

Q3 cashflow positive, more to come

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 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 a positive quarter in operating cashflow of \$0.531m in Q3, its second best ever result and a \$1.51m turnaround from Q2. Q3 cash receipts were \$3.26m, in line with the company's announcement on 18 April. Costs were lower than anticipated at \$2.73m for the quarter, down 19.3% on Q2 FY23 and up 19.5% on the previous corresponding period. Pointerra ended the quarter with net cash of \$3.27m, up from \$2.75m in Q2 and maintaining the self-funding growth strategy deployed to date. The company noted that it expected to continue to be cashflow positive into Q4 FY23 and beyond, with most utility customer programmes back on track in Q3 and into Q4. Pointerra also announced that Annual Contract Value currently stands between US\$19.7m and US\$22.1m, pending the outcome of remaining utility customer contract renewals. The company expects ACV to continue to grow in Q4 and into FY24. We have made no changes to our forecasts from this result but note that the Q3 result delivered more than 75% of the positive cashflow we are forecasting for H2 FY23. Our base case valuation remains at \$0.40/share and predicated on US\$50m ACV by FY26 end.

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. Pointerra charges its clients on the amount of data (in terabytes), the number of users and the analytic tools that clients use.

Reversing the customer delays of previous quarters

Pointerra reported Q3 FY23 cash receipts of \$3.26m, up 38% on the previous corresponding period (pcp) and 66% ahead of Q2. Costs for the quarter increased 19.5% on the pcp, but were down 19% on Q2 as one-time costs associated with 3rd party data procurement and Amazon web services costs fell away in Q3. This helped deliver Pointerra's second best-ever positive operating cashflow of \$0.531m, a \$1.51m turnaround on Q2 and 730% ahead on the pcp. The company has now booked more than 75% of the positive operating cashflow that we are forecasting for H2. Pointerra has also announced that ACV currently stands at US\$19.7m and \$US22.1m and is dependent on finalising contract renewals. Pointerra last reported ACV of US\$20.1m as at October 31, 2022. The company anticipates ACV growth in Q4 and into FY24. Our forecast for ACV at July 31 is US\$23.6m.

Base-case DCF valuation is \$0.40/share

We use the discounted cashflow methodology to value Pointerra, using a WACC of 16.0% (previously 14.7%) and terminal growth rate of 2.2%, and this derives a base-case valuation of \$0.40/share (previously \$0.95/share). Our valuation is predicated on ACV surpassing US\$50m by the end of FY26.

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

Year end	ACV ^A (US\$m)	Revenue	Gross Profit	EBITDA Adj.	NPAT Adj.	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/22a	18.2	9.8	8.9	0.0	0.0	0.00	7.6	nm
06/23f	23.6	11.1	10.1	(3.7)	(3.8)	(0.56)	6.4	nm
06/24f	31.5	19.5	17.7	2.8	1.9	0.21	3.4	23.4
06/25f	41.0	29.2	26.6	6.5	4.5	0.66	2.2	9.9

Source: Company data for historical earnings; RaaS estimates for FY23f-FY24f; ^AAnnual Contract Value

Software & Services

5 May 2023

Share Details

ASX code	3DP
Share price (4-May)	\$0.11
Market capitalisation	\$74.6M
Shares on issue	677.8M
Net cash 31-Mar-2023	\$3.3M

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 9-12 months
- Competing with multinationals for business
- Enterprise customers can be slow to pay

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

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RaaS Contact

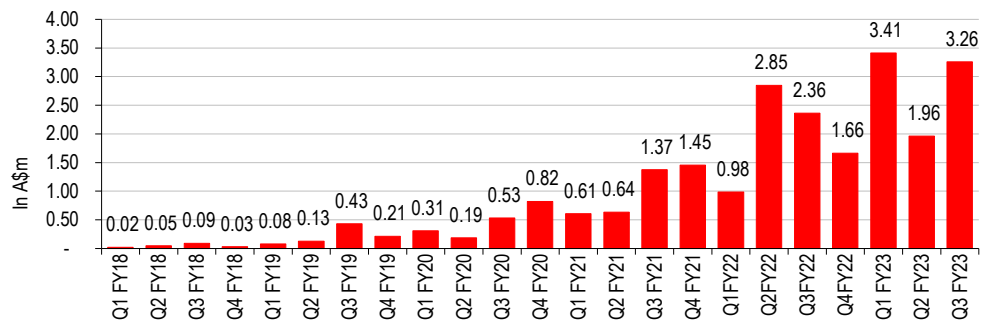
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Q3 FY23 Results Discussion

Quarterly cash receipts were \$3.26m, in line with the company's announcement of 18 April, and up 66% on the cash receipts reported in Q2 FY23. Q3 cash receipts were the second largest reported by the company in its history, behind Q1 FY23. The result reflects that Pointerra has now worked through the programme delays experienced with US customers that impacted Q2. The company expects continued growth in Q4 cash receipts.

