



FY18 ANALYST PACK

YEAR END 30 JUNE 2018

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Important Note

Information presented in the 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 FY 2018 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 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.



22 August 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 year ended 30 June 2018, with comparatives for the year ended 30 June 2017.

Operating segment summaries detail:

- **United States** – sales and marketing efforts in the United States;
- **Australia** – sales and marketing efforts in Australia;

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

This pack is to be read in conjunction with the "Appendix 4E Full Year Report for the year ended 30 June 2018" and the "Investor Briefing Full Year Results to 30 June 2018" released to the ASX on 22 August 2018.

We trust that you find this information useful and insightful.

Kind regards

A handwritten signature in black 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 financial reporting discussed in the H1 FY18 Analyst Pack.

	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Group ACV portfolio (AU'\$000)							
Opening ACV	36,411	41,250	36,411	46,959	54,227	46,959	29%
New business	4,013	4,904	8,918	5,677	6,771	12,448	40%
Net upsell	2,591	2,857	5,447	3,599	6,286	9,885	81%
Churn	(1,940)	(1,815)	(3,754)	(1,888)	(1,651)	(3,539)	6%
Net incremental ACV	4,665	5,946	10,611	7,388	11,406	18,794	77%
FX impact	175	(238)	(63)	(120)	601	481	
Closing ACV	41,250	46,959	46,959	54,227	66,234	66,234	41%
Group revenue	19,426	21,639	41,065	24,677	29,463	54,140	32%
Group gross margin (%)	87%	84%	85%	80%	81%	81%	
12 month churn (%)	*	10.3%	10.3%	9.0%	7.5%	7.5%	
Closing ARPS (\$)	5,496	5,996	5,996	6,598	7,473	7,473	25%
Portfolio LTV (AU'\$000)	*	388,315	388,315	480,724	715,327	715,327	84%
Opening subscriptions	7,190	7,505	7,190	7,832	8,219	7,832	9%
New business	839	1,007	1,846	954	1,036	1,990	8%
Churn	(524)	(680)	(1,204)	(567)	(392)	(959)	20%
Closing subscriptions	7,505	7,832	7,832	8,219	8,863	8,863	13%
Group Sales Team Contribution Ratio	88%	92%	90%	97%	129%	114%	
Earnings							
Group EBITDA	2,393	3,624	6,017	1,192	3,664	4,856	(19%)
Group EBIT	(1,673)	(1,148)	(2,821)	(4,721)	(3,680)	(8,401)	(198%)
Statutory NPAT	(3,513)	(3,161)	(6,674)	(6,500)	(4,529)	(11,029)	(65%)
Operating cash flow	(1,115)	4,787	3,672	(3,312)	580	(2,732)	(174%)

* 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 41% to \$66.2m (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 114% in FY18 (FY17: 90%), with the US STCR growing on the back of increased investment in sales and marketing, and AU STCR exceeding 100% reflecting strong customer acquisition and retention metrics.

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 7.5% (FY17: 10.3%) reflecting the increasing focus placed on customer retention and renewal.

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 8,863 (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.

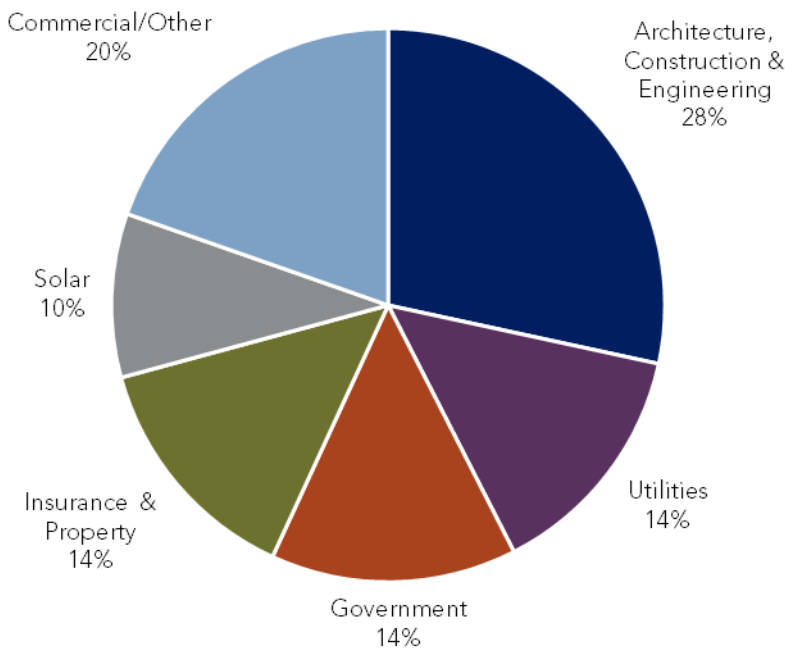
Group ARPS increased to \$7,473 (30 June 2017: \$5,996). This growth was experienced in both Australia and the United States, with the majority of the growth driven by the continuing penetration of large enterprise customers in the United States.

