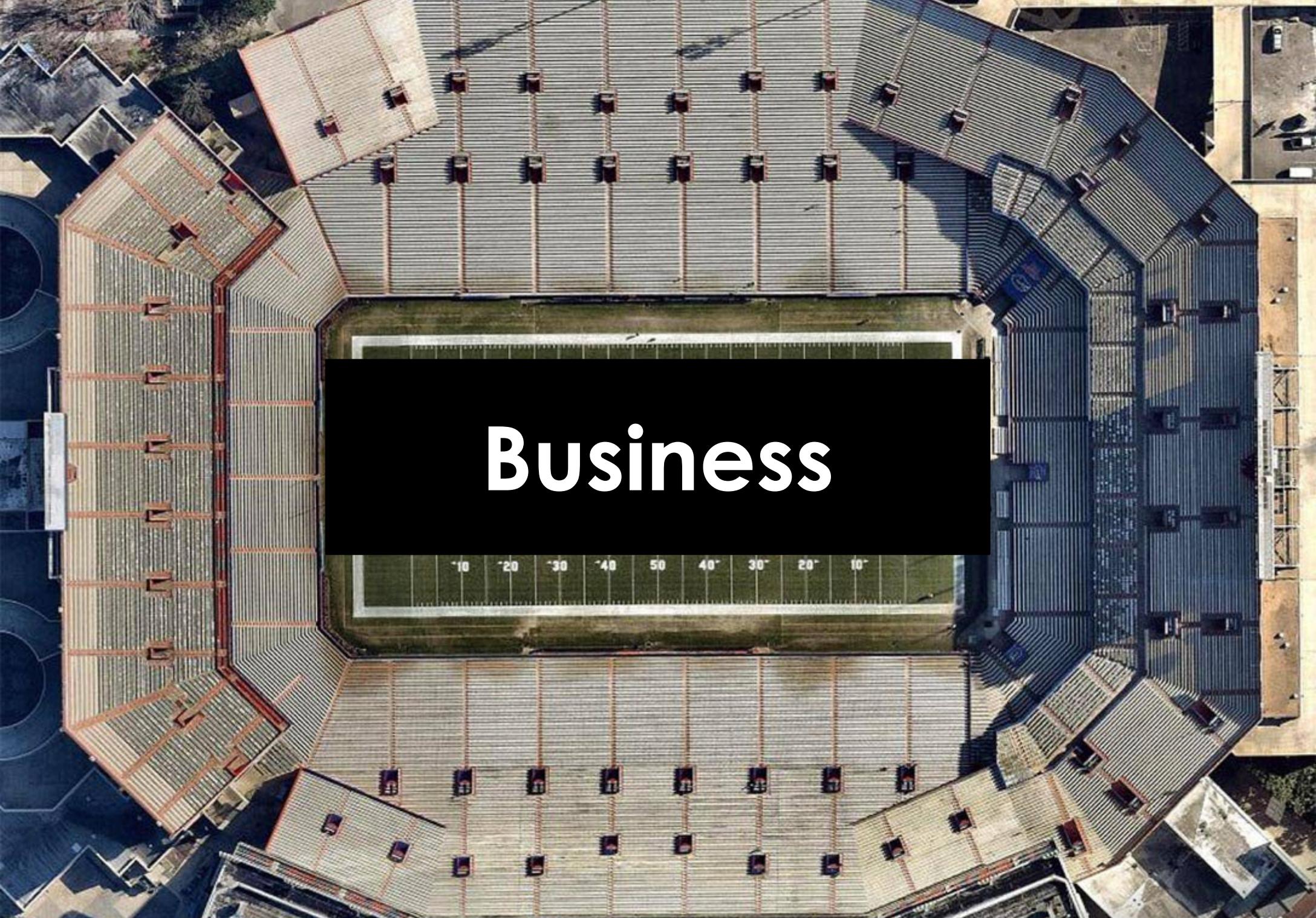
### Information

<b>Current price</b>	\$1.08	<b>Market cap</b>	\$518.06M
<b>52 week range</b>	\$0.830 - \$4.290	<b>Enterprise value</b>	\$502.73M
<b>Ticker</b>	ASX: NEA	<b>Revenue Growth (Quarterly y.o.y)</b>	29.58%

