

### ACV and Q1 tracking to expectations

Pointerra Ltd (ASX:3DP) provides a powerful cloud-based solution (Pointerra3D) for managing, visualising, analysing, using and sharing massive 3D point clouds and datasets. 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 – simplifying the complex. 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 reported Annual Contract Value (ACV) of US\$11.7m at 29 October, up 19% on the ACV of US\$9.8m reported on 29 July. Given the second quarter is seasonally the strongest quarter for Pointerra, we are comfortable with our forecast for ACV to be at US\$15.4m at the end of January. Pointerra also reported Q1FY22 cash receipts of A\$0.98m and noted that it had invoiced but not received an additional A\$0.83m of receivables from Q1 activities. Costs for the quarter were A\$1.91m, 40% higher than Q4FY21 almost entirely due to employee costs, with the head count rising to 31 in the quarter. Pointerra finished the quarter with A\$4.26m cash in hand. We have maintained our forecasts and valuation. Our base case valuation of A\$0.90/share 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: Pointerra3D Core, Analytics & Answers. Pointerra3D Core 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 and building and/or deploying analytics tools (Pointerra3D Analytics & Pointerra3D Answers) to interpret the client's 3D data. Pointerra has also recently soft-launched its 3D data marketplace which aims to sell insight into assets condition through both subscription and event-based models.

### ACV and Q1FY22 result in line with expectations

Pointerra has announced ACV of US\$11.7m (A\$15.5m) at October 29, up 19% on the ACV reported on July 29 and 137% ahead of same quarter a year ago. This is a strong result, given Q1 is seasonally the slowest quarter for the company due to the US summer. We are comfortable with our forecast for US\$15.4m ACV at January end. Pointerra is now seeing broader adoption of its solution beyond US utilities and survey and mapping to all its target sectors with this being driven by the company's investment in new business development and sales resources. Q1FY22 cash receipts were A\$0.98m, up 61% on the same period in FY21. The company noted that it had invoiced for but not received payment for an additional A\$0.83m for services provided in Q1. The combined A\$1.81m in paid and unpaid receipts is 25% ahead of those reported in Q4FY21 and put the company on track to meet our H1FY22 forecast for A\$5.7m in cash receipts. Our earnings forecasts are unchanged.

### Base case DCF valuation is A\$0.90/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 A\$0.90/share. Our valuation is predicated on ACV reaching US\$50m by H1FY25. We have dimensioned an upside case whereby ACV hits US\$50m by H1FY24 and this delivers a valuation of A\$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 <sup>^</sup> (US\$m)	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA Adj (A\$m)	NPAT Adj (A\$m)	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)	61.75	nm
06/22e	21.0	14.5	13.4	5.6	3.8	0.6	16.5	42.9
06/23e	33.5	37.9	34.5	24.3	16.9	2.5	6.8	9.3

Source: Company data for historical earnings, RaaS estimates for FY22e and FY23e <sup>^</sup>Annual Contract Value

### Software & Services

1<sup>st</sup> November 2021

#### Share Details

ASX code	3DP
Share price (29 Oct)	\$0.37
Market capitalisation	\$236.9M
Shares on issue	677.8M
Net cash 30 June 2021	\$4.26M

#### 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 Aust 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 Advisory Contact

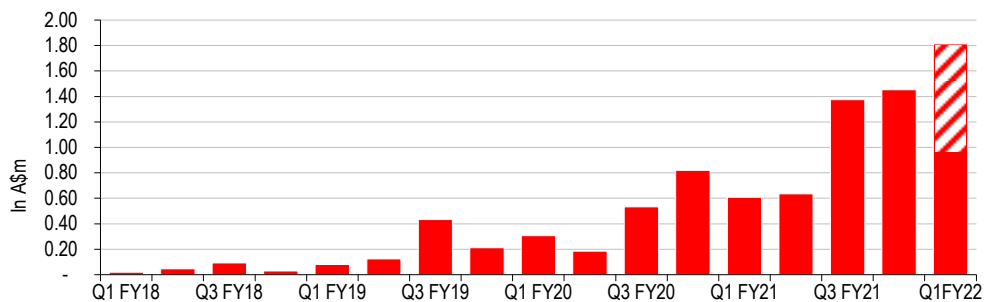
Finola Burke*	+61 414 354 712
finola.burke@raasgroup.com	

\*Analyst holds shares

## Q1FY22 Results Analysis

Pointerra reported Annual Contract Value (ACV) of US\$11.7m at 29 October, up 19% on the ACV reported on July 29 and 137% ahead of Q1FY21's reported ACV of US\$4.93m. Cash receipts for the period were \$0.93m and the company noted that it had invoiced but not received payment for another \$0.83m from Q1 activity. Combined these paid and unpaid receipts (A\$1.81m) exceed the cash receipts reported in Q4FY21. Had these invoices been paid, the Q1FY22 deficit would have been \$0.1m. Operating costs were A\$1.91m, up 40% on Q4 driven by a 43.6% increase in staff (including R&D) costs over Q4FY21. The company's head count is now 31, up from 29 at the end of June, with increased investment in sales and business development human resources. The company ended Q1 with A\$4.26m in cash.

