ASX Announcement

28th July 2021

Quarterly Result Call Transcript

Jayride Group Limited (ASX:JAY) ("**Jayride"** or the "**Company"**) the world leading global travel marketplace for airport transfers today releases the transcript of the Q4 FY21 Quarterly Business Review Presentation held on 27th July 2021 at 9.30am AEST.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Good morning. The global travel recovery continues to gather pace in the northern hemisphere.

I'm sure that's strange to hear about as we're all in lockdown in Australia, to be talking about travel recovery. But here we are, with the majority of Jayride's business focused on northern hemisphere markets, US and UK, and those markets are rapidly reopening on the back of advanced vaccination programs.

So accordingly Jayride is pleased to report record revenue growth rates, record contribution profits above pre pandemic levels, and our strongest ever balance sheet.

Together, these three things show the power that Jayride has in the Jayride model, and also the leverage that we have to the continued recovery in the northern hemisphere.

We're committed to investor transparency, and so we pre-released our revenues and passenger trip numbers in the first week of July. I won't focus on it too much today, other than to say that that 79% quarter-on-quarter growth rate for Q4 over Q3 was the highest growth rate we've ever achieved in net revenues.

On today's call we will focus on the two new areas of disclosure in today's release, that is firstly the contribution profitability and contribution margin, and then secondly the cash and cash flows.

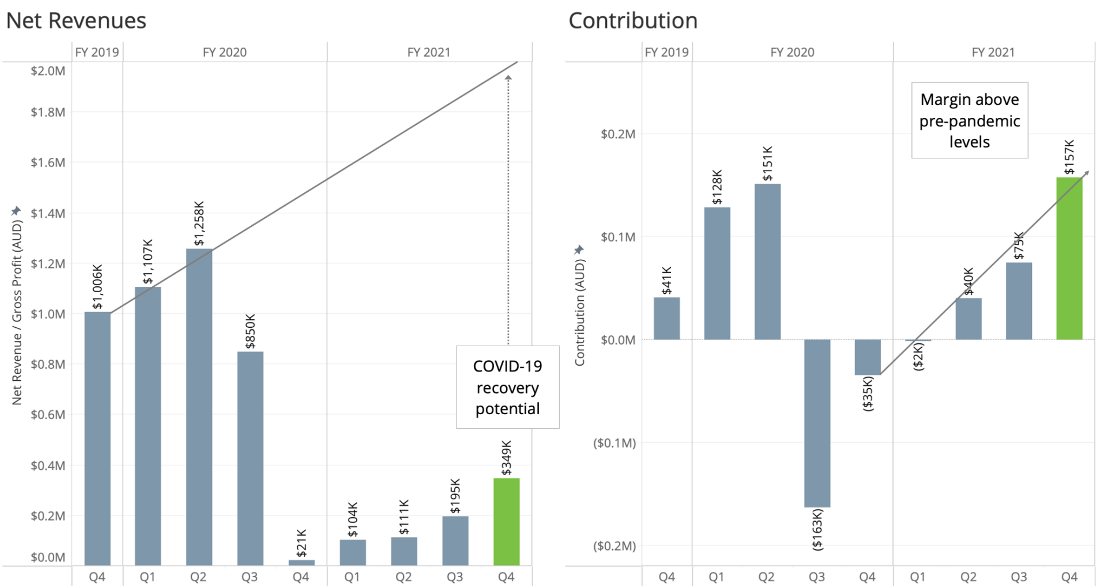
Each of these two things speaks to our increased operating leverage and our intentional strategies that we talked about throughout the pandemic to improve business fundamentals, and how those now come into play as the travel recovery continues in the northern hemisphere.

First let's cover the contribution and for that i'll start to put on screen some slides from the release that was shared overnight.

With contribution profit, let's cover the result itself; let's have a short explainer of what contribution profit is and it's importance to Jayride; and thirdly let's then dive into the drivers of the result.

First, the result. In Q4 FY21 Jayride has achieved contribution profit after variable costs of $157K. That is Jayride's highest ever quarterly contribution, above pre-pandemic levels. It's a growth rate of 111% growth in contribution vs the prior quarter of Q3 FY21. And for the year, it's a growth rate of 231% growth in contribution in FY21 vs prior year FY20.

So whereas trips and revenues still have significant recovery potential ahead, margins have now surpassed pre-pandemic levels. This is as a result of our work on margin expansion.



