



Zoom2u Technologies Ltd (Z2U.ASX)

Bunnings is Just The Beginning

Event:

- Bunnings agreement.

Investment Highlights:

- Strong validation in Bunnings adoption of Z2U delivery platform:** Z2U has today announced an agreement with Bunnings to provide next day delivery services for its metro stores. Live tracking link coupled with real time location and delivery ETA are the notable features attractive to Bunnings. There are no minimum volume or fee commitments in the agreement.
- Meaningful potential incremental revenue stream in Bunnings' metro ecosystem:** we conservatively estimate \$2M pa incremental revenue from Bunnings deal, post rollout. The agreement covers major metro stores, which we estimate at ~150, while we note there are ~380 stores nationwide. The \$2M opportunity uses our very conservative assumptions of \$10 per order, for 4 orders per day across 150 metro stores. We estimate an average of ~250k orders per store per year (680 orders per day) on the FY21a Bunnings revenue of ~\$16.9b, highlighting our conservative penetration assumptions (<1%) in a large addressable pool.
- Bigger prize is adjacent expansion into Wesfarmers' portfolio of verticals:** WES' umbrella houses relevant opportunities including Kmart and Target (FY21a \$10b revenue), Officeworks (\$3b), and Catch (nd), noting potential favourable dynamics in consumer demographics and behaviour, including higher order frequency and delivery requirement for goods.
- Cash of \$5.8M March 2022 end, no debt.**

Earnings and Valuation:

- We have **unchanged FY22-24e NPAT forecasts of -\$3.2M, -\$1.1M, and \$1.4M or EPS of -1.7cps, -0.6cps, 0.7cps.** The latest Bunnings validation provides even greater confidence of our forecast hyper growth in sales of 68% CAGR over the 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 greatly encouraged by today's platform validation and potential revenue stream as well as wider adjacent expansion into WES' verticals.

Recommendation:

- We maintain a Buy recommendation for Z2U with an unchanged price target of \$1.00/share,** with today's announcement a strong validation of the platform offering meaningful revenue stream from the Bunnings ecosystem, with scope for expansion to adjacent WES' verticals.
- 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 1,729,874 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\$)	\$ 0.205
ASX Code	Z2U
52 week low - high (A\$)	0.205-0.735
Methodology	DCF
Valuation (A\$)	\$ 1.00
Valuation Methodology	DCF

Capital structure

Shares on Issue (M)	173.3
Options (M)	23.2
Undiluted Market Cap, A\$M	35.5
Net Cash/(Debt), A\$M (est.)	5.8
EV (A\$m)	29.7
12mth Av Daily Volume ('000)	809

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	10.2	5.8	3.4	2.2

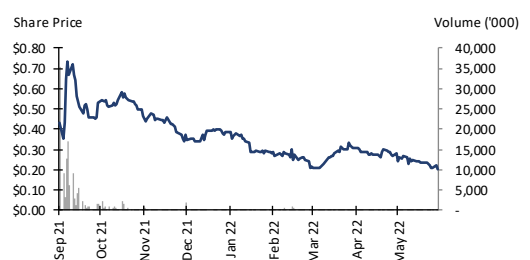
Shareholders

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



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

+61 2 9993 8130