

Yojee Ltd

(YOJ \$0.12) Speculative Buy

EUROZ

Analyst	Date	Price Target
Seth Lizee	19 th August 2020	\$0.21/sh ▲ from \$0.13/sh

The Emerging Opportunity: Yojee

Investment case

YOJ is a logistics software company; its cloud based SaaS platform solves key issues increasingly demanded by the logistics industry across the entire supply chain and is unmatched by its competitors.

The global logistics industry is immense, globally logistics cost an estimated US\$9 trillion annually. Global parcel movements are estimated to surpass 100 billion in 2020 and forecasted to reach +200 billion pa by 2025. Over the last 12 months YOJ has secured agreements with two top 10 global logistics providers and has indicated they're in discussions with a further three. The YOJ investment case is predicated on driving material revenues through the rollout of its logistics platform with the likes of Geodis, Kuehne+Nagel and others in parallel to signing new SaaS agreements.

We maintain our Speculative Buy recommendation and increase our Price Target to \$0.21/sh.

Key points

- YOJ has made significant commercial progress over the last Q, notably:
 - Signed 3yr services agreement with Kuehne+Nagel (K+N) for a project in the Philippines;
 - Project was for the YOJ platform to be integrated into K+N Philippines and an eCommerce fulfillment customer – specifically across delivery, order management, planning, and execution;
 - YOJ successfully took its project live significantly ahead of its 'end-July' schedule, processing 10k transactions on the first day;
 - Following this YOJ has been able to demonstrate 20-25k parcels/day across its network, and close to 200k transactions in the first month.
- We further see this services agreement as a solid foundation towards other potential work across the K+N Group.
- These achievements add to validating YOJ's logistics platform and begin to show the significant upside potential.
- K+N is the 2nd largest 3rd Party logistics provider. Publicly listed and based in Switzerland, K+N has +US\$25 Billion in annual revenues and 83k employees across 1,400 locations in over +100 countries
- Beyond these successes we see the YOJ investment opportunity increasingly strengthened in a post COVID-19 world which has an ever increasing need for digitisation.
- This need for digitisation is especially strong in South East Asia, where YOJ is based. The region is host to numerous logistics challenges and lags in supply chain digital maturity, both of these driving opportunities for YOJ.
- As a result of all the above we have increased our Valuation and Price Target to \$0.21/sh. from \$0.13/sh.

Yojee Ltd	Year End 30 June	
Share Price	0.12	A\$/sh
Price Target	0.21	A\$/sh
Valuation	0.21	A\$/sh
Shares on issue	1041.0m, diluted	
Market Capitalisation	124.9	A\$m
Enterprise Value	118.0	A\$m
Debt	0.0	A\$m
Unpaid cap	2.6	A\$m
Cash	4.3	A\$m
Turnover	2.1m	sh/day
12 Mth Hi-Lo	0.012 - 0.15	A\$/sh
Balance date	June 30th	

Directors & Management

Ed Clarke	Co-founder & MD
Vivek Gudapur	CTO
Ciaran Gunne	CFO
Paul bell	Chief Exp. Officer
David Morton	Chairman
Ray Lee	NED
Gary Flowers	NED

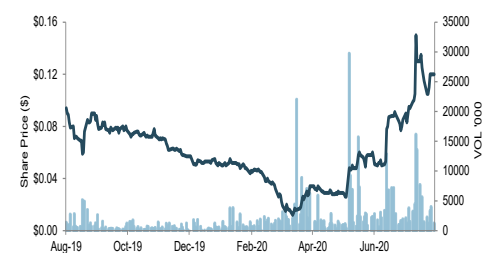
Shareholders

Reef Investments	5.9%
TIGA Trading	3.8%
Ravenhill Investments	3.6%

Company details

Suite 9, 330 Churchill Avenue
Subiaco, Western Australia 6000
Telephone: +61 8 6489 1600
yojee.com

Share Price Chart



Disclaimer

Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Yojee Ltd during the last year. Euroz Securities has received a fee for these services.

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Yojee Ltd

(YOJ \$0.12) Speculative Buy

- We maintain our Speculative Buy recommendation with key catalysts going forward:
 - **K+N rollout** – a rollout of the YOJ platform beyond the Philippines project. We would view this as a significant third party validation in addition to driving increased market share.
 - **Volume growth** – demonstrating increasing transactional volume through the YOJ platform, to which YOJ is paid a variable transactional fee. Increased volume highlights the scalability and stability of the platform in addition to growing revenues.
 - **New SaaS Agreements** – signing further SaaS agreements with companies of the ilk of K+N and Geodis. As explored below, such agreements can open up significant revenue opportunities.
- YOJ had \$4.32m cash at bank as of 30th June

Analysis

We have seen YOJ make significant strides over the last few months. In this time the investment thesis has strengthened with significant growth opportunities ahead.

