

Upgrading for Airovant acquisition, valuation is \$0.94/share

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. We have incorporated into our forecasts the estimated Annual Contract Value and costs that will be delivered with the Airovant acquisition, announced last Friday. To recap, Pointerra will acquire the business assets and undertakings of US digital asset management business Airovant for US\$1m in 3DP shares while the four founders of the business will be engaged by Pointerra on an ongoing basis, each receiving 2m ordinary shares to vest in three equal tranches over three years of continuous employment. We see the earnings impact coming through in FY22 and have accordingly upgraded our FY22 ACV forecast by 10.5%, revenue by 5.3% and EBITDA by 12.6%. We now expect Pointerra to get to US\$50m ACV by December 2024 (previously June 2025) and as a consequence our base case DCF valuation has increased to \$0.94/share (previously \$0.75/share).

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.

Airovant acquisition is EPS positive in FY22

We have incorporated the Airovant acquisition into our forecasts, estimating that the business will deliver an additional US\$2m in annual contract value in FY22. After including employment and operating costs, we estimate that Airovant will contribute \$0.75m in EBITDA in FY22. The number of shares issued for the Airovant assets will be calculated based on the closing price of Pointerra's shares at the date the Business Purchase Agreement is executed, which is expected to be in June. However, using the closing price of 3DP's shares yesterday (\$0.59), we estimate that an additional 2m shares will be issued for the acquisition, with another 2.67m vesting on the 1st, 2nd and 3rd anniversary of the transaction providing the founders remain with the company. On our estimates the acquisition is 12.4% EPS positive to our forecasts.

Base case DCF valuation is \$0.94/share (previously \$0.75)

We use the discounted cashflow methodology to value Pointerra using a WACC of 14.0% (beta 1.8, terminal growth rate of 2.2%). The upgrade to our forecasts has resulted in our base case valuation increasing to \$0.94/share from \$0.75/share previously. We now anticipate that with the Airovant business on board, and the team's ability to shorten the sales cycle, that ACV will reach US\$50m by H1FY25. We have dimensioned an upside case whereby ACV hits US\$50m by H1FY23 and this delivers a valuation of \$1.81/share. Further earnings upside can be derived from 3DP's 3D Insights data marketplace.

Historical earnings and RaaS forecasts

Year end	ACV [^] (US\$m)	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/19a	1.3	0.4	0.9	(1.9)	(1.9)	(0.4)	nm	nm
06/20a	2.9	1.2	1.8	(1.7)	(1.8)	(0.3)	nm	nm
06/21e	10.2	5.0	4.5	(0.6)	(0.8)	(0.1)	81.7	nm
06/22e	21.0	15.6	14.2	6.4	4.5	0.7	25.5	62.6

Source: Company data for historical earnings, RaaS estimates for FY21e and FY22e [^]Annual Contract Value

Software & services

4th May 2021

Share details

ASX Code	3DP
Share price (3 May)	\$0.58
Market Capitalisation	\$393M
Shares on issue (post transaction)	676.8M
Net cash 31 March 2021	\$5.1M

Share performance (12 months)



Upside Case

- Highly scalable business model
- Endorsed by tech veteran's recent 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 utilities
- Development of data marketplace

Board of Directors

Neville Bassett	Non-Executive Chairman
Paul Farrell	Non-Executive Director
Ian Olson	Managing Director/CEO

Company contact

Ian Olson (MD/CEO) +61 417 998 328
ian.olson@pointerra.com

RaaS Advisory contacts

Finola Burke* +61 414 354 712
finola.burke@raasgroup.com

*Analyst holds shares

Acquiring a likeminded team

Pointerra has announced it intends to acquire the business assets and undertakings of US drone-based digital asset management business Airovant for US\$1m in shares, subject to completion of due diligence and the signing of a business purchase agreement. The company is anticipating that the transaction will complete in June 2021. The number of shares to be issued will be calculated on the closing price of Pointerra's shares at the date the agreement is executed. Based on yesterday's close of \$0.58/share and the current US/AUD exchange rate of \$0.78, we estimate just over 2.1m shares will be issued.

Airovant's four founders, Jonathan Montague, Matthew Boyd, Logan McConnell and Ori Paamoni, will be employed by Pointerra and receive up to 2m shares each with the shares vesting in three equal tranches over three years on each anniversary of continuous employment with Pointerra. The transaction delivers a business which is focused on the architecture, engineering and construction (AEC) sector, and energy utilities, delivering digital asset management solutions based on 2D data. Pointerra expects the addition of the Airovant team and its existing client base will help shorten the sales cycle in the AEC and utilities markets and as a consequence, drive growth in Annual Contract Values. Pointerra expects that the acquisition will be both cashflow and earnings accretive in FY22.