- Since their founding in 2007, Nearmap has evolved from a small online start-up to become a next-gen digital content leader and ASX 200 technology company.
- They offer businesses instant access to high resolution aerial imagery, and integrated geospatial tools.
- This enables their users to conduct virtual site visits for deep, data-driven insights — enabling informed decisions, streamlined operations, and significant cost savings.
- Using its own patented camera systems and processing software, Nearmap captures wide-scale urban areas in Australia, New Zealand, and the US multiple times each year.

3

[OVERVIEW](#)[Business](#)[Industry](#)[Strategy and CA](#)[Risks](#)



**Business**

# Development and implementation has been quick

## THE NEARMAP TIMELINE.



### PRE-2012

- Development of HyperPod
- First Australian captures in Perth
- Content software and delivery in the cloud



### 2012

- Implementation of cloud-based subscription model



### 2013-14

- Development of new camera system
- First US captures undertaken



### 2015

- Commencement of commercial US operations
- First Australian \$1M subscription contract



### 2016

- First Oblique captures



### 2017

- Over 8,000 subscribers worldwide



### 2018 & BEYOND

- Measurable Obliques
- Export 3D content
- Partnerships
- 3D visualization & streaming
- Open source developer community
- Integrated drone content



# Key Levers of Success



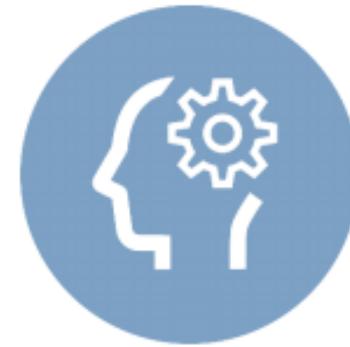
## SCALABLE BUSINESS MODEL

Established, loyal and growing customer base  
High retention rates and opportunity for upsell  
Recurring revenues with high gross margins  
Effective and focused sales and marketing capability  
Scalable with significant fixed cost leverage



## EFFECTIVE UNIT ECONOMICS

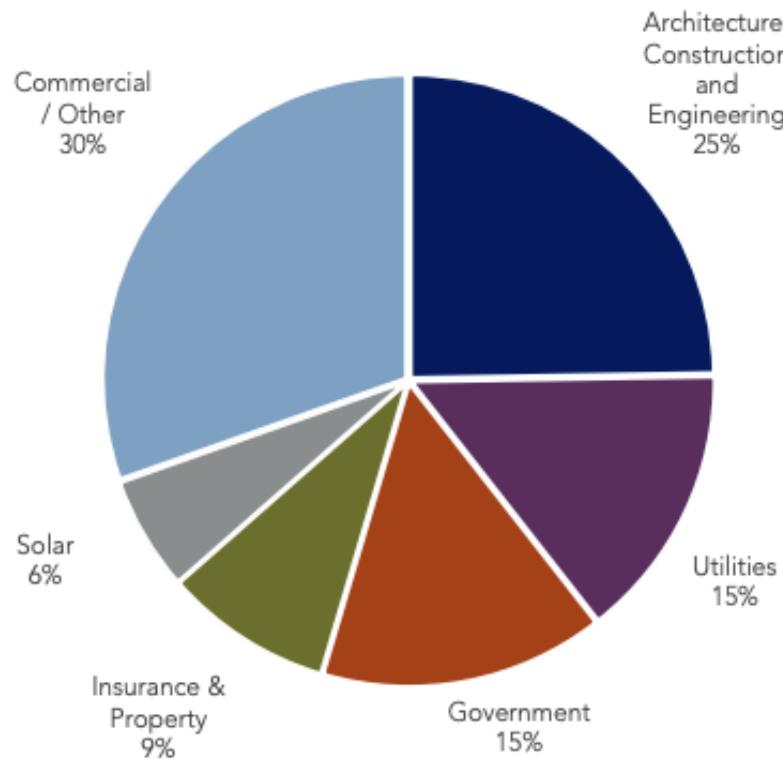
Efficiency of sales & marketing, retention and capture program  
Over \$1 billion of customer lifetime value



