

30 January 2024

2Q FY24 strong topline and cash

NEED TO KNOW

- Orcoda reported 2Q FY24 receipts from customers of \$6.5m, up 45% on the pcp with closing cash of \$5.3m
- Revenue of \$5.5m for the quarter, and \$14.5m for the half represented growth of 48% on 1H FY23 (30% excluding the strong contribution from the Future Fleet acquisition)
- Management commented on the strong performance of its transport software, Beta (contracting business) and Future Fleet. Pipeline of opportunities is strong and includes vehicle fleet and rental products

Orcoda delivered strong topline performance (cash receipts was \$1.0m ahead of revenue) and slightly positive net cash flow leaving cash + unused debt facilities of \$6.5m – more than double this time a year ago.

While cycling a weak quarter in FY23, 1H results were equally impressive with receipts and revenue up between 40 and 50% on 1H FY23. Divisional segmentation is expected in the 1H result in February.

Management commentary highlighted the strength of the transport apps that have been successfully implemented in the last half, and expected on-going revenue growth from new clients in this space. The trial with Koala Rental has been successful leading to new products in the fleet and rental industries.

Investment thesis

SaaS software solving real world problems: Orcoda Logistics Management System (OLMS) for scheduling, routing and optimisation functionality for the management of people, parcels and transport assets; and Orcoda Workforce Logistics Software (OWLS) for remote resource workforce sites. Both offer compelling value propositions and include a patent protected booking system.

Electrical and communications contracting: Orcoda's contracting business, Beta Group, is well positioned for on-going profitable growth with reduced risk. We expect it to continue to offer cross sell opportunities for the software products.

Smart Cities of the future: Orcoda is pursuing involvement in the development and management of Smart Cities that it expects to emerge in the next decade. Capability in both physical installation and sophisticated transport management software provides Orcoda with a strong base to participate in Digital Twin simulation projects and ultimately Smart Cities.

Valuation

We note that 1H revenue of \$14.5m represents 48% growth on pcp compared with our FY24 revenue growth forecast of 50%. Further valuation insights will be gained from analysis of the segmental results in the half year results next month. Our \$0.50 valuation remains unchanged.

Risks

Key risks include an inability for Orcoda's software to attract commitment from target market customers, partnerships failing to deliver growth, as well as increased marketing from competitors. Contracting risks include inflationary pressure affecting material costs, labour shortages, and inability to win new work.

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Equities Research Australia

Software Technology / Contracting

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Orcoda Limited (ASX: ODA) is a contracting and software business. It provides electrical and communications contracting services for infrastructure projects. It also provides workforce logistics software for remote worksites and software for complex transport scheduling of people, parcels and assets in applications across healthcare, disability support and local government. It has recently signed agreements with channel partners including Teletrac Navman, and TutisVRReddo that are already yielding results. Orcoda aims to be integral to the development of the Smart Cities of the future.

Valuation	A\$0.50 (unchanged)
Current price	A\$0.27
Market cap	A\$43m
Cash on hand	A\$5.3m

Additional Resources

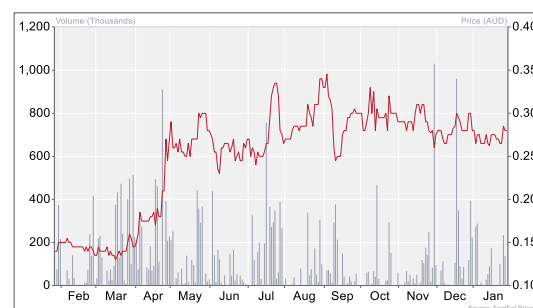
OWLS: Workforce logistics system - [Demo](#)

OLMS: Logistics management system - [Demo](#)

Upcoming Catalysts and Newsflow

1H FY24 Result	Feb 2024
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Share Price (A\$)



Source: FactSet

Financial Summary

Orcoda (ODA-AU)

