

Pointerra Ltd

Earnings upgrade

Upgrading for Airovant acquisition, valuation is \$0.94/share

Pointerra Ltd (ASX:3DP) provides an end to end, cloud-based data as a service solution for capturing, storing, manipulating and analysing massive 3D datasets in the geospatial sector. 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. Its customer base spans pole and power companies, resources companies, construction companies, government agencies, data capture companies and surveyor and mapping companies. We have incorporated into our forecasts the estimated Annual Contract Value and costs that will be delivered with the Airovant acquisition, announced last Friday. To recap, Pointerra will acquire the business assets and undertakings of US digital asset management business Airovant for US\$1m in 3DP shares while the four founders of the business will be engaged by Pointerra on an ongoing basis, each receiving 2m ordinary shares to vest in three equal tranches over three years of continuous employment. We see the earnings impact coming through in FY22 and have accordingly upgraded our FY22 ACV forecast by 10.5%, revenue by 5.3% and EBITDA by 12.6%. We now expect Pointerra to get to US\$50m ACV by December 2024 (previously June 2025) and as a consequence our base case DCF valuation has increased to \$0.94/share (previously \$0.75/share).

Business model

Pointerra offers a suite of Software as a Service (SaaS) products to its clients: Data as a Service (DaaS), Analytics as a Service (AaaS), and Data Processing as a Service (DPaaS). Pointerra's DaaS offering 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 (DPaaS) and building and/or deploying analytics tools (AaaS) 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 subscription- and event-based models.

Airovant acquisition is EPS positive in FY22

We have incorporated the Airovant acquisition into our forecasts, estimating that the business will deliver an additional US\$2m in annual contract value in FY22. After including employment and operating costs, we estimate that Airovant will contribute \$0.75m in EBITDA in FY22. The number of shares issued for the Airovant assets will be calculated based on the closing price of Pointerra's shares at the date the Business Purchase Agreement is executed, which is expected to be in June. However, using the closing price of 3DP's shares yesterday (\$0.59), we estimate that an additional 2m shares will be issued for the acquisition, with another 2.67m vesting on the 1st, 2nd and 3rd anniversary of the transaction providing the founders remain with the company. On our estimates the acquisition is 12.4% EPS positive to our forecasts.

Base case DCF valuation is \$0.94/share (previously \$0.75)

We use the discounted cashflow methodology to value Pointerra using a WACC of 14.0% (beta 1.8, terminal growth rate of 2.2%). The upgrade to our forecasts has resulted in our base case valuation increasing to \$0.94/share from \$0.75/share previously. We now anticipate that with the Airovant business on board, and the team's ability to shorten the sales cycle, that ACV will reach US\$50m by H1FY25. We have dimensioned an upside case whereby ACV hits US\$50m by H1FY23 and this delivers a valuation of \$1.81/share. Further earnings upside can be derived from 3DP's 3D Insights data marketplace.

Historical earnings and RaaS forecasts

Year end	ACV ^a (US\$m)	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/19a	1.3	0.4	0.9	(1.9)	(1.9)	(0.4)	714.76	nm
06/20a	2.9	1.2	1.8	(1.7)	(1.8)	(0.3)	302.67	nm
06/21e	10.2	5.0	4.5	(0.6)	(0.8)	(0.1)	81.68	nm
06/22e	21.0	15.6	14.2	6.4	4.5	0.7	25.5	62.6

Source: Company data for historical earnings, RaaS estimates for FY21e and FY22e ^aAnnual Contract Value

Software & services

4th May 2021

Share details

ASX Code	3DP
Share price (3 May)	\$0.58
Market Capitalisation	\$393M
Shares on issue (post transaction)	676.8M
Net cash 31 March 2021	\$5.1M

Share performance (12 months)



Upside Case

- Highly scalable business model
- Endorsed by tech veteran's recent 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 utilities
- Development of data marketplace

Board of Directors

Neville Bassett	Non-Executive Chairman
Paul Farrell	Non-Executive Director
Ian Olson	Managing Director/CEO

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Acquiring a likeminded team

Pointerra has announced it intends to acquire the business assets and undertakings of US drone-based digital asset management business Airovant for US\$1m in shares, subject to completion of due diligence and the signing of a business purchase agreement. The company is anticipating that the transaction will complete in June 2021. The number of shares to be issued will be calculated on the closing price of Pointerra's shares at the date the agreement is executed. Based on yesterday's close of \$0.58/share and the current US/AUD exchange rate of \$0.78, we estimate just over 2.1m shares will be issued.

