

Sales up 224%, losses narrow, step-change for FY22

Pointerra Ltd (ASX:3DP) provides an end to end, cloud-based data as a service 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 surveyor and mapping companies. Pointerra has reported FY21 sales revenue of \$3.98m, an increase of 224% on FY20 and on the back of Annual Contract Value (ACV) growth of 242% to US\$9.8m. Revenues were below our forecast for \$4.98m. Pointerra reported an underlying EBITDA loss of \$1.15m, which was a 32.5% improvement on the \$1.7m underlying EBITDA loss reported in FY20. Costs for the year were well contained at \$5.1m and better than our forecast for costs of \$5.6m with the increase in costs from FY20 almost entirely human costs as Pointerra's head count grew from 12 to 29. While the result was a little below our estimates we are confident that Pointerra continues on the growth trajectory we have mapped our forecasts. We have made some adjustments to our FY22 and FY23 forecasts mostly related to the weaker AUD against the USD where the bulk of Pointerra's revenues are generated and some non-cash charge adjustments. Our base case DCF valuation is \$0.90/share (previously \$0.94/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.

H2 FY21 showed marked improvement, set up for FY22

Second half revenues grew 229% over the same corresponding period in FY20 and 56% on H1 FY21 to \$2.43m. The underlying EBITDA loss for the half was \$0.19m, down from a loss of \$0.41m in H2 FY20. Costs were well contained, apart from employment costs which increased to \$2.2m in H2 FY21, almost \$1m more on H2 FY20 and up from H1 FY21 employee costs of \$1.7m. Pointerra has invested in human capital in the past year with the headcount rising to 29 from 12 a year before. The company noted that early activity in FY22 was seeing an acceleration of opportunities with several paid proof of concept (POC) projects for enhanced platform analytics for US utilities and autonomous vehicle navigation for a global warehousing and logistics group

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 (previously \$0.94). 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 \$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 [^] (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 [^]Annual Contract Value

Software & services

1st September 2021

Share details

ASX Code	3DP
Share price (31 August)	\$0.37
Market Capitalisation	\$236.9M
Shares on issue (post transaction)	677.8M
Net cash 30 June 2021	\$5.2M

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

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FY21 results analysis

Pointerra reported Annual Contract Value (ACV) of US\$9.8m at 29 July, up 24.2% on the ACV reported on April 24 and 242% ahead of FY20's reported ACV of US\$2.87m. Sales revenue for the year increased 224% to \$3.98m and the underlying EBITDA loss narrowed to \$1.15m from a loss of \$1.7m a year ago. A key feature of the result, and one that Pointerra has continually demonstrated through its quarterly and interim results in FY21, was cost containment, despite ongoing investment in employees, new product features and the development of new initiatives, including 3Dinsight.ai. Costs for the year were \$5.1m, versus our forecast for \$5.7m, with employee costs accounting for \$3.9m (versus \$2.35m in employee costs in FY20). Pointerra ended the year with an improved cash position of \$5.2m.

Exhibit 1: FY21 vs FY20 and RaaS fct

Year ending June 30	FY20	FY21	% chg	RaaS FY21 fct
ACV US\$m	2.87	9.80	241.5%	9.80
Sales Revenue	1.23	3.98	224.4%	4.98
Total Revenue	1.92	4.57	138.4%	5.56
Gross Profit	1.08	3.67	239.3%	4.53
EBITDA underlying	(1.70)	(1.15)	(32.5%)	(0.59)
NPAT underlying	(1.83)	(1.24)	(32.6%)	(0.76)
NPAT reported	(2.53)	(1.47)	(41.7%)	(0.76)
EPS underlying	(0.33)	(0.19)	(41.2%)	(0.13)
EPS reported	(0.45)	(0.23)	(48.9%)	(0.13)

Source: Company data, RaaS estimates

Outlook commentary

Pointerra noted in its presentation that early activity in FY22 was accelerating opportunities across key markets. The company has received orders for additional paid POC projects designed to deliver new platform analytics capability as it rolls out its enterprise platform to key US utility customers. Pointerra expects this additional platform analytics capability to grow ACV spend by existing and new utility customers.

3DP is poised to launch the digital twins solutions it developed for Australian tier-1 mining sector customers into the US market targeting tier-1 miners there. The company expects to see growth in mining sector ACV in FY22.

