



## Yojee Ltd (YOJ.ASX)

### On the Lookout for Larger Contracts

#### Event:

- 1H19 interim report; revised earnings.

#### Investment Highlights:

- YOJ released its 1H19a interim report on 1 March** with highlights including continued revenue and cash receipts growth, customer additions, and better than expected cost control, while cash burn increased. The company is still waiting on finalisation of major contracts which provide a meaningful step change in revenue.
- Strong revenue and cash receipts growth:** the company reported \$370k revenue for the interim period, up 68% HoH and 80% vs pcp. Cash receipts for the half were \$254k, up 55% HoH and 24% vs pcp.
- Seventeen new SaaS customers in 1H19a, tally of 40+ customers**, excluding single user clients. YOJ signed four new national operators and thirteen SMEs across three countries over the half, as well as inking a significant contract upgrade with Aero Line Malaysia in November 2018. A number of the new additions were downstream partners of an existing national customer, and we infer YOJ is achieving success through its existing upstream partners. Customer growth is solid, but is not yet fully translating to top line growth.
- Looking for improvement in net burn:** net operating cash outflow increased to \$2.7M for 1H19a (+9% HoH and 66% vs pcp), with the increase due to product costs in spite of employee cost control. The company continues to monitor marketing and administration costs closely, and is targeting improvement in burn reduction over the coming quarters.
- Still waiting on major agreement finalisation:** we hold the view YOJ is close to 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 1H19a end with no debt.

#### Earnings and Valuation:

- We have made modest adjustments to FY19-21e forecast earnings to -\$4.8M, \$0.2M, and \$2.9M** (prior -\$4.8M, \$0.2M, and \$2.9M), due to modest cost revisions over the forecast horizon. Should YOJ win major contracts in the coming quarter, we believe this will accelerate revenue growth in 2H19e and into FY20e.
- We continue to note our FY19e revenue forecast is predicated on contract wins with multinational partners in the coming quarters**, as well as client number growth to pick up as the company executes on its land and expand strategy.
- We have an unchanged valuation for YOJ of \$0.11/share.**

#### Recommendation:

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

#### Disclosures

The analyst does not own YOJ securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,446,613 YOJ shares and 250,000 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.**

<b>Recommendation</b>	Buy			
Previous	Buy			
Risk	High			
<b>Price Target (A\$)</b>	\$ 0.11			
Previous (A\$)	\$ 0.11			
<b>Share Price (A\$)</b>	\$ 0.072			
ASX Code	YOJ			
52 week low - high (A\$)	0.055-0.215			
Methodology	DCF			
<b>Valuation (A\$)</b>	\$ 0.11			
Valuation Methodology	DCF			
<b>Capital structure</b>				
Shares on Issue (M)	847.4			
Options (M)	91.2			
<b>Undiluted Market Cap, A\$M</b>	<b>61.0</b>			
Net Cash/(Debt), A\$M	6.0			
<b>EV (A\$M)</b>	<b>55.0</b>			
12mth Av Daily Volume ('000)	1,473			
<b>Forecasts, A\$M</b>				
	2018a	2019e	2020e	2021e
Revenue	0.4	2.6	8.2	13.4
EBITDA	-5.9	-4.6	0.3	4.2
NPAT	-5.7	-4.2	0.2	2.9
EPS, cps	-0.8	-0.5	0.0	0.3
EV/Sales, x	82.6	20.8	6.7	4.1

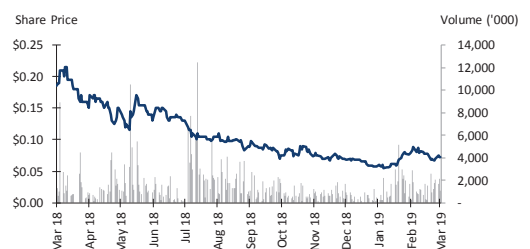
#### Shareholders

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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