ASX Announcement

29th July 2022

Quarterly Business Review Call Transcript

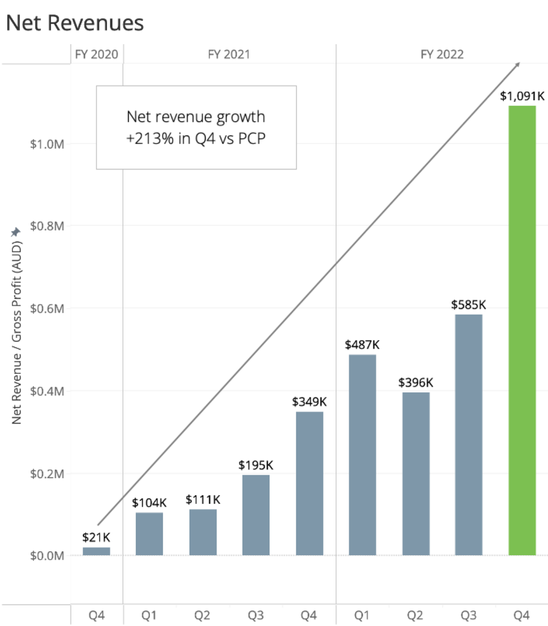
Jayride Group Limited (ASX:JAY) ("**Jayride"** or the "**Company"**) the world leading global travel marketplace for airport transfers today releases the transcript of the Quarterly Business Review and Appendix 4C Presentation held on 28th July 2022 at 2.30pm AEST.

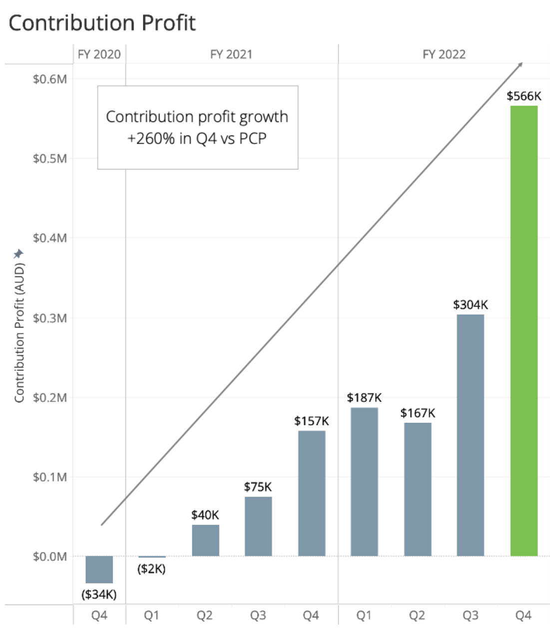
Start of transcript

Rod Bishop (Jayride Group Managing Director): Good afternoon and welcome Jayride is pleased to present a record quarter four, showing our company as fundamentally improved and more profitable and delivering on major milestones.

Today I'm delighted to say that we have delivered our first quarter that has cash flow positive after stand-still operating costs, the delivery of a major milestone with $500,000 of positive cash flow after stand-still costs in Q4, that's an improvement of $691,000 from Q3.

Cash receipts from customers that grew to $1.37 million. That's a return to pre-pandemic all-time high, up 148% versus Q3.





We have contribution profit that grew to $566,000 in the quarter, up 86% since last quarter, up 260% since the previous corresponding period. That is a record high contribution profit, far above any pre-pandemic period, and the largest contribution profit growth on record up $262,000 since last quarter.

Net revenues that grew to $1.09 million in the quarter, that's up at 86% since last quarter, up 213% since the previous corresponding period, and the largest revenue growth on record up $506,000 since last quarter.

A great and record quarter four. Good afternoon, and thanks for coming.

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If there's just one message that I'd like investors to take away from the call it's this:

Whereas the macro environment is complex to anticipate, and we acknowledge that, by contrast, Jayride is very simple at the moment. For Jayride for two years, we invested for growth. So that we would be ready to grow today, now that travel has resumed. And so we're growing now.

We anticipated that this growth would bring operating leverage, profitability, and cash flows. We're pleased to report that it is doing so. And, we said that we would deliver major milestones along the way with this growth and encouragingly we've now delivered two of those.

And so we're here with these results today, still at an early stage in a long-term growth trajectory, still with more growth ahead.