Airovant's four founders, Jonathan Montague, Matthew Boyd, Logan McConnell and Ori Paamoni, will be employed by Pointerra and receive up to 2m shares each with the shares vesting in three equal tranches over three years on each anniversary of continuous employment with Pointerra. The transaction delivers a business which is focused on the architecture, engineering and construction (AEC) sector, and energy utilities, delivering digital asset management solutions based on 2D data. Pointerra expects the addition of the Airovant team and its existing client base will help shorten the sales cycle in the AEC and utilities markets and as a consequence, drive growth in Annual Contract Values. Pointerra expects that the acquisition will be both cashflow and earnings accretive in FY22.

Earnings adjustment

We estimate that the Airovant business will add US\$2m to FY22 ACV and around \$0.75m in EBITDA to FY22 earnings and have included these in our forecasts for FY22 and this has flowed through to later years. The only change to our FY21 forecasts is to the issue of shares for the transaction, before the end of June, which we anticipate will be slightly negative to our previous EPS forecasts. In FY22, however, we see the acquisition delivering a positive effect to ACV, revenues, EBITDA and EPS as set out in the following exhibit.

Exhibit 1: Earnings adjustments						
Year ending June 30	FY21 old	FY21 new	% chg	FY22 old	FY22 new	% chg
ACV US\$m	10.2	10.2	0.0%	19.0	21.0	10.5%
Sales Revenue	5.0	5.0	0.0%	14.9	15.6	5.3%
Total Revenue	5.6	5.6	0.0%	15.2	16.0	5.2%
Gross Profit	4.5	4.5	0.0%	13.4	14.2	5.3%
EBITDA	(0.6)	(0.6)	0.0%	5.7	6.4	12.6%
NPAT	(0.8)	(0.8)	0.0%	4.0	4.5	12.4%
EPS	(0.1)	(0.1)	(3.2%)	0.6	0.7	12.2%
Source: RaaS estimates						

DCF valuation

In our view, given the early stage nature of Pointerra's business, the discounted cashflow methodology to be 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 \$646m or \$0.94/share (previously \$0.75/share). We include the 8m additional shares being issued to Airovant's founders in our valuation. Our valuation is predicated on Pointerra reaching an ACV of US\$50m by H1 FY25, with the Airovant acquisition accelerating this expectation by six months.

Exhibit 2: DCF valuation	
DCF valuation	Parameters
Discount Rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
CAGR in FCF FY22-30	61.4%
Sum of PV (A\$m)	240.7
PV of terminal Value (A\$m)	400.3
PV of Enterprise	641.0
Net Cash at 31 March 2021	(5.1)
Net Value - Shareholder	646.1
No of shares on issue (fully diluted)	685.3
NPV in A\$	\$0.94
Source: RaaS Analysis	

