

Powering into the festive season

Pointerra Ltd (ASX:3DP) provides a powerful cloud-based solution (Pointerra3D) for managing, visualising, analysing, using and sharing massive 3D point clouds and datasets. 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 – simplifying the complex. The Pointerra3D suite of solutions spans target sectors including survey and mapping; architecture, engineering and construction (AEC); utilities; transport; resources; and defence and intelligence. Pointerra has announced material contracts, totalling at least US\$3.1m, with new and existing US energy utility customers have been secured by its US operations. New customer Entergy Corporation (NYSE:ETR) has engaged Pointerra for an initial minimum contract of US\$2.37m and up to US\$4.0m to process and analyse LiDAR data over its service areas and for Pointerra to create a digital twin of Entergy's network in the Pointerra3D platform. Existing customer Pacific Gas & Energy Corporation (NYSE:PCG) has awarded 3DP an additional US\$0.7m contract to commence building a digital twin of its network in the Pointerra3D platform. Gulf Power, a new client but sister company to existing client Florida Power & Light, has awarded 3DP a US\$0.05m contract to process LiDAR data using Pointerra3D Core and Analytics. These contracts will add substantially to the Annual Contract Value (ACV) of US\$11.7m reported on 29 October. We are comfortable with our ACV forecast of US\$15.4m at the end of January. Our 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: Pointerra3D Core, Pointerra3D Analytics and Pointerra3D Answers. Pointerra3D Core 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 and building and/or deploying analytics tools (Pointerra3D Analytics and Pointerra3D Answers) 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 both subscription and event-based models.

ACV on track to meet our forecast for US\$15.4m at January end

Pointerra noted since last reporting its ACV run rate on 29 October, and in addition to the contracts that it announced yesterday, that it had added new customers and generated growth in spend by existing customers across its broad range of target sectors – surveying and mapping, architecture, engineering and construction (AEC), transport, utilities, mining, and oil and gas. Having invested in people, product and capability over the past 18 months, Pointerra expects to see the benefit of this investment in calendar 2022 and 2023 through additional contracts in the AEC, transport, defence, mining, and oil and gas sectors in much the same way it has developed its energy utilities business.

Base-case DCF valuation is A\$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 A\$0.90/share. Our valuation is predicated on ACV reaching US\$50m by H1FY25. We have dimensioned an upside case whereby ACV hits US\$50m by H1FY24 and this delivers a valuation of A\$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

Year end	ACV ^a (US\$m)	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA Adj (A\$m)	NPAT Adj (A\$m)	EPS (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	18.6	49.1
06/23e	33.5	38.1	34.7	24.5	17.0	2.5	7.5	10.2

Source: Company data for historical earnings, RaaS estimates for FY22e and FY23e ^aAnnual Contract Value

Software & Services

15th December 2021

Share Details

ASX code	3DP
Share price (14-Dec)	\$0.405
Market capitalisation	\$274.5M
Shares on issue	677.8M
Net cash 30-Sept-2021	\$4.26M

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

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

Material Contract Wins Put 3DP On Track To Meet RaaS's Forecasts

Pointerra has secured three material contracts with a combined minimum spend of US\$3.1m and up to US\$4.75m over the life of the contracts. These contracts, together with growth in spend by existing customers and new customers, put Pointerra on track to meet our forecast for ACV to reach US\$15.4m by January-end. The company last reported ACV of US\$11.7m at 29 October. The Entergy contract, which has a minimum value of US\$2.37m, will commence this month and a significant amount of the work will be completed by the second quarter of calendar 2022. The contract also includes hosting the processes and analysed LiDAR data from the project in the Pointerra3D digital twin platform for an initial 12-month period. Pointerra noted that over time Entergy's spend is expected to grow as more service areas and data are added to support a gradual build-out of Entergy's entire network digital twin in the Pointerra3D platform. Similarly, the PG&E contract, which is for an initial 14-month period commencing 1 January 2022, will see Pointerra commence building a digital twin on its platform for selected PG&E business units. Over time, additional business units, service areas and data will be loaded onto the platform to support PG&E's network-wide digital twin on the Pointerra3D platform. The Gulf Power contract, while modest, extends the company's relationship within the NextEra Energy (NYSE:NEE) group, and potentially paves the way for contracts with other NextEra companies beyond Gulf Power and Florida Power & Light.

Impact On ACV And Outlook

Pointerra noted in its commentary that it had added new customers and had generated growth in spend from existing customers across its target sectors of survey and mapping, energy utilities, transport, mining, oil and gas, and AEC, in both the US and Australian markets, over and above the contract awards announced yesterday. Pointerra stated that this growth had generated a further uplift in its ACV run rate and that it would update the market on the run rate by the end of January at the latest. We are forecasting that the company will report ACV of \$15.4m at the end of January. Additionally, Pointerra highlighted that the investment it had made in people, capability, product, and research and development to solve sector-specific challenges in the AEC, defence, transport, mining, and oil and gas sectors in recent quarters would accelerate and add to ACV in much the same manner that the utilities sector investment made in 2019, 2020 and 2021 was now translating into contracts and increased ACV.

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 A\$615m or A\$0.90/share, fully diluted. Our valuation is predicated on Pointerra reaching an ACV of US\$50m by H1FY25.

