

24 May 2018

Yojee Limited (YOJ)

A foundational contract is within reach

Yojee's agreement with DB Schenker provides further validation of the company's value proposition and growth strategy. While the latest agreement does not guarantee the coveted transactional revenues or network effect that Yojee is seeking, it represents a further step towards a major contract breakthrough.

Event

- Yojee has announced the signing of a Services Agreement with DB Schenker, which is one of the world's largest global logistics providers.

Key points

- Yojee has agreed to develop an on-demand last mile delivery platform for DB Schenker's operations within the Asian region (i.e. Schenker Asia Pacific).
- The initial agreement covers a four-month period, during which Yojee will provide the full suite of its logistics technology in return for implementation fees.
- Upon completion of the initial four-month contract term, both parties will evaluate the next steps, which will likely include a global rollout or a live network in Asia.

Key takeaways

- First, the agreement validates Yojee's value proposition and growth strategy, the latter of which focusses on large logistics operators in key parts of the supply chain.
- Second, the recent upgrade of Yojee's back end infrastructure to Elixr and Erlang accelerates the implementation process for the DB Schenker project.
- Third, a successful transition to a licensing/revenue agreement with DB Schenker has the potential to (i) be material for Yojee, and (ii) boost Yojee's network effect.

Earnings forecasts

- Our earnings estimates for Yojee remain more concept than fundamental. While the agreement with DB Schenker is encouraging, it remains work in progress.

Valuation

- As per our initial report, we estimate that Yojee's fair value approximates \$0.32 per share, within a valuation range of \$0.10 and \$0.70 per share.

Investment view

- Technological advancements have the potential to enhance the business models of companies operating in the logistics supply chain.
- Yojee's recent agreements with UPS and DB Schenker suggest that the company's technology has the potential to contribute to the industry's evolution.

BUY

Share Price: A\$0.14

Target Price: A\$0.32

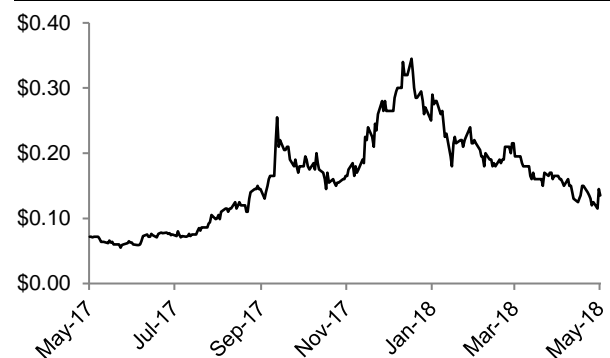
Company Data

Shares – ordinary (M)	748.4
Dilution (M)	91.5
Total (fully diluted) (M)	839.9
Market capitalisation (\$M)	101.0
12 month low/high (\$)	0.05 - 0.37
Average monthly turnover (\$M)	13.6
Index	Nil
GICS Industry	Application Software

Financial Summary (fully diluted/normalised)

Year end June	2016A	2017F	2018F	2019F	2020F
Revenue (\$M)	0.0	0.0	1.3	8.9	26.9
Costs (\$M)	0.4	1.9	6.3	8.0	16.5
EBITDA (\$M)	-0.4	-1.9	-4.9	0.9	10.4
NPAT (\$M)	-0.3	-1.9	-3.5	1.2	11.7
EPS (¢ps)	-0.1	-0.4	-0.5	0.1	1.4
PER (x)	n.m.	n.m.	n.m.	97.2	9.7
Cashflow (\$M)	-0.3	-1.8	-4.8	1.8	10.6
CFPS (¢ps)	-0.1	-0.4	-0.7	0.2	1.3
PCFPS (x)	-145.8	-38.1	-19.1	61.8	10.6
Enterprise Value (\$M)	60.0	68.6	111.4	109.7	101.8
EV / EBITDA (x)	-169.3	-36.3	-22.5	128.4	9.8
Dividends (¢ps)	0.0	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0	0.0

YOJ – performance over one year



Disclosure and Disclaimer

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Analysis

Yojee Limited

Year End June

MARKET DATA

Recommendation		Buy
Price	\$	0.14
Price target (12-month)	\$	0.32
52 week high / low		0.04 - 0.37
Market capitalisation	\$m	101.0
Shares on issue (basic)	no.	748.4
Performance rights	no.	0.0
Other equity	no.	91.5
Shares on issue (diluted)	no.	839.9

