



## Zoom2u Technologies Ltd (Z2U.ASX)

### Parcelling Out Hyper Growth in Online Retail Adoption

#### Event:

- We initiate research on Zoom2u Technologies Limited (Z2U).

#### Investment Highlights:

- Zoom2U Technologies Ltd (Z2U)** offers both a last mile parcel delivery marketplace as well as a SaaS logistics and supply chain management software product. Z2U's feature rich platform and integrated UX differentiates it from outdated peers.
- Significant growth momentum:** ~70% revenue CAGR in its platform product since its founding in 2014, but we think Z2U is only at the start of its market penetration narrative, and we see huge potential to win share from incumbents persisting with outdated technology and labouring under supply constraints.
- Early enterprise traction:** Z2U has already collated a rapidly growing and impressive client list in both the Marketplace and new SaaS offering Locate2u including DHL, Nespresso, Telstra, Bing Lee, Amart, Gate Gourmet, and Cleanaway with continued rapid enterprise traction key to success. Recent acquisition of Local Delivery offers both foothold in US and UK markets as well as 570 e-commerce clients in 45 countries.
- Scalable tech platform and SaaS business in massive market opportunity.** Australian TAM alone for both products is worth \$10b+. System is designed to scale, with international markets as sequential targets. Structural online retail adoption shift arising from e-commerce surge is still in its adolescence, with pandemic catalyst step change just the start of the secular trend.
- Cash of \$7.8M September 2021 end, no debt.** Ample funding to continue on hyper growth trajectory, and with recent new sales hires in place, well-positioned to prove scalability of its platform and SaaS business having already demonstrated significant growth momentum since the founding of the business.

#### Earnings and Valuation:

- We forecast **FY22-24e NPAT of -\$3.2M, -\$1.3M, and \$1.3M or EPS of -1.7cps, -0.6cps, 0.7cps.** We forecast hyper growth in sales of 65% CAGR over the forecast horizon, driven by penetration into a vast addressable market with demand from e-commerce surge as well as competitors' supply and technological limitations, and including ultra high growth in the incipient SaaS business.
- We derive a valuation of \$1.00 per Z2U share.** We forecast very strong growth as the company aggressively wins share from incumbent tech laggards coupled with strong enterprise traction, with comparable EV/Sales multiples against peers despite Z2U's stronger revenue growth.

#### Recommendation:

- We initiate coverage of Z2U with a **Buy recommendation and price target of \$1.00/share**, as the company seeks to gain share of the fast growing last mile segment, as well as targeting growth among corporate and enterprise customers with its SaaS offering to provide technological solution to commonplace industry shortcomings.
- Catalysts for the stock** include: 1) continued GMV, delivery, and customer growth; 2) customer and contract wins with new enterprises; 3) growth in existing accounts; 4) cash flow breakeven; 5) inorganic opportunities.

#### Disclosures

The analyst does not own Z2U securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,220,169 Z2U shares and 2,000,000 Z2U options with \$0.30 strike and September 2024 expiry. Cranport Pty Ltd owns 489,000 Z2U shares.

**Foster Stockbroking acted as Sole Lead Manager to the \$8M IPO of 40M Z2U shares at \$0.20 per share in August 2021. Foster Stockbroking received fees for this service.**

Refer to disclosures at end of report for details.

<b>Recommendation</b>	<b>Buy</b>
Previous	N/A
Risk	High
<b>Price Target (A\$)</b>	<b>\$ 1.00</b>
Previous (A\$)	N/A
<b>Share Price (A\$)</b>	<b>\$ 0.34</b>
ASX Code	Z2U
52 week low - high (A\$)	0.34-0.735
Methodology	DCF
<b>Valuation (A\$)</b>	<b>\$ 1.00</b>
Valuation Methodology	DCF

#### Capital structure

Shares on Issue (M)	173.3
Options (M)	23.2
<b>Undiluted Market Cap, A\$M</b>	<b>58.9</b>
Net Cash/(Debt), A\$M	6.9
<b>EV (A\$m)</b>	<b>52.0</b>
12mth Av Daily Volume ('000)	1,985

Forecasts, A\$M	2021a	2022e	2023e	2024e
Revenue	2.9	5.1	8.4	13.1
EBITDA	-1.0	-3.0	-1.1	1.6
NPAT, underlying	-1.1	-3.2	-1.3	1.3
EPS, cps	-0.8	-1.7	-0.6	0.7
EV/Sales, x	17.9	10.3	6.2	4.0

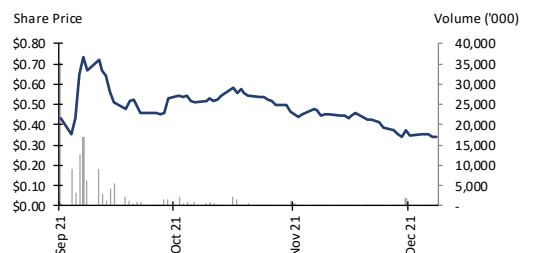
#### Shareholders

Steve Orenstein	25.9%
Perennial Value Management	9.9%
JM Future Holding	6.7%
Paul and Mary Orenstein	6.7%

#### Board

Drew Kelton	Non-Executive Chairman
Steve Orenstein	CEO and Managing Director
Michael Gayst	CFO and Executive Director
Mike Rosenbaum	Non-Executive Director

#### Share Price Graph



Analyst: Matthew Chen  
matthew.chen@fostock.com.au

+61 2 9993 8130