

# Vmoto Limited

## (VMT \$0.41) Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Harry Stevenson	6 <sup>th</sup> November 2020	\$0.72/sh ▲ from \$0.70/sh

### Quarterly Update and Change in Chairman

#### Investment case

VMT announced Phillip Campbell will step down as chairman and as a non-executive director. Phil was instrumental in development of the 2017 strategic plan that has seen a major turnaround in the company's performance. While of course it is disappointing to see VMT lose an experienced chairman with a good track record at the company; in our opinion the change in directors signals that VMT is potentially looking to enter a new phase of growth and consequently we remain very buoyant around future prospects. In addition VMT have recently provided a Q3 update, achieving record sales for the quarter, we have updated our full year unit sales estimates and financial forecasts to reflect this. We have made some slight tweaks to our forecasts and as a result Price Target increases to 0.72/sh. We maintain our Buy Recommendation, with expectations for VMT to continue strong sales momentum through FY'21.

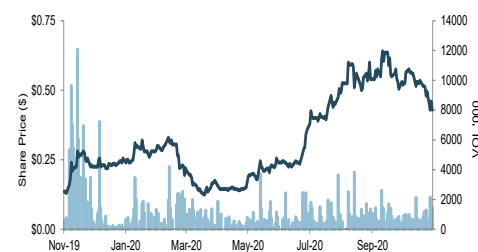
#### Key points

- VMT have reported record Q3 international sales of 6,134 and total unit sales of 7,009. Orderbook remains healthy with 6,152 units. Sales are recorded upon delivery to distributor, noting this sales for the upcoming quarter do not directly track orderbook.
- We have adjusted our full year forecast looking for full year unit sales of 24,528 (previously 23,965) and 31,886 units in FY'21. Revenue and GP is up on previous forecasts however we have made some slight tweaks below the line to reflect 1H results, consequently we continue to look for full year NPAT of \$3.9m, forecast NPAT growth up 200% on PY.
- We look for a slight acceleration in sales through FY'21 with VMT benefiting from an increased marketing push on the back of recent raising.
- Long term outlook for two wheeled vehicles remains healthy with VMT well positioned in the market and continue to take market share from key competitors.
- VMT has pulled back from recent highs to \$0.41/sh on the back of concerns around European lock downs and order book strength, in our opinion there is no change to long term investment thesis and we remain positive for the company's growth prospects.
- We look for full year results to better highlight the full impact of Super Soco Joint manufacturing agreement, which we envision should see further improvement in margins.

Vmoto Limited	Year End 31 Dec	
Share Price	0.41	A\$/sh
Price Target	0.72	A\$/sh
Valuation (DCF)	0.72	A\$/sh
WACC	9.2%	
Terminal Growth	2.0%	
Shares on issue	276	m
Market Capitalisation	113.0	A\$m
Enterprise Value	97.7	A\$m
Net Cash Cash (30-Sep 20)	15.3	A\$m

Key Financials	2019a	2020f	2021f
Revenue (A\$m)	47.2	63.3	83.2
EBITDA (A\$m)	3.5	5.5	8.0
EBIT (A\$m)	1.3	4.3	7.0
Reported NPAT (A\$m)	1.3	3.9	5.9
Normalised (A\$m)	1.3	3.9	5.9
Gross Cashflow (A\$m)	3.5	5.0	6.9
Capex (A\$m)	-0.2	-0.9	-0.9
Op. Free Cashflow (A\$m)	1.7	2.8	3.8
Revenue Growth (%)	133%	34%	31%
EBITDA Growth (%)	-1099%	59%	46%
Norm. NPAT Growth (%)	-242%	198%	51%
Normalised EPS (Ac)	0.58	1.41	2.13
Norm. EPS growth (%)	-2.39	1.43	0.51
PER (x)	70.8	29.1	19.3
EV:EBITDA (x)	28.3	17.7	12.2
EV:EBIT (x)	75.1	22.7	13.9
DPS (Ac)	NA	NA	NA
Dividend Yield (%)	NA	NA	NA
Net Cash (A\$m)	4.6	15.9	18.4
Net debt to equity	-27%	-42%	-46%

#### Share Price Chart



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## Analysis

VMT has recently provided the 3Q sales update, we have updated our full year sales estimate and full year forecasts as follows:

		Old	New	Old	New
		FY20	FY20	FY21	FY21
Sales	\$m	59.9	61.3	75.4	81.3
COGS	\$m	-47.3	-48.4	-58.8	-63.4
GP	\$m	12.7	13.0	16.6	17.9
GP Margin	%	21%	21%	22%	22%
Units	#	23,965	24,528	28998	31886
Avg Pricing	\$	2,500	2,500	2,600	2,600
YOY Sales Growth	%	31%	34%	26%	33%
(+) Other income	\$m	1.8	2.0	1.9	1.9
(-) OPEX	\$m	-9.6	-9.4	-11.1	-11.7
EBITDA	\$m	4.6	5.5	6.9	8.0
EBITDA Margin	%	8%	9%	9%	10%
YOY EBITDA Growth	%	34%	59%	48%	46%
EBIT	\$m	4.0	4.3	6.2	7.0
YoY EBIT Growth %	%	213%	245%	48%	60%
EBIT Margin %	%	7%	7%	9%	9%
Net profit after tax	\$m	3.9	3.9	5.4	5.9
NPAT Growth %	%	200%	198%	39%	51%

We have updated our full year forecasts to reflect

- Record YTD international units sales 15,847 and total sales of 17,519 (international sales up 35%). We forecast full year international sales of -21,981 units, and total units of 24,528.
- We have concerns for a second wave lock down in key markets Austria, Belgium, France, Germany, Italy and Spain; with this in mind we have tempered growth expectations in Q4 looking for flat QonQ sales in international markets.
- We have increased our FY'21 unit sales forecast looking for -32,000 units up from -29,000 previously.
- While we have slightly increased our full year sales forecasts, we have made some below the line adjustments to OPEX, depreciation and tax, we continue to look for full year NPAT at 3.9m.

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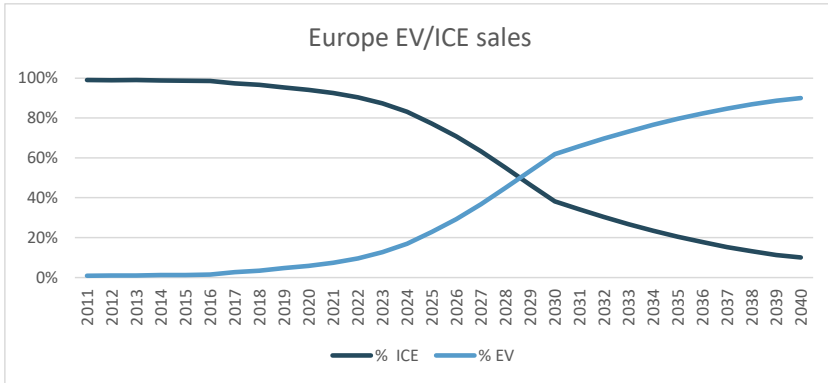
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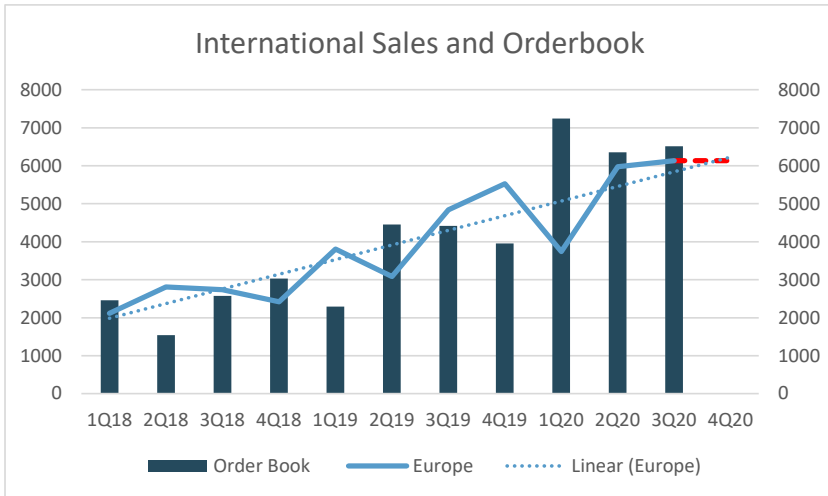


Long term Trends

Based on available registration data in Europe and published goals for transition to electric two wheel vehicles, we continue estimate that current two wheel vehicle sales (moped and motor cycles) are still in early phases of adoption by the market, we expect sales to continue to ramp up as Europe continues to phaseout sales of internal combustion engines through to 2040.



VMT’s international sales growth is clearly lumpy, however a long term sales trend is established with QonQ Cagr growth of 10.2% since 1Q18.



- We anticipate this growth will be sustained through FY’21 and VMT’s share price to retrace lost ground.
- In the meantime we await further updates on the Ducati agreement, conversion of B2B customer interest into sales agreements and further clarity on the impact of the new Super Soco Manufacturing JV.

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### Valuation

We have made some round the edges tweaks to our forecasts; consequently our updated DCF is coming out as follows:

FY	Units	2020	2021	2022	2023	2024	2025	2026
EBIT	A\$m	4.3	7.0	11.7	15.6	21.5	27.9	27.9
(-) Tax (Ungearred)	A\$m	-1.3	-2.1	-3.5	-4.7	-6.4	-8.4	-8.4
(+) D&A	A\$m	1.2	1.1	1.0	1.0	0.5	0.5	0.5
(-) Capex	A\$m	-0.9	-0.9	-0.8	-0.8	-0.7	-0.8	-0.8
(-) ΔNWC	A\$m	-0.1	-3.5	-3.3	-3.2	-4.1	-5.4	0.0
FCFF	A\$m	3.2	1.5	5.1	7.9	10.7	13.9	19.3
Period	x	0.25	1.25	2.25	3.25	4.25	5.25	6.25
Disc. Factor	x	0.98	0.90	0.82	0.75	0.69	0.63	0.58
Disc FCFF	A\$m	3.1	1.4	4.2	5.9	7.4	8.8	11.2
NPV forecasted FCFF	A\$m	30.8						
Terminal FCFF		19.0						
TGR		2.0%						
TV		270.7						
PV of TV		156.4						
EV		185.8						
Net Cash*		15.3						
Equity Value		201.1						
WACC		9.2%						
SOI		275.6						
A\$/sh.		0.72						

