

12 August 2024

Pointerra

New contracts from existing customer builds FY25 base

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 announced that it has been awarded US\$0.8m (A\$1.23m) in new contracts by existing US energy utility customer Florida Power & Light (ASX release 9 August). The contracts will see Pointerra3D, the company's AI-driven analytics platform, used to extract information and insights from 3D LiDAR and 2D imagery data. We view the contracts as a positive sign that the contract delays and deferrals experienced by Pointerra in FY24 in its dealings with the US energy utility sector are coming to an end. The company says it expects to complete all contract deliverables in FY25. We make no changes to our forecasts following the announcement and maintain our DCF valuation 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.

Positive signs that US energy utility spend is returning

Pointerra announced with its Q4 result late last month that the US energy utility sector was recovering, after delays for much of FY24 (ASX release 31 July). The (9 August) announcement of the new contracts with Florida Power & Light (FPL) together with the recent US Department of Energy contract (ASX release 28 June) add to our confidence that spend from this sector is returning. The FPL contracts will see Pointerra3D used to analyse LiDAR and imagery for FPL business cases. Pointerra says it expects to complete all contract deliverables during FY25. Our forecasts already anticipate a recovery in US energy utility spend, which includes an uptick in expenditure on grid resilience programmes. This underpins our forecast for 116% growth in revenue in FY25. Given the forecasts we have built into our modelling we do not anticipate making any changes to our current estimates.

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. Please see our report of 1 August 2024 for more detail on our valuation.

Share Details

ASX code	3DP
Share price (9-Aug)	\$0.065
Market capitalisation	\$52.3M
Shares on issue	805M
Net cash at 30-Jun-2024	\$2.72M
Free float	~68%

Share Price 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

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

*The analyst holds shares

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

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	4.2	n.m.	n.m.
06/23a	7.3	6.4	(4.68)	(4.47)	(0.72)	6.2	n.m.	n.m.
06/24f	6.4	5.3	(4.81)	(5.70)	(0.78)	7.9	n.m.	n.m.
06/25f	13.8	11.7	1.50	1.45	0.18	3.6	33.4	36.7

Source: Company data; RaaS Research Group estimates for FY24F-FY25F; Adjusted for one-time and non-cash items

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

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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

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