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

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

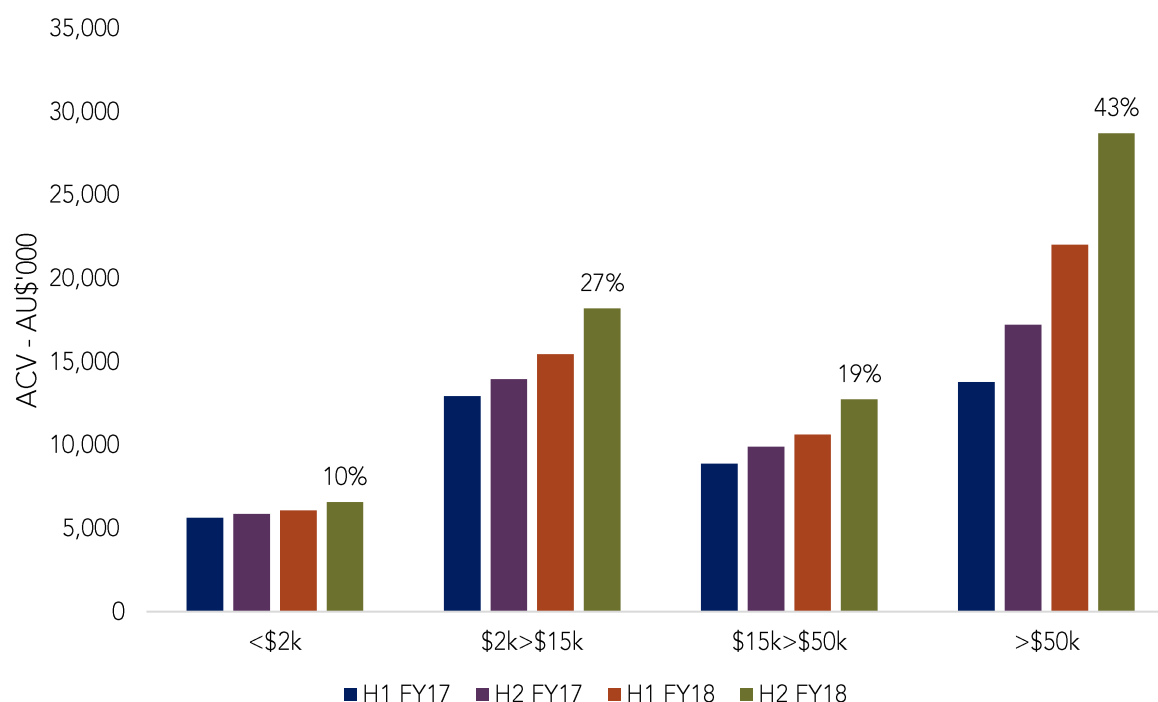
Group Portfolio LTV increased to \$715m (FY17: \$388m). This reflects the growing size of the Group ACV portfolio and the reduction in subscription churn, together with an increasing contribution from the US as the gross margin increases.

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 28% of the portfolio. Notably, 20% 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



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 added and upsold a number of enterprise customers during the year.

FTE Breakdown

As at 30 June 2018

		Product / Technology /		
As at 30 June 2018	Distribution	Capture	Corporate	Group
Australia	36	65	42	143
United States	33	6	8	47
Total	69	71	50	190

As at 30 June 2017

		Product / Technology /		
As at 30 June 2017	Distribution	Capture	Corporate	Group
Australia ¹	27	49	40	116
United States	35	6	5	46
Total	62	55	45	162

¹ Restated vs 1H18 Analyst Pack to reflect the reallocation of seven heads from Product to Corporate

1. US Distribution headcount reduced by two over the course of the year. There was a significant hiring ramp at the end of FY17 to add sales headcount across all areas. Headcount remained stable over the course of FY18 with only minor movements reflecting the timing of hiring.
2. The increase in Product, Technology and Capture headcount reflects the investment in the expanded capture program and the development of new content and products.

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 financial reporting discussed in the H1 FY18 Analyst Pack.

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Revenue	19,170	21,423	40,593	24,413	29,140	53,553	32%
Interest income	211	178	389	199	170	369	(5%)
Other income	45	37	82	65	153	218	166%
Total Revenue	19,426	21,639	41,065	24,677	29,463	54,140	32%
Expenses							
Employee benefits expense	(11,216)	(11,525)	(22,741)	(14,724)	(16,281)	(31,005)	(36%)
Amortisation and depreciation	(4,066)	(4,772)	(8,838)	(5,913)	(7,344)	(13,257)	(50%)
Net foreign exchange differences	(225)	(250)	(475)	(226)	37	(189)	60%
Other operational expenses	(5,606)	(6,309)	(11,915)	(8,563)	(9,353)	(17,916)	(50%)
Total expenses	(21,113)	(22,856)	(43,969)	(29,426)	(32,941)	(62,367)	(42%)
(Loss) / profit before tax	(1,687)	(1,217)	(2,904)	(4,749)	(3,479)	(8,227)	(183%)
Income tax expense	(1,826)	(1,944)	(3,770)	(1,751)	(1,051)	(2,802)	26%
Loss after tax	(3,513)	(3,161)	(6,674)	(6,500)	(4,529)	(11,029)	(65%)

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 32% to \$53.6m (FY17: \$40.6m) reflecting the growth of the subscription ACV portfolio in both Australia and the United States.

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 and gain on disposal of assets.

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 FY18 were \$31.0m (FY17: \$22.7m), driven by an increase in headcount (28 additional heads) 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 reconciliation of amortisation and depreciation section of the Analyst Pack.
- Net foreign exchange differences represent unrealised differences on the translation of the foreign denominated bank account balance (USD) held in Australia from foreign currency into functional currency (AUD). Realised differences namely relate to payments to suppliers in foreign currencies and the revaluation of the US entity balances.
- 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 \$2.8m (FY17: \$3.8m). As a result of the reduction in the US income tax rate (US federal income tax rate reduced from 35% to 21% effective 1 January 2018) the Company reduced the value of its net deferred tax asset (which relates primarily to US temporary differences) which has been recorded as an additional income tax expense during the year ended 30 June 2018. As at 30 June 2018, the Company has an unrecognised tax loss of \$12.0m relating to US operating losses. The Company does not recognise any deferred tax assets in relation to US tax losses.

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18
Total loss before tax	(1,127)	(407)	(1,534)	(4,749)	(3,478)	(8,227)
Prima facie tax benefit at 30%	338	122	460	1,425	1,043	2,468
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:						
R&D grant	133	4	137	68	57	125
Effect of US tax rates	700	(35)	665	(540)	156	(384)
Effect of (lower)/higher tax rate change in the US	-	-	-	-	(1,004)	(1,004)
Share based payments expense	(253)	(151)	(404)	(209)	(201)	(410)
Entertainment expenses	(52)	12	(40)	3	(60)	(57)
Recognition of previously unrecognised deductible temporary difference	-	801	801	-	1,163	1,163
Current year losses for which no deferred tax asset is recognised	(2,692)	(4,063)	(6,755)	(2,498)	(2,941)	(5,439)
Over provision in the prior year	-	1,366	1,366	-	736	736
Current year tax expense	(1,826)	(1,944)	(3,770)	(1,751)	(1,051)	(2,802)

