

### Customer programme delays defer cash into H2

Pointerra Ltd (ASX:3DP) provides a powerful cloud-based solution (Pointerra3D) for managing, visualising, analysing, using, and sharing massive 3D point clouds and datasets. Pointerra3D is a proprietary digital twin SaaS platform which delivers predictive digital insights and definitive answers to complex physical asset management questions. Pointerra has reported Q2 FY24 cash receipts of \$1.33m, down 32% on the previous corresponding period (pcp) and down 35% on Q1 FY24, with the company commenting that delays in customer programmes, invoicing, and receivables collection had deferred an additional \$1.5m in potential customer receipts into Q3 and Q4. Operating cash outflow for the quarter was \$1.45m which was better than our forecast due to tight cost containment. Operating costs declined 18% on the pcp and 19.5% on the previous quarter despite a 40% year-on-year increase in employee costs. The investment in people was offset by a 55% reduction in administrative and other operating costs. Pointerra ended the quarter with \$1.54m in net cash and post quarter-end added to its cash position with a 13.0m placement at \$0.08/share, a ~80% premium to the prevailing price, to an existing shareholder. We believe Dr Rob Newman, a founding shareholder of Pointerra and the former Managing Director and CEO of data capture group Nearmap, has acquired the shares. We have not adjusted our forecasts following the 4C and will wait for the full accounts later this month. Our base-case valuation of \$0.35/share is based on forecasts which contemplate EBITDA and cash-flow breakeven in H2 FY24.

### 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.

### Looking for improvement in Q3 and Q4 FY24

Pointerra highlighted in its Q2 release that cash receipts were impacted by programme, invoicing, and receivables collection delays. The company experienced similar delays for much of calendar 2023. Pointerra expects an improvement in cash flows in Q3 and Q4 and noted that the delays had deferred around \$1.5m in potential receipts to the current half year. While cash receipts were below our expectations, the company delivered a better-than-forecast operating cash outflow for Q2 of negative \$1.45m, compared with our forecast for a cash loss of \$1.75m, due to tight cost containment. Cash of \$1.54m at the end of the period has subsequently been bolstered by a \$1.04m placement to an existing shareholder, believed to be former Nearmap CEO Dr Rob Newman. The company has also recently entered into a two-year reseller agreement in the Middle East with eSolutions, a part of the Midis Group which will enable eSolutions to offer the Pointerra 3D digital twin platform to its clients in the oil and gas, utilities, and transportation sectors. We will review our forecasts for H2 FY24 once the company reports its full accounts for H1.

### Base-case DCF valuation is \$0.35/share

We use the discounted cash-flow methodology to value Pointerra, using a WACC of 16.5% and terminal growth rate of 2.2%, and this derives a base-case valuation of \$0.35/share. Continued evidence of contracted and recurring revenues should help underpin the company's share price.

#### Historical earnings and RaaS' forecasts (in \$A unless otherwise stated)

Year end	Revenue	Gross profit	EBITDA adj.*	NPAT adj.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	9.8	9.3	(0.02)	0.01	0.00	2.5	n.m.	n.m.
06/23a	7.3	6.4	(4.7)	(4.5)	(0.72)	3.8	n.m.	n.m.
06/24f	14.0	12.4	(2.2)	(2.3)	(0.06)	1.9	n.m.	n.m.
06/25f	29.3	25.5	5.7	5.6	0.81	0.8	4.0	5.2

Source: Company data, RaaS estimates for FY24f-FY25f; Adjusted for one-time and non-cash items

### Software & Services

7 February 2024

#### Share Details

ASX code	3DP
Share price (6-Feb)	\$0.042
Market capitalisation	\$29.7M
Shares on issue	707M
Net cash at 31-Dec-2023	~\$1.54M

#### Share Performance (12 months)



#### Upside Case

- Highly scalable business model
- Proven track record with major US utilities 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 contracts
- Additional wins with US and Australian clients
- Development of data marketplace

#### Board of Directors

Neville Bassett	Non-Executive Chairman
Damon Fieldgate	Non-Executive Director
Ian Olson	Managing Director/CEO

