

Q2 shows vehicle finance = growth

Carly Holdings Limited (ASX:CL8) operates a vehicle subscription business, which it launched in March 2019, leveraging the existing DriveMyCar operations 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 model that facilitates sales volumes of new vehicles and delivers a new recurring revenue stream for automotive manufacturers and dealers. The company has developed the model on similar lines to business launches in Europe and proved over the past three years that the model works in Australia. Carly is now ramping up fleet size through vehicle purchases and leases. Carly provided a trading update on 15-Dec, reporting a 28% increase in average monthly subscription revenue and increased vehicle utilisation. The full December quarterly result shows continued cost discipline, strong operational results with fleet size increasing as forecast and utilisation rate maintained. Subscription revenue increased 72% year-on-year and \$700k in additional vehicle finance was secured. Carly is demonstrating strong demand for subscription vehicle services.

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).

Q2 revenue up, costs down, subscriptions growing

Carly issued a trading update on 15-Dec confirming delivery of new vehicles ordered under the June 2022 \$1.5m finance facility and highlighting a rise in subscription vehicle utilisation from 87% in the September 2022 quarter to 89% in November. The December quarter result shows the benefit of the increase in vehicles with a 33% rise in Subscription Revenue vs the September Quarter and a 14% rise in Cash Receipts from all customers. Costs were flat on the previous quarter but have been reduced 10% for the Fiscal YTD despite the increase in activity.

Valuation base case at \$27.1m (\$0.132/share)

Our valuation is based on the discounted cashflow methodology using a discount rate of 16.5% (beta 2.0, risk-free rate 3.5%). We have modelled three cases differentiated by available finance for vehicles, subscription levels and vehicle-related costs. Our base case values Carly at \$27.1m or \$0.132/share, the downside case values CL8 at \$5.6m (\$0.027/share), while we can estimate upside to \$90.3m (\$0.442/share) using a range of factors. Financing to enable an increase in vehicle purchases is the crucial factor in these valuations, together with ongoing growth in fleet size and stable vehicle utilisation rates.

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

Year end	Revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	Price / Book (x)
06/21a	1.0	0.5	(3.3)	(3.4)	(3.1)	n.a.	n.a.
06/22a	1.3	0.6	(2.8)	(3.0)	(2.1)	2.2	1.06
06/23f	5.5	3.8	0.3	(1.6)	(1.0)	2.7	3.35
06/24f	16.5	11.3	7.1	0.1	0.1	1.8	6.64

Source: Company data; RaaS estimates for FY23f and FY24f

Vehicle Subscription Services

19 January 2023

Share Details

ASX code	CL8
Share price (19-Jan)	\$0.022
Market capitalisation	\$4.1M
Shares on issue	204.4M
Net cash 31-Dec-2022	\$1.6M
Free float	~57%

Share Performance (12 months)



Upside Case

- CL8 is 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

Latest Company Interview

[Carly Holdings \(ASX:CL8\) RaaS 2023 Outlook Interview 18 January 2023](#)

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Adrian Bunter	Non-Executive Chairman
Stephen Abolakian	Non-Executive Director
Robbie Blau	Non-Executive Director
Todd Hunter	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Chris Noone	CEO / Executive Director

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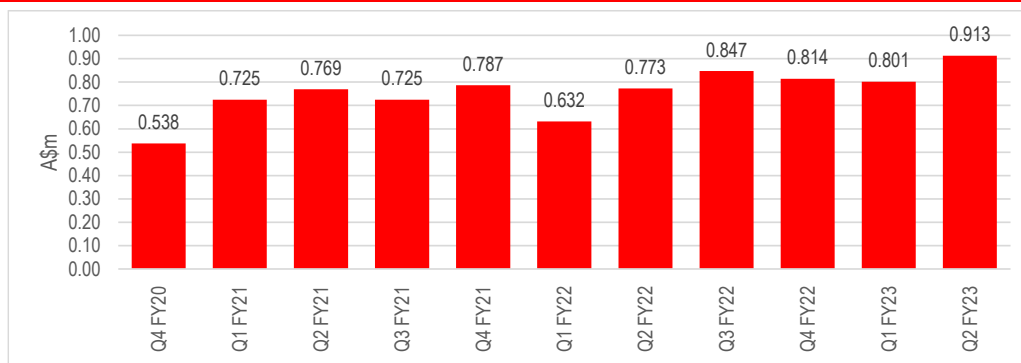
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Q2 FY23 Results Analysis

Carly has successfully ramped up the “asset heavy” approach to vehicle ownership, efficiently acquiring and deploying new vehicles in the December quarter. These vehicles deliver higher average margins than the asset-light approach and now make up 44% of the fleet (versus 31% at end September). Fleet growth has allowed Carly to meet demand with higher average subscription revenues, higher utilisation, and reduced marketing and advertising costs per subscriber all emphasising strong demand for the product. Quarterly receipts from customers including subscription revenue rose +14% over the September quarter result.