Consolidated balance sheet

AU\$'000	31 Dec 16	30 Jun 17	31 Dec 17	30 Jun 18
Current assets				
Cash and cash equivalents	28,395	28,338	20,642	17,530
Trade receivables	7,729	7,051	9,699	10,116
Other current assets	1,862	1,532	4,836	3,892
Total current assets	37,986	36,921	35,177	31,538
Non-current assets				
Plant and equipment	8,148	10,610	11,758	11,983
Intangible assets	20,026	24,824	29,696	36,299
Deferred tax assets	2,690	2,060	2,239	2,667
Total non-current assets	30,864	37,494	43,693	50,949
Total assets	68,850	74,415	78,870	82,487
Current liabilities				
Trade and other payables	1,040	1,609	2,441	1,525
Unearned income	21,075	25,171	29,010	33,911
Employee benefits	2,212	2,441	3,382	5,116
Other current liabilities	1,313	2,039	3,144	2,711
Current tax liabilities	223	298	337	337
Total current liabilities	25,863	31,558	38,314	43,600
Non-current liabilities				
Deferred tax liabilities	4,407	5,594	7,356	8,554
Employee benefits	173	105	153	163
Other non-current liabilities	-	-	1,121	1,176
Total non-current liabilities	4,580	5,699	8,630	9,893
Total liabilities	30,443	37,257	46,944	53,493
Net assets	38,407	37,158	31,926	28,994
Equity				
Contributed equity	50,441	51,446	51,885	52,995
Reserves	11,570	11,667	12,496	12,983
Profits reserve	7,078	7,078	7,078	7,078
Accumulated losses	(30,682)	(33,033)	(39,533)	(44,062)
Total equity	38,407	37,158	31,926	28,994

Key balance sheet items represent:

Cash – The group's cash holdings decreased to \$17.5m (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 \$10.1m (30 June 2017: \$7.1m). This increase reflects the strong close to the financial year and the significant number of subscriptions billed in the last month of FY18.

Other current assets – The increase in this balance of \$2.4m vs 30 June 2017 represents a net \$1.0m rental deposit on the Company's new head office lease, the asset relating to the rent free period (\$0.4m) on the head office, and 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 FY18 investment in the expanded capture program and the development of new content and products.

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.

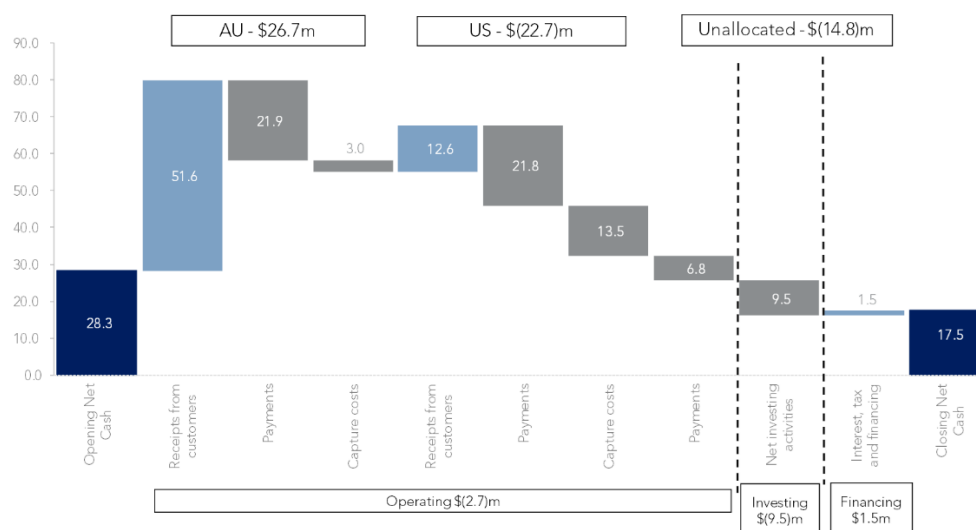
Employee benefits – Employee benefits have increased by \$2.7m vs 30 June 2017 primarily due to the accrual of year end bonuses and commissions.

Other current and non-current liabilities – General accruals have increased \$0.7m vs 30 June 2017 (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

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Receipts from customers	19,728	28,288	48,016	27,986	36,215	64,201	34%
Payments to suppliers and employees	(21,063)	(23,678)	(44,741)	(31,358)	(35,603)	(66,961)	(50%)
Interest received	175	171	346	204	170	374	8%
Other receipts	45	28	73	21	61	82	12%
Income taxes received / (paid)	-	(22)	(22)	(165)	(263)	(428)	(1,845%)
Net cash from operating activities	(1,115)	4,786	3,672	(3,312)	580	(2,732)	174%
Net cash from investing activities	(4,440)	(5,677)	(10,117)	(4,693)	(4,807)	(9,500)	6%
Net cash from financing activities	21,662	1,005	22,667	439	1,110	1,549	(93%)
Effect of movement in exchange rates on cash held	98	(171)	(73)	(130)	5	(125)	(71%)
Total movement	16,206	(57)	16,149	(7,696)	(3,112)	(10,808)	(167%)

Cash flow waterfall*



*Financing cash flows of \$1.5m include \$0.4m of interest and other receipts classified as operating activities in the statutory cash flow

Key components of the FY18 cash flows represent:

Australia – The AU segment generated free cash flows of \$26.7m, with cash receipts of \$51.6m offset by payments of \$24.9m for sales and marketing expenses, allocation of corporate expense payments, capture costs and related net GST payments. Free cash flow conversion remains >50%.

United States – The US segment consumed free cash flows of \$22.7m, with cash receipts of \$12.6m offset by payments of \$35.3m on sales and marketing expenses, allocations of corporate expense payments, capture costs and related sales tax remittances. Significantly, US ACV now exceeds US cash cost of capture, demonstrating the increasing operational leverage in the business.

Corporate – The Corporate segment consumed free cash flows of \$14.8m, reflecting:

- Payments for general and administrative costs of \$6.8m;
- Payments for product and technology capital investment split out as follows:
 - o Development costs \$(5.7m)
 - o Plant and equipment \$(4.1m)
 - o Disposals \$ 0.1m
 - o Gain on sales \$ 0.2m; and
- Net receipts of \$1.5m in interest, tax and financing.

Segment Performance

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

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in financial reporting discussed in the H1 FY18 Analyst Pack.