12-MONTH SHARE PRICE PERFORMANCE



INVESTMENT FUNDAMENTALS

	2016A	2017A	2018F	2019F	2020F
Reported net profit	\$m (6.2)	(1.9)	(3.5)	1.2	11.7
Normalised net profit	\$m (0.3)	(1.9)	(3.5)	1.2	11.7
Reported EPS (diluted)	¢ (1.7)	(0.4)	(0.5)	0.1	1.4
Normalised EPS (diluted)	¢ (0.1)	(0.4)	(0.5)	0.1	1.4
...Growth	% n.m.	n.m.	(37.1)	127.1	905.1
Normalised diluted PER	x n.m.	n.m.	n.m.	97.2	9.7
Operating cash flow per share	¢ (0.1)	(0.4)	(0.7)	0.3	1.3
Free cash flow per share	¢ (0.1)	(0.4)	(0.7)	0.2	1.3
Price to free cash flow per share	x (145.8)	(38.1)	(19.1)	61.8	10.6
Free cash flow yield	% (0.7)	(2.6)	(5.2)	1.6	9.4
Dividend per share	¢ 0.0	0.0	0.0	0.0	0.0
Payout ratio	% 0.0	0.0	0.0	0.0	0.0
Yield	% 0.0	0.0	0.0	0.0	0.0
Franking	% 100.0	100.0	100.0	50.0	75.0
Enterprise value	\$m 60.0	68.6	111.4	109.7	101.8
EV/EBITDA	x (169.3)	(36.3)	(22.5)	128.4	9.8
EV/EBIT	x (169.3)	(36.3)	(22.0)	182.8	10.0
Price to book (NAV)	x (16.8)	(19.0)	17.6	14.6	5.3
Price to NTA	x 16.8	19.0	37.3	31.3	7.2

KEY RATIOS

	2016A	2017A	2018F	2019F	2020F
EBITDA margin	% n.m.	n.m.	(374.5)	9.6	38.7
EBIT margin	% n.m.	n.m.	(384.2)	6.7	37.8
Underlying net profit margin	% n.m.	n.m.	(265.8)	13.1	43.2
Return on average equity	% (11.5)	(47.3)	(66.3)	18.5	88.8
Return on average assets	% (11.5)	(46.9)	(93.1)	7.9	60.3
Net tangible assets per share	¢ 0.8	0.7	0.4	0.4	1.9
Net debt/(cash)	\$m (3.0)	(3.1)	(2.0)	(3.7)	(11.5)
Interest cover (EBIT / net interest)	x n.a.	n.a.	n.a.	n.a.	n.a.
Leverage (net debt / EBITDA)	x n.a.	n.a.	n.a.	n.a.	n.a.
Gearing (net debt / net debt plus equity)	% Net cash	Net cash	Net cash	Net cash	Net cash

DUPONT ANALYSIS

	2016A	2017A	2018F	2019F	2020F
Net Profit Margin	% n.m.	n.m.	(265.8)	13.1	43.2
Asset Turnover	x n.m.	n.m.	0.2	1.0	1.1
Return on Assets	% n.m.	n.m.	(59.4)	12.5	47.8
Financial Leverage	x n.m.	n.m.	1.0	1.4	1.3
Return on Equity	% n.m.	n.m.	(61.2)	16.9	60.3

SUPPLEMENTARY DATA

	2016A	2017A	2018F	2019F	2020F
Sales revenue	0.0	0.0	1.3	8.9	26.9
- SaaS	0.0	0.0	0.5	3.2	9.8
- Freight logistics	0.0	0.0	0.8	5.6	17.1
SaaS revenue per unit (USD)					
- Per container	n.a	n.a	1.0	1.0	1.0
- Per pallet	n.a	n.a	0.4	0.4	0.4
- Per parcel	n.a	n.a	0.1	0.1	0.1
Freight gross revenue per unit (USD)					
- Per container	n.a	n.a	75.00	75.00	75.00
- Per pallet	n.a	n.a	30.00	30.00	30.00
- Per parcel	n.a	n.a	3.00	3.00	3.00
Operating leverage	% n.m.	n.m.	Large	20.29	1.93
- Operating costs to sales	% n.m.	n.m.	474.5	90.4	61.3

