

Vmoto Ltd

(VMT \$0.33) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Harry Stevenson	11 th August 2021	\$0.74/sh ▼ from \$0.78/sh

2Q update

Event

VMT has recently provided a record Q2 sales update reporting record units sales for the quarter and strong orderbook.

We have made adjustments to our full year forecasts to reflect sales YTD.

Impact

Though record results; 1H unit sales of 13,139 were below our forecast of 15,736.

- We remain bullish on VMT's ability to continue to grow international sales channels and secure B2B partnerships.

Action

We have pulled back our full year sales expectations; as a result **Price Target falls to \$0.74/sh** which reflects adjustments to our forecasts. Though trading at \$0.33/sh, there remains plenty of upside.

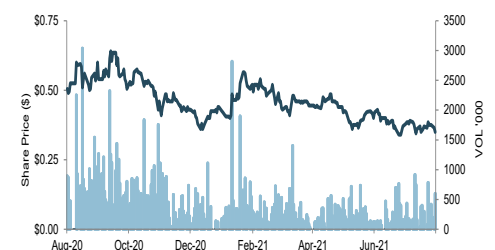
Key Catalysts

- Q3 quarterly update; current order book supports further growth.
- B2B sales agreement.
 - Bird Group MOU delayed by Covid, company remains confident final agreement will be reached during CY'21.
 - Further order from GoSharing; company completed a \$65m raising at the beginning of CY'21 to support further expansion.
- Update on Ducatti Partnership Arrangement
- Entry into new global markets.

Vmoto Ltd	Year End 30 Jun	
Share Price	0.33	A\$/sh
Price Target	0.74	A\$/sh
Valuation (DCF)	0.74	A\$/sh
WACC	9.2%	
Terminal Growth	2.5%	
Shares on issue	276	m
Market Capitalisation	91.8	A\$m
Enterprise Value	75.6	A\$m
Net Cash Cash (June Proforma)	16.2	A\$m

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	62.8	75.2	99.0
EBITDA (A\$m)	5.8	8.9	12.2
EBIT (A\$m)	4.3	7.5	10.9
Reported NPAT (A\$m)	3.7	6.8	7.7
Normalised (A\$m)	3.7	6.8	7.7
Gross Cashflow (A\$m)	6.2	9.3	10.1
Capex (A\$m)	-0.6	-1.0	-1.1
Op. Free Cashflow (A\$m)	4.8	2.0	3.9
Revenue Growth (%)	33%	20%	32%
EBITDA Growth (%)	67%	53%	38%
Norm. NPAT Growth (%)	181%	87%	13%
Normalised EPS (Ac)	1.31	2.46	2.78
Norm. EPS growth (%)	1.27	0.87	0.13
PER (x)	25.1	13.4	11.9
EV:EBITDA (x)	16.0	8.5	6.2
EV:EBIT (x)	22.0	10.0	6.8
DPS (Ac)	NA	NA	0.00
Dividend Yield (%)	NA	NA	0.00
Net Cash (A\$m)	15.0	17.0	20.9
Net debt to equity	45%	41%	42%

Share Price Chart



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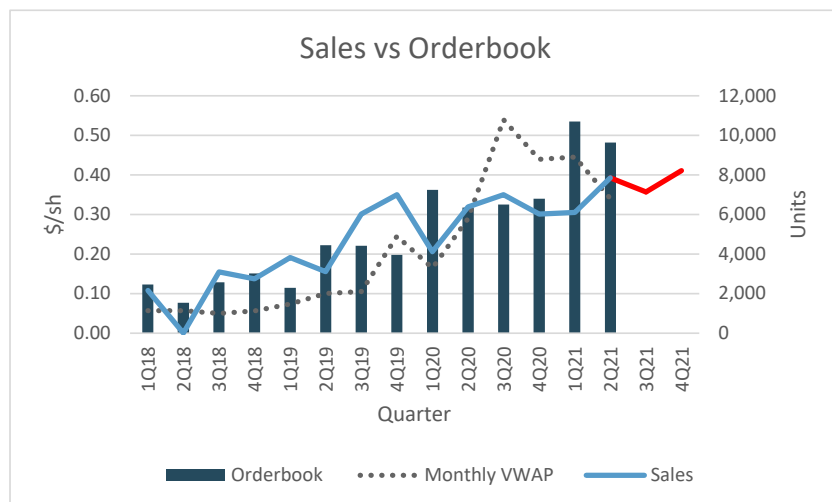
Analysis

We have updated our FY'21 (December year end) unit sales forecasts.