## FOREFRONT OF TECHNOLOGY EVOLUTION

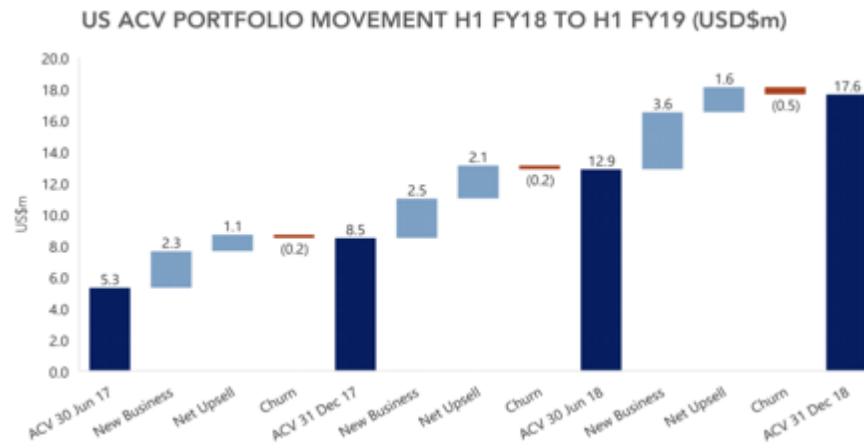
From camera systems to processing software to product features and beyond

# Revenue comes from diversified client base

**GROUP ACV PORTFOLIO BY INDUSTRY (%)****31 DECEMBER 2017**

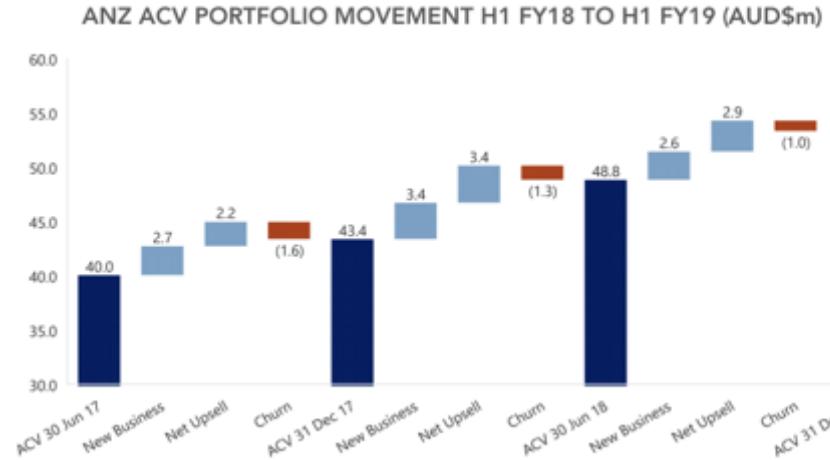
- Diverse customer base in both AU and US
- National enterprise customers in both territories, as well as partners
- Significant small and medium enterprise customer base covering a range of industries and use cases
- Key government supplier including local counties in the US, and local and state government in Australia (including preferred supplier to Landgate's Capture WA Contract panel)

# Strong growth and low churn in all operating regions



USD\$17.6m = 1,178 X  
ACV Subscriptions  
108% growth on pcp 59% growth on pcp

USD\$14,975 ARPS  
31% growth on pcp



\$53.3m = 8,134 X  
ACV Subscriptions  
23% growth on pcp 9% growth on pcp

\$6,555 ARPS  
13% growth on pcp

Nearmap is one of the ten largest aerial survey companies in the world by annual data collection volume.

ACV = Annualized Contract Value  
ARPS = Average Revenue per Subscription  
PCP = Previous corresponding period



Industry

nearmap

# The industry is ready for the innovation Nearmap provides



## GLOBAL MARKET OPPORTUNITY

Substantial global market opportunity – runway for sustained growth, is on track to reach US \$4.5B by 2025 (CAGR 14.6%)<sup>1</sup>

Creating new market with 3D

### Key Facts

- Government applications are estimated to surpass USD \$950 million by 2024. Use cases include urban planning, energy management, environmental planning, and homeland security.
- Commercial usage is expected to generate the maximum revenues in the near future.