It's not a one-off spike. That we have returned to peak levels of cash receipts and that we're back here with a much lower cost base. Or that in an industry with credit problems overall, our cash conversion has improved. In a quarter with revenue and receipts scaled up, our non-variable costs actually reduced. And that we've introduced new and expanded traveler offers, with strategies like that to scale revenues and revenue per trip.

These things are as a result of strategic execution, with a view to build long-term growth and scale. Our company is just a better company and a stronger company than it was when we were here 12 months ago.

So, it might be that macro factors impact us as the macro environment is complex. But the far more substantial impact is the work that we've completed throughout the pandemic to build the foundation stones for growth today. And the way that we're implementing our strategies for growth ahead.

It's this position that we're in that enables us, just by focusing on the things that are within our control, to continue to simply grow.

And so today, we have this once in a generation opportunity to grow. I've said that in the past, that message; today I reaffirm it. From here, we grow.

For the remainder of this call, three things. Firstly, we will hand over to Peter to talk about the great cash results and the operating leverage that's coming through. And then secondly, we'll return to me and let's talk about the outlook and the growth ahead. And then finally we'll open the room for questions.

Thank you, Peter.

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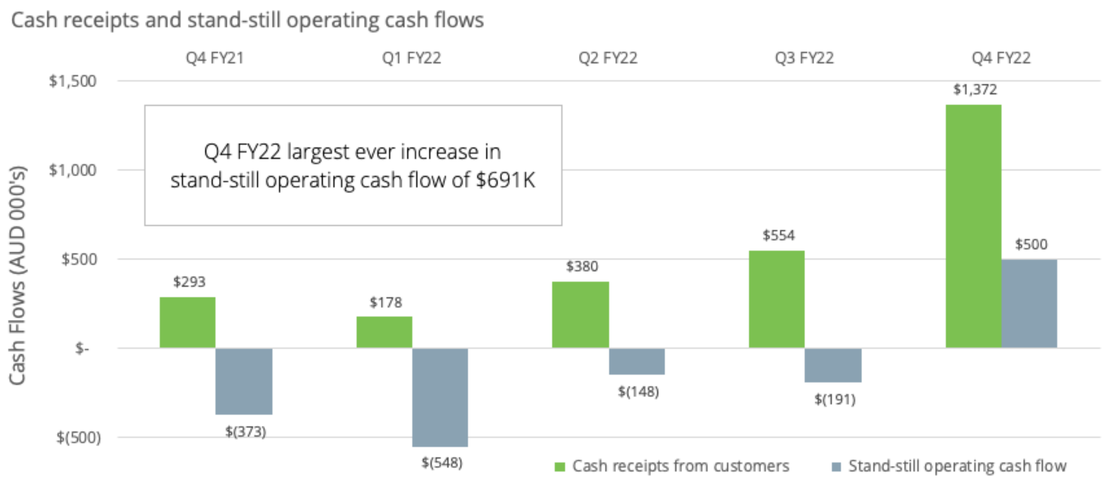
Peter McWilliam (Jayride Group Chief Financial Officer): Thank you Rod.

It is very encouraging to see the strategies we have put in place are increasingly helping us win market share and increase profitability.

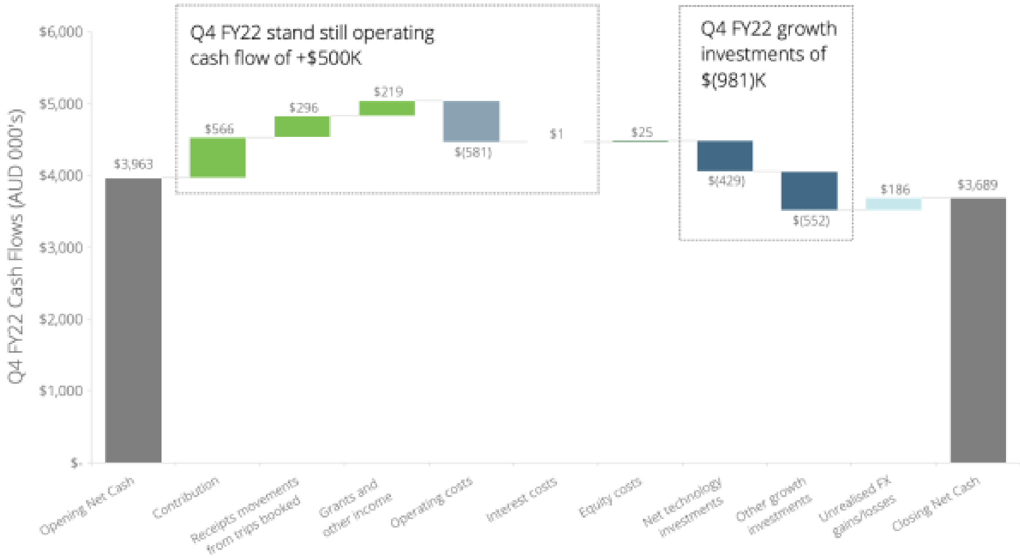
From where I am sitting the highlight for this quarter is the stand-still cash flow performance. The performance here looks to be a pronounced inflection point.

In the bar chart at the top of page 2 you can see the stand-still cash performance and its relationship with cash receipts from customers over multiple quarters. The inflection point that I refer to is best shown in the bars on the far right of the chart and by comparing these bars to the other periods. For this quarter the net increase in stand-still cash flow was $692,000.

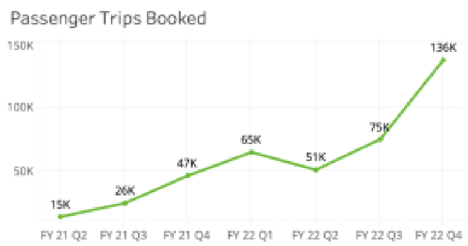


Beyond the $692,000 movement, the key takeaway is: At this level of scale and operating leverage, the underlying business is now cash generative and able to contribute to discretionary growth and technology investments.

The effects of this can clearly be seen in the cash waterfall chart, at the bottom of page 2, where the $500,000 of stand-still cashflow substantially covered the growth investments and helped produce a much improved $274,000 cash outflow for the quarter. This performance left the company with $3.7 million of cash to be deployed in future periods.



The result was built off strong contribution and an increase in the receipts movements from trips booked. Grants played a part and periodically will, but the job was already done before factoring grants in and the inflection point stands.



To help you model potential outcomes and get a feel for what is ahead, I would like to draw your attention to the four charts at the bottom of page 4. We refer to these four charts as our performance dashboard and regularly include them in updates to the market.

If you multiply passenger trips booked by net revenue per trip and then by contribution profit margin you can calculate the contribution profit. The bottom chart on the right shows our fixed operating costs.

When looking at these charts closely, it is easy to see why we are hitting milestones in quick succession. Passenger trip volumes, net revenue per trip, and contribution profit margin are increasing, while operating and corporate costs are relatively fixed.

With respect to inflationary cost pressures, I will take a moment to discuss our different costs and the potential impact given it is topical.

For contribution profit margin, we believe it is more likely transport companies will increase their prices than our predominantly tech variable cost providers, and so contribution margin should at least hold with the potential for larger cart sizes to increase net revenue.

For fixed costs, the majority of our costs are people related. We have a global remote model that should help insulate us and have recently observed that the heat is coming out of the product and technology recruitment markets.

Before handing back to Rod, I would like to reiterate 3 key points.

1. The results are strong and have outperformed the travel recovery following sound investments in initiatives that support market capture, margin expansion and cash conversion.

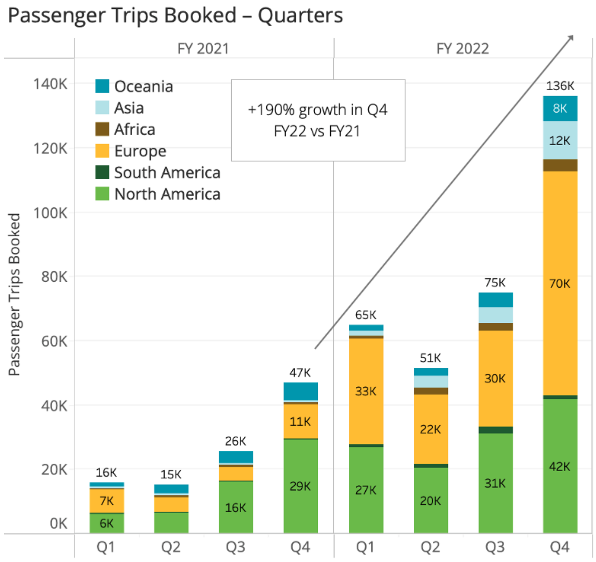
2. The company has hit a key inflection point in cash generation to deliver stand-still cash flow that can increasingly cover the growth investments.

