

FY24 outlook improving

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. The company has reported FY23 revenue of \$8.3m, a decline of 22% on the previous corresponding period (pcp) and an underlying EBITDA loss of \$4.68m (which includes non-recurring project services costs of \$2.19m), against an underlying EBITDA loss of \$0.02m a year ago. Non-recurring project services costs in FY22 were \$1.23m. Cash receipts for FY23 were a record \$9.4m, and increased 21% on the pcp, while deferred (yet-to-be earned) revenue on the balance sheet was \$2.7m on June 30, an increase of 108% on FY22 balance. The result was impacted by enterprise customer programme delays experienced in FY23 with the company noting previously (31 July) that it had collected \$1.8m in cash receipts in July (more than twice that reported in the June quarter). Had these receipts fallen in FY23, Pointerra would have met our cash forecasts. Pointerra noted that it expected to return to cashflow positive operations in FY24 following resolution of programme delays. We have incorporated the FY23 result in our model and rolled forward to FY24 with some earnings revisions across FY24 and FY25. Our DCF valuation is \$0.38/share (previously \$0.39/share) and includes a risk-free rate of 4.0% within a WACC of 16.5% (previously 16.0%).

Business model

Pointerra's patented, cloud-deployed technology and AI-driven algorithms create digital wins 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. The platform has also developed and is deploying a new innovative Quick Load pole engineering tool which has extended Pointerra3D's power distribution analytics capability into the grid resilience and hardening programmes being undertaken by a number of its US utility clients. These programmes are multi-year and multi-billion-dollar undertakings with Pointerra3D at the front-end of identification, predicting and engineering the work programme.

FY24 outlook underpinned by growth trajectory resumption

Pointerra has announced that it expects the programme delays that impacted FY23 results to be resolved in FY24 and for the US energy utility sector growth trajectory to resume. The company noted that the cost efficiency of emerging US energy utility CAPEX programmes, as announced in late July, were already yielding results with work won and accelerating new opportunities. Pointerra highlighted that, following the August share placement and soon to be completed SPP, it was well funded to accelerate recruitment of senior business development executives in the US to target the surge in investment in infrastructure assets there. Our earnings adjustments reflect incorporating the FY23 actuals in our model.

Base-case DCF valuation is \$0.38/share

We use the discounted cashflow methodology to value Pointerra, using a WACC of 16.5% (previously 16.0%) on a higher risk-free rate (RFR) of 4.0% (previously 3.5%) and terminal growth rate of 2.2%, and this derives a base-case valuation of \$0.38/share (previously \$0.39/share).

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

Year end	Revenue	Gross Profit	EBITDA Adj. (A\$m)	NPAT Adj. (A\$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
06/22a	9.8	9.3	(0.02)	0.01	0.00	5.8	nm	nm
06/23a	7.3	6.4	(4.68)	(4.47)	(0.72)	8.4	nm	nm
06/24f	17.0	14.6	(0.33)	(0.38)	(0.01)	3.5	nm	nm
06/25f	30.4	26.3	6.47	6.42	0.91	1.8	8.4	9.8

Source: Company data for historical earnings; RaaS estimates for FY24f-FY25f

Software & Services

22 September 2023

Share Details

ASX code	3DP
Share price (21-Sept)	\$0.089
Market capitalisation	\$62.9M
Shares on issue	707M
Net cash post raise	~\$5.0M

Share Performance (12 months)



Upside Case

- Highly scalable business model
- Proven track record with Florida Power & Light 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
Paul Farrell	Non-Executive Director
Ian Olson	Managing Director/CEO

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RaaS Contact

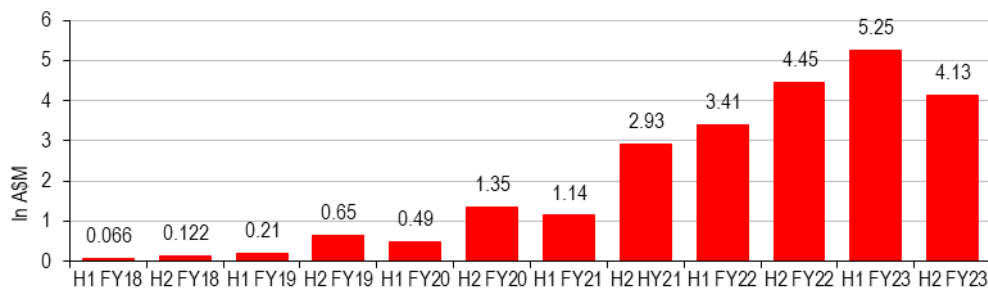
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FY23 Results Discussion

Pointerra delivered FY23 cash receipts of \$9.38m up 21% on the previous corresponding period but a weaker H2 over H1 FY23. The company noted that there were delays in invoicing and cash collection with \$1.8m received post balance date. Had this been received in FY23, the company would have reported closer to our cash forecasts. Operating cash outflows for the year were \$2.02m, a 45% greater cash loss than a year before. This included \$2.19m in non-recurring project service costs which also hit the P&L for the year. Pointerra anticipates the US energy utility programme delays experienced in FY23 to resolve in FY24 and for the growth trajectory to resume.

