

Maiden 2H normalised EBITDA, ahead of forecast

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 delivered its maiden half-year EBITDA profit, with H2 FY22 normalised EBITDA of \$0.78m, well ahead of our forecast for an operating loss of \$1.8m. Sales revenue for the half was up 167% to just under \$6.5m, again ahead of our forecast for \$4.2m, and well ahead of the \$3.2m in sales revenue delivered in H1 FY22. FY22 revenue increased 142% to \$9.66m on the previous corresponding period (pcp) and the underlying EBITDA loss narrowed to \$0.4m, from a \$1.27m EBITDA loss in FY21 and well below the \$2.97m loss we had forecast. The second half operating profit was delivered while absorbing additional costs in growing the business. The operating cost base in the half was \$5.7m, up from \$4.4m in H1 FY22 and \$2.7m in H2 FY21. It was, however, lower than we had factored in and we have adjusted our forward estimates accordingly. We have also rolled the financial model for the new year, resulting in our base case valuation increasing to \$0.91/share (previously \$0.72/share).

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.

Maiden normalised H2 NPAT and EBITDA, profitable outlook

Pointerra delivered normalised H2 EBITDA of \$0.78m and normalised NPAT of \$0.9m (including an income tax gain). As a consequence, losses for the full year narrowed significantly. FY22 normalised EBITDA was a loss of \$0.4m and normalised NPAT was \$0.44m. The reported loss for the year was \$3.1m and included \$1.3m in non-cash, share-based payments and a \$1.36m impairment expense on the US\$1m in shares outlaid to acquire US drone-based digital asset management business Airovant in FY21. We understand that for conservatism and costs associated with the annual impairment test, the company decided to write down the investment. Pointerra pointed to multiple pathways to profitability in FY23 including margin expansion from further R&D investment in AI approaches to Pointerra3D analytics and answers products, known opportunities and tenders lodged in the US utilities sector, and a return to in-person trade shows in Australia and the US.

Base-case DCF valuation is \$0.91/share (previously \$0.72)

We use the discounted cashflow methodology to value Pointerra, using a WACC of 14.7% and terminal growth rate of 2.2% and this derives a base-case valuation of \$0.91/share (previously \$0.72/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 [^] (US\$m)	Sales Revenue	Gross Profit	EBITDA Adj.	NPAT Adj.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/21a	9.8	4.0	3.7	(1.3)	(1.4)	(0.2)	34.5	nm
06/22a	18.2	9.7	8.7	(0.4)	(3.1)	(0.1)	14.5	nm
06/23f	27.8	24.5	22.3	9.7	6.7	1.0	4.9	14.0
06/24f	41.8	46.4	42.2	27.4	19.2	2.2	2.6	4.4

Source: Company data for historical earnings; RaaS estimates for FY23f and FY24f; [^]Annual Contract Value

Software & Services

8th September 2022

Share Details

ASX code	3DP
Share price (7-Sept)	\$0.21
Market capitalisation	\$142.3M
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

Ian Olson (MD/CEO) +61 417 998 328
ian.olson@pointerra.com

RaaS Contacts

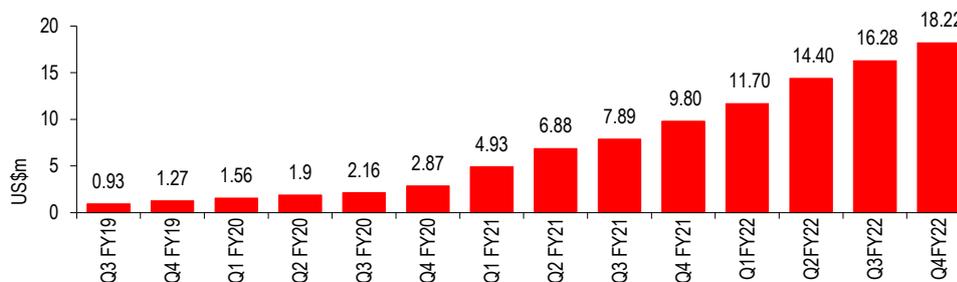
Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*Analyst holds shares

Step-Change In Performance Led By US Utilities

Pointerra grew ACV by 86% in FY22 to US\$18.22m at July 29, spurred by the takeup of Pointerra3D's Analytics and Answers features by US utility customers. This takeup also drove revenue growth at a faster than forecast rate of 142% to \$9.66m compared with our forecast for \$7.3m.