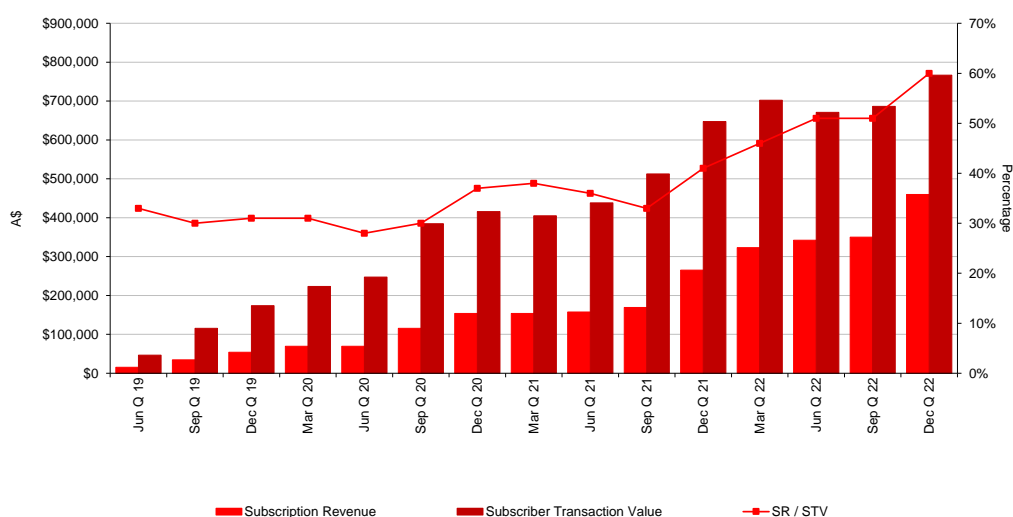
Exhibit 1: Quarterly receipts from customers



Source: Company reports

Company reports of subscriber transaction value and resulting subscriber revenue show strong growth with Carly’s share of transaction revenue rising to 60% as fleet size increases but cost control remains strong. Subscription vehicle utilisation averaged 87% across the December quarter despite the increase in fleet size. The company has placed forward orders for a further 100 vehicles and is negotiating expanded asset finance facilities.

Exhibit 2: Subscription revenue vs subscriber transaction value



Source: Company quarterly reports.

Exhibit 3: Q2 FY23 versus previous quarters (A\$m)

	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Cash receipts	0.632	0.773	0.847	0.814	0.801	0.913
Payments to suppliers	(1.344)	(1.199)	(1.026)	(1.253)	(1.146)	(1.117)
R&D	(0.326)	(0.233)	(0.220)	(0.279)	(0.250)	(0.283)
Other	0.000	0.000	0.000	0.000	0.000	0.000
Operating cashflow	(1.035)	(0.656)	(0.397)	(0.718)	(0.426)	(0.483)
Free cashflow	(1.240)	(0.716)	(0.397)	(0.718)	(0.426)	(0.483)
Net cash at the end of the period	2.448	2.096	1.612	0.805	0.276	1.618
Monthly cash burn	(0.413)	(0.239)	(0.132)	(0.239)	(0.142)	(0.161)
Quarters of cash on hand	2	3	4	1	3	3

Source: Company data

Key Events in The Quarter

Events in the quarter included:

- 33% increase in subscription revenue vs September 2022 quarter.
- Average monthly subscription revenue reached a record \$156,000 per month in the quarter - an annualised run rate of \$2 million.
- 14% increase in receipts from customers vs September 2022 quarter.
- 19% decrease in net cash used in operating activities vs September 2022 quarter (excluding R&D refund).
- Subscription vehicle utilisation remained at 87% across the December 2022 quarter.
- 56% decrease in advertising and marketing vs December 2021 quarter, stable vs September 2022 quarter.
- \$1.5m asset finance facility fully utilised and an additional \$700,000 secured from new finance providers late in December 2022.
- Forward orders were placed for over 100 new vehicles.
- Substantial progress in raising additional asset finance facilities.

