

Pointerra Ltd

FY24 Results Analysis

FY24 ends better than forecast, FY25 the focus

Software & Services

9 September 2024

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 FY24 revenue of \$7.60m, down 9% on the previous corresponding period (pcp) but ahead of our forecast for \$7.27m. Cost of goods sold (COGS) were 34% below our estimate and employee costs were contained better than we had forecast, resulting in a 13% improvement in the underlying EBITDA loss of \$4.06m, against a \$4.68m loss in FY23 and our forecast for a \$4.81m EBITDA loss. Pointerra says new contract awards and structural tailwinds will underpin an improved FY25 performance. We have updated our model for the FY24 results and rolled it to the new financial year. We have upgraded our FY25 forecasts, taking the lower FY24 cost base as a guide. After rolling the model for the new financial year, 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, 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.

Recovery evident in H2 result, setting the scene for FY25

Pointerra reported H2 revenue of \$5.2m, a 20% increase of H2 FY23a and ahead of our forecast for \$4.8m. Gross profit increased 32% to \$4.9m, well ahead of our forecast for \$4.2m, and the underlying EBITDA loss decreased by 67% to -\$0.4m, substantially better than our forecast for a -\$1.1m loss. Underlying H2 NPAT, which excludes share-based (non-cash) payments, was a loss of \$0.52m, the company's best result in two years. The company noted in its release (30 August 2024) that growth in the FY25 revenue and cash flow outlook underwritten by recent material contract awards together with existing customer renewals is expected to deliver a cash flow positive result in FY25. Our forecasts for FY25 reflect this guidance, with a \$1.04m positive operating cash flow forecast for the year. We have made positive adjustments to our FY25 forecasts after taking into account the lower COGS and operating costs in FY24 and have now published our FY26 forecasts for the first time.

Base-case DCF valuation is \$0.31/share, unchanged

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, fully diluted (unchanged). 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)
06/23a	7.3	6.4	(4.68)	(4.47)	(0.72)	5.5	n.m.	n.m.
06/24a	6.4	5.7	(4.06)	(5.22)	(0.73)	7.0	n.m.	n.m.
06/25f	13.8	12.7	2.19	2.15	0.27	3.2	19.8	22.1
06/26f	23.1	21.2	8.66	6.03	0.75	1.7	4.5	7.9

Source: Company data, RaaS estimates for FY25f-FY26f; Adjusted for one-time and non-cash items

Share Details

ASX code	3DP
Share price (6-Sept)	\$0.059
Market capitalisation	\$47.5M
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

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FY24 Results Discussion

Exhibit 1: P&L FY24 versus FY23 and RaaS forecast (in A\$m unless otherwise stated)				
	FY23a	FY24a	% chg	RaaS FY24f
Total revenue	8.35	7.60	(9.0)	7.27
Gross profit	7.39	6.89	(6.7)	6.20
Employee costs	(6.90)	(6.76)	(2.1)	(7.15)
Other operating costs (ex-non-cash items)	(5.17)	(4.20)	(18.8)	(3.86)
EBITDA reported	(4.30)	(5.07)	18.0	(5.65)
EBITDA underlying	(4.68)	(4.06)	(13.3)	(4.81)
NPAT underlying	(4.85)	(4.21)	(13.3)	(4.86)
NPAT reported	(4.47)	(5.22)	16.7	(5.70)
EPS underlying	(0.72)	(0.73)	1.9	(0.78)
Source: Company data, RaaS estimates; *Adjusted for non-recurring project services and, impairments and non-cash, share-based payments				

FY24 revenue declined 9% to \$7.6m but was ahead of our forecast for \$7.27m. Underlying EBITDA improved 13.3% to a loss of \$4.06m, as did the underlying NPAT loss. Both measures bettered our forecast loss for EBITDA and NPAT.

The result was very much driven by an improved second-half performance which saw a 20% increase in revenue and a 67% improvement in the underlying EBITDA loss (essentially adjusted for the non-cash, share-based payments) to -\$0.4m. This was well ahead of our forecast for an underlying EBITDA loss of -\$1.1m. COGS in H2 were half what we had forecast for the half and were the main driver in the lower-than-forecast cost base in H2.

