

ASX Announcement: P2P

31 January 2019

QUARTERLY ACTIVITY REPORT & APPENDIX 4C CASHFLOW STATEMENT

P2P Transport Limited (ASX: P2P) (**P2P**), one of Australia's largest vertically integrated passenger transport fleet managers and now a leader in mobile digital out-of-home (DOOH) advertising on taxis, today announced a Trading Update and Appendix 4C Cash Flow Statement for the second quarter ended 31 December 2018.

Highlights

- Increased revenue of \$20.1 million up 18.5% compared to Q1FY19
- Achieved a \$2.2 million improvement in net operating cashflow compared to Q1FY19 to \$0.4 million
- Reduced overall operating costs despite increased marketing and staff relating to Black & White Cabs
- Stable balance sheet with \$20 million in net assets and \$1.5 million in cash and cash equivalents
- Achieved improved utilisation rates of 80.7% in Q2FY19, up from 77.8% in Q1FY19 despite a deterioration in utilisation rates prior to Christmas due to competitor activity in the Melbourne and Gold Coast markets
- Successfully launched Adflow Digital in Melbourne (November) and Sydney (January), complimented by the acquisition of Non-Stop Media (completed December 2018)
- Strong growth in Adflow revenues since December, currently 129.2% ahead of internal budget
- Continued rollout of Black & White Cabs network in Victoria and NSW

P2P Transports Managing Director, Tom Varga said “The second quarter was positive with increased revenue resulting from utilisation improvements in Fleet Services, the growth of both Black & White Cabs to 1,900 vehicles and the successful launch of Adflow which significantly exceeded forecast for the quarter and already has strong sales for 2019.”

Financial Update – Continued Growth

Q2FY19 represented a positive quarter with revenues increasing 18.5% to \$20.1 million, up from \$16.9 million in Q1FY19. Cashflow from operating activities improved by \$2.2 million, with \$0.4 million in operating cashflow at the end of the period.

This growth was driven by:

- Improved utilisation rates across the Fleet Services business to an average of 80.7% from 77.8% in the previous quarter;
- Successful integration of the Black & White Network and expansion into NSW and Victoria;

- Cost savings including over \$500,000 reduction in costs associated with lease of plates

The balance sheet remains stable with net assets of \$20 million and cash on hand at the end of the quarter of \$1.5 million. P2P has a \$10 million line of credit with Westpac, of which \$2.3 million was undrawn as at 31 December 2018.

Costs

Cost savings and integration benefits from 'Project \$2 million' have continued to deliver results with further cost savings achieved across the business through plate lease reductions and improvements in insurance costs. Savings for FY19 are now expected to be approximately \$1.6 million with further savings identified in a reduction in rent costs through site rationalisation, continued supplier consolidation and further reduction in plate lease fees.

Operations Update

During the first half, management continued to focus on integrating the Network Services, Fleet Services and Adflow businesses.

Fleet Services

Utilisation in Fleet Services continued to improve during the quarter to 80.7% overall. Sydney, which represents the largest market, delivered 88.6% utilisation setting a record for the business.

Since mid-December, (an important trading period for the Fleet Services business), there has been heightened competition in some markets, which directly impacted utilisation and therefore revenues. While the shift in the competitive landscape had an impact on fleet utilisation and revenue at the end of the quarter, we have launched a number of strategic initiatives to restore utilisation including:

- Driver rewards program aimed at continued loyalty through incentives and rewards;
- Increased jobs through marketing delivering higher revenue per vehicles; and
- Continued reinvestment in fleet quality to maximise revenue per vehicle.

Network Services

Network Services via the Black & White Cabs brand has increased, now with approximately 1,900 vehicles in the fleet as primary or secondary dispatch, up from circa 1,400 since acquisition in August 2018. As a result of lower network fees, there have been savings achieved in Fleet Services as well as additional margin through Network Services.

