

Annual Contract Value doubles year-on-year

Pointerra Ltd (ASX:3DP) provides an end-to-end, cloud-based Data-as-a-Service (DaaS) 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 surveying and mapping companies. Pointerra has reported Annual Contract Value (ACV) of US\$14.4m at 31 January, up 109% year-on-year and 23% ahead of the ACV reported on 29 October 2021. Additional ACV added in the quarter was US\$2.7m, the single largest jump in ACV recorded by Pointerra. This reflects the momentum the company is generating with existing and new customers, across its key target markets of surveying and mapping, architecture, engineering and construction (AEC), utilities, transport, and mining, oil and gas. Pointerra3D, in particular, is rapidly gathering pace in the US energy utility sector, with Entergy, PG&E and NextEra Energy's Gulf Power expanding their spend with Pointerra in the last quarter. This gives us confidence that Pointerra will match our forecast for ACV of US\$21m in late July. We have left our forecasts unchanged ahead of the company's interim results in late February. Our base-case DCF valuation of \$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: 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.

ACV momentum now firmly established

Pointerra has recorded its biggest-ever jump in quarterly ACV, up US\$2.7m from October end to US\$14.4m at January end. The result compares with our forecast for US\$15.4m for the same period. The company noted the growth in ACV had been driven by both new and existing customers across its broad range of key sectors, with significant upscale of contracts from US energy utility companies which are deploying Pointerra3D at scale. Pointerra noted that Pointerra3D had become the "must-have" platform for the US energy utility sector with existing customers advocating adoption of its digital-twin solution among peer utilities. This is expected to further drive contract growth in this sector.

Base-case DCF valuation is \$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 0.90/share. Our valuation is predicated on ACV reaching US\$50m by H1 FY25. We have dimensioned an upside case whereby ACV hits US\$50m by H1 FY24 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 (In \$A unless otherwise stated)

Year end	ACV ^A (US\$m)	Sales Revenue	Gross Profit	EBITDA Adj.	NPAT Adj.	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)	62.6	nm
06/22e	21.0	14.5	13.4	5.6	3.8	0.6	17.2	44.5
06/23e	33.5	39.3	35.8	25.6	17.7	2.6	7.3	9.6

Source: Company data for historical earnings; RaaS estimates for FY22e and FY23e; ^AAnnual Contract Value

Software & Services

1st February 2022

Share Details

ASX code	3DP
Share price (31-Jan)	\$0.38
Market capitalisation	\$257.6M
Shares on issue (post transaction)	677.8M
Net cash 31-Dec-2021	\$5.0M

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

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RaaS Contacts

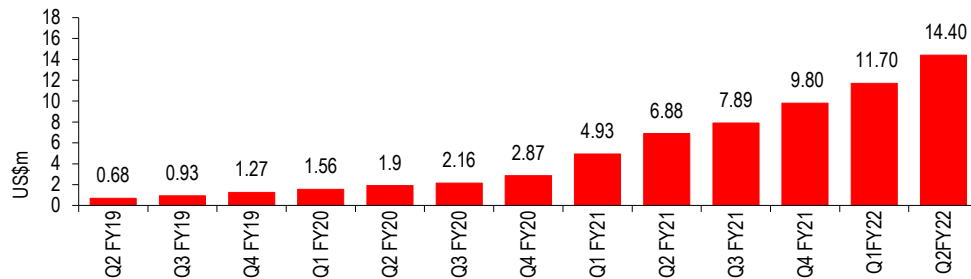
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Annual Contract Value Accelerates To January 31

Pointerra has announced ACV of US\$14.4m at January 31, spurred in particular by material US energy utility contracts of from US\$3.12m to US\$4.75m in December 2021. The growth in ACV has underpinned the recently announced record quarterly cash receipts of \$2.85m, up almost 350% on the previous corresponding period (pcp), and a record \$0.8m in operating cashflow.

Exhibit 1: Annual Contract Value reported on a quarterly basis



Source: Company reports

The company noted that in addition to the US energy utility sector material contract awards, it had added a record number of new customers during the quarter and had increased ACV spend by existing customers across its range of solutions, including Pointerra 3D Core and Analytics & Answers.

