

RaaS Interview – Pointerra (ASX:3DP)

7 May 2024

Duration 21 minutes 49 seconds

00:00:01:20 - 00:00:20:17

Finola Burke

Hello, I'm Finola Burke from RaaS Research Group. And we're focusing today on spatial data and digital twin solutions group Pointerra (ASX:3DP). Joining me to discuss the recent Q3 results and outlook is CEO and co-founder Ian Olson. Welcome back, Ian.

00:00:21:21 - 00:00:27:10

Ian Olson

Thanks, Finola. Great to spend some time with you and I look forward to getting into the weeds a bit.

00:00:27:21 - 00:00:39:05

Finola Burke

Yes, both the Q3 cash receipts were disappointing. I mean, there's no other word for it. But why are customers being slow to pay and what can you do to address that or the.

00:00:39:11 - 00:01:00:15

Ian Olson

Yeah, the Q3 receipts were disappointing and think it was the lowest quarter since the back end of calendar 21. So, you know, it hasn't been a great trend the last few quarters. And, you know, despite announcing a you know, a sizable contract was one of the long, long standing customers early in March. And, you know, that contract we started negotiating that the back end of last year.

00:01:00:15 - 00:01:27:10

Ian Olson

So what you've got still and we'll get to later, we'll get to later what we're doing about managing the concentration risk. We've still got at this point, without paying customers the concentration risk around the US utilities sector. So, you know, we think we've been pretty consistent over the last year or so talking about how calendar 23, their fiscal 23 was a was a was a period of looking in, was trying to figure out how to spend,

00:01:27:15 - 00:02:04:05

Ian Olson

their federal funds around network resilience and how to deal with the rising interest rate environment, how to deal with the billions and near-on trillions of dollars they've got to put into the ground to manage the change in the energy mix through solar, through wind, through shutting down traditional generation, etc., etc.. So they did a lot of internal planning and a lot of introspection, and that meant they didn't spend a lot of money outside of their business acquiring remote sensing data so that they could so that they could get about their standard sustaining, sustaining capex and repairs and maintenance opex so, you know, way downstream from that.

00:02:04:05 - 00:02:29:13

Ian Olson

So they spent, you know, some of our customers, as I've said before, spend 30 to 40 million US a year acquiring remote sensing data in any way, anywhere from satellite to high altitude aerial to helicopter to drone to mobile mounted. And, you know, that's why when they're spending that money, that's where we have a role to play in helping them get answers and insight from that data with a degree of accuracy and a speed and scale that I haven't seen before.

00:02:29:13 - 00:02:58:05

Ian Olson

So when they're not buying that data. And that's put a bit of basically their programs halt. And we've talked before about programs being delayed, programs halting, programs resolving. So that has been a theme, doesn't make reading \$770K for a quarter any more appealing. You know, that said, we you know, there's plenty of invoicing in the quarter and plenty of invoicing early in April and you know with a few chips falling a different way, it would have been a close to cash flow breakeven quarter.

00:02:58:11 - 00:03:24:15

Ian Olson

So you know that some yeah. You know, the market's clearly asking the question of how long is it going to take you guys to turn this around. And we're very confident in the US utility space in terms of what the outlook is for the next quarter for our fiscal 25 for that for their fiscal 24 and fiscal 25 with all our existing customers and the prospects and unsticking the stuck programs and starting to spend money.

00:03:24:15 - 00:03:47:11

Ian Olson

I think the last week Entergy who finally made an announcement to their market, to their customers and to the capital markets about their program that we've got a big part to play in. And we made the announcement about the Entergy program August-ish, July, August last year. So, yeah, to for that to a not progressed to the extent that we thought it would.

00:03:47:15 - 00:04:24:03

Ian Olson

From a timing perspective, as you know it was really impacted our couple of recent quarters but we're very confident around the outlook for that sector and in February I was at GEO Week in Denver which is the possibly the world's second largest after INTERGEO in Germany, the world's second largest geospatial sector conference. So yeah, there was there was a lot of buzz there from the from the geospatial community around the amount of money that was going to be spent in in North America over the coming five years around acquiring data and interpreting it.

00:04:24:03 - 00:04:45:15

Ian Olson

So to deal with this near \$1 trillion, that needs to get into the ground, you know, across the road, rail, power and water. So it's a pretty long answer. And, you know, it doesn't make it doesn't make Q3 any more, any more pleasant reading. But, you know, we're as confident as we as we've been in the last couple of years about the outlook for the US utility sector.

00:04:45:19 - 00:05:09:02

Ian Olson

And later in this discussion, we can talk about what we've done in our business over the last nine months to try and reduce our reliance and therefore our risk associated with that sector, which is when it's humming, spits out chunky contracts like, you know, the \$3 million one from our existing customer in the Southeast that we announced earlier in the in the quarter.