Exhibit 1: Annual Contract Value reported on a quarterly basis



Source: Company reports

Operating costs for the year also increased, reflecting the growth in revenues and the need to support additional contract wins. FY22 operating costs were just over \$10m, compared with \$5.26m in FY21, but a little below our forecast for \$10.3. H2 operating costs were \$5.7m, up from \$2.7m a year ago. The increase was predominantly fuelled by investment in people, new product features and the development of new initiatives, including 3Dinsight.ai. The company noted that it enters FY23 funded for continued organic growth in platform development and customer acquisition with new hires being sought across the operation in development, product and sales.

Pointerra reported an underlying EBITDA profit of \$0.78m, a \$1.09m turn around from a year ago and well ahead of our forecast for a \$1.8m operating loss for the half. This delivered a smaller underlying operating loss for the year of \$0.4m, compared with the \$1.27m EBITDA loss reported in FY21 and highlights the company's self-funding business model. As previously reported, Pointerra ended the year with net cash of \$3.6m.

Exhibit 2: H2 FY22 versus H2 FY21 and FY22 versus FY21 and RaaS forecasts

In A\$m unless otherwise stated	H2 FY21	H2 FY22	% chg	FY21	FY22	% chg	RaaS fct
ACV US\$m	9.80	18.22	85.9	9.80	18.2	85.9	18.22
Sales Revenue	2.43	6.48	167.1	3.98	9.66	142.4	7.32
Total Revenue	2.98	7.10	138.2	4.57	10.34	126.0	7.61
Gross Profit	2.80	6.64	137.3	3.67	8.75	138.2	6.50
EBITDA underlying	(0.31)	0.78	(350.4)	(1.27)	(0.40)	(69.0)	(2.97)
EBITDA reported	(0.52)	(0.87)	67.5	(1.51)	(3.06)	102.6	(3.99)
NPAT underlying	(0.44)	0.90	(301.7)	(1.36)	(0.44)	(68.0)	(2.67)
NPAT reported	(0.65)	(0.75)	14.9	(1.60)	(3.10)	94.1	(2.67)
EPS underlying (\$)	(0.05)	0.13	(378.5)	(0.20)	(0.06)	(67.0)	(0.39)
EPS reported (\$)	(0.08)	(0.11)	39.9	(0.23)	(0.46)	100.0	(0.54)

Source: Company data, RaaS estimates

Earnings Revision

We have taken into account the FY22 result in the context of our H2 FY22 forecasts and while we anticipate continued investment in human capital and research and development, we are of the view that Pointerra has demonstrated a measured approach to spending over the past two years and accordingly tempered our forecasts to reflect this. As a consequence, our forecasts for FY23 have been upgraded and we are now forecasting EBITDA of \$9.7m (previously \$7.8m) on sales revenue of \$24.5m (unchanged).

Exhibit 3: Earnings adjustment (in A\$m unless otherwise stated)

	FY23 old	FY23 new
ACV US\$m	27.8	27.8
Sales Revenue	24.5	24.5
Gross Profit	22.3	22.3
EBITDA underlying	7.8	9.7
NPAT underlying	5.3	6.7
EPS	0.8	1.0

Source: RaaS estimates

DCF Valuation

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% and this gives us a base-case valuation of \$0.91/share, fully diluted and including our estimate for an additional 5% in employee shares. Of this, \$0.46/share is embedded in our terminal value. Our valuation is predicated on Pointerra surpassing an ACV of US\$50m by H1 FY25.