Year end 30 June		FY22	FY23	FY24E	FY25E	FY26E	Stock information						
Core PE	x	106.2x	45.9x	16.7x	9.3x	4.1x	Share Price						A\$0.27
EV/EBIT*	x	90.6x	37.6x	15.3x	8.8x	4.4x	Market capitalisation (SOI) (A\$m)						43.3
EV/EBITDA*	x	38.7x	21.5x	11.6x	7.3x	3.9x	Valuation (A\$)						\$0.50
Div yield	%	0.0%	0.0%	0.0%	0.0%	0.0%	Shares on issue (Basic) (m)						160.4
FCF Yield	%	1.3%	3.2%	11.1%	14.0%	26.0%	Shares on issue (diluted) (m)						167.8
* includes Lease Liabilities													
Profit & Loss Statement	A\$m	FY22	FY23	FY24E	FY25E	FY26E	1H22	2H22	1H23	2H23	1H24E#	2H24E	
Operating Revenue		16.1	19.9	29.8	36.4	44.0	7.9	8.2	9.8	10.1	14.5	15.3	
Change pcp	%	110%	24%	50%	22%	21%			25%	23%	48%	52%	
Gross Profit		5.7	7.2	11.0	14.4	20.9	2.6	2.7	2.5	4.7	3.5	8.0	
Gross margin	%	35.5%	36.1%	36.9%	39.6%	47.4%	33.6%	32.9%	25.3%	46.6%	24.0%	52.5%	
Overheads		-5.2	-6.0	-7.8	-9.0	-10.3	# 1H FY24 revenue is actual						
Other income		0.6	0.8	0.5	0.5	0.5							
EBITDA (underlying)		1.1	2.0	3.7	5.9	11.0	Performance ratios						
EBITDA margin	%	7%	10%	12%	16%	25%	ROE			5.9%	14.4%	20.9%	32.5%
D&A		-0.6	-0.9	-0.9	-1.1	-1.2	ROIC			5.8%	12.7%	18.4%	22.0%
Net Finance Costs		-0.1	-0.2	-0.2	-0.2	-0.2	Net Debt / EBITDA			-0.1x	-1.1x	-1.8x	-2.1x
Tax		0.0	0.0	0.0	0.0	-1.8	Fixed Charge Cover			5.4x	13.2x	23.0x	46.5x
NPAT (underlying)		0.4	0.9	2.6	4.7	10.6	GCF / EBITDA			1.5x	0.7x	1.0x	1.0x
Significant items		-0.6	-0.2	0.0	0.0	0.0	Price to Book			0.4x	0.5x	0.7x	1.0x
FX differences		0.6	-0.5	0.0	0.0	0.0	Current Ratio			2.0x	2.6x	3.6x	4.9x
Share-based payments		-0.2	-0.1	-0.1	-0.1	-0.1							
NPAT (Reported)		-0.4	0.4	2.3	4.3	10.3							
Per Share Data		FY22	FY23	FY24E	FY25E	FY26E	Segments						
Shares on issue (basic)	m	159	159	160	160	160	A\$m	FY23	FY24E	FY25E	FY26E		
Underlying EPS	A\$ cps	0.3	0.6	1.6	2.9	6.6	ODA segment revenue						
growth pcp	%	-45%	132%	174%	80%	128%	Healthcare & Transport	4.0	8.0	12.2	17.5		
Reported EPS	A\$ cps	-0.3	0.3	1.4	2.7	6.4	growth		101%	53%	43%		
growth pcp	%	-187%	-201%	454%	91%	137%	Resource Logistics	15.9	21.9	24.2	26.5		
DPS (declared)	A\$ cps	0.0	0.0	0.0	0.0	0.0	growth		37%	10%	10%		
Payout (on reported)	%	0%	0%	0%	0%	0%	Total	19.9	29.8	36.4	44.0		
Balance sheet	A\$m	FY22	FY23	FY24E	FY25E	FY26E	Segment revenue (MST est.)						
Cash & Deposits		2.4	4.5	8.2	15.0	27.0	Software	4.9	8.8	13.3	18.6		
Receivables		3.1	1.9	4.9	6.0	7.2	growth		80%	50%	40%		
PP&E		4.6	5.8	6.8	7.7	8.4	Contracting	15.0	21.0	23.1	25.4		
Intangibles		8.7	9.2	9.0	8.8	8.6	growth		40%	10%	10%		
Right of Use Assets		0.2	0.1	0.1	0.1	0.1	Total	19.9	29.8	36.4	44.0		
Other Assets		0.6	0.6	0.6	0.6	0.6	Segment Gross Profit (MST est.)						
Total Assets		19.7	22.4	29.9	38.5	52.2	Software	3.4	5.7	8.6	15.8		
Payables		2.1	1.9	3.7	4.5	5.4	margin	70%	65%	65%	85%		
Borrowings		2.5	4.0	4.0	4.0	4.0	Contracting	3.8	5.3	5.8	5.1		
Lease Liabilities		0.3	0.1	0.1	0.1	0.1	margin	25%	25%	25%	20%		
Provisions / other		0.5	0.5	0.5	0.5	0.5	Total Gross Profit	7.2	11.0	14.4	20.9		
Total Liabilities		5.4	6.5	8.3	9.1	10.1	Total GP Margin	36%	37%	40%	47%		
Shareholders' Funds		14.4	15.9	21.6	29.4	42.2	Overheads (MST est.)	-6.0	-7.8	-9.0	-10.3		
Net Debt (incl. Lease Liab)		0.3	-0.3	-4.0	-10.9	-22.8	Other income	0.8	0.5	0.5	0.5		
Cashflow statement	A\$m	FY22	FY23	FY24E	FY25E	FY26E	EBITDA (Underlying)						
EBITDA		1.1	2.0	3.7	5.9	11.0	EBITDA	2.0	3.7	5.9	11.0		
Net interest (debt + leases)		-0.1	-0.1	-0.1	-0.1	-0.1	EBITDA margin	10.1%	12.4%	16.3%	25.1%		
Working capital movements		0.0	1.0	-1.2	-0.3	-0.3							
Other		-0.1	0.7	0.0	0.0	0.0							
Operating CF		1.1	2.2	2.4	5.6	10.7							
Payments for PPE		-0.6	-0.2	-0.1	-0.1	-0.1							
Acquisition costs		-1.0	-0.5	0.0	0.0	0.0							
Other investments		0.0	-0.1	-0.1	-0.1	-0.1							
Investing CF		-1.6	-0.8	-0.2	-0.2	-0.2							
Net change in borrowings		-0.6	-0.1	0.7	0.7	0.7							
Princ. lease payments		-0.1	-0.1	-0.1	-0.1	-0.1							
Dividends paid		0.0	0.0	0.0	0.0	0.0							
Net proceeds from cap raising		1.2	0.9	0.9	0.9	0.9							
Financing CF		0.5	0.7	1.5	1.5	1.5							
Net change in cash		0.0	2.1	3.7	6.8	11.9							
Share Price	Volume (Thousands) Price (AUD)												
Source: FactSet Prices													

