

Pointerra Ltd

Q2 FY22 Results Analysis

Q2 cash receipts accelerate, record cashflows

Pointerra Ltd (ASX:3DP) provides an end-to-end, cloud-based Data-as-a-Service (DaaS) solution for capturing, storing, manipulating and analysing massive 3D datasets in the geospatial sector. It has taken what has been a highly manual, slow and cost-prohibitive process and turned it into a fast, efficient workflow solution for 3D data, enabling digital asset management from any device in any location. Its customer base spans pole and power companies, resources companies, construction companies, government agencies, data capture companies, and surveying and mapping companies. Pointerra has reported Q2 FY22 operating cashflows of \$2.85m, an increase of almost 350% on Q2 FY21, and has delivered record operating cashflows of \$0.8m compared with an operating cashflow loss of \$0.23m in Q2 FY21. Free cashflow for the period was \$0.75m, well ahead of our forecast for \$0.56m. Pointerra ended the quarter with almost \$5.0m in net cash. Cash receipts were a little lower than our forecast for \$3.15m, however, operating cashflows were ahead and demonstrate that Pointerra continues on the growth trajectory on which we have mapped our forecasts. We have left our forecasts unchanged ahead of the company's market update on Annual Contract Value (ACV) on 31 January and its interim result in late February. Our base-case DCF valuation of \$0.90/share is predicated on Pointerra getting to ACV of US\$50m by December 2024.

Business Model

Pointerra offers a suite of Software-as-a-Service (SaaS) products to its clients: Data-as-a-Service (DaaS), Analytics-as-a-Service (AaaS), and Data Processing-as-a-Service (DPaaS). Pointerra's DaaS offering manages 3D data using its digital management platform and is priced according to the amount of data (in terabytes) that Pointerra hosts on behalf of the client, and the number of users required. Additional revenue is generated from processing client data (DPaaS) and building and/or deploying analytics tools (AaaS) to interpret the client's 3D data. Pointerra has also recently soft-launched its 3D data marketplace which aims to sell insights into assets' condition through subscription- and event-based models.

Q2 Results Commentary

Pointerra noted that in addition to the growth in cash receipts, it had been awarded material contracts worth from \$4.33m to \$6.6m in the US energy utilities sector which it previously announced in December 2021. These contracts will be included in the company's ACV announcement due by the end of January. We are forecasting ACV of US\$15.4m at that point. Pointerra also noted that it had added new customers across its target sectors of surveying and mapping, transport, mining, oil and gas, and architecture, engineering and construction, and that these had all contributed to ACV growth.

Base Case DCF Valuation is \$0.90/Share

We use the discounted cashflow methodology to value Pointerra, using a WACC of 14.0% (beta 1.8, terminal growth rate of 2.2%), and this derives a base-case valuation of 0.90/share. Our valuation is predicated on ACV reaching US\$50m by H1 FY25. We have dimensioned an upside case whereby ACV hits US\$50m by H1 FY24 and this delivers a valuation of \$1.81/share. Further earnings upside can be derived from 3DP's 3Dinsight.ai data marketplace which we have not yet included in our modelling, being very early stage.

Historical Earnings and RaaS Forecasts (In \$A unless otherwise stated)

Year end	ACV ^A (US\$m)	Sales Revenue (A\$m)	Gross Profit	EBITDA Adj.	NPAT Adj.	EPS (c) (c)	EV/Sales (x)	EV/EBITDA (x)
06/20a	2.9	1.2	1.8	(1.7)	(1.8)	(0.3)	nm	nm
06/21a	9.8	4.0	3.7	(1.1)	(1.2)	(0.2)	67.7	nm
06/22e	21.0	14.3	13.3	5.4	3.6	0.5	18.9	49.8
06/23e	33.5	38.1	34.7	24.5	17.0	2.5	7.9	10.9

Source: Company data for historical earnings; RaaS estimates for FY22e and FY23e; ^AAnnual Contract Value