Segment Performance

AU\$'000	FY18				US\$'000
	Australia	US	Unallocated	Total	US
Revenue	42,955	10,598	-	53,553	8,176
Other income	-	-	587	587	-
Total revenue	42,955	10,598	587	54,140	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	587	43,740	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 Cost	(10,197)	(12,988)	-	(23,185)	(10,049)
General & administration	(6,924)	(6,653)	(8,194)	(21,771)	(5,155)
Overhead depreciation	(229)	(415)	(29)	(673)	(322)
Interest expense	-	-	(6)	(6)	-
Total general & administration	(7,153)	(7,068)	(8,229)	(22,450)	(5,477)
Segment contribution	22,942	(17,195)	(7,642)	(1,895)	(13,307)
Amortisation & depreciation				(6,143)	
FX gain / (loss)				(189)	
Income tax expense				(2,802)	
Profit / (loss) after tax				(11,029)	

Note: Gross profit includes Other income

AUS\$'000	FY17				US\$'000
	Australia	US	Unallocated	Total	US
Revenue	36,292	4,301	-	40,593	3,242
Other income	-	-	472	472	-
Total revenue	36,292	4,301	472	41,065	3,242
Capture cost amortisation	(913)	(2,332)	-	(3,245)	(1,716)
Storage, administration & other	(1,222)	(1,516)	-	(2,738)	(1,141)
Total cost of revenue	(2,135)	(3,848)	-	(5,983)	(2,857)
Gross profit	34,157	453	472	35,083	385
Gross margin %	94%	11%		85%	
Direct sales & marketing	(5,835)	(5,927)	-	(11,762)	(4,488)
Indirect sales & marketing	(2,011)	(2,273)	-	(4,284)	(1,695)
Total sales & marketing cost	(7,846)	(8,200)	-	(16,046)	(6,183)
General & administration	(4,821)	(4,776)	(6,270)	(15,866)	(3,600)
Overhead depreciation	(353)	(505)	(85)	(944)	(380)
Interest expense	-	-	(2)	(2)	-
Total general & administration	(5,174)	(5,281)	(6,357)	(16,812)	(3,980)
Segment contribution	21,137	(13,028)	(5,883)	2,226	(9,778)
Amortisation & depreciation				(4,654)	
FX gain / (loss)				(475)	
Income tax expense				(3,769)	
Profit / (loss) after tax				(6,673)	

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 financial reporting discussed in the H1 FY18 Analyst Pack.

US\$'000	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Opening ACV	1,493	3,072	1,493	5,307	8,477	5,307	255%
New business	1,320	2,066	3,386	2,332	2,525	4,857	43%
Net upsell	294	435	729	1,061	2,109	3,170	335%
Churn	(35)	(267)	(302)	(222)	(243)	(465)	(54%)
Net incremental	1,579	2,234	3,813	3,170	4,391	7,561	98%
Closing ACV	3,072	5,307	5,307	8,477	12,868	12,868	142%
Opening subscriptions	363	486	363	605	742	605	67%
New business	143	176	319	173	251	424	33%
Churn	(20)	(57)	(77)	(36)	(47)	(83)	(8%)
Closing subscriptions	486	605	605	742	946	946	56%
ACV 12 month churn (%)	*	20.2%	20.2%	15.9%	8.8%	8.8%	
Closing ARPS (\$)	6,322	8,771	8,771	11,425	13,603	13,603	55%
Capture cost amortisation	(761)	(955)	(1,716)	(1,570)	(2,122)	(3,692)	(115%)
Storage, administration & other	(441)	(700)	(1,141)	(1,317)	(947)	(2,264)	(98%)
Cost of revenue	(1,202)	(1,655)	(2,857)	(2,887)	(3,069)	(5,956)	(108%)
Cash costs to capture	(2,236)	(3,119)	(5,355)	(4,561)	(5,873)	(10,434)	(95%)
Revenue	1,080	2,162	3,242	2,944	5,232	8,176	152%
Costs of revenue	(1,202)	(1,655)	(2,857)	(2,887)	(3,069)	(5,956)	(108%)
Gross margin	(122)	507	385	57	2,163	2,220	477%
Gross margin (%)	(11%)	23%	12%	2%	41%	27%	
Direct sales cost	(1,949)	(2,539)	(4,488)	(3,337)	(3,617)	(6,954)	(55%)
Sales Team Contribution Ratio (%)	81%	88%	85%	95%	121%	109%	
Indirect sales cost	(788)	(907)	(1,695)	(1,446)	(1,648)	(3,094)	(83%)
Total sales & marketing cost	(2,737)	(3,446)	(6,183)	(4,783)	(5,265)	(10,048)	(63%)
Overheads	(2,053)	(1,927)	(3,980)	(2,539)	(2,939)	(5,478)	(38%)
Segment EBIT	(4,912)	(4,866)	(9,778)	(7,265)	(6,041)	(13,306)	(36%)
Segment EBIT %	(455%)	(225%)	(302%)	(247%)	(115%)	(163%)	

* Rolling 12 month churn only reported from 30 June 2017

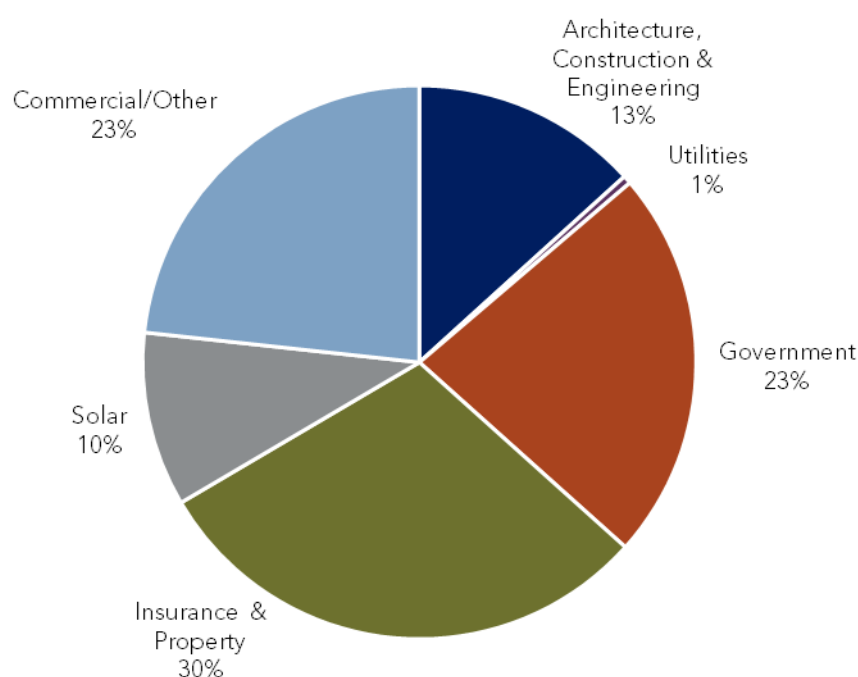
US ACV Portfolio

During FY18, the US ACV portfolio increased from \$5.3m to \$12.9m. The components of this growth represent:

- **New Business** of \$4.9m reflected the focussed effort to target larger enterprise customers and the increasing effectiveness of sales and marketing acquisition strategies.
- **Upsell** of \$3.2m reflects the first substantial year of upsell, representing 60% of the 1 July 2017 opening portfolio and highlighting the effectiveness of Nearmap's stated land and expand strategy.
- **Customer churn** for the 12 months to 30 June 2018 (representing the dollar value of subscriptions not renewed in a 12 month period compared to the opening ACV value) was 8.8% (FY17: 20.2%). This downward trend highlights the effectiveness of Nearmap's customer centric approach at all stages of the subscription lifecycle.

The **number of subscriptions** grew by 56% to 946 (30 June 2017: 605), while the **average revenue per subscription** increased to \$13,603 (30 June 2017: \$8,771), reflecting the growth in larger subscriptions with enterprise customers in the United States during FY18.

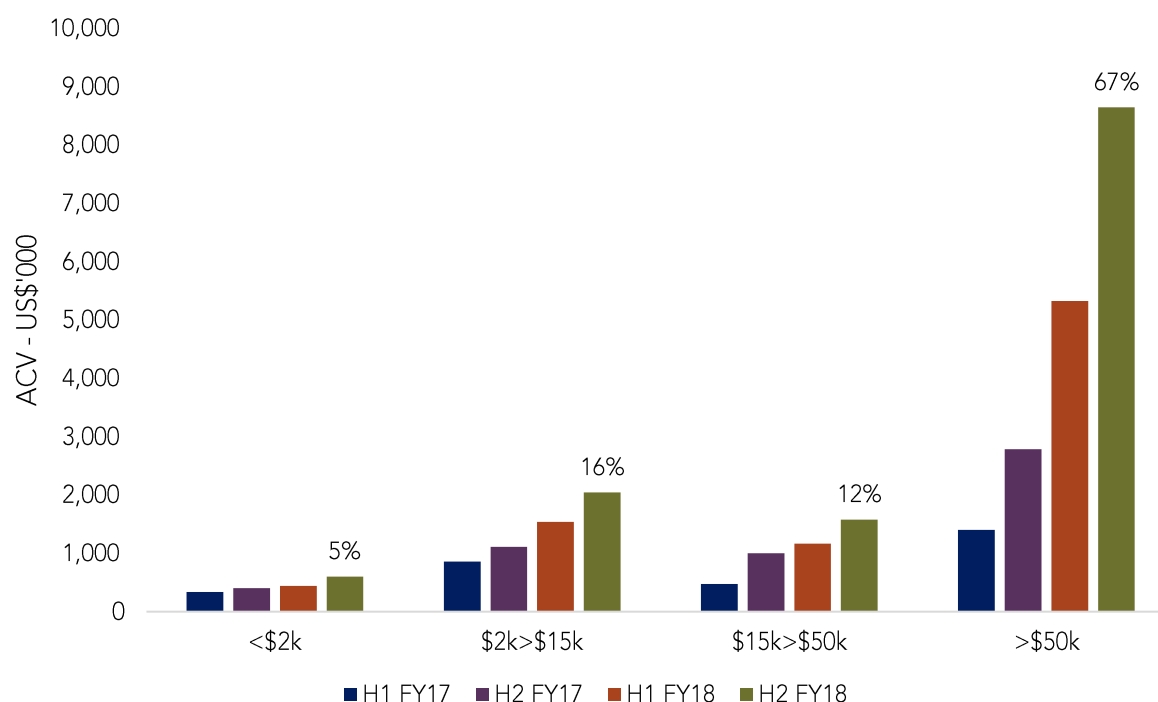
Customer portfolio at 30 June 2018 by industry segment



The portfolio is **diversified across customer industries**, with the largest segments being Insurance & Property (30%), Commercial / Other (23%) and Government (23%), with the majority of top ten customers in those industry segments. ACE – Architecture, Construction and Engineering (13%) and Solar (10%) represent the next largest customer industry segments.

The industry split in the US portfolio displays similarities to the makeup of the Australian portfolio, showing the consistency in customer use cases that exist in the two markets. Some differences that do exist relate to the unique landscape of certain US industries, namely Insurance & Property, as well as Government, where Nearmap content has proven valuable in enabling greater efficiency and profitability for customers.

ACV portfolio by subscription size



All subscription size categories demonstrated growth during FY18. The focus on new business acquisition of enterprise level accounts can be seen above, with enterprise customers (subscriptions greater than \$15,000 p.a.) making up 79% of the US portfolio. This shows the inherent value and strategic significance of the Nearmap product suite for large organisations in key industry segments. 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 FY19.

Financial Performance

US revenue grew to \$8.2m (FY17: \$3.2m) 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 \$5.4m (FY17) to \$10.4m, 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 27% in FY18.

Direct sales costs have increased to \$7.0m reflecting the full year impact of headcount changes 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 FY18, compared to the direct cost of the sales and marketing effort) was 109% (FY17: 85%) 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 \$3.1m (FY17: \$1.7m). 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 \$5.5m (FY17: \$4.0m).

US Segment Contribution was (\$13.3m) (FY17: (\$9.8m)).

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 financial reporting discussed in the H1 FY18 Analyst Pack.