Exhibit 2: P&L H2 FY24 versus H2 FY23 and RaaS forecast (in A\$m unless otherwise stated)				
	H2 FY23a	H2 FY24a	% chg	RaaS H2 FY24f
Total revenue	4.3	5.2	20.2	4.8
Gross profit	3.7	4.9	32.1	4.2
Employee costs	(3.1)	(3.8)	21.4	(3.4)
Other operating costs (ex-non-cash items)	(1.7)	(1.9)	9.4	(1.9)
EBITDA underlying	(1.2)	(0.4)	(66.6)	(1.1)
NPAT underlying	(1.3)	(0.5)	(59.9)	(1.2)
Source: Company data, RaaS estimates; *Adjusted for non-recurring project services and, impairments and non-cash, share-based payments				

Outlook

The company highlighted in its 30 August release that new contract awards and structural tailwinds would underpin an improved FY25 performance.

Key points from the presentation:

- Key US energy utilities were finally commencing decade-long, multi-billion US-dollar grid resilience programmes with data collection and analysis activities likely to commence in FY25. Pointerra expects this to contribute positively to its operations in the current financial year;
- New and existing tier-1 mining and oil and gas customers were expected to grow spend on Pointerra3D digital twin solutions to better manage opex, capex and meet ESG objectives;
- FY25's revenue and cash-flow growth was underwritten by material new contracts and existing customer renewals, which are expected to deliver a positive cash-flow result in FY25;
- Recent investments in people and channel partnerships are expected to drive global growth and convert sales opportunities from the expanding qualified pipeline.

Earnings Adjustments

Our earnings forecasts for FY25f have been adjusted after taking into account the FY24a results. We have moderated our revenue, COGS and operating cost forecasts off the new (FY24a base), and this has resulted in increases in gross profit, underlying EBITDA, NPAT and EPS. Our revised forecasts are set out below.

Exhibit 3: Earnings adjustments (in A\$m unless otherwise stated)		
Year ending 30 June	FY25f old	FY25f new
Sales revenue	13.79	13.76
Gross profit	11.72	12.73
Employee costs	(7.03)	(7.07)
Other operating costs (ex-non-cash items)	(4.09)	(4.37)
EBITDA underlying	1.50	2.19
NPAT underlying	1.45	2.15
EPS underlying	0.18	0.27
Source: RaaS estimates		

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 five-year observed beta is lower at 1.68. This gives us a base-case valuation of \$0.31/share fully diluted and including our estimate for an additional 5% in employee shares.

Exhibit 4: DCF valuation	
DCF valuation	Parameters
Discount rate / WACC	16.5%
Beta*	1.9
Terminal growth rate	2.2%
Sum of PV (\$m)	129.2
PV of terminal value (\$m)	126.7
PV of enterprise (\$m)	256.0
Net cash 30 June (\$m)	(2.7)
Net value – shareholder (\$m)	258.7
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
Source: RaaS analysis *LSEG observed beta is 1.68	