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Financial Statements	2019a	2020f	2021f	2022f	Performance Ratios	2019a	2020f	2021f	2022f
<b>Income Statement</b>					<b>Growth &amp; Margins</b>				
Revenue	45.7	61.3	81.3	107.6	Revenue Growth	1.33	0.34	0.31	0.32
Other Revenue	1.5	2.0	1.9	1.9	EBITDA Growth	-10.99	0.59	0.46	0.58
<b>Revenue</b>	<b>47.2</b>	<b>63.3</b>	<b>83.2</b>	<b>109.5</b>	EBIT Growth	-2.08	2.45	0.60	0.68
COGS	-36.0	-48.4	-63.4	-82.9	Normalized NPAT Growth	-2.42	1.98	0.51	0.45
OPEX	-7.7	-9.4	-11.7	-14.0	EBITDA margin	7%	9%	10%	12%
<b>EBITDA</b>	<b>3.5</b>	<b>5.5</b>	<b>8.0</b>	<b>12.7</b>	EBIT margin	3%	7%	8%	11%
Depreciation & amortisation	-1.6	-1.2	-1.1	-1.0	Normalized NPAT margin	3%	6%	7%	8%
<b>EBIT</b>	<b>1.3</b>	<b>4.3</b>	<b>7.0</b>	<b>11.7</b>	Effective tax rate	0%	2.8%	2.8%	2.8%
Borrowing Costs	-0.1	-0.1	-0.1	-0.1	<b>Liquidity</b>				
Interest Income	0.1	0.0	0.1	0.1	Capex/depreciation (x)	0.1	0.8	0.8	0.8
<b>EBT</b>	<b>1.3</b>	<b>4.3</b>	<b>7.0</b>	<b>11.7</b>	Current ratio (x)	2.2	2.5	2.6	2.7
Tax expense	0.0	-0.4	-1.1	-3.2	Quick ratio (x)	1.6	2.0	1.8	1.8
<b>Norm NPAT</b>	<b>1.3</b>	<b>3.9</b>	<b>5.9</b>	<b>8.5</b>	Receivable days	16	35	36	36
Abnormals	0.0	0.0	0.0	0.0	Payable days	47	73	73	73
<b>Reported NPAT</b>	<b>1.3</b>	<b>3.9</b>	<b>5.9</b>	<b>8.5</b>	<b>Risk Measures</b>				
<b>Cash flow (A\$m)</b>					Dividend Cover (x)	na	na	na	na
<b>Profit before Tax</b>	<b>1.3</b>	<b>4.3</b>	<b>7.0</b>	<b>11.7</b>	Payout ratio (%)	0.0	0.0	0.0	0.0
(+) D&A	1.6	1.2	1.1	1.0	Net debt/equity (%)	-27%	-42%	-46%	-49%
(+/-) Other	0.0	0.0	0.0	0.0	<b>Returns</b>				
(+/-) write-downs/revs	0.6	0.0	0.0	0.0	ROIC (%)	5%	9%	12%	16%
(-) Tax Paid	0.0	-0.4	-1.2	-3.2	Return on assets (%)	5%	8%	10%	12%
<b>Gross Cashflow</b>	<b>3.5</b>	<b>5.1</b>	<b>7.0</b>	<b>9.5</b>	Return equity (%)	8%	11%	15%	17%
(-) Capital Expenditure	-0.2	-0.9	-0.9	-0.8	<b>Share Data/Valuation</b>				
(-) Change in WC	-1.6	-0.1	-3.5	-3.3	<b>Share Data</b>				
<b>Operating Free cashflow</b>	<b>1.7</b>	<b>4.1</b>	<b>2.5</b>	<b>5.4</b>	Issued shares (m)	224.8	275.6	275.6	275.6
(-) investments	0.0	-6.4	0.0	0.0	Weighted ave shares (m)	222.9	250.2	275.6	275.6
(+) Disposals	0.0	0.0	0.0	0.0	Fully diluted shares (m)	224.8	275.6	275.6	275.6
(+) Equity issued	0.5	13.6	0.0	0.0	Basic EPS (c)	0.6	1.4	2.1	3.1
(+) Other	-0.6	0.0	0.0	0.0	YoY change (%)	-2.4	1.4	0.5	0.5
<b>Net Cashflow</b>	<b>1.6</b>	<b>11.3</b>	<b>2.5</b>	<b>5.4</b>	Fully diluted EPS (c)	0.6	1.4	2.1	3.1
Bop Net Cash	3.0	4.6	15.9	18.4	YoY change (%)	-2.4	1.4	0.5	0.5
(+/-) Net Cashflow	1.6	11.3	2.5	5.4	Fully diluted normalised EPS (c)	0.6	1.4	2.1	3.1
(+/-) AASB16 Adj.	0.0	0.0	0.0	0.0	YoY change (%)	-2.4	1.4	0.5	0.5
<b>EOp Net Cash</b>	<b>4.6</b>	<b>15.9</b>	<b>18.4</b>	<b>23.8</b>	Dividend/share (c)	0.0	0.0	0.0	0.0
<b>Balance Sheet (\$m)</b>					Franking (%)	na	na	na	na
Cash	6.6	16.9	19.4	24.8	Gross cashflow/share (c)	1.6	1.8	2.5	3.5
Receivables	2.1	6.1	8.1	10.8	NBV/share (c)	7.6	12.5	14.7	17.7
Inventory	4.4	5.5	8.1	10.8	NTA/Share (c)	7.4	12.4	14.6	17.7
Prepayments	4.0	4.9	7.3	9.7	<b>Valuation</b>				
<b>Total Current Assets</b>	<b>17.2</b>	<b>33.4</b>	<b>43.0</b>	<b>56.0</b>	PER (Basic) (x)	70.8	29.0	19.2	13.3
Property, plant and equipment	7.2	7.1	6.9	6.7	PER (Fully diluted) (x)	70.8	29.0	19.2	13.3
Right of Use	0.6	0.6	0.6	0.6	PER (Fully diluted, normalized) (x)	70.8	29.0	19.2	13.3
Intangible Assets	0.3	0.2	0.1	0.1	P/CFPS (x)	26.3	22.3	16.3	11.9
Investments (in JV)	0.0	6.4	6.4	6.4	Price/NBV (x)	5.4	3.3	2.8	2.3
<b>Total Non-Current Assets</b>	<b>8.1</b>	<b>14.3</b>	<b>14.0</b>	<b>13.8</b>	Price/NTA (x)	5.5	3.3	2.8	2.3
<b>Total Assets</b>	<b>25.3</b>	<b>47.7</b>	<b>57.0</b>	<b>69.9</b>	Dividend Yield (%)	0.0	0.0	0.0	0.0
Payables	5.6	11.6	15.0	19.4	Market Cap	113.0	113.0	113.0	113.0
Loans and borrowings	2.0	1.0	1.0	1.0	EV	97.7	97.7	97.7	97.7
Lease Liabilities	0.1	0.1	0.1	0.1	EV/EBITDA (x)	28.3	17.7	12.2	7.7
<b>Total Current Liabilities</b>	<b>7.8</b>	<b>12.7</b>	<b>16.1</b>	<b>20.5</b>	EV/EBIT (x)	75.1	22.5	13.9	8.3
Lease Liabilities	0.5	0.5	0.5	0.5	EV/Revenue (x)	2.1	1.5	1.2	0.9
<b>Total Non-Current Liabilities</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>Other Information</b>				
<b>Total Liabilities</b>	<b>8.3</b>	<b>13.2</b>	<b>16.6</b>	<b>21.0</b>	12-mth High/Low (A\$/sh)				0.67/0.09
<b>Net Assets</b>	<b>17.0</b>	<b>34.5</b>	<b>40.4</b>	<b>48.9</b>	Average daily volume (A\$'000s)				0.16
Issued capital	75.4	88.9	88.9	88.9	ASX Code				VMT
Reserves	-0.7	-0.7	-0.7	-0.7	Next result				Feb 21
Retained profits	-57.7	-53.8	-47.9	-39.4	<b>Company Description</b>				
Non-Controlling Interest	0.1	0.1	0.1	0.1	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	34.5	40.4	48.9					

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