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Opening ACV	34,400	37,004	34,400	40,036	43,359	40,036	16%
New business	2,291	2,209	4,500	2,688	3,354	6,042	34%
Net upsell	2,207	2,289	4,497	2,239	3,432	5,671	26%
Churn	(1,894)	(1,467)	(3,361)	(1,603)	(1,322)	(2,925)	13%
Net incremental	2,604	3,031	5,636	3,324	5,464	8,788	56%
Closing ACV	37,004	40,036	40,036	43,359	48,824	48,824	22%
Opening subscriptions	6,827	7,019	6,827	7,227	7,477	7,227	6%
New business	696	831	1,527	781	785	1,566	3%
Churn	(504)	(623)	(1,127)	(531)	(345)	(876)	22%
Closing subscriptions	7,019	7,227	7,227	7,477	7,917	7,917	10%
Churn (%)	*	9.8%	9.8%	8.3%	7.3%	7.3%	
Closing ARPS (\$)	5,272	5,540	5,540	5,799	6,167	6,167	11%
Capture cost amortisation	(396)	(516)	(913)	(752)	(916)	(1,668)	(83%)
Storage, administration & other	(564)	(658)	(1,222)	(516)	(479)	(995)	19%
Cost of revenue	(961)	(1,174)	(2,135)	(1,268)	(1,395)	(2,663)	(25%)
Cash costs to capture	(850)	(1,418)	(2,269)	(1,349)	(1,652)	(3,001)	(32%)
Revenue	17,741	18,551	36,292	20,623	22,332	42,955	18%
Costs of revenue	(961)	(1,174)	(2,135)	(1,268)	(1,395)	(2,663)	(25%)
Gross margin	16,780	17,377	34,157	19,355	20,937	40,292	18%
Gross margin (%)	95%	94%	94%	94%	94%	94%	
Direct sales cost	(2,719)	(3,116)	(5,835)	(3,275)	(4,196)	(7,471)	(28%)
Sales Team Contribution Ratio (%)	96%	97%	97%	101%	130%	118%	
Indirect sales cost	(1,294)	(717)	(2,011)	(1,299)	(1,427)	(2,726)	(36%)
Total sales & marketing cost	(4,013)	(3,834)	(7,846)	(4,574)	(5,623)	(10,197)	(30%)
Overheads	(2,656)	(2,518)	(5,174)	(3,383)	(3,770)	(7,153)	(38%)
Segment EBIT	10,112	11,027	21,137	11,398	11,544	22,942	9%
Segment EBIT %	57%	59%	58%	55%	52%	53%	

* Rolling 12 month churn only reported from 30 June 2017

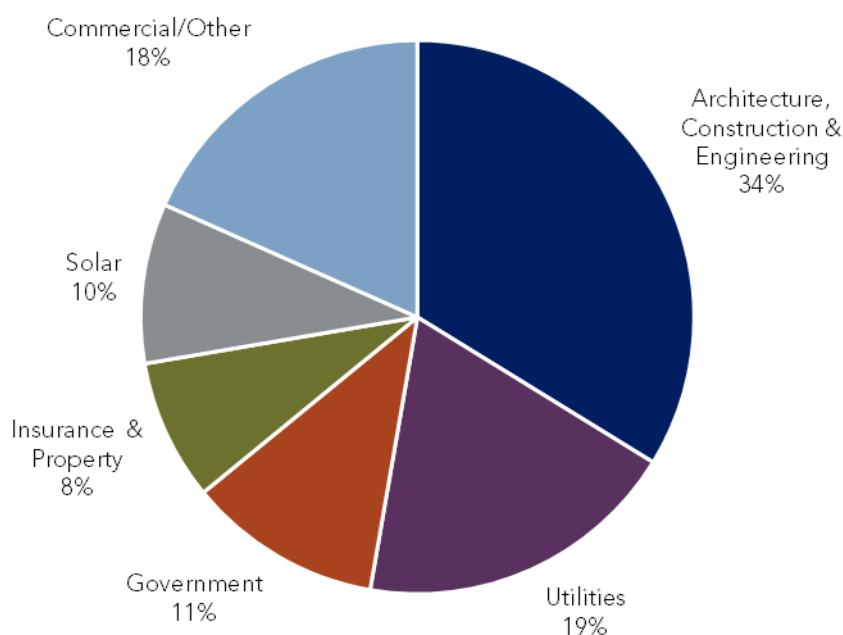
AU ACV Portfolio

During FY18, the Australian ACV portfolio grew by 22% from \$40.0m to \$48.8m. The components of this growth were:

- **New Business** of \$6.0m reflects implementation of more targeted marketing and a structured sales approach of the new strategic sales and marketing leadership team. This performance highlights Nearmap's continued success in translating the value of its industry leading technology to new user groups across key industry segments in Australia.
- **Upsell** of \$5.7m reflects deeper integration of Nearmap content into the existing customer base, and demonstrates the application and relevance of product development initiatives 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 2018 was 7.3% (12 months to 30 June 2017: 9.8%), with churn concentrated amongst customers in the SME category with lower value subscriptions. The downward trend demonstrates the effectiveness of the retention initiatives implemented in FY18, particularly in the more transactional end of the portfolio, along with the success of the continued focus on customer centricity over the subscription lifecycle.

The **number of subscriptions** grew by 10% to 7,917 (30 June 2017: 7,227), while the **average revenue per subscription** grew 11% to \$6,167 (30 June 2017: \$5,540), demonstrating the increased value to customers of Nearmap's subscription content.