The company announced that it has signed an MOU with Australian predictive analytics management company, Advanced Mobility Analytics Group P/L to use 2D and 3D predictive analytics to support safety, operations, management and planning by the transport sector. The relationship is aiming to accelerate growth in spend from the Australian and US transport sectors.

Pointerra also is undertaking a new facilities management paid POC for autonomous vehicle navigation and movement secured with a US-based global warehousing & logistics customer. This POC will leverage the capability of the former Airovant team.

Earnings Adjustments

We have made some small adjustments to our FY22 and FY23 forecasts, chiefly in relation to the USD/AUD exchange rate we were using. Since July 1, the average USD/AUD exchange rate has been \$0.74, we had been using \$0.8 in our forecasts. This adjustment accounts for 80% of our topline changes. Note that our forecasts

for US\$ derived ACV have not changed. Our NPAT forecasts have lifted slightly due to lowered non-cash depreciation & amortisation estimates.

Exhibit 2: Earnings adjustments (in A\$m except otherwise noted)					
Year end June 30	FY22 old	FY22 new	FY23 old	FY23 new	
ACV US\$m	21.0	21.0	33.6	33.5	
Sales Revenue	15.6	14.5	37.7	37.9	
Total Revenue	16.0	14.7	37.7	37.9	
Gross Profit	14.2	13.4	34.1	34.5	
EBITDA underlying	6.4	5.6	23.7	24.3	
NPAT underlying	3.7	3.8	16.6	16.9	
EPS (cents per share)	0.5	0.6	2.4	2.5	

Source: RaaS estimates

DCF valuation

In our view, given the early stage nature of Pointerra's business, the discounted cashflow methodology to be 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 \$646m or \$0.90/share, fully diluted (previously \$0.94/share) 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)	364.6
PV of Enterprise	609.3
Net Cash at 30 June 2021	(5.2)
Net Value - Shareholder	614.4
No of shares on issue (fully diluted)	685.8
NPV in A\$	\$0.90

