



Yojee Ltd (YOJ.ASX)

Looking for More Growth

Event:

- FY19Q2a report; revised earnings and PT.

Investment Highlights:

- YOJ released its FY19Q2a report on 31 January** with highlights including cash receipts growth, continued customer additions, and cash burn reduction, while QoQ revenue pullback was a detraction in the update. The company is still waiting on finalisation of major contracts.
- Cash receipts up QoQ, though revenue down:** cash receipts for FY19Q2a increased 15% QoQ to \$136k, while revenue was \$153k, -12% QoQ. Both missed our expectations (FSBe \$700k), as we had anticipated a quicker ramp, while Q2a revenue was affected by cycling off implementation revenue in Q1a.
- Net burn continues to improve:** net cash used in operating activities for FY19Q2a was \$1.6M, a 10% beat on our expectations, and 18% improvement QoQ. The company continues to monitor marketing and administration costs closely, and expects continued improvement burn reduction in coming quarters.
- Nine new SaaS customers for the quarter.** YOJ signed two new national operators and seven SMEs across three countries, and also had a contract upgrade with Aero Line Malaysia. Four of the new additions were downstream partners of an existing national customer, suggesting YOJ is gaining some traction in its land and expand strategy. Client growth for the quarter was good in our view, though in line with our expectations. However, recent customer growth is not yet fully translating to top line growth.
- Still waiting on major agreement finalisation:** we believe YOJ is on the cusp of further significant agreements, having already performed pilots and test work, and delivered demonstrations of operational improvement with significant multinational operators.
- Well-funded with no debt:** YOJ had \$6M cash at quarter end with no debt.

Earnings and Valuation:

- We have lowered forecast earnings in FY19e to FY21e by -10%, -85%, and -39% to -\$4.8M, \$0.2M, and \$2.9M** (prior -\$4.4M, \$1.5M, and \$4.7M), due to the slower than anticipated growth over the last half, and from reducing our client growth rate assumption. Should YOJ win major contracts in the coming quarter, we believe this will accelerate revenue growth in 2H19e and into FY20e.
- We note our FY19e revenue forecast is predicated on contract wins with multinational partners in the coming quarter,** as well as client number growth to pick up as the company executes on its land and expand strategy.
- We have a decreased valuation for YOJ of \$0.11/share (DCF, prior \$0.12),** as a result of slower growth in the forecast horizon, and a pullback in client additions closer to recent run rates.

Recommendation:

- We have an unchanged Buy recommendation and a decreased 12-month price target of \$0.11/share (prior \$0.12),** in line with our DCF valuation.
- Catalysts for the share price** include: 1) contract wins with new partners, especially update on major contract wins in the coming quarter; 2) growth from existing accounts.

Disclosures

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 YOJ options.

Cranport Pty Ltd owns 4,744,429 YOJ shares and 500,000 YOJ options. Refer to disclosures at 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.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target (A\$)	\$ 0.11
Previous (A\$)	\$ 0.12
Share Price (A\$)	\$ 0.068
ASX Code	YOJ
52 week low - high (A\$)	0.055-0.265
Methodology	DCF
Valuation (A\$)	\$ 0.11
Valuation Methodology	DCF

Capital structure

Shares on Issue (M)	847.4
Options (M)	103.2
Undiluted Market Cap, A\$M	57.6
Net Cash/(Debt), A\$M	6.0
EV (A\$m)	51.6
12mth Av Daily Volume ('000)	1,666

Forecasts, A\$M

	2018a	2019e	2020e	2021e
Revenue	0.4	2.6	8.2	13.4
EBITDA	-5.9	-4.8	0.3	4.2
NPAT	-5.7	-4.8	0.2	2.9
EPS, cps	-0.8	-0.5	0.0	0.3
EV/Sales, x	77.5	19.5	6.3	3.9

Shareholders

Reef Investments	6.3%
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

Share Price Graph



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