Exhibit 1: Half-year cash receipts H1 FY18-H2 FY23



Source: Company reports

Pointerra reported a 25% decline in sales in FY23 and 22% fall in overall revenue. The underlying EBITDA loss of \$4.7m was worse than our forecasts but included a higher-than-expected non-recurring cost of \$2.5m, versus \$1.2m in FY22. These non-recurring costs are predominantly associated with data acquisition for new clients and do not recur on an ongoing basis with the individual client, but may be incurred with new clients as they come on board. For that reason, we have not stripped out these costs from the underlying earnings as they will likely continue to be a cost incurred on a client-by-client basis. The reported EBITDA loss of \$4.3m included a positive reversal of share-based payments costs of \$0.386m.

Exhibit 2: P&L FY23 versus FY22 and RaaS forecast (in A\$m unless otherwise stated)

	FY22	FY23	% chg	RaaS fct
Sales Revenue	9.8	7.3	(25.2)	11.1
Total Revenue	10.7	8.4	(21.7)	11.6
Gross Profit	10.2	7.4	(27.5)	10.6
EBITDA underlying	(0.0)	(4.7)	nm	(3.7)
EBITDA reported	(2.7)	(4.3)	60.0	(3.7)
NPAT underlying	0.0	(4.9)	nm	(3.8)
NPAT reported	(2.7)	(4.5)	68.2	(3.8)
EPS underlying	0.00	(0.72)	nm	(0.56)
EPS reported	(0.39)	(0.66)	69.2	(0.50)

Source: Company data, RaaS estimates *Adjusted for non-recurring project services and, impairments and non-cash share based payments

Earnings Adjustments

We have made minor changes to our FY24f-FY25f, with the key change underpinning our revision being the timing of contracts and the cost of securing those contracts. We have assumed near-term that there will continue to be some additional data costs incurred to secure contracts with this smoothing out by FY25. We expect to see FY24 as another year for building relationships and securing enterprise customers within the US

energy utilities market with the foundations laid generating additional revenues in the latter part of the year and into FY25, which we have upgraded.

Exhibit 3: Earnings adjustments (in A\$m unless otherwise stated)				
	FY24 old	FY24 new	FY25 old	FY25 new
Sales Revenue	19.5	17.0	29.2	30.4
Gross Profit	17.7	14.6	26.6	26.3
EBITDA underlying	2.8	(0.33)	6.5	6.5
NPAT underlying	1.9	(0.38)	4.5	6.4

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 have increased our weighted average cost of capital (WACC) to 16.5% (previously 16.0%), to reflect an increased risk-free rate (now 4.0% up from 3.5%). This gives us a base-case valuation of \$0.38/share (previously \$0.39/share), fully diluted and including our estimate for an additional 5% in employee shares and including the additional shares from the recent raise.

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)	119.9
PV of terminal value (A\$m)	156.5
PV of enterprise (A\$m)	276.5
Net cash post raise(A\$m)	(5.0)
Net value – shareholder (A\$m)	281.4
No. of shares on issue (in Millions and fully diluted and incorporated RaaS estimate for 5% in employee shares)	740.9
NPV in A\$	\$0.38