FY	Units	2018	1H19	2H19	2019	1H20	2H20	2020	1H21	2H21	2021	2022	2023	2024	2025
Unit Sales															
International (ex Go Sharing)	#	10,081	6,893	9,694	16,587	7,563	9,553	17,116	7,235	10,508	17,743	22,179	27,724	34,655	43,319
B2B Partners	#	0	0	670	670	2,150	2,150	4,300	5,904	4,000	9,904	15,000	22,500	22,500	22,500
Total International Units	#	10,081	6,893	10,364	17,257	9,713	11,703	21,416	13,139	14,508	27,647	37,179	50,224	57,155	65,819
Growth on PCP															
International (ex Go Sharing)	%	na	40%	88%	65%	10%	-1%	3%	-4%	10%	4%	25%	25%	25%	25%
Greenmo Group	%	na	0%	NA	NA	na	221%	542%	175%	86%	130%	51%	50%	0%	0%
Total International Units	%	na	100%	NA	71%	na	13%	24%	35%	24%	29%	34%	35%	14%	15%
Total Units		10,875	6,936	13,035	19,971	10,510	13,037	23,547	13,963	15,308	29,271	38,803	51,848	58,779	67,442
Growth on PCP	%	na	na	88%	84%	-19%	24%	18%	7%	10%	24%	33%	34%	13%	15%

- VMT delivered 13,139 international units in the first half of FY'21 (EHL 15,736)
- We have pulled back our full year forecasts looking for 27,647 international units and 29,271 units in total.
- Current international orderbook of 9,636 units continues to support strong 2H'21.
- While we remain bullish on the outlook we have conservatively pulled back our FY'22 international unit sales forecast 37,179.
- We will look to update this with further clarity around the Bird MOU towards the end of CY'21.

The following outlines historical and forecast growth against orderbook.



- Clearly current orderbook supports further growth through FY'21.
- We remain confident on the growing demand for VMT products with transition to EV's continuing and mandated across Europe.
- Demand for B2B products (rideshare/deliver products) will continue to be supported by the impact of Covid.

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We have made the following adjustments to our forecasts:

		Actual			Old	New			Old	New	Old	New			
		FY20	1H'21	2H'21	FY21	FY21	\$	%	FY22	FY22	\$	%	FY23	FY24	FY25
Sales	\$m	61.0	34.9	38.3	81.9	73.2	-8.7	-11%	119.9	97.0	-22.9	-19%	129.6	146.9	168.6
COGS	\$m	-46.7	-26.9	-29.5	-63.1	-56.3	6.8	-11%	-92.3	-74.7	17.6	-19%	-99.8	-113.1	-129.8
GP	\$m	14.4	8.0	8.8	18.8	16.8	-2.0	-10%	27.6	22.3	-5.3	-19%	29.8	33.8	38.8
GP Margin	%	24%	23%	23%	22%	23%	0.0	5%	23%	23%	0.0	0%	23%	23%	23%
Units	#	23,547	13,963	15,308	31,886	29,271	-2614.9	-8%	47,955	38,803	-9152	-19%	51848	58779	67442
Avg Pricing	\$	2,591	2,500	2,500	2,500	2,500	0.0	0%	2,500	2,500	na	na	2500	2500	2500
YOY Sales Growth	%	34%	na	na	35%	24%	na	-31%	50%	33%	na	na	34%	13%	15%
(+) Other income	\$m	1.8	1.0	1.0	1.9	2.0	0.1	5%	2.9	2.0	-0.9	-31%	2.0	2.0	2.0
(-) OPEX	\$m	-10.3	-5.0	-5.0	-11.9	-10.0	1.9	-16%	-15.5	-12.1	3.4	-22%	-15.2	-15.6	-17.7
EBITDA	\$m	5.8	4.0	4.8	8.5	8.9	0.4	4%	10.5	12.2	na	na	16.6	20.1	23.1
EBITDA Margin	%	9%	12%	13%	10%	12%	na	21%	11%	13%	na	na	13%	11%	14%
YOY EBITDA Growth	%	67%	na	na	47%	53%	na	13%	47%	44%	na	-7%	36%	21%	15%
EBIT	\$m	4.3	3.4	4.1	6.9	7.5	0.6	9%	12.6	10.9	-1.7	-13%	15.4	19.0	22.1
EBIT Margin %	%	7%	10%	11%	9%	10%	na	na	10%	11%	na	na	12%	13%	13%
YoY EBIT Growth %	%	244%	na	na	59%	73%	na	na	83%	46%	na	na	41%	23%	16%
Net profit after tax	\$m	3.7	3.1	3.8	6.3	6.8	0.5	9%	6.9	7.7	na	na	10.9	13.4	15.5
NPAT Growth %	%	181%	na	na	72%	87%	na	20%	10%	13%	na	na	41%	23%	16%

- Changes to forecasts earnings forecasts reflect adjustments to our unit forecasts.
- Cash generation for 1H'21 has been strong with the company generating \$1.7m; a good strong result given the company's intention to offer favourable financing terms to larger customers.
- Cash balance as Q2 stood at \$16.7m and no debt.
- We have revised our full year opex estimates looking for VMT to convert a little stronger at the EBITDA line. With margins improving again through FY'22 with better coverage of fixed costs.