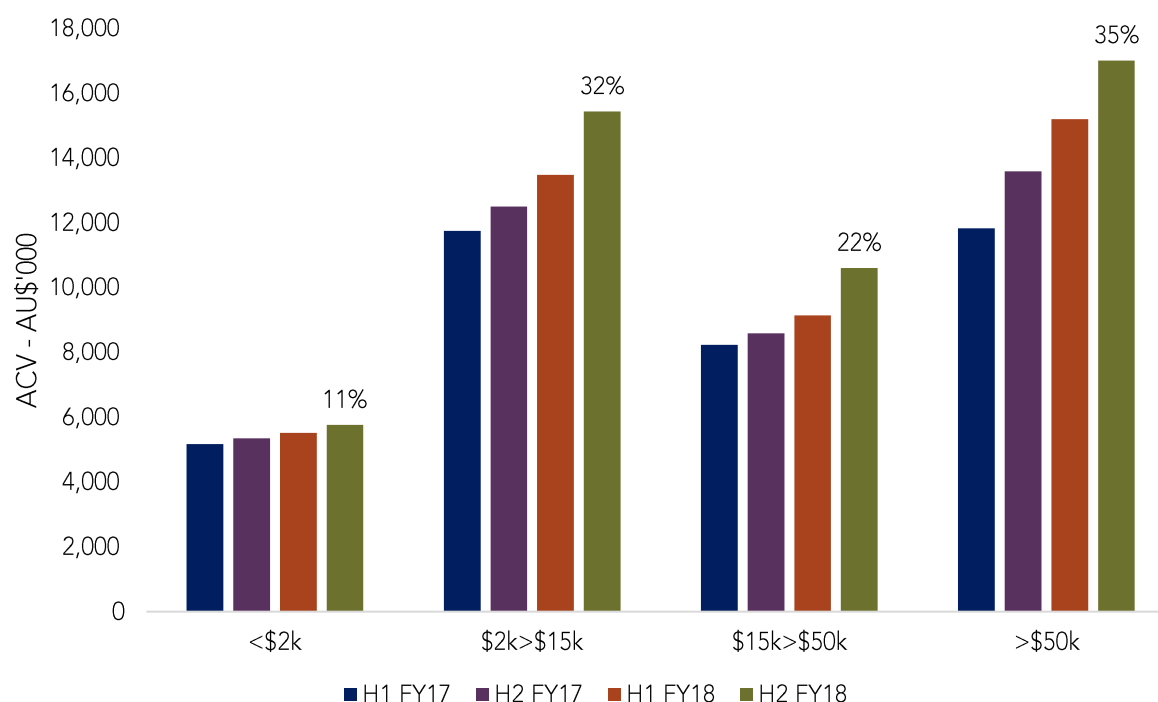
Customer portfolio at 30 June 2018 by industry segment



The portfolio is **diversified across customer industries**, with the largest segments being ACE – Architecture, Construction and Engineering (34%), followed by Utilities (19%), Commercial Enterprises (18%) and Government (11%). The penetration of the ACE industry highlights the success of the Nearmap product and business model in capturing both the enterprise and transactional ends of the market, with the use of Nearmap imagery widespread from sole trader tradespeople right through to large construction and engineering firms.

As part of the investment in sales and marketing, the Australia customer portfolio was analysed in detail and businesses identified previously in the Commercial/Other segment have been more appropriately classified, primarily to ACE and Solar.

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 43% of the portfolio at 30 June 2018, and those to enterprise customers (subscriptions greater than \$15,000 p.a.) being 57%. All subscription size categories demonstrated growth during FY18, and the balance across all subscription sizes highlights Nearmap's market leading position in the Australia.

Financial Performance

AU revenue grew by 18% to \$43.0m (FY17: \$36.3m) reflecting the growth in the ACV portfolio.

Cost of revenue were \$2.7m, primarily reflecting the expanded capture program. Cash capture costs were \$3.0m in FY18 (FY17: \$2.3m), 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 \$7.5m reflecting the revised team structure implemented alongside the strategic sales leadership changes, designed to address the growth as well as retention aspirations of the AU commercial operation. The performance of the AU sales team as measured by the **Sales Team Contribution Ratio** (STCR, being the incremental ACV generated in FY18, compared to the direct cost of the sales and marketing effort) was 118% (FY17: 97%).

Indirect sales & marketing costs (primarily reflecting sales management and administration functions) were \$2.7m (FY17: \$2.0m – 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 \$7.2m (FY17: \$5.2m).

AU Segment Contribution was \$22.9m, 53% of revenue (FY17: \$21.1m, 58% of revenue).

Unallocated Costs

The income statement and affected operating metrics for H1 and H2 FY17 have been adjusted from 1 July 2016 for the changes in financial reporting discussed in the H1 FY18 Analyst Pack.

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Interest income	211	178	389	199	170	369	(5%)
Other income	45	38	83	65	153	218	163%
Total revenue	256	216	472	264	323	587	24%
Allocation AU	(2,656)	(2,518)	(5,174)	(3,383)	(3,770)	(7,153)	(38%)
Allocation US	(2,719)	(2,563)	(5,281)	(3,264)	(3,804)	(7,068)	(34%)
Corporate general & administration costs	(3,129)	(3,227)	(6,356)	(3,949)	(4,274)	(8,223)	(29%)
Interest expense	(1)	(1)	(2)	(1)	(5)	(6)	(200%)
Total general & administrative costs	(8,505)	(8,309)	(16,814)	(10,597)	(11,853)	(22,450)	(34%)
Segment contribution	(2,874)	(3,012)	(5,886)	(3,686)	(3,956)	(7,642)	(30%)
Technology, Engineering & Product							
Development CAPEX	4,069	5,451	9,520	4,343	4,645	8,988	6%
Maintenance OPEX	2,867	2,816	5,683	4,032	4,120	8,152	(43%)
Total	6,936	8,267	15,203	8,375	8,765	17,140	(13%)
Development Technology & Product spend as % of revenue	21.2%	25.4%	23.4%	17.8%	15.9%	16.8%	
Net investing activities							
Development CAPEX	4,069	5,451	9,520	4,343	4,645	8,988	6%
Corporate CAPEX	404	203	607	429	374	803	(32%)
Total	4,473	5,654	10,127	4,772	5,019	9,791	3%

General & Administrative Costs

Corporate costs represent the administrative cost of running the Technology, Engineering and Product 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 FY18, the costs remaining after allocation to the US and Australia have increased to \$8.2m (FY17: \$6.4m), reflecting an increase in non-capitalised Technology and Product 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 \$0.5m in FY18. This reflects a \$2.6m reduction in the manufacture of Hypercamera 2 systems (compared to FY17), offset by a \$2.1m increase in 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% in 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 operating segments based on activity and usage.

These costs increased to \$8.2m 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.

H1 and H2 of FY17 reflect reported numbers and have not been restated for the changes in accounting estimates discussed in the H1 FY18 Analyst Pack.