Using the latest technology via tablet dispatch, Black & White Cabs launched a new booking App that enables bookings from most capital cities and delivers the foundation for future innovation. Additionally, all Fleet Service sites are converting to the TaxiCamHD, an exclusive camera safety system that meets the new regulatory framework for taxi camera requirements.

As a result of recent changes in the market and to leverage the new Black & White Cabs App, the business is focused on growing the Black & White fleet through:

- Accelerating conversion of existing Fleet Service vehicles to Black & White Cabs dispatch;
- Targeting corporate accounts and launching the new passenger booking App;
- Responding aggressively to the anti-competitive behavior in the market.

Adflow

The Adflow division is now one of Australia's leading mobile static and digital advertising providers and a leader in the taxi market, following the acquisition of Non-Stop Media in December. All digital advertising units have now been delivered. A total of 100 units are now operational and it is expected that the remainder will be completed by March.

The acquisition of Non-Stop Media has resulted in significant benefit to Adflow with increased access to vehicles and additional sales resources resulting in revenue for H1FY19 being ahead of budget and a strong pipeline of already invoiced orders for 2HFY19.

The Company has already secured over \$2 million in advertising in the year to date and the focus remains on expanding the number of assets (vehicles) to advertise on, via three key initiatives:

- Completing the installation of the Adflow Digital Taxi Tops;
- Expanding the number of assets for static advertising solutions;
- Securing regional assets to meet the growing demand for national brands.

Outlook for FY19

As a result of the increased competitive environment, the Company has a heightened focus on expanding the Black & White Cabs network by accelerating the conversion of existing vehicles to primary dispatch. This will be achieved via marketing to secure new operators in key markets, supplemented by the promotion of the new App as well as sales resources securing high value corporate account work and a driver recruitment campaign.

The impact of increased competition since mid-December resulted in reduced utilisation and revenues for Fleet Services for a short period of time. Any future action as well as the Company's strategic response is being reviewed by the Board and management on an ongoing basis. The Company is assessing any impact to full year guidance resulting from the heightened competitive environment in the Fleet Services business and will provide any update to the market in due course.

In response Managing Director Tom Varga said "The competitive landscape has changes which included certain networks denying Fleet Services access to their networks which impacted passenger bookings as well as access to drivers."

"In response to this potentially anti-competitive behaviour, the Company has initiated legal action and is accelerating plans to remove reliance on some suppliers with the expansion of Black & White Cabs."

This has addressed the utilisation and revenue impact and the business has returned to forecast levels of performance, he said.

Fleet growth through the acquisition of vehicles that can be converted to Black & White Cabs will also remain a focus for the remainder of FY19.

Furthermore, P2P anticipates continued growth in Adflow operations with the Adflow taxi backs and wraps (formerly Non-Stop Media) already generating positive results as a result of increased assets through the P2P Transport fleet. Additionally, the remaining Adflow Digital Taxi Tops have now been delivered and installation will be completed during February.

- END -

Notes:

Primary dispatch is defined as the provision of technology to a vehicle that complies with all regulatory requirements in any given market and is the main source of security, driver management and booking dispatch for that vehicle and specifically includes the branding on the vehicle for identification.

Secondary dispatch is defined as a supplementary device that still complies with the regulatory requirements for the dispatch of bookings however as a primary devices will already existing in the vehicles it is not required to have branding or identification on the vehicles and is not responsible for driver management and security.

For further information, contact:

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About P2P Transport Limited

P2P Transport is one of Australia's largest fleet management businesses focussed on the point-to-point passenger transport industry, with 2600 vehicles across Australia, and is the largest mobile advertising provider of both static and digital (**DOOH**) advertising in the passenger transport industry.

P2P Transport's fleet includes a range of taxis, corporate and ride-share vehicles servicing each segment of the point-to-point passenger transport industry.

Zevra, Black & White Cabs, Adflow, and Australia Wide Chauffeur Cars are amongst some of the brands managed by P2P Transport.