Pointerra announced it plans to accelerate its global expansion with the opening of its first US office to provide a regional home for the business, commencing operations in the UK to service the European, Middle East and African markets, and pursuing strategic acquisitions to add domain knowledge, people and product in the AEC, transport, and mining, oil and gas sectors.

The company also plans to expand its reporting transparency in coming quarters to show ACV totals by target sector, customer subscription numbers, average revenue per subscription (ARPS), customer churn, net incremental ACV and gross margin. In our view, this reflects the company's confidence in its growth momentum and maturing business profile.

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 \$686m or \$0.90/share, fully diluted. Our valuation is predicated on Pointerra reaching an ACV of US\$50m by H1 FY25.

Exhibit 2: DCF valuation

DCF valuation	Parameters
Discount rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
Sum of PV (A\$m)	248.2
PV of terminal value (A\$m)	366.7
PV of enterprise	615.0
Net cash at 31-Dec-2021	(5.0)
Net value - shareholder	619.9
No. of shares on issue (fully diluted)	685.8
NPV in A\$	\$0.90

Source: RaaS analysis

Exhibit 3: Financial Summary

Pointerra Ltd						Share price (31 January 2022)						A\$	0.38				
Profit and Loss (A\$m)						Interim (A\$m)						H120A	H220A	H121A	H221A	H122F	H222F
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Annual contract revenue (US\$m)	1.90	2.87	6.88	9.80	14.40	21.00					
Annual contract value (US\$m)	1.3	2.9	9.8	21.0	33.5	Revenue	0.5	0.7	1.6	3.0	5.2	9.6					
Sales Revenue	0.4	1.2	4.0	14.5	39.3	EBITDA	(1.3)	(0.4)	(1.0)	(0.2)	1.0	4.6					
Total Revenue	0.9	1.9	4.6	14.8	39.3	EBIT	(1.3)	(0.5)	(1.0)	(0.3)	0.9	4.5					
Gross Profit	0.9	1.8	3.7	13.4	35.8	NPAT (normalised)	(1.3)	(0.5)	(0.9)	(0.3)	0.6	3.2					
EBITDA	(1.9)	(1.7)	(1.1)	5.6	25.6	Minorities	-	-	-	-	-	-					
Depn	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	NPAT (reported)	(1.3)	(1.2)	(1.0)	(0.5)	0.6	3.2					
Amort	(0.0)	(0.1)	(0.0)	(0.2)	(0.1)	EPS (normalised)	(0.24)	(0.10)	(0.15)	(0.04)	0.09	0.47					
EBIT	(1.9)	(1.8)	(1.3)	5.4	25.3	EPS (reported)	(0.25)	(0.20)	(0.15)	(0.08)	0.09	0.47					
Interest	0.0	(0.0)	0.0	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-					
Tax	0.0	0.0	0.0	(1.6)	(7.6)	Imputation	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.7)	(0.1)	(0.7)	0.5	(0.1)	0.5					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	(0.0)	(0.7)	0.6	(0.0)	0.6					
NPAT pre significant items	(1.9)	(1.8)	(1.2)	3.8	17.7	Divisions	H120A	H220A	H121A	H221A	H122F	H222F					
Significant items	(0.0)	(0.7)	(0.2)	0.0	0.0	Contract revenue	0.5	0.7	1.6	2.4	5.2	9.4					
NPAT (reported)	(1.9)	(2.5)	(1.5)	3.8	17.7	R&D grants	0.0	0.7	0.0	0.6	0.0	0.2					
Cash flow (A\$m)						Total Revenue						0.5	1.4	1.6	3.0	5.2	9.6
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	COGS	0.0	0.1	0.1	0.2	0.4	0.7					
EBITDA	(1.9)	(1.7)	(1.1)	5.6	25.6	Gross Profit	0.5	1.3	1.5	2.8	4.8	8.9					
Interest	0.0	(0.0)	(0.0)	(0.0)	(0.0)	R&D costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)					
Tax	0.0	0.0	0.0	(1.4)	(7.6)	Employment	(1.1)	(1.2)	(1.7)	(2.2)	(3.1)	(3.4)					
Working capital changes	0.4	0.9	0.9	(3.9)	(11.7)	General & Admin costs	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)					
