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Interim Results

Half Year Ending 31 Dec 2018

P2P Transport Limited | p2ptransport.com.au

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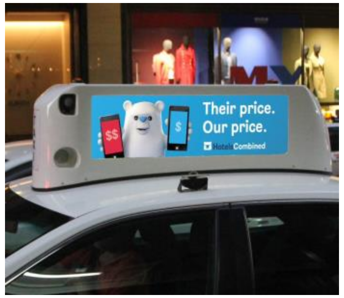
PERFORMANCE HIGHLIGHTS

1H FY19 FINANCIAL SNAPSHOT

	1H FY18	1H FY19	Growth (1H FY19 on 1H FY18)
Revenue (1)	$18.5m	$36.9m	+99.2%
EBITDA (1)	$2.7m	$4.5m	+66.7%
EBITDA margin (1)	14.6%	12.1%	-2.4%
NPAT (1)	$1.1m	$1.0m	-12.7%
Statutory NPAT	($25.9)m	($2.6)m	+89.9%
Fleet Services – fleet size	937	1,237	+32.0%
Utilisation(2) (3)	74.7%	79.3%	+4.6%
Network Services – fleet size(3)	-	1,934	nm
Adflow – Installed digital taxi-top units(3)	-	218	nm
Adflow – Installed taxi backs(3)	-	1,413	nm
Adflow – Installed taxi wraps(3)	-	142	nm





(1) *FY19 H1 underlying results prepared in line with guidance and adjusted to incorporate acquisitions made during the period as though contributing for the full half year, one off acquisition costs and pro rate basis for items that will be accounted for in the full year results. This includes early adoption of AASB16 – Leases in relation to real estate lease payment, Fuel Tax Credits (FTC) and one-off expenses incurred during 1H FY19.*
(2) *Number of shifts sold divided by the number of shifts available*
(3) *As at period ending 31 December 2018*

1H FY19 HIGHLIGHTS

- ✓ Vertically integrated model comprising 3 divisions: Fleet Services, Network Services and Adflow static and digital taxi advertising

FLEET SERVICES – Renting vehicles to professional drivers

- ✓ Total fleet comprising 1,237 owned vehicles as at 31 December 2018 (+133 vehicles over the period)
- ✓ Focus on improving fleet utilisation delivering results – 80.7% in Q2 FY19 (vs 77.8% in Q1 FY19 and 77.1% for FY18)
- ✓ Recently announced acquisition of CTM fleet and related facilities provides expansion into Perth (anticipated completion in April 2019)
- ✓ Cost saving initiatives delivered $1.7 million in annualised recurring pre-tax savings during 1H FY19 – from plate lease reductions, procurement savings and insurance

NETWORK SERVICES – Black & White Cabs booking and dispatch network connecting passenger and drivers

