

Pointerra Ltd

Quarterly Result

US energy utilities drive ACV growth in Q4

Pointerra Ltd (ASX:3DP) provides a powerful cloud-based solution (Pointerra3D) for managing, visualising, analysing, using and sharing massive 3D point clouds and datasets. The company has taken 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. 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 Annual Contract Value (ACV) totalled US\$18.2m on July 29, up US\$1.94m from 29 April and 86% ahead of ACV reported a year ago. Growth in the quarter was driven by two new contracts from existing clients in the US Energy Utilities sector: a minimum US\$250,000 a year contract with Florida Power and Light for the deployment and ongoing development of the Pointerra3D Answers storm response solution; and an enterprise subscription agreement for a minimum US\$250,000 a year to use Pointerra3D Analytics to support NextEra Energy's multi-billion-dollar greenfield solar energy project sites across the US. Pointerra also reported Q4 FY22 cash receipts of \$1.66m which brought full year cash receipts to \$7.9m, an increase of 93% over FY21. We have tempered our FY22 and FY23 forecasts to reflect the company's Q4 results. Our modelling still has Pointerra surpassing US\$50m ACV by the end of CY2024 but we have adjusted this near-term. Our base case valuation is now \$0.72/share (previously \$0.82/share) and this incorporates a higher risk-free rate to reflect recent moves in the 10-year Treasury rate.

Business model

Pointerra's patented, cloud-deployed technology and AI-driven algorithms solve a long-standing problem of efficiently, effectively and rapidly converting massive 3D datasets into analytics and insights to provide definitive answers. Its technology essentially creates a digital twin to manage the physical world. 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 while Analytics creates the digital twin for the physical world, analysis and classifies the data while Answers creates predictive insights and delivers business intelligence, risk mitigation and ESG improvement suggestions to users. Pointerra charges its clients on the amount of data (in terabytes), the number of users and the analytic tools that clients use.

Record Q4 invoicing, Pointerra is now self-funding

Pointerra delivered a 93% in cash receipts in FY22 to \$7.9m and ended the year with another \$2.54m invoiced but not paid. Q4 cash receipts increased 14.3% year on year to \$1.66m and the company invoiced a record \$4.2m in the quarter. Importantly, including these unpaid invoices, Pointerra's operations are now self-funding from the cash being generated. The company ended the year with \$3.6m in cash and highlighted that it anticipated any M&A activity would largely scrip-funded to ensure alignment of interest for incoming teams.

Base-case DCF valuation is \$0.72/share

We use the discounted cashflow methodology to value Pointerra, using a WACC of 14.7% (previously 14.0%) after incorporating a higher risk-free rate of 3.5% (previously 2.0%). This derives a base-case valuation of 0.72/share (previously \$0.82/share). Our valuation is predicated on ACV surpassing US\$50m by H1 FY25.

Historical earnings and RaaS forecasts (In \$A unless otherwise stated)

Year end	ACV ^a (US\$m)	Sales Revenue	Gross Profit	EBITDA Adj.	NPAT Adj.	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)	38.8	nm
06/22f	18.2	7.3	6.5	(3.0)	(2.7)	(0.4)	21.4	nm
06/23f	27.8	24.5	22.3	7.8	5.3	0.8	5.7	20.3

Source: Company data for historical earnings; RaaS estimates for FY22f and FY23f; ^aAnnual Contract Value

Software & Services

1st August 2022

Share Details

ASX code	3DP
Share price (29-July)	\$0.24
Market capitalisation	\$162.7M
Shares on issue	677.8M
Net cash 30-Jun-2022	\$3.6M

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

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RaaS Contacts

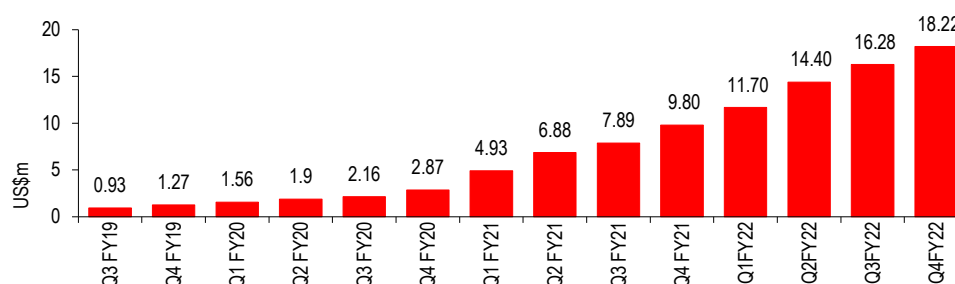
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Continued Trend Growth In ACV

Pointerra announced ACV of US\$18.22m at July 29, up from US\$16.28m at April 29, spurred in particular by the takeup of Pointerra3D's Analytics and Answers features by US utility customers. This equated to a US\$3.82m increase in ACV since 31 January and US\$8.42m jump since Q4 FY21. Notably during the quarter, Pointerra progressed its position across its target sectors, in particular the US energy sector where existing customers expanded their usage of the Pointerra product suite.

Exhibit 1: Annual Contract Value reported on a quarterly basis



Source: Company reports

US energy utility sector driving ACV

The company noted the utility sector remained Pointerra's largest single contributor to ACV with the US utility sector still the dominant source. Pointerra3D continues to be the "must-have" platform for this sector.

Pointerra recently announced it had secured two new contracts each worth a minimum US\$250,000 a year with two existing clients, Florida Power and Light and NextEra Energy. These contracts follow successful paid proof of concept projects for both clients. In FPL's case, Pointerra has been engaged for the deployment and ongoing development of its Pointerra3D Answers storm response solution which will be a key element supporting FPL's storm response programme, commencing with the 2022 storm season. Revenue for Pointerra and the resultant impact on ACV will be determined by the number, frequency and severity of storm responses during each season and has the potential to be greater than the US\$250,000 per annum minimum agreed by the parties.

Similarly, the minimum US\$250,000 a year enterprise subscription agreement with NextEra Energy comes after a paid POC project and will provide NextEra Energy a centralised design/construct/operate digital twin environment for NextEra to scale its investment in renewable energy. The agreement is for NextEra's greenfield solar energy projects across the US. Additional paid POC's are underway to provide a similar solution to improve operational performance at NextEra's existing (brownfield) solar sites across the US with Pointerra expecting that this will lead to material growth in NextEra's spend into FY23.

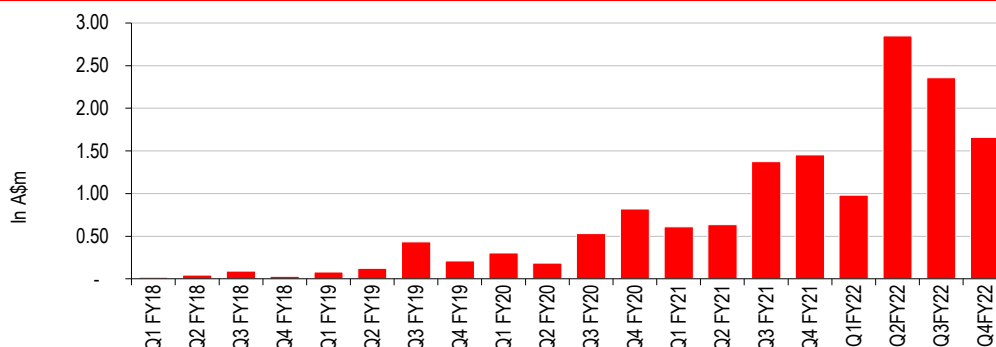
The company is now also actively engaged with two major utilities seeking requests for proposals for the delivery of holistic SaaS platforms for the management, analysis and delivery of geospatial data to solve a range of business problems. Pointerra has been engaged with these utilities ahead of the RFPs and, if successful, these could lead to multi-year, high-value contracts.