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Valuation

FY	Units	2021	2022	2023	2024	2025	2026
EBIT	A\$m	7.5	10.9	15.4	19.0	22.1	22.7
(-) Tax (Ungeared)	A\$m	-2.2	-3.3	-4.6	-5.7	-6.6	-6.8
(+) D&A	A\$m	1.4	1.3	1.2	1.1	1.0	1.0
(-) Capex	A\$m	-1.0	-1.1	-1.0	-1.0	-0.9	-0.9
(-) ΔNWC	A\$m	-6.3	-5.0	-4.3	-1.6	-1.7	0.0
FCFF	A\$m	-0.7	2.8	6.7	11.9	13.8	16.0
Period	x	0.50	1.50	2.50	3.50	4.50	5.50
Disc. Factor	x	0.96	0.88	0.80	0.74	0.67	0.62
Disc FCFF	A\$m	-0.7	2.4	5.3	8.7	9.3	9.9
NPV forecasted FCFF	A\$m	35.0					
Terminal FCFF	16.0						
TGR	2.5%						
TV	245.8						
PV of TV	151.7						
EV	186.7						
Net Cash*	16.2						
Equity Value	202.9						
WACC	9.2%						
SOI	278.3						
A\$/sh.	0.74						

*We use a proforma net debt including lease liabilities.

VMT trading on 8.5x EV/EBITDA FY'21 on our forward estimates is compelling, given the long term growth we continue to forecast. Comparable high growth industrial companies trading ~20x EBITDA earning.

We continue to see significant upside from current price of \$0.33/sh.

If VMT can deliver on B2B deals we expect the company can trade strongly through the second half of 2021.

