ASX Announcement

31st August 2020

FY20 Result Call Transcript

Jayride Group Limited (ASX:JAY) (“**Jayride”** or the “**Company”**) the global online travel marketplace for airport transfers today releases the transcript of the FY20 Full-Year Results Presentation held on Friday 28 August 2020 @ 9.30am.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Hello everyone. Good morning. Thanks for attending. We're going to move quite quickly through our results presentation today as we’re very conscious of time, and then open the line up for questions. My name is Rod Bishop, I'm Managing Director, and I'm joined by Peter McWilliams, CFO.

In general, FY20 was a year of three parts. First, traveling very well going into COVID-19, trading on our new global foundation 109 countries with accelerating growth rate and passenger trips. Then in late March, COVID-19 hit and we took proactive measures to make sure that we maintained good relationships with our team, transport companies, and travelers. And, now as we come out of that event, we see a continuing recovery since April and we find ourselves positioned to take advantage of it.

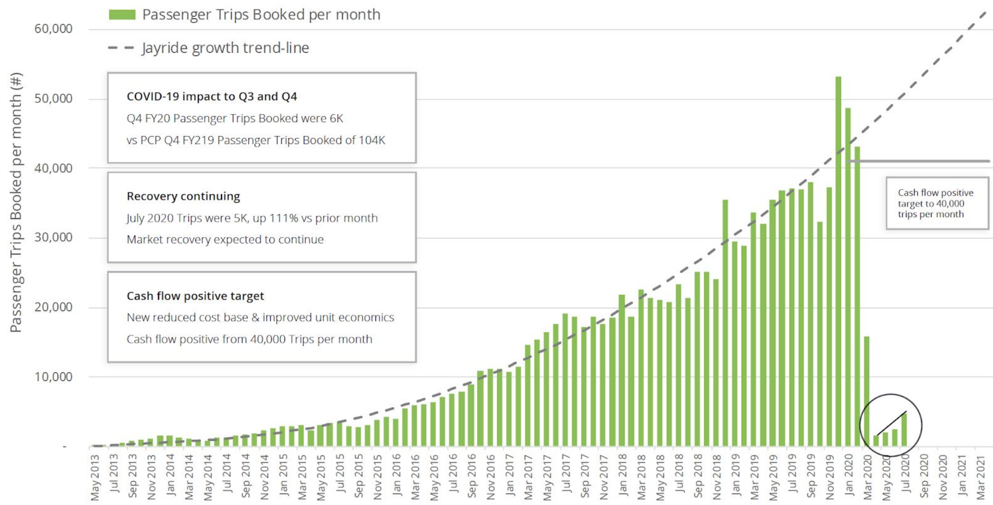
For those who are new, but I will assume everyone on this call is aware of who Jayride is, we are a global marketplace for airport transfers.

Global is a really important point and as we were traveling into COVID-19, we were trading primarily out of Australia, and New Zealand; that's now moving into the Northern Hemisphere, which we will discover over the course of this call.

The below graph really shows how that story comes together. First, you'll notice the long-term structural trend of passenger trips accelerating month on month going into COVID-19.

Second, you'll notice where COVID-19 struck, which was late March. And you can see the 94% loss of trips that we took over Q4,

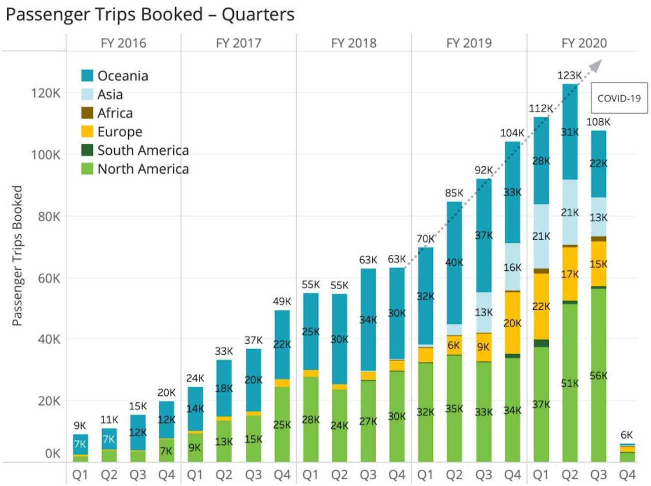
Third, importantly, you'll notice the recovery out of April and that recovery is continuing. It’s early days, but we see continuation into, July, August; July being 111% up over the month of June.