That margin itself has expanded up to 45%. This is Jayride's fastest margin expansion, and our highest ever margin. It is significantly above the 11% contribution margin we had pre-pandemic.

For those of you who are new to Jayride, I'll take a moment to explore contribution profit, explain how it works, and why it's a very important measure.

Contribution is the amount of profit we keep on passenger trips booked after all variable costs. It is calculated as follows: net revenues less all variable costs of those revenues.

We don’t have so many direct costs, so when considering variable costs we like to be very holistic – we try to include anything that interacts with a passenger trip. So that if passenger trips volume grows, as it’s doing at the moment, we need to focus on scaling that area.

Variable costs include, for example, all advertising and marketing costs, and all other variable operating costs, including transaction fees and goodwill and also customer service costs

So net revenue less variable costs, that's our contribution profit, and that's a scaling profit level. As trips grow that profit level grows and as trips growth continues, ultimately, then Jayride reaches the point where its contribution will self fund millions of dollars of investment continuing each year into growth and technology leadership and entrenching our competitive advantage.

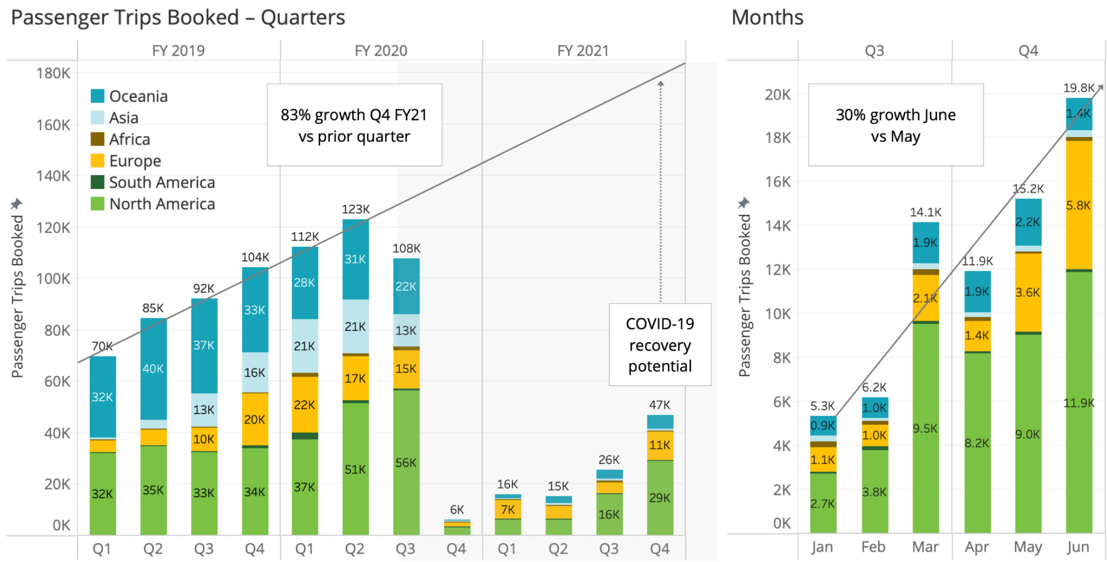
Today's result on contribution – that record contribution profit, at record contribution margin, above pre pandemic levels, and at a record revenue growth rate – is proof that the Jayride model works and that our profit profile is scalable and leveraged to the continuing global travel recovery, especially in the northern hemisphere.

I'd like to unpack what's driving that improvement in contribution profit.

It is driven by two things: One is trips growth, and two is a disciplined control of costs as we scale and that manifests in terms of improved unit economics.

Let’s talk about trips growth first.

Jayride earns its revenues and contribution on every passenger trip booked. Passenger trips booked grew 83% in Q4 vs prior quarter to 47K trips for the quarter. Growth built throughout the quarter, with 30% month-on-month growth in June vs May, with June at 20K trips per month.



Trips growth has been driven by intentional strategies to win market share and improve the traveler experience, and is being aided by three tailwinds.

Our strategies focus on retention of travelers, conversion of travelers, and acquisition of travelers.

Enhanced retention is all about building relationships with travellers and travel brands through high service levels and improvements to user experience and traveller self service that includes, for example, the membership system that we released in the recent quarters.

Enhanced conversion is all about enhancing the way that travelers experience the website, for example, enhancements for mobile users, better rates and coverage, and also exploration of new things like new vehicle types, service classes, and product offerings that we're looking to bring to market in the near term.

Enhanced acquisition is all about organic search, but also tighter and stronger relationships with those strategic brands that we work with like the Booking.coms and the Expedias of the world.

As we continue to improve the fundamentals of the business here, we still have those three tailwinds, they are –

The global travel recovery which continues, especially in the northern hemisphere.

The enhanced competitive standing because we again have paid refunds and kept transport companies all throughout this, which allowed us to successfully navigate COVID and allowed us to pick up new business.

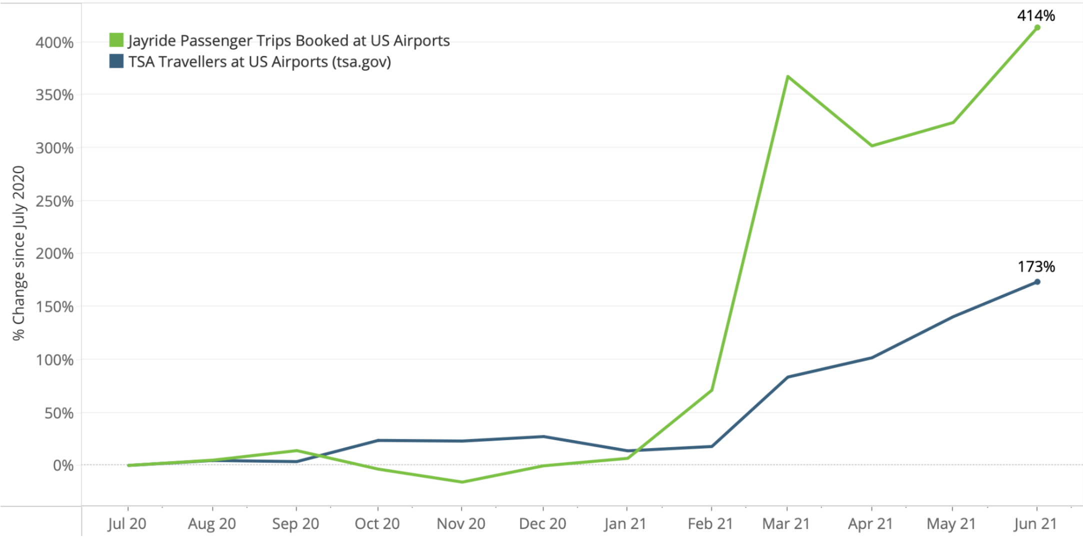
And thirdly, that change and traveler needs that's leading them to pre-book online in a more common way, rather than just turn up and wing it. And that's because they're seeking high quality of service, or more personal space, or more pre-planning simply for a level of confidence.

On the screen, you can see the graph that shows where these three tailwinds and strategies are propelling us foremost. It's all about the northern hemisphere. Green marks passenger trips that have been booked in North America, yellow marks passenger trips in Europe and, together, these regions in June represent 85% of Jayride's trips.

In June, in the US – Jayride has pulled ahead of June 2019 prior corresponding period with more trips booked in June 2021 than in June 2019. And in recent weeks in July, in the EU – Jayride has pulled ahead in a similar way, with more trips booked in these July weeks in 2021 than in the corresponding weeks in 2019.

These comparisons to prior periods are as a result of winning market share and show that we're accelerating faster than the market in certain regions that we care about.

Winning US Market Share – JAY trips compared to TSA trips through US airports



The graph on screen shows the US trips. That blue line shows the market recovery as a whole, which is since July this year, a very fast growth rate. That number comes from the TSA, it's showing travelers through US airports with 173% growth over the course of the financial year. Over that same time period at those same airports Jayride passenger trips have grown faster at 414%.

So these trends, they go to demonstrate, now, that we are successful in winning market share and we're looking forward to that continuing.

As those strategies and tailwinds then continue, and our trips grow, as each trip is profitable, then our contribution profit level increases and we'll find ourselves positioned in a way to have a very scalable profit profile.

The second thing that's driving contribution and contribution margin is the disciplined control of costs.

Jayride's contribution margin has expanded even as our trips have grown. In Q4 we have reached a record 45% contribution profit margin – up from 11% pre-pandemic – with further expansion potential ahead.

Contribution margin growth has been driven by control of the costs of servicing a trip, including to build enhanced processeses, self service and automation, including the building of a traveler self service culture around our membership portal and optimizing the work of our customer service team, these sorts of enhancements to the business.