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Financial Statements	2019A	2020A	2021F	2022F	Performance Ratios	2019A	2020A	2021F	2022F
Income Statement					Growth & Margins				
Revenue	45.7	61.0	73.2	97.0	Revenue Growth	133%	33%	20%	32%
Other Revenue	1.5	1.8	2.0	2.0	EBITDA Growth	-1099%	67%	53%	38%
Revenue	47.2	62.8	75.2	99.0	EBIT Growth	-208%	244%	73%	46%
COGS	-36.0	-46.7	-56.3	-74.7	Normalized NPAT Growth	-242%	181%	87%	13%
OPEX	-7.7	-10.3	-10.0	-12.1	EBITDA margin	7%	9%	12%	12%
EBITDA	3.5	5.8	8.9	12.2	EBIT margin	3%	7%	10%	11%
Depreciation & amortisation	-1.6	-1.5	-1.4	-1.3	Normalized NPAT margin	3%	6%	9%	8%
EBIT	1.3	4.3	7.5	10.9	Effective tax rate	0%	13%	30%	30%
Borrowing Costs	-0.1	0.0	0.0	0.0	Liquidity				
Interest Income	0.1	-0.1	0.1	0.1	Capex/depreciation (x)	0.1	0.4	0.8	0.9
EBT	1.3	4.2	7.6	11.0	Current ratio (x)	2.2	3.6	3.2	3.2
Tax expense	0.0	-0.6	-0.8	-3.3	Quick ratio (x)	1.6	3.1	2.1	2.1
Norm NPAT	1.3	3.7	6.8	7.7	Receivable days	16	51	36	36
Abnormals	0.0	0.0	0.0	0.0	Payable days	47	49	73	73
Reported NPAT	1.3	3.7	6.8	7.7	Risk Measures				
Cash flow (A\$m)					Dividend Cover (x)	na	na	na	na
Profit before Tax	1.3	4.2	7.6	11.0	Payout ratio (%)	0.0	0.0	0.0	0.0
(+) D&A	1.6	1.5	1.4	1.3	Net debt/equity (%)	27%	45%	51%	55%
(+/-) Other	0.0	1.1	1.1	1.1	Returns				
(+/-) write-downs/revsals	0.6	0.0	0.0	0.0	ROIC(%)	5%	9%	13%	15%
(-) Tax Paid	0.0	-0.6	-0.8	-3.3	Return on assets (%)	5%	9%	12%	11%
Gross Cashflow	3.5	6.2	9.3	10.1	Return equity (%)	8%	11%	17%	15%
(-) Capital Expenditure	-0.2	-0.6	-1.0	-1.1	Share Data/Valuation				
(-) Change in WC	-1.6	-0.9	-6.3	-5.0	Share Data				
Operating Free cashflow	1.7	4.8	2.0	3.9	Issued shares (m)	224.8	278.3	278.3	278.3
(-) investments	0.0	-6.0	0.0	0.0	Weighted ave shares (m)	222.9	251.5	278.3	278.3
(+) Disposals	0.0	0.0	0.0	0.0	Fully diluted shares (m)	224.8	278.3	278.3	278.3
(+) Equity issued	0.5	14.5	0.0	0.0	Basic EPS (c)	0.6	1.3	2.5	2.8
(+) Other	-0.6	-2.8	0.0	0.0	YoY change (%)	-2.4	1.3	0.9	0.1
Net Cashflow	1.6	10.4	2.0	3.9	Fully diluted EPS (c)	0.6	1.3	2.5	2.8
Bop Net Cash	3.0	4.6	15.0	17.0	YoY change (%)	-2.4	1.3	0.9	0.1
(+/-) Net Cashflow	1.6	10.4	2.0	3.9	Fully diluted normalised EPS (c)	0.6	1.3	2.5	2.8
(+/-) AASB16 Adj.	0.0	0.0	0.0	0.0	YoY change (%)	-2.4	1.3	0.9	0.1
EoP Net Cash	4.6	15.0	17.0	20.9	Dividend/share (c)	0.0	0.0	0.0	0.0
Balance Sheet (\$m)					Franking (%)	na	na	na	na
Cash	6.6	15.0	17.0	20.9	Gross cashflow/share (c)	1.6	2.2	3.3	3.6
Receivables	2.1	8.7	11.0	14.6	NBV/share (c)	7.6	11.9	14.8	17.9
Inventory	4.4	4.5	7.3	9.7	NTA/Share (c)	7.4	11.9	14.8	17.9
Prepayments	4.0	0.4	3.7	5.8	Valuation				
Total Current Assets	17.2	28.6	39.0	51.0	PER (Basic) (x)	57.0	25.1	13.4	11.9
Property, plant and equipment	7.2	6.5	6.1	5.9	PER (Fully diluted) (x)	57.0	25.1	13.4	11.9
Right of Use	0.6	0.5	0.5	0.5	PER (Fully diluted, normalized) (x)	57.0	25.1	13.4	11.9
Intangible Assets	0.3	0.0	0.0	0.0	P/CFPS (x)	21.2	14.8	9.9	9.1
Investments (in JV)	0.0	5.9	5.9	5.9	Price/NBV (x)	4.4	2.8	2.2	1.8
Total Non-Current Assets	8.1	12.9	12.6	12.4	Price/NTA (x)	4.4	2.8	2.2	1.8
Total Assets	25.3	41.6	51.5	63.4	Dividend Yield (%)	0.0	0.0	0.0	0.0
Payables	5.6	7.6	9.9	13.0	Market Cap	91.8	91.8	91.8	91.8
Loans and borrowings	2.0	0.0	0.0	0.0	EV	66.4	92.7	75.6	75.6
Lease Liabilities	0.1	0.1	0.1	0.1	EV/EBITDA (x)	19.2	16.0	8.5	6.2
Total Current Liabilities	7.8	8.0	10.1	13.1	EV/EBIT (x)	51.0	22.0	10.0	6.8
Lease Liabilities	0.5	0.4	0.4	0.4	EV/Revenue (x)	1.4	1.5	1.0	0.8
Total Non-Current Liabilities	0.5	0.4	0.4	0.4	Other Information				
Total Liabilities	8.3	8.4	10.5	13.5	12-mth High/Low (A\$/sh)				0.64/0.09
Net Assets	17.0	33.2	41.1	49.9	Average daily volume (A\$'000s)				0.16
Issued capital	75.4	89.8	90.9	92.0	ASX Code				VMT
Reserves	-0.7	-2.7	-2.7	-2.7	Next result				Aug-2021
Retained profits	-57.7	-53.9	-47.1	-39.4	Company Description				
Non-Controlling Interest	0.1	0.0	0.0	0.0	VMT a global e-mobility manufacturing and distribution group. The Company specialises in high quality electric powered two-wheel vehicles and manufactures a range of western designed electric scooters from its wholly owned 30,000sqm state of the art manufacturing facility in Nanjing, China. V-moto combines low cost Chinese manufacturing capabilities and sophisticated supply chains with European design and offers high performance and competitive products to international markets.				
Total Equity	17.0	33.2	41.1	49.9					

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