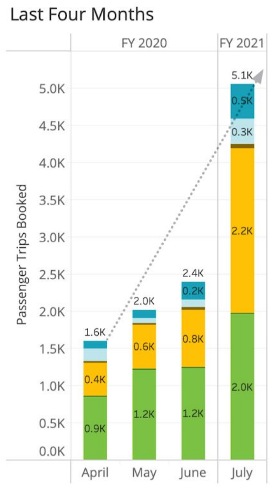


You also see where our new low cost base positions us. Given this new low cost base, Jayride has the opportunity to turn to cash flow positive from about 40,000 trips a month, which is contextualized there in the chart as less than we used to have pre-COVID-19. We'll explore over the course of this presentation, how we intend to get there.

When COVID-19 struck we took decisive intentional action. We managed traveler and transport company relationships by making good on obligations. And we reset our costs to make sure that we were positioned well. As we're recovering since March, we see the bottom in April, a return to positive contribution since June, and we see the Northern Hemisphere driving a lot of that recovery.

When we look at the northern hemisphere, it was only a smaller portion of our business pre COVID-19. But now if you look at the graph below,, you'll see Europe and North America comprise the lion's share of the rides in the current COVID-19 landscape.

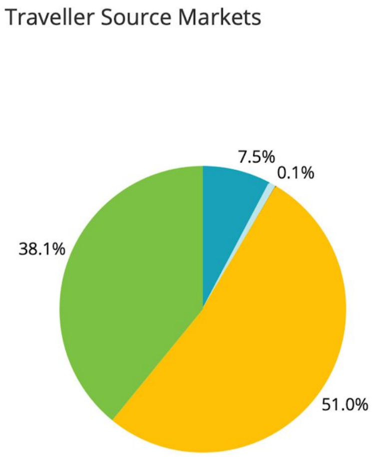


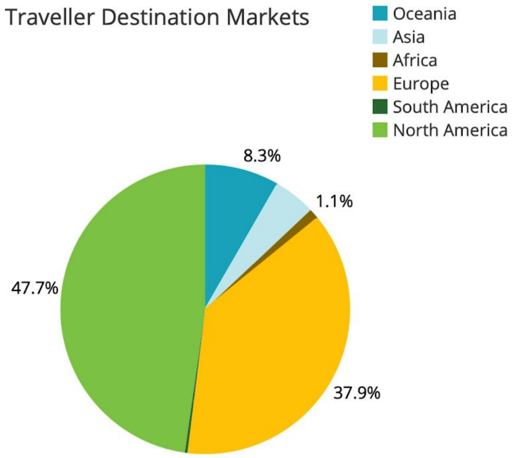


90% of our business is now coming from outside Australia and that trips recovery of

111% month on month into July is almost entirely a North America and European story.

I want to provide new disclosure here as well, just to really draw that point. We've never previously disclosed traveler source markets, we've always talked to traveler destinations. Here we present both.





Source is where the traveler is based and Destination is where they're traveling to. You will notice that with the source markets, Jayride is now over 50% sourcing it's travelers from Europe, with another 38% from America. Whether its source or destination, actually Australia is now 8% of our business.

This is really interesting because the Australian representation – how we're handling COVID-19 down here – It's not globally representative. There is travel taking place around the world, and we're able to go and convert it.

Regardless of COVID-19, we stuck to our strategic deliveries focusing on retention, conversion, and acquisition. I won't cover this slide in detail, but it's consistent disclosure with previously. And you can see, in general, we met most of our deliverables, but we did push one. So coming out of FY20 we'll talk about how these deliveries and more in FY21 set us up for future growth and scale.