#### Company Interview

Pointerra RaaS CEO Interview 22 November 2023

#### Company Contact

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#### RaaS Contact

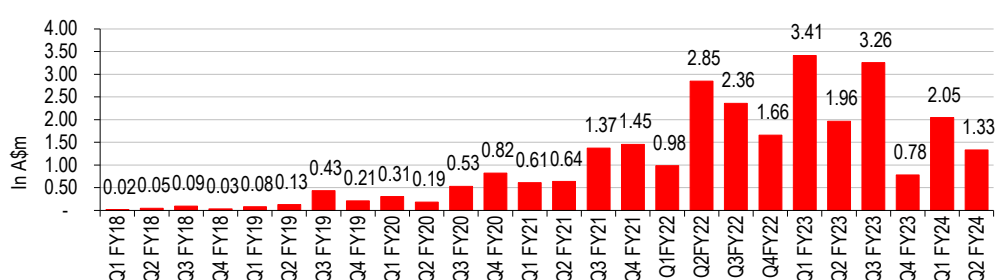
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\*Analyst holds shares

## Q2 FY24 Results Discussion

Cash receipts for Q2 FY24 were a lower-than-forecast \$1.33m. We had penned in \$2.5m for the quarter. However, we also had forecast higher costs than reported and as a result, Pointerra reported a better-than-forecast Q2 operating cash outflow of negative \$1.45m, compared with our forecast for a cash loss of \$1.75m. Administrative and other operating costs were significantly lower than expected and reported in Q2 FY23 and Q1 FY24, and helped absorb an increase in employee costs as the company added to its team to develop new verticals, particularly in the architecture, engineering, construction, and operation sector and oil and gas sector. Pointerra ended the quarter with \$1.54m in cash and has since added \$1.04m via a placement with an existing shareholder.

**Exhibit 1: Quarterly cash receipts Q1 FY18-Q2 FY24**



Source: Company reports

**Exhibit 2: Q2 FY24 versus Q2 FY23 and Q1 FY24 (in A\$m unless otherwise stated)**

	Q2 FY23	Q1 FY24	Q2 FY24	% chg Q2 FY24 over Q2 FY23
Cash receipts	1.962	2.046	1.332	(32)
Product manufacturing and operating costs	(0.517)	(0.568)	(0.473)	(9)
Employee costs	(1.053)	(1.711)	(1.472)	40
Admin. and other costs	(1.811)	(1.146)	(0.813)	(55)
Net interest	(0.011)	(0.006)	(0.020)	82
Other	0.453	0.886	-	n.a.
Operating cash flow	(0.977)	(0.499)	(1.446)	48
Free cash flow	(1.005)	(0.508)	(1.461)	45
Cash at the end of the period	2.748	2.870	1.540	(44)

Source: Company data

## DCF Valuation

In our view, given the early-stage nature of Pointerra's business, the discounted cash-flow methodology is the most appropriate method for valuing the company. We use a weighted average cost of capital of 16.5% (risk free rate 4.0% and equity risk premium 6.5%). This gives us a base-case valuation of \$0.35/share fully diluted and including our estimate for an additional 5% in employee shares.

**Exhibit 4: DCF valuation**

DCF valuation	Parameters
Discount rate / WACC	16.5%
Beta	1.9
Terminal growth rate	2.2%
Sum of PV (A\$m)	107.5
PV of terminal value (A\$m)	151.8
PV of enterprise (A\$m)	259.3
Net cash post raise (A\$m)	(2.9)
Net value – shareholder (A\$m)	256.4
No. of shares on issue (in millions and fully diluted and incorporated RaaS estimate for 5% in employee shares)	728.4
<b>NPV in A\$</b>	<b>\$0.35</b>