PROFIT AND LOSS

	2016A	2017A	2018F	2019F	2020F
Total revenue	\$m 0.0	0.0	1.3	8.9	26.9
EBITDA	\$m (0.4)	(1.9)	(4.9)	0.9	10.4
Depreciation & amortisation	\$m 0.0	0.0	0.1	0.3	0.3
EBIT	\$m (0.4)	(1.9)	(5.1)	0.6	10.2
Net interest	\$m (0.0)	(0.0)	(0.1)	(0.1)	(0.3)
Non-operating income	\$m 0.0	0.0	0.0	0.0	0.0
Pretax Profit	\$m (0.3)	(1.9)	(5.0)	0.7	10.5
Tax expense	\$m 0.0	0.0	(1.5)	(0.5)	(1.2)
Minorities	\$m 0.0	0.0	0.0	0.0	0.0
Operating NPAT	\$m (0.3)	(1.9)	(3.5)	1.2	11.7
Significant items	\$m (5.9)	0.0	0.0	0.0	0.0
Reported NPAT	\$m (6.2)	(1.9)	(3.5)	1.2	11.7

GROWTH PROFILE

	2016A	2017A	2018F	2019F	2020F
Operating revenue	% n.m.	n.m.	Large	573.3	203.0
EBITDA	% n.m.	n.m.	(161.4)	117.3	1,121.3
EBIT	% n.m.	n.m.	(168.2)	111.8	1,596.1
Operating NPAT	% n.m.	n.m.	(88.4)	133.2	898.5
Normalised EPS (undiluted)	% n.m.	n.m.	(29.2)	126.4	891.2
DPS	% n.m.	n.m.	0.0	0.0	0.0

BALANCE SHEET

	2016A	2017A	2018F	2019F	2020F
Cash	\$m 3.0	3.1	2.0	3.8	15.1
Receivables	\$m 0.0	0.1	0.2	1.1	3.4
Inventory	\$m 0.0	0.0	0.0	0.0	0.0
Other	\$m 0.0	0.0	0.0	0.0	0.0
Current	\$m 3.1	3.2	2.2	5.0	18.6
Prop, plant & equip	\$m 0.0	0.0	0.7	0.7	0.7
Goodwill	\$m 0.0	0.0	0.0	0.0	0.0
Other	\$m 0.0	1.7	3.0	3.7	5.1
Non current	\$m 0.0	1.7	3.7	4.4	5.8
Total assets	\$m 3.1	5.0	5.9	9.4	24.4
Accounts Payable	\$m 0.1	0.1	0.1	0.9	2.7
Borrowings	\$m 0.0	0.0	0.0	0.0	0.0
Other	\$m 0.0	0.0	0.0	1.6	2.4
Total liabilities	\$m 0.1	0.1	0.2	2.5	5.1
Net assets	\$m 3.0	4.9	5.7	6.9	19.3
Equity	\$m 3.0	4.9	5.7	6.9	19.3
Minorities	\$m 0.0	0.0	0.0	0.0	0.0
Shareholder's equity	\$m 3.0	4.9	5.7	6.9	19.3
Shares on issue	m 375.0	440.0	748.4	748.4	759.4

CASH FLOW

	2016A	2017A	2018F	2019F	2020F
EBITDA	\$m (0.4)	(1.9)	(4.9)	0.9	10.4
Change in working capital	\$m 0.0	(0.0)	(0.0)	(0.2)	(0.5)
Net interest	\$m 0.0	0.0	0.1	0.1	0.3
Tax paid	\$m 0.0	0.0	0.2	1.4	0.6
Other	\$m 0.0	0.1	0.0	0.0	0.0
Operating cash flow	\$m (0.3)	(1.8)	(4.7)	2.1	10.9
Capital expenditure	\$m 0.0	(0.0)	(0.1)	(0.3)	(0.3)
Acquisitions/divestment/other	\$m 3.1	(1.7)	(0.7)	0.0	0.0
Investing cash flow	\$m 3.1	(1.7)	(0.8)	(0.3)	(0.3)
Free cash flow	\$m -0.3	-1.8	-4.8	1.8	10.6
Equity	\$m 0.2	3.6	4.4	0.0	0.8
Increase / (decrease) in borrowings	\$m 0.0	0.0	0.0	0.0	0.0
Dividend/other	\$m 0.0	0.0	0.0	0.0	0.0
Financing cash flow	\$m 0.2	3.6	4.4	0.0	0.8
Net cash flow	\$m 3.0	0.1	(1.1)	1.8	11.4

Source: Petra Capital

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