



November 20, 2024

THE LONG PULL: Intermap Technologies (IMP/ITMSF)

Intermap Technologies (IMP/ITMSF) is our latest *Invest then Investigate* position in our portfolio.

The company checks every box for a **Trifecta Lens Trade**:

- **Fundamentals:** Massive inflections in revenue, profits, and margins, no debt, recently turned profitable, irreplicable data assets, and 5-7x return potential.
- **Sentiment:** The former management team burned investors by overpromising and underdelivering, destroying capital, taking on too much debt, and crushing the share price. Yet strong secular tailwinds are in place.
- **Technicals:** The stock is breaking out of a four-year base on record weekly/monthly buying volume.

IMP is a geospatial intelligence company that provides 3D terrain data, software, and solutions for various industries.

They help insurance companies underwrite more accurate policies, aviation experts navigate elevation and terrain, and military personnel operate in non-GPS zones.

The business model has three revenue pillars:

- 1) **Data Acquisition and Collection:** IMP-owned and patented sensors scan terrain to generate foundation-level data, which they add to their NEXTMap database.
- 2) **Value-Added Products and Services:** AI-driven insights on specific data points using their NEXTMap database and proprietary AI/ML models.
- 3) **Commercial Applications:** Webstore and software sales to commercial clients that need accurate elevation data in their workflows/products.

By 2026, the company should **generate its market cap in revenue** at 40%+ profit margins with no debt.

At a conservative 15x multiple, **shares would be worth \$7 or 500% higher than our cost basis.**

Let's dive in!

Intermap Technology's Competitive Advantage

“Imagine if you’re a university and you have the only library in the world, and we have that going back decades.” - Patrick Blott, CEO

IMP is unique because it's a small company (~\$70M market cap) with insurmountable competitive advantages.

The company owns the world's largest 3D, high-resolution, elevation geospatial dataset. Every aspect of the company's value chain is patented, from the sensors they put on the planes to the NEXTMap database software to the AI/ML software used to interpret the data.

Another reason IMP has such strong barriers to entry is that it developed its technology in partnership with DARPA, which it can then use to cross-sell into the commercial space.

Commercial clients, like insurance underwriters, use IMP to obtain military-grade 3D elevation data on a global scale **that they can't get from any alternative source.**

Here's CEO Patrick Blott explaining the competitive advantage (emphasis added):

*“We operate our dual-use technology under exclusive permits to provide mil spec data for commercial applications. **So you cannot get Intermap quality data at this scale from alternative sources.**”*

There are competitors, but they compete at a much smaller scale than IMP. IMP's advantage is that it has **global** data. It can go anywhere and provide any data point a customer needs.

Think of it like the competition taking a photo of a blade of grass in your backyard. That's very niche.

But suppose you're a government trying to map your country or a military defense contractor trying to map elevation data for its pilots. In that case, you want **global data** that captures everything (see excerpt from the company's annual report below):

*“Unlike many geospatial companies, because of its unique acquisition and processing capability, Intermap retains exclusive ownership of its high resolution NEXTMap® database, **which covers the entire globe.**”*

And since they pair that global mandate with 3D elevation data, IMP can provide its customers with a significantly better product/solution. Check out the example below.



Intermap's 1m Elevation Data



Free Elevation Data

Elevation details matter when planning a city, choosing infrastructure projects, or navigating aircraft/drones.

Sometimes, [the difference is life or death](#). Here's an example from 2017: a rescue helicopter crashed on Blackrock Island, Ireland, due to **faulty elevation data**.



Everyone on the helicopter died due to inaccurate 3D elevation data.

IMP's database is almost irreplicable. It requires decades of investment, mapping, military and governmental approvals, relationship building, and product development.

Even if you wanted to replicate IMP's database and technology, it's all patent-protected. So you must go through IMP to replicate IMP.

If you're a customer (government or commercial), why would you choose anyone else? You have an existing relationship with IMP, and you know they have the world's largest dataset to scale with your needs. You can contact the US Air Force and DARPA as references.

I can't overemphasize how important scale and size are in this business. The more data you have, the easier it is for your customers to choose you and the easier it is to grow with them.

There's no better example of this scale benefit than IMP's latest contract win with Indonesia's *One Map Program*.

The Indonesia Project: A Step Change in IMP's Financials

Indonesia created the *One Map Program* in 2020 to map the country by 2024. Specifically, the government wanted a base map.

According to [IMP's Indonesia presentation](#), base maps "are critical tools in policy formulation, decision making and implementation of activities such as natural resource management, disaster management and spatial planning."

Indonesia's capital city, Jakarta, is sinking like "I'm-stuck-in-quicksand-please-someone-help-me-God" sinking.