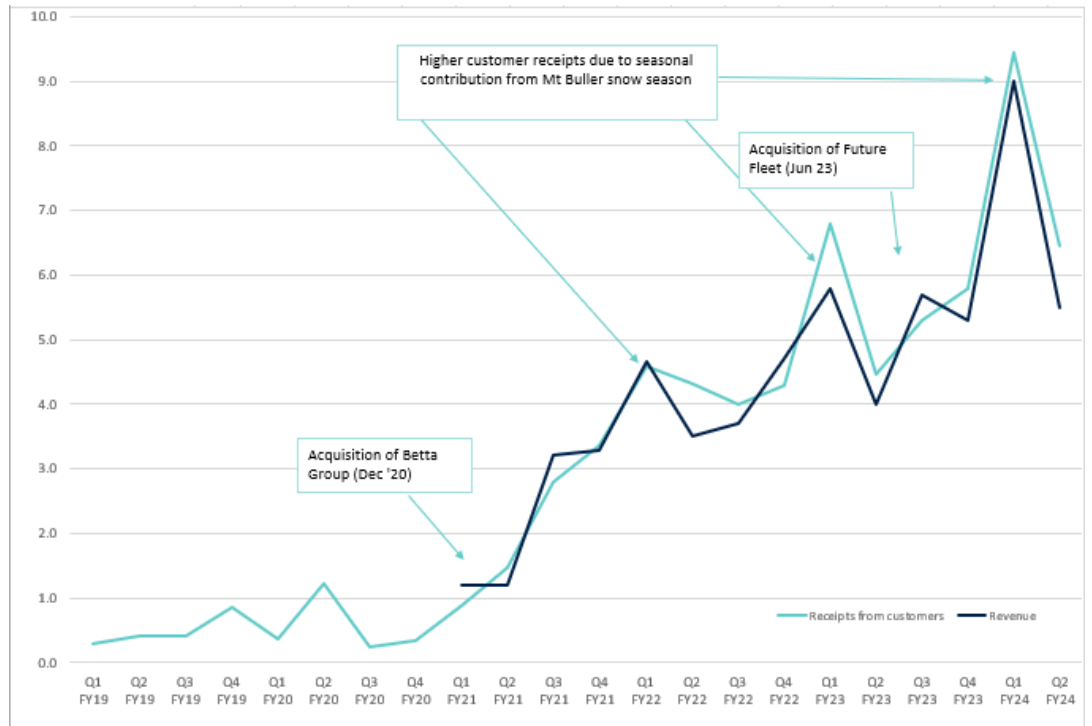
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2Q FY24 result