Source: RaaS analysis

Exhibit 5: Financial Summary

Pointerra Ltd						Share price (21 September 2023)						A\$	0.09					
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223A	H124F	H224F	
YE 30 June	FY21A	FY22A	FY23A	FY24F	FY25F													
Sales Revenue	4.0	9.8	7.3	17.0	30.4	Total Revenue	3.2	7.4	4.1	4.3	6.8	10.1						
Total Revenue	4.6	10.7	8.4	17.0	30.4	EBITDA	(1.2)	1.2	(3.5)	(1.2)	(1.6)	1.3						
Gross Profit	3.7	9.3	6.4	14.6	26.3	EBIT	(1.3)	1.0	(3.6)	(1.3)	(1.6)	1.3						
EBITDA Adjusted	(1.1)	(0.02)	(4.7)	(0.3)	6.5	NPAT (normalised)	(1.3)	1.3	(3.6)	(1.3)	(1.6)	1.3						
Deprn	(0.1)	(0.1)	(0.2)	(0.0)	(0.0)	Minorities	-	-	-	-	-	-						
Amort	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	NPAT (reported)	(2.3)	(0.4)	(3.2)	(1.3)	(1.6)	1.3						
EBIT Adjusted	(1.3)	(0.3)	(4.9)	(0.4)	6.4	EPS (normalised)	(0.20)	0.20	(0.52)	(0.19)	(0.24)	0.18						
Interest	0.0	0.00	0.0	(0.0)	(0.0)	EPS (reported)	(0.35)	(0.04)	(0.47)	(0.19)	(0.23)	0.18						
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)	(1.0)	0.4						
NPAT pre significant items	(1.2)	0.01	(4.9)	(0.4)	6.4	Free Cash flow	0.0	(1.2)	(0.9)	(1.1)	(1.0)	0.5						
Significant items	(0.2)	(2.7)	0.4	0.0	0.0	Divisions	H122A	H222A	H123A	H223A	H124F	H224F						
NPAT (reported)	(1.5)	(2.7)	(4.5)	(0.4)	6.4	Contract revenue	3.2	6.6	3.8	3.5	6.8	10.1						
Cash flow (A\$m)						R&D grants	0.1	0.8	0.2	0.8	0.0	0.0						
YE 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Total Revenue	3.2	7.4	4.1	4.3	6.8	10.1						
EBITDA	(1.1)	(0.0)	(4.7)	(0.3)	6.5	COGS	0.5	0.0	0.4	0.6	1.2	1.2						
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Gross Profit	2.8	7.4	3.7	3.7	5.7	8.9						
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	(0.2)	(1.7)	Employment	(2.6)	(3.7)	(3.8)	(3.1)	(4.1)	(4.4)						
Operating cash flow	(0.3)	(1.4)	(2.0)	(0.5)	4.7	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)	(0.6)	4.7	EBITDA	(1.2)	1.2	(3.5)	(1.2)	(1.6)	1.3						
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Margins, Leverage, Returns		FY21A	FY22A	FY23A	FY24F	FY25F						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA		(28.9%)	(0.2%)	(63.9%)	(1.9%)	21.3%						
Other	0.0	0.0	0.0	0.0	0.0	EBIT		(32.0%)	(3.1%)	(66.2%)	(2.1%)	21.1%						
Cash flow pre financing	(0.4)	(1.6)	(2.0)	(0.6)	4.7	NPAT pre significant items		(31.0%)	0.1%	(66.2%)	(2.2%)	21.1%						
Equity	3.3	0.0	0.0	3.5	0.0	Net Debt (Cash)		4.8	3.2	1.2	3.9	8.5						
Debt	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	1.3						
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	2389.2%	(7884.3%)	43.0%	152.3%	1095.7%						
Net cash flow for year	2.9	(1.6)	(2.0)	2.9	4.7	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0						
Balance sheet (A\$m)						ROA		(21.4%)	(3.8%)	(78.7%)	(5.5%)	51.2%						
YE 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROE		(50.7%)	(67.4%)	(523.3%)	302.0%	141.3%						
Cash	5.2	3.6	1.5	4.2	8.8	ROIC		(75.9%)	32.7%	127.7%	12.6%	(729.5%)						
Accounts receivable	1.1	3.5	2.7	4.0	7.1	NTA (per share)		0.00	0.00	n/a	0.00	0.01						
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital		(0.7)	1.3	0.1	0.3	2.0						
Other current assets	0.0	0.0	0.1	0.1	0.1	WC/Sales (%)		(16.5%)	13.0%	1.5%	1.8%	6.7%						
Total current assets	6.2	7.1	4.3	8.2	16.0	Revenue growth		224.4%	146.0%	(25.2%)	131.6%	79.2%						
PPE	0.2	0.2	0.1	0.1	0.1	EBIT growth pa		n/a	n/a	n/a	n/a	(1861.7%)						
Intangibles and Goodwill	1.6	0.1	0.1	0.1	0.1	Pricing		FY21A	FY22A	FY23A	FY24F	FY25F						
Investments	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	678	678	707	707	707						
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	640	678	677	707	707						
Other non current assets	0.3	0.3	0.2	0.2	0.2	EPS Reported	cps	(0.2)	(0.4)	(0.7)	(0.0)	0.9						
Total non current assets	2.1	0.5	0.4	0.4	0.5	EPS Normalised/Diluted	cps	(0.2)	0.0	(0.7)	(0.0)	0.9						
Total Assets	8.4	7.7	4.7	8.6	16.5	EPS growth (norm/dil)		n/a	(100.5%)	n/a	n/a	(7001.3%)						
Accounts payable	1.7	2.2	2.6	3.7	5.1	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	7.1	8.5	PE (x)		-	-	-	-	9.8						
Long term debt	0.3	0.3	0.2	0.2	0.2	PE market		15.0	15.0	15.0	15.0	15.0						
Other non current liabs	0.3	0.1	0.0	0.0	0.0	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(34.6%)						
Total long term liabilities	0.6	0.4	0.2	0.2	0.2	EV/EBITDA		nm	nm	-	13.1	-	179.2					
Total Liabilities	3.8	4.4	6.3	7.3	8.7	FCF/Share	cps	(0.0)	(0.2)	-	-0.3	-0.1	0.7					
Net Assets	4.6	3.3	(1.6)	1.3	7.7	Price/FCF share		(413.6)	(49.1)	-	31.3	-	123.1					
Share capital	13.8	13.8	13.9	17.4	17.4	Free Cash flow Yield		(0.2%)	(2.0%)	(3.2%)	(0.8%)	7.5%						
Accumulated profits/losses	(11.7)	(14.4)	(18.8)	(19.2)	(12.8)													
Reserves	2.5	3.8	3.4	3.2	3.2													
Minorities	0.0	0.0	0.0	0.0	0.0													
Total Shareholder funds	4.6	3.3	(1.6)	1.3	7.7													

Source: RaaS estimates, Company data for actuals



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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

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