The work focuses primarily on product and technology and we're building all the things that are typical of a modern travel booking platform, so I call them in a way, hygiene. These are the things you'd expect from a flight booking platform or hotel booking platform: The membership portals, the self-service updates to bookings, these sorts of things that improve traveler experience but also reduce our costs to serve.

So our work focuses on that technology, and you can see the result of that work here:

Date	Trips (#)	Net Revenue / Trip ($)	Variable Cost / Trip ($)	Contribution Margin (%)	Contribution ($K)	Contribution Growth vs Prior Period
Q4 FY20	6,000	$3.47	$9.22	-165%	$(35)	–
Q1 FY21	15,900	$6.55	$6.65	-2%	$(2)	–
Q2 FY21	15,200	$7.31	$4.69	36%	$40	–
Q3 FY21	25,700	$7.62	$4.70	38%	$75	88%
Q4 FY21	**46,900**	**$7.43**	**$4.08**	**45%**	**$157**	**111%**
FY20	348,600	$9.28	$9.05	3%	$82	–
FY21	**103,700**	**$7.33**	**$4.78**	**35%**	**$264**	**231%**

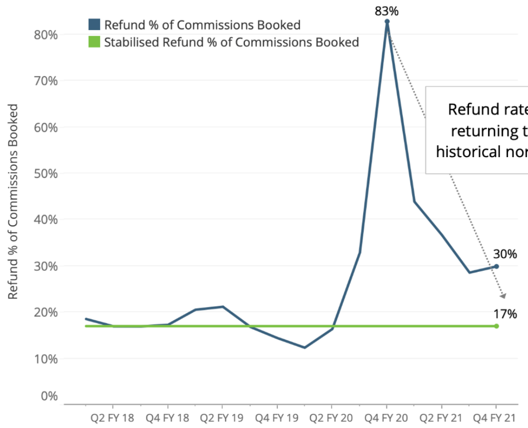
It's a sustainable improvement to reduce variable costs, continuing even across the period of COVID, so we have ended the year in a much better position than we started, with $4.08 of variable costs per trip; that has improved across COVID and improved significantly since FY20 where we averaged $9.05 of cost per passenger trip.

Also as I've said, we have still got further optimizations ahead in this area.

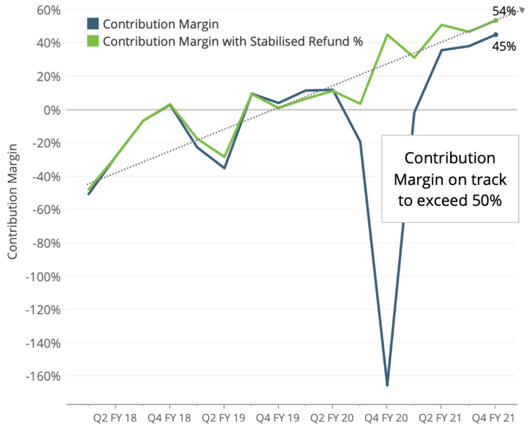
A final point just to note, as we talk, is the impact of refunds on contribution.

It's a core proposition of the Jayride customer service promise that you as a traveler can get a full refund, including that we don't receive a commission on any booking if you change your mind, you get a 100% hundred percent cash refund. We think it is an absolute advantage that we offer versus competitors in the market.

Refund Rates



Contribution Margins



Typically over time that's run to a cost of 17% of revenue, you can see, on the graph on the left. Historically refund rates at 17% in green, and then the actual refund rates spike at the onset of COVID, however, the refund rates are returning to historical norms.

This comes through then as a reduced net revenue per trip, and it also reduces contribution margin, because we're trying to make a contribution on a smaller revenue per trip.

You can see the effect of contribution on the right hand graph. You can see, despite that currently elevated refund rate, our contribution, which is in blue, at 45%. And you can also see that if we had applied that standard 17% refund rate across the whole of COVID then we would be at 54% in the last quarter. This is still another way that we've got a really clear line of sight on further margin expansion, if we go that way.

Next, we will talk about the cash result, but I think before I hand it to Peter, I just want to give one final point, which is the highlight of the quarter, that was the capital raise.

We had commitments exceeding $10M, which is a very strong endorsement of Jayride's growth strategy, from new and existing institutional and professional investors. We thank those investors for their support.

The first tranche of the funds from the capital raise completed in June. And we are scheduled to complete the second tranche of the capital raise this week.

