

Vmoto Ltd

(VMT \$0.47) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Harry Stevenson	3 rd March 2021	\$0.78/sh ▲ from \$0.72/sh

Strong Full Year Results

Investment case

VMT has released unaudited preliminary final results for the full year ended 31 December 2020. Results for the year were strong across the board with the company exceeding our previous forecasts (adjusted for impact of share based payments approved late in the year). With the award of the of VMT's largest B2B order from strategic partner Greenmo Group in early FY'21 we look for a step change in unit sales through FY'21 with the company set to benefit from easing of lockdowns across Europe and continued transition to E-vehicles. The company launched a range of three new vehicles in late February which we expect will be well received given the welcome bump to performance. We have pushed through some adjustments to our full year FY'21 forecasts to reflect FY'20 results and as a result price target rises to \$0.78/sh.

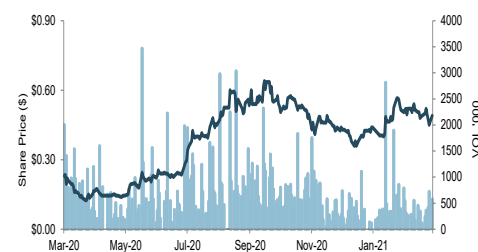
Key points

- Total revenue of \$61m (vs Euroz \$61.3m) up 34% YoY.
- Revenue per unit of \$2,591 vs \$2,287 in prior year; however this is muddled by inclusion of parts sales. We model FY'21 on a conservative \$2,500 per unit.
- GP margins were stronger than anticipated at 23.5% (EHSL 21%); up from 21.1% in prior year.
- Growth in GP margins appears to be a reflection of the operating leverages within the new jointly owned manufacturing company "Vmoto Soco". While we suspect Vmoto can do a little better we model FY'21 on 23% GP margins.
- EBITDA \$5.8m up 101% YoY, adjusted for the impact of the share based payments \$6.9m up 319% YoY.
- Strong operating cash flows of \$4m; up 139% on PY.
- NPAT of \$3.7m up 102% on PY.
- Total sales of 23,547 up 18% YOY, however down on EHSL forecasts of 24,528; given the lower than anticipated Q4 sales results.
- With the receipt of \$13m B2B order received from Greenmo Group for 5,904 and record Q1 orderbook position VMT is on track to deliver 10,000 units in Q1'21; 45% of FY'20 total sales.
- Balance sheet position leaves VMT capitalised for future growth with \$15m in cash and no debt.
- We have updated our forecasts to reflect FY'20 results as a result price target increases to \$0.78/sh.

Vmoto Ltd	Year End 30 June	
Share Price	0.47	A\$/sh
Price Target	0.78	A\$/sh
Valuation (DCF)	0.78	A\$/sh
WACC	9.2%	
Terminal Growth	2.5%	
Shares on issue	276 m	
Market Capitalisation	130.8	A\$m
Enterprise Value	116.3	A\$m
Net Cash Cash (December)	14.5	A\$m

Key Financials	2020A	2021F	2022F
Revenue (A\$m)	62.7	83.5	121.4
EBITDA (A\$m)	6.0	8.5	13.6
EBIT (A\$m)	4.4	6.9	12.1
Reported NPAT (A\$m)	3.7	6.3	8.6
Normalised (A\$m)	3.7	6.3	8.6
Gross Cashflow (A\$m)	6.5	9.0	11.1
Capex (A\$m)	-0.7	-1.2	-1.3
Op. Free Cashflow (A\$m)	4.9	4.9	5.4
Revenue Growth (%)	33%	33%	45%
EBITDA Growth (%)	75%	41%	60%
Norm. NPAT Growth (%)	183%	72%	35%
Normalised EPS (Ac)	1.32	2.27	3.08
Norm. EPS growth (%)	1.28	0.72	0.35
PER (x)	35.6	20.7	15.3
EV:EBITDA (x)	17.9	13.7	8.6
EV:EBIT (x)	25.5	16.6	9.5
DPS (Ac)	NA	NA	0.00
Dividend Yield (%)	NA	NA	0.00
Net Cash (A\$m)	15.0	19.9	25.3
Net debt to equity	45%	49%	50%

Share Price Chart



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Analysis

We have updated our unit sales forecast to reflect strong orderbook position.