**Exhibit 1: Quarterly cash receipts Q1FY18-Q1FY22\***



Source: Company reports \*Q1FY22 shaded area includes A\$0.83m in invoiced but unpaid receipts.

**Exhibit 2: Q1FY22 versus Q1FY21 and Q4FY21 (in A\$m unless otherwise stated)**

	Q1FY21	Q4FY21	Q1FY22
ACV US\$m	4.93	9.80	11.70
Cash receipts	0.61	1.45	0.98
Cash outflows	(0.94)	(1.36)	(1.91)
Net interest	(0.01)	(0.01)	(0.01)
Other inc R&D grants	-	0.01	-
Operating cashflow	(0.33)	0.10	(0.93)
Cash at the end of the period	4.849	5.129	4.263

Source: Company data, RaaS analysis

Pointerra noted in its commentary that it had added new customers and that existing customers had increased ACV spend across all six target sectors – survey and mapping; energy utilities; transport; mining, oil and gas; and architecture, engineering and construction. The power utilities sector is currently the company's largest by ACV spend and during the quarter Pointerra added Western Power (Western Australia) as a customer, renewed SA Power Works (South Australia) and increased the scope of existing contracts with US energy giant NextEra and its wholly owned entity Florida Power & Light (FPL) which added to ACV.

## 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 14.0% (beta 1.8, terminal growth rate 2.2%) and this gives us a base case valuation of A\$615m or A\$0.90/share, fully diluted. Our valuation is predicated on Pointerra reaching an ACV of US\$50m by H1FY25.

**Exhibit 3: DCF valuation**

DCF valuation	Parameters
Discount Rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
Sum of PV (A\$m)	244.7
PV of terminal value (A\$m)	364.8
PV of enterprise	609.5
Net cash at 30 Sept 2021	(4.3)
Net value - shareholder	614.7
No of shares on issue (fully diluted)	685.8
<b>NPV in A\$</b>	<b>\$0.90</b>
Source: RaaS analysis	