I do want to draw attention, though, to the great work done to improve our mobile web presence for mobile travel. Mobile is particularly important and so we've invested a lot of time and effort, especially in our engineering and product. We're making a fantastic mobile web experience over the course of FY20 and, in particular, for the new "concerned traveler" in this new COVID-19 landscape. The addition of COVID-19 Prepared Rides with health secure practices is now available for sale on the Jayride.com platform.

I'd like to now handover to Peter McWilliams to take us through the financials.

Peter McWilliam (Jayride Group CFO): Thanks Rod, and good morning everyone, starting on page 11 the income statement.

FYI20 is best considered as a story of three parts, as Rod mentioned earlier. We have presented annual and half year comparisons on this slide to make it easy for you to better understand those three parts.

Prior to COVID-19 we were enjoying the benefits of completing our global expansion and receiving the opportunity to focus on contribution margin. We were hitting record numbers across all of the key metrics and were riding 26 quarters of positive and consistent growth.

Then COVID-19 hit hard, we took decisive action to remove $7 million of costs out of the business. We were determined to outlast and to position ourselves for a recovery.

Finally, at the very end of Q4, our operations started to stabilize. Contribution margin returned to positive, and our fixed cost base stabilised at $3 million per year.

Moving to page 12, unit economics. These are the metrics we track to measure the performance of the business. We have shared them to make it easier for you to assess how we're tracking. You can see both the long-term trend and the impact of COVID-19 in the charts. We've also included the June numbers to help you understand run rates heading into FY21.

Now let's unpack the net revenue from trips - you will remember in the fourth quarter we called out cancellations. Net revenue includes cancellations. Those cancellations depressed net revenue in March and April. They've now been fully paid. The June numbers are clean. You can see that in the final green box on the right, where the contribution has returned to positive as a result of those cancellations washing through.

Let's turn to page 13. I'd like to expand more on that initial recovery of a lower cost base. You can see the four charts that we have that we call a dashboard. This is how we would encourage the investor to model the business. We've given the monthly data here, given that the markets are moving very quickly.

Considering these metrics together, I want to highlight the contribution margin in the positive left chart. We were positive for the whole year, but in June we effectively made two thirds of the entire contribution, given the impact of COVID-19. In July, we've seen a further increase of 111% of passenger trips booked and expect the contribution margin to be positive again.

I'll now take you through the cash waterfall on page 14. We're presenting the numbers here as we manage the business.

The green bars are the cash receipts. That includes the contribution margin from trips and as we've talked about earlier: $1.4 million of grants income which includes JobKeeper, and the $4.8 million of equity proceeds from the capital raise that we completed in December.

The middle bars of operating costs and interest expense are effectively the mandatory costs to keep the business running. The dark blue bars are discretionary business costs, strategy and R&D of $2.9 million. The investment into these discretionary bars highlights the Board's decision to retain its leverage through COVID-19 to future recovery. We retain key talent and continue to build our IP, and ultimately we closed the year with cash of a million dollars on the balance sheet.

Now, I'd like to finish on page 16 with a few comments on the balance sheet. As highlighted in the waterfall chart. You can see that there's a million dollars of cash on the balance sheet. We also have additional cash from grants and insured trade receivables.

Let me explain what I mean by insured trade receivables: of the 900,000 receivables, we effectively have cover for 80% of these. This is important, given how the ride services industry has been impacted by COVID-19. Insurance gives security that we will receive those funds.

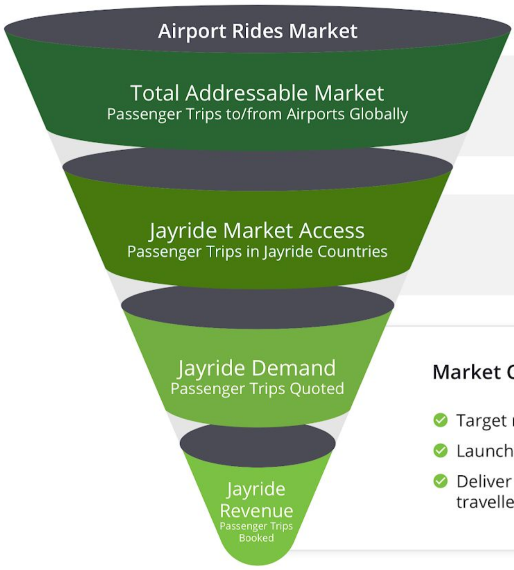
So in terms of access to liquidity, we have $3.1 million of cash and equivalents, a rising contribution margin, and the ability to draw down further on our debt facilities.

