

Yojee Ltd

(YOJ \$0.205) Speculative Buy

EUROZ

Analyst	Date	Price Target
Seth Lizee	7 th September 2020	\$0.43/sh ▲ from \$0.21/sh

YOJ Signs Agreement with A.P. Moller - Maersk

Investment case

YOJ has signed a SaaS agreement with Siam Shoreside Services (SSS), a subsidiary of shipping giant A.P. Moller – Maersk. Maersk is the world's largest overseas cargo carrier, responsible for one in five of all global sea freight. This agreement follows recently announced scope extension with top 10 logistics company Geodis.

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 three major global logistics and shipping companies. 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 Maersk's in parallel to signing new SaaS agreements.

We maintain our Speculative Buy recommendation with an increased \$0.43/sh. Price Target

Key points

- This announcement marks the second major agreement signed in the last 2 weeks
- YOJ now has agreements with 3 logistic and shipping heavyweights, all of these signed in the last 12 months:
 - Kuehne+Nagel: Second largest global 3PL
 - Geodis: Top 10 global logistics company
 - A.P. Moller Maersk: World's largest overseas carrier
- All of these agreements add to third party validation, specifically from industry leading global multi-national corporations
- YOJ announced it has signed a 3-year SaaS agreement with Siam Shoreside Services (SSS) who is part of APM Terminals, a A.P. Moller – Maersk Group company
- The initial statement of work will see YOJ logistics platform integrated into SSS's Thailand headquarters, in addition to supporting locations in South East Asia for end-to-end supply chain usage
- This "Phase 1" project is anticipate to go-live (tracking container movements on ongoing basis) in November 2020
- Contract terms:
 - Initial 3 year term, which will renew for successive 12-month periods
 - A per-transaction fee will be charged on top of minimum monthly fees for container movements (YOJ has previously quoted a US\$1.20/container fee in its last presentation)
 - Subject to standard termination clauses (including termination by either party on 90 days' notice, after the initial 12 month period)
 - Implementation and configuration fees will be charged for the roll-out

Yojee Ltd	Year End 30 June	
Share Price	0.21	A\$/sh
Price Target	0.43	A\$/sh
Valuation	0.43	A\$/sh
Shares on issue	1046.0	m, diluted
Market Capitalisation	214.4	A\$m
Enterprise Value	206.6	A\$m
Debt	0.0	A\$m
Unpaid cap	3.5	A\$m
Cash	4.3	A\$m
Turnover	2.3m	sh/day
12 Mth Hi-Lo	0.235 - 0.012	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

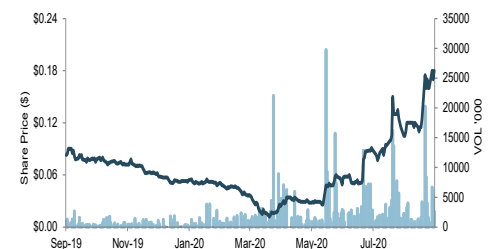
Shareholders

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

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yojee.com

Share Price Chart



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- We see the potential for this contract to be a stepping stone towards bigger opportunities with the wider Maersk Group
- The potential is immense considering Maersk's size and status: specifically being the worlds largest overseas cargo carrier, responsible for 1 in 5 of all sea freight and generating -US\$39 Billion in 2019
- In addition to this, YOJ announced recently it had extended the scope of its agreement with Geodis.
- The announcement signalled to the market that YOJs previously forgotten and discounted agreement with Geodis is very much alive, rightly so we have seen YOJ re-rate on this announcement
- The new agreement builds on the initial to increase the scope across new countries and provided a more comprehensive product offering
 - The project will see YOJ rolled out across three ASEAN countries including Malaysia, Singapore, and Thailand
- We maintain our Speculative Buy recommendation with key catalysts going forward:
 - **Rollout and Execution** – Execution of YOJs existing agreements and a rollout beyond the initial project scopes. We would view this a significant third party validation. This would further drive 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, Geodis, and Maersk. As explored below, such agreements can open up significant revenue opportunities.