Software & Services

20th January 2022

Share Details

ASX code	3DP
Share price (intraday)	\$0.40
Market capitalisation	\$271.1M
Shares on issue (post transaction)	677.8M
Net cash 31-Dec-2021	\$5.0M

Share Performance (12 months)



Upside Case

- Highly scalable business model
- Endorsed by tech veteran's investment in the stock
- Substantial growth opportunities in US market

Downside Case

- Long enterprise sales cycle taking 9-12 months
- Competing with multinationals for business
- Substantial growth built into current share price

Catalysts

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

Board of Directors

Neville Bassett	Non-Executive Chairman
Paul Farrell	Non-Executive Director
Ian Olson	Managing Director/CEO

Company Contact

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RaaS Contacts

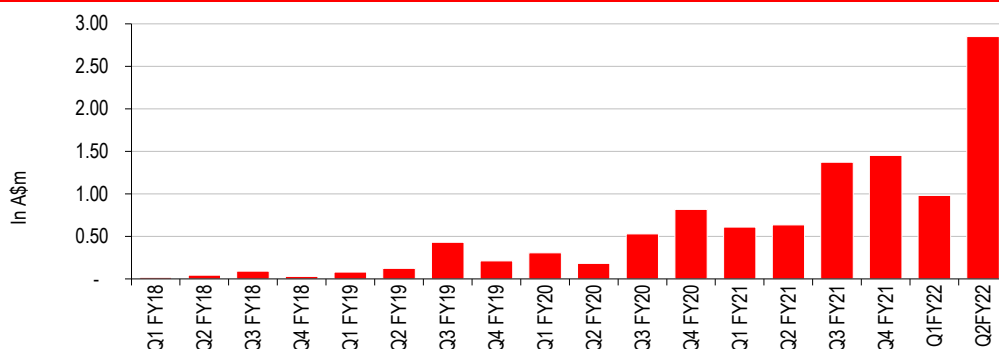
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Q2 FY22 Results Analysis

Pointerra has reported record quarterly cash receipts of \$2.85m, up almost 350% on the previous corresponding period (pcp), and a record \$0.8m in operating cashflow. Free cashflow for the quarter was \$0.75m, a \$1.59m turnaround from the free cashflow reported in Q2 FY21 and 33% ahead of our forecast.

Exhibit 1: Quarterly cash receipts Q1 FY18-Q2 FY22



Source: Company reports

A key feature of the result, and one that Pointerra has consistently demonstrated through its quarterly results over the past two years, was cost containment, despite ongoing investment in employees, new product features and the development of new initiatives, including 3Dinsight.ai. Cash costs for the quarter were \$2.04m, versus our forecast for \$2.55m, and absorbed an increase in headcount to 33 from 31. The company ended the quarter with \$5.0m in net cash, adding more than \$0.72m in cash in the period.

Exhibit 2: Q2 FY22 versus Q2 FY21 and RaaS forecast (f)

Quarter ending Dec-31	Q2 FY21	Q2 FY22	% chg	RaaS Q2 FY22 (f)
Cash receipts	0.64	2.85	348.7%	3.15
Payments to suppliers and employees	(1.43)	(2.04)	42.7%	(2.55)
Net interest	(0.01)	(0.01)	(50.0%)	(0.00)
Government grants	0.58	-	nm	-
Operating cashflow	(0.23)	0.80	(446.3%)	0.61
Maintenance capex	(0.03)	(0.05)	59.4%	(0.05)
Free cashflow	(0.26)	0.75	(384.8%)	0.56
Free cashflow excluding government grants	(0.84)	0.75	(189.1%)	0.56

Source: Company data, RaaS estimates

DCF Valuation

In our view, given the early-stage nature of Pointerra's business, the discounted cashflow methodology is the most appropriate method for valuing the company. We derive a weighted average cost of capital (WACC) of 14.0% (beta 1.8, terminal growth rate 2.2%) and this gives us a base-case valuation of \$686m or \$0.90/share, fully diluted. Our valuation is predicated on Pointerra reaching an ACV of US\$50m by H1 FY25.

