

It's all about the hubs

Yojee Ltd (ASX:YOJ) is a cloud-based logistics platform facilitating the flow of freight movements in a single “ecosystem”. Target customers are large global 3PL freight-forwarders and their sub-contractors, with the software offering more visibility, accountability and control of the entire supply chain. The product integrates via APIs with key industry software to access and share key data. YOJ counts four of the top-10 global freight-forwarders as clients including Maersk (parent of Siam Shoreside Services), Kuehne + Nagel, CEVA Logistics and Geodis on multi-year contracts. Combined these customers generate more than \$100b a year in revenues. The group listed in June 2016 and last raised funds in September 2020, issuing 100m shares at \$0.20cps to raise \$20m before costs. The funds were earmarked to establish teams to support deployment offshore, for product enhancements and general working capital. The product is deployed into a “hub” which is essentially a distribution centre, with 11 hubs now currently live. The group has an objective of deploying to 126 hubs medium-term within its existing client base, which assumes the current four clients each have three hubs across 14 countries. From early deployment, management estimates a “proven value” for each hub of \$300k, implying a medium-term revenue target of \$37.8m against FY21 revenue of \$1.3m. YOJ's current share price is anticipating significant growth and the company is trading at a premium to enterprise-focused tech stocks of a similar market value.

Business model

The YOJ business model is to secure large global freight forwarders as clients, rollout and prove the worth of the software in a key “hub”, and then expand its presence across the client's global reach, creating a “network effect” with other 3PLs and 4PLs. The group derives revenue from a combination of monthly subscriptions, transactional revenues and platform implementation fees. The group counts four of the top-10 global freight forwarders as clients (Ceva Logistics, Kuehne + Nagel, Geodis and Maersk) with a growing list of platform deployments across its global footprint in Asia and, recently, a first entry into Europe. Yojee currently has 11 logistics hubs deployed with these four clients and an embedded growth runway of 126 hubs.

Q2 revenue points to ARR of \$2.1m, up 160% on pcp

YOJ ended H1 FY22 with \$15.3m in cash. Based on Q2 FY22 cash burn, this equates to ~3-years' funding, all else equal. Q2 FY22 revenue was \$531k implying an ARR of \$2.1m while H1 FY22 trade revenue was \$868k. ARR has grown 160% on quarter over the same quarter in FY21. The group is pre-breakeven, reporting an underlying EBITDA loss ~\$2.7m for the half, which was a net loss reduction of 37% on the same period a year before.

Look to enterprise-focused small-cap tech peers

We see YOJ peers as small-cap, enterprise-focused SaaS players which are scaling for growth. Investors could also look to more mature, listed logistics peers for a sense of how Yojee is progressing at its current early stage and the pathway it is likely to trek as it matures. The enterprise grade-nature of clients often implies a long lead-time in sales, but a sticky customer base once secured. Small-cap peers, though operating in different sectors and addressable markets, would include ESG software provider to large miners K2fly (ASX:K2F) (which is a RaaS client), expense management software provider to corporates and government 8Common (ASX:8CO) and public Wi-Fi analytics company Skyfii (ASX:SKF).

Historical earnings and ratios (In A\$m unless otherwise stated)

| Year end | Revenue | EBITDA adj.* | NPAT adj. | NPAT rep. | EPS adj. (c) | EPS rep.(c) | EV/Revenue (x)^ |
|----------|---------|--------------|-----------|-----------|--------------|-------------|-----------------|
| 06/18a | 0.45 | (5.68) | (5.69) | (5.69) | (0.01) | (0.01) | n.m |
| 06/19a | 0.57 | (3.68) | (3.72) | (3.72) | 0.00 | 0.00 | n.m |
| 06/20a | 0.68 | (4.99) | (5.23) | (6.16) | (0.01) | (0.01) | 209.7 |
| 06//21a | 1.16 | (9.08) | (11.31) | (11.31) | (0.01) | (0.01) | 123.0 |

Source: Company data *EBITDA, NPAT and EPS adjusted for one-time, non-cash items
^calculated from current enterprise value

Software & Services

11th March 2022

Share Details

| | |
|-------------------------|----------|
| ASX code | YOJ |
| Share price | \$0.14 |
| Market capitalisation | \$157.9M |
| Shares on issue | 1,128.0M |
| Net cash at 31-Dec-2021 | \$15.3M |
| Free float | 70.3% |

Share Performance (12 months)



Upside Case

- Expand the number of “hubs” within a customer
- Expand the number of “hubs” of clients
- Add functionality and additional revenues

Downside Case

- Subsequent hub rollouts fail to achieve initial revenue indications
- Core logistic systems add modules that offer similar functionality
- Access to equity funding

Catalysts

- Evidence each “hub” is achieving revenue targets
- FY22 result (late August)

Comparable companies (Aust/NZ)

K2fly (ASX:K2F), 8Common (ASX:8CO), Skyfii (ASX:SKF), Urbanise (ASX:UBN)

Board and Management

| | |
|---------------|------------------------|
| David Morton | Non-Executive Chair |
| Edward Clarke | Managing Director |
| Gary Flowers | Non-Executive Director |
| Ray Lee | Non-Executive Director |

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FINANCIAL SERVICES GUIDE

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