



## nearmap Ltd (NEA.ASX)

*Growth highlighting successful execution in US and Australia*

### Event:

- Preliminary FY18 result: ACV and cash.

### Investment Highlights:

- NEA has reported year end ACV of \$66.2M for FY18a which exceeded our forecast of \$60.7M by 9%, which was based on prior company guidance.**
- Outperformance was achieved in both US and Australia.** US ACV of US\$12.9M was 10% above prior guidance and our forecasts, and Australia ACV of \$48.8M was 5% greater than we had estimated. The company reported cash of \$17.5M end FY18 which was higher than our estimate of \$16.9M, due to the higher ACV.
- US – gaining market share and growing >100% annualised.** US ACV of US\$12.9M was up 52% HoH (i.e. on 1HFY18), implying annualised growth greater than 100%, and suggests that NEA continues to gain share in the US aerial imagery market. We expect the launch of panorama and obliques in November 2017 contributed to strong growth during the 2HFY18e, as did the continued successful execution of marketing and sales. We estimate NEA has only 1% share of the US market, suggesting significant scope for growth remains.
- Australia – established leader but still growing >20% annually.** NEA's ACV in Australia was \$48.8M, up 13% HoH, and implying >20% annualised growth rate. The HoH growth was the highest in two years, and we believe shows NEA's success in opening up the market to users who had never used aerial imagery before, as well as continuing to upsell to customers and displacing other imagery sources used. Again its focus on marketing account segmentation is working.
- Costs under control.** While costs were not disclosed, the ACV and closing cash suggests cost increase was relatively modest and in-line with our estimate and previous company commentary.

### Earnings and Valuation:

- We upgraded both our forecast net free cash flow for FY18e and beyond, and forecast NPAT from FY19e onwards.** For FY18e NPAT has declined to -\$8.4M vs -\$7.7M prior due to higher costs offsetting higher sales, but net free cash flow has risen due to higher cash receipts (upfront subscriptions) on back of higher ACV.
- Forecast NPAT has increased in FY19e and FY20e to -\$2.8M and \$5.8M (previously -\$3.3M and \$5.4M) from higher ACV and sales.** We still forecast FY20e to be the first full year in which NEA will generate net free cash flow.
- Our valuation has increased to \$1.79/share, from \$1.59 previously, based on our increase in forecast NPAT and net free cash flows, as well as rolling forward our DCF model by six months.**

### Recommendation:

- We maintain our Buy recommendation, and raise our 12-month price target to \$1.79/share (previously \$1.59), in line with our revised valuation.**
- Catalysts for share price include:** Continuing strong sales and ACV growth; Continuing relative tapering of costs growth; Generation of net free cash flow; Official launch of 3D products; Generation of NPAT; and New markets.

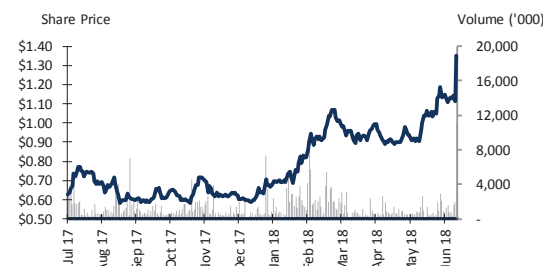
<b>Recommendation</b>	<b>Buy</b>
Previous	Buy
<b>Price Target</b>	<b>\$1.79</b>
Previous	\$1.59
<b>Risk</b>	<b>Medium</b>
<b>Share price</b>	<b>\$1.40</b>
ASX code	NEA
52 Week Low-High	\$0.57-1.40
<b>Capital Structure</b>	
Shares on Issue (M)	394
<b>Market Cap (A\$M)</b>	<b>552</b>
Net Cash/(Debt) (A\$M)	18
<b>EV (A\$M)</b>	<b>534</b>
Options on issue (M)	24
<b>Diluted mkt cap (A\$M)</b>	<b>585</b>
12mth Av Daily Volume ('000)	1,341

Y/e Jun	FY17a	FY18e	FY19e	FY20e
Sales \$M	40.6	53.9	71.0	91.0
EBITDA \$M	6.0	5.1	12.4	26.4
<b>NPAT Adj. \$M</b>	<b>-2.4</b>	<b>-8.4</b>	<b>-2.8</b>	<b>5.8</b>
<b>EPS adj c</b>	<b>-1.6</b>	<b>-2.5</b>	<b>-0.7</b>	<b>1.4</b>
<b>PER x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>100.2</b>
EV/EBITDA x	86.9	102.6	42.1	19.9

<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 219,551 NEA shares.

Refer details at end of report.