FOSTER STOCKBROKING

EQUITY RESEARCH

Information Technology

5 February 2020

Yojee Ltd (YOJ.ASX)

Revenue growth offset by cash receipts decline

Event:

- **FY20Q2a report.**

Investment Highlights:

- **YOJ announced its FY20Q2a report on 31 January, delivering a mixed result** with revenue showing strong QoQ growth, offset by the disappointing decline in cash receipts on the prior quarter.
- **Strong QoQ revenue growth:** FY20Q2a revenue was $186k, +48% QoQ, however the company did not provide a breakdown of revenue from recurring platform licence fees, implementation and customisation work, and network revenue.
- **Cash receipts declined 10% QoQ:** the company called out seasonal impact on operator cash flow and a focus on recurring subscription revenue over customisation work as reasons for the decline. While the revenue growth was a highlight, we were disappointed by the decline in cash receipts and had expected an acceleration of receipts beginning from FY20Q2a. We note Q1a cash receipts were also affected by timing and infer cash receipts for the quarter were worse but for the receipt from the prior quarter.
- **Cross border network solution launched across multiple logistics hubs in SE Asia.** We understand this relates to Geodis rollout in initial SE Asian targets, and look forward to a full quarter contribution next quarter.
- **The company did not provide disclosure on customer additions or clients at the end of the quarter, churn, or an update on contracted revenue.**
- **YOJ had $4.0M cash at 31 December, with no debt**. Cash burn for the quarter was $1.3M. A $2.0M SPP is on foot.

Earnings and Valuation:

- **We have decreased FY20-22e forecast earnings of -$4.4M, -$0.8M, and $1.7M (previously -$1.3M, $2.0M and $4.8M),** primarily due to lower forecast sales to account for the delay in revenue and cash receipts growth. We continue to anticipate the launch and rollout of key account hubs, and associated transaction fees, will drive accelerated receipts and revenue in coming quarters, but this has taken some time to yield results.
- **We have a decreased valuation for YOJ of $0.08/share (prior $0.13)**. We continue to view key global account wins such as Geodis provide greater visibility and a baseline for future revenue, although we are still waiting for confirmation of this in accelerating cash receipts. We see receipts growth as a future milestone to validate YOJ's enterprise rollout.

Recommendation:

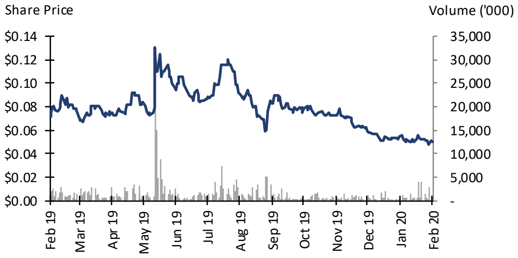
- **We continue to recommend YOJ as a Buy with a decreased price target of $0.08/share (prior $0.13),** in line with our DCF valuation.
- **Catalysts for the share price** include: 1) contract wins with new partners, especially additional updates on key global accounts in coming quarters including initial launch for Geodis hubs; 2) growth from existing accounts and upstream partners; 3) updates on project implementation under the key Geodis and Landmark agreements; 4) QoQ revenue and receipts growth.

Disclosures

The analyst does not own YOJ securities.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 589,604 YOJ shares.
Cranport Pty Ltd owns 6,847,820 YOJ shares.
Refer to disclosures at end of report for details.

Recommendation				Buy
Previous				Buy
Risk				High
Price Target (A$)				**$ 0.08**
Previous (A$)				$ 0.13
Share Price (A$)				**$ 0.05**
ASX Code				YOJ
52 week low - high (A$)				0.048-0.13
Methodology				DCF
Valuation (A$)				**$ 0.08**
Valuation Methodology				DCF
Capital structure				
Shares on Issue (M)				919.3
Options (M)				88.5
Undiluted Market Cap, A$M				**46.0**
Net Cash/(Debt), A$M				4.0
EV (A$m)				**42.0**
12mth Av Daily Volume ('000)				1,368
Forecasts, A$M	**2019a**	**2020e**	**2021e**	**2022e**
Revenue	0.5	0.9	4.6	8.9
EBITDA	-4.6	-4.4	-1.2	2.5
NPAT, underlying	-4.5	-4.4	-0.8	1.7
EPS, cps	-0.5	-0.4	-0.1	0.2
EV/Sales, x	32.0	49.1	9.2	4.7
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

Share Price Graph



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