Orcoda demonstrated continued strong topline growth in the quarter. Cash in particular was very strong being \$1.0m higher than revenue. The company has a history of delivering cash ahead of revenue – likely a function of its Beta Group contracting business.

Figure 1: Cash receipts from customers and Revenue by quarter



Source: Company, MST Access

Operating cash flow was positive leaving closing cash down slightly on 30 Sep 2024, but up more than \$3m from a year ago.

Figure 2: Closing cash and Operating cash flow



Source: Company, MST Access

Forecasts, valuation and risks

Forecasts

Our full year forecasts remain unchanged. The revenue growth in 1H broadly consistent with our FY24 revenue growth but we await further detail in the 1H result before revising our forecasts.

Valuation

Our valuation of \$0.50 per share remains unchanged. Refer to our previous report [here](#) for full analysis of our valuation.

Catalysts to the share price are likely to come from stronger than forecast growth in the software businesses and delivery on the strategy around its OWLS and OLMS software products, as well as new products such as the fleet and rental products now being released. Continued solid delivery in the Beta Group will be important but less likely to have as big an impact on the share price.

Risks

The risks that the Orcoda share price will not reach our valuation can be categorised across the two revenue models which it operates.

Contracting

- Availability of labour – shortages of labour in trades such as electricians is likely to limit Orcoda's ability to service key clients. This can be mitigated through hiring from overseas directly and the benefits of immigration levels returning to post-Covid levels.
- Requirement to provide performance bonds (either bank guarantees or insurance bonds).
- Inflationary pressure affecting material and labour costs - Beta Group sales are tied to purchase orders and any fixed price elements opens it up to inflationary risks.

Software

- Inability for Orcoda's software products to attract commitment from its target market customers – meeting the complex transport requirements of large-scale mining operations.
- Competitors increase their marketing spend and successfully stymie Orcoda's growth.
- Partnerships fail to deliver the sales opportunities expected. This extends also to the channel partners failing to support the Orcoda service offering – there is an inherent risk in reputation by association.
- Software development costs required to ensure the competitiveness of the products are higher than forecast.
- Loss of key clients could have a material revenue impact at this stage of the business.
- Software spend by Orcoda's actual and future customers is likely to be affected by tough economic conditions.
- Patent protection – Orcoda may be required to defend its patents which could require substantial financial resources.

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