

**ASX Announcement: P2P****23 April 2019****QUARTERLY CASHFLOW STATEMENT, TRADING UPDATE AND OUTLOOK, AND BOARD AND MANAGEMENT CHANGES**

P2P Transport Limited (ASX: P2P) (**P2P** or the **Company**) today announces its Appendix 4C Cash Flow Statement for the third quarter ended 31 March 2019. In addition, P2P wishes to update the market regarding current trading activity and its outlook for FY19, and Board and Management changes. The Company will host a conference call on Tuesday 23 April 2019 at 10.30am AEST to discuss the details provided below (refer dial-in details at the end of this announcement).

**KEY ITEMS****Q3FY19 cash flow statement**

- Q3FY19 revenue of \$16.1 million is up 65.9% compared to Q3FY18 (pcp), with net operating cashflow of \$(1.1) million for the quarter compared to \$(1.97) million for pcp;
- Q3FY19 cash flow result reflects traditional business seasonality (lower activity during January and February), together with competitive issues impacting the Melbourne and Gold Coast operations, and technical issues affecting Digital Taxi Top units resulting in remedial costs being incurred;
- Sydney Fleet Services achieved 9.4% utilisation improvement on pcp pointing to a stronger Q4 across the business;
- Network Services has grown to circa 2,040 vehicles<sup>1</sup>, up from 1,400 at time of acquisition, with expansion into Melbourne ahead of expectations and Sydney commencing Q4;
- Adflow Q3FY19 revenue was up 191% on Q2FY19 despite the poor performance of Digital Taxi Tops; and
- Stable balance sheet with \$20 million in net assets and \$1.5 million in cash and cash equivalents.

**Trading update and FY19 outlook, and Board and Management changes**

- Detailed review of the Company's FY19 outlook undertaken in parallel with finalisation of Q3 results.
- As a result of Melbourne and Gold Coast competitive issues, revised forecasts for Adflow and Fuel Tax Credit (FTC) changes, for year ended 30 June 2019 P2P now expects to deliver:
  - revenue in the range of \$77 million to \$80 million; and
  - underlying EBITDA<sup>2</sup> in the range of \$7.8 million to \$8.2 million, with up to an additional \$1.0 million in earnings that may result from Fuel Tax Credits which are currently subject to review by the Company's auditors.
- Matthew Reynolds (Chairman) and Tom Varga (CEO) have tendered their resignations effective immediately. Current Non-Executive Director Chip Beng Yeoh and Executive Director Greg Webb have been appointed as interim Chairman and interim CEO, respectively. Each brings significant industry experience to lead the Company during a transitional period.

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<sup>1</sup> Primary and secondary dispatch. As at 31 March 2019.

<sup>2</sup> Underlying results incorporate adjustments for acquisitions made during the period as though contributing for the full 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]

## **FINANCIAL UPDATE – Q3FY19 COMMENTARY**

P2P achieved revenues of \$16.1 million during Q3FY19 in what is traditionally the slowest quarter in the year for the business. In addition to traditional seasonal factors influencing the taxi industry during this quarter, the Company's revenues were significantly impacted by short term competitive issues experienced by P2P's Melbourne and Gold Coast operations. Cashflow from operating activities was an outflow of \$1.1 million for the quarter. This included certain one-off unplanned costs associated with mitigating competitive issues and also remedial actions required in respect of the Company's Digital Taxi Top units, as described below.

As previously advised to the market, P2P has encountered considerable competitive headwinds in Fleet Services. These were a consequence of the unilateral termination of 13Cabs services provided to P2P in Melbourne and Gold Coast Cabs restricting services to P2P in the Gold Coast. These actions negatively impacted fleet utilisation in both these regions leading to a reduction in revenue in the quarter and particularly February. In response, P2P incurred one-off unplanned costs during the quarter in dealing with these competitive issues (refer below for further detail).

During Q3FY19, P2P continued its roll-out of Digital Taxi Top units with approximately 220 units deployed as at 31 March 2019. During February and March the Company identified a technical issue affecting unit performance (relating to heating issues when a taxi was idling in a rank). While this issue has now been resolved it resulted in a delay of expected revenues to Adflow and one-off remedial costs totalling c.\$700k being incurred during the quarter.