I will now hand you back over to Rod. Thank you.

Rod Bishop (Jayride Group Managing Director): Thank you Peter. It is important now to take a look at how we see the future unfolding across FY21.

Before I do so, I have to acknowledge - as we're sitting locked down, especially for those dialing in from Melbourne - that it is a very interesting feeling to be presenting and talking about the travel industry, as an Australian and based in Australia. But I also want to say the Australian experience is not globally representative and the global market remains a really big opportunity.

We think about the market in terms of a funnel, which has four stages. You can see it below from top to bottom.



CY19	CY20	CY21	Source
9.1B Trips	4.5B Trips	6.8B Trips	IATA.org [1]
8.2B Trips	4.0B Trips	6.1B Trips	Jayride serves 90% of world airports by passenger volume[2]

Market Capture Strategies	Tailwinds to Accelerate Rebound
Target re-openings	Cyclical recovery in market
Launch new partners	Reduced competition
Deliver a superior traveller experience	Structural trend to online

At the top, it's a huge market. In FY21, it'll be a $90 billion market of trips, just to and from the airport. The market size is trips to and from airports.

The next important measure on our funnel is our market access. That is how many of those trips pass through airports that Jayride.com serves. As a result of the global rollout in FY18 and FY19 we now cover 90% of the world's available passenger trips in terms of the destinations that we service.

The bottom of the funnel is Jayride demand. This is all about how many trip quotes are requested from our brand partners or from users on our website. And then the key driver of Jayride's revenue which comes from passenger trips booked.

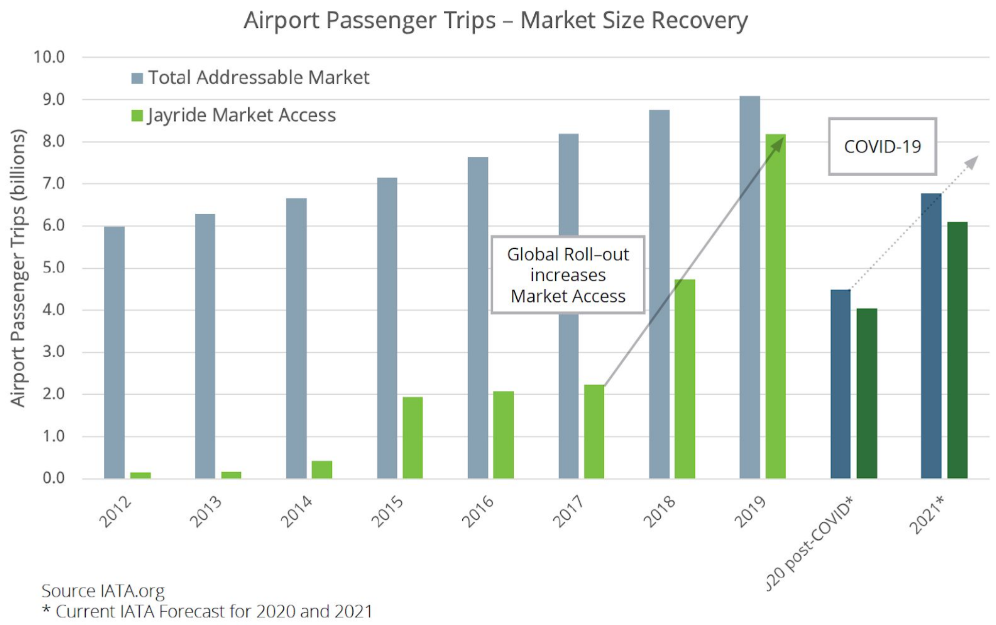
At the bottom, it's all about execution. It's about market outreach: to have travel brand partners and organic search sending travelers to request quotes, and then the conversion rate on those quotes into revenues from trips booked.