### Exhibit 4: Financial Summary

Pointerra Ltd						Share price (29 October 2021)						A\$		0.41															
<b>Profit and Loss (A\$m)</b>						<b>Interim (A\$m)</b>						<b>H120A</b>		<b>H220A</b>		<b>H121A</b>		<b>H221A</b>		<b>H122F</b>		<b>H222F</b>							
Y/E 30 June						Annual contract revenue (US\$m)						1.90		2.87		6.88		9.80		15.40		21.00							
FY19A						FY20A						FY21A						FY22F						FY23F					
Annual contract value (US\$m)						Revenue						0.5		0.7		1.6		3.0		5.2		9.4							
Sales Revenue						EBITDA						(1.3)		(0.4)		(1.0)		(0.2)		1.0		4.5							
Total Revenue						EBIT						(1.3)		(0.5)		(1.0)		(0.3)		0.9		4.4							
Gross Profit						NPAT (normalised)						(1.3)		(0.5)		(0.9)		(0.3)		0.6		3.0							
EBITDA						Minorities						-		-		-		-		-		-							
Depn						NPAT (reported)						(1.3)		(1.2)		(1.0)		(0.5)		0.6		3.0							
Amort						EPS (normalised)						(0.24)		(0.10)		(0.15)		(0.04)		0.09		0.45							
EBIT						EPS (reported)						(0.25)		(0.20)		(0.15)		(0.08)		0.09		0.45							
Interest						Dividend (cps)						-		-		-		-		-		-							
Tax						Imputation						-		-		-		-		-		-							
Minorities						Operating cash flow						(0.7)		(0.1)		(0.7)		0.5		0.8		3.1							
Equity accounted assoc						Free Cash flow						(0.7)		(0.0)		(0.7)		0.6		0.9		3.2							
NPAT pre significant items						Divisions						<b>H120A</b>		<b>H220A</b>		<b>H121A</b>		<b>H221A</b>		<b>H122F</b>		<b>H222F</b>							
Significant items						Contract revenue						0.5		0.7		1.6		2.4		5.2		9.2							
NPAT (reported)						R&D grants						0.0		0.7		0.0		0.6		0.0		0.2							
<b>Cash flow (A\$m)</b>						<b>Total Revenue</b>						<b>0.5</b>		<b>1.4</b>		<b>1.6</b>		<b>3.0</b>		<b>5.2</b>		<b>9.4</b>							
Y/E 30 June						COGS						0.0		0.1		0.1		0.2		0.4		0.7							
FY19A						FY20A						FY21A						FY22F						FY23F					
EBITDA						Gross Profit						0.5		1.3		1.5		2.8		4.8		8.7							
Interest						R&D costs						(0.2)		(0.2)		(0.2)		(0.2)		(0.2)		(0.2)							
Tax						Employment						(1.1)		(1.2)		(1.7)		(2.2)		(3.1)		(3.4)							
Working capital changes						General & Admin costs						(0.4)		(0.3)		(0.3)		(0.4)		(0.4)		(0.4)							
Operating cash flow						Other costs						(0.1)		0.0		(0.2)		(0.2)		(0.2)		(0.2)							
Mltc capex						EBITDA						(1.3)		(0.4)		(1.0)		(0.2)		1.0		4.5							
Free cash flow						Margins, Leverage, Returns						<b>FY19A</b>		<b>FY20A</b>		<b>FY21A</b>		<b>FY22F</b>		<b>FY23F</b>									
Growth capex						EBITDA						(419.2%)		(138.7%)		(28.9%)		37.9%		64.3%									
Acquisitions/Disposals						EBIT						(430.6%)		(147.1%)		(32.0%)		36.4%		63.8%									
Other						NPAT pre significant items						(429.0%)		(149.4%)		(31.0%)		25.4%		44.6%									
Cash flow pre financing						Net Debt (Cash)						0.9		2.3		4.8		8.7		26.0									
Equity						Net debt/EBITDA (x)						(x)		n/a		n/a		n/a		1.6		1.1							
Debt						ND/ND+Equity (%)						(%)		448.2%		209.0%		2389.2%		1779.2%		3288.3%							
Dividends paid						EBIT interest cover (x)						(x)		n/a		n/a		n/a		0.0		0.0							
Net cash flow for year						ROA						(100.0%)		(69.5%)		(21.4%)		46.8%		97.6%									
<b>Balance sheet (A\$m)</b>						ROE						(168.0%)		(258.4%)		(50.7%)		56.8%		101.6%									
Y/E 30 June						ROIC						(140.4%)		149.1%		272.0%		(440.4%)		(871.2%)									
FY19A						FY20A						FY21A						FY22F						FY23F					
Cash						NTA (per share)						0.00		0.00		0.00		0.01		0.03									
Accounts receivable						Working capital						0.0		(0.2)		(0.7)		0.6		4.3									
Inventory						WC/Sales (%)						8.0%		(15.5%)		(16.5%)		4.4%		11.2%									
Other current assets						Revenue growth						42.1%		176.9%		224.4%		259.7%		166.0%									
Total current assets						EBIT growth pa						n/a		n/a		n/a		(509.9%)		365.7%									
PPE						Pricing						<b>FY19A</b>		<b>FY20A</b>		<b>FY21A</b>		<b>FY22F</b>		<b>FY23F</b>									
Intangibles and Goodwill						No of shares (y/e)						(m)		521		613		678		680		683							
Investments						Weighted Av Dil Shares						(m)		509		559		640		680		683							
Deferred tax asset						EPS Reported						cps		(0.4)		(0.5)		(0.2)		0.5		2.5							
Other non current assets						EPS Normalised/Diluted						cps		(0.4)		(0.3)		(0.2)		0.5		2.5							
Total non current assets						EPS growth (norm/dil)						-		-		-		-		-									
Total Assets						DPS						cps		-		-		-		-									
Accounts payable						DPS Growth						-		-		-		-		-									
Short term debt						Dividend yield						0.0%		0.0%		0.0%		0.0%		0.0%									
Tax payable						Dividend imputation						0		0		0		0		0									
Deferred revenue						PE (x)						-		-		-		75.7		16.2									
Total current liabilities						PE market						18.0		18.0		18.0		18.0		18.0									
Long term debt						Premium/(discount)						(100.0%)		(100.0%)		(100.0%)		320.7%		(9.8%)									
Other non current liabs						EV/EBITDA						nm		nm		nm		49.1		-									
Total long term liabilities						FCF/Share						cps		(0.3)		(0.1)		(0.0)		0.6		2.5							
Total Liabilities						Price/FCF share						(148.8)		(334.7)		(1,882.2)		68.6		15.9									
Net Assets						Free Cash flow Yield						(0.7%)		(0.3%)		(0.1%)		1.5%		6.3%									
Share capital																													
Accumulated profits/losses																													
Reserves																													
Minorities																													
Total Shareholder funds																													

Source: Company data for actuals, RaaS estimates



# 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: 6<sup>th</sup> May 2021**



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- our services
- 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](mailto:finola.burke@raasgroup.com)

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