



## nearmap Ltd (NEA.ASX)

*Preliminary interim ACV in-line as momentum maintained*

### Event:

- Preliminary 1H FY18e Annualised Contract Value (ACV) results.

### Investment Highlights:

- NEA today reported preliminary 1H FY18e ACV results which were in-line with our forecasts.
- ACV for the USA end December 2017 was US\$8.5M, slightly above our forecast of US\$8.0M. ACV in the US continues to exhibit strong growth even on a quarter-on-quarter basis. ACV was up 177% YoY vs December 2016, 60% HoH vs June 2017, and 27% QoQ vs September 2017. US\$3.2M incremental ACV was added during the 1HFY18e. **The US now represents 16% of the company's ACV.**
- Australian ACV was A\$43.3M at end December 2017 and in-line with our forecast of \$43.0M. The ACV was up 17% YoY vs December 2016, with incremental ACV of A\$3.3M added during the December half.
- It is important to remember the strong performance of the US has still been based mostly on the orthogonal imagery offering. NEA stated that new products – obliques and panorama – which were launched November 2017 have generated strong interest and we believe it provides upside for growth.
- While the US performance continues to be stellar as the company builds market share, the performance of Australia is also pleasing, NEA is still organically growing ACV annually at a double-digit rate after several years' operation in the domestic market. We also believe it reflects on the sound sales and marketing strategy the company has implemented.
- NEA is commercially launching new MapBrowser, panorama, and oblique products in 1QCY018 in Australia, which should provide a platform to continue enhancing sales. The company's recent webinar on product updates generated strong customer interest which we believe is a positive sign.
- 3D products provide further upside to growth, with the company to date making some early commercial sales. We expect rollout of 3D to build during CY2018.
- The company reported cash at end December 2017 of \$20.6M, below our forecast of \$24.0M. While we need to see the full interim results to ascertain the difference, we suspect it was attributable to a higher investment in sales and marketing and/or capture program.

### Earnings and Valuation:

- We have made no changes to earnings or valuation at this stage, preferring to wait for the full interim results which are scheduled to be released 21 February 2018.

### Recommendation:

- We maintain our Buy recommendation and 12-month price target of \$0.82. Catalysts for the stock include continuing strong sales growth in USA and Australia; generation of positive net free operating cashflow; materials sales of oblique imagery and 3D products.

<b>Recommendation</b>	<b>Buy</b>			
Previous	Buy			
<b>Price Target</b>	<b>\$0.82</b>			
Previous	\$0.82			
Risk	Medium			
<b>Share price</b>	<b>\$0.710</b>			
ASX code	NEA			
52 Week Low-High	\$0.43-0.80			
<b>Capital Structure</b>				
Shares on Issue (M)	390			
<b>Market Cap (A\$M)</b>	<b>277</b>			
Net Cash/(Debt) (A\$M)	21			
<b>EV (A\$M)</b>	<b>256</b>			
Options on issue (M)	27			
<b>Diluted mkt cap (A\$M)</b>	<b>296</b>			
12mth Av Daily Volume ('000)	1,122			
<b>Y/e Jun</b>	<b>FY17a</b>	<b>FY18e</b>	<b>FY19e</b>	<b>FY20e</b>
Sales \$M	40.6	54.0	70.2	89.6
EBITDA \$M	5.6	5.8	12.9	23.7
<b>NPAT Adj. \$M</b>	<b>-1.5</b>	<b>-6.6</b>	<b>-5.9</b>	<b>2.1</b>
<b>EPS adj c</b>	<b>-1.3</b>	<b>-1.6</b>	<b>-1.4</b>	<b>0.5</b>
<b>PER x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>119.2</b>
EV/EBITDA x	36.7	35.1	15.8	8.6
<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



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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 1,000,000 NEA shares.