Analysis**A.P. Moller - Maersk Agreement**

- A.P. Moller – Maersk, the overall parent company is the largest container and supply vessel operator in the world, responsible for one in five of all global sea freight. Controlling -17% of global fleet capacity Maersk generating -US\$39 billion of revenue in 2019
- We see this initial agreement potential laying the foundation for YOJ to roll out its platform across the greater Maersk Company, this opening up significant opportunities
- The current and emerging opportunity with Maersk is massive. Its global leading container shipping business on its own has the potential to generate significant revenues for YOJ, as we explore further within the Valuation section.
- Beyond this, Maersk is currently on a transformation journey towards becoming “The global integrator of container logistics”. The foundation of this being to provide a true end-to-end logistic solution.

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Source: Maersk 2019 Annual report

- A.P. Moller – Maersk’s existing businesses and assets further create a significant competitive edge in this transformation. The company is the ‘only’ end-to-end logistics provider who owns a global container fleet, terminal network, and material share of warehouses.
- The company’s longstanding and leading ocean business further means it already does business with a significant amount of customers, including major companies, of these ~70k customers less than a quarter use Maersk for moving goods before and after they’re shipped; a massive opportunity for Maersk to grow its business.
- The key takeaway is this transformation has the potential to open up new and greater opportunities for YOJ through first and last miles as Maersk embarks on its journey towards becoming a full 3PL.
- Maersk further holds digitisation of the global supply chain as a pillar within its strategy. Further stating its goal of leveraging digital technology to significantly improve its offering and customer experience as well as business operations.
- We see YOJs end to end offering being well fit to support Maersk’s business and its strategy.
- We highlight comments made by Rupesh Jain as indication of YOJ strong position, Mr. Jain stating “...Yojee is the standout solution in the region now...”
- Adding to this, we see significance in the involvement of Mr. Jain who holds the title of “Managing director – Thailand Malaysia Singapore at A.P. Moller – Maersk”.
- We view the involvement of Mr Jain, in addition to the fact this multi-country agreement has been done with SSS, as a potential sign that this agreement is coming from the top down within the organisation.

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Geodis Agreement Scope Extension

- YOJ announced recently it signed a new Statement of Work (SOW) with Geodis.
- This builds on the initial agreement to increase the scope across new countries and provided a more comprehensive product offering
- The next project under the new SOW will see YOJs platform implemented and go live (track parcels on ongoing basis) across three ASEAN countries including Malaysia, Singapore, and Thailand.
- The new subscription order will replace the previous and be effective from the completion of the SOW
- The subscription order has an initial term of 3 yrs. (after which it will automatically renew successive 12 month periods) subject to standard termination clauses
- Fees are to be charged monthly based on per country transactional volume, furthermore set-up and configuration fees will be charged for the initial three country roll-out
- We see significant opportunities emerging from this “more broadly integrated” agreement extension
- This further signals the market that YOJs previously forgotten and discounted agreement with Geodis is very much alive, further reminding that Geodis is a top-rated global logistics company with €8.2B in sales and +41,000 employees globally
- We highlight Geodis’s major presence in South East Asia below:



Source: Geodis website

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Valuation and PT

- We have re-evaluated our YOJ Valuation and Price Target following two significant agreements announced with A.P. Moller – Maersk and Geodis over the last 2 weeks.
- Our analysis has been further expanded. We have now distinguished each agreement, estimating what we believe YOJ can achieved within 3 years' time from each.
- Our Kuehne+Nagel estimate remains unchanged from our previous research.
- We have expanded our estimates for Geodis, the methodology and assumptions are broadly similar to what we had assumed in our initiation report.
- Furthermore, we have now added A.P. Moller – Maersk. We have quantified what we see as the short term potential within the region, and only from it's ocean business. We highlight there is greater potential from Maersk as a group than described in our exercise. Our analysis has not taken into account potential revenues which could arise from first and last mile as Maersk embarks on its journey towards becoming a full 3PL, noting this could offer significant upside.