Exhibit 3: Financial Summary

Pointerra Ltd						Share price (3 May 2021)						AS		0.58
Profit and Loss (A\$m)						Interim (A\$m)		H119F	H219F	H120A	H220A	H121F	H221F	
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Annual contract revenue (US\$)		0.68	1.27	1.90	2.87	6.88	10.17	
Annual contract value (US\$m)	n.a	1.3	2.9	10.2	21.0	Revenue		0.1	0.3	0.5	0.7	1.6	4.0	
Sales Revenue	0.3	0.4	1.2	5.0	15.6	EBITDA		(1.3)	(0.5)	(1.3)	(0.4)	(1.0)	0.4	
Total Revenue	0.8	0.9	1.9	5.6	16.0	EBIT		(1.3)	(0.6)	(1.3)	(0.5)	(1.0)	0.2	
Gross Profit	0.8	0.9	1.8	4.5	14.2	NPAT (normalised)		(1.3)	(0.6)	(1.3)	(0.5)	(0.9)	0.2	
EBITDA	(1.5)	(1.9)	(1.7)	(0.6)	6.4	Minorities		-	-	-	-	-	-	
Depn	(0.0)	(0.0)	(0.0)	(0.1)	0.0	NPAT (reported)		(1.3)	(0.7)	(1.3)	(1.2)	(0.9)	0.2	
Amort	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	EPS (normalised)		(0.27)	(0.12)	(0.24)	(0.10)	(0.15)	0.02	
EBIT	(1.5)	(1.9)	(1.8)	(0.7)	6.4	EPS (reported)		(0.26)	(0.13)	(0.25)	(0.20)	(0.15)	0.02	
Interest	0.0	0.0	(0.0)	0.0	0.0	Dividend (cps)		-	-	-	-	-	-	
Tax	0.0	0.0	0.0	(0.1)	(1.9)	Imputation		-	-	-	-	-	-	
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow		(0.6)	(0.8)	(0.7)	(0.1)	(0.7)	1.5	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow		(0.6)	(0.8)	(0.7)	(0.0)	(0.7)	1.5	
NPAT pre significant items	(1.5)	(1.9)	(1.8)	(0.8)	4.5	Divisions		H119F	H219F	H120A	H220A	H121F	H221F	
Significant items	0.0	(0.0)	(0.7)	0.0	0.0	Contract revenue		0.1	0.3	0.5	0.7	1.6	3.4	
NPAT (reported)	(1.7)	(1.9)	(2.5)	(0.8)	4.5	R&D grants		0.0	0.5	0.0	0.7	0.0	0.5	
Cash flow (A\$m)						Total Revenue		0.1	0.8	0.5	1.4	1.6	4.0	
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	COGS		0.0	0.0	0.0	0.1	0.1	0.3	
EBITDA	(1.5)	(1.9)	(1.7)	(0.6)	6.4	Gross Profit		0.1	0.8	0.5	1.3	1.4	3.6	
Interest	0.0	0.0	(0.0)	0.0	0.0	R&D costs		(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	
Tax	0.0	0.0	0.0	(0.1)	(1.9)	Employment		(0.9)	(0.8)	(1.1)	(1.2)	(1.7)	(2.5)	
Working capital changes	0.1	0.4	0.9	3.1	4.1	General & Admin costs		(0.3)	(0.3)	(0.4)	(0.3)	(0.3)	(0.4)	
Operating cash flow	(1.4)	(1.4)	(0.8)	2.4	8.6	Other costs		(0.1)	(0.0)	(0.1)	0.0	(0.2)	(0.2)	
Mtce capex	(0.0)	(0.0)	(0.1)	(0.0)	0.0	EBITDA		(1.3)	(0.5)	(1.3)	(0.4)	(1.0)	0.4	
Free cash flow	(1.4)	(1.5)	(0.9)	2.4	8.6									
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		FY18A	FY19A	FY20A	FY21F	FY22F		
Other	0.0	0.0	0.0	0.0	0.0	EBITDA		(481.3%)	(419.2%)	(138.7%)	(11.9%)	40.7%		
Cash flow pre financing	(1.4)	(1.5)	(0.9)	2.4	8.6	EBIT		(494.4%)	(430.6%)	(147.1%)	(15.0%)	40.8%		
Equity	0.0	1.2	2.5	3.3	0.0	NPAT pre significant items		(487.4%)	(429.0%)	(149.4%)	(15.3%)	28.7%		
Debt	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		1.4	0.9	2.3	6.0	14.6		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)		(x)	n/a	n/a	n/a	2.3		