# Technology is the driving factor of growth



PRODUCT  
ENHANCEMENT



CAPTURE  
TECHNOLOGY

## Key Facts

- Currently image quality and type of image are the biggest reasons companies are not using Aerial Mapping technology.
- Technological advances; such as Oblique Capture, LiDAR (Light Detection and Ranging), IMU (Inertial Measurement Unit), and 3D mapping can boost market revenues in the near future.



Unprecedented scale of capture



High-resolution and accurate

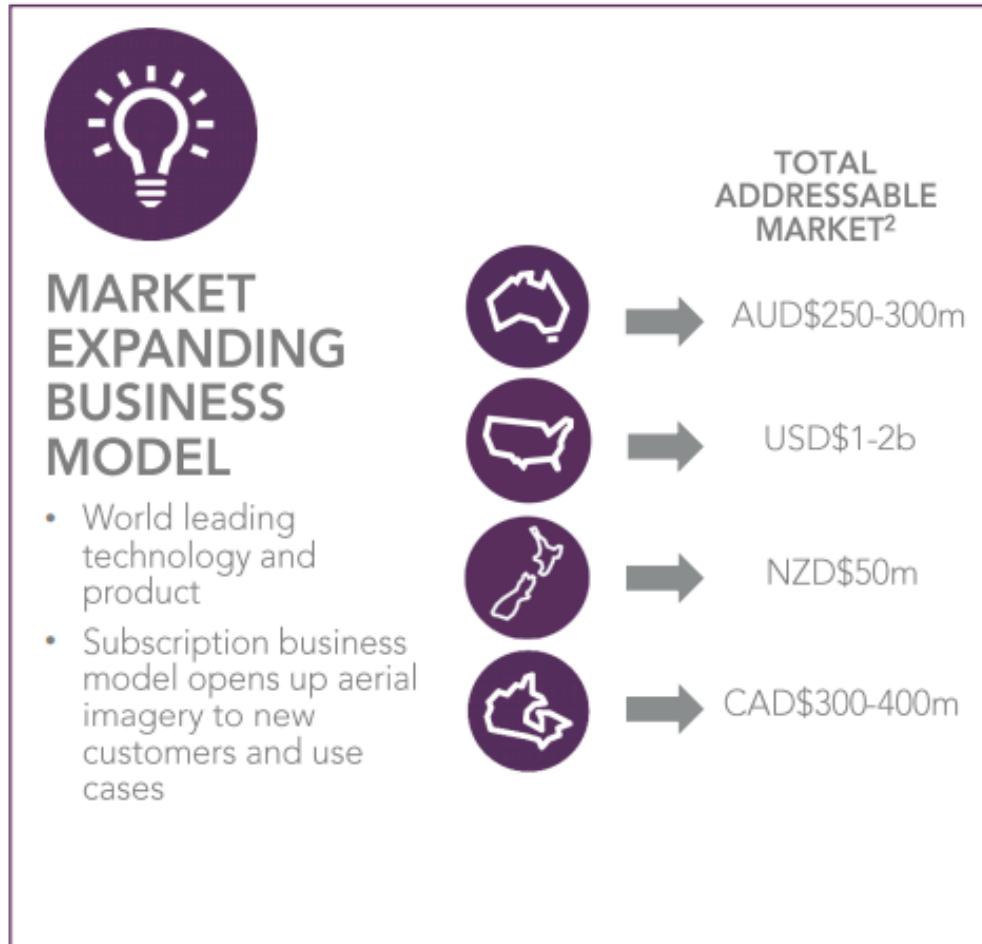
## Key Facts

- Increasing legal scrutiny regarding drones around the world has led to an increase in rules and expenses related to drone usage
- The typical use case for a drone is being challenged for many businesses by Aerial Mapping providers.
- Speed and Accuracy are key drivers to the success of these businesses, precision mapping is what is driving demand