FY	Units	2018	1H19	2H19	2019	1H20	2H20	2020	1H21	1H21	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	9,832	10,508	20,340	25,425	31,782	39,727	49,659
Go Sharing	#	0	0	670	670	2,150	2,150	4,300	5,904	4,000	9,904	20,000	22,500	22,500	22,500
Total International Units	#	10,081	6,893	10,364	17,257	9,713	11,703	21,416	15,736	14,508	30,244	45,425	54,282	62,227	72,159
Growth on PCP															
International (ex Go Sharing)	%	na	40%	88%	65%	10%	-1%	3%	30%	10%	19%	25%	25%	25%	25%
Greenmo Group	%	na	0%	NA	NA	na	221%	542%	175%	86%	130%	68%	13%	0%	0%
Total International Units	%	na	100%	NA	71%	na	13%	24%	62%	24%	41%	41%	19%	15%	16%
Total Units															
Total Units		10,875	6,936	13,035	19,971	10,510	13,037	23,547	16,667	16,107	32,774	47,955	56,812	64,757	74,689
Growth on PCP	%	na	na	88%	84%	-19%	24%	18%	28%	-3%	39%	38%	18%	14%	15%

- Given the orderbook supports 10,000 units in the first quarter; our 1H estimates are conservative.
- Greenmo Group's presence in European market's has grown 2.4x through FY'20. We look for this growth to continue through FY'21; with a second order in 2H'21.
- Over time we look for consistent orders to support fleet replacement and geographical expansion.

We have pushed through FY'20 results and adjusted forecasts as follows:

		Actual	Old	New			Old	New							
		FY20	FY21	FY21	\$	%	FY22	FY22	\$	%	FY23	FY24	FY25		
Sales	\$m	61.0	81.3	81.9	5.6	7%	94	119.9	25.9	28%	142.0	161.9	186.7		
COGS	\$m	-46.7	-63.4	-63.1	-3.5	6%	-72.3	-92.3	-20.0	28%	-109.4	-124.7	-143.8		
GP	\$m	14.4	17.9	18.8	2.1	12%	21.6	27.6	6.0	28%	32.7	37.2	42.9		
GP Margin	%	24%	22%	23%	0.0	5%	23%	23%	0.0	0%	23%	23%	23%		
Units	#	23,547	31,886	32,774	2888.3	9%	34,797	47,955	13158	38%	56812	64757	74689		
Avg Pricing	\$	2,591	2,600	2,500	-100.0	-4%	2,700	2,500	-200.0	-7%	2500	2500	2500		
YOY Sales Growth	%	34%	35%	39%	na	35%	9%	38%	na	315%	18%	14%	15%		
(+) Other income	\$m	1.7	1.9	1.9	0.0	0%	2.9	2.9	0.0	0%					
(-) OPEX	\$m	-10.0	-11.7	-11.9	-0.1	1%	-12.9	-15.5	-2.6	20%	-16.3	-16.8	-19.1		
EBITDA	\$m	6.0	8.0	8.5	1.7	22%	10.1	13.6	3.5	35%	17.9	21.9	25.3		
EBITDA Margin	%	10%	10%	10%	na	12%	11%	11%	0%	3%	13%	14%	14%		
YOY EBITDA Growth	%	75%	32%	41%	na	88%	47%	70%	na	49%	32%	22%	16%		
EBIT	\$m	4.4	7.0	6.9	1.5	22%	9.5	12.6	3.1	32%	17.0	21.3	24.8		
EBIT Margin %	%	7%	9%	8%	0.0	9%	10%	10%	0.0	5%	12%	13%	13%		
YoY EBIT Growth %	%	246%	61%	59%	na	57%	36%	48%	na	34%	35%	26%	16%		
Net profit after tax	\$m	3.7	5.4	6.3	2.2	42%	6.9	9.2	2.3	33%	12.4	15.5	18.0		
NPAT Growth %	%	183%	47%	72%	na	130%	28%	20%	na	-27%	35%	25%	16%		

- Revenue growth reflects increase in units sales.
- Conservatively we model on a \$2,500 per unit average pricing assumption
- We look for 23.5% GP margins; however we expect VMT can do a little better given FY'20 at 24%.
- EBITDA margins of 10% inline with PY.

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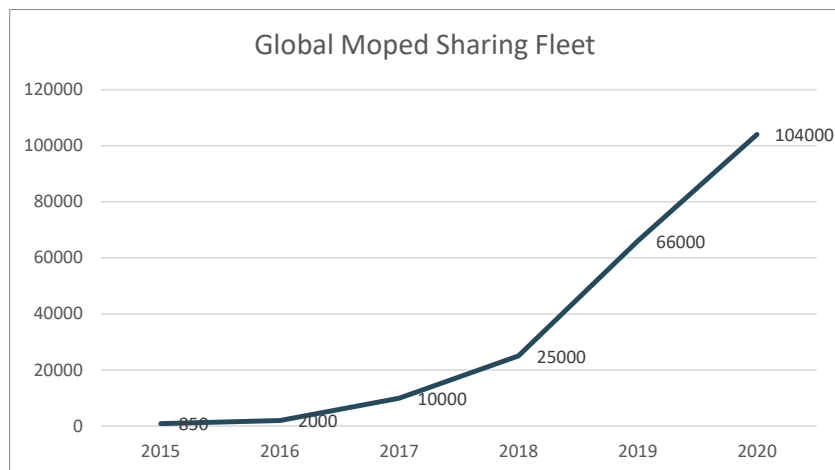
International Markets

Covid-19 continues to accelerate the transition to EV-mobility with consumers seeking out individual mobility options compared with mass public transport.

