

Pointerra Ltd

H1 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

Ian Olson (MD/CEO) +61 417 998 328
ian.olson@pointerra.com

RaaS Contact

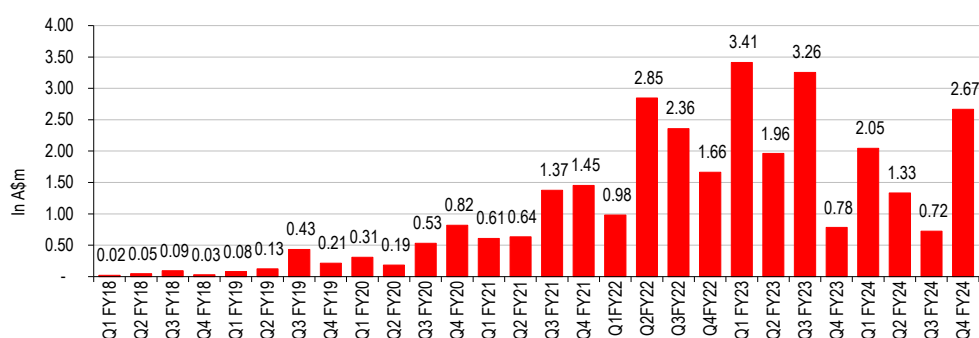
Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*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
NPV in \$	\$0.31
NPV on current share count in \$	\$0.33

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

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415, of

BR SECURITIES AUSTRALIA PTY LTD; ABN 92 168 734 530; AFSL 456663

Effective Date: 26th March 2024

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Research Group Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as who we are, our services, how we transact with you, how we are paid, and complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 1, 160 Edward Street, Brisbane, QLD, 4000 www.brsecuritiesaustralia.com.au

RaaS: c/- Rhodes Docherty & Co Pty Ltd, Suite 1, Level 1, 828 Pacific Highway, Gordon, NSW, 2072.

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities.

How are we paid?

RaaS earns fees for producing research reports about companies we like, and/or producing a financial model as well. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report. Sometimes we write reports using our own initiative.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service, you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Pointerra Ltd and prepared and issued by RaaS Research Group Pty Ltd. RaaS Research Group has been paid a fee to prepare this report. RaaS Research Group's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Research Group and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Research Group at the time of publication. RaaS Research Group provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Research Group in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Research Group has no obligation to update the opinion unless RaaS Research Group is currently contracted to provide such an updated opinion. RaaS Research Group does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Research Group does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Research Group shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Research Group limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2024 RaaS Research Group Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.