

28 July 2023

Pointerra Ltd

Selected for a 10-year US energy CAPEX programme

Pointerra Ltd (ASX:3DP) provides a powerful cloud-based solution (Pointerra3D) for managing, visualising, analysing, using, and sharing massive 3D point clouds and datasets. Pointerra3D is a proprietary digital twin SaaS platform which delivers predictive digital insights and definitive answers to complex physical asset management questions. The Pointerra3D suite of solutions spans target sectors including survey and mapping; architecture, engineering and construction (AEC); utilities; transport; resources and defence and intelligence. Pointerra has announced that it, together with its US engineer, procure and construct (EPC) partners, have been chosen by a large US utility for its 10-year, US\$15b grid resilience CAPEX programme. Pointerra expects to generate material annual revenue across the term of the programme. The company will be paid a price per pole/structure to be inspected and analysed using Pointerra3D. With up to 4m poles in the US utility's network with a previously established price of US\$20-US\$40 per pole paid to Pointerra for similar processing, inspection and analysis, we estimate the programme could be worth from US\$60m-US\$120m over the 10-year-life of the programme. This would more than underpin our revenue estimates for the next two financial years. More importantly, however, is the prospect that Pointerra will now become embedded in the US utility upgrade programme with the potential to take Pointerra3D's Quick Load electric grid assessment tools into other US utilities as they refurbish and upgrade their networks.

Business model

Pointerra's patented, cloud-deployed technology and AI-driven algorithms create digital twins of physical assets, solving a long-standing problem of efficiently, effectively, and rapidly converting massive 3D datasets into analytics and insights to provide definitive answers. The Pointerra3D product has three key components each with different features and capabilities: Core, Analytics and Answers. Core provides the processing, storage and sharing, visualisation and management of data, Analytics creates the digital twin for the physical world, analyses and classifies the data, while Answers creates predictive insights and delivers business intelligence, risk mitigation and ESG improvement suggestions to users. Pointerra charges its clients on the amount of data (in terabytes), the number of users and the analytic tools that clients use.

Significant revenues expected to flow from US grid programme

Pointerra attributes its role in the US utility's programme to the success of the grid hardening programme it had undertaken with an existing customer where quantified outcomes were identified by Pointerra3D. That customer has been active in advocating the use of Pointerra3D within the US energy utility sector and to this new programme specifically. Pointerra3D will be used to process and analyse 3D LIDAR and 2D imagery to build a digital twin of the US utility's electricity network, which will allow the US utility and its US EPS contractors to use Pointerra3D's Quick Load electric grid assessment tools to assess and prioritise works in a cost-effective and efficient manner. Pointerra will be paid on a per pole/structure inspected and analysed basis and noted in its release that it has previously been paid from US\$20 to US\$40 per pole for similar processing. Pointerra noted that while the rate for the new programme had not yet been finalised, it expected to fall within this range. With 4m poles in the US utility's network and presupposing that at least 75% are included in the programme, the 10-year programme could generate from US\$60m to US\$120m over its life. The company expects revenue to commence during FY24. We see this programme more than underpinning our forecasts for Pointerra for the next two years. We would expect to see Pointerra's contribution to be completed and paid for in the earlier years as it identifies the work that needs to be completed over the 10-year programme.

Base case valuation is \$0.40/share, fully diluted

We use the discounted cashflow methodology to value Pointerra, using a WACC of 16.0% and terminal growth rate of 2.2%, and this derives a base-case valuation of \$0.40/share, fully diluted for estimated employee share issues. Our valuation is predicated on ACV surpassing US\$50m by the end of FY26.

Historical earnings and RaaS Advisory estimates (in A\$m)

Year end	ACV ^a (US\$m)	Total Revenue	Gross Profit	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/22a	18.2	9.8	8.9	0.0	0.0	0.00	6.2	nm
06/23f	23.6	11.1	10.1	(3.7)	(3.8)	(0.56)	5.5	nm
06/24f	31.5	19.5	17.7	2.8	1.9	0.21	2.9	19.8
06/25f	41.0	29.2	26.6	6.5	4.5	0.66	1.9	8.3

Source: Company data, RaaS Advisory Estimates for FY21e, and FY22e ^aAnnual Contract Value

Share Details

ASX code	3DP
Share price (27-Jul)	\$0.095
Market capitalisation	\$84.8M
Shares on issue	678M
Net cash at 30-Mar-2023	\$3.27M
Free float	~68%

Share Price Performance (12-months)



Upside Case

- Highly scalable business model
- Proven track record with Florida Power & Light is opening up new opportunities in US
- Substantial growth opportunities in US market

Downside Case

- Long enterprise sales cycle taking 12+ months
- Competing with multinationals for business
- Enterprise customers can be slow to pay

Catalysts

- Demonstrated substantial growth in ACV
- Additional wins with US and Australian clients
- Development of data marketplace

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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