Exhibit 4: Financial Summary

Carly Holdings Ltd						Share price (Date)	18/01/2023	A\$				0.022
Profit and Loss (A\$m)						Interim (A\$m)	1H22 A	2H22 A	1H23 F	2H23 F	1H24 F	2H24 F
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Revenue	0.5	0.7	1.7	4.1	6.8	9.7
						EBITDA	(1.5)	(1.2)	(1.0)	0.3	2.0	4.0
Sales Revenue	1.2	1.0	1.3	5.8	16.5	EBIT	(1.7)	(1.4)	(1.3)	(0.9)	(0.1)	0.9
Gross Profit	0.6	0.5	0.6	3.3	11.3	NPAT (normalised)	(1.7)	(1.3)	(1.4)	(1.3)	(0.9)	(0.2)
EBITDA	(3.2)	(3.3)	(2.8)	(0.7)	5.9	Minorities	-	-	-	-	-	-
Depn	(0.2)	(0.2)	(0.4)	(1.4)	(5.1)	NPAT (reported)	(1.7)	(1.3)	(1.4)	(1.3)	(0.9)	(0.2)
Amort	(0.1)	0.0	0.0	0.0	0.0	EPS (normalised)	(0.02)	(0.01)	(0.95)	(0.79)	(0.44)	(0.12)
EBIT	(5.5)	(3.5)	(3.1)	(2.2)	0.8	EPS (reported)	(0.02)	(0.01)	(0.67)	(0.62)	(0.44)	(0.12)
Interest	(0.1)	(0.0)	(0.1)	(0.6)	(2.8)	Dividend (cps)	-	-	-	-	-	-
Tax	(0.1)	0.0	(0.2)	0.2	0.8	Imputation	30	30	30	30	30	30
Minorities	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(1.7)	(1.1)	(1.9)	(0.6)	0.5	2.0
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(1.4)	(1.1)	0.6	8.4	9.7	11.3
NPAT pre significant item	(5.4)	(3.4)	(3.0)	(2.6)	(1.1)	Divisions						
Significant items	0.0	0.0	0.0	0.0	0.0		1H22 A	2H22 A	1H23 F	2H23 F	1H24 F	2H24 F
NPAT (reported)	(5.4)	(3.4)	(3.0)	(2.6)	(1.1)	Car Subs	0.5	0.7	1.7	4.1	6.8	9.7
Cash flow (A\$m)						Licence Revenue	0.00	0.00	0.01	0.02	0.02	0.02
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	Other Revenue	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	(3.2)	(3.3)	(2.8)	(0.7)	5.9							
Interest	(0.0)	(0.0)	(0.1)	(0.6)	(2.8)	COGS	(0.4)	(0.2)	(1.2)	(1.3)	(2.2)	(3.1)
Tax	0.1	0.0	0.0	0.0	0.0	Employment	(0.8)	(0.7)	(0.7)	(0.7)	(0.9)	(0.8)
Working capital changes	0.0	0.6	0.1	(1.1)	(0.7)	Technology, licence fees	(0.6)	(0.5)	(0.5)	(1.1)	(1.1)	(1.2)
Operating cash flow	(3.1)	(2.8)	(2.8)	(2.5)	2.4	Other costs	(0.3)	(0.5)	(0.3)	(0.7)	(0.7)	(0.7)
Mtce capex	0.0	(0.1)	(0.3)	0.0	0.0	EBITDA	(1.5)	(1.2)	(1.0)	0.3	2.0	4.0
Free cash flow	(3.1)	(2.8)	(3.0)	(2.5)	2.4	Margins, Leverage, Returns						
Growth capex	0.0	0.0	0.0	(11.5)	(18.5)		FY20A	FY21A	FY22A	FY23F	FY24F	
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA	n.a.	n.a.	n.a.	n.a.	35.8%	
Other	0.0	0.0	(0.2)	0.0	0.0	EBIT	n.a.	n.a.	n.a.	n.a.	4.9%	
Cash flow pre financing	(3.1)	(2.8)	(3.2)	(14.0)	(16.1)	NPAT pre significant items	n.a.	n.a.	n.a.	n.a.	n.a.	
Equity	3.7	5.6	0.7	2.1	0.0	Net Debt (Cash)	0.5	3.4	(0.2)	(11.5)	(27.6)	
Debt	(0.2)	(0.2)	(0.3)	11.5	17.6	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	(4.7)
