



## Zoom2u Technologies Ltd (Z2U.ASX)

### Strong Momentum and Customer Wins

#### Event:

- FY22Q3 report.

#### Investment Highlights:

- Significant growth momentum continues:** strong FY22Q3 print shows growth strongly rebounding from Q2, and slightly better than our expectations. Q3 GMV grew 96% vs pcp to \$3.5M, while revenue grew 120% vs pcp to \$1.1M, in a quarter which is typically affected by seasonality. YTD GMV is \$14.5M, up 62% vs pcp.
- Growing sales team kicking goals, Locate2u posts record customer wins:** new hires across the business have seen increased headcount to 97 from 55 at FY21 end, with Locate2u logging a record of new customer wins of 120 in the quarter, a clear sign the sales team is kicking goals. The first Locate2u sales representative was placed in London during the quarter and is bringing in European markets. Trials remain ongoing with major customers.
- Cash of \$5.8M March 2022 end, no debt.** Cash burn was halved QoQ to \$0.7M and a positive surprise, and showed a healthy collections improvement on Q2, though this is typically a function of working capital seasonality. We maintain the view Z2U has ample funding to continue on its hyper growth trajectory, and with recent new sales hires in place and delivering customer wins, well-positioned to prove scalability of its platform and SaaS business having already demonstrated significant growth momentum.

#### Earnings and Valuation:

- We have modest increases of 0%, 9%, and 11% in our **FY22-24e NPAT forecasts, respectively, now at -\$3.2M, -\$1.1M, and \$1.4M or EPS of -1.7cps, -0.6cps, 0.7cps.** We forecast hyper growth in sales of 68% 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 have an unchanged Z2U valuation of \$1.00/share.** We are encouraged by continued growth momentum in Q3, typically touched by seasonality. Locate2u customer wins during the quarter another encouraging highlight as the company investment in sales clearly paying dividends.

#### Recommendation:

- We maintain a Buy recommendation for Z2U with an unchanged 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 1,660,804 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.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target (A\$)	\$ 1.00
Previous (A\$)	\$ 1.00
Share Price (A\$)	\$ 0.29
ASX Code	Z2U
52 week low - high (A\$)	0.21-0.735
Methodology	DCF
Valuation (A\$)	\$ 1.00
Valuation Methodology	DCF
Capital structure	
Shares on Issue (M)	173.3
Options (M)	23.2
<b>Undiluted Market Cap, A\$M</b>	<b>50.3</b>
Net Cash/(Debt), A\$M (est.)	5.8
<b>EV (A\$m)</b>	<b>44.5</b>
12mth Av Daily Volume ('000)	934

Forecasts, A\$M	2021a	2022e	2023e	2024e
Revenue	2.9	5.1	8.9	13.7
EBITDA	-1.0	-3.1	-1.0	1.7
NPAT, underlying	-1.1	-3.2	-1.1	1.4
EPS, cps	-0.8	-1.7	-0.6	0.7
EV/Sales, x	15.3	8.6	5.0	3.2

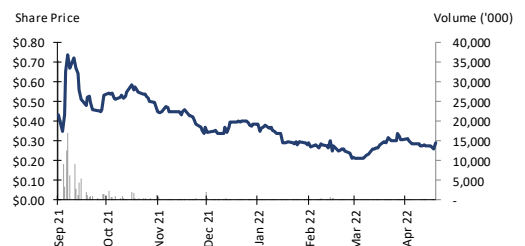
#### Shareholders

Steve Orenstein	26.1%
Perennial Value Management	9.9%
JM Future Holding	6.7%
Australian Catholic Superannuation	6.0%

#### Board

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

#### Share Price Graph



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