Full year 2020 data from European Association of Motorcycle Manufacturers indicate that new registrations of EV-moped's grew 13% YoY. We expect transition to continue to accelerate through CY'21 with Euro 5 emission regulations enforcing new emissions standards on all sales of new 2-wheel vehicles from 1 January 2021.

Sharing Market

Global moped ridesharing fleet grew 4x in 24 months ending December 2020 (noting that 99% of European ride share options are EV).



Source: Global Scooter Sharing Market report 2020, UNU

We expect this trend to continue to through 2021 given:

- Increased awareness of congestion and air pollution driving adoption of new forms of mobility.
- Government regulations and subsidies continue to enable growth of ride sharing options.
- Sharing economy growth set to continue to accelerate; with some estimates suggesting global sharing economy is set to grow to US\$335bn by 2025 from \$15bn in 2014 (PWC).

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Valuation

We have updated our DCF based valuation to reflect adjustments to our long term forecasts:

FY	Units	2021	2022	2023	2024	2025	2026
EBIT	A\$m	6.9	12.1	16.5	20.6	24.1	24.8
(-) Tax (Ungearred)	A\$m	-2.1	-3.6	-5.0	-6.2	-7.2	-7.4
(+) D&A	A\$m	1.6	1.5	1.4	1.3	1.2	1.2
(-) Capex	A\$m	-1.2	-1.3	-1.2	-1.1	-1.1	-1.1
(-) ΔNWC	A\$m	-3.0	-3.7	-2.9	-2.6	-2.9	0.0
FCFF	A\$m	2.3	4.9	8.9	12.0	14.1	17.5
Period	x	1.00	2.00	3.00	4.00	5.00	6.00
Disc. Factor	x	0.92	0.84	0.77	0.70	0.64	0.59
Disc FCFF	A\$m	2.1	4.2	6.8	8.4	9.1	10.3
NPV forecasted FCFF	A\$m	40.3					
Terminal FCFF	17.5						
TGR	2.5%						
TV	268.7						
PV of TV	158.7						
EV	199.8						
Net Cash*	15.0						
Equity Value	214.8						
WACC	9.2%						
SOI	278.3						
A\$/sh.	0.78						

* = Q4 Update

- Our long terms forecasts are still significantly below existing plant capacity of ~\$300,000 units per annum.
- On FY'21 forecasts the company continues to trade on an underwhelming 13x EV/EBITDA given the growth we are forecasting through FY'21 and FY'22.