Earnings adjustment

We estimate that the Airovant business will add US\$2m to FY22 ACV and around \$0.75m in EBITDA to FY22 earnings and have included these in our forecasts for FY22 and this has flowed through to later years. The only change to our FY21 forecasts is to the issue of shares for the transaction, before the end of June, which we anticipate will be slightly negative to our previous EPS forecasts. In FY22, however, we see the acquisition delivering a positive effect to ACV, revenues, EBITDA and EPS as set out in the following exhibit.

Exhibit 1: Earnings adjustments						
Year ending June 30	FY21 old	FY21 new	% chg	FY22 old	FY22 new	% chg
ACV US\$m	10.2	10.2	0.0%	19.0	21.0	10.5%
Sales Revenue	5.0	5.0	0.0%	14.9	15.6	5.3%
Total Revenue	5.6	5.6	0.0%	15.2	16.0	5.2%
Gross Profit	4.5	4.5	0.0%	13.4	14.2	5.3%
EBITDA	(0.6)	(0.6)	0.0%	5.7	6.4	12.6%
NPAT	(0.8)	(0.8)	0.0%	4.0	4.5	12.4%
EPS	(0.1)	(0.1)	(3.2%)	0.6	0.7	12.2%

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 \$0.94/share (previously \$0.75/share). We include the 8m additional shares being issued to Airovant's founders in our valuation. Our valuation is predicated on Pointerra reaching an ACV of US\$50m by H1 FY25, with the Airovant acquisition accelerating this expectation by six months.

Exhibit 2: DCF valuation	
DCF valuation	Parameters
Discount Rate / WACC	14.0%
Beta	1.8
Terminal growth rate	2.2%
CAGR in FCF FY22-30	61.4%
Sum of PV (A\$m)	240.7
PV of terminal Value (A\$m)	400.3
PV of Enterprise	641.0
Net Cash at 31 March 2021	(5.1)
Net Value - Shareholder	646.1
No of shares on issue (fully diluted)	685.3
NPV in A\$	\$0.94

