



## nearmap Ltd (NEA.ASX)

## Business update reinforces US momentum

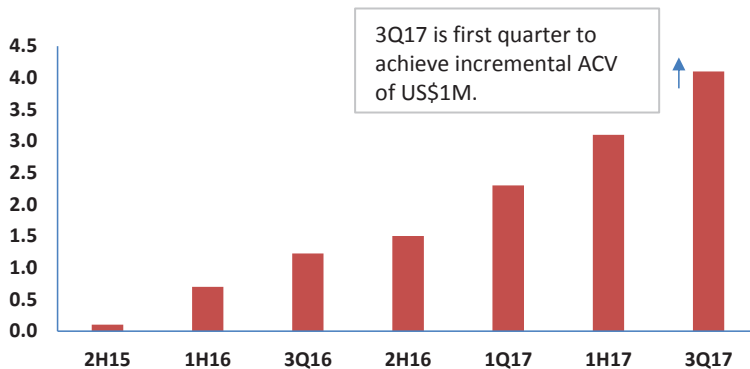
## Event:

- Company business update.

## Investment Highlights:

- NEA reported strong progress in the 3QFY17 as at 29th March, with Group annualised contract value (ACV) increasing by \$3M during the quarter.**
- US momentum continuing.** The 3QFY17 was the first quarter to record an incremental ACV in the US of US\$1M. This highlights momentum is continuing in the USA as the company builds scale.

Figure 1: NEA Annualised Contract Value in USA (US\$M)



Source: Company; Foster Stockbroking estimates.

- Australia also not standing still.** Australia's ACV in the 3QFY17 was ahead of that of the 1H run rate, as implied from the difference between the incremental Group and the USA ACVs.
- Average revenue per customer (ARPC) also increased in the March quarter,** mostly from upselling to customers. We estimate about two-thirds of Australia revenue growth is from upsell, while in the US most growth is coming from new customers given the relative earlier stage.
- Productivity measure shows effectiveness of sales and marketing spend.** NEA stated the contribution ratio - measured by ratio of incremental ACV to sales and marketing cost - grew to >100% during the quarter.
- Management changes.** GM Australia Mr John Biviano has left the company. While he contributed to Australia's strong performance in the past, we believe the sales model is now firmly in place and that NEA will continue to enhance it. A VP of Sales Australia has been hired and a VP of Marketing is being recruited.

## Earnings and Valuation:

- Our earnings forecasts and valuation are unchanged as we already factor strong sales growth.** NEA reiterated EBITDA guidance for FY17e of \$4.5-\$6.5M.

## Recommendation:

- We maintain our Buy recommendation and 12-month price target of \$0.88/share.

Recommendation	Buy
Previous	Buy
Price Target	\$0.88
Previous	\$0.88
Risk	Medium
Share price	\$0.515
ASX code	NEA
52 Week Low-High	\$0.35-0.965

Capital Structure	
Shares on Issue (M)	388
<b>Market Cap (A\$M)</b>	<b>200</b>
Net Cash/(Debt) (A\$M)	28
<b>EV (A\$M)</b>	<b>172</b>
Options on issue (M)	36
<b>Diluted mkt cap (A\$M)</b>	<b>218</b>
12mth Av Daily Volume ('000)	1,337

Y/e Jun	FY16A	FY17e	FY18e	FY19e
Sales \$M	30.7	41.3	52.2	66.4
EBITDA \$M	0.5	5.6	14.1	24.1
<b>NPAT Adj. \$M</b>	<b>-3.2</b>	<b>-2.4</b>	<b>6.8</b>	<b>12.8</b>
<b>EPS adj c</b>	<b>-0.9</b>	<b>-0.6</b>	<b>1.6</b>	<b>3.0</b>
<b>PER x</b>	<b>nm</b>	<b>nm</b>	<b>32.2</b>	<b>17.1</b>
EV/EBITDA x	nm	28.4	11.2	6.5

Board of Directors	
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

Substantial Shareholders	
Ross Norgard	14.4%
Paradice Investment Management	6.5%
NAB and associated nominees	6.1%

## Share Price Graph



Analyst: Mark Fichera +61 2 9993 8162  
[mark.fichera@fostock.com.au](mailto:mark.fichera@fostock.com.au)  
 The analyst owns 45,000 shares in NEA.