Exhibit 3: DCF valuation

DCF valuation	Parameters
Discount Rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
Sum of PV (A\$m)	244.4
PV of terminal value (A\$m)	364.5
PV of enterprise	619.3
Net cash at 31-Dec-2021	(5.0)
Net value - shareholder	613.9
No. of shares on issue (fully diluted)	685.8
NPV in A\$	\$0.90

Source: RaaS analysis

Exhibit 4: Financial Summary

Pointerra Ltd						Share price (19 January 2022)						A\$	0.41
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Annual contract revenue (US\$m)	H120A	H220A	H121A	H221A	H122F	H222F	
Annual contract value (US\$m)	1.3	2.9	9.8	21.0	33.5	Revenue	0.5	0.7	1.6	3.0	5.2	9.4	
Sales Revenue	0.4	1.2	4.0	14.3	38.1	EBITDA	(1.3)	(0.4)	(1.0)	(0.2)	1.0	4.5	
Total Revenue	0.9	1.9	4.6	14.6	38.1	EBIT	(1.3)	(0.5)	(1.0)	(0.3)	0.9	4.3	
Gross Profit	0.9	1.8	3.7	13.3	34.7	NPAT (normalised)	(1.3)	(0.5)	(0.9)	(0.3)	0.6	3.0	
EBITDA	(1.9)	(1.7)	(1.1)	5.4	24.5	Minorities	-	-	-	-	-	-	
Depn	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	NPAT (reported)	(1.3)	(1.2)	(1.0)	(0.5)	0.6	3.0	
Amort	(0.0)	(0.1)	(0.0)	(0.2)	(0.1)	EPS (normalised)	(0.24)	(0.10)	(0.15)	(0.04)	0.09	0.45	
EBIT	(1.9)	(1.8)	(1.3)	5.2	24.3	EPS (reported)	(0.25)	(0.20)	(0.15)	(0.08)	0.09	0.45	
Interest	0.0	(0.0)	0.0	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-	
Tax	0.0	0.0	0.0	(1.6)	(7.3)	Imputation	-	-	-	-	-	-	
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.7)	(0.1)	(0.7)	0.5	(0.1)	0.4	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	(0.0)	(0.7)	0.6	(0.0)	0.5	
NPAT pre significant items	(1.9)	(1.8)	(1.2)	3.6	17.0	Divisions							
Significant items	(0.0)	(0.7)	(0.2)	0.0	0.0	Contract revenue	0.5	0.7	1.6	2.4	5.2	9.2	
NPAT (reported)	(1.9)	(2.5)	(1.5)	3.6	17.0	R&D grants	0.0	0.7	0.0	0.6	0.0	0.2	
Cash flow (A\$m)						Total Revenue	0.5	1.4	1.6	3.0	5.2	9.4	
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	COGS	0.0	0.1	0.1	0.2	0.4	0.7	
EBITDA	(1.9)	(1.7)	(1.1)	5.4	24.5	Gross Profit	0.5	1.3	1.5	2.8	4.8	8.7	
Interest	0.0	(0.0)	(0.0)	(0.0)	(0.0)	R&D costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
Tax	0.0	0.0	0.0	(1.3)	(7.3)	Employment	(1.1)	(1.2)	(1.7)	(2.2)	(3.1)	(3.4)	
Working capital changes	0.4	0.9	0.9	(3.8)	(11.3)	General & Admin costs	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	
Operating cash flow	(1.4)	(0.8)	(0.3)	0.3	6.0	Other costs	(0.1)	0.0	(0.2)	(0.2)	(0.2)	(0.2)	
Mtce capex	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	EBITDA	(1.3)	(0.4)	(1.0)	(0.2)	1.0	4.5	
Free cash flow	(1.5)	(0.9)	(0.4)	0.1	5.8	Margins, Leverage, Returns							
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	FY19A	FY20A	FY21A	FY22F	FY23F			
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA	(419.2%)	(138.7%)	(28.9%)	37.9%	64.3%		
Other	0.0	0.0	0.0	0.0	0.0	EBIT	(430.6%)	(147.1%)	(32.0%)	36.3%	63.7%		