When you think about what's going to happen over the course of calendar 2021, you don't need to look further than some of the market research that's out there. When looking for a worldview, IATA.org is one of the better ones as a peak body for the airline industry. IATA.org has shown that near to 4.5 billion trips is what they expect in terms of trips to and from airports. They see a recovery up to an estimated 6.8 billion trips in CY21 that'll still be a $90 billion market for rides to and from those airports.

Jayride's market coverage remains built so regardless of market size we're staying at 90% of world airport coverage, which means that into FY21 you could estimate about 6 billion trips passing through airports that Jayride serves.

So CY21 still has a huge market. And so we've chosen to retain our focus on airports, despite other types of destinations being available, simply because that's a large sizable market opportunity. We will focus instead on execution and market capture which we can talk about in the couple of next slides.

Let's take a look at that recovery cycle in more detail.



The blue bars on the chart is where IATA.org positions the market across CY20 and CY21.

The green represents Jayride market access and you can see the global rollout across CY18 and CY19 and how that positions us for CY20 and CY21.

In terms of sensitivity analysis, just think about Jayride market coverage as being fixed and Jayride's revenue as flowing from that. And so if the market in CY20 has been thoroughly depressed and it's coming back in CY21 it's a reasonable sensitivity analysis to assume that Jayride's trips will increase in CY21 aligned with the market.

To that extent there's 6 billion trips in CY21, which is what IATA.org says at the moment. You could estimate the market recovery will flow into trips and then position us roughly around 30,000 to 40,000 trips per month just on the basis of a sensitivity analysis. I'm not making a forward outlook statement, but giving people a sense for how we see the market recovering.

That's only one of three tailwinds, I'd like to focus more time on the second and third tailwind.

We find our competitive position, amongst other online marketplaces to be enhanced through COVID-19. That's an interesting statement to make. But the onset of COVID-19 in March left a lot of companies reeling, in general, across the ride service industry, looking at marketplaces and comparison search and wholesalers that are independents.

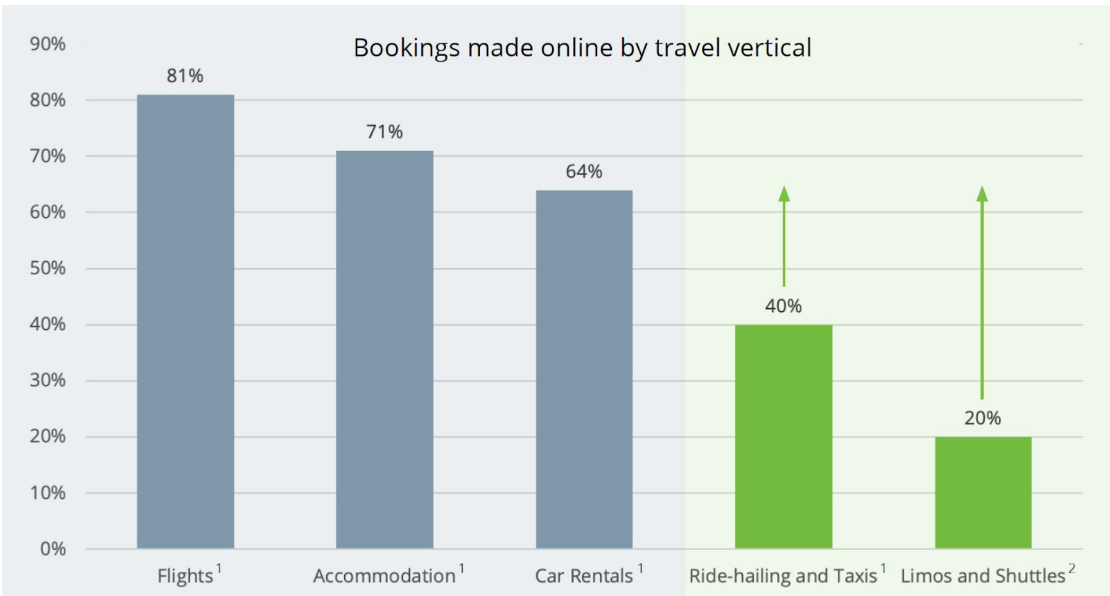
There's been a general trend that travelers haven't been refunded, or transport company obligations – including where, for example, Jayride is the supplier – have not been met and for transport companies are still waiting for payment.