We look forward to deploying those proceeds to generate further profitable growth in FY22.

I would like to hand over now to Peter to talk about the cash result in more detail.

Peter McWilliam (Jayride Group CFO): Thank you Rod. It's great to see the step change in unit economics in 2021 clearly showing through those tables and graphs.

To help validate revenue contribution and operating leverage let's take a look at cash performance, in particular the table on screen.

Date ($'000s)	Cash Receipts	Operating Costs	Interest Costs	Grants & Incentives	Total Operating	Total Investing	Total Financing	Forex	Net Cash Flow
Q1 FY21	**53**	(645)	(58)	408	(242)	281	(301)	0	(262)
Q2 FY21	**163**	(870)	(54)	172	(589)	(244)	2,379	18	1,564
Q3 FY21	**196**	(933)	(52)	238	(551)	(301)	67	(43)	(828)
Q4 FY21	**293**	**(858)**	**(104)**	**36**	(633)	(322)	2,560	(1)	**1,604**
FY21	**705**	**(3,306)**	**(268)**	**854**	**(2,015)**	**(586)**	**4,705**	**(26)**	**2,078**

Growth in cash receipts (first column) outstripped net revenue growth (previous table) between Q1 and Q4 by 450% to 235%.

Operating costs (second column), which includes both variable and fixed costs, was limited to a 33% increase as a result of enhanced unit economics and operating leverage.

These two drivers lead to an improvement in Net cash flow less Grants, Financing and FX of 14.5% over Q4.

Ahead of year end reporting I would like to quickly point out our cash performance over the full year, which can be found on the bottom row of the table.

Total operating and financing cash outflows was $2.5 million and the fixed cost base net of R&D was $3.9 million. It was diligent management of the resources during a period where we significantly improved unit economics and operating leverage.

My final thoughts –

Through the judicious deployment of resources we have delivered a sustainable step change in variable cost per trip and are now benefiting from continually improving operating leverage.

We are very well positioned to have a strong FY22, with validation of the model in both contribution and cash results and the best balance sheet we have ever had.

Rod Bishop (Jayride Group Managing Director): Thank you Peter. That concludes the formal part of the content for today and just to conclude, I would confirm and restate what Peter and I have said, that is, it's a high quality position we find ourselves in, despite being locked up in Australia.

That northern hemisphere focus that we have has manifested as record revenue growth rates, record contribution profits above pre-pandemic levels, and our strongest ever balance sheet – with clear line of sight on continuing recovery, especially northern hemisphere, and continuing optimizations to further expand margin.

So our outlook remains positive we're pleased to say that those foundations that we've built across FY21 put us in a really good position to leverage the global travel recovery as it continues into FY22

I look forward to telling you more about that in four weeks with the release of our full annual result in August.

Until then I just would like to thank you all again for your interest in our company and participation in our latest capital raise and open the floor to you for any questions.

Michael Brown (Pegasus Corporate Advisory): Rod you mentioned in the ASX release the technology improvements in the areas of customer service process automation and traveler self service.

Can you talk a little bit more about those and what sort of ideas you have in terms of how they may evolve and what sort of implications they might have for the business?

Rod Bishop: Absolutely, thank you. Yes, this is a key area of focus for us.

Over the 10 years of building Jayride this has been pushed to this most recent period. We spent eight years perfecting global transport aggregation and now we get to focus on really improving that travel experience.

I use the word hygiene a lot, because this is not exclusively about cutting new turf, this is about the things that travelers expect from a modern travel booking platform.

So if you've used Expedia or Booking.com or these sorts of platforms before you'd be familiar with the kind of things we're building. And the work that we're doing is about copying their best practice that they have applied to other travel verticals like hotel or flight booking.

By this we mean a membership portal that you can log into. It remembers it is you, it says “welcome back Michael, here are all your previous trips”, you can click to rebook them, you can click to edit them, you can click to cancel and get your refund, we can automatically process refunds, we can make sure that those sorts of transactions are instant.

It's about taking out the human touchpoints in these interactions because that's what travelers prefer, and also because by removing human touchpoints, then we end up with a leaner and lighter operating model with the ability to be more responsive in real time.

Long-term where this takes us to is a level of responsiveness of service that is so fast that you can be booking while you're in destination. We can bring down that booking in-advance window, from really significantly pre-booked, to “hey i've just arrived in a destination, and let me pre-book something before I collect my bags”.