00:05:09:14 - 00:05:20:16

Finola Burke

And you had talked a little bit previously about why you got some renewals from those long standing utility customers. Are they still there, have they renewed or are you still doing those negotiations?

00:05:20:16 - 00:05:44:10

Ian Olson

So I think it's a question that probably warrants a discussion around ACV and ARR. And we know back in 20 calendar 21 and into the early parts of calendar 22, those programs were very consistent. And you know, that gave us the confidence, I would say they were renewing each year. And it was work that, you know, repairs and maintenance, sustaining capex.

00:05:44:10 - 00:06:09:01

Ian Olson

I need data, I need to interpret it. I need to do it every year, some customers twice a year. So that gave us the confidence to include those programs in ACV. You know, we halted reporting ACV when we realised over a year ago now that the those programs that appeared to be annual were perhaps going to be not semi annual.

00:06:09:03 - 00:06:37:07

Ian Olson

But, you know, it was stuck. The programs still needed to be done, but the data hadn't been acquired, so we just sitting there waiting. So, you know, if someone asked me the other day, what would your ARR be if all those customers went ahead and all those programs that you included in your ACV restarted and that number would be close to that to that US dollar adding to \$20 mil ACV number that we had, you know, 15 to 18 months ago.

00:06:37:15 - 00:06:55:22

Ian Olson

So they're all there. None of them have said, bugger off, we don't need you. We found a better way to do it. We don't want to use your platform anymore. The capture community in the last 12 to 18 months, the capture community who perhaps been threatened by our ability to perhaps do part of their job a bit quicker.

00:06:56:15 - 00:07:18:12

Ian Olson

You know, we've spent a lot of time and experienced a lot of pain in helping those guys understand that we actually helped make their business more profitable and we're not a threat to them. We're actually removing low margin, low margin revenue and high cost from their business and we stop them from sweating their expensive aerial sensor platforms a lot harder.

00:07:18:12 - 00:07:44:20

Ian Olson

So there's been a real confluence of the US utilities wanting to start spending money again, their aerial capture customers or contractors, I should say, understanding that we have a role to play, that we're not threatening their business and we're actually helping them do more flying, do more driving and basically making the whole story a lot more compact from a time to capture to time to answer perspective that encourages the utilities to spend more money and to have more confidence.

00:07:45:06 - 00:08:01:22

Ian Olson

Utilities had been used to waiting 6 to 12 months to get just to get a data set, let alone the answer from the data. And they had been conditioned to that over many years through the through the process of processing, interpreting through the you know, the time frame it was taking. So that's a story that Pointerra 3D changed.

00:08:02:05 - 00:08:23:16

Ian Olson

And but in order to grow your business and grow revenues and turn ourselves into what we want to be, which is a high growth, profitable business with sustained recurring revenues, you have to change people's behaviour so that the customer side who know, who need to integrate our platform into their workflows. And of course the capture community, who are the people that generate the data.

00:08:23:24 - 00:08:48:11

Ian Olson

And so that's changed materially in the last 18 months to 2 years in a positive sense. So lots of lots more work to do. But, you know, we're seeing we're seeing the results of that change in perspective as measured by the size of our sales pipeline and our views on that on our TAMs, total addressable markets for each of those sectors that we that we chased.

00:08:49:08 - 00:09:07:21

Finola Burke

And Ian you claimed the quarterly cash receipts have improved in April just over \$1 million that's come through the door having into the March quarter with less than \$1 million in the bank. Is the outlook for cash receipts sufficient to maintain the business? Or do you think you need to raise additional capital?

00:09:08:08 - 00:09:26:17

Ian Olson

Sure. So at this point, you know, we're really confident Finola in the in the collections that we've got lined up for May and June. And, you know, that should see us as we as we as we forecast or I forecast, as we discussed in the quarterly, that we should be we should be at a general cash flow closing quarter to June.

00:09:27:14 - 00:09:59:21

Ian Olson

That said, the you know, we have regular the big lumpy payments out of the business to monthly and it's typically payroll and then our customers pay when they pay. So yeah, having around \$1 million in the bank and I think those \$1.5 million at the end of the previous quarter, albeit that we had strong collections in April and, and we'll be halfway to

April's numbers sort of by the end of next week, you know, we're reasonably comfortable with the cash position, but have got a you know, we've got a view that the well I think the market's got a view that we're cum raise.

00:10:00:24 - 00:10:25:13

Ian Olson

And so my answer would be you never say no. Know, we raised 2 million bucks last year. We hadn't raised any money prior to that since July of 2020, during COVID, when we did that small placement with Bevan (Slattery). And then we raised \$1 million at \$0.08 in in March from one of my co-founders and our former chairman, Rob Newman, who's spending part of his time in North America.