Also there've been severe cuts to teams, whereas Jayride has chosen to retain our talent for future scale. In general we find ourselves quite alone in that regard.

We are also the only public company with access to further capital.

So when we think about how that's flowing into our market positioning, we see that we are retaining transport companies on our platform (which is not universally the case for all the comparison engines), we're winning travel brands across 2H into FY21, and we really have the opportunity to leap frog these other brands and gain marketshare. It gives us stronger earnings potential into the market recovery.

Lastly, we've been riding a structural trend for a number of years. That is the trend of trips to move online in the travel industry.



On this graph we unpack travel industry verticals: flights, accommodation, car rentals, ride-hailing and taxis, limos and shuttles, by the amount of online penetration.

Generally, ground services are not in the same league yet as flights, accommodation, and car rental, however, our whole industry is moving online at a fast rate. At a minimum, the opportunity is to have the same online penetration as car rentals.

So when we think about how COVID-19 is affecting that transition to online: we actually see it can act as an accelerator. Traveler needs have always been met better online. And today travellers have even higher requirements: for health-secure duty-of-care rides; comparison and choice that builds trust; reviews for their confidence. Travel brands are no longer looking for just ancillary revenue drivers. They're looking for things that defend their core business, by, for example, offering door-to-door packages on hotels and airfares in order to make sure their travelers feel confident to travel.

We can see this occurring in terms of traveler behavior and we think it's a major opportunity. Not only that structural trend continues to exist, but that it could accelerate.

In FY21 we're going to secure the landing by continuing to focus on the things that we've always focused on: retention of our existing travelers in our existing markets; conversion in terms of quotes to bookings; and traveler acquisition in terms of new brand partners and organic search. I'm happy to take questions on this slide, or take it as read.

And so, to conclude, I really have to say that FY20 has been a story in three parts.

Pre COVID-19, 26 consecutive quarters of growth, building on a new foundation of 109 countries with accelerating PCP trip growth at 65% going into COVID-19.

Then COVID-19 hits hard, 94% trip loss at which point we took proactive measures, but the decisions that we took back in March have served as well. Even though we made them at the height of the uncertainty. We continue to stand behind them and the relationships that we've continued to have with our transport companies travelers and, crucially, our team.

And so these things they position as well today with a lower cost base as volume continues to recover.

When we think about outlook, we see a continuing recovery since April with July passenger trips up 111% month on month since June. August trading, at the moment, is in line with July.

We see the Northern Hemisphere driving that recovery with 90% of our travelers and their destinations – they're traveling and being sourced – outside of Australia in particular in Europe.

And we see these three key drivers of recovery: the cycle of COVID-19 borders reopening and relaxations being put in place; enhanced competitive position in terms of us versus other online comparison engines; and the structural trend to online, which has been around for years and will continue, we think, especially with demand from travelers for very specific needs that can only be met online.

These things position us well in order to capitalise on future trading opportunities, next of which is the December holiday period.

I'd like to thank everyone for attending. This ends the formal part of the presentation and I would like to open the floor for questions.

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Michael Brown: Thank you. If you would like to ask questions, please take yourself off mute. If you'd like to do so, please announce yourself and ask away.

Scott Dolling (Taylor Collison): I have a question on August, September, given the Northern Hemisphere summer ending. How do you see your traffic looking, when looking at the previous month flowing into December?