Cash flow pre financing	(1.5)	(0.9)	(0.4)	0.1	5.7	NPAT pre significant items	(429.0%)	(149.4%)	(31.0%)	25.4%	44.5%		
Equity	1.2	2.5	3.3	0.0	0.0	Net Debt (Cash)	0.9	2.3	4.8	4.9	10.7		
Debt	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	0.9	0.4	
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	448.2%	209.0%	2389.2%	(115.1%)	(68.8%)	
Net cash flow for year	(0.4)	1.6	2.9	0.1	5.7	EBIT interest cover (x)	(x)	n/a	n/a	n/a	0.0	0.0	
Balance sheet (A\$m)						ROA	(100.0%)	(69.5%)	(21.4%)	55.9%	156.5%		
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROE	(168.0%)	(258.4%)	(50.7%)	52.9%	96.2%		
Cash	0.9	2.3	5.2	5.3	11.0	ROIC	(140.4%)	149.1%	272.0%	437.8%	456.2%		
Accounts receivable	0.5	0.6	1.1	2.9	7.6	NTA (per share)	0.00	0.00	0.00	0.01	0.04		
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital	0.0	(0.2)	(0.7)	0.6	4.3		
Other current assets	0.1	0.0	0.0	0.0	0.0	WC/Sales (%)	8.0%	(15.5%)	(16.5%)	4.4%	11.2%		
Total current assets	1.6	3.0	6.2	8.2	18.6	Revenue growth	42.1%	176.9%	224.4%	259.7%	166.0%		
PPE	0.1	0.1	0.2	0.3	0.4	EBIT growth pa	n/a	n/a	n/a	(508.8%)	366.0%		
Intangibles and Goodwill	0.1	0.1	1.6	1.5	1.4	Pricing	FY19A	FY20A	FY21A	FY22F	FY23F		
Investments	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	521	613	678	680	683	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	509	559	640	680	683	
Other non current assets	0.0	0.4	0.3	0.3	0.3	EPS Reported	cps	(0.4)	(0.5)	(0.2)	0.5	2.5	
Total non current assets	0.1	0.5	2.1	2.1	2.1	EPS Normalised/Diluted	cps	(0.4)	(0.3)	(0.2)	0.5	2.5	
Total Assets	1.7	3.5	8.4	10.3	20.7	EPS growth (norm/dil)		n/a	n/a	n/a	(376.6%)	365.6%	
Accounts payable	0.5	0.8	1.7	2.2	3.3	DPS	cps	-	-	-	-	-	
Short term debt	0.0	0.0	0.1	0.1	0.1	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Deferred revenue	0.4	1.2	1.4	(1.8)	(9.4)	Dividend imputation		0	0	0	0	0	
Total current liabilities	0.9	2.0	3.2	0.5	(6.0)	PE (x)		-	-	-	75.9	16.3	
Long term debt	0.0	0.0	0.3	0.3	0.3	PE market		18.0	18.0	18.0	18.0	18.0	
Other non current liabs	0.0	0.3	0.3	0.3	0.3	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	321.8%	(9.6%)	
Total long term liabilities	0.0	0.3	0.6	0.6	0.6	EV/EBITDA		nm	nm	nm	49.8	-	
Total Liabilities	0.9	2.3	3.8	1.1	(5.4)	FCF/Share	cps	(0.3)	(0.1)	(0.0)	0.1	0.9	
Net Assets	0.7	1.2	4.6	9.2	26.1	Price/FCF share		(148.8)	(334.7)	(1,882.2)	602.2	45.3	
Share capital	6.8	9.2	13.8	13.8	13.8	Free Cash flow Yield		(0.7%)	(0.3%)	(0.1%)	0.2%	2.2%	
Accumulated profits/losses	(7.6)	(10.2)	(11.7)	(7.1)	9.8								
Reserves	1.6	2.2	2.5	2.5	2.5								
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder funds	0.7	1.2	4.6	9.2	26.1								

Source: RaaS estimates, Company data for actuals



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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