00:10:25:21 - 00:10:39:12

Ian Olson

He's got family over there and Australia and is helping us immeasurably with that with some you know, with the experiences he had with Nearmap in North America. So we're pretty comfortable at the moment. But you never say never.

00:10:40:13 - 00:10:50:20

Finola Burke

And what progress have you made with your partnerships with so also what progress have your partnerships with Amazon, AWS and Esri by delivering prospects and revenue?

00:10:51:23 - 00:11:15:06

Ian Olson

Yeah, Finola I'll go back to the February conference Geo week. We had a booth at Geo week for the second year and the ROI was ten X for us on, on in terms of either one - customers or really well-qualified customers versus cost of holding the show was ten x improvement over last year and last year was a good return on investment.

00:11:15:06 - 00:11:41:12

Ian Olson

So we had a great conference, but Emesent was there and we announced our partnerships. Dave Lowe at our Global head of Revenue and who's also head of our partnerships, has done some podcasts with the with the Emesent team. And you know, they're pretty easy to find if you just Google Emesent Pointerra podcast which does did a deeper dive into what we're doing, how we're helping Emesent customers with their

00:11:41:13 - 00:12:19:13

Ian Olson

land based LiDAR platform and they've got an indirect sales model Emesent. So they're out there selling through a global reseller network and we were able to spend a day with their global resellers who were in town to attend the conference. But again, we've been out to a real deep dive with their resellers and the compelling outcome of the you know, what really resonated for the resellers was, hey, this partnership and this tie up between the Emesent software and the Pointerra cloud platform is going to help us sell more units so that at the sales pipeline we would class it as material at the moment

00:12:19:17 - 00:12:42:18

Ian Olson

out of that Emesent partnership. The so we're really excited about that and we think at Sydney Build which is this week in Sydney, I'm not sure which community centre or hotel it's at but we're, we're again joint venturing or spending time with some with the Emesent team at their impressive stand at that trade show. If anyone wants to get down and have a look and talk to Dave who'll be there.

00:12:43:11 - 00:13:25:08

Ian Olson

The other partnerships Esri AWS their bigger beasts. Emesent is an agile private equity funded, you know, high aspirational, high growth, aspirational early-stage business like ours. So there's a lot of alignment there in terms of culture and, and tempo and pace, you know, the pace at which we want to do things. The Esri and AWS opportunities are massive and they're contributing to the to the sales pipeline but they're, a slow moving beast and one partnership that I guess was we left out of that question and perhaps we can come to it later but I'll quickly throw in now is the one we announced with E Solutions.

00:13:25:08 - 00:13:52:15

Ian Olson

Who's the biggest systems integrator in the Middle East region. And we've had a fantastic couple of months getting to know their people and have advanced and spent you know, we've had guys in Abu Dhabi and Dubai over the past six or eight weeks talking to some of the state owned utility companies.

00:13:52:24 - 00:14:19:06

Ian Olson

And there are some sizable opportunities for digital, the deployment of the digital twin platform. And those the size of those organisations is dwarfs that sorry you know, is significant when compared to the tier one oil and gas, tier one utility customers that we typically deal with, they're simply massive. So having a partner there who can do the systems integration, the deployment is fantastic.

00:14:19:17 - 00:14:44:16

Ian Olson

It means we don't need to deploy people and capital to that region. But the but the size of the opportunity, you know, is enormous. On an ARR basis, it would be when fully deployed in some of these organisations it's ten figure US recurring revenue. Now it's probably a 2 to 3 year process to deploy fully and revenue starts to flow from, you know, from the get go.

00:14:44:16 - 00:15:03:21

Ian Olson

But they are massive massive opportunities so we couldn't be happier with that with the partnership we've got with these solutions in that part of the world. And it's a blueprint for us I guess in looking into Western Europe as to how best to take advantage of the digital twin opportunities there without having to put a lot of people on the ground.

00:15:05:08 - 00:15:21:01

Finola Burke

I'm going to come back to that. But, you know, within this last result, while you had lower cash receipts, you also had a big reduction in costs, particularly staff costs, looking at your cost base, do you have the team and resources in place to execute this strategy?

00:15:22:02 - 00:15:56:05

Ian Olson

Yeah, so the reduction in headcount was mostly around production. So if you think about our business, we've got our BD and sales guys, we've got our product and production guys and girls and then we've got our R&D and software engineering and dev team, in a product and production team there we had, we had people in that part of the business in the US who were dealing with a lot of the, a lot of the projects and programs that we were working on from calendar 21 and calendar 22.

00:15:56:13 - 00:16:18:12

Ian Olson

So you know, we've been able to turn those costs off and haven't had to turn off BD and sales costs. So and we've probably overinvested from a dollar perspective, but not a headcount. I think, you know, we were softly, softly approach, I guess a few years back with the with the level of appointment at BD and sales.