Exhibit 1: Quarterly cash receipts Q1 FY18-Q3 FY23



Source: Company reports

Pointerra reported an operating cash profit of \$0.531m, a \$1.51m turnaround on Q2, and more than seven fold increase in operating cash profit on the pcp. It was also the second-best cash profit delivered by the company in its history behind Q2 FY22. As we anticipated at the end of Q2, costs reduced and normalised in Q3, declining 19.2% on Q2, although up 19.5% on the pcp. This was not unexpected, and in fact, costs are tracking below our expectations for the half. Pointerra has now booked more than 75% of the operating profit we have forecast for H2 FY23. Pointerra ended the quarter with net cash of \$3.27m, up from \$2.75m at the end of Q1, confirming our view that Pointerra can remain self-funding and not return to the financial markets for working capital.

Exhibit 2: Q3 FY23 versus Q3 FY22 and Q2 FY23

In \$m unless otherwise stated	Q3 FY22	Q2 FY23	Q3 FY23
Cash receipts	2.360	1.962	3.256
Product manufacturing and operating costs	(0.374)	(0.943)	(0.260)
Employee costs	(0.989)	(1.053)	(1.033)
Admin and other costs	(0.922)	(1.385)	(1.438)
Net interest	(0.008)	(0.011)	0.002
Tax	-	-	-
Other	(0.003)	0.453	0.004
Operating cashflow	0.064	(0.977)	0.531
Free cashflow	0.025	(1.005)	0.520
Cash at the end of the period	4.865	2.748	3.272

Source: Company data, 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 16.0% which includes a risk-free rate of 3.5% and this gives us a base-case valuation of \$0.40/share, fully diluted and including our estimate for an additional 5% in employee shares. Of this, \$0.24/share is embedded in our terminal value. Our valuation is predicated on Pointerra surpassing an ACV of US\$50m by the end of FY26.

Exhibit 3: DCF valuation

DCF valuation	Parameters
Discount rate / WACC	16.0%
Beta	1.9
Terminal growth rate	2.2%
Sum of PV (A\$m)	113.3
PV of terminal value (A\$m)	169.0
PV of enterprise (A\$m)	282.3
Net cash at 31-Mar (A\$m)	(3.3)
Net value – shareholder (A\$m)	285.5
No. of shares on issue (in Millions and fully diluted and incorporated RaaS estimate for 5% in employee shares)	711.7
NPV in A\$	\$0.40