The Opportunity

The global logistics market is extremely large; estimated to cost ~US\$9 trillion annually as of 2018 (-11% of nominal global GDP, Source: Armstrong & associates, Inc.). The bulk of this market is contained within Asia-Pacific (APAC), roughly US\$3.7 trillion or 40.5%.

Looking at parcel volumes alone, globally 87 billion parcels were shipped in 2018, with this figure estimated to surpass +100 billion this year and reach +200 billion per annum by 2025 (source: Pitney Bowes, “Parcel shipping index”)

This significant growth in volumes is underpinned by the growing eCommerce theme, with a number of regions (such as APAC) experiencing rapid growth.

The emergence of COVID-19 has compounded this, rapidly increasing eCommerce penetration and with it creating a demand shock.

However, the impact of the pandemic hasn't stopped there, with the hit on global trade revealing how fragile modern supply chains are. All this has caused the logistics industry to begin re-assessing their supply chains, demonstrating the need for more flexible and diverse supply chains.

We see long lasting changes unfolding from COVID-19. A push towards diverse, flexible, and resilient supply chains will require rapid increases in digitisations.

All of this benefits YOJ who are well placed with a end-to-end platform that solves these emerging issues and demands.

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Yojee Ltd

(YOJ \$0.12) Speculative Buy**Quantifying Total Addressable Market (TAM)**

Although the figures previously mentioned are astronomically large, we can attempt to focus in on a tighter range of market opportunities

This large market is made up of a number of different players. We view YOJs target market being freight forwarders (3PLs) and shippers (2PLs).

YOJ currently has agreements with two major global 3rd Party logistic providers (3PLs), being Kuehne+Nagel and Geodis.

The global 3PL market is worth approximately US\$931.1 b per annum (as of 2018), the top 10 players account for ~17.5% of this or ~US\$162 billion.

The key question from this is how much of this can YOJ absorb, we indicatively assumed that ~1% of these revenues are achievable by YOJ.

The table below shows TAM of ~US\$9.3 Billion/yr from the global 3PL industry, with ~US\$323m/yr in potentially achievable revenues from YOJ current clients K+N and Geodis.

We can further attempt to quantify YOJs TAM by looking at global parcel movements. We can see ~US\$20 billion/yr in TAM based on the estimated 100 billion parcels expected to be shipped in 2020.

No matter what avenue we choose there is vast upside for YOJs platform if effectively rolled out.

Global Top 20 Third Party Logistics Providers			
Rank	3PL Company/division(s)	Revenues (US\$m)*	YOJ TAM (US\$m)**
1	DHL Supply Chain & Global Forwarding	27,302	273
2	Kuehne + Nagel	25,875	259
3	Nippon Express	19,953	200
4	DB Schenker	19,349	193
5	C.H. Robinson	14,630	146
6	DSV	14,355	144
7	XPO Logistics	12,144	121
8	Sinotrans	11,200	112
9	UPS Supply Chain Solutions	9,302	93
10	J.B. Hunt (JBI, DCS & ICS)	8,788	88
11	Expeditors	8,175	82
12	CJ Logistics	7,173	72
13	CEVA Logistics	7,124	71
14	Hitachi Transport System	6,472	65
15	DACHSER	6,408	64
16	GEODIS	6,379	64
17	Toll Group	6,260	63
18	Damco/Maersk Logistics	5,965	60
19	GEFCO	5,365	54
20	Kerry Logistics	5,274	53
Sub-total		227,493	2,275
All others		704,407	7,044
Grand Total***		931,900	9,319
Current YOJ clients		32,254.0	322.5
*2019 revenues, Gross			
**ESL Assumption			
***2018 Estimate			
Source: A&A inc, ESL assumptions			

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Yojee Ltd

(YOJ \$0.12) Speculative Buy**Valuation**

We have re-assessed our financial forecasts as a result of YOJs current business trajectory. We have come to the conclusion that including financial forecasts at this stage is no longer suitable.

Our original forecasts were built upon the Geodis agreement in which we forecasted a bulk of the revenues would originate from monthly subscription fees. With the K+N agreement we see a bulk of the revenue upside being created through transactional volumes – a figure we believe cannot be effectively forecasted at this stage in YOJs life.

Hence we will no longer be including financial forecasts until as such we find it appropriate to do so.

As a result of all this we have decided to re-assess our Valuation – We have attempted to minimise assumptions to create a simple view of potential value.

Using the figures from our TAM exercise above we can see we have quantified -US\$323m/yr in addressable revenues from K+N and Geodis.