Operating cash flow	(1.4)	(0.8)	(0.3)	0.3	6.3	Other costs	(0.1)	0.0	(0.2)	(0.2)	(0.2)	(0.2)					
Mtce capex	(0.0)	(0.1)	(0.1)	(0.2)	(0.2)	EBITDA	(1.3)	(0.4)	(1.0)	(0.2)	1.0	4.6					
Free cash flow	(1.5)	(0.9)	(0.4)	0.1	6.1	Margins, Leverage, Returns	FY19A	FY20A	FY21A	FY22F	FY23F						
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA	(419.2%)	(138.7%)	(28.9%)	38.7%	65.1%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	(430.6%)	(147.1%)	(32.0%)	37.1%	64.5%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(429.0%)	(149.4%)	(31.0%)	25.9%	45.1%						
Cash flow pre financing	(1.5)	(0.9)	(0.4)	0.1	6.1	Net Debt (Cash)		0.9	2.3	4.8	5.0	11.1					
Equity	1.2	2.5	3.3	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	0.9	0.4					
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	448.2%	209.0%	2389.2%	(114.3%)	(69.2%)					
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	(0.4)	1.6	2.9	0.1	6.1	ROA		(100.0%)	(69.5%)	(21.4%)	57.6%	159.8%					
Balance sheet (A\$m)						WC/Sales (%)						8.0%	(15.5%)	(16.5%)	4.6%	11.4%	
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Revenue growth		42.1%	176.9%	224.4%	264.8%	170.4%					
Cash	0.9	2.3	5.2	5.3	11.4	EBIT growth pa	n/a	n/a	n/a	(523.6%)	369.7%						
Accounts receivable	0.5	0.6	1.1	2.9	7.8	Pricing	FY19A	FY20A	FY21A	FY22F	FY23F						
Inventory	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	521	613	678	680	683					
Other current assets	0.1	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	509	559	640	680	683					
Total current assets	1.6	3.0	6.2	8.3	19.3	EPS Reported	cps	(0.4)	(0.5)	(0.2)	0.6	2.6					
PPE	0.1	0.1	0.2	0.3	0.4	EPS Normalised/Diluted	cps	(0.4)	(0.3)	(0.2)	0.6	2.6					
Intangibles and Goodwill	0.1	0.1	1.6	1.5	1.4	EPS growth (norm/dil)		n/a	n/a	n/a	(386.7%)	369.3%					
Investments	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Other non current assets	0.0	0.4	0.3	0.3	0.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Total non current assets	0.1	0.5	2.1	2.1	2.7	Dividend imputation		0	0	0	0	0					
Total Assets	1.7	3.5	8.4	10.4	21.4	PE (x)		-	-	-	67.8	14.4					
Accounts payable	0.5	0.8	1.7	2.2	3.3	PE market		18.0	18.0	18.0	18.0	18.0					
Short term debt	0.0	0.0	0.1	0.1	0.1	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	276.9%	(19.8%)					
Tax payable	0.0	0.0	0.0	0.0	0.0	EV/EBITDA		nm	nm	nm	44.5	-					
Deferred revenue	0.4	1.2	1.4	(1.8)	(9.7)	FCF/Share	cps	(0.3)	(0.1)	(0.0)	0.1	0.9					
Total current liabilities	0.9	2.0	3.2	0.5	(6.3)	Price/FCF share		(137.8)	(309.9)	(1,742.8)	498.2	39.7					
Long term debt	0.0	0.0	0.3	0.3	0.3	Free Cash flow Yield		(0.7%)	(0.3%)	(0.1%)	0.2%	2.5%					
Other non current liabs	0.0	0.3	0.3	0.3	0.3												
Total long term liabilities	0.0	0.3	0.6	0.6	0.6												
Total Liabilities	0.9	2.3	3.8	1.1	(5.7)												
Net Assets	0.7	1.2	4.6	9.3	27.0												
Share capital	6.8	9.2	13.8	13.8	13.8												
Accumulated profits/losses	(7.6)	(10.2)	(11.7)	(7.0)	10.7												
Reserves	1.6	2.2	2.5	2.5	2.5												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	0.7	1.2	4.6	9.3	27.0												

Source: RaaS estimates, Company data for actuals



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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AFSL 456663

Effective Date: 6th May 2021



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- how we are paid, and
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