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	80%	609%	23%	94%	85.4%
Net cash flow for year	0.5	2.6	(2.9)	(0.4)	1.5	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	3.4
Balance sheet (A\$m)						ROA	n.a.	n.a.	n.a.	n.a.	n.a.	2%
Y/E 30 June	FY20A	FY21A	FY22A	FY23F	FY24F	ROE	4130.8%	n.a.	n.a.	n.a.	n.a.	n.a.
Cash	1.4	3.7	0.8	0.4	1.8	ROIC	1402.6%	n.a.	n.a.	n.a.	n.a.	6%
Accounts receivable	0.1	0.0	0.3	0.7	1.6	NTA (per share)	n/a	0.05	0.00	0.01	0.02	
Inventory	0.0	0.0	0.0	n.a.	n.a.	Working capital	(0.6)	(0.9)	(0.6)	0.5	1.2	
Other current assets	0.2	0.1	0.1	0.1	0.1	WC/Sales (%)	(53%)	(85%)	(48%)	8%	7%	
Total current assets	1.6	3.8	1.1	1.1	3.5	Revenue growth	0%	0%	0%	0%	0%	
PPE	0.1	0.4	1.2	11.7	30.2	EBIT growth pa	n/a	n/a	n/a	n/a	n/a	-137%
Intangibles and Goodwill	0.0	0.0	0.0	0.0	0.0	Pricing						
Investments	0.0	0.0	0.0	0.0	0.0		FY20A	FY21A	FY22A	FY23F	FY24F	
Deferred tax asset	n.a.	n.a.	n.a.	0.2	1.0	No of shares (y/e)	(m)	61	116	116	204	204
Other non current assets	0.0	0.0	0.2	0.0	0.0	Weighted Av Dil Shares	(m)	53	59	113	160	204
Total non current assets	0.1	0.5	1.4	11.9	31.3	EPS Reported	cps	(10.1)	(5.7)	(2.7)	(1.6)	(0.6)
Total Assets	1.6	4.3	2.6	13.0	34.8	EPS Normalised/Diluted	cps	(10.1)	(5.7)	(2.7)	(1.6)	(0.6)
Accounts payable	0.7	0.9	0.9	0.2	0.4	EPS growth (norm/dil)	n.a.	n.a.	n.a.	n.a.	n.a.	
Short term debt	0.9	0.2	0.4	0.4	0.4	DPS	cps	-	-	-	-	-
Tax payable	n.a.	n.a.	n.a.	n.a.	n.a.	DPS Growth	n.a.	n.a.	n.a.	n.a.	n.a.	
Other current liabilities	0.1	0.2	0.2	0.2	0.2	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	
Total current liabilities	1.7	1.3	1.4	0.8	1.0	Dividend imputation	30	30	30	30	30	
Long term debt	0.0	0.2	0.6	11.5	29.1	PE (x)	n.a.	n.a.	n.a.	n.a.	n.a.	
Other non current liabs	0.0	0.0	0.0	0.0	0.0	PE market	14.8	14.8	14.8	14.8	14.8	
Total long term liabilities	0.0	0.3	0.6	11.5	29.1	Premium/(discount)	n.a.	n.a.	n.a.	n.a.	n.a.	
Total Liabilities	1.8	1.5	2.0	12.3	30.0	EV/EBITDA	n.a.	0.2	n.a.	n.a.	n.a.	5.4
Net Assets	(0.1)	2.8	0.5	0.7	4.7	FCF/Share	cps	-5.0	-2.3	-2.1	-1.2	1.2
Share capital	16.8	22.9	23.5	25.6	25.6	Price/FCF share	n.a.	n.a.	n.a.	n.a.	n.a.	1.8
Accumulated profits/losse	n.a.	n.a.	n.a.	(2.6)	(3.8)	Free Cash flow Yield	n.a.	n.a.	n.a.	n.a.	n.a.	54.3%
Reserves	(16.9)	(20.1)	(23.0)	(23.0)	(23.0)							
Minorities	n.a.	n.a.	n.a.	0.0	0.0							
Total Shareholder func	(0.1)	2.8	0.5	0.7	4.7							

Source: Company data for actuals; RaaS analysis

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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Effective Date: 6th May 2021

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