



Yojee Ltd (YOJ.ASX)

Good Cost Control, Revenue Growth to Come

Event:

- FY19a report; new contracts.

Investment Highlights:

- YOJ announced its FY19a report on 30 August.** Highlights included excellent cash receipts growth and progress on cost containment to enable improvement towards profit breakeven. Sales revenue growth was 20%, and disappointed against our expectations of 94%.
- Strong growth in network revenue.** Total revenue for FY19a grew 99% to \$1.4M (inclusive of \$0.7M forex gain). However, sales revenue grew 20% to \$509k. Disaggregating sales revenue, network revenue growth was excellent, +115% YoY to \$303k, while software revenue decreased 18% to \$249k and was impacted by the application of a new accounting standard according to management. **Cash receipts growth of 75% to \$633k for FY19a was strong**, and gives some comfort as to the strength of the core business.
- Good execution on cost containment during the year.** Operating costs improved 20% YoY, as well as exceeding our expectations. Technology costs were reduced 74% YoY, professional costs by 36%, and other expenses by 12% to enable a decrease in underlying loss to \$4.5M for FY19a.
- 'Closing in on fifty clients' at year end.** The company however did not disclose exact customer numbers at period end or churn over the year.
- Four more multi-year agreements signed during August, with minimum value of \$175k.** This fixed contract minimum value does not include transaction fees. We see this as an encouraging signal and keenly await conversion to revenue and cash receipts in the coming quarterlies.
- YOJ had \$3.4M cash at 30 June, with no debt.** We continue to hold the view upfront installation fees for recent contract wins and initial rapid project implementation in FY20Q1, especially relating to the Geodis contract, will support the cash balance in the very near term.

Earnings and Valuation:

- We have revised FY20-22e forecast earnings to -\$1.3M, \$2.0M and \$4.8M** (prior -\$2.2M, -\$1.3M, and \$4.3M), as a consequence of lower sales which has been more than offset by lower costs in light of encouraging progress on cost containment to drive margin and earnings improvement.
- We have a decreased valuation for YOJ of \$0.13/share** (prior \$0.14/share) derived using DCF, as a result of lower long term forecast sales. We continue to view key global account wins such as Geodis provide greater visibility and a baseline for future revenue, as well as a significant derisking of YOJ's enterprise grade SaaS offering to multinational operators.

Recommendation:

- We continue to recommend YOJ as a Buy with a decreased 12-month price target of \$0.13/share**, in line with our DCF valuation.
- Catalysts for the share price** include: 1) contract wins with new partners, especially additional updates on key global accounts in coming quarters; 2) growth from existing accounts; 3) updates on project implementation under the key Geodis and Landmark agreements.

Disclosures

The analyst does not own YOJ securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 589,604 YOJ shares and 250,000 YOJ options.

Cranport Pty Ltd owns 4,994,920 YOJ shares and 500,000 YOJ options.

Refer to disclosures at end of report for details.

Recommendation	Buy			
Previous	Buy			
Risk	High			
Price Target (A\$)	\$ 0.13			
Previous (A\$)	\$ 0.14			
Share Price (A\$)	\$ 0.083			
ASX Code	YOJ			
52 week low - high (A\$)	0.055-0.13			
Methodology	DCF			
Valuation (A\$)	\$ 0.13			
Valuation Methodology	DCF			
Capital structure				
Shares on Issue (M)	847.4			
Options (M)	76.2			
Undiluted Market Cap, A\$M	70.3			
Net Cash/(Debt), A\$M	3.4			
EV (A\$m)	66.9			
12mth Av Daily Volume ('000)	1,472			
Forecasts, A\$M				
	2019a	2020e	2021e	2022e
Revenue	0.5	4.5	9.1	13.7
EBITDA	-4.6	-1.3	2.8	6.9
NPAT, underlying	-4.5	-1.3	2.0	4.8
EPS, cps	-0.5	-0.1	0.2	0.5
EV/Sales, x	51.1	14.9	7.4	4.9
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			
Gary Flowers	Non-Executive Director			
Sonu Cheema	Company Secretary			

Share Price	Volume ('000)
\$0.14	35,000
\$0.12	30,000
\$0.10	25,000
\$0.08	20,000
\$0.06	15,000
\$0.04	10,000
\$0.02	5,000
\$0.00	



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