



LatAm Autos Ltd (LAA.ASX)

Continued Revenue Momentum

Event:

- Operational update; revised earnings and PT.

Investment Highlights:

- The company provided operational updates including seminuevos.com's integration with Facebook Marketplace on 13 November.
- New record month of revenue in October, continued positive momentum.** No additional disclosure was given to the skew of cross sell unit products and classifieds, or the delta from September 2018 revenue, although we welcome the continued positive momentum in group revenue.
- Significant progress on additional new loan product.** The company also announced it had made significant progress on agreements for the addition of new loan products onto the Motorfy platform, enabling the company to expand its coverage of differing credit profiles. We anticipate finalisation of additional loan products in the near term.
- Facebook Marketplace integration:** the company also announced integration of its auto classifieds platform with Facebook Marketplace. It allows LAA's dealer customers in Mexico to place their vehicle listings on Facebook Marketplace.
- Experienced slower than expected QoQ growth in Q3a:** 15% QoQ cross sell volume growth in Q3a, which was lower than the 30% we had forecast. Cash receipts were also lower than anticipated, though the company continued to make progress on cash burn reduction.

Earnings and Valuation:

- We have pulled back FY18e forecast revenue to \$8.1M from \$9.2M** as a result of lower than expected Q3a growth. Nevertheless, we still expect 40%+ sales growth for FY18e. We have also reduced FY19e and FY20e revenue forecasts to \$15.0M and \$24.7M (from \$18.3M and \$33.6M).
- We now forecast losses of **-\$9.3M and -\$3.1M in FY18e and FY19e, and a profit of \$3.0M in FY20e** (previously -\$8.3M, -\$1.0M, and \$9.3M), with new EPS forecasts of -2.1cps, -0.6cps, and 0.6cps (previously -1.9cps, -0.2cps, and 1.9cps).
- We are yet to include revenue from the recently launched warranty product (Garantias) and the newly launched loan product.** We await an update before incorporating warranty and new product revenue into our forecasts.
- We have a decreased valuation for LAA of \$0.27/share (prior \$0.29),** as a result of reduced forecasts over the horizon.

Recommendation:

- We maintain a Buy recommendation for LAA and decrease our 12-month price target of \$0.27/share (prior \$0.29), in line with our DCF valuation.**
- We continue to hold the view the stock is attractively valued** and expect a number of catalysts in the near term, especially additional new loan products and continued growth in cross sell units.
- Catalysts for the share price** include 1) cash flow breakeven by CY18e end; 2) continued high growth in Motorfy cross sell units; 3) growth in dealer network and loans per dealer; 4) continued growth in classifieds business; 5) continued online penetration and market share growth.

Disclosures

The analyst does not own LAA securities.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,162,500 LAA shares.
Cranport Pty Ltd owns 3,480,000 LAA shares.
Refer to end of report for details.

Foster Stockbroking acted as Sole Lead Manager to the placement of 40M shares at \$0.20 per share to raise \$8M in September 2018 and received fees for this service.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target (A\$)	\$ 0.27
Previous (A\$)	\$ 0.29
Share Price (A\$)	\$ 0.15
ASX Code	LAA
52 week low - high (A\$)	0.10-0.24
Methodology	DCF
Capital structure	
Shares on Issue (M)	417.7
Options (M)	57.7
Undiluted Market Cap, A\$M	62.7
Net Cash/(Debt), A\$M	2.6
EV (A\$M)	60.1
12mth Av Daily Volume ('000)	565

Forecasts, A\$M	2017a	2018e	2019e	2020e
Revenue	5.6	8.1	15.0	24.7
EBITDA	-9.6	-7.0	-1.9	6.2
NPAT	-12.3	-9.3	-3.1	3.0
EPS, cps	-3.9	-2.1	-0.6	0.6
EV/Sales, x	10.8	7.4	4.0	2.4

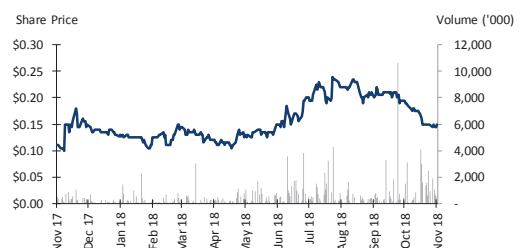
Shareholders

Log Creek	9.9%
Perennial	8.8%
Simon Clausen	6.6%
Tim Handley	6.3%
Gareth Bannan	5.1%

Board

Mike Fitzpatrick	Non-Executive Director
Colin Galbraith	Non-Executive Director
Simon Clausen	Non-Executive Director
Timothy Handley	Executive Chairman
Jorge Ribadeneira	Executive Director, CEO
Cameron Griffin	Alternate Director
Gareth Bannan	Alternate Director, CFO

Share Price Graph



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