The company is also seeking to replicate the success it has experienced in the US energy utility sector in the Architecture Engineering and Construction sector where it is developing an enhanced Pointerra3D AEC solution scheduled for release in this half year.

Q4 FY22 Results Analysis

Pointerra has reported a 14.3% year-on-year increase in quarterly cash receipts of \$1.66m in the June quarter, having invoiced a record \$4.2m in the same period. The result delivered full year cash receipts of \$7.9m, up 93% on FY21, and underscores the improving operational outlook for the company.

Exhibit 2: Quarterly cash receipts Q1 FY18-Q4 FY22



Source: Company reports

A key feature of the result, and one that Pointerra has consistently demonstrated through its quarterly results over the past two years, was cost containment, despite ongoing investment in employees, new product features and the development of new initiatives, including 3Dinsight.ai. Cash costs for the quarter were \$2.93m, up from \$2.29m in Q3 FY22 and from the \$1.36m in cash costs in Q4 FY21 with the bulk of the additional expenditure invested in R&D (\$0.40m in Q4 FY22 versus \$0.27m in Q4 FY21) and human capital (\$1.232m in employee costs in Q4 FY22 versus \$0.716m in Q4 FY21). The company ended the quarter with \$3.596m in net cash, down from \$4.865m in Q3 FY22, but noted that it was also sitting on \$2.54m in receivables from invoices issued but not paid in Q4. Pointerra is now fully self-funding through its own business cash generation, a position from which it should benefit in the current capital markets.

Exhibit 3: Q4 FY22 versus Q4 FY21 and FY22 versus FY21

Quarter ending Mar-31	Q4 FY21	Q4 FY22	FY21	FY22
Cash receipts	1.45	1.66	4.07	7.85
Payments to suppliers and employees	(1.36)	(2.93)	(4.89)	(9.16)
Net interest	(0.01)	(0.01)	(0.03)	(0.03)
Government grants/Other	0.01	(0.12)	0.59	(0.12)
Operating cashflow	0.10	(1.39)	(0.25)	(1.45)
Maintenance capex	(0.02)	(0.02)	(0.11)	(0.19)
Free cashflow	0.08	(1.41)	(0.36)	(1.62)
Free cashflow excluding government grants	0.07	(1.41)	(0.95)	(1.62)

Source: Company data, RaaS estimates

Earnings Revision

We have taken into account the Q4 FY22 result in the context of our H2 FY22 forecasts and the ACV reported for July 29 which was below our forecast for US\$21m (last reviewed in December 2021). We have also factored in higher investment in R&D and employees, noting that the search for human talent in the tech sector is one of the key challenges being faced by companies on a global scale. This is for conservatism and not due to any commentary from the company. Longer-term, our forecast for ACV of more than US\$50m remains on track for H1 FY25 with an expectation that Pointerra will surpass US\$100m in ACV by 30 June 2027.

Exhibit 4: Earnings adjustment (in A\$m unless otherwise stated)

	FY22 old	FY22 new	FY23 old	FY23 new
ACV US\$m	21.0	18.2	33.5	27.8
Total Revenue	14.5	7.3	39.3	24.5
Gross Profit	13.4	6.5	35.8	22.3
EBITDA	5.6	(3.0)	25.6	7.8
NPAT	3.8	(2.7)	17.7	5.3
EPS (cents/share)	0.6	(0.4)	2.6	0.8
Source: RaaS estimates				

DCF Valuation Incorporating A Higher Risk Free Rate

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 14.7% which includes a risk-free rate of 3.5% (previously 2.0%) and this gives us a base-case valuation of \$520.3m or \$0.72/share, fully diluted and including our estimate for an additional 5% in employee shares. Our valuation is predicated on Pointerra surpassing an ACV of US\$50m by H1 FY25.