Source: RaaS analysis

### Exhibit 5: Financial Summary

Pointerra Ltd						Share price (6 February 2024)						A\$	0.04				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223A	H124F	H224F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F												
Sales Revenue	4.0	9.8	7.3	13.7	29.3	Total Revenue	3.2	7.4	4.1	4.3	4.5	9.5					
Total Revenue	4.6	10.7	8.4	14.0	29.3	EBITDA	(1.2)	1.2	(3.5)	(1.2)	(3.2)	0.9					
Gross Profit	3.7	9.3	6.4	12.4	25.5	EBIT	(1.3)	1.0	(3.6)	(1.3)	(3.2)	0.9					
EBITDA Adjusted	(1.1)	(0.02)	(4.7)	(2.2)	5.7	NPAT (normalised)	(1.3)	1.3	(3.6)	(1.3)	(3.2)	0.9					
Depn	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	Minorities	-	-	-	-	-	-					
Amort	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	NPAT (reported)	(2.3)	(0.4)	(3.2)	(1.3)	(3.2)	0.9					
EBIT Adjusted	(1.3)	(0.3)	(4.9)	(2.3)	5.7	EPS (normalised)	(0.20)	0.20	(0.52)	(0.19)	(0.47)	0.13					
Interest	0.0	0.00	0.0	(0.0)	(0.0)	EPS (reported)	(0.35)	(0.04)	(0.47)	(0.19)	(0.46)	0.13					
Tax	0.0	0.29	0.0	0.0	0.0	Dividend (cps)	-	-	-	-	-	-					
Minorities	0.0	0.00	0.0	0.0	0.0	Imputation	-	-	-	-	-	-					
Equity accounted assoc	0.0	0.00	0.0	0.0	0.0	Operating cash flow	(0.1)	(1.3)	(0.9)	(1.1)	(1.9)	0.3					
NPAT pre significant items	(1.2)	0.01	(4.9)	(2.3)	5.6	Free Cash flow	0.0	(1.2)	(0.9)	(1.1)	(1.9)	0.3					
Significant items	(0.2)	(2.7)	0.4	0.0	0.0	<b>Divisions</b>						<b>H122A</b>	<b>H222A</b>	<b>H123A</b>	<b>H223A</b>	<b>H124F</b>	<b>H224F</b>
NPAT (reported)	(1.5)	(2.7)	(4.5)	(2.3)	5.6	Contract revenue	3.2	6.6	3.8	3.5	4.5	9.2					
<b>Cash flow (A\$m)</b>						R&D grants	0.1	0.8	0.2	0.8	0.0	0.3					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	<b>Total Revenue</b>						<b>3.2</b>	<b>7.4</b>	<b>4.1</b>	<b>4.3</b>	<b>4.5</b>	<b>9.5</b>
EBITDA	(1.1)	(0.0)	(4.7)	(2.2)	5.7	COGS	0.5	0.0	0.4	0.6	0.5	0.9					
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	<b>Gross Profit</b>	<b>2.8</b>	<b>7.4</b>	<b>3.7</b>	<b>3.7</b>	<b>4.1</b>	<b>8.6</b>					
Tax	0.0	0.0	0.0	0.0	0.0	R&D costs	(0.3)	0.1	(0.3)	(0.3)	(0.3)	(0.3)					
Working capital changes	0.9	(1.3)	2.7	0.6	(2.1)	Employment	(2.6)	(3.7)	(3.8)	(3.1)	(4.1)	(4.4)					
Operating cash flow	(0.3)	(1.4)	(2.0)	(1.7)	3.6	General & Admin costs	(0.7)	(1.6)	(2.9)	(0.3)	(1.6)	(1.7)					
Mtce capex	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	Other costs	(0.3)	(1.1)	(0.3)	(1.2)	(1.3)	(1.3)					
Free cash flow	(0.4)	(1.6)	(2.0)	(1.7)	3.6	EBITDA	(1.2)	1.2	(3.5)	(1.2)	(3.2)	0.9					
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	<b>Margins, Leverage, Returns</b>						<b>FY21A</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24F</b>	<b>FY25F</b>	
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA		(28.9%)	(0.2%)	(63.9%)	(16.3%)	19.5%					
Other	0.0	0.0	0.0	0.0	0.0	EBIT		(32.0%)	(3.1%)	(66.2%)	(16.8%)	19.3%					
Cash flow pre financing	(0.4)	(1.6)	(2.0)	(1.8)	3.5	NPAT pre significant items		(31.0%)	0.1%	(66.2%)	(16.9%)	19.3%					
Equity	3.3	0.0	0.0	3.2	0.0	Net Debt (Cash)		4.8	3.2	1.2	2.4	6.0					
