



Yojee Ltd (YOJ.ASX)

Onboarding Clients with Version 2.0

Event:

- We initiate research on Yojee Limited (YOJ).

Investment Highlights:

- YOJ provides logistics software and a technology platform for supply chain management capabilities to clients.** YOJ has developed its own delivery software and technology platform. The software allows clients increased revenue opportunity from expanded geographic delivery network and capacity, and significant cost savings from improved operating efficiencies, including autonomous dispatch, route, fleet, and asset optimisation, and planning and monitoring functions.
- The company is through the development stage of version 2.0, and is ready to expand.** We believe the company is on the cusp of ramping up revenue generation, having accumulated a portfolio of 32 software clients to date, including a spread of multinational, national, and SME client profiles.
- YOJ's elegant, universal solution to complex logistics issues** gives rise to technology disruption opportunity. The logistics industry is characterised by legacy systems and processes that are vulnerable to disruption from new technology. These markets are highly fragmented and digitally immature, with digitisation and transformation a high priority for logistics players.
- Global logistics partners point to excellent product validation.** Pilots, agreements and contracts with global leaders including DB Schenker, Scharff (global FedEx partner in Peru and Bolivia), and UPS Asia, underscore excellent product validation for the YOJ software and platform.
- Market opportunity is exceptional.** The global logistics supply chain software industry is estimated at US\$4B, and the company is targeting domestic as well as Asian growth opportunities, with similar sized markets, stronger growth, and a chance to be first choice in relatively immature logistics networks.
- Standing on the cusp of winning further multinational clients.** The company is hopeful of progressing its pilot work with UPS Asia and DB Schenker, along with strong multinational pipeline, to contractual partnerships.
- Well-funded with no debt:** the company has ~\$7.6M cash after a recent placement, and in our view is well positioned to expand. We believe YOJ can reach cash flow breakeven by as early as CY19e end.

Earnings and Valuation:

- We forecast a loss of \$4.4M in FY19e and maiden profit of \$1.5M in FY20e,** as the company seeks to expand rapidly into new customers, as well as targeting growth among existing accounts.
- We derive a valuation for YOJ of \$0.12/share by DCF.** While this value is above the range of that derived from applying peer EV/Sales multiples, we anticipate very strong sales growth from YOJ over the forecast horizon, versus its peers.

Recommendation:

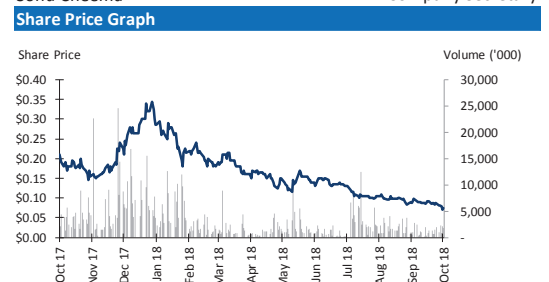
- We initiate coverage on YOJ with a Buy recommendation and 12-month price target of \$0.12/share,** in line with our DCF valuation.
- Catalysts for the share price** include: 1) contract wins with new partners; 2) growth in existing accounts; 3) cash flow breakeven, as early as CY19e end.

| | |
|-----------------------------------|-----------------|
| Recommendation | Buy |
| Previous | N/A |
| Risk | High |
| Price Target (A\$) | \$ 0.12 |
| Previous (A\$) | N/A |
| Share Price (A\$) | \$ 0.075 |
| ASX Code | YOJ |
| 52 week low - high (A\$) | 0.07-0.345 |
| Methodology | DCF |
| Capital structure | |
| Shares on Issue (M) | 847.4 |
| Options (M) | 103.2 |
| Undiluted Market Cap, A\$M | 63.6 |
| Net Cash/(Debt), A\$M | 7.6 |
| EV (A\$m) | 55.9 |
| 12mth Av Daily Volume ('000) | 3,056 |

| Forecasts, A\$M | 2018a | 2019e | 2020e | 2021e |
|-----------------|-------|-------|-------|-------|
| Revenue | 0.4 | 3.1 | 12.3 | 20.5 |
| EBITDA | -5.9 | -4.4 | 2.2 | 6.8 |
| NPAT | -5.7 | -4.4 | 1.5 | 4.7 |
| EPS, cps | -0.8 | -0.5 | 0.2 | 0.5 |
| EV/Sales, x | 84.0 | 18.0 | 4.6 | 2.7 |

| Shareholders | |
|-------------------------------------|------|
| Reef Investments | 9.0% |
| Thorney | 5.9% |
| The Twentieth Century Motor Company | 5.3% |

| Board | |
|------------------|------------------------|
| Ray Lee | Chairman |
| Edward Clarke | Managing Director |
| Shannon Robinson | Non-Executive Director |
| Jason Marinko | Non-Executive Director |
| Sonu Cheema | Company Secretary |



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The analyst does not own YOJ securities.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 2,550,000 YOJ shares and 250,000 YOJ options. Cranport Pty Ltd owns 4,744,429 YOJ shares and 500,000 YOJ options.
Refer to end of report for details.

Foster Stockbroking acted as Sole Lead Manager to the placement of 80M YOJ shares at \$0.10 per share to raise \$8M in July 2018. Foster Stockbroking received fees for this service.