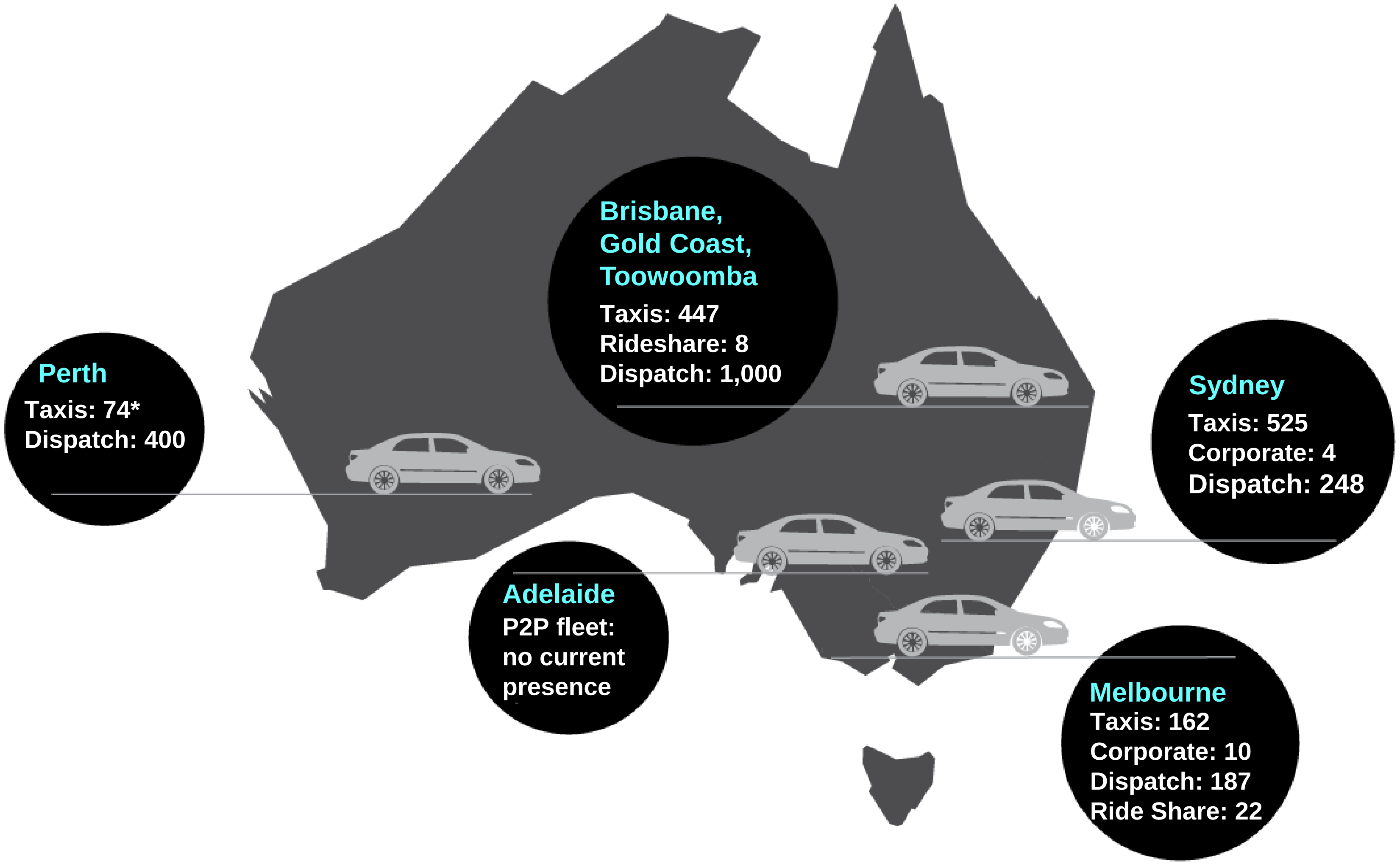
- ✓ c.1,900 vehicles operating under the Black and White Cabs (BWC) network, up from c.1,400 at the time of acquisition of BWC in August 2018
- ✓ 203 P2P owned vehicles now converted to the BWC network, of which 145 completed since 1 January – creates considerable annual cost savings to P2P going forward; reduces reliance on external dispatch providers

ADFLOW – Static and digital taxi advertising platform

- ✓ Deployment of initial 220 digital taxi tops (DTT) in Sydney, Melbourne and Brisbane in December – sales tracking ahead of internal targets
- ✓ Non-Stop Media (acquired December 2018) – c.1,500 static backs in metro and regional areas; performing strongly since acquisition
- ✓ Facilities in place to fund near term objectives – $3.0m convertible security; Westpac asset purchase facility; Telstra arrangement

P2P FLEET AND MARKET POSITION

P2P fleet by major city – Fleet Services and Network Services



P2P Market Share (1)

9.9%
SYDNEY

3.8%
MELBOURNE

29.8%
BRISBANE/GOLD COAST

22.2%
PERTH*

*Acquired upon completion of Perth Fleet acquisition (1st April 2019)
(1) Management estimate as at 31 December 2018 based on market intelligence and industry data

FINANCIAL PERFORMANCE

UNDERLYING INCOME STATEMENT

Underlying Income Statement	FY 18	FY 19	Variance	Variance
$m	H1	H1	$	%
Revenue	**18.5**	**36.9**	**18.4**	**99.2%**
Cost of sales	(11.1)	(21.2)	(10.1)	91.0%
Gross margin	**7.4**	**15.7**	**8.3**	**111.6%**
Gross Margin %	40.0%	42.5%		
Employee costs	(2.7)	(8.2)	(5.5)	203.7%
Other operating expenses	(2.0)	(3.0)	(1.0)	50.0%
Total operating expenses	(4.7)	(11.2)	(6.5)	138.3%
Underlying EBITDA	**2.7**	**4.5**	**1.8**	**65.2%**
Underlying EBITDA Margin %	14.6%	12.1%		
Depreciation & amortisation	(1.8)	(3.0)	(1.2)	66.7%
Underlying EBIT	**0.9**	**1.5**	**0.6**	**62.2%**
Net finance income (costs)	(0.1)	(0.5)	(0.4)	400.0%
Underlying Profit before tax	**0.8**	**1.0**	**0.2**	**20.0%**
Tax expense	0.3	0.0	(0.3)	(100.0%)
Underlying NPAT	**1.1**	**1.0**	**(0.1)**	**(12.7%)**