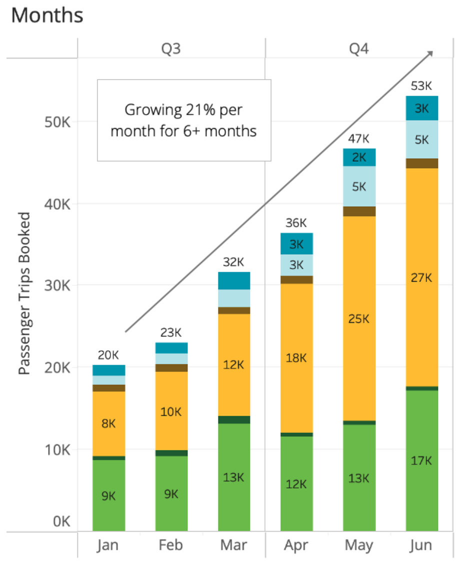
3. The overall cash outflow of $274,000 this quarter left the company with $3.7 million at 30th June 2022 and a clear path to further milestones in coming periods.

Rod Bishop: Thank you, Peter. Onto our outlook. Our outlook is positive.

Jayride is focused on execution and we're delivering the milestones that we said that we would deliver. We're well positioned to continue growth in quarter one of FY23 and across the year ahead.

We've just had another milestone breaking quarter, and as Peter mentioned, we are generating cash flows now to self fund a large share of our own growth investment, and we have a strong balance sheet.





We're in control to manage growth, with great momentum going into the quarter. So we feel set for growth through a number of things going on in the world:

First the structural changes in the travel market. The increased appetite for door-to-door itineraries and still further market share gains, driven by our superior value proposition.

We've got accelerating travel recovery ex-COVID. We've got fundamental enhancements that Jayride has made across the pandemic to increase our leverage to that recovery.

The US and European summer peak travel season, which is going on right now, and the reopenings ahead in Oceania and Asian travel destinations.

We've got the ability to grow margins above 50% and deploy surplus margins into additional customer acquisition costs.

And we've got preliminary returns from the latest growth investments that we're making in sales, marketing, and technology.

The company has delivered these major milestones: 50% contribution margin for the second consecutive quarter, and cash flow positive after stand-still operating costs.

We're on track to still-further milestones to hit as we've outlined: That’s stand-still EBITDA profitability for a full quarter; we've achieved it for the first month in June. We will go towards an average $10 net revenue per trip, that's where we were pre-pandemic. And we will grow passenger trips to 1 million plus trips booked per year.

We’re taking specific steps on each of these milestones and I'd like to take just a moment to unpack them for you.

First we're expanding our team globally to cultivate new, and also grow our existing, northern hemisphere traveller source markets, and we look forward to sharing more information about that.

We've been rolling out our expanded traveler offer with new vehicle types and service classes that have higher average order values, and deploying these into new channels which overall raises average order values on the platform.

We're taking steps to enhance our cancellation and refund behavior – which is in any case, improving with the travel macro – but we're taking specific steps, including enabling travelers to have simple ways to rebook in the case of the flight disruption, better handling of supply on availability, so that the traveler can always travel. It's a customer service improvement but it's also a way to improve revenue refunded and increase net revenue per trip.

We're continuing to focus on quote conversion. Trips quoted continue to push to new all time highs, and enhancing our quote conversion to booking is a key opportunity area for us. So for this, we're bringing onboard new suppliers globally, negotiating better rates, optimizing retail prices to market, and in key high-demand travel destinations.

And then, lastly, we're continuing to focus on launching strong new partnerships with the world's largest travel brands. A major new implementation with booking.com has gone live and that deploys our expanded traveller offer across the booking.com network. That launched at the very tail end of last quarter; there's still a lot of growth ahead with that one, and many other such implementations which are in the works.

With these sorts of things in the can and, in general, our momentum coming out of Q4, and the substantial market opportunity ahead, our company intends to continue to invest into selective growth investments within our current capital, and all these things considered, we look forward to more growth from here.

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That ends the formal part of today's call, in conclusion, results are great. It's a record breaking Q4. Milestones are being met and we look forward to delivering the future milestones that we've set out as we continue the growth ahead.