While year to date revenues for the Company have remained relatively strong, the disruption in the March quarter combined with unplanned legal and other related costs have seen margins significantly impacted. The competitive disruption has been largely addressed and the business is restoring margins through improved utilisation and price recovery in the Melbourne and Gold Coast regions.

The balance sheet remains stable with net assets of \$20m 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 \$2.9million was undrawn as at 31 March 2019. In addition, during the quarter the Company secured a \$3.0 million convertible note facility from MEF I, L.P. (details previously announced 22 February 2019) which has provided flexibility in financing for working and growth capital, in particular for Adflow.

## **Q3FY19 OPERATIONAL UPDATE**

### **Fleet Services**

The Company has been impacted by a number of factors in Q3FY19. Traditionally the taxi industry enters a quiet period with the onset of Christmas and remains subdued until the end of January, with normal trading not gaining full traction until March. This was certainly the case for P2P in Q3FY19. Other commercial issues also arose which impacted the results for the period. As P2P has consolidated a significant vertical platform in the taxi industry its major competitors have responded with 13CABS terminating its relationship in Melbourne and Gold Coast Cabs restricting services in the Gold Coast. This has impacted P2P's key metrics of utilisation and per vehicle revenues thus impacting earnings. P2P has incurred significant legal and staff costs in dealing with these issues. P2P has also incurred additional expenditure in rapidly converting a large number of the affected taxis to our own BWC network ahead of original plans.

Melbourne has seen the termination of the 13CABS relationship completely and while this has facilitated conversion of the fleet to BWC, it has resulted in a utilisation rate that is 22% down on expectations. Our response has been strategic and measured and early April metrics for Melbourne have seen utilisation move back up to normal levels. We have also addressed the issues on the Gold Coast and our utilisation rates are now also returning to normal levels there as well.

The national fleet size has remained relatively stable over the quarter at 1,087 as at end Q3FY19.

Utilisation for Q3FY19 was 73.9% (Q3FY18 70.1%). In Q2FY19 it was 80.7%, with the decrease in Q3 reflecting seasonal factors and the competitive issues identified above. During the period, Sydney has continued to perform well, with utilisation up 9.4% in Q3FY19 vs Q3FY18.

Fuel Tax Credits rely on adjustments acceptable to the ATO and ongoing rulings and guidance on the issue. Recent ATO rulings and guidance has necessitated that further diligence be applied to our applications for FTC. P2P has historically claimed FTC and work is ongoing to ensure current claims meet new guidance.

### **Adflow**

While installations of the Digital Taxi Tops (DTT) has been hampered by a technical issue, P2P has established its sales team in preparation to ramp up sales of the DTT. However, until the technical issue was resolved, it was determined not to aggressively pursue advertising in order to avoid creating dissatisfaction amongst customers. This has now been resolved with the team focused on sales for DTT, albeit with revenue expected to achieve scale from Q1FY20.

Static backs and wraps revenue (\$640k Q3) have continued to grow during the quarter and gives tremendous confidence in P2Ps ability to offer a valued complete advertising service as we start selling the DTT opportunity.

### **Network Services**

The acquisition of BWC continues to prove to be critical in the future success of P2P not only through revenue and profit contribution, but also through the strategic benefits that it has delivered the business. The Network Services fleet continues to grow nationally (internal & external vehicles) with total vehicles operating under the BWC network now at 2,040.

On the Gold Coast the Fleet Services team has seen revenue loss from the GCC booking restrictions that is now being replaced with revenue from BWC secondary bookings. The recent announcement that Gold Coast Cabs has been sold to 13Cabs may create accelerated growth opportunities for BWC in that region.

In the Melbourne market we are growing the number of external customers to BWC using the latest tablet technology. Melbourne Network Services fleet now comprises 162 P2P owned (internal) vehicles and 187 external vehicles. Sydney offerings are intended to commence in Q4FY19. Perth is seeing significant growth with a Network Services fleet size now of 376 and growing. This growth will be increased by the soon to be completed acquisition of Combined Taxi Management (circa 50 vehicles). This is contributing to the revenue of the business with low level additional incremental costs.