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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	81.9	119.9	Revenue Growth	133%	33%	33%	45%
Other Revenue	1.5	1.7	1.5	1.5	EBITDA Growth	-1099%	75%	41%	60%
Revenue	47.2	62.7	83.5	121.4	EBIT Growth	-208%	246%	59%	75%
COGS	-36.0	-46.7	-63.1	-92.3	Normalized NPAT Growth	-242%	183%	72%	35%
OPEX	-7.7	-10.0	-11.9	-15.5	EBITDA margin	7%	10%	10%	11%
EBITDA	3.5	6.0	8.5	13.6	EBIT margin	3%	7%	8%	10%
Depreciation & amortisation	-1.6	-1.7	-1.6	-1.5	Normalized NPAT margin	3%	6%	8%	7%
EBIT	1.3	4.4	6.9	12.1	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	0.7	0.9
EBT	1.3	4.2	7.0	12.2	Current ratio (x)	2.2	3.6	2.9	2.8
Tax expense	0.0	-0.6	-0.7	-3.7	Quick ratio (x)	1.6	3.1	1.9	1.7
Norm NPAT	1.3	3.7	6.3	8.6	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	6.3	8.6	Risk Measures				
Cash flow (A\$m)					Dividend Cover (x)	na	na	na	na
Profit before Tax	1.3	4.2	7.0	12.2	Payout ratio (%)	0.0	0.0	0.0	0.0
(+) D&A	1.6	1.7	1.6	1.5	Net debt/equity (%)	27%	45%	49%	50%
(+/-) Other	0.0	1.1	1.1	1.1	Returns				
(+/-) write-downs/revs	0.6	0.0	0.0	0.0	ROIC(%)	5%	9%	12%	17%
(-) Tax Paid	0.0	-0.6	-0.7	-3.7	Return on assets (%)	5%	9%	11%	12%
Gross Cashflow	3.5	6.5	9.0	11.1	Return equity (%)	8%	11%	16%	17%
(-) Capital Expenditure	-0.2	-0.7	-1.2	-1.3	Share Data/Valuation				
(-) Change in WC	-1.6	-0.9	-3.0	-4.4	2019A	2020A	2021F	2022F	
Operating Free cashflow	1.7	4.9	4.9	5.4	Share Data				
(-) investments	0.0	-6.2	0.0	0.0	Issued shares (m)	224.8	278.3	278.3	278.3
(+) Disposals	0.0	0.0	0.0	0.0	Weighted ave shares (m)	222.9	251.5	278.3	278.3
(+) Equity issued	0.5	14.5	0.0	0.0	Fully diluted shares (m)	224.8	278.3	278.3	278.3
(+) Other	-0.6	-2.8	0.0	0.0	Basic EPS (c)	0.6	1.3	2.3	3.1
Net Cashflow	1.6	10.4	4.9	5.4	YoY change (%)	-2.4	1.3	0.7	0.4
Bop Net Cash	3.0	4.6	15.0	19.9	Fully diluted EPS (c)	0.6	1.3	2.3	3.1
(+/-) Net Cashflow	1.6	10.4	4.9	5.4	YoY change (%)	-2.4	1.3	0.7	0.4
(+/-) AASB16 Adj.	0.0	0.0	0.0	0.0	Fully diluted normalised EPS (c)	0.6	1.3	2.3	3.1
EoP Net Cash	4.6	15.0	19.9	25.3	YoY change (%)	-2.4	1.3	0.7	0.4
Balance Sheet (\$m)					Dividend/share (c)	0.0	0.0	0.0	0.0
Cash	6.6	15.0	19.9	25.3	Franking (%)	na	na	na	na
Receivables	2.1	8.7	8.2	12.0	Gross cashflow/share (c)	1.6	2.3	3.2	4.0
Inventory	4.4	4.5	8.2	12.0	NBV/share (c)	7.6	11.9	14.6	18.1
Prepayments	4.0	0.5	7.4	10.8	NTA/Share (c)	7.4	11.9	14.6	18.1
Total Current Assets	17.2	28.7	43.6	60.0	Valuation				
Property, plant and equipment	7.2	6.5	6.1	5.9	PER (Basic) (x)	81.2	35.6	20.7	15.3
Right of Use	0.6	0.5	0.5	0.5	PER (Fully diluted) (x)	81.2	35.6	20.7	15.3
Intangible Assets	0.3	0.0	0.0	0.0	PER (Fully diluted, normalized) (x)	81.2	35.6	20.7	15.3
Investments (in JV)	0.0	5.9	5.9	5.9	P/CFPS (x)	30.2	20.3	14.5	11.8
Total Non-Current Assets	8.1	12.9	12.5	12.3	Price/NBV (x)	6.2	3.9	3.2	2.6
Total Assets	25.3	41.6	56.1	72.3	Price/NTA (x)	6.3	3.9	3.2	2.6
Payables	5.6	7.6	15.0	21.6	Dividend Yield (%)	0.0	0.0	0.0	0.0
Loans and borrowings	2.0	0.0	0.0	0.0	Market Cap	122.5	122.5	122.5	122.5
Lease Liabilities	0.1	0.1	0.1	0.1	EV	66.4	108.0	116.3	116.3
Total Current Liabilities	7.8	8.0	15.1	21.7	EV/EBITDA (x)	19.2	17.9	13.7	8.6
Lease Liabilities	0.5	0.4	0.4	0.4	EV/EBIT (x)	51.0	25.5	16.6	9.5
Total Non-Current Liabilities	0.5	0.4	0.4	0.4	EV/Revenue (x)	1.4	1.7	1.4	1.0
Total Liabilities	8.3	8.4	15.5	22.1	Other Information				
Net Assets	17.0	33.2	40.6	50.3	12-mth High/Low (A\$/sh)				0.67/0.11
Issued capital	75.4	89.9	91.0	92.1	Average daily volume (A\$'000s)				0.16
Reserves	-0.7	-2.8	-2.8	-2.8	ASX Code				VMT
Retained profits	-57.7	-53.9	-47.6	-39.0	Next result				Aug-2021
Non-Controlling Interest	0.1	0.0	0.0	0.0	Company Description				
Total Equity	17.0	33.2	40.6	50.3	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.				

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