Reconciliation of amortisation and depreciation

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18
Capture costs	(1,560)	(2,082)	(3,642)	(2,774)	(3,667)	(6,441)
Development costs	(1,632)	(1,556)	(3,188)	(1,798)	(2,043)	(3,841)
Camera systems	(555)	(896)	(1,451)	(1,057)	(1,178)	(2,235)
Office equipment & furniture	(237)	(245)	(482)	(78)	(282)	(360)
Other	(237)	(240)	(477)	(206)	(174)	(380)
Current year accumulated amortisation & depreciation (Balance Sheet)	(4,221)	(5,019)	(9,240)	(5,913)	(7,344)	(13,257)
Capitalisation of amortisation & depreciation	716	1,056	1,772	-	-	-
Statutory amortisation & depreciation	(3,506)	(3,962)	(7,468)	(5,913)	(7,344)	(13,257)

AU\$'000	1H17	2H17	FY17	1H18	2H18	FY18
Capture cost additions						
AU						
Cash cost of capture	850	1,418	2,269	1,349	1,652	3,001
Capitalisation of amortisation & depreciation	229	369	598	-	-	-
Total	1,079	1,787	2,867	1,349	1,652	3,001
US						
Cash cost of capture	2,953	4,147	7,100	5,847	7,619	13,466
Capitalisation of amortisation & depreciation	487	687	1,174	-	-	-
Total	3,440	4,834	8,274	5,847	7,619	13,466
Group						
Cash cost of capture	3,804	5,566	9,370	7,196	9,271	16,467
Capitalisation of amortisation & depreciation	716	1,056	1,772	-	-	-
Total	4,520	6,622	11,142	7,196	9,271	16,467

Financing

At 30 June 2018, 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 financial reporting

The income statement and affected operating metrics for FY17 in this Analyst Pack have been adjusted from 1 July 2016 for the following 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.

A comparison of restated to reported numbers is set out in detail in the H1 FY18 Analyst Pack.

Appendix

Constant Currency

FY17 numbers have been revalued using the average FY18 foreign exchange rate of AUD/USD 0.7753.

	1H17	2H17	FY17	1H18	2H18	FY18	YoY %
Group ACV portfolio (AU'\$000)							
Opening ACV	36,420	41,161	36,420	47,215	54,227	47,215	30%
New business	4,077	5,004	9,081	5,677	6,770	12,448	37%
Net upsell	2,605	2,878	5,483	3,599	6,286	9,885	80%
Churn	(1,941)	(1,828)	(3,769)	(1,888)	(1,651)	(3,539)	6%
Net incremental ACV	4,741	6,054	10,795	7,388	11,406	18,794	74%
FX impact				(376)	601	225	
Closing ACV	41,161	47,215	47,215	54,227	66,234	66,234	40%
Group revenue	19,390	21,556	40,946	24,677	29,463	54,140	32%
Group gross margin (%)	87%	85%	86%	80%	81%	81%	
12 month churn (%)	*	10.3%	10.3%	9.0%	7.5%	7.5%	
Closing APPS (\$)	5,484	6,028	6,028	6,598	7,473	7,473	24%
Portfolio LTV (AU'\$000)	*	394,222	394,222	480,724	715,327	715,327	81%
Group Sales Team Contribution Ratio	91%	95%	93%	97%	129%	114%	
Earnings							
Group EBITDA	2,554	3,834	6,388	1,192	3,664	4,856	(24%)
Group EBIT	(1,510)	(935)	(2,445)	(4,721)	(3,680)	(8,401)	(244%)
Statutory NPAT	(3,348)	(2,926)	(6,274)	(6,500)	(4,529)	(11,029)	(76%)

Pre-Capitalisation Segment Note

	FY17				FY18				
	AU	US	Unallocated	Group	AU	US	Unallocated	Group	YoY %
Revenue	36,292	4,301	-	40,593	42,955	10,598	-	53,553	32%
Other income	-	-	471	471	-	-	587	587	25%
Total revenue	36,292	4,301	471	41,065	42,955	10,598	587	54,140	32%
Cost of sales (pre-capitalisation)									
Cash costs to capture	(2,269)	(7,100)	-	(9,369)	(3,001)	(13,466)	-	(16,467)	(76%)
Storage, administration & other	(1,222)	(1,516)	-	(2,738)	(995)	(2,964)	-	(3,959)	(45%)
Total cost of sales	(3,491)	(8,616)	-	(12,107)	(3,996)	(16,430)	-	(20,426)	(69%)
Gross profit (pre-capitalisation)	32,801	(4,315)	471	28,957	38,959	(5,832)	587	33,714	16%
Gross margin %	90%	(100%)		71%	91%	(55%)		62%	
Sales & marketing									
Direct sales & marketing	(5,835)	(5,927)	-	(11,762)	(7,471)	(8,986)	-	(16,457)	(40%)
Indirect sales & marketing	(2,011)	(2,273)	-	(4,284)	(2,726)	(4,002)	-	(6,728)	(57%)
Total sales & marketing	(7,846)	(8,200)	-	(16,046)	(10,197)	(12,988)	-	(23,185)	(44%)
Technology, Engineering & Product expensed	(1,354)	(1,012)	(3,316)	(5,682)	(1,687)	(1,169)	(5,296)	(8,152)	(43%)
Technology, Engineering & Product development costs ¹	-	-	(5,600)	(5,600)	-	-	(7,168)	(7,168)	(28%)
Total Technology, Engineering & Product²	(1,354)	(1,012)	(8,916)	(11,282)	(1,687)	(1,169)	(12,464)	(15,320)	(36%)
Corporate costs	(3,467)	(3,764)	(2,954)	(10,185)	(5,237)	(5,484)	(2,898)	(13,619)	(34%)
Segment contribution (pre-capitalisation)	20,134	(17,291)	(11,399)	(8,556)	21,838	(25,473)	(14,775)	(18,410)	(115%)
Camera units ¹				(3,920)				(1,820)	54%
Corporate capex				(607)				(803)	(32%)
Total capex				(4,527)				(2,623)	42%
Cash receipts from unearned income				6,263				8,740	40%
Capital raise net proceeds				19,972				-	(100%)
Other items				2,997				1,485	50%
Net increase/(decrease) in cash				16,149				(10,808)	(167%)
Other items:									
Share based payments				1,322				1,367	
Interest expense				(2)				(6)	
FX gain / (loss)				(475)				(189)	
Income tax expense				(3,769)				(2,802)	
Capex disposal				120				153	
Working capital				3,248				1,464	
Movement in reserves				(21)				(51)	
Proceeds from exercise of share options				2,695				1,549	
Other				(121)				-	
				2,997				1,485	

¹\$1,516k of employment costs in FY18 are capitalised to camera units on the balance sheet (FY17: \$2,072k)

²Technology, Engineering & Product costs exclude the costs of camera units

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