Exhibit 3: DCF valuation

DCF valuation	Parameters
Discount rate / WACC	14.7%
Beta	1.8
Terminal growth rate	2.2%
Sum of PV (A\$m)	326.4
PV of terminal value (A\$m)	326.9
PV of enterprise (A\$m)	653.3
Net cash at 30-Jun-2022 (A\$m)	(3.6)
Net value – shareholder (A\$m)	656.9
No. of shares on issue (in Millions and fully diluted and incorporated RaaS estimate for 5% in employee shares)	719.8
NPV in A\$	\$0.91

Source: RaaS analysis

Exhibit 4: Financial Summary

Pointerra Ltd						Share price (7 September 2022)						A\$	0.21				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123F	H223F	H124F	H224F
YE 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Annual contract revenue (US\$m)	14.4	18.2	22.6	27.8	34.0	41.8					
Annual contract value (US\$m)	2.9	9.8	18.2	27.8	41.8	Revenue	3.2	7.1	9.2	15.3	21.8	24.6					
Sales Revenue	1.2	4.0	9.7	24.5	46.4	EBITDA	(1.2)	0.8	2.4	7.3	12.8	14.6					
Total Revenue	1.9	4.6	10.3	24.5	46.4	EBIT	(1.3)	0.6	2.3	7.3	12.8	14.6					
Gross Profit	1.8	3.7	8.7	22.3	42.2	NPAT (normalised)	(1.3)	0.9	1.6	5.1	9.0	10.2					
EBITDA	(1.7)	(1.3)	(0.4)	9.7	27.4	Minorities	-	-	-	-	-	-					
Depn	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	NPAT (reported)	(2.3)	(0.8)	1.6	5.1	9.0	10.2					
Amort	(0.1)	(0.0)	(0.2)	(0.0)	(0.0)	EPS (normalised)	(0.20)	0.13	0.24	0.75	1.31	1.49					
EBIT	(1.8)	(1.4)	(0.7)	9.6	27.4	EPS (reported)	(0.35)	(0.11)	0.24	0.75	1.31	1.49					
Interest	(0.0)	0.0	0.0	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-					
Tax	0.0	0.0	0.3	(2.9)	(8.2)	Imputation	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.1)	(1.3)	1.4	3.6	6.7	8.7					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	0.0	(1.2)	1.4	3.6	6.8	8.7					
NPAT pre significant items	(1.8)	(1.4)	(0.4)	6.7	19.2	Divisions						H122A	H222A	H123F	H223F	H124F	H224F
Significant items	(0.7)	(0.2)	(2.7)	0.0	0.0	Contract revenue	3.2	6.5	9.2	15.3	21.8	24.6					
NPAT (reported)	(2.5)	(1.6)	(3.1)	6.7	19.2	R&D grants	0.1	0.6	0.0	0.0	0.0	0.0					
Cash flow (A\$m)						Total Revenue						3.2	7.1	9.2	15.3	21.8	24.6
YE 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	COGS	0.5	0.5	0.8	1.4	2.0	2.2					
EBITDA	(1.7)	(1.3)	(0.4)	9.7	27.4	Gross Profit	2.8	6.6	8.4	13.9	19.8	22.4					
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	R&D costs	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.4)					
Tax	0.0	0.0	0.0	(2.9)	(8.2)	Employment	(2.6)	(3.4)	(3.5)	(3.9)	(4.3)	(5.0)					
Working capital changes	0.9	1.0	(1.0)	(1.8)	(3.8)	General & Admin costs	(0.7)	(0.8)	(0.8)	(0.8)	(0.9)	(0.9)					
Operating cash flow	(0.8)	(0.3)	(1.4)	5.0	15.4	Other costs	(0.3)	(1.4)	(1.4)	(1.5)	(1.5)	(1.6)					
Mtce capex	(0.1)	(0.1)	(0.2)	(0.0)	(0.0)	EBITDA	(1.2)	0.8	2.4	7.3	12.8	14.6					
Free cash flow	(0.9)	(0.4)	(1.6)	4.9	15.4	Margins, Leverage, Returns						FY20A	FY21A	FY22A	FY23F	FY24F	
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA	(138.7%)	(32.0%)	(4.1%)	39.6%	59.2%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	(147.1%)	(35.1%)	(7.5%)	39.3%	59.0%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(149.4%)	(34.2%)	(4.5%)	27.5%	41.3%						