The more that we take out those human touchpoints and the more that we automate, the better experience, the more real time, and the less cost we carry to serve you.

So it’s a very significant piece of work here – and if you're not familiar with our membership system, do use it, log on to the website and sign up as a member and experience it – the functionality is being deployed into that membership system.

Robert Bruce (Investment Manager, Acorn Capital): Well done on those results.

Just in terms of, given the significance of the northern hemisphere going forward, have you given any consideration or thought to shifting senior resources to do business development to the northern hemisphere.

Given from Australia you're doing well, but it's a relatively limited market and, obviously, at the moment, looks like there's more opportunity in the northern hemisphere, rather than us going into lockdown.

Rod Bishop: Absolutely. One of the key deployments of resources from the recent placement is additional sales and marketing across the northern hemisphere. Boots on the ground is definitely part of that.

When we talk about business development, we mean new travel brand partners that are B2B or B2B2C in nature. And what we mean is to have senior sales leaders who are experienced, who know "who's who" over there, who know the technology platforms that matter to the TMCs over there. They come with that knowledge, they come on the ground there, in the time zone. There are some great team members potentially there that we've been in touch with for quite a while and who are currently available.

So, we're just progressing through that at the moment and that will be part of the deployment of resources, to win northern hemisphere business, especially with boots on the ground.

Now, with regards to some of the other teams, we do already have some Ukrainian developers as a part of our engineering group. We're considering expanding some of that too. Talent is available globally at the moment and the world is a very flat place, so to be able to expand our team to cover more time zones and work across more regions in the world is definitely an area of focus.

Does that answer your question, Robert?

Robert Bruce: Thanks.

If no one else has a question I will follow up just in terms of that refund rate. Is it starting to, I'm guessing, it's going to hopefully continue to trend down to within the normal range in the northern hemisphere. But obviously the southern hemisphere with the eastern seaboard lockdown it's probably going to increase, more than anything else, is it?

Rod Bishop: The thing that drives the refund rate is changes to border policies. And not reopenings, only closures.

If borders are already closed and people aren't booking then you won't face a refund. It's only if a person books and then the border policy changes before they travel that the refund happens. So long as you have a net global movement towards more reopening then refund rates will continue to come down.

What we caught at the very end of June was a little bit of a headwind in the refund rate across Australia and New Zealand with the closure of the trans-tasman bubble and the local lockdowns.

But, Australia and New Zealand are not the main story at the moment, and so, so long as we continue to get more reopenings in more international regions, we will continue to get more bookings, and so long as those corridors stay up and open then yes, refund rates will come down.

We see really, really, positive noises out of the northern hemisphere at the moment. In this result there is a little bit of progress in Europe. After May 17th, you might remember, Boris Johnson in the UK reopened international travel to Europe and other destinations, so from late May we had recovery for about a month and a half of the period.

And then more recently after July 19th, a further reopening, the “Freedom Day”. The way that manifests for us is that vaccinated British citizens can now travel to and from most countries on earth – anything with a green or an amber status – without mandatory quarantine on arrival back in the UK. Also, they moved travel from an essential thing to just an everyday thing, and so that's again a really good tailwind for us. So long as those trends continue, and you know, there seems to be a lot of political will for that to continue, then we'll be in a good spot.

With regards to that trans-tasman corridor and the fact that it shut down, you know that's a one-off. So those cancellations have already been put through. And now, as it's currently shut there's not more cancellations to come – all of those cancellations have been processed – and the only way it can go from here is a reopening.

James Tracey (Analyst Veritas Securities): I've got a question about B2B as it's an important part of your business. These integrations are roughly half of revenues, historically. Can you talk about any progress you've made in that area and any trends that might be happening with some of your travel partners like Booking.com’s and Expedia’s, and what trends are happening in terms of attaching trips to the bookings of hotels.

Rod Bishop: Happy to do so. So, Booking.com and Expedia and many other travel brands use Jayride's transfers to attach to their other carts, for example, attached to hotels or attached to flights. And we're seeing an increase across the board in that type of behavior. Those travel brands realize that a full service experience with pre-booked pre-planned ride – not asking your traveller to hop in the taxi rank, these sorts of things – are a defender of their core business of flights and hotels. And so we see especially then brands like Booking.com and Expedia step up to that point and really start to attach transfers in a way that they never have before.

In Jayride's numbers, then that means that those brands are booking more now than they were pre-pandemic. That's due to an increase to the size of their business, but also us winning more market share as a strategic partner to them. We expect that to continue both as their brands recover, but also as they start to attach transfers into more places in their funnels.

Just considering the relative size or some of these brands for a bit of context. For example, pre-pandemic, Booking.com was booking 2-million room nights every day. And their attach rate on transfers to those room nights would be, you know, "0.0%" – I don't know and I wouldn't estimate the exact number, but, they did around about a million passenger trips booked in 2019 in rides, and that's that's a million rides in a year vs two million rooms every day. So, you know the attach rate was very, very low.

The potential that they have, as they start to take attaching rides to itineraries more seriously, is to really significantly increase their trip volume and we, as a supplier-partner to them, look forward to being able to service those bookings.

The big opportunity here as much as anything else is about helping these brands to bring transfers to market in the right way. With high service levels, and things that travelers really want. And, so long as those brands have that confidence that they are able to attach transfers that really work every time and provide a meaningfully enhanced travel experience, then you know the upside potential is really great, and in a way COVID is an accelerator to that line of thinking for them.

James Tracey: Thank you very much.

Rod Bishop: Thanks James.

James Tracey: Sorry, just a follow up from me. Rod just around the balance sheet. You mentioned earlier that, you know, once you get the second tranche the balance sheet will be the strongest it's ever been, so 10 million of cash, roughly speaking.

Can you just go through some of the primary customer improvements that will result from that, and then the timeline?

I know Michael's question touched on some of them earlier but is there a point in time when you expect this step change in the customer experience and that leading to more trips and better and better contribution margins?

Rod Bishop: Absolutely. In regards to use of funds, the immediate opportunity to expand is the northern hemisphere. That manifests as more business development and more brand building with large partners but also better integrations because it's the integrations that allow those workflows in terms of travel booking to really to really sing. So that's great business development people with great sales and marketing material, but also great product and technology support.

The largest sum of funds into product and technology development is all about traveler experience and so, as I said, that's kind of hitting intersections where you get both the reduced operating costs and also the improved user experience, and so things as we mentioned like enhancements to self service.

It goes still further than that, it goes into all sorts of new offers, for example, different vehicle classes, different types of services, different inclusions being able to upgrade your booking in a variety of different ways. These are things that partners have asked for, but also, these are things that we will be able to cut new turf and bring offers that we know that travelers want that have never been able to book on the Internet before.

It's a very exciting time ahead. We look forward to telling more about all of those initiatives in four weeks at our August results presentation.

I guess, in summary, would be to say: Front loading of resources into sales and marketing to really address that recovery in the northern hemisphere, and a very significant investment into product technology over the long term to really build a technology advantage that manifests as the best travel experience.

James Tracey: And do you know when the key changes are going to go live around the integration piece and in the customer experience? Is this something in two years time, or six months time?

Rod Bishop: It'll be iterative, every single quarter something new, as the style of our development organization is very agile and we tend to roll out piece by piece, as we have, for example, with the membership platforms – we launched it, and then were building on it every month thereafter.

I look forward to giving you those milestones to look at within four weeks at the August results presentation.

James Tracey: Thanks a lot.

Rod Bishop: Thank you all for attending. In summary, a very pleasing result today, and it is surely strange to be in lockdown in Australia talking about travel, but the northern hemisphere is traveling, and we're here in position to capture it on the basis of that northern hemisphere travel recovery.

You can see it in the results that this is already working, and we look forward to putting the proceeds of the capital raised to bear on capturing still more of that opportunity as we head into FY22.

So, thank you very much again for your support and interest in the company, and we look forward to keeping you up to date with the next step in the August results deck in about four weeks.

It's a pleasure, thank you.

End of transcript

For more information please contact

Rod Bishop
Managing Director
Email: corporate@jayride.com

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

About Jayride Group Limited (ASX:JAY)

Jayride.com is the world's leading publicly listed airport transfers marketplace, where travellers compare and book rides around the world. With Jayride.com, travellers can compare and book with 3,700+ ride service companies, servicing 1,600+ airports in 110+ countries around the world, including the Americas, Europe, Middle East, Africa, Asia and the Pacific.

The Jayride.com platform aggregates ride service companies and distributes them to travellers at Jayride.com; and via travel brand partners including other technology platforms, travel agencies and wholesalers. These travel brands implement Jayride APIs to sell door–to–door ride services that build traveller confidence and defend their core travel business.

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.