Exhibit 1: DCF valuation

DCF valuation	Parameters
Discount Rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
Sum of PV (A\$m)	244.7
PV of terminal value (A\$m)	364.8
PV of enterprise	609.5
Net cash at 30-Sept-2021	(4.3)
Net value - shareholder	614.7
No of shares on issue (fully diluted)	685.8
NPV in A\$	\$0.90
Source: RaaS analysis	

Exhibit 2: Financial Summary

Pointerra Ltd						Share price (14 December 2021)				A\$		0.41	
Profit and Loss (A\$m)						Interim (A\$m)		H120A	H220A	H121A	H221A	H122F	H222F
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Annual contract revenue (US\$m)		1.90	2.87	6.88	9.80	15.40	21.00
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	4.4
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)	(0.0)	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	0.8	3.1
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow		(0.7)	(0.0)	(0.7)	0.6	0.9	3.2
NPAT pre significant items	(1.9)	(1.8)	(1.2)	3.6	17.0	Divisions		H120A	H220A	H121A	H221A	H122F	H222F
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	(1.6)	(7.3)	Employment		(1.1)	(1.2)	(1.7)	(2.2)	(3.1)	(3.4)
Working capital changes	0.4	0.9	0.9	0.1	0.2	General & Admin costs		(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Operating cash flow	(1.4)	(0.8)	(0.3)	4.0	17.4	Other costs		(0.1)	0.0	(0.2)	(0.2)	(0.2)	(0.2)
Mtce capex	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	EBITDA		(1.3)	(0.4)	(1.0)	(0.2)	1.0	4.5
Free cash flow	(1.5)	(0.9)	(0.4)	4.0	17.4	Margins, Leverage, Returns		FY19A		FY20A	FY21A	FY22F	FY23F
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA			(419.2%)	(138.7%)	(28.9%)	37.9%	64.3%
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT			(430.6%)	(147.1%)	(32.0%)	36.4%	63.8%
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items			(429.0%)	(149.4%)	(31.0%)	25.4%	44.6%
Cash flow pre financing	(1.5)	(0.9)	(0.4)	3.9	17.3	Net Debt (Cash)			0.9	2.3	4.8	8.7	26.0
Equity	1.2	2.5	3.3	0.0	0.0	Net debt/EBITDA (x)		(x)	n/a	n/a	n/a	1.6	1.1
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)		(%)	448.2%	209.0%	2389.2%	1779.2%	3288.3%
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)		(x)	n/a	n/a	n/a	0.0	0.0
Net cash flow for year	(0.4)	1.6	2.9	3.9	17.3	ROA			(100.0%)	(69.5%)	(21.4%)	46.8%	97.6%
Balance sheet (A\$m)						ROE			(168.0%)	(258.4%)	(50.7%)	56.8%	101.6%
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROIC			(140.4%)	149.1%	272.0%	(440.4%)	(871.2%)
Cash	0.9	2.3	5.2	9.1	26.4	NTA (per share)			0.00	0.00	0.00	0.01	0.03
Accounts receivable	0.5	0.6	1.1	2.9	7.6	Working capital			0.0	(0.2)	(0.7)	0.6	4.3
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)			8.0%	(15.5%)	(16.5%)	4.4%	11.2%
Other current assets	0.1	0.0	0.0	0.0	0.0	Revenue growth			42.1%	176.9%	224.4%	259.7%	166.0%
Total current assets	1.6	3.0	6.2	12.0	34.0	EBIT growth pa			n/a	n/a	n/a	(509.9%)	365.7%
PPE	0.1	0.1	0.2	0.2	0.1	Pricing			FY19A	FY20A	FY21A	FY22F	FY23F
Intangibles and Goodwill	0.1	0.1	1.6	1.5	1.4	No of shares (y/e)		(m)	521	613	678	680	683
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares		(m)	509	559	640	680	683
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported		cps	(0.4)	(0.5)	(0.2)	0.5	2.5
Other non current assets	0.0	0.4	0.3	0.3	0.3	EPS Normalised/Diluted		cps	(0.4)	(0.3)	(0.2)	0.5	2.5
Total non current assets	0.1	0.5	2.1	2.0	1.8	EPS growth (norm/dil)			n/a	n/a	n/a	(377.4%)	365.4%
Total Assets	1.7	3.5	8.4	13.9	35.9	DPS		cps	-	-	-	-	-
Accounts payable	0.5	0.8	1.7	2.2	3.3	DPS Growth			n/a	n/a	n/a	n/a	n/a
Short term debt	0.0	0.0	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	0.4	1.2	1.4	2.8	6.6	PE (x)			-	-	-	75.7	16.2
Total current liabilities	0.9	2.0	3.2	5.1	10.0	PE market			18.0	18.0	18.0	18.0	18.0
Long term debt	0.0	0.0	0.3	0.3	0.3	Premium/(discount)			(100.0%)	(100.0%)	(100.0%)	320.7%	(9.8%)
Other non current liabs	0.0	0.3	0.3	0.3	0.3	EV/EBITDA			nm	nm	nm	49.1	-
Total long term liabilities	0.0	0.3	0.6	0.6	0.6	FCF/Share		cps	(0.3)	(0.1)	(0.0)	0.6	2.5
Total Liabilities	0.9	2.3	3.8	5.7	10.6	Price/FCF share			(148.8)	(334.7)	(1,882.2)	68.6	15.9
Net Assets	0.7	1.2	4.6	8.2	25.2	Free Cash flow Yield			(0.7%)	(0.3%)	(0.1%)	1.5%	6.3%
Share capital	6.8	9.2	13.8	13.8	13.8								
Accumulated profits/losses	(7.6)	(10.2)	(11.7)	(8.1)	9.0								
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	8.2	25.2								

Source: Company data for actuals, RaaS estimates



FINANCIAL SERVICES GUIDE

RaaS Advisory 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

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- 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: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS, 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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