Net cash flow for year	(1.4)	(0.4)	1.6	5.7	8.6	ND/ND+Equity (%)		(%)	(867.7%)	448.2%	209.0%	270.7%	230.2%	
Balance sheet (A\$m)						EBIT interest cover (x) <td>(x)</td> <td>n/a</td> <td>n/a</td> <td>n/a</td> <td>-</td> <td>0.0</td>		(x)	n/a	n/a	n/a	-	0.0	
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	ROA			(100.0%)	(69.5%)	(12.9%)	46.0%		
Cash	1.4	0.9	2.3	6.4	15.0	ROE			(168.0%)	(258.4%)	(30.6%)	74.8%		
Accounts receivable	0.6	0.5	0.6	1.3	4.2	ROIC			126.1%	149.1%	50.9%	(192.2%)		
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)		0.00	0.00	0.00	0.01	0.01		
Other current assets	0.0	0.1	0.0	0.0	0.0	Working capital		0.1	0.0	(0.2)	1.1	3.6		
Total current assets	2.0	1.6	3.0	7.7	19.2	WC/Sales (%)		43.6%	8.0%	(15.5%)	22.2%	23.0%		
PPE	0.1	0.1	0.1	(0.0)	(0.0)	Revenue growth			42.1%	176.9%	305.5%	214.0%		
Intangibles and Goodwill	0.1	0.1	0.1	0.1	0.0	EBIT growth pa		n/a	n/a	n/a	n/a	(952.3%)		
Investments	0.0	0.0	0.0	0.0	0.0	Pricing		FY18A	FY19A	FY20A	FY21F	FY22F		
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)		(m)	494	521	613	677	680	
Other non current assets	0.0	0.0	0.4	0.4	0.4	Weighted Av Dil Shares		(m)	407	509	559	673	680	
Total non current assets	0.1	0.1	0.5	0.4	0.4									
Total Assets	2.1	1.7	3.5	8.1	19.6	EPS Reported		cps	(0.4)	(0.4)	(0.5)	(0.1)	0.7	
Accounts payable	0.5	0.5	0.8	0.2	0.6	EPS Normalised/Diluted		cps	(0.4)	(0.4)	(0.3)	(0.1)	0.7	
Short term debt	0.0	0.0	0.0	0.1	0.1	EPS growth (norm/dil)			n/a	n/a	n/a	n/a	(625.8%)	
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS		cps	-	-	-	-	-	
Deferred revenue	0.1	0.4	1.2	3.7	10.3	DPS Growth			n/a	n/a	n/a	n/a	n/a	
Total current liabilities	0.6	0.9	2.0	4.0	11.1	Dividend yield			0.0%	0.0%	0.0%	0.0%	0.0%	
Long term debt	0.0	0.0	0.0	0.3	0.3	Dividend imputation			0	0	0	0	0	
Other non current liabs	0.0	0.0	0.3	0.0	0.0	PE (x)			-	-	-	-	87.9	
Total long term liabilities	0.0	0.0	0.3	0.3	0.3	PE market			18.0	18.0	18.0	18.0	18.0	
Total Liabilities	0.6	0.9	2.3	4.3	11.4	Premium/(discount)			(100.0%)	(100.0%)	(100.0%)	388.5%		
Net Assets	1.5	0.7	1.2	3.8	8.3	EV/EBITDA		nm	nm	nm	nm	59.7		
Share capital	5.7	6.8	9.2	12.5	12.5	FCF/Share		cps	(0.3)	(0.3)	(0.1)	0.4	1.3	
Accumulated profits/losses	(5.7)	(7.6)	(10.2)	(11.0)	(6.5)	Price/FCF share			(211.4)	(213.1)	(479.4)	158.7	45.7	
Reserves	1.5	1.6	2.2	2.3	2.3	Free Cash flow Yield			(0.5%)	(0.5%)	(0.2%)	0.6%	2.2%	
Minorities	0.0	0.0	0.0	0.0	0.0									
Total Shareholder funds	1.5	0.7	1.2	3.8	8.3									

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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- how we are paid, and
- complaint processes

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