

On the right growth trajectory

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. Pointerra has reported Annual Contract Value of US\$9.8m at 29th July, up US\$1.91m, or 24.2% from the ACV reported at 29th April and includes both organic and acquired growth following the completion of the Airovant acquisition on June 7. Pointerra also reported better than expected Q4 operating cashflow of \$0.1m, its second consecutive quarter of positive operating cashflow. Cash receipts for Q4 were \$1.45m, up 77% on pcp and 6% on Q3. While cash receipts were lower than our \$2.5m forecast, cash expenditure was also substantially lower resulting in a better than forecasts net result. Expenditure included investment in new products including Utility Explorer, a business intelligence tool for power utilities. We will wait until the full year results to make any adjustments to forecasts but note that we are confident that Pointerra continues on the growth trajectory we have mapped our forecasts. Our base case DCF valuation of \$0.94/share (fully diluted for the Airovant earnout) 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: 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.

Positive momentum in cash receipts and ACV

The company noted that the growth in cash receipts came from both existing and new customers across the suite of services with several new customers from a range of industries – US & Australia aerial & mobile mapping, US power utilities, telcos in both the US & Australia, mining, oil & gas in both the US & Australia, and Architecture, Engineering & Construction across the UK, US & Australia. ACV growth was derived both organically and as a result of the Airovant acquisition. Pointerra also noted that during the quarter it had secured, from an existing customer, the first order of data and analytics insight from its data marketplace 3Dinsight.ai. While not financially material, the order is an important milestone in the launch of the initiative. We have no assumptions for 3Dinsight.ai in our forecasts.

Base case DCF valuation is \$0.94/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 0.94/share. Our valuation is predicated on ACV reaching 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 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 [^] (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)	nm	nm
06/20a	2.9	1.2	1.8	(1.7)	(1.8)	(0.3)	nm	nm
06/21e	9.8	5.0	4.5	(0.6)	(0.8)	(0.1)	63.7	nm
06/22e	21.0	15.6	14.2	6.4	4.5	0.7	19.8	48.6

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

Software & services

29th July 2021

Share details

ASX Code	3DP
Share price (intraday)	\$0.432
Market Capitalisation	\$293M
Shares on issue (post transaction)	677.8M
Net cash 30 June 2021	\$5.2M

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 utilities
- 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 Advisory contacts

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

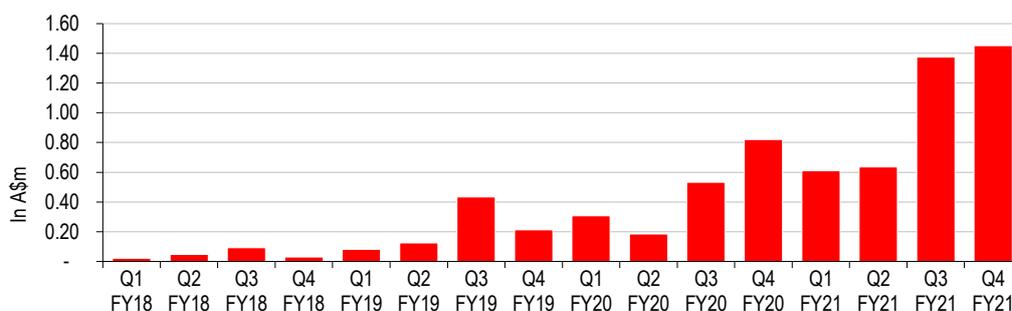
*Analyst holds shares

Q4 and ACV analysis

Pointerra reported Annual Contract Value (ACV) of US\$9.8m at 29 July, up 24.2% on the ACV reported on April 24. The ACV now includes Airovant, which Pointerra acquired on June 7. While Pointerra did not announce Airovant’s contribution, we estimate it was around US\$1m, which was the price Pointerra paid for the company’s business assets and undertakings. This suggests Pointerra’s underlying ACV was US\$8.8m at July 29, which points to solid underlying ACV growth of 12% for the quarter. While ACV was below the \$10m we were forecasting for the quarter, the growth is still on the right trajectory and we remain confident that the company will continue to build ACV to the profile we have mapped in our forecasts.

