

# Pointerra Ltd

Q4 FY24 Update

## All eyes on FY25

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 Software as a Service (SaaS) platform which delivers predictive digital insights and definitive answers to complex physical asset management questions. Pointerra has reported Q4 cash receipts of \$2.67m, an increase of 241% on the previous corresponding period (pcp) and 268% against Q3 FY24 (ASX release 31 July). Cash receipts were the largest reported of any quarter in FY24 and the highest reported since Q3 FY23. Cash burn for the quarter was contained to \$0.18m, the best result in five quarters, with administration and other costs essentially flat year-on-year and employee costs declining 7% for the period. The company ended FY24 with \$2.72m in cash. Pointerra says the FY25 revenue and cash flow outlook are underwritten by recent contract awards and existing customer renewals. We have provisionally updated our model for the Q4 result but will wait for the full audited accounts to make any earnings forecast adjustments. Our base-case valuation remains unchanged at \$0.31/share.

### 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. Answers creates predictive insights and delivers business intelligence, risk mitigation and ESG improvement suggestions to users.

### US utility sector spend set to commence in FY25

In its Q4 FY24 release, Pointerra says US energy utilities are finally commencing decade-long, multi-billion US\$ grid resilience programmes. Delays in this spend has been a key issue for the company throughout FY23 and FY24. The company says these delays, which affected invoicing and receivables collection were continuing to be resolved and had led to the improved Q4 FY24 results. Q4 cash receipts of \$2.67m were the highest quarterly cash receipts reported in FY24 and the highest since Q3 FY23. The company continues to target diversification of its customer base by industry and region and highlighted in its release that the previously-announced partnership with Emesent had led to new customers being on-boarded in Q4 while potential projects introduced by Pointerra's Middle East channel partner were expected to contribute to revenue in FY25. We have provisionally included the Q4 result in our model but will wait for the release of the full audited accounts later in August before making any earnings forecast adjustments.

### Base-case DCF valuation is \$0.31/share

We use the discounted cash-flow methodology to value Pointerra, using a WACC of 16.5% and terminal growth rate of 2.2%, and this derives a base-case valuation of \$0.31/share. In our view, continued evidence of contracted and recurring revenues should help underpin a recovery in the company's share price.

Historical earnings and RaaS' forecasts (in \$A unless otherwise stated)								
Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	9.8	9.3	(0.02)	0.01	0.00	4.7	n.m.	n.m.
06/23a	7.3	6.4	(4.68)	(4.47)	(0.72)	6.9	n.m.	n.m.
06/24f	6.4	5.3	(4.81)	(5.70)	(0.78)	8.8	n.m.	n.m.
06/25f	13.8	11.7	1.50	1.45	0.18	4.0	37.1	40.6

Source: Company data, RaaS estimates for FY24f-FY25f; Adjusted for one-time and non-cash items

## Software & Services

1 August 2024

### Share Details

ASX code	3DP
Share price (31-July)	\$0.074
Market capitalisation	\$59.6M
Shares on issue	805.0M
Net cash at 30-Jun-2024	\$2.72M

### Share Performance (12 months)



### Upside Case

- Highly scalable business model
- Proven track record with major US utilities is leading to 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

- Meaningful growth in revenue and cash receipts
- Additional wins with US and Australian clients
- Demonstrated substantial growth in contracts

### Board of Directors

Neville Bassett	Non-Executive Chairman
Damon Fieldgate	Non-Executive Director
Ian Olson	Managing Director/CEO

### Company Interview

Pointerra (ASX:3DP) RaaS Interview 6 May 2024

### Company Contact

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### RaaS Contact

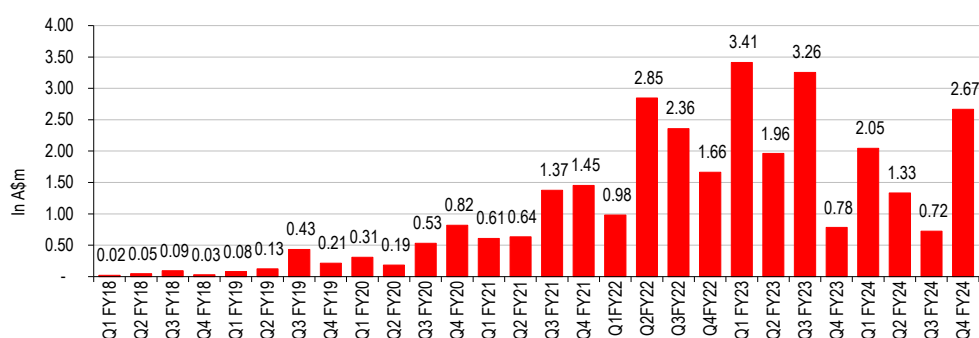
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\*Analyst holds shares

