

18 April 2023

Pointerra

Investment in human capital signals a step-change

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 provided a trading update on the March quarter noting that it had generated cash receipts of \$3.3m, compared with \$1.9m in Q2 FY23 and delivered a positive cash quarter. Q3 cash receipts were also up 30% on the previous corresponding period. This brings cash receipts, year to date, to \$8.67m, 40% ahead of the same period in FY22. Pointerra also announced that it had made three key appointments, with the hiring of Joe Gerczak who commenced as Chief Growth Officer (US operations) in early April, Anthony Roe, who joins as Chief Growth Officer (Australasia and EMEA) in July and Milan Bogunovic, the company's new CFO, commencing in May. We view the creation of these new roles and appointments as an important step-change for the business in its lifecycle.

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, 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.

Positive cashflow expected to continue in Q4

Pointerra has announced a rebound in cash receipts in Q3, having experienced a number of programme delays with key US customers in H1 FY23. At that time, the company noted that it expected to resolve these delays in Q3 and Q4 FY23. Q3 saw cash receipts of \$3.3m, compared with \$1.9m in Q2 FY23 and \$2.36m in Q3 FY22, and delivered a cashflow positive quarter, a trend which Pointerra expects to continue in Q4 FY23 and beyond. More detail on the quarter will be provided on April 28, along with an Annual Contract Value update, which, Pointerra reiterated, is not expected to be lower than the US\$20.1m reported on 1 November 2022. Pointerra has also announced the creation of three new executive roles and appointments, strengthening the revenue-generating business development teams in both the US and Australia and financial reporting and management at the company. Joe Gerczak, CGO (US operations), joins from Smartronix, a next-gen IT solutions company focused on US defence and commercial customers, which he helped build from start-up to US\$800m in annual revenue. Anthony Roe, CGO (Australasia and EMEA), brings several years' experience in senior leadership roles including at IBM Europe with a focus on Utilities, Nuclear and Transport Infrastructure. Milan Bogunovic, a chartered accountant, brings a strong audit background and will focus on the company's internal controls and reporting across international operations.

Base case valuation is \$0.40/share, fully diluted

We use the discounted cashflow methodology to value Pointerra, using a WACC of 16.0% and terminal growth rate of 2.2%, and this derives a base-case valuation of \$0.40/share, fully diluted for estimated employee share issues. Our valuation is predicated on ACV surpassing US\$50m by the end of FY26.

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

Year end	ACV ^A (US\$m)	Total Revenue	Gross Profit	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/22a	18.2	9.8	8.9	0.0	0.0	0.00	6.3	nm
06/23f	23.6	11.1	10.1	(3.7)	(3.8)	(0.56)	5.5	nm
06/24f	31.5	19.5	17.7	2.8	1.9	0.21	2.9	20.1
06/25f	41.0	29.2	26.6	6.5	4.5	0.66	1.9	8.4

Source: Company data, RaaS Advisory Estimates for FY21e, and FY22e ^AAnnual Contract Value

Share Details

ASX code	3DP
Share price (intraday)	\$0.125
Market capitalisation	\$84.8M
Shares on issue	678M
Net cash at 31-Dec-2022	\$2.7M
Free float	~68%

Share Price Performance (12-months)



Upside Case

- Highly scalable business model
- Proven track record with Florida Power & Light is opening up 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

- Demonstrated substantial growth in ACV

- Additional wins with US and Australian clients
- Development of data marketplace

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FINANCIAL SERVICES GUIDE

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of

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AFSL 456663

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

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