Cash receipts for Q4 were \$1.45m, up 6% on Q3 and 77% on Q4 FY20. Operating cashflow for the quarter was \$0.10m, the second consecutive positive operating cashflow quarter reported by the company. Excluding government grants, free cashflow for the quarter was \$0.07m, compared with \$0.06m the year before. A key feature of the result, and one that Pointerra has continually demonstrated throughout FY21, was cost containment, despite ongoing investment in new product features and the development of new initiatives, including 3Dinsight.ai. Pointerra ended the quarter with an improved \$5.2m cash position.

Exhibit 1: Quarterly cash receipts Q1 FY18-Q4 FY21



Source: Company reports

Exhibit 1: Quarter on Quarter comparison

IN A\$m unless otherwise stated	Q4 FY20	Q4 FY21
ACV (In US\$m)	2.87	9.80
Cash receipts	0.82	1.45
Payments to suppliers and employees	(0.71)	(1.36)
Net interest	(0.01)	(0.01)
Government grants	0.12	0.01
Operating cashflow	0.22	0.10
Free cashflow	0.18	0.08
Free cashflow excluding government grants	0.06	0.07

Source: Company reports

Customer growth

Pointerra noted in its release that it continued to grow spend from both existing and new customers across its DPaaS, DaaS and AaaS platform and particularly highlighted that platform rollout and enterprise deployment activities in the US with Pacific Gas & Electric and Eversource Energy were ongoing. Having delivered a Proof of Concept deployments to Eversource for the last 9 months, Pointerra is now working with Eversource on an enterprise-wide deployment to provide a full digital twin of Eversource’s power network. This is designed to help Eversource deliver higher levels of reliability to its 4m customers across Connecticut, Massachusetts and New Hampshire which will be achieved through fewer outages, shorter restoration times and effective response efforts and predictive analytics around vegetation and asset management.

Pointerra highlighted that the arrival of the Airovant team had expanded the scope and extent of Pointerra’s role in supporting Pacific Gas & Electric’s digital asset management and business risk insight solutions. The

company is now providing PG&E with enhanced asset intelligence and digital twin functionality through its Asset Explorer solution. Pointerra's Risk Explorer will deliver risk assessments derived from the digital twin which will enable PG&E to mitigate against potential problems in its asset network before they arise.

In addition to PG&E and Eversource, Pointerra expanded its customer footprint through additional spend from existing customers taking up new features and products, such as Utility Explorer and Risk Explorer, and from gaining new customers including in the AEC sector and mining & extractive industries.

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. 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 3: DCF valuation	
DCF valuation	Parameters
Discount Rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
CAGR in FCF FY22-30	62.25%
Sum of PV (A\$m)	237.0
PV of terminal Value (A\$m)	401.4
PV of Enterprise	638.5
Net Cash at 31 March 2021	(5.2)
Net Value - Shareholder	643.6
No of shares on issue (fully diluted)	685.8
NPV in A\$	\$0.94
Source: RaaS Analysis	