## Q4 FY24 Results Discussion

Q4 cash receipts were \$2.67m, the highest in five quarters, up 241% on the pcq and 268% on Q3 FY24. The company says the delays previously experienced from US energy utility programme, invoicing and receivables collection continue to resolve and had assisted in the improved Q4 FY24 results. Pointerra also says that growth in the FY25 revenue and cash flow outlook is underwritten by recent material contract awards and existing customer renewals. Recent contract awards include the US Department of Energy (DOE) US\$1.6m (A\$2.5m) contract for grid resilience activities by US electric utilities ([ASX release 28 June](#)).

**Exhibit 1: Quarterly cash receipts Q1 FY18-Q4 FY24**



Source: Company reports

Cost containment in the quarter was better than we anticipated with both administrative and employee costs well contained. Offsetting this was an increase in product manufacturing costs which increased 101% to \$0.692m, essentially driven by increased contracts and demand. As Exhibit 2 shows, employee costs were a 7% improvement on Q4 FY23. Administration and other costs were flat on Q4 FY23. Costs were also a little below our forecasts for the company, although we had forecast higher cash receipts for the quarter.

**Exhibit 2: Q4 FY24 versus Q4 FY23 and Q3 FY24 (in A\$m unless otherwise stated)**

	Q4 FY23	Q3 FY24	Q4 FY24	% chg Q4 FY24 over Q4 FY23	RaaS Q4 FY24 fct
Cash receipts	0.782	0.724	2.665	241	3.195
Product manufacturing and operating costs	(0.345)	(0.423)	(0.692)	101	(0.709)
Employee costs	(1.189)	(0.979)	(1.108)	(7)	(1.135)
Admin. and other costs	(1.028)	(0.934)	(1.036)	1	(1.061)
Net interest	(0.011)	(0.026)	(0.013)	18	(0.007)
Operating cash flow	(1.791)	(1.638)	(0.184)	(90)	0.283
Free cash flow	(1.796)	(1.638)	(0.188)	(90)	0.244
Cash at the end of the period	1.491	0.941	2.720	82	2.964

Source: Company data

While operating cash flow was still negative in Q4 FY24, the burn rate, at \$0.184m, was substantially reduced on Q4 FY23 and Q3 FY24.

Other key points from the result include:

- In its surveying and mapping segment, Pointerra says the previously announced partnership with Emesent has resulted in several new Hovermap customers in both Australia and the US being on-boarded in Q4;
- Work has commenced on the US DOE grid resilience programme;

- The previously announced (ASX release 28 July 2023) multi-year resilience programme being undertaken by a large US utility customer is likely to commence data collection and analysis activities in FY25;
- The previously announced (ASX release 31 January 2023) Amazon distribution digital twin project is expected to re-commence in FY25;
- During Q4, the company progressed Pointerra3D in a data capture programme for a Tier 1 oil and gas company's multi-billion US\$ green field project due for completion in 2026 with Pointerra3D Core and Analytics tracking construction progress;
- Pointerra has also progressed project readiness discussions with several Middle East Tier 1 organisations via its channel partner. The company says it expects these discussions to contribute to revenue in FY25.

## DCF Valuation

In our view, given the early-stage nature of Pointerra's business, the discounted cash-flow methodology is the most appropriate method for valuing the company. We use a weighted average cost of capital of 16.5% (risk free rate 4.0% and equity risk premium 6.5%). We use a beta of 1.9 to capture risk, but note that the LSEG 5-year observed beta is lower at 1.61. This gives us a base-case valuation of \$0.31/share fully diluted and including our estimate for an additional 5% in employee shares. Based on the current share count of 805m the valuation is \$0.33/share.