Rod Bishop (Jayride Group Managing Director): There's typically seasonality in the Northern and Southern hemisphere and they typically crossover around about that point with the oncoming summer travel in the Southern Hemisphere, and the outgoing summer travel in the Northern Hemisphere. This will actually be our first year trading for a full year with very good coverage across Europe, so quite besides COVID-19. We have to explore what that seasonality will do in the month of September.

Also, then there's the COVID-19 recovery. I think this year, it'd be fair to assume that the relaxation of borders and travel restrictions is going to be more material than summer high seasonality.

So it's just about continuing to watch as you know restrictions ease how those restrictions ease, and be really to capitalize on them. From our point of view, we've got very good sources of data – we're very data driven. And so we're simply watching quote volume around the world, and then leaning into that where we see demand to make sure that our contracting is up to scratch, that our rates and coverage are fantastic and just focus on conversion rate across those markets.

Does that answer your question, Scott?

Scott Dolling: Yes, thank you.

Stephen Scott (Taylor Collison): Just on Slide nine with mobile app. Can you just talk us through that a little more detail? Obviously that's a new development or relatively new. Perhaps talk through a little bit what it is, who's using it, what it means for the business?

Rod Bishop (Jayride Group Managing Director): Very happy to. It's a mobile website, rather than a mobile app. And that's important because when travelers search they need to find us on Google and land on a mobile landing page. which is best served as a website rather an app.

The enhancements that we've made as we've really taken a mobile-first view to our product now, so desktop is a second citizen, mobile is the place to focus. It's all about conversion rate testing; all of our user testing now focuses on that mobile-first experience.

What you'll see if you go there on a mobile is a website designed very specifically for the device you're using. It's designed to convert and be very easy to use when you're on the go. And it's the foundation stone on which later if we were to wrap that up and put it in the app store, the foundation of an interface would be built.

It's always important to remember with Jayride the focus on mobile web versus mobile app because our core channel for acquiring travelers is at that point of need when they're searching Google. And it's much easier to convert a user from Google on a website, rather than an app. However, mobile now definitely takes priority over desktop and our user interface really stepping into that.

Guy Hedley (Atlas Advisors): Rod, it's Guy Headley. Can I ask a question, please? So are you noticing any sort of early signs of a trend away from public transport to use of shuttles and private transport operators? Is that an opportunity you have the ability to look at?

Rod Bishop (Jayride Group Managing Director): We do actually, and I do see that trend, and I can also point everyone to fantastic resources on the topic.

Apple Mobility publishes their transport statistics and they show very clearly that traveler behavior is changing, in particular it's changing away from shared forms of transport to private forms of transport, for example, long distance private rides.

Examples of traveler behavior then is we see people are opting out of public buses and public trains on the basis of health security concerns is very interesting in terms of what we see at Jayride. So in particular, you might imagine trips that you could have taken or across Asia. I'm thinking about things like Shanghai where you might take the high speed rail part of the way and then a taxi from the rail station to your hotel, or certain kind of mixed modal journeys like that you'd now take a private car the whole way just for the basis of having exclusive use.

Similarly, we're seeing trading out of short-haul airfare and into long distance rides. You might for example having landed in Denver, Colorado taken a short-haul connecting airfare into the mountains, but these days a long-distance ride is the thing that people are choosing just so they can avoid screening and crowds and shared use of the vehicle with lots of other people when they've got health-security as a major concern.

How that's manifesting for us is an increase in average order values. We're seeing people trading out of a shared bus and into a private car. In particular, we're seeing people trading out of a budget class of private car up into a more luxury class one that has health security practices and COVID-19-Prepared ride status on Jayride.

We're also seeing average order values increase through an increase in average distances. Average distance is very steady right up until COVID-19 and then again we see trading out of a multi-modal journey to take a private car the whole way. We're seeing longer journeys and we're seeing those journeys have higher average order values.

So definitely a trend we're watching very closely and it continues, in particular, we see how sensitive people are to it. This is, for example, for 100 days there New Zealand had no virus at all, and yet still public transport hasn’t recovered.

We think that this trend is going to be long lasting, and we think about travel in terms of how it changed after 911: It came back. It wasn't exactly the same. And so similarly we see an enhanced opportunity for us to provide exclusive use vehicles as a part of traveling as the new normal.