Strategy

# Capitalizing on growth is the primary goal



## CONTENT OPENS NEW MARKET SEGMENTS

In the USD\$339 billion global geospatial industry market<sup>1</sup>:

- 3D scanning software and services global market USD\$3.8 billion (2018)<sup>1</sup>
- GIS / Spatial Analytics content global market USD\$18.4 billion<sup>1</sup>

## NEW GEOGRAPHIC MARKETS

Nearmap's unique business model has the potential to scale to multiple geographies around the world, particularly developed economies with an advanced level of adoption of geospatial technology, software and services

# The strategy centers on three growth points



## TARGETED US SALES & MARKETING

- At least \$5 million to be invested over 12 months into expanded US sales & marketing strategy for deep penetration of a specific identified US vertical and geography
- Campaign will be launched in Q4



## EXPANSION TO CANADA

- At least \$5 million to be invested over 18 months for the Canadian expansion program
- Capture program to commence April 2019, with sales and operations to leverage existing US infrastructure
- Initial population coverage estimate of 60%



## EXPANDED PRODUCT & CONTENT

- At least \$5 million to be invested over 18 months on:
  - Location intelligence
  - 3D in MapBrowser enablement
  - Camera system evolution
- Expansion of internal technology capability and headcount underway

An aerial photograph of a suburban neighborhood. In the center-right, a large, modern stadium with a distinctive curved roof and tiered seating is visible. To its left is a green soccer field. Further left, there's a cluster of industrial buildings and parking lots. The surrounding area is filled with single-story houses, streets, and patches of greenery.

# Competitive Advantage

nearmap

# Nearmap's competitive moat is multifaceted



**CLEAR  
COMPETITIVE  
ADVANTAGES**

## Key Facts

- **Coverage** – Strong coverage over dense population centres, often reaching 75%+ of population
- **Resolution** – Best in class, patented design
- **Frequency** – Updated up to 4x more frequently than the closest competitor
- **Consistency** – Anywhere a user looks they are guaranteed the same quality images
- **History** – Historical data spanning back a decade, IP that cannot be easily replicated
- **Functionality** – Mobile and Desktop access that allows a mobility factor that competitors have failed to provide
- **Usability** – Software is consistently ranked as the most consumer friendly

The background image is an aerial photograph of a coastal area. In the foreground, dark green ocean waves break onto a light-colored sandy beach. To the left, a rocky cliff face with patches of green vegetation rises. A multi-lane highway runs parallel to the coastline on the right side of the image. Several cars are visible on the road. The sky is clear and blue.

Risks

# Risks are recognized and have active response plans

## Risks



Profitability



Privacy and Data Security



Contractor Compliance

## Mitigation

- Nearmap Ltd is currently not making a profit. This is primarily due to significant sales and marketing expenses to capture new customers. The risk is mitigated as Nearmap is growing significantly and customer capture rates are high while churn is very low. They are on track to turn a profit in the next two years.
- Nearmap Ltd collects a vast amount of data in its day to day operations. There is potential that they may suffer a data breach which would open them up to legal consequences. To mitigate this they have a proactive approach to data security. Which includes a Cyber Working Group and insurance against such an event occurring.
- Nearmap Ltd contracts out its aerial capture to survey the areas they want to capture. Nearmap has liability regarding the safety that these contractors display while under contract. They therefore need to be aware of aviation regulation in multiple different localities. To mitigate any issues they have maintained strong communication ties to contractors.

The background image is an aerial photograph of the Hoover Dam and the surrounding landscape. The dam itself is a massive concrete structure with a light tan or beige color. It spans across a deep blue lake, which is part of the Colorado River. On either side of the dam, there are large, rocky, reddish-brown hills. In the foreground, there's a paved area with some buildings and parking lots. The overall scene is very bright and clear, typical of a sunny day.