### Exhibit 3: DCF valuation

DCF valuation	Parameters
Discount rate / WACC	16.5%
Beta*	1.9
Terminal growth rate	2.2%
Sum of PV (\$m)	111.1
PV of terminal value (\$m)	149.7
PV of enterprise (\$m)	261.8
Net cash 30 June (\$m)	(2.7)
Net value – shareholder (\$m)	264.6
No. of shares on issue (in millions and fully diluted and incorporated RaaS estimate for 5% in employee shares)	841.7
<b>NPV in \$</b>	<b>\$0.31</b>
<b>NPV on current share count in \$</b>	<b>\$0.33</b>

Source: RaaS analysis \*LSEG observed beta is 1.61

#### Exhibit 4: Financial Summary

Pointerra Ltd						Share price (31 July 2024)						A\$ 0.07						
Profit and Loss (A\$m)						Interim (A\$m)												
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	H122A	H222A	H123A	H223A	H124A	H224F							
						Total Revenue	3.2	7.4	4.1	4.3	2.4	4.8						
Sales Revenue	4.0	9.8	7.3	6.4	13.8	EBITDA	(1.2)	1.2	(3.5)	(1.2)	(3.7)	(1.1)						
Total Revenue	4.6	10.7	8.4	7.3	14.7	EBIT	(1.3)	1.0	(3.6)	(1.3)	(3.7)	(1.2)						
Gross Profit	3.7	9.3	6.4	5.3	11.7	NPAT (normalised)	(1.3)	1.3	(3.6)	(1.3)	(3.7)	(1.2)						
EBITDA Adjusted	(1.1)	(0.02)	(4.7)	(4.8)	1.5	Minorities	-	-	-	-	-	-						
Depn	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	NPAT (reported)	(2.3)	(0.4)	(3.2)	(1.3)	(4.5)	(1.2)						
Amort	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	EPS (normalised)	(0.20)	0.20	(0.52)	(0.19)	(0.53)	(0.15)						
EBIT Adjusted	(1.3)	(0.3)	(4.9)	(4.9)	1.5	EPS (reported)	(0.35)	(0.04)	(0.47)	(0.19)	(0.63)	(0.15)						
Interest	0.0	0.00	0.0	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-						
Tax	0.0	0.29	0.0	0.0	0.0	Imputation	-	-	-	-	-	-						
Minorities	0.0	0.00	0.0	0.0	0.0	Operating cash flow	(0.1)	(1.3)	(0.9)	(1.1)	(1.9)	(1.8)						
Equity accounted assoc	0.0	0.00	0.0	0.0	0.0	Free Cash flow	0.0	(1.2)	(0.9)	(1.1)	(1.9)	(1.8)						
NPAT pre significant items	(1.2)	0.01	(4.9)	(4.9)	1.5	Divisions	H122A	H222A	H123A	H223A	H124A	H224F						
Significant items	(0.2)	(2.7)	0.4	(0.8)	0.0	Contract revenue	3.2	6.6	3.8	3.5	2.4	3.9						
NPAT (reported)	(1.5)	(2.7)	(4.5)	(5.7)	1.5	R&D grants	0.1	0.8	0.2	0.8	0.0	0.9						
Cash flow (A\$m)						Total Revenue	3.2	7.4	4.1	4.3	2.4	4.8						
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	COGS	0.5	0.0	0.4	0.6	0.4	0.7						
EBITDA	(1.1)	(0.0)	(4.7)	(4.8)	1.5	Gross Profit	2.8	7.4	3.7	3.7	2.0	4.2						
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	R&D costs	(0.3)	0.1	(0.3)	(0.3)	(0.3)	(0.3)						
Tax	0.0	0.0	0.0	0.0	0.0	Employment	(2.6)	(3.7)	(3.8)	(3.1)	(3.8)	(3.4)						
Working capital changes	0.9	(1.3)	2.7	1.1	(1.1)	General & Admin costs	(0.7)	(1.6)	(2.9)	(0.3)	(1.3)	(1.4)						
Operating cash flow	(0.3)	(1.4)	(2.0)	(3.7)	0.4	Other costs	(0.3)	(1.1)	(0.3)	(1.2)	(0.3)	(0.3)						
Mtce capex	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	EBITDA	(1.2)	1.2	(3.5)	(1.2)	(3.7)	(1.1)						
Free cash flow	(0.4)	(1.6)	(2.0)	(3.7)	0.4	Margins, Leverage, Returns								FY21A	FY22A	FY23A	FY24F	FY25F