Source: RaaS Analysis

Exhibit 3: Financial Summary

Pointerra Ltd						Share price (3 May 2021)						A\$		0.58			
Profit and Loss (A\$m)						Interim (A\$m)						H119F	H219F	H120A	H220A	H121F	H221F
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	Annual contract revenue (US\$)	0.68	1.27	1.90	2.87	6.88	10.17					
Annual contract value (US\$m)	n.a	1.3	2.9	10.2	21.0	Revenue	0.1	0.3	0.5	0.7	1.6	4.0					
Sales Revenue	0.3	0.4	1.2	5.0	15.6	EBITDA	(1.3)	(0.5)	(1.3)	(0.4)	(1.0)	0.4					
Total Revenue	0.8	0.9	1.9	5.6	16.0	EBIT	(1.3)	(0.6)	(1.3)	(0.5)	(1.0)	0.2					
Gross Profit	0.8	0.9	1.8	4.5	14.2	NPAT (normalised)	(1.3)	(0.6)	(1.3)	(0.5)	(0.9)	0.2					
EBITDA	(1.5)	(1.9)	(1.7)	(0.6)	6.4	Minorities	-	-	-	-	-	-					
Depn	(0.0)	(0.0)	(0.0)	(0.1)	0.0	NPAT (reported)	(1.3)	(0.7)	(1.3)	(1.2)	(0.9)	0.2					
Amort	(0.0)	(0.0)	(0.1)	(0.0)	(0.0)	EPS (normalised)	(0.27)	(0.12)	(0.24)	(0.10)	(0.15)	0.02					
EBIT	(1.5)	(1.9)	(1.8)	(0.7)	6.4	EPS (reported)	(0.26)	(0.13)	(0.25)	(0.20)	(0.15)	0.02					
Interest	0.0	0.0	(0.0)	0.0	0.0	Dividend (cps)	-	-	-	-	-	-					
Tax	0.0	0.0	0.0	(0.1)	(1.9)	Imputation	-	-	-	-	-	-					
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(0.6)	(0.8)	(0.7)	(0.1)	(0.7)	1.5					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.6)	(0.8)	(0.7)	(0.0)	(0.7)	1.5					
NPAT pre significant items	(1.5)	(1.9)	(1.8)	(0.8)	4.5	Divisions	H119F	H219F	H120A	H220A	H121F	H221F					
Significant items	0.0	(0.0)	(0.7)	0.0	0.0	Contract revenue	0.1	0.3	0.5	0.7	1.6	3.4					
NPAT (reported)	(1.7)	(1.9)	(2.5)	(0.8)	4.5	R&D grants	0.0	0.5	0.0	0.7	0.0	0.5					
Cash flow (A\$m)	Total Revenue						0.1	0.8	0.5	1.4	1.6	4.0					
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	COGS	0.0	0.0	0.0	0.1	0.1	0.3					
EBITDA	(1.5)	(1.9)	(1.7)	(0.6)	6.4	Gross Profit	0.1	0.8	0.5	1.3	1.4	3.6					
Interest	0.0	0.0	(0.0)	0.0	0.0	R&D costs	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)					
Tax	0.0	0.0	0.0	(0.1)	(1.9)	Employment	(0.9)	(0.8)	(1.1)	(1.2)	(1.7)	(2.5)					
Working capital changes	0.1	0.4	0.9	3.1	4.1	General & Admin costs	(0.3)	(0.3)	(0.4)	(0.3)	(0.3)	(0.4)					
Operating cash flow	(1.4)	(1.4)	(0.8)	2.4	8.6	Other costs	(0.1)	(0.0)	(0.1)	0.0	(0.2)	(0.2)					
Mtce capex	(0.0)	(0.0)	(0.1)	(0.0)	0.0	EBITDA	(1.3)	(0.5)	(1.3)	(0.4)	(1.0)	0.4					
Free cash flow	(1.4)	(1.5)	(0.9)	2.4	8.6	Margins, Leverage, Returns	FY18A	FY19A	FY20A	FY21F	FY22F						
Growth capex	(0.0)	(0.0)	(0.0)	(0.0)	0.0	EBITDA	(481.3%)	(419.2%)	(138.7%)	(11.9%)	40.7%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	(494.4%)	(430.6%)	(147.1%)	(15.0%)	40.8%						
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items	(487.4%)	(429.0%)	(149.4%)	(15.3%)	28.7%						
Cash flow pre financing	(1.4)	(1.5)	(0.9)	2.4	8.6	Net Debt (Cash)		1.4	0.9	2.3	6.0	14.6					
Equity	0.0	1.2	2.5	3.3	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	2.3					
Debt	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(867.7%)	448.2%	209.0%	270.7%	230.2%					
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	-					
Net cash flow for year	(1.4)	(0.4)	1.6	5.7	8.6	ROA		(100.0%)	(69.5%)	(12.9%)	46.0%						
Balance sheet (A\$m)	ROE							(168.0%)	(258.4%)	(30.6%)	74.8%						
Y/E 30 June	FY18A	FY19A	FY20A	FY21F	FY22F	ROIC		126.1%	149.1%	50.9%	(192.2%)						
Cash	1.4	0.9	2.3	6.4	15.0	NTA (per share)		0.00	0.00	0.00	0.01	0.01					
Accounts receivable	0.6	0.5	0.6	1.3	4.2	Working capital		0.1	0.0	(0.2)	1.1	3.6					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		43.6%	8.0%	(15.5%)	22.2%	23.0%					
Other current assets	0.0	0.1	0.0	0.0	0.0	Revenue growth			42.1%	176.9%	305.5%	214.0%					
Total current assets	2.0	1.6	3.0	7.7	19.2	EBIT growth pa		n/a	n/a	n/a	n/a	(952.3%)					
PPE	0.1	0.1	0.1	(0.0)	(0.0)	Pricing		FY18A	FY19A	FY20A	FY21F	FY22F					
Intangibles and Goodwill	0.1	0.1	0.1	0.1	0.0	No of shares (y/e)	(m)	494	521	613	677	680					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	407	509	559	673	680					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.4)	(0.4)	(0.5)	(0.1)	0.7					
Other non current assets	0.0	0.0	0.4	0.4	0.4	EPS Normalised/Diluted	cps	(0.4)	(0.4)	(0.3)	(0.1)	0.7					
Total non current assets	0.1	0.1	0.5	0.4	0.4	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	(625.8%)					
Total Assets	2.1	1.7	3.5	8.1	19.6	DPS	cps	-	-	-	-	-					
Accounts payable	0.5	0.5	0.8	0.2	0.6	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Short term debt	0.0	0.0	0.0	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	0.1	0.4	1.2	3.7	10.3	PE (x)		-	-	-	-	87.9					
Total current liabilities	0.6	0.9	2.0	4.0	11.1	PE market		18.0	18.0	18.0	18.0	18.0					
Long term debt	0.0	0.0	0.0	0.3	0.3	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)		388.5%					
Other non current liabs	0.0	0.0	0.3	0.0	0.0	EV/EBITDA		nm	nm	nm	nm	59.7					
Total long term liabilities	0.0	0.0	0.3	0.3	0.3	FCF/Share	cps	(0.3)	(0.3)	(0.1)	0.4	1.3					
Total Liabilities	0.6	0.9	2.3	4.3	11.4	Price/FCF share		(211.4)	(213.1)	(479.4)	158.7	45.7					
Net Assets	1.5	0.7	1.2	3.8	8.3	Free Cash flow Yield		(0.5%)	(0.5%)	(0.2%)	0.6%	2.2%					
Share capital	5.7	6.8	9.2	12.5	12.5												
Accumulated profits/losses	(5.7)	(7.6)	(10.2)	(11.0)	(6.5)												
Reserves	1.5	1.6	2.2	2.3	2.3												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	1.5	0.7	1.2	3.8	8.3												

Source: RaaS Advisory



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: 26th November 2018



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Pointerra Ltd prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2021 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.