I'd like to say thank you to the team who delivered the great result this quarter, after years of hard work and building good foundations throughout the pandemic. That's what takes us to this point. I'd also like to say thank you to everyone on the call for coming this afternoon and for your support.

Now I'd like to open the room for questions, thank you.

James Tracey (Veritas Securities Analyst): Good afternoon, Michael, Rod and Peter, thanks for taking my question. The first question is just following up on the comment you made earlier around the request for quotes being at record high levels.

I remember, I think, last time we spoke and you get some information on the relativity of the number of requests versus the pre-COVID peak. I was wondering if you could update that? It's clear that we're hitting new highs in terms of number of trips. I'm wondering how much higher quote requests are compared to pre-COVID.

Rod Bishop: We've got a recovering market that's not quite as large as pre-pandemic but we've got a number of channel partners that are more substantial, requesting passenger trips from our platform that is larger than pre-pandemic. They're plugged in via API or on the website. And certain numbers of those convert to the passenger trips that we book.

The number of passenger trips quoted as James mentioned is bigger than it's ever been before, bigger than pre-pandemic. It's increasing month-on-month, and this is as a result of all the new travel brands we work with, who are increasingly adopting rides like never before.

They're requesting prices from us and our quote conversion can be improved. A lot of the time we will convert, and that's the trips that you see, but still more of the time we don't, and that would be because, for example, we don't have the right vehicle class, or service type, or seat capacity, or luggage inclusion, or price. Kind of any one of these things we can enhance allows us to convert that quote for that traveler.

There is heaps of headroom still to come here, and this is why we focus on the expanding traveler offer, and tighter integrations with our partners, so that we can be getting more quote conversion there. It's the single biggest opportunity we've gone to tighten up the bottom of that funnel and there's heaps and heaps of growth there.

James Tracey: And I mean in terms of just the order of magnitude of that. Is that running it double the number of quotes versus pre-COVID, or you know 50% more?

Rod Bishop: It's a multiple of pre-COVID.

James Tracey: The other thing is it looks like you've got a run rate of a million dollars a quarter of net technology investments and the other growth investments – roughly half-half expensed vs capitalized. Where do you see those growth investments in fiscal year 23? Do you see them at a similar magnitude or more or less?

Rod Bishop: This will be a Peter question.

Peter McWilliam: Thanks James. At this point, that cost basis is going to remain stable.

James Tracey: Fantastic, and in terms of you mentioned Booking.com has gone live with the integration. I understand that is the travel class functionality, and previously you guys were considered on booking.com for the most economy trips and not the premium, so now you're in the running for a lot more trips. Do you have any sort of color you can add on that, or give a sense of what the opportunity is there?

Rod Bishop: It's exactly James as you outlined. You know the previous way that we would integrate with booking.com we would give them all of our prices and coverage, but not really specify vehicle class and service, you know particulars about what exactly it is that we were quoting them. Accordingly, they took the decision to only retail us as "economy sedan" which is cearly not what we were. We've got all kinds of different vehicle classes and service types available on the platform, we're a very diverse marketplace with a lot of great traveler offers.

The new implementation that we've rolled out allows us to deploy prices to all of the different categories they sell, whether that's a luxury SUV, business class sedan, people move, shared van, it doesn't matter, we're able to deploy rates on every quote request. And so I think the upside there is substantial.

Both in terms of the number of quotes that previously we weren't converting and the new way that we can convert them, but also just having more SKUs deployed into more categories on that platform is a great way to grow the company. And that has the technology deployed. We're just staging the roll-out country by country. I don't know exactly how many are live now, give or take half of our coverage now deployed, the rest across the remainder of this quarter.

James Tracey: And yeah just sorry one last question for me, so sorry of taking up too much time, but just around this idea of tightening up on the refund policy. I mean what kind of measures do you anticipate there, you know, how do you sort of maintain the strength of the brand and your reputation for being flexible, versus you know sort of cutting down on people who are just abusing your generosity?

Rod Bishop: Net revenue per trip has a couple of components, as the average order values are covered, and then there's the refunds. And, refunds have often been elevated throughout the pandemic. They've come down from 30%, and they're heading back towards their historical baseline of 17%.

You know, that's moved a little bit slower than we would have otherwise hoped. Flight disruptions, airport disruptions, service availability, there is still a lot of pandemic collateral issues going on in the travel market at the moment.