Cash flow pre financing	(0.9)	(0.4)	(1.6)	4.9	15.3	Net Debt (Cash)	2.3	4.8	3.2	8.1	23.4						
Equity	2.5	3.3	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	0.8	0.9					
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	209.0%	2389.2%	834.7%	(556.7%)	(442.1%)					
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	0.0					
Net cash flow for year	1.6	2.9	(1.6)	4.9	15.3	ROA	(69.5%)	(23.5%)	(9.1%)	88.9%	114.4%						
Balance sheet (A\$m)						Working capital						(0.2)	(0.7)	0.9	2.7	6.6	
YE 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	WC/Sales (%)	(15.5%)	(16.5%)	9.5%	11.2%	14.1%						
Cash	2.3	5.2	3.6	8.5	23.8	Revenue growth	176.9%	224.4%	142.4%	153.5%	89.5%						
Accounts receivable	0.6	1.1	3.5	5.0	9.4	EBIT growth pa	n/a	n/a	n/a	(1427.7%)	184.4%						
Inventory	0.0	0.0	0.0	0.0	0.0	Pricing		FY20A	FY21A	FY22A	FY23F	FY24F					
Other current assets	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	613	678	680	683	686					
Total current assets	3.0	6.2	7.1	13.5	33.2	Weighted Av Dil Shares	(m)	559	694	673	683	686					
PPE	0.1	0.2	0.2	0.2	0.2	EPS Reported	cps	(0.5)	(0.2)	(0.5)	1.0	2.2					
Intangibles and Goodwill	0.1	1.6	0.1	0.1	0.1	EPS Normalised/Diluted	cps	(0.3)	(0.2)	(0.1)	1.0	2.2					
Investments	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		n/a	n/a	n/a	(1626.0%)	126.8%					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-					
Other non current assets	0.4	0.3	0.3	0.3	0.3	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Total non current assets	0.5	2.1	0.5	0.6	0.6	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Total Assets	3.5	8.4	7.6	14.0	33.8	Dividend imputation		0	0	0	0	0					
Accounts payable	0.8	1.7	2.6	2.2	2.9	PE (x)		-	-	-	21.3	9.4					
Short term debt	0.0	0.1	0.1	0.1	0.1	PE market		15.0	15.0	15.0	15.0	15.0					
Tax payable	0.0	0.0	0.0	0.0	0.0	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	42.0%	(37.4%)					
Deferred revenue	1.2	1.4	1.9	1.9	1.9	EV/EBITDA		nm	nm	(353.5)	-	-					
Total current liabilities	2.0	3.2	4.5	4.2	4.8	FCF/Share	cps	(0.1)	(0.0)	(0.2)	0.7	2.3					
Long term debt	0.0	0.3	0.3	0.3	0.3	Price/FCF share		(173.6)	(976.0)	(116.3)	28.6	9.3					
Other non current liabs	0.3	0.3	0.0	0.0	0.0	Free Cash flow Yield		(0.6%)	(0.1%)	(0.9%)	3.5%	10.7%					
Total long term liabilities	0.3	0.6	0.3	0.3	0.3												
Total Liabilities	2.3	3.8	4.8	4.5	5.1												
Net Assets	1.2	4.6	2.8	9.5	28.7												
Share capital	9.2	13.8	13.8	13.8	13.8												
Accumulated profits/losses	(10.2)	(11.7)	(14.8)	(8.1)	11.1												
Reserves	2.2	2.5	3.8	3.8	3.8												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	1.2	4.6	2.8	9.5	28.7												

Source: RaaS estimates, Company data for actuals



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

Effective Date: 6th May 2021



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

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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