## OUTLOOK FOR FY19

In conjunction with finalising the results for Q3FY19, P2P has undertaken a detailed review of its expected results for the final 3 months of FY19. As a result of the disruptive competitor behaviour experienced in Melbourne (transitioned fleet to BWC) and Gold Coast (implemented secondary dispatch mitigating drivers revenue loss), interruption to the sales launch of DTT (now resolved), and FTC change in eligibility, the Company has concluded that despite a strong recent improvement in its key operating and financial metrics that these will not allow it to meet the forecast previously provided.

Whilst the Company expects to achieve underlying revenues in excess of \$77 million for FY19, the pro forma underlying EBITDA has been revised down to \$7.8 million to \$8.2 million, with up to an additional \$1.0 million in earnings that may result from Fuel Tax Credits which are currently subject to review by the Company's auditors. The Company's statutory result for FY19 is expected to be impacted by adjustments to the underlying EBITDA for early adoption of AASB16, Fuel Tax Credits, one-off expenses related to acquisition costs and annualising results from intra year acquisitions.

It has been a very active period for P2P since its IPO and during this time the Company has built a platform that makes it one of the largest vertically integrated passenger transport fleet managers in Australia. P2P has yet to capitalise on the potential that is available, however its plan is to fully integrate the business units that it owns, ensuring that P2P achieves operational efficiencies and synergies. Further acquisitions are not proposed in the near term (the Perth fleet services acquisition previously announced will complete late April 2019) and Management will continue to focus on achieving a commercial return on our investment. At the same time, we will work to leverage our platform to sell additional revenue streams. Adflow is a great example of our leveraging capabilities and we are working hard to grow this unit to become one of our largest most profitable businesses.

## BOARD AND MANAGEMENT CHANGES

P2P wishes to advise that its Chairman, Matthew Reynolds has retired from the Board of Directors effective 23 April 2019. We thank Matt for his services over the past 2 years which included the IPO.

Chip Beng Yeoh, a non-executive director of P2P will become interim Chairman. Chip was appointed to the Board of P2P in 2017. Among other senior executive roles, he was previously CFO of Cabcharge (2007 to 2015) and worked with ComfortDelGro (one of the world's largest land transport companies).

P2P also wishes to advise that Tom Varga has resigned as CEO. Tom will continue with the group on a consulting basis assisting the new Interim CEO with transition and continued projects.

Greg Webb has been appointed as Interim CEO. Greg is an executive Director of P2P. Greg was Managing Director and the largest shareholder of the Black & White Cabs Group for 20 years prior to its acquisition by P2P and post its acquisition has been responsible for its Network (Black & White Cabs) operations under the P2P umbrella.

The existing remuneration for both Chip Beng Yeoh and Greg Webb will remain unchanged during their interim roles with an expectation of permanent suitably qualified replacements being appointed within 6 months.

In relation to today's announcement interim CEO, Greg Webb, said: *"We are clearly disappointed in today's trading update and revised outlook. Since its IPO, the Company has established a significant fleet management*

*platform with considerable potential – however, this potential is yet to be realised. As interim CEO, I will be focused on improving operational execution, fully integrating the existing business units and delivering related synergies, and achieving other cost savings in the near term to ensure the Company is delivering an appropriate commercial return on investment from the substantial revenue base that now exists. I also intend to drive improved financial management and reporting so that transparency, accuracy, trust and credibility of P2P is restored. I am confident that this can be achieved and am looking forward to working closely with the Board and Management team to deliver these outcomes.”*

## CONFERENCE CALL DETAILS

A conference call will be today, Tuesday 23 April 2019 at 10.30am AEST.

<https://services.choruscall.com.au/diamondpass/p2p-312087-invite.html>

If you are unable to register, then at the time of the conference you can call one of the numbers below and provide the **conference ID 312087** to an operator.