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA		(28.9%)	(0.2%)	(63.9%)	(75.5%)	10.9%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(32.0%)	(3.1%)	(66.2%)	(77.2%)	10.6%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(31.0%)	0.1%	(66.2%)	(76.4%)	10.5%						
Cash flow pre financing	(0.4)	(1.6)	(2.0)	(3.8)	0.4	Net Debt (Cash)		4.8	3.2	1.2	2.4	2.8						
Equity	3.3	0.0	0.0	5.1	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	1.9						
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	2389.2%	(7884.3%)	43.0%	58.3%	90.3%						
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0						
Net cash flow for year	2.9	(1.6)	(2.0)	1.3	0.4	ROA		(21.4%)	(3.8%)	(78.7%)	(109.6%)	28.5%						
Balance sheet (A\$m)						ROE		(50.7%)	(67.4%)	(523.3%)	342.2%	(141.3%)						
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC		(75.9%)	32.7%	127.7%	132.0%	(69.0%)						
Cash	5.2	3.6	1.5	2.7	3.1	NTA (per share)		0.00	0.00	n/a	n/a	n/a						
Accounts receivable	1.1	3.5	2.7	1.1	2.4	Working capital		(0.7)	1.3	0.1	(1.6)	(0.6)						
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(16.5%)	13.0%	1.5%	(25.6%)	(4.2%)						
Other current assets	0.0	0.0	0.1	0.1	0.1	Revenue growth		224.4%	146.0%	(25.2%)	(13.2%)	116.6%						
Total current assets	6.2	7.1	4.3	3.9	5.6	EBIT growth pa		n/a	n/a	n/a	n/a	(129.8%)						
PPE	0.2	0.2	0.1	0.0	0.0	Pricing		FY21A	FY22A	FY23A	FY24F	FY25F						
Intangibles and Goodwill	1.6	0.1	0.1	0.1	0.1	No of shares (y/e)	(m)	678	678	714	806	806						
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	640	678	678	806	806						
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.2)	(0.4)	(0.7)	(0.8)	0.2						
Other non current assets	0.3	0.3	0.2	0.2	0.2	EPS Normalised/Diluted	cps	(0.2)	0.0	(0.7)	(0.7)	0.2						
Total non current assets	2.1	0.5	0.4	0.3	0.4	EPS growth (norm/dil)		n/a	(100.5%)	n/a	n/a	(126.5%)						
Total Assets	8.4	7.7	4.7	4.3	6.0	DPS	cps	-	-	-	-	-						
Accounts payable	1.7	2.2	2.6	2.8	3.0	DPS Growth		n/a	n/a	n/a	n/a	n/a						
Short term debt	0.1	0.1	0.1	0.1	0.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%						
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation		0	0	0	0	0						
Deferred revenue	1.4	1.7	3.4	3.0	3.0	PE (x)		-	-	-	-	40.8						
Total current liabilities	3.2	4.0	6.0	5.8	6.1	PE market		18.0	18.0	18.0	18.0	18.0						
Long term debt	0.3	0.3	0.2	0.2	0.2	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	126.6%						
Other non current liabs	0.3	0.1	0.0	0.0	0.0	EV/EBITDA		nm	nm	10.8	11.7	37.1						
Total long term liabilities	0.6	0.4	0.2	0.2	0.2	FCF/Share	cps	(0.0)	(0.2)	-0.3	-0.5	0.1						
Total Liabilities	3.8	4.4	6.3	6.0	6.3	Price/FCF share		(339.3)	(40.3)	25.9	15.8	128.0						
Net Assets	4.6	3.3	(1.6)	(1.8)	(0.3)	Free Cash flow Yield		(0.3%)	(2.5%)	(3.9%)	(6.3%)	0.8%						
Share capital	13.8	13.8	13.9	19.1	19.1													
Accumulated profits/losses	(11.7)	(14.4)	(18.8)	(24.6)	(23.2)													
Reserves	2.5	3.8	3.4	3.7	3.7													
Minorities	0.0	0.0	0.0	0.0	0.0													
Total Shareholder funds	4.6	3.3	(1.6)	(1.8)	(0.3)													

Source: RaaS estimates, Company data for actuals

# FINANCIAL SERVICES GUIDE

## RaaS Research Group Pty Ltd

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