Guy Hedley: Appreciated. Thanks.

Daniel Smith (Investor): Hey gang. I'm just really interested, you've mentioned when COVID-19 hit, there's a large change to the budget originally. Taking out $7 million a year. I’d be interested if you could shed some light on what the bulk of the $7 million was originally allocated to and how you cope now that that is not allocated.

Rod Bishop (Jayride Group Managing Director): Good question, Daniel. Thank you. The $7 million of cost savings falls in two large buckets: $4 million across variable cost centers and $3 million against non variable costs.

So just to explain each In variable costs, we take a very holistic view, anything that scales with bookings. We call it a variable cost, even though it's not necessarily a direct cost. So things like advertising and marketing and customer service teams are included there.

Therefore, in terms of the $4 million saved in variable costs, we're currently doing you know nill to minimal paid advertising as a cost saving, and then second we were able to very proactively scale down our customer service team. It's a shame that we had to scale down our customer service team, we had fantastic service people and we still do. But the opportunity is to scale back up in line with bookings in a way that maintains still a positive and increasing contribution, every time we make a booking. The result of this is $4 million cost saved.

Looking at non-variable costs – the $3 million saving – we did have to, unfortunately, say goodbye to, for example, some of our marketing team members, some of our finance team members, and people in operational roles. However, we managed to retain much of our key talent by doing things – like moving people to three fifths time and pro rata hours and these sorts of things – just so that we can make sure to keep key talent in the business. We're taking a very conservative view to those costs.

We will maintain those cost savings in the business as volume comes back. We do expect to continue to increase variable costs, but only in a way that increases at a slower rate than increasing revenues. Hence, an increase in contribution margin and more free cash flows per booking. And then with regards to non-variable costs again taking a very conservative view and keeping non-variable costs as low as possible until we really see the shape of the market recover.

Daniel Smith: Okay, thanks. Yeah, that's covered a lot.

Michael Brown: All right. Anybody else would like to ask a question, please just take yourself off mute and go ahead.

Conscious of everybody's time we might close the formal call there. We will be pleased to take any further questions offline or in subsequent meetings. On that, I will hand back to Rod for closing remarks.

Rod Bishop: Thank you all for attending. Appreciate your time and interest in our company. As we look ahead to FY21. I just wanted to continue to focus our company on seizing those recovery tailwinds.

Therefore, we look forward into FY21. We're looking for that cyclical recovery that IATA.org forecasts as relaxations occur and travel resumes 6.8 billion trips to and from airports, a $90 billion market opportunity, lots of activity there.

We look forward to an enhanced competitive position and we're really seeing it in terms of the footing that we've put ourselves on the strength of that provides us to go forth and capture market share.

Thirdly, the continuing acceleration of the penetration of online across all travel verticals, but especially in ride service. To make sure that we continue that long term structural trend by taking care of travelers' needs.

We're going to focus on these three tailwinds as we go forward and I look forward to continuing to tell you about them over the course of FY21. So thanks again, appreciate your time and effort and look forward to speaking with you soon.

End of transcript

For more information please contact

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ASX release authorised by Rod Bishop, Managing Director, Jayride Group Limited.

About Jayride Group Limited (ASX:JAY)

Jayride.com is a world leading global airport transfers marketplace, which creates seamless experiences for travellers by allowing them to compare and book airport transfers around the world. With Jayride.com, travellers can compare and book with 3,700+ transport companies, servicing 1,600+ airports in 100+ countries around the world, including the Americas, Europe, Middle East, Africa, Asia and the Pacific.

The Jayride.com platform aggregates ground transport companies and distributes them to travellers at Jayride.com; and via partnerships with other travel technology platforms, travel agencies and wholesalers. These partners implement Jayride.com APIs to sell ground transport and add new incremental ancillary revenue to their travel businesses.

Founded in 2012, Jayride.com is headquartered in Sydney, Australia.

For more information, please visit www.jayride.com

Forward-looking statements

This announcement contains forward-looking statements that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.