### Participant Dial-in Numbers

<b>Australia Toll Free:</b>	<b>1 800 558 698</b>	<b>Australia Alt. Toll Free:</b>	<b>1 800 809 971</b>
<b>Australia Local:</b>	<b>+61 02 9007 3187</b>	<b>New Zealand Toll Free:</b>	<b>0800 453 055</b>
China Wide:	4001 200 659	Belgium:	0800 72 111
Canada:	1855 8811 339	France:	0800 913 848
Germany:	0800 182 7617	Hong Kong:	800 966 806
India:	0008 0010 08443	Indonesia:	001 803 019 3275
Ireland:	1800 948 625	Israel:	1809 450 446
Italy:	800 793 500	Japan:	0053 116 1281
Malaysia:	1800 816 294	Norway:	800 69 950
Philippines:	1800 1110 1462	Singapore:	800 101 2785
South Korea:	00 798 142 063 275	Sweden:	020 791 959
South Africa:	0800 999 976	Switzerland:	0800 820 030
Taiwan:	008 0112 7397	Thailand:	001800 156 206 3275
UAE:	8000 3570 2705	United Kingdom:	0800 051 8245
United States:	(855) 881 1339	US Local (New York):	(914) 202 3258
US Local (Los Angeles):	(909) 235 4020	US Local (Chicago):	(815) 373 2080

### Q&A Instructions

In order to ask a question during the Live Question and Answer Session: Press \* **then 1 on your telephone keypad** to enter the Q&A queue Press \* **then 2 on your telephone keypad** to withdraw your question

**- END -**

For further information, contact:

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Interim CEO

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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.

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](http://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 March 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1 Cash flows from operating activities</b>			
1.1 Receipts from customers		16,135	52,331
1.2 Payments for			
(a) research and development		(150)	(419)
(b) product manufacturing and operating costs		(5,936)	(19,534)
(c) advertising and marketing		(172)	(610)
(d) leased assets		(4,315)	(14,382)
(e) staff costs		(4,351)	(12,418)
(f) administration and corporate costs		(1,981)	(5,872)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		-	2
1.5 Interest and other costs of finance paid		(268)	(895)
1.6 Income taxes paid		(18)	(157)
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(1,056)</b>	<b>(1,954)</b>
<b>2 Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) property, plant and equipment		(493)	(1,869)
(b) businesses (see item 10)		-	(3,271)
(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
2.5 Other (provide details if material)		-	-
<b>2.6 Net cash from / (used in) investing activities</b>		<b>(493)</b>	<b>(5,100)</b>
<b>3 Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares		-	-
3.2 Proceeds from issue of convertible notes		3,000	3,000
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		230	2,815
3.6 Repayment of borrowings		(1,567)	(760)
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Other (provide details if material)		-	-
<b>3.1 Net cash from / (used in) financing activities</b>		<b>1,663</b>	<b>5,055</b>
<b>4 Net increase / (decrease) in cash and cash equivalents for the period</b>			
4.1 Cash and cash equivalents at beginning of quarter/year to date		1,505	3,618
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(1,056)	(1,954)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(493)	(5,100)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		1,663	5,055
4.5 Effect of movement in exchange rates on cash held		-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>		<b>1,619</b>	<b>1,619</b>
<b>5 Reconciliation of cash and cash equivalents</b>		<b>Current quarter</b>	<b>Previous quarter</b>
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		<b>\$A'000</b>	<b>\$A'000</b>
5.1 Bank balances		1,619	1,505
5.2 Call deposits		-	-
5.3 Bank overdrafts		-	-
5.4 Other (provide details)		-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>		<b>1,619</b>	<b>1,505</b>
<b>6 Payments to directors of the entity and their associates</b>		<b>Current quarter</b>	
		<b>\$A'000</b>	
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			
<i>Salaries, superannuation and directors' remunerations</i>			



**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	7,100
-	-
-	-

Revolving Equipment Finance Facility.

**9 Estimated cash outflows for next quarter**

	\$A'000
9.1 Research and development	156
9.2 Product manufacturing and operating costs	6,295
9.3 Advertising and marketing	279
9.4 Leased assets	4,497
9.5 Staff costs	5,002
9.6 Administration and corporate costs	1,860
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows**</b>	<b>17,933</b>

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 *	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

**Compliance statement**

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

Sign here:   
Company Secretary)

Date: 23 April 2019

Print name: Hasaka Martin

**Notes**

- 1 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.  
2 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.  
3 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.