Exhibit 5: DCF valuation

DCF valuation	Parameters
Discount rate / WACC	14.7%
Beta	1.8
Terminal growth rate	2.2%
Sum of PV (A\$m)	247.5
PV of terminal value (A\$m)	269.2
PV of enterprise	516.7
Net cash at 31-Mar-2022 (A\$m)	(3.6)
Net value - shareholder	520.3
No. of shares on issue (fully diluted)	719.8
NPV in A\$	\$0.72
Source: RaaS analysis	

Exhibit 6: Financial Summary

Pointerra Ltd						Share price (29 July 2022)		A\$						0.24			
Profit and Loss (A\$m)						Interim (A\$m)		H121A	H221A	H122F	H222F	H123F	H223F				
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Annual contract revenue (US\$m)		6.9	9.8	14.4	18.2	22.6	27.8				
Annual contract value (US\$m)	1.3	2.9	9.8	18.2	27.8	Revenue		1.6	3.0	3.2	4.4	9.2	15.3				
Sales Revenue	0.4	1.2	4.0	7.3	24.5	EBITDA		(1.0)	(0.2)	(1.2)	(1.8)	1.6	6.2				
Total Revenue	0.9	1.9	4.6	7.6	24.5	EBIT		(1.0)	(0.3)	(1.3)	(1.9)	1.5	6.1				
Gross Profit	0.9	1.8	3.7	6.5	22.3	NPAT (normalised)		(0.9)	(0.3)	(1.3)	(1.3)	1.0	4.2				
EBITDA	(1.9)	(1.7)	(1.1)	(3.0)	7.8	Minorities		-	-	-	-	-	-				
Depn	(0.0)	(0.0)	(0.1)	(0.0)	(0.1)	NPAT (reported)		(1.0)	(0.5)	(2.3)	(1.3)	1.0	4.2				
Amort	(0.0)	(0.1)	(0.0)	(0.2)	(0.1)	EPS (normalised)		(0.15)	(0.04)	(0.20)	(0.20)	0.15	0.62				
EBIT	(1.9)	(1.8)	(1.3)	(3.2)	7.5	EPS (reported)		(0.15)	(0.08)	(0.35)	(0.20)	0.15	0.62				
Interest	0.0	(0.0)	0.0	(0.0)	(0.0)	Dividend (cps)		-	-	-	-	-	-				
Tax	0.0	0.0	0.0	0.6	(2.3)	Imputation		-	-	-	-	-	-				
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow		(0.7)	0.5	(0.1)	(1.3)	(0.4)	1.2				
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow		(0.7)	0.6	0.0	(1.2)	(0.3)	1.3				
NPAT pre significant items	(1.9)	(1.8)	(1.2)	(2.7)	5.3	Divisions		H121A	H221A	H122F	H222F	H123F	H223F				
Significant items	(0.0)	(0.7)	(0.2)	0.0	0.0	Contract revenue		1.6	2.4	3.2	4.1	9.2	15.3				
NPAT (reported)	(1.9)	(2.5)	(1.5)	(2.7)	5.3	R&D grants		0.0	0.6	0.0	0.2	0.0	0.0				
Cash flow (A\$m)						Total Revenue		1.6	3.0	3.2	4.4	9.2	15.3				
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	COGS		0.1	0.2	0.5	0.4	0.8	1.4				
EBITDA	(1.9)	(1.7)	(1.1)	(3.0)	7.8	Gross Profit		1.5	2.8	2.7	4.0	8.4	13.9				
Interest	0.0	(0.0)	(0.0)	(0.0)	(0.0)	R&D costs		(0.2)	(0.2)	(0.3)	(0.2)	(0.3)	(0.2)				
Tax	0.0	0.0	0.0	0.0	(2.3)	Employment		(1.7)	(2.2)	(2.6)	(4.5)	(5.4)	(6.3)				
Working capital changes	0.4	0.9	0.9	1.6	(4.6)	General & Admin costs		(0.3)	(0.4)	(0.7)	(0.8)	(0.8)	(0.8)				
Operating cash flow	(1.4)	(0.8)	(0.3)	(1.4)	0.8	Other costs		(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)				
Mtce capex	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	EBITDA		(1.0)	(0.2)	(1.2)	(1.8)	1.6	6.2				
Free cash flow	(1.5)	(0.9)	(0.4)	(1.6)	0.7	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%)	(40.5%)	31.7%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(430.6%)	(147.1%)	(32.0%)	(44.2%)	30.8%					
