

21 September 2023

Carly Holdings Limited

100% revenue growth follows from fleet expansion

Carly Holdings Limited (ASX:CL8) operates a vehicle subscription business, which it launched in March 2019, leveraging existing operations, strategic relationships, and technology. Car subscription allows business and retail customers to pay a single monthly fee to access a car for 30 days or more and is an alternative to purchasing or financing a vehicle. Carly has attracted larger automotive industry businesses as shareholders, with a direct offering and services to support automotive manufacturers and dealers to generate revenue from car subscriptions. Carly is now ramping up fleet size through vehicle purchases and leases. The FY23 result was dominated by the impact of the \$10m asset finance facility secured at the end of March. Carly increased fleet size 32% and subscription revenue 82%. The update issued today confirms this momentum has continued in July and August with strong growth in subscription revenue in July and August, driven by fleet expansion, as expected. We expect ongoing fleet expansion to continue to dominate results in FY24. Carly continues to prioritise maximising vehicle utilisation and returns while expanding the fleet.

Business model

Carly provides vehicles to business and retail customers for periods exceeding 30 days under a subscription model. The subscriber pays a flat monthly subscription fee which includes exclusive use of the vehicle, insurance, registration, and servicing, otherwise they are responsible for fuel and tolls. Vehicles are sourced by Carly via two models: an external owner provides a vehicle in return for a share of receipts (asset light); or the vehicle is secured through a vehicle finance lease or purchase of the vehicle by Carly (asset heavy).

Faster fleet growth enables record subscription revenue

Carly has provided an update for July and August demonstrating the positive impact of the financing package announced in March and subsequent fleet expansion via company owned and financed vehicles. Average subscription revenue increased 100% vs September quarter 2022 and 11% vs June quarter 2023, raising Annualised Revenue Run Rate to \$3.0m from \$2.5m in June 2023. Total fleet size rose to 363 vehicles with further expansion expected via "asset-light" (third-party owned) vehicles in the December quarter. Carly also maintained a strong ratio of subscription revenue to transaction value at 66%. These outcomes are in-line with our base-case expectations for H1 FY24 operational performance and remain consistent with our view of the positive catalysts for the company.

Valuation base case at \$24.4m (\$0.091/share)

Our valuation is based on the discounted cash-flow methodology using a discount rate of 13.75% (risk-free rate 4%). We have modelled three cases differentiated by available finance for vehicles, subscription levels, and vehicle-related costs. Our base case values Carly at \$0.091/share suggesting strong share price growth is possible as Carly builds fleet size and consequently revenue. The downside case values CL8 at \$16.1m (\$0.06/share), while we can estimate upside to \$63.7m (\$0.237/share) using a range of factors.

Historical earnings and RaaS' estimates (in A\$m unless otherwise stated)

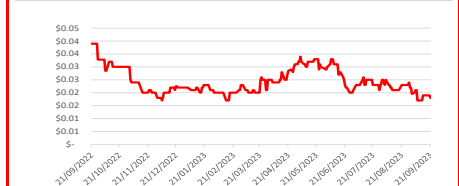
Year end	Revenue	Gross profit	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	Price/Book (x)
06/22a	1.3	0.5	(3.0)	(3.0)	(2.2)	2.3	1.1
06/23a	2.1	0.5	(3.0)	(3.1)	(1.1)	3.4	1.3
06/24f	7.2	0.8	0.7	(1.7)	(0.6)	1.9	2.5
06/25f	13.0	5.2	4.5	0.2	0.1	1.3	3.2

Source: Company data; RaaS Advisory estimates for FY24f and FY25f; *EPS normalised for one-time items

Share Details

ASX code	CL8
Share price (20-Sep)	\$0.019
Market capitalisation	\$5.1M
Shares on issue	268.4M
Net cash 30-Jun-2023	\$1.66M
Free float	~75%

Share Price Performance (12 months)



Upside Case

- CL8 remains successful in raising additional vehicle finance
- Competitors remain less committed to growth due to business-related distractions
- Subscription rates remain attractive relative to car purchase values

Downside Case

- Limited finance is available for car purchases; CL8 relies on corporate owners of vehicles for supply
- Competitors strengthen their focus on subscription business
- Cost pressures reduce retained share of subscription transaction value

Catalysts

- Increased monthly subscription revenue
- Additional finance confirmed
- Continued excellent operational performance
- Vehicle deliveries

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FINANCIAL SERVICES GUIDE

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AFSL 456663

Effective Date: 6th May 2021

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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