Geodis	Units	Sub-contractors	Hubs	Total
<u>Subscription(s)*</u>				
TAM	#	1,500	50	
(x) Avg Pricing	US\$/month	500	3,000	
Annual Revenue Potential	US\$m	9.0	1.8	10.8
Annual Revenue Potential	A\$m	12.9	2.6	15.4
<u>Transactions**</u>				
Parcels/year	m			13
(x) Avg Pricing	US\$/parcel			0.2
Annual Revenue Potential	US\$m			2.9
Annual Revenue Potential	A\$m			4.1
Annual Region Total	A\$m			19.5
(x) Estimated Contract Penetration*	%			65%
Implied annual Revenues	A\$m			12.7

*ESL assumptions **Sources: Geodis Website, Geodis CSR Report, Yojee presentation, ESL assumption

Kuehne+Nagel	Units	Figures
K+N Annual TAM*	US\$m	258.8
K+N Annual TAM	A\$m	369.6
(x) assumed penetration**	%	5%
Implied annual Revenues	A\$m	18.5

*Source: previous research, quantifying TAM **ESL Assumption

A.P. Moller - Maersk	Units	Figures
<u>Transactions</u>		
Annual Global Container Demand*	m	193.1
(x) Maersk Est. Market Share**	%	16.6%
Implied Annual Container movements	m	32.1
(x) Asia portion***	%	33%
Implied Annual Containers/yr	m	10.7
(x) Avg Pricing****	US\$/container	1.2
Implied Revenue Potential	US\$m	12.8
Implied annual Revenues	A\$m	18.3

*Mckenzie&co Container transport report, ESL assumption

Maersk 2Q'2020 presentation *ESL assumption ****YOJ presentation

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Total Valuation	Units	Figures
(+) Geodis	A\$m	12.7
(+) Kuehne+Nagel	A\$m	18.5
(+) A.P. Moller - Maersk	A\$m	18.3
Implied annual Revenues	A\$m	49.5
(x) Fwd 3yr EV/Rev**	x	9.0
Implied EV	A\$m	446
(+) Net Cash***	A\$m	4.3
(+) Unpaid Capital	A\$m	3.5
Diluted Equity Value	A\$m	454
(/) SOI, Fully diluted	m	1,046
Valuation per Share	A\$/sh	\$0.43

- We can further think of these revenues in volumetric terms. This analysis would imply in three years' time YOJ achieves an average 474k daily parcel transaction or 79k daily container transactions, based on the level of revenue.
- Once again we provided the sensitivity table below as to explore the outcome of changing the volumetric assumptions entail:

Items	Units	Scenario Ranges							
avg. Parcels movements	k/day	100	200	300	400	500	600	700	
avg. Parcels movements	m/pa	36.5	73.0	109.5	146.0	182.5	219.0	255.5	
(x) Transaction fee*	US\$/parcel	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Implied annual revenues	US\$m	7.3	14.6	21.9	29.2	36.5	43.8	51.1	
Implied annual revenues	A\$m	10	21	31	42	52	63	73	
(x) Fwd 3yr EV/rev	x	9.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Implied EV	A\$m	94	188	282	376	470	565	659	
(+) Net Cash**	A\$m	4	4	4	4	4	4	4	4
(+) Unpaid Capital	A\$m	4	4	4	4	4	4	4	4
Diluted Equity Value	A\$m	102	196	290	384	478	572	666	
(/) SOI, Fully diluted	m	1,046	1,046	1,046	1,046	1,046	1,046	1,046	1,046
Valuation per Share	A\$/sh	0.10	0.19	0.28	0.37	0.46	0.55	0.64	
<i>Source: ESL assumptions</i>									
<i>**Source: YOJ presentation</i>									
<i>**As of June 2020</i>									

PT and Recommendation

Our new \$0.43/sh. Price Target per the analysis requires YOJ achieving the level of growth we describe, achieving ~A\$49.5m in annual revenues within 3yrs time. Following our math we see this achievable within YOJs current client base. As discussed we see further potential upside should YOJ expand these agreements beyond the constrains of our assumptions or win new SaaS agreements altogether. The factors surrounding these assumptions further drive our Speculative Buy recommendation

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