



MARCH 2021 QUARTERLY ACTIVITIES REPORT

Carly Holdings Limited (ASX:CL8) is pleased to present its consolidated cash flow report and business update for the quarter ended 31 March 2021.

Key highlights include:

- + **Subscription retention period increased** from 5.2 months in December 2020 to 5.3 months in March 2021
- + **Carly Subscription increased to 62% of Rental & Subscription Receipts** in the March 2021 Quarter vs. 28% in March 2020 Quarter
- + **Corporate vehicle utilisation days**, increased from 82% in Dec 2020 Qtr to 83% in Mar 2021 Qtr
- + **25% decrease in Advertising and Marketing costs** vs. December 2020 Quarter
- + **5% decrease in Staff costs** vs. December 2020 Quarter
- + **85% increase in Subscription Transaction Value** vs. March 2020 Quarter and 2% decrease vs. December 2020 Quarter
- + **Significant improvements achieved in claims on the motor fleet insurance policy** in the year ended 21 March 2021:
 - o 25% reduction in Claims Loss Ratio
 - o 9.1% reduction in motor fleet insurance premium for 2021/22
 - o Maximum Claims Experience Discount achieved - 115% higher than 2019/20 policy year
 - o 28% reduction in insurance claims in year ended 21 March 2021 vs v2019/20 policy year
- + **3-for-4 Renounceable Rights Issue** to raise up to \$3.39 million announced on 15 April 2021. With every 3 New Shares, shareholders receive 1 free attaching New Option. Major shareholders SG Fleet and Willoughby Capital intend to take up their full entitlements in excess of \$1.5 million. The minimum subscription under the Rights Issue is \$3.15 million.
- + **Carly** is continuing to navigate the current temporary shortage of vehicles due to the impacts of COVID-19. The Board is encouraged by the continuing strong interest in **Carly** and car subscription expressed by manufacturers, dealers and other vehicle owners and look forward to improved conditions when the vehicle supply market returns to more normal operations. In the meantime, **Carly** will seek to leverage new funding to more directly secure vehicles to satisfy demand, which currently exceeds supply.



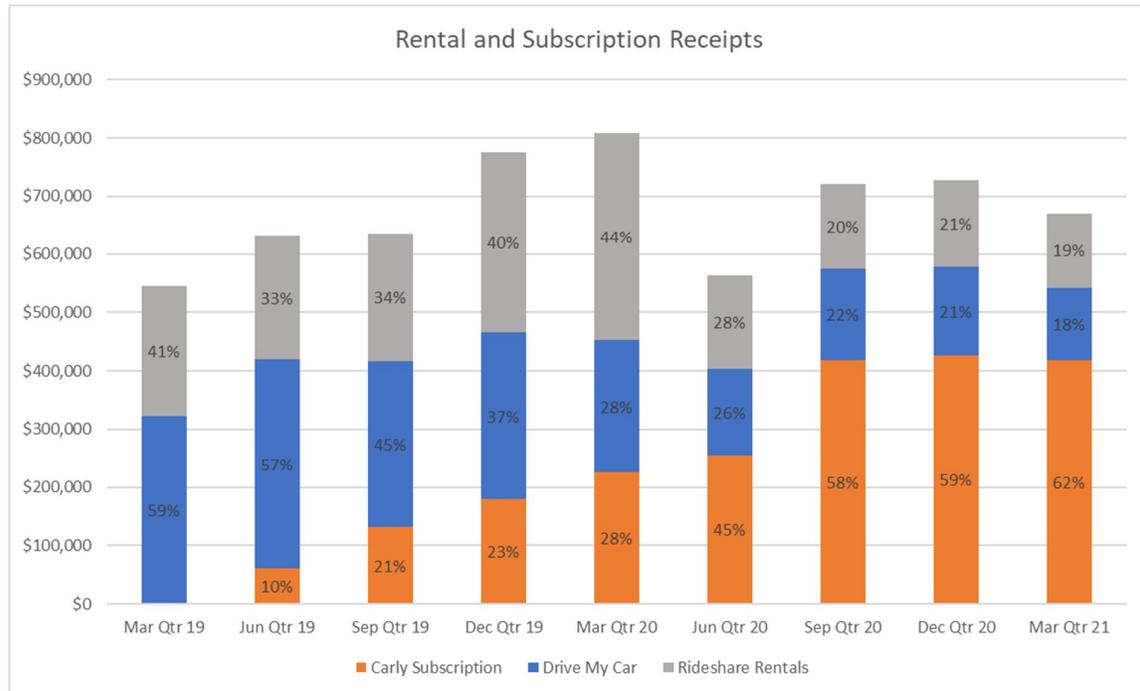


Growth of **Carly** Car Subscription, **DriveