

Short seller J Capital slams Nearmap's US business

Tom Richardson *Markets reporter and commentator*



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Short seller J Capital has slammed [aerial mapping business Nearmap](#) arguing its US business is failing under competitive pressure as management attempt to cover up problems with accounting tricks and hyperbole.

The Australian Financial Review sought comment from Nearmap, whose shares are halted ahead of an anticipated company announcement, having fallen 7.3 per cent this morning to \$2.16.

J Capital said, on its numbers, Nearmap spends \$2 for every \$1 of revenue produced in the US, with it now dependent on constant capital raisings to fund rising operating losses in America.

J Capital also attacked Nearmap for amortising mapping capture costs and aggressive accrual accounting, where revenues are booked before the cash comes in the door.

Competitive problems

The hedge fund research house argued Nearmap's much vaunted 3D camera systems and development of artificial intelligence for customers is not best in class.

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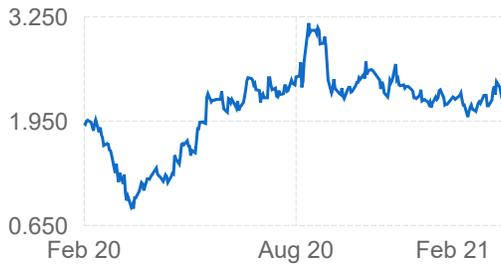
NEA

\$2.160

▼ -7.30%



1 year 1 day



Updated: Feb 11, 2021 – 3.23pm. Data is 20 mins delayed.

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“The key thing is the tech Nearmap is using for their camera system is no longer the best,” J Capital founder Tim Murray told *The Australian Financial Review*. “Their key competitor in the US, Eagleview has a better camera system.”

J Capital which has previously issued short reports against software player Wisetech Global, said it has not valued Nearmap, but that in its view, losses are widening in the US as Nearmap’s main competitor is taking market share on a more cost-effective basis.

“Another fundamental problem for them is servicing county governments in the US, because they need aerial imagery to show when buildings have changed because that changes the way they tax them,” Mr Murray said.

“That’s what pays any player in this market to put a plane in the air. So if you’ve got that [county] market you’ve paid for your images which you can then resell to other industries and for Nearmap they’ve failed to really make headway in that market.

“Eagleview has really continued to dominate that market and that’s the second cost problem they’ve got - they’re flying without selling the data. Eagleview doesn’t put a

plane in the air unless there's positive margin on each flight and I think that's a fundamental problem Nearnmap is facing," Mr Murray said.



Tim Murray of J Capital Peter Braig

The short seller has accused the company of consistently over-promising and under-delivering ahead of it handing in its full year results on February 17.



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According to the latest ASIC data Nearnmap had 5.76 per cent of its outstanding stock shorted as at February 4.

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