Exhibit 5: Financial Summary

Pointerra Ltd						Share price (6 September 2024)						AS	0.06
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY22A	FY23A	FY24A	FY25F	FY26F	H124A	H224A	H125F	H225F	H126F	H226F		
Total Revenue						2.4	5.2	6.6	8.0	10.0	13.1		
Sales Revenue	9.8	7.3	6.4	13.8	23.1	(3.7)	(0.4)	0.7	1.5	3.4	5.2		
Total Revenue	10.7	8.4	7.6	14.7	23.1	(3.7)	(0.5)	0.7	1.4	3.4	5.2		
Gross Profit	9.3	6.4	5.7	12.7	21.2	(3.7)	(0.5)	0.7	1.4	2.4	3.6		
EBITDA Adjusted	(0.02)	(4.7)	(4.1)	2.2	8.7	-	-	-	-	-	-		
Depn	(0.1)	(0.2)	(0.1)	(0.0)	(0.0)	(4.5)	(0.7)	0.7	1.4	2.4	3.6		
Amort	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.53)	(0.05)	0.09	0.18	0.29	0.45		
EBIT Adjusted	(0.3)	(4.9)	(4.2)	2.2	8.6	(0.63)	(0.10)	0.09	0.18	0.29	0.45		
Interest	0.00	0.0	0.0	(0.0)	(0.0)	-	-	-	-	-	-		
Tax	0.29	0.0	0.0	0.0	(2.6)	-	-	-	-	-	-		
Minorities	0.00	0.0	0.0	0.0	0.0	(1.9)	(1.8)	0.4	1.1	2.0	2.9		
Equity accounted assoc	0.00	0.0	0.0	0.0	0.0	(1.9)	(1.8)	0.5	1.2	2.0	2.9		
NPAT pre significant items	0.01	(4.9)	(4.2)	2.1	6.0	Divisions							
Significant items	(2.7)	0.4	(1.0)	0.0	0.0								
NPAT (reported)	(2.7)	(4.5)	(5.2)	2.1	6.0								
Cash flow (A\$m)						Total Revenue							
Y/E 30 June	FY22A	FY23A	FY24A	FY25F	FY26F	COGS							
EBITDA	(0.0)	(4.7)	(4.1)	2.2	8.7	Gross Profit							
Interest	(0.0)	(0.0)	0.0	(0.0)	(0.0)	R&D costs							
Tax	0.0	0.0	0.0	0.0	(2.6)	Employment							
Working capital changes	(1.3)	2.7	0.3	(0.6)	(1.2)	General & Admin costs							
Operating cash flow	(1.4)	(2.0)	(3.7)	1.5	4.9	Other costs							
Mtce capex	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA							
Free cash flow	(1.6)	(2.0)	(3.7)	1.5	4.8								
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)								
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	Margins, Leverage, Returns							
Other	0.0	0.0	0.0	0.0	0.0	FY22A							
Cash flow pre financing	(1.6)	(2.0)	(3.8)	1.5	4.8	FY23A							
Equity	0.0	0.0	5.0	0.0	0.0	FY24A							
Debt	0.0	0.0	0.0	0.0	0.0	FY25F							
Dividends paid	0.0	0.0	0.0	0.0	0.0	FY26F							
Net cash flow for year	(1.6)	(2.0)	1.3	1.5	4.8								
Balance sheet (A\$m)													
Y/E 30 June	FY22A	FY23A	FY24A	FY25F	FY26F								
Cash	3.6	1.5	2.7	4.2	9.0								
Accounts receivable	3.5	2.7	1.8	2.4	4.1								
Inventory	0.0	0.0	0.0	0.0	0.0								
Other current assets	0.0	0.1	0.1	0.1	0.1								
Total current assets	7.1	4.3	4.7	6.7	13.2								
PPE	0.2	0.1	0.0	0.0	0.0								
Intangibles and Goodwill	0.1	0.1	0.1	0.1	0.1								
Investments	0.0	0.0	0.0	0.0	0.0								
Deferred tax asset	0.0	0.0	0.0	0.0	0.0								
Other non current assets	0.3	0.2	0.3	0.3	0.3								
Total non current assets	0.5	0.4	0.4	0.5	0.5								
Total Assets	7.7	4.7	5.1	7.2	13.7								
Accounts payable	2.2	2.6	2.9	2.8	3.3								
Short term debt	0.1	0.1	0.0	0.0	0.0								
Tax payable	0.0	0.0	0.0	0.0	0.0								
Deferred revenue	1.7	3.4	2.5	2.5	2.5								
Total current liabilities	4.0	6.0	5.4	5.4	5.8								
Long term debt	0.3	0.2	0.4	0.4	0.4								
Other non current liabs	0.1	0.0	0.0	0.0	0.0								
Total long term liabilities	0.4	0.2	0.4	0.4	0.4								
Total Liabilities	4.4	6.3	5.8	5.7	6.2								
Net Assets	3.3	(1.6)	(0.7)	1.5	7.5								
Share capital	13.8	13.9	19.1	19.1	19.1								
Accumulated profits/losses	(14.4)	(18.8)	(24.1)	(21.9)	(15.9)								
Reserves	3.8	3.4	4.3	4.3	4.3								
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder funds	3.3	(1.6)	(0.7)	1.5	7.5								

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

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Effective Date: 26th March 2024

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