And so we've continued to step up to that customer experience plate and we've said, you know what, you've requested a booking cancellation, we honor that, and we've been giving 100% cash back no questions asked on traveler cancellations throughout the whole pandemic and will continue to do so for now.

And yet still there's at least three different things that we can do in terms of improving refund rates. First is seizing the overall macro improvement in cancellation and refunds. We can also be kind of stepping in with more service at that cancellation point to consider if there's a way that we can help the traveler. They maybe just need to reschedule, or change supplier. And then the third way is when we're dealing with transport supplier unavailability – where, for example, they've sold a ride free sell, but when push comes to shove, they can't actually put a driver in a vehicle on the spot, at the time – we're enhancing our technology platform so that booking is automatically rebooked with a new supplier, and the traveler travels, no matter what.

These enhancements that we're making will improve that revenue refunded line, but not at the expense of traveler service, in fact actually stepping up to the plate and kind of still further enabling traveler service, helping them get the outcome that they want.

Those three are on the plan for the imminent term. And then if we want to go still further, we can consider other things like non-refundable booking fees, or fee to change a booking, or these sorts of things that would also reduce revenue refunded.

James Tracey: That's fantastic, thanks, a lot of good work.

Peter McWilliam: James , I would like to amend my previous statement, in relation to the growth investment cost base.

We have no plans to adjust our current resourcing of those teams, which is why I responded that the cost base would remain the same. Upon reflection I recognised you were asking me whether you should use 980 thousand dollar total in the waterfall chart as the new growth cost base in your model. This amount included a 244 thousand grant that effectively decreased the growth cash outflows from 1224 thousand to 980 thousand. You should assume the 1.224 million is the correct number. Sorry for the confusion on that point.

James Tracey: The $1.2 million is that per quarter, yeah?

Peter McWilliam: Yes, correct.

James Tracey: Okay got it, that's great thanks Peter.

Guy Hedley (Altas Advisors): Just a couple of quick questions. I was reading an interesting thing today about the China market, which we know quite well, saying that there were, on Monday, 94 international flights into China, wheras in 2019 on the same day, there were 3,883. If that market, and it's obvious now that the Chinese are doing everything they can to try and step through an opening up in the way they are, does that market represent any real opportunity for you guys, or is it just too hard?

Rod Bishop: Thanks Guy, good to see you, great question. There's a lot of Asia and Oceania recovery still ahead for our business. In particular, all of the things that we had pre-pandemic, we will get back. In terms of border relaxation you start to see it locally.

Now, with regards to China, we don't need to think necessarily about China as a source market for travelers as we are only an English language product at the moment. But China is a great destination for English language travelers who, you know, really need help to travel in China. So the moment that China becomes a destination again this is a huge opportunity for us.

Thinking about the scale and scope and how it could play out – Cast your mind back to 2019 when Jayride rolled out to Europe and Asia. We went from five destination countries to over 110 and the two key places that we rolled out were European destinations and Asian destinations.

And what we've seen is European destinations, as Europe has reopened fast over the course of the last 12 months, Europe is now up 400% in terms of volume versus pre-pandemic volume.

So, if we're anticipating Asian market destination reopening and we're saying well you know European traveller whether the Australian, UK or American need to do business or have holidays and those locations, the moment that those locations become more accessible for travelers to access it could be that Jayride's business performs with a similar kind of delta verus pre-pandemic.

It's the same behavior: We've rolled out new supply, we've got the new platform, we've got the new channel partners, it's all ready to go, we're just kind of waiting on the market.

I actually anticipate it could be a really great opportunity for us, and imminent. As you've said China's doing this right now I'd also say Australians are just starting to travel again kind of now, and coming into November and December holiday season, it could be a really key moment for us.

Guy Hedley: Thank you and then just a more macro question. Your friends at Uber made a lot of noise, we talked last time around the last quarter, have you seen any of that translate into any real action?

Rod Bishop: What Guy is referring to is that Uber under Dara, who is the former CEO of Expedia, has decided to compete in the online travel industry by selling flights and hotels within Uber. Where their key differentiator to take on Expedia and Booking.com is that they offer door-to-door rides.