Source: RaaS analysis

Exhibit 4: Financial Summary

Pointerra Ltd						Share price (4 May 2023)						A\$	0.11				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223F	H124F	H224F
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Annual contract revenue (US\$m)	14.4	18.2	20.2	23.6	27.4	31.5					
Annual contract value (US\$m)	9.8	18.2	23.6	31.5	41.0	Total Revenue	3.2	7.4	4.1	7.5	8.5	11.0					
Sales Revenue	4.0	9.8	11.1	19.5	29.2	EBITDA	(1.2)	1.2	(3.5)	(0.3)	0.5	2.3					
Total Revenue	4.6	10.7	11.6	19.5	29.2	EBIT	(1.3)	1.0	(3.6)	(0.3)	0.5	2.3					
Gross Profit	3.7	8.9	10.1	17.7	26.6	NPAT (normalised)	(1.3)	1.3	(3.6)	(0.2)	0.3	1.6					
EBITDA Adjusted	(1.1)	0.0	(3.7)	2.8	6.5	Minorities	-	-	-	-	-	-					
Depn	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	NPAT (reported)	(2.3)	(0.4)	(3.2)	(0.2)	0.3	1.6					
Amort	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	EPS (normalised)	(0.20)	0.20	(0.52)	(0.03)	0.05	0.24					
EBIT Adjusted	(1.3)	(0.3)	(3.8)	2.8	6.4	EPS (reported)	(0.35)	(0.04)	(0.47)	(0.03)	0.05	0.24					
Interest	0.0	0.0	(0.0)	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-					
Tax	0.0	0.3	0.1	(0.8)	(1.9)	Imputation	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.1)	(1.3)	(0.9)	0.7	3.7	1.2					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	0.0	(1.2)	(0.9)	0.7	3.7	1.2					
NPAT pre significant items	(1.2)	0.0	(3.8)	1.9	4.5	Divisions	H122A	H222A	H123A	H223F	H124F	H224F					
Significant items	(0.2)	(2.7)	0.0	0.0	0.0	Contract revenue	3.2	6.6	3.8	7.3	8.5	11.0					
NPAT (reported)	(1.5)	(2.7)	(3.8)	1.9	4.5	R&D grants	0.1	0.8	0.2	0.2	0.0	0.0					
Cash flow (A\$m)						Total Revenue	3.2	7.4	4.1	7.5	8.5	11.0					
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	COGS	0.5	0.5	0.4	0.7	0.8	1.0					
EBITDA	(1.1)	0.0	(3.7)	2.8	6.5	Gross Profit	2.8	7.0	3.7	6.9	7.7	10.0					
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	R&D costs	(0.3)	(0.4)	(0.3)	(0.4)	(0.3)	(0.5)					
Tax	0.0	0.0	0.0	(0.8)	(1.9)	Employment	(2.6)	(3.2)	(3.8)	(4.0)	(4.1)	(4.3)					
Working capital changes	0.9	(1.4)	3.5	2.8	(2.3)	General & Admin costs	(0.7)	(1.0)	(2.8)	(2.5)	(2.5)	(2.6)					
Operating cash flow	(0.3)	(1.4)	(0.2)	4.8	2.2	Other costs	(0.3)	(1.1)	(0.3)	(0.3)	(0.3)	(0.3)					
Mtce capex	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	EBITDA	(1.2)	1.2	(3.5)	(0.3)	0.5	2.3					
Free cash flow	(0.4)	(1.6)	(0.3)	4.8	2.2	Margins, Leverage, Returns											
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EBITDA	(28.9%)	0.3%	(33.4%)	14.6%	22.2%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	(32.0%)	(3.1%)	(34.5%)	14.3%	22.0%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(31.0%)	0.1%	(33.8%)	10.0%	15.4%						
Cash flow pre financing	(0.4)	(1.6)	(0.3)	4.7	2.1	Net Debt (Cash)		4.8	3.2	3.1	7.8	9.9					
Equity	3.3	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	126.1	n/a	2.8	1.5					
Debt	0.0	0.0	(0.0)	0.0	0.0	ND/ND+Equity (%)	(%)	2389.2%	(7884.3%)	87.2%	123.6%	251.7%					
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	2.9	(1.6)	(0.3)	4.7	2.1	ROA	(21.4%)	(3.8%)	(52.6%)	26.6%	39.4%						
Balance sheet (A\$m)						ROE	(50.7%)	(67.4%)	(265.0%)	371.9%	120.2%						
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	ROIC	(75.9%)	32.7%	92.2%	(57.3%)	(183.4%)						
Cash	5.2	3.6	3.4	8.1	10.3	NTA (per share)	0.00	0.00	n/a	0.00	0.01						
Accounts receivable	1.1	3.5	3.0	5.2	7.8	Working capital	(0.7)	1.3	(0.6)	1.4	2.6						
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)	(16.5%)	13.0%	(4.9%)	7.0%	8.8%						
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth	224.4%	146.0%	13.6%	74.9%	50.1%						
Total current assets	6.2	7.1	6.4	13.4	18.1	EBIT growth pa	n/a	n/a	n/a	(172.4%)	131.1%						
PPE	0.2	0.2	0.1	0.1	0.1	Pricing											
Intangibles and Goodwill	1.6	0.1	0.1	0.1	0.1	No of shares (y/e)	(m)	678	678	678	678	678					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	640	678	678	678	678					
Deferred tax asset	0.0	0.0	0.1	0.1	0.1	EPS Reported	cps	(0.2)	(0.4)	(0.5)	0.2	0.7					
Other non current assets	0.3	0.3	0.3	0.3	0.3	EPS Normalised/Diluted	cps	(0.2)	0.0	(0.6)	0.2	0.7					
Total non current assets	2.1	0.5	0.6	0.6	0.6	EPS growth (norm/dil)	n/a	(100.5%)	n/a	(137.0%)	222.9%						
Total Assets	8.4	7.7	7.0	14.0	18.7	DPS	cps	-	-	-	-	-					
Accounts payable	1.7	2.2	3.5	3.8	5.2	DPS Growth	n/a	n/a	n/a	n/a	n/a	n/a					
Short term debt	0.1	0.1	0.1	0.1	0.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation		0	0	0	0	0					
Deferred revenue	1.4	1.7	3.5	8.2	7.1	PE (x)		-	-	-	53.5	16.6					
Total current liabilities	3.2	4.0	7.1	12.1	12.4	PE market		15.0	15.0	15.0	15.0	15.0					
Long term debt	0.3	0.3	0.2	0.2	0.2	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	256.6%	10.4%					
Other non current liabs	0.3	0.1	0.1	0.1	0.1	EV/EBITDA		nm	nm	19.1	23.4	9.9					
Total long term liabilities	0.6	0.4	0.3	0.3	0.3	FCF/Share	cps	(0.0)	(0.2)	0.0	0.7	0.3					
Total Liabilities	3.8	4.4	7.4	12.5	12.7	Price/FCF share		(511.2)	(60.7)	357.0	15.3	33.2					
Net Assets	4.6	3.3	(0.4)	1.5	6.0	Free Cash flow Yield		(0.2%)	(1.6%)	(0.3%)	6.5%	3.0%					
Share capital	13.8	13.8	13.9	13.9	13.9												
Accumulated profits/losses	(11.7)	(14.4)	(17.8)	(15.8)	(11.3)												
Reserves	2.5	3.8	3.4	3.4	3.4												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	4.6	3.3	(0.4)	1.5	6.0												

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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Effective Date: 6th May 2021



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

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