# Financial Statements

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	NOTES	CONSOLIDATED	
		2019 \$'000	2018 \$'000
Revenue	3	77,642	53,553
Other income	3	1,733	587
<b>TOTAL REVENUE AND OTHER INCOME</b>		<b>79,375</b>	<b>54,140</b>
Employee benefits expense	4	(36,843)	(31,005)
Amortisation and depreciation	4	(26,659)	(13,257)
Net foreign exchange differences		(191)	(189)
Other operational expenses	4	(25,519)	(17,916)
<b>TOTAL EXPENSES</b>		<b>(89,212)</b>	<b>(62,367)</b>
<b>LOSS BEFORE TAX</b>		<b>(9,837)</b>	<b>(8,227)</b>
Income tax expense	6	(5,097)	(2,802)
<b>LOSS AFTER TAX</b>		<b>(14,934)</b>	<b>(11,029)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	194	(285)	
Fair value (loss)/gain on cash flow hedges	(26)	334	
Income tax associated with these items	8	(100)	
<b>TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF THE COMPANY</b>		<b>(14,758)</b>	<b>(11,080)</b>
<b>LOSS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
Basic loss per share (cents per share)	14	(3.43)	(2.84)
Diluted loss per share (cents per share)	14	(3.43)	(2.84)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	NOTES	CONSOLIDATED	
		2019 \$'000	2018 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	13	75,914	17,530
Trade receivables	9	14,535	10,116
Other current receivables		3,078	1,386
Other current assets		2,663	2,506
<b>TOTAL CURRENT ASSETS</b>		<b>96,190</b>	<b>31,538</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	12	16,782	11,983
Intangible assets	11	42,132	36,299
Deferred tax assets	6	3,086	2,667
<b>TOTAL NON-CURRENT ASSETS</b>		<b>62,000</b>	<b>50,949</b>
<b>TOTAL ASSETS</b>		<b>158,190</b>	<b>82,487</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		3,777	1,525
Unearned revenue		42,034	33,911
Employee benefits		5,701	5,116
Other current liabilities		5,446	2,711
Current tax liabilities		2,107	337
<b>TOTAL CURRENT LIABILITIES</b>		<b>59,065</b>	<b>43,600</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	6	10,190	8,554
Employee benefits		280	163
Other non-current liabilities		1,002	1,176
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,472</b>	<b>9,893</b>
<b>TOTAL LIABILITIES</b>		<b>70,537</b>	<b>53,493</b>
<b>NET ASSETS</b>		<b>87,653</b>	<b>28,994</b>
<b>EQUITY</b>			
Contributed equity	8	124,617	52,995
Reserves		14,843	12,983
Profits reserve		7,078	7,078
Accumulated losses		(58,885)	(44,062)
<b>TOTAL EQUITY</b>		<b>87,653</b>	<b>28,994</b>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF OF CASH FLOWS AS AT 30 JUNE 2019

	NOTES	CONSOLIDATED	
		2019 \$'000	2018 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		86,866	64,201
Payments to suppliers and employees <sup>1</sup>		(62,517)	(50,494)
Interest received		1,404	374
Other receipts		21	82
Income taxes paid		(875)	(428)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>13</b>	<b>24,899</b>	<b>13,735</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of plant and equipment		(8,238)	(4,121)
Payments for development costs		(8,926)	(5,670)
Payments for capture costs <sup>1</sup>		(20,133)	(16,467)
Proceeds from sale of plant and equipment		14	291
Proceeds from sale of unlisted investments		150	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(37,133)</b>	<b>(25,967)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share offer		67,146	-
Proceeds from exercise of share options		3,210	1,549
Proceeds from exercise of loans share options		381	-
Payment of treasury shares		(197)	-
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>70,540</b>	<b>1,549</b>	
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>58,306</b>	<b>(10,683)</b>
Cash and cash equivalents at beginning of year		17,530	28,338
Effect of movement in exchange rates on cash held		78	(125)
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>13</b>	<b>75,914</b>	<b>17,530</b>

<sup>1</sup> Capture costs in Australia/New Zealand and the US/Canada of \$3,877k and \$16,256k respectively (2018: \$3,001k and \$13,466k) were previously included within Net Cash from Operating Activities and have been reclassified to Net Cash from Investing Activities to better reflect the nature of the related asset which is capitalised.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.



# Stock Pitch

Michael de Boyett