00:16:18:18 - 00:16:41:13

Ian Olson

And what we've learned, particularly for the larger enterprise sales, is that, you know, you need a very sophisticated, experienced individual. And so, you know, the appointments that we've made in North America and in this part of the world, EMEA, reflect that at the end and reflect the difficulty, the challenges and the sophistication required for executing those sorts of opportunities.

00:16:41:13 - 00:17:02:21

Ian Olson

And those two individuals, Anthony here and Joe over in the US have made a big impact on our business. So, yeah, we have been out of rip some costs out, but it hasn't been in R&D and product development and it hasn't been in BD or sales. So yeah, we're pretty confident about executing. Thanks, but do need to hire more into the future.

00:17:03:23 - 00:17:17:13

Finola Burke

So that's my next question. And you did touch on this earlier. You want to expand away from just being reliant on one sector, on utilities. How is that going and what's the outlook for that?

00:17:18:08 - 00:17:46:11

Ian Olson

Sure. So we had an unfortunate hiccup with our regulator in March when we had a material contract award, we had a gap between the need to make that announcement and the time it took that customer to go \$150 billion market cap, Fortune 500 company who took more than more than, unfortunately, more time than we had to clear the announcement.

00:17:46:11 - 00:18:06:06

Ian Olson

And so, you know, we spent a little bit of time with that, with our stock suspended back in back in March, which was unfortunate. But in in the quarterly, what we did announce or disclose and we've been consistent with this in the past with this messaging is that we do expect further contracts from that customer during calendar '24.

00:18:07:00 - 00:18:36:11

Ian Olson

We are intimately involved with their resilience program, with their vegetation management program, with their storm response program and have been since 2020. So it's our signature customer. It's our it's their biggest, most longstanding customer. They've been very loyal and supportive to us. So that gives us a great base in North America to, you know, to reinvigorate as the other utilities start to start to come back online as we talked about earlier.

00:18:36:18 - 00:18:56:21

Ian Olson

So to get that cash flow, that revenue and cash flow is starting to pile in again. But what we you know, given the pain we've been through with the reliance on that, on that sector or the overreliance on that sector and not that we expect that sector to have another pause. And I see that as most unlikely.

00:18:57:14 - 00:19:26:17

Ian Olson

We as I said at the outset of this discussion, we have made steps to diversify away from that sector so that we so that we have more of a spread and perhaps less volatility. So mining, oil and gas coming off a slow base of a low base, I should say, have matured fantastically in the last six months. Facilities management, starting with the Amazon program that, you know, that we announced last January and we disclosed in the quarterly that we're only we're not even five or 10% through that program.

00:19:26:17 - 00:20:09:11

Ian Olson

And Amazon's been going through its own internal machinations and that that that'll happen. Hopefully it'll, start to happen this quarter as we as we mention to the market and, and we've got other facilities management opportunities that we've been able to generate off the back of, that sort of Amazon experience for really to have this really diverse organisations in the in property ownership, so property funds and trusts, sporting organisations, big global organisations that have it have a number of very large facilities that are geographically dislocated.

00:20:09:16 - 00:20:31:23

Ian Olson

It's the classic linear infrastructure assets for us. Road, rail, power, water was a great opportunity. People have got assets spread over massive areas. How do they know the condition of those assets? They buy LiDAR, they buy imagery. We help them interpret that. When you think about facilities, whether it's mining, oil and gas or built form that doesn't it doesn't have process infrastructure in it there.

00:20:32:01 - 00:21:01:01

Ian Olson

Again, for big tier one organisations, it's spread not just in a region they spread globally. So the ability to have a standardised platform, a common data environment where all the digital data can live, where if it is process related, internet of things, there is information

scattered or information being bought into the digital twin. Those, you know, we've been pushing really hard in those in those sectors because the prize is as big as is the utility sector.

00:21:01:21 - 00:21:24:14

Ian Olson

And it's something that we hadn't focused on until now where we bought you know, we bought some people in with it with a background in that space, particularly Anthony and his years of experience with IBM before joining us has been a fantastic asset to the business. So yeah, we're pleased with the decision made nine months ago now to diversify some of our BD and sales effort into different sectors.

00:21:24:14 - 00:21:26:20

Ian Olson

And we're now starting to see the results of that investment.

00:21:28:03 - 00:21:37:11

Finola Burke

Well, thank you Ian for taking the time to discuss Pointerra's Q3 results and outlook. I'm looking forward to catching up with you through the course of the next 12 months to check on your progress.

00:21:38:07 - 00:21:40:02

Ian Olson

Thank you, Finola, appreciate your time.