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(429.0%)	(149.4%)	(31.0%)	(36.4%)	21.5%					
Cash flow pre financing	(1.5)	(0.9)	(0.4)	(1.6)	0.7	Net Debt (Cash)		0.9	2.3	4.8	3.2	3.9					
Equity	1.2	2.5	3.3	0.0	0.0	Net debt/EBITDA (x)		(x)	n/a	n/a	n/a	n/a	0.5				
Debt	0.0	0.0	0.0	(0.0)	0.0	ND/ND+Equity (%)		(%)	448.2%	209.0%	2389.2%	(348.0%)	(69.8%)				
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	(0.4)	1.6	2.9	(1.6)	0.7	ROA		(100.0%)	(69.5%)	(21.4%)	(34.7%)	52.7%					
Balance sheet (A\$m)						ROE		(168.0%)	(258.4%)	(50.7%)	(61.2%)	77.9%					
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROIC		(140.4%)	149.1%	272.0%	675.9%	2128.7%					
Cash	0.9	2.3	5.2	3.6	4.3	NTA (per share)		0.00	0.00	0.00	0.00	0.01					
Accounts receivable	0.5	0.6	1.1	1.5	3.9	Working capital		0.0	(0.2)	(0.7)	(1.7)	(1.1)					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		8.0%	(15.5%)	(16.5%)	(23.2%)	(4.6%)					
Other current assets	0.1	0.0	0.0	0.0	0.0	Revenue growth		42.1%	176.9%	224.4%	83.9%	234.3%					
Total current assets	1.6	3.0	6.2	5.1	8.1	EBIT growth pa		n/a	n/a	n/a	n/a	(332.9%)					
PPE	0.1	0.1	0.2	0.3	0.3	Pricing		FY19A	FY20A	FY21A	FY22F	FY23F					
Intangibles and Goodwill	0.1	0.1	1.6	1.4	1.3	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	0.6	0.6	EPS Reported		cps	(0.4)	(0.5)	(0.2)	(0.5)	0.8				
Other non current assets	0.0	0.4	0.3	3.0	8.0	EPS Normalised/Diluted		cps	(0.4)	(0.3)	(0.2)	(0.4)	0.8				
Total non current assets	0.1	0.5	2.1	5.2	10.2	EPS growth (norm/dil)			n/a	n/a	n/a	n/a	(296.7%)				
Total Assets	1.7	3.5	8.4	10.3	18.4	DPS		cps	-	-	-	-	-				
Accounts payable	0.5	0.8	1.7	3.2	5.0	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	2.3	3.3	PE (x)			-	-	-	-	30.4				
Total current liabilities	0.9	2.0	3.2	5.6	8.4	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%)	(100.0%)	69.0%				
Other non current liab	0.0	0.3	0.3	0.3	0.3	EV/EBITDA			nm	nm	nm	-	52.8				
Total long term liabilities	0.0	0.3	0.6	0.6	0.6	FCF/Share		cps	(0.3)	(0.1)	(0.0)	-0.2	0.1				
Total Liabilities	0.9	2.3	3.8	6.2	9.0	Price/FCF share			(86.3)	(194.2)	(1,092.1)	-	125.0				
Net Assets	0.7	1.2	4.6	4.1	9.4	Free Cash flow Yield			(1.2%)	(0.5%)	(0.1%)	(0.8%)	0.6%				
Share capital	6.8	9.2	13.8	13.8	13.8												
Accumulated profits/losses	(7.6)	(10.2)	(11.7)	(13.2)	(7.9)												
Reserves	1.6	2.2	2.5	3.6	3.6												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	0.7	1.2	4.6	4.1	9.4												

Source: RaaS estimates, Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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Effective Date: 6th May 2021

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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