We believe that that is a key driver for adoption of door-to-door rides within the travel industry. And we believe that a lot of the uptake that we're getting from Booking.com and from Expedia, and these sorts of brands including others that we've signed across Europe and Asia, is driven by the thought that this is maybe a competitive threat. Or maybe a competitive differentiator that they don't want to let get an edge over them as incumbents.

So we see, yes, strong uplift in terms of demand from travel brands for rides offerings. And we're a great turnkey solution for those travel brands to implement rides, and make their own itineraries door-to-door.

Guy Hedley: Very logical, thank you, thank you.

Geoff Warring (Atlas Advisors): You're talking about growth coming up, and you know hiring new staff. What are the main kind of allocation of the growth expenditure? Is it across geographies, is it new services, is it new channels, where do you see that growth coming from?

Rod Bishop: In terms of growth of the team, or in terms of the things that are delivering?

Geoffrey Waring: More on the things that the team are delivering. Like you know that you can grow into new geographies, into new products, you can grow into new parts of the value chain, and you know, whatever is it is with Jayride that you think are the priorities?

Rod Bishop: Absolutely.

The expanded traveler offer that we've launched – the new vehicle types and service classes – we still have more headroom there to push in terms of adoption of business and luxury. It is in demand, we just need to get supply coverage to continue to make it more and more rich and continue to push that out through new channels. That's increasing conversion rates, also increasing average order values, that leads to more net revenue per trip.

Second thing as I've said is we're taking steps to enhance our traveller value proposition in ways that will improve customer experience but also improve the costs of our refund line. And so that's about product enhancement and tweaking policies, but also making them play really nicely on our B2C website and also through our B2B channels.

In terms of getting more quote conversion, that's all about supply contracting and getting the best suppliers in the world onto our platform with the best rates, but it's also about revenue optimization so we're building a whole revenue optimization practice at the moment in the same way that airlines optimize revenues to make sure they always have the best price to market, we can do the same, and this is a key area that we're building.

And continuing to build new source markets, we, you know as we've got an English language on the platform at the moment there's still other things that we can do. I don't want to be too specific there but looking very heavily at European source markets, beyond just UK travelers outbound to Europe, as a key thing that we're looking at for the future.

Geoffrey Waring: That's great thanks for that.

Rod Bishop: Absolutely yeah.

James Tracey: I was wondering about the concept of anywhere-to-anywhere, you know where that sits on the roadmap, thank you.

Rod Bishop: James is right, we only focus on airports at the moment. It was the focus of our global rollout as it's a really great place to find travelers, but travelers have needs far beyond airports, and if I'm going to a new place I absolutely need not just to ride from the airport, I need a dozen rides around that destination to meetings or events or social gatherings, whatever it is. So we've got an absolutely amazing opportunity to get more trips per traveler by selling non airport destinations.

The simplest way for us to start is with other hubs that aren't airports, for example, consider Europe train station transfers, river port transfers, cruise transfers, all of these are on the cards for us. It's part of our strategy of our enhanced traveler offer.

I can't say precisely that it's next. I think we still got a little bit to go with vehicle types and service classes that are really good low hanging fruit. But thereafter absolutely a place that we’ll look. It will be a great way to drive for retention and more trips per traveller.

James Tracey: And just before you hinted before the language thing. I mean, you know if you think about all the travel in Europe, English countries as a source market is only a small subset. And it seems like Europe is now your biggest market, so you know, you think about populations, and Germany and France are probably the biggest two, and maybe Spain and Italy, second, you know.

Adding something like Spanish language you get all of Latin America and Spain, or you know French as well, you can potentially double or triple that European volume. How far away will something like that be?

Rod Bishop: Now this is the point. To say the one key takeaway from this call is the amount of growth that's within our control, and this is another great example.

If we decide that Spain is a great source market, and implement Spanish language support, then we can cultivate a whole new source of travelers. We can bring new channels to market. So it's a great opportunity and I look forward to telling everyone really soon more about our European expansion.

James Tracey: That's great, thanks a lot Rod.

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Rod Bishop: Thank you everyone for coming. I appreciate you spending half an hour with us. Just to reiterate the key point:

In Q4 results were great. Milestones are being met. But, it is no short term spike. It is a result of the disciplined approach to building a new foundation for growth across the last two years of the pandemic. It is set and ready to continue to grow and we look forward to Q1 and FY23 ahead.

Thank you very much for your time. Good to see you.

End of transcript

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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

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