We view it reasonable to assume YOJ achieves a 5% penetration into their existing clients within 3 years. This would imply -A\$23m in annual revenues.

Capitalising this figure at a 3 year forward 9.0x EV/Revenue from our comparable peer set we get to a implied A\$208m Enterprise Value and a respective A\$215m equity value or A\$0.21/sh (fully diluted).

These calculations further highlighted below:

Items	Units	Figures
Total addressable revenues	US\$m/yr	323
Total addressable revenues*	A\$m/yr	461
(x) assumed penetration	%	5%
Implied annual Revenues	A\$m	23
(x) Fwd 3yr EV/Rev***	x	9.0
Implied EV	A\$m	208
(+) Net Cash**	A\$m	4
(+) Unpaid Capital	A\$m	3
Diluted Equity Value	A\$m	215
(/) SOI, Fully diluted	m	1,041
Valuation per Share	A\$/sh	0.21
Price Target	A\$/sh	0.21
<i>Source: ESL Assumptions</i>		
<i>*0.7 AUD/USD</i>		
<i>**As of June 2020</i>		
<i>***Peer set median</i>		

We can further think of this valuation in terms of parcel movements. This outcome would imply ~220k daily transactions at the US\$0.20/parcel platform rate. This compares to the 20-25k parcels/day that YOJ has recently achieved, announced late July.

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Yojee Ltd

(YOJ \$0.12) Speculative Buy

We can further sensitise this valuation based on a avg. daily transaction input as shown below:

Items	Units	Scenario Ranges							
avg. Parcels movements	k/day	100	150	200	250	300	350	400	
avg. Parcels movements	m/pa	36.5	54.8	73.0	91.3	109.5	127.8	146.0	
(x) Transaction fee*	US\$/parcel	0.2	0.2	0.2	0.2	0.2	0.2	0.2	
Implied annual revenues	US\$m	7.3	10.95	14.6	18.25	21.9	25.55	29.2	
Implied annual revenues	A\$m	10	16	21	26	31	37	42	
(x) Fwd 3yr EV/rev	x	9.0	9.0	9.0	9.0	9.0	9.0	9.0	
Implied EV	A\$m	94	141	188	235	282	329	376	
(+) Net Cash**	A\$m	4	4	4	4	4	4	4	
(+) Unpaid Capital	A\$m	3	3	3	3	3	3	3	
Diluted Equity Value	A\$m	101	148	195	242	289	336	383	
(/) SOI, Fully diluted	m	1,041	1,041	1,041	1,041	1,041	1,041	1,041	
Valuation per Share	A\$/sh	0.10	0.14	0.19	0.23	0.28	0.32	0.37	
<i>Source: ESL assumptions</i>									
<i>**Source: YOJ presentation **As of June 2020</i>									

As seen above there is significant upside with scale, this attribute the result of YOJs revenue model – specifically the unit transaction fee. This further allows significant potential revenue growth from a single client, as we explored previously.

Why the YOJ Platform?

The opportunities in our view are clear, and we think YOJ is well placed to benefit from it. We view these benefits occurring as a result of YOJs differentiated offering, an offering that in our view is further very well placed to access certain markets such as APAC.

Although the final say will be determined and shown by platform adoption and usage, we explore below what we see as the key strengths behind YOJs platform.

YOJs competitive advances – what sets it apart from its peers:

- **End-to-end solution** – YOJ platform goes beyond legacy offerings and competitors who solve specific segments of the logistics chain, whereas the YOJ platform offers a complete solution. A software that offers:
 - Mass optimisation;
 - Price management;
 - Capacity planning;
 - Asset and resources management;
 - Consolidation & deconsolidation, and:
 - Cross-border.
- **Scalable platform** – scalability is critical for multi-national corporations (such as Kuehne+Nagel). What it means is that the YOJ platform works whether it has 1,000 parcels moving through the system or 10 million. This is all possible because of the Elixir programming language YOJ has built its platform on.
- **Agile & functional** – the platform is client centric. YOJ have used an API/micro-services model, which in addition to its Elixir backbone means YOJs software is very agile, whereby it can be configured and further be built upon with ease and speed. This creates both a positive time saving outcome for users and a significantly lower financial cost born by YOJ. This attribute in time should allow YOJ to achieve very high EBITDA margins.

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Yojee Ltd

(YOJ \$0.12) Speculative Buy

EUROZ

PT and Recommendation

Our \$0.21/sh. Price Target per the analysis requires YOJ achieving the level of growth we describe, broadly stated as an avg. ~220k parcels/day within 3yrs time. Following our math we see this achievable within YOJs current client base. However, as shown in our sensitivity there is significant upside potential if YOJ can gain further market share beyond what we assume. The factors surrounding these assumptions further drive our Speculative Buy recommendation.