P2P Transport's business model is premised on the control of all key stages of the fleet management lifecycle, from vehicle acquisition, in-house customization and vehicle servicing, driver support, and fleet management and administration.

www.p2ptransport.com.au

Appendix 4C
Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

P2P Transport Limited

ABN

77 617 760 899

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1 Cash flows from operating activities			
1.1 Receipts from customers		19,308	36,071
1.2 Payments for:			
(a) research and development		(137)	(269)
(b) product manufacturing and operating costs		(6,449)	(13,973)
(c) advertising and marketing		(241)	(438)
(d) leased assets		(5,086)	(10,069)
(e) staff costs		(4,733)	(8,068)
(f) administration and corporate costs		(2,071)	(3,987)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	2
1.5 Interest and other costs of finance paid		(455)	(600)
1.6 Income taxes paid		296	33
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
1.9 Net cash from / (used in) operating activities		432	(1,298)
		(974)	
2 Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(580)	(1,376)
(b) businesses (see item 10)		(126)	(3,289)
(c) investments		-	-
(d) intellectual property		-	-
(e) other non-current assets		-	-
2.2 Proceeds from disposal of:			
(a) property, plant and equipment		-	-
(b) businesses (see item 10)		-	-
(c) investments		-	-
(d) intellectual property		-	-
(e) other non-current assets		-	-
2.3 Cash flows from loans to other entities		-	-
2.4 Dividends received (see note 3)		40	40
2.5 Other (provide details if material)		-	-
2.6 Net cash from / (used in) investing activities		(666)	(4,625)
3 Cash flows from financing activities			
3.1 Proceeds from issues of shares		-	-
3.2 Proceeds from issue of convertible notes		-	-
3.3 Proceeds from exercise of share options		-	-
3.4 Transaction costs related to issues of shares, convertible notes or options		-	-
3.5 Proceeds from borrowings		1,240	5,585
3.6 Repayment of borrowings		(1,078)	(1,775)
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Other (provide details if material)		-	-
3.1 Net cash from / (used in) financing activities		162	3,810
4 Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of quarter/year to date		1,578	3,618
4.2 Net cash from / (used in) operating activities (item 1.9 above)		432	(1,298)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(666)	(4,625)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		162	3,810
4.5 Effect of movement in exchange rates on cash held		-	-
4.6 Cash and cash equivalents at end of quarter		1,506	1,505
5 Reconciliation of cash and cash equivalents			
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts			
5.1 Bank balances		1,506	1,578
5.2 Call deposits		-	-
5.3 Bank overdrafts		-	-
5.4 Other (provide details)		-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)		1,506	1,578
6 Payments to directors of the entity and their associates			
		Current quarter \$A'000	
6.1 Aggregate amount of payments to these parties included in item 1.2		321	
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2			
Salaries, superannuation and directors' remunerations			

7 Payments to related entities of the entity and their associates

Current quarter \$A'000
-
-

7.1 Aggregate amount of payments to these parties included in item 1.2

7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

None

8 Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
10,000	7,700
-	-
-	-

Revolving equipment finance facility

9 Estimated cash outflows for next quarter

\$A'000

9.1 Research and development

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Leased assets

9.5 Staff costs

9.6 Administration and corporate costs

9.7 Other (provide details if material)

9.8 Total estimated cash outflows**

152
7,297
241
4,218
4,808
2,087
-
18,651

**Total estimated cash outflows above include estimated cash flow related to Adflow business launched in October 2018 and costs associated with operating secondary network in VIC and NSW.

**10 Acquisitions and disposals of business entities
(items 2.1(b) and 2.2(b) above)**

Acquisitions

Disposals

10.1 Name of entity

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal *

* The purchase consideration comprises cash payments of \$570,000 paid on instalments and contingent consideration up to \$600,000

10.4 Total net assets

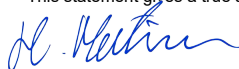
10.5 Nature of business

Non Stop Media	-
Sydney	-
Up to \$1.2 million	-
\$700,000	-
Taxi Packs Advertising	-

Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:


Company secretary

Date: 31 January 2019

Print name: Mr Hasaka Martin

Notes

- The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.