



## nearmap Ltd (NEA.ASX)

*Large US enterprises continue driving sales and opportunity*

### Event:

- Company update; March quarter US ACV.

### Investment Highlights:

- NEA yesterday reported that ACV in the US at 31<sup>st</sup> March exceeded US\$10M, in-line with our estimate of US\$10.2M.** This represented >18% ACV growth on the prior quarter-end ACV of US\$8.5M, and >144% YoY growth, emphasising the significant inroads NEA is making in the US aerial imagery capture market. The company also reaffirmed its previous earnings guidance for FY18e that was provided at the interim result.
- The company commented that growth was primarily driven by large enterprise customers.** This echoed the performance of the 1HFY18a, whereby 77% of subscriptions in US were >US\$15k p.a, or large enterprise customers. This proportion is significantly larger than that the company has historically experienced in Australia.
- Senior management focus on large enterprise and partners.** To better capitalise on and accelerate growth in the large enterprise US segment, NEA appointed Mr Patrick Quigley to new role of Executive Vice President and General Manager – International and Partners. This will enable Mr Quigley to focus more on landing major US enterprise customers, as well as partners
- Diverse geographies now facilitate global subscriptions.** With images captured now in three countries – Australia, New Zealand, and the USA - NEA will target large US enterprise customers such as multinationals for example, that may have operations or interest in accessing images that span these diverse geographies. This will be another focus for Mr Quigley. Ultimately in the long term, we expect NEA can enter other geographic markets especially once it is well established in scale in the US.
- Small and medium enterprises still targeted.** While Mr Quigley is now focused on large customer opportunities, NEA still has in place key sales and marketing staff which it has already invested in that are targeting small and medium enterprises. These are also an important plank in contributing to US subscription revenue growth.

### Earnings and Valuation:

- We have made no changes to our earnings forecast and valuations, which already account for continuing strong US revenue growth.**

### Recommendation:

- We make no change to our Buy recommendation and retain our 12-month price target of \$1.59/share.** Yesterday's announcement bolsters our confidence in NEA's product, in its strong growth prospects, and importantly in its execution in marketing and sales.
- Catalysts for the share price include** improving net free cash flow; official launch and material sales of obliques and 3D products; continued US and Australia sales growth; and tapering of growth in capture and marketing costs.

<b>Recommendation</b>	<b>Buy</b>			
Previous	Buy			
<b>Price Target</b>	<b>\$1.59</b>			
Previous	\$1.59			
Risk	Medium			
<b>Share price</b>	<b>\$0.935</b>			
ASX code	NEA			
52 Week Low-High	\$0.47-1.09			
<b>Capital Structure</b>				
Shares on Issue (M)	392			
<b>Market Cap (A\$M)</b>	<b>367</b>			
Net Cash/(Debt) (A\$M)	21			
<b>EV (A\$M)</b>	<b>346</b>			
Options on issue (M)	26			
<b>Diluted mkt cap (A\$M)</b>	<b>391</b>			
12mth Av Daily Volume ('000)	1,308			
<b>Y/e Jun</b>	<b>FY17a</b>	<b>FY18e</b>	<b>FY19e</b>	<b>FY20e</b>
Sales \$M	40.6	53.1	69.7	89.1
EBITDA \$M	6.0	5.7	11.8	25.7
<b>NPAT Adj. \$M</b>	<b>-2.4</b>	<b>-7.7</b>	<b>-3.3</b>	<b>5.4</b>
<b>EPS adj c</b>	<b>-1.6</b>	<b>-2.3</b>	<b>-0.8</b>	<b>1.3</b>
<b>PER x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>72.9</b>
EV/EBITDA x	55.9	58.8	28.4	13.1
<b>Board of Directors</b>				
Peter James	Non-Executive Chairman			
Dr Rob Newman	Managing Director			
Cliff Rosenberg	Non-Executive Director			
Ian Morris	Non-Executive Director			
Ross Norgard	Non-Executive Director			
Sue Klose	Non-Executive Director			
<b>Substantial Shareholders</b>				
Ross Norgard	14.4%			
NAB and associated nominees	5.0%			

### Share Price Graph



Analyst: Mark Fichera +61 2 9993 8162

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The analyst owns 45,000 shares in NEA.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 45,000 NEA shares.

Cranport Pty Ltd owns 500,000 NEA shares.