Exhibit 4: Financial Summary

Pointerra Ltd						Share price (28 July 2021)						A\$	0.48				
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	9.8	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)	(1.1)	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)	5.2	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)	(1.6)	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)	0.5					
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)	0.6					
NPAT pre significant items	(1.5)	(1.9)	(1.8)	(0.8)	3.7	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)	3.7	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	0.0	(1.7)	Employment	(0.9)	(0.8)	(1.1)	(1.2)	(1.7)	(2.5)					
Working capital changes	0.1	0.4	0.9	0.4	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)	(0.3)	8.9	Other costs	(0.1)	(0.0)	(0.1)	0.0	(0.2)	(0.2)					
Mtce capex	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	EBITDA	(1.3)	(0.5)	(1.3)	(0.4)	(1.0)	0.4					
Free cash flow	(1.4)	(1.5)	(0.9)	(0.4)	8.8	Margins, Leverage, Returns	FY18A	FY19A	FY20A	FY21F	FY22F						
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	0.0	EBITDA	(481.3%)	(419.2%)	(138.7%)	(11.9%)	40.7%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	(494.4%)	(430.6%)	(147.1%)	(15.0%)	33.3%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(487.4%)	(429.0%)	(149.4%)	(15.3%)	23.5%						
Cash flow pre financing	(1.4)	(1.5)	(0.9)	(0.4)	8.8	Net Debt (Cash)	1.4	0.9	2.3	4.8	13.5						
Equity	0.0	1.2	2.5	3.3	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	2.1						
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(867.7%)	448.2%	209.0%	470.9%	221.6%					
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					
Net cash flow for year	(1.4)	(0.4)	1.6	2.9	8.8	ROA		(100.0%)	(69.5%)	(12.9%)	38.8%						
Balance sheet (A\$m)							ROE		(168.0%)	(258.4%)	(30.6%)	65.7%					
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	ROIC		126.1%	149.1%	85.5%	(130.9%)						
Cash	1.4	0.9	2.3	5.2	13.9	NTA (per share)	0.00	0.00	0.00	0.01	0.01						
Accounts receivable	0.6	0.5	0.6	1.3	4.2	Working capital	0.1	0.0	(0.2)	1.1	3.6						
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)	43.6%	8.0%	(15.5%)	22.2%	23.0%						
Other current assets	0.0	0.1	0.0	0.0	0.0	Revenue growth	n/a	n/a	42.1%	176.9%	305.5%	214.0%					
Total current assets	2.0	1.6	3.0	6.5	18.2	EBIT growth pa	n/a	n/a	n/a	n/a	(797.2%)						
PPE	0.1	0.1	0.1	1.2	0.1	Pricing	FY18A	FY19A	FY20A	FY21F	FY22F						
Intangibles and Goodwill	0.1	0.1	0.1	0.1	0.0	No of shares (y/e)	(m)	494	521	613	678	680					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	407	509	559	673	680					
Deferred tax asset	0.0	0.0	0.0	0.0	0.1	EPS Reported	cps	(0.4)	(0.4)	(0.5)	(0.1)	0.5					
Other non current assets	0.0	0.0	0.4	0.4	0.4	EPS Normalised/Diluted	cps	(0.4)	(0.4)	(0.3)	(0.1)	0.5					
Total non current assets	0.1	0.1	0.5	1.6	0.6	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	(529.1%)						
Total Assets	2.1	1.7	3.5	8.1	18.8	DPS	cps	-	-	-	-	-					
Accounts payable	0.5	0.5	0.8	0.2	0.6	DPS Growth	n/a	n/a	n/a	n/a	n/a	n/a					
Short term debt	0.0	0.0	0.0	0.1	0.1	Dividend yield	0.0%	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	0					
Deferred revenue	0.1	0.4	1.2	3.7	10.3	PE (x)	-	-	-	-	-	87.9					
Total current liabilities	0.6	0.9	2.0	4.0	11.1	PE market	18.0	18.0	18.0	18.0	18.0	18.0					
Long term debt	0.0	0.0	0.0	0.3	0.3	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	388.5%					
Other non current liabs	0.0	0.0	0.3	0.0	0.0	EV/EBITDA	nm	nm	nm	nm	nm	48.6					
Total long term liabilities	0.0	0.0	0.3	0.3	0.3	FCF/Share	cps	(0.3)	(0.3)	(0.1)	(0.0)	1.3					
Total Liabilities	0.6	0.9	2.3	4.3	11.4	Price/FCF share		(173.2)	(174.5)	(392.6)	(2,190.2)	35.9					
Net Assets	1.5	0.7	1.2	3.8	7.4	Free Cash flow Yield		(0.6%)	(0.6%)	(0.3%)	(0.0%)	2.8%					
Share capital	5.7	6.8	9.2	12.5	12.5												
Accumulated profits/losses	(5.7)	(7.6)	(10.2)	(11.0)	(7.4)												
Reserves	1.5	1.6	2.2	2.3	2.3												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	1.5	0.7	1.2	3.8	7.4												

Source: RaaS Advisory



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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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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