Debt	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	1.0					
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	2389.2%	(7884.3%)	43.0%	78.9%	605.7%					
Net cash flow for year	2.9	(1.6)	(2.0)	1.5	3.5	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0					
<b>Balance sheet (A\$m)</b>						ROA		(21.4%)	(3.8%)	(78.7%)	(41.4%)	56.4%					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROE		(50.7%)	(67.4%)	(523.3%)	207.1%	260.6%					
Cash	5.2	3.6	1.5	2.7	6.3	ROIC		(75.9%)	32.7%	127.7%	72.6%	(575.2%)					
Accounts receivable	1.1	3.5	2.7	3.2	6.8	NTA (per share)		0.00	0.00	n/a	n/a	0.01					
Inventry	0.0	0.0	0.0	0.0	0.0	<b>Working capital</b>		(0.7)	1.3	0.1	(0.2)	1.9					
Other current assets	0.0	0.0	0.1	0.1	0.1	WC/Sales (%)		(16.5%)	13.0%	1.5%	(1.7%)	6.4%					
Total current assets	6.2	7.1	4.3	6.0	13.2	<b>Revenue growth</b>		224.4%	146.0%	(25.2%)	87.3%	113.0%					
PPE	0.2	0.2	0.1	0.1	0.1	<b>EBIT growth pa</b>		n/a	n/a	n/a	n/a	(345.7%)					
Intangibles and Goodwill	1.6	0.1	0.1	0.1	0.1	<b>Pricing</b>		<b>FY21A</b>	<b>FY22A</b>	<b>FY23A</b>	<b>FY24F</b>	<b>FY25F</b>					
Investments	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	678	678	694	694	694					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	640	678	677	694	694					
Other non current assets	0.3	0.3	0.2	0.2	0.2	EPS Reported	cps	(0.2)	(0.4)	(0.7)	(0.1)	0.8					
Total non current assets	2.1	0.5	0.4	0.4	0.4	EPS Normalised/Diluted	cps	(0.2)	0.0	(0.7)	(0.1)	0.8					
<b>Total Assets</b>	<b>8.4</b>	<b>7.7</b>	<b>4.7</b>	<b>6.4</b>	<b>13.6</b>	EPS growth (norm/dil)	n/a	n/a	(100.5%)	n/a	n/a	(1426.0%)					
Accounts payable	1.7	2.2	2.6	3.4	5.0	DPS	cps	-	-	-	-	-					
Short term debt	0.1	0.1	0.1	0.1	0.1	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Deferred revenue	1.4	1.7	3.4	3.4	3.4	Dividend imputation		0	0	0	0	0					
Total current liabilities	3.2	4.0	6.0	6.9	8.4	PE (x)		-	-	-	-	5.2					
Long term debt	0.3	0.3	0.2	0.2	0.2	PE market		18.0	18.0	18.0	18.0	18.0					
Other non current liabs	0.3	0.1	0.0	0.0	0.0	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(71.3%)					
Total long term liabilities	0.6	0.4	0.2	0.2	0.2	EV/EBITDA		nm	nm	-	5.9	-	11.8	4.0			
<b>Total Liabilities</b>	<b>3.8</b>	<b>4.4</b>	<b>6.3</b>	<b>7.1</b>	<b>8.6</b>	FCF/Share	cps	(0.0)	(0.2)	-0.3	-0.2	0.5					
<b>Net Assets</b>	<b>4.6</b>	<b>3.3</b>	<b>(1.6)</b>	<b>(0.7)</b>	<b>5.0</b>	Price/FCF share		(195.2)	(23.2)	-	14.5	-	17.7	8.0			
Share capital	13.8	13.8	13.9	17.1	17.1	Free Cash flow Yield		(0.5%)	(4.3%)	(6.9%)	(5.7%)	12.5%					
Accumulated profits/losses	(11.7)	(14.4)	(18.8)	(21.2)	(15.5)												
Reserves	2.5	3.8	3.4	3.4	3.4												
Minorities	0.0	0.0	0.0	0.0	0.0												
<b>Total Shareholder funds</b>	<b>4.6</b>	<b>3.3</b>	<b>(1.6)</b>	<b>(0.7)</b>	<b>5.0</b>												

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



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

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