- *FY18 H1 results normalised for costs associated with listing and taking full period results for acquisitions made during the course of FY18 H1.*
- *FY19 H1 underlying results prepared in line with guidance and adjusted to incorporate acquisitions made during the period as though contributing for the full half year, one off acquisition costs and pro rate basis for items that will be accounted for in the full year results. This includes early adoption of AASB16 – Leases in relation to real estate lease payment, Fuel Tax Credits (FTC) and one-off expenses incurred during 1H FY19.*

Comments

- Pro forma revenue up 99.2% to $36.9 million
  - Continued growth in Fleet Services – vehicles and utilization
  - Addition of BWC and Non-Stop Media
- Gross margin expansion to 42.5%
- Net profit after tax impacted by increase in:
  - Depreciation and amortization associated with increased asset base
  - Net finance costs associated with drawdown of Westpac asset finance facility
- Increase in employment expenses predominantly driven by additional headcount following acquisition of BWC
- Underlying EBITDA up 65.2% to $4.5 million
- Underlying EBITDA has met expectation despite being impacted by competitive responses within the industry
- Refer appendix for reconciliation of Underlying to Statutory result

STATUTORY INCOME STATEMENT

Statutory Income Statement	FY18	FY19	Variance	Variance
$m	H1	H1	$	%
Revenue	**13.2**	**32.7**	**19.5**	**147.7%**
Cost of sales	(9.0)	(19.5)	(10.5)	116.7%
Gross margin	**4.2**	**13.2**	**9.0**	214.3%
Gross Margin %	31.8%	40.4%		
Employee costs	(2.3)	(7.7)	(5.4)	234.8%
Other operating expenses	(12.7)	(4.7)	8.0	(63.0%)
Total operating expenses	(15.0)	(12.4)	2.6	(17.3%)
EBITDA	**(10.8)**	**0.8**	**11.6**	**(107.4%)**
Depreciation & amortisation	(1.3)	(2.9)	(1.6)	123.1%
EBIT	**(12.1)**	**(2.1)**	**10.0**	**(82.6%)**
EBITDA Margin %	(288.1%)	(15.9%)		
Net finance income (costs)	(14.2)	(0.5)	13.7	(96.5%)
Profit before tax	**(26.3)**	**(2.8)**	**23.5**	**(89.5%)**
Tax expense	0.4	0.0	(0.4)	(100.0%)
NPAT	**(25.9)**	**(2.8)**	**23.2**	**(89.4%)**

Comments

- Revenue up by 148% on H1 FY18
- 1H FY19 statutory result includes 5 months of BWC and 1 month of Non-Stop Media contribution for 1H FY19
- FY18 H1 Result includes accounting adjustments associated with P2P's IPO
- Gross Margin improved by 8% thanks to cost saving initiative and acquisition of high Gross Margin business'
- Employment Expense increased with addition of Network Services Business that includes call centres in Brisbane and Perth.
- Acquisition cost and one off items have raised General Operating Expenses but not expected to impact H2.
- Refer appendix for reconciliation of Underlying to Statutory result

FINANCIAL POSITION

$'m	30 June 2018	31 December 2018
CURRENT ASSETS		
Cash and cash equivalents	3.6	1.5
Trade and other receivables	3.8	6.7
Inventory	0.5	1.1
Other current assets	3.0	3.3
TOTAL CURRENT ASSETS	10.9	12.7
NON-CURRENT ASSETS		
Plant and equipment	14.6	20.6
Intangible assets	4.5	12.3
Investment in associates	0.1	0.1
Deferred tax assets	1.2	1.6
TOTAL NON-CURRENT ASSETS	20.4	34.7
TOTAL ASSETS	31.3	47.3
CURRENT LIABILITIES		
Trade and other payables	4.2	11.2
Borrowings	3.1	5.1
Current tax liabilities	0.2	0.0
Provisions	1.0	1.7
TOTAL CURRENT LIABILITIES	8.5	18.0
NON-CURRENT LIABILITIES		
Borrowings	3.7	5.4
Trade and other payables	-	2.5
Provisions	0.1	0.3
Deferred tax liabilities	0.7	1.7
TOTAL NON-CURRENT LIABILITIES	4.5	9.9
TOTAL LIABILITIES	13.0	27.9
NET ASSETS	**18.3**	19.4
EQUITY		
Issued capital	54.1	58.1
Asset revaluation reserve	0.8	0.8
Other reserves	0.7	0.9
Accumulated losses	(37.3)	(40.3)
TOTAL EQUITY	**18.3**	19.4