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.

Disclaimer

Copyright & Distribution

The material contained in this communication (and all attachments) is prepared for the exclusive use of clients of Euroz Securities Ltd (ACN 089 314 983) ("Euroz") only. Euroz is the holder of an Australian Financial Services Licence (AFSL 243302) issued by the Australian Securities and Investments Commission ("ASIC") and is a participant of the Australian Securities Exchange Group ("ASX Group").

The information contained herein is confidential and may be legally privileged. If you are not the intended recipient no confidentiality is lost nor privilege waived by your receipt of it. Please delete and destroy all copies, and contact Euroz on (+618) 9488 1400. You should not use, copy, disclose or distribute this information without the express written authority of Euroz.

Disclaimer & Disclosure

This report was prepared solely by Euroz Securities Limited. ASX Limited ABN 98 009 642 691 and its related bodies corporate ("ASX") did not prepare any part of the report and has not contributed in any way to its content. The role of ASX in relation to the preparation of the research reports is limited to funding their preparation, by Euroz Securities Limited in accordance with the ASX Equity Research Scheme.

ASX does not provide financial product advice. The views expressed in this research report may not necessarily reflect the views of ASX. To the maximum extent permitted by law, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by ASX as to the adequacy, accuracy, completeness or reasonableness of the research reports.

Euroz and its associates declare that they deal in securities as part of their securities business and consequently may have a relevant interest in the securities recommended herein (if any). This may include providing equity capital market services to their issuing company, hold a position in the securities, acting as principal or agent, or make a market therein and as such may effect transactions not consistent with the recommendation (if any) in this report.

Euroz declares that it may have acted as an underwriter, arranger, co-arranger or advisor in equity capital raisings, and will have received a fee for its services, for any company mentioned within this report during the last 12 months.

You should not act on any recommendation issued by Euroz without first consulting your investment advisor in order to ascertain whether the recommendation (if any) is appropriate, having regard to your investment objectives, financial situation and particular needs. Nothing in this report shall be construed as a solicitation to buy or sell a security, or to engage in or refrain from engaging in any transaction.

Euroz believes that the information and advice contained herein is correct at the time of compilation, however we make no representation or warranty that it is accurate, complete, reliable or up to date, nor do we accept any obligation to correct or update the opinions in it. The opinions expressed are subject to change without notice. No member of Euroz accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this material.

We cannot guarantee that the integrity of this communication has been maintained, is free from errors, virus interception or interference.

Analyst Certification

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities.

No part of our compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in this research.

Contact Details

Euroz Securities Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Steven Clark - Resources Analyst	+61 8 9488 1430
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizée - Associate Research Analyst	+61 8 9488 1414

Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Timothy Bunney - Executive Director	+61 8 9488 1461
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Stacy Kitsantas - Institutional Adviser	+61 8 9488 1486
Jayne Walsh - Institutional Adviser	+61 8 9488 1418

Private Client Advisers

Chris Webster - Head of Private Clients	+61 8 9488 1412
Ben Statham - Executive Director	+61 8 9488 1417
Brian Bates - Executive Director	+61 8 9346 0314
Cameron Murray - Executive Director	+61 8 9488 1440
James Mackie - Executive Director	+61 8 9488 1416
Ryan Stewart - Executive Director	+61 8 9488 1441
Tim Lyons - Executive Director	+61 8 9346 0324
Brett Stapleton - Associate Director	+61 8 9488 1435
Giles McCaw - Associate Director	+61 8 9488 1462
Michael Bowden - Associate Director	+61 8 9346 0307
Richard Gardner - Associate Director	+61 8 9488 1444
Paul Berson - Associate Director	+61 8 9346 0314
Paul Cooper - Associate Director	+61 8 9346 0316
Ian Harrison - Investment Adviser	+61 8 9488 1422
Lauren Walker - Investment Adviser	+61 8 9488 1495
Michael Bartley - Investment Adviser	+61 8 9346 0352
Tom Kenny - Investment Adviser	+61 8 9488 1431
Zac Vinten - Associate Adviser	+61 8 9488 1473
Laurence Grescos - Associate Adviser	+61 8 9488 1419
Katrina Ryan - Associate Adviser	+61 8 9488 1453
Brandon Oosthuizen - Associate Adviser	+61 8 9488 1471

Euroz Securities Limited

All information and advice is confidential and for the private information of the person to whom it is provided and is provided without any responsibility or liability on any account whatsoever on the part of Euroz Securities Limited or any member or employee thereof. Refer to full disclaimer at the end of this document.