Jakarta is one of the fastest sinking cities in the world. Many commercial and residential areas, especially in the north of the city, have already been destroyed due to flooding which has also been exacerbated by climate change. Aug 15, 2024



Oxford Economics

<https://www.oxfordeconomics.com> › Resource Hub

Basemaps will help Indonesia move Jakarta ... somewhere else?

Anyway, this is a huge problem, and they need maps. In 2020, they issued a public competitive bidding process, and IMP won the initial bid. They beat local competitors because they have the most extensive dataset and can map the entire country.

Nobody else could match IMP's scale.

The first 10% of the project had a contract value of \$20M. **This values the entire award at \$200M.**

Remember, IMP did \$8M in revenue last year and will do ~\$16-18M this year. The *One Map Program* is a step-function change in IMP's revenue.

Who will win the remaining 90% of the project? Will it be the company that has the largest global dataset that can service 100% of Indonesia's mapping needs, existing relationships with the Indonesian government, and the proof of concept to win the first 10% of the contract?

Or will it be a local competitor that doesn't have the data necessary to do the job?

While not certain, it is highly probable that IMP will be awarded the remaining 90% of the contract for an **additional \$180M over the next 4 years (~\$40-45M annual revenue).**

Let's talk about operating leverage because this is where things get exciting.

The Power of IMP's Operating Leverage Model

As I mentioned earlier, the IMP business model has significant operating leverage. They spend a lot of money upfront to service a customer's contract, which is often years-long, and then reap the revenue over time at incrementally higher margins.

Here's how Patrick Blott explains IMP's operating leverage (emphasis mine):

*"We are operating at less than 30% of our effective installed capacity and can easily ramp up production to accommodate additional and larger contracts. **Much of our up-front deployment and innovation costs have been absorbed.** So we anticipate operating leverage to **continue to provide expanding margins going forward.**"*

Blott further highlights the operating leverage advantage later in the earnings call (emphasis added):

*“There's **tremendous installed capacity**, and there's **tremendous asset base** at the company, in particular, with the **data archive sensors and platform**. And so what you see once we move the battleship and it starts going in a direction, it goes faster and faster and faster. **And those margins expand accordingly**. And you're already seeing that in this quarter's results, and you're going to see it even further in the next quarter's results because **you're going to start getting greater advantage of the operating leverage**.”*

What does that mean for IMP's Indonesia project? Let's assume it wins the remaining 90% for an additional \$180M. Since they've already spent most of the capex on this project, a greater portion of that \$180M will flow to the bottom line as profit.

The company estimates that they'll generate 25% profit margins by year-end. If they win the rest of the *One Map* contract, profit margins should expand beyond 40%.

Over the next four years, IMP could **generate \$16-\$18M in annual pre-tax profits from the Indonesia project alone**.

That's without including other contract wins, such as its [Aon insurance partnership](#), [US DoD Irregular Warfare](#), or the [National Geospatial Agency's Luno A project](#).

Thinking About Valuation

Between the Indonesia project and the above contract wins, you can envision a reality where IMP generates revenue multiples of its market cap at 40-50% incremental profit margins.

Suppose they get there by 2026 and generate \$63M in annual revenue at 40% margins.

You'd have a SaaS-based company with an irreplicable global dataset at the forefront of multiple secular tailwinds, no debt, and growing revenue at 100%+ CAGRs with 40%+ margins.

What's that business worth? 12-15x pre-tax profits, at least. That gives us a roughly **~\$6-7/share valuation versus the current price of \$1.20 (400-500% upside)**.

What if margins expand further to 45%? That gets us **\$6.50-\$8/share in value or ~600% upside**.

Final Thoughts: Management, History, and Intangibles

If you scroll far enough left on IMP's chart, you see something that resembles shit-coin price action.

The company promised a massive data contract in the DRC, which never materialized. The stock went from a high of \$8/share to \$0.70, wiping out every shareholder.

The good news is that Patrick Blott replaced the entire board and previous management team when he became CEO.

But that's not all.

He cleaned up the balance sheet by paying off high-interest senior debt and swapping it with a small amount of low-interest unsecured debt. While transitioning to CEO, he bought ~20% of the company with his money.

The company recently financed CAD 0.45/share *without warrants*, which was oversubscribed, and Patrick personally invested alongside shareholders.

Since the financing, IMP has been up ~300%. This reminds me of NICU's price action after its oversubscribed financing. Investors are buying into the story. The company is executing, and **people want in**.

Historical financials do not tell the story about IMP, and that's why the opportunity exists.

IMP is an excellent business with significant assets run by aligned and talented people executing on a massive secular growth tailwind with SaaS-like margins and revenue growth.

This is a stock I hope to own for years.

Your Value Operator,

Brandon