Source: RaaS Analysis

Exhibit 4: Financial Summary

Pointerra Ltd						Share price (31 August 2021)						A\$		0.37			
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	15.40	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	5.4	9.3					
Sales Revenue	0.4	1.2	4.0	14.5	37.9	EBITDA	(1.3)	(0.4)	(1.0)	(0.2)	1.2	4.4					
Total Revenue	0.9	1.9	4.6	14.7	37.9	EBIT	(1.3)	(0.5)	(1.0)	(0.3)	1.1	4.3					
Gross Profit	0.9	1.8	3.7	13.4	34.5	NPAT (normalised)	(1.3)	(0.5)	(0.9)	(0.3)	0.8	3.0					
EBITDA	(1.9)	(1.7)	(1.1)	5.6	24.3	Minorities	-	-	-	-	-	-					
Depn	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	NPAT (reported)	(1.3)	(1.2)	(1.0)	(0.5)	0.8	3.0					
Amort	(0.0)	(0.1)	(0.0)	(0.2)	(0.1)	EPS (normalised)	(0.24)	(0.10)	(0.15)	(0.04)	0.11	0.44					
EBIT	(1.9)	(1.8)	(1.3)	5.4	24.1	EPS (reported)	(0.25)	(0.20)	(0.15)	(0.08)	0.11	0.44					
Interest	0.0	(0.0)	0.0	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-					
Tax	0.0	0.0	0.0	(1.6)	(7.2)	Imputation	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.7)	(0.1)	(0.7)	0.5	3.7	3.6					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	(0.0)	(0.7)	0.6	3.7	3.6					
NPAT pre significant items	(1.9)	(1.8)	(1.2)	3.8	16.9	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	5.4	9.1					
NPAT (reported)	(1.9)	(2.5)	(1.5)	3.8	16.9	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	5.4	9.3
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	24.3	Gross Profit						0.5	1.3	1.5	2.8	5.0	8.6
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	(1.6)	(7.2)	Employment						(1.1)	(1.2)	(1.7)	(2.2)	(3.1)	(3.4)
Working capital changes	0.4	0.9	0.9	3.4	(3.4)	General & Admin costs						(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Operating cash flow	(1.4)	(0.8)	(0.3)	7.3	13.6	Other costs						(0.1)	0.0	(0.2)	(0.2)	(0.2)	(0.2)
Mtce capex	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	EBITDA						(1.3)	(0.4)	(1.0)	(0.2)	1.2	4.4
Free cash flow	(1.5)	(0.9)	(0.4)	7.3	13.6	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%)	38.6%	64.1%	
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT						(430.6%)	(147.1%)	(32.0%)	37.1%	63.6%	
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items						(429.0%)	(149.4%)	(31.0%)	25.9%	44.5%	
Cash flow pre financing	(1.5)	(0.9)	(0.4)	7.3	13.6	Net Debt (Cash)						0.9	2.3	4.8	12.0	25.6	
Equity	1.2	2.5	3.3	0.0	0.0	Net debt/EBITDA (x)						(x)	n/a	n/a	n/a	2.2	1.1
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)						(%)	448.2%	209.0%	2389.2%	325.4%	6288.1%
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	7.3	13.6	ROA						(100.0%)	(69.5%)	(21.4%)	41.9%	91.5%	
Balance sheet (A\$m)						ROE						(168.0%)	(258.4%)	(50.7%)	58.1%	100.5%	
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROIC						(140.4%)	149.1%	272.0%	(192.7%)	(928.1%)	
Cash	0.9	2.3	5.2	12.4	26.0	NTA (per share)						0.00	0.00	0.00	0.01	0.03	
Accounts receivable	0.5	0.6	1.1	2.9	7.5	Working capital						0.0	(0.2)	(0.7)	0.7	4.2	
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)						8.0%	(15.5%)	(16.5%)	4.6%	11.2%	
Other current assets	0.1	0.0	0.0	0.0	0.0	Revenue growth						42.1%	176.9%	224.4%	264.1%	161.3%	
Total current assets	1.6	3.0	6.2	15.3	33.6	EBIT growth pa						n/a	n/a	n/a	(522.5%)	348.2%	
PPE	0.1	0.1	0.2	0.2	0.1	Pricing						FY19A	FY20A	FY21A	FY22F	FY23F	
Intangibles and Goodwill	0.1	0.1	1.6	1.5	1.4	No of shares (y/e)						(m)	521	613	678	680	683
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares						(m)	509	559	640	680	683
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported						cps	(0.4)	(0.5)	(0.2)	0.6	2.5
Other non current assets	0.0	0.4	0.3	0.3	0.3	EPS Normalised/Diluted						cps	(0.4)	(0.3)	(0.2)	0.6	2.5
Total non current assets	0.1	0.5	2.1	2.0	1.8	EPS growth (norm/dil)						n/a	n/a	n/a	(386.1%)	347.7%	
Total Assets	1.7	3.5	8.4	17.3	35.4	DPS						cps	-	-	-	-	-
Accounts payable	0.5	0.8	1.7	2.2	3.3	DPS Growth						n/a	n/a	n/a	n/a	n/a	n/a
Short term debt	0.0	0.0	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	0.4	1.2	1.4	6.3	8.1	PE (x)						-	-	-	67.1	15.0	
Total current liabilities	0.9	2.0	3.2	8.6	11.5	PE market						18.0	18.0	18.0	18.0	18.0	
Long term debt	0.0	0.0	0.3	0.3	0.3	Premium/(discount)						(100.0%)	(100.0%)	(100.0%)	272.8%	(16.9%)	
Other non current liabs	0.0	0.3	0.3	0.3	0.3	EV/EBITDA						nm	nm	nm	42.9	-	
Total long term liabilities	0.0	0.3	0.6	0.6	0.6	FCF/Share						cps	(0.3)	(0.1)	(0.0)	1.1	2.0
Total Liabilities	0.9	2.3	3.8	9.2	12.1	Price/FCF share						(135.9)	(305.8)	(1,719.6)	34.3	18.5	
Net Assets	0.7	1.2	4.6	8.1	23.3	Free Cash flow Yield						(0.7%)	(0.3%)	(0.1%)	2.9%	5.4%	
Share capital	6.8	9.2	13.8	13.8	13.8												
Accumulated profits/losses	(7.6)	(10.2)	(11.7)	(7.9)	8.9												
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	8.3	25.2												

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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