Comments

- Cash and equivalents of $1.5 million
- Trade and other receivables up $3.0 million, largely comprising accident provisions, Network Service Accounts balance and increase in NSW Trade Debtors
- Plant and equipment up $6.1 million, following BWC and Non-Stop Media acquisitions and addition of proprietary advertising units
- Increase in intangible assets following acquisitions noted above
- Trade & other payables up $9.5 million, largely comprising,
  - Purchase of 318 digital taxi top units over a three year period,
  - Expected earn out on business acquisitions and;
  - Pre billing cycle of the Network Services business(1).
- Borrowings up $3.7 million, as a result of drawdown of Westpac asset finance facility (drawn to $7.7 million as at 31 December 2018, with headroom of $2.3 million)
- Funding capacity supported by recently announced $3.0 million hybrid finance facility

1. *Pre billing cycle in Network Services refers to unearned income through the period*

CASHFLOW

$m	1H FY18	1H FY19
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	14.3	35.4
Payment to suppliers and employees	(15.3)	(35.6)
Interest and costs of finance paid	(0.1)	(0.5)
Income tax (paid)/received	0.0	(0.4)
Net cash used in operating activities	(1.1)	(1.2)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net consideration (paid)/received in cash for business acquisitions	(4.7)	(3.2)
Payments for plant and equipment	(3.8)	(1.5)
Proceeds from disposal of plant and equipment	0.0	0.0
Investment in associates	0.0	0.0
Payment for intangible assets	0.0	(0.0)
Net cash used in investing activities	(8.5)	(4.7)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	2.4	5.6
Repayment of borrowings	(1.5)	(1.9)
Proceeds from issue of new shares	20.0	0.0
Transaction costs relating to issue of new shares	(2.0)	0.0
Proceeds from the issue of convertible notes	9.8	0.0
Repayment of convertible notes	(4.0)	0.0
Net cash provided by finance activities	24.7	3.7
Net (decrease)/increase in cash and cash equivalents	15.1	(2.1)
Cash and cash equivalents at the beginning of the period	0.1	3.6
Cash and cash equivalents at the end of the period	15.2	1.5

Comments

- Receipts from customers up 147.5% pcp to $35.4 million
- Operating cash outflows of $1.2 million largely driven by Q1 FY19 soft utilisation and costs associated with acquisitions.
- Positive operating cashflows reported in Q2 FY19 through:
  - reduced overall operating costs, despite increased marketing and staff related to BWC
  - improved utilisation rates in Fleet Services
  - positive results from Network Services
- Cash consideration for business acquisitions of c.$3.2 million included Black & White Cabs and Non Stop Media
- Proceeds from borrowings of $5.6 million for the period reflecting drawdown on Westpac asset finance facility

BUSINESS BY DIVISION BREAKDOWN

$m	Fleet Services	Network	Adflow	Head Office	Total
Revenue	24.9	10.8	0.6	0.1	36.4
Cost of sales	(18.2)	(4.1)	(0.1)	(0.0)	(22.4)
Gross Margin	6.7	6.7	0.5	0.1	13.9
Gross Margin %	26.9%	62.0%	81.1%	97.1%	38.4%
Other operating expenses	(2.1)	(1.6)	(0.0)	(1.1)	(4.8)
Employee costs	(2.7)	(4.3)	(0.1)	(1.2)	(8.4)
Finance costs	(0.3)	(0.0)	0.0	(0.2)	(0.5)
Depreciation and amortisation	(2.4)	(0.3)	(0.2)	(0.0)	(3.0)
PBT	(0.8)	0.5	0.1	(2.5)	(2.7)
EBITDA	1.9	0.9	0.3	(2.2)	0.8
Underlying EBITDA	4.0	1.7	1.0	(2.2)	4.5
Underlying EBITDA Margin %	16.1%	16.0%	46.5%		12.4%

Comments

- Fleet Services Statutory Revenue increased by 88.6% from $13.2m on pcp
- Fleet Services Gross Margin impacted by soft utilisation in Q1 FY19 however, improved in Q2 FY19.
- Network Services revenue contributed $10.8 million following acquisition in August 2018
  - High gross margin of 62%
  - Employee costs of $4.3m include Black and White Cabs call centres in QLD and WA
- Adflow revenue contributed $0.6 million following launch of digital taxi tops and acquisition of Non-Stop Media in December 2018
  - High margin offer with gross margins of 81% and underlying EBITDA margin of 46%

***Note**: Division analysis has been prepared on pre consolidation statutory results and therefore do not include intra-company eliminations*

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STRATEGIC UPDATE AND OUTLOOK

KEY 2H FY19 PRIORITIES

- **Key focus on improving utilisation to target range of 78% to 84% nationally**
  - Sydney and Brisbane operating above target levels for 2Q FY19 and YTD; disruption from mid-December in Melbourne (now improving) and Gold Coast
  - Closely monitoring and responding to, as required, competitor actions on a case by case basis to maintain revenue and utilisation

- **Expanding the footprint of Black & White Cabs**
  - Marketing initiatives to improve passenger booking rates through Black & White Cabs (BWC) network in existing and new markets, supported by new BWC passenger booking App
  - Deliver growth by signing up external fleet operators to BWC in Sydney and Melbourne while capturing new regional geographies

- **Continue momentum of Adflow since recent launch**
  - Investment in additional static backs to meet significant demand experienced since launch
  - Complete initial roll-out of 300 digital taxi top during 3Q FY19 with an additional 300 expected by 2Q FY20
  - Increased Adflow penetration in P2P owned vehicles generating additional revenue within the Group

- **Deliver targeted c.$2.0 million in annualised recurring cost savings**
  - c.$1.7 million in annualised recurring savings already achieved in 1H FY19
  - Additional savings expected through further reduction in plate lease costs, insurance and other procurement savings, reduction in vehicle compliance costs and rationalisation of selected sites (rent and administrative overheads)

- **Ongoing conversion of existing Fleet Services vehicles to BWC with a target of 75% across all markets by FY19**
  - All sites to leverage the TaxiComm (vehicles fit out and camera supply) capabilities to maintain revenue within the Group

- **Migration of recent acquisitions (BWC and Non-Stop Media) onto existing ERP; further development of reporting and management tools**

SUMMARY AND OUTLOOK

- **Strong 1H FY19 financial and operating performance, with important strategic acquisitions now completed**

- **Integrated business model, scale and geographic footprint positions the Company for continued growth**
  - Incremental fleet growth for remainder of FY19, with focus on maintaining utilisation within target range to drive revenue
  - Organic growth in, and full contribution from, Network Services and Adflow in 2H FY19
  - Margins expected to further benefit from cost saving initiatives and targeted improvement in utilisation

- **Facilities in place to fund near term objectives – recently announced $3.0m convertible security; Westpac asset purchase facility; Telstra arrangement**
  - Incremental vehicle acquisitions, deployment of digital taxi tops and static taxi backs

- **Heightened competitive environment being experienced in some markets**
  - Implementation of initiatives to mitigate increased competitive behaviour in smaller P2P markets of Melbourne and Gold Coast
  - Legal and regulatory action commenced to address certain market behaviours viewed as anti-competitive in nature
  - 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 the interests of retaining balance sheet flexibility and to fund continued growth, the Board has determined not to declare an interim dividend for 1H FY19, with the intention, based on the performance and cash position of the business at the time, to commence dividend payments for the FY19 period onwards**

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Q&A

Underlying to Statutory Reconciliation

Underlying Reconciliation	FY18 Statutory	Adjustment	Underlying	FY 19 Statutory	Adjustment	Underlying
$m	**H1**			**H1**		
Revenue	**13.2**	**5.3**	**18.5**	**32.7**	**4.2**	**36.9**
Cost of sales	(9.0)	(2.1)	(11.1)	(19.5)	(1.7)	(21.2)
Gross margin	**4.2**	**3.2**	**7.4**	**13.2**	**2.5**	**15.7**
Employee costs	(2.3)	(0.4)	(2.7)	(7.7)	(0.5)	(8.2)
Other operating expenses	(12.7)	10.7	(2.0)	(4.7)	1.7	(3.0)
Total operating expenses	(15.0)	10.3	(4.7)	(12.4)	1.2	(11.2)
Underlying EBITDA	**(10.8)**	**13.5**	**2.7**	**0.8**	**3.7**	**4.5**
Depreciation & amortisation	(1.3)	(0.5)	(1.8)	(3.0)	0.0	(3.0)
Underlying EBIT	**(12.1)**	**13.0**	**0.9**	**(2.2)**	**3.7**	**1.5**
Net finance income (costs)	(14.2)	14.1	(0.1)	(0.5)	0.0	(0.5)
Underlying Profit before tax	**(26.3)**	**27.1**	**0.8**	**(2.7)**	**3.7**	**1.0**
Tax expense	0.4	(0.1)	0.3	0.0	0.0	0.0
Underlying NPAT	**(25.9)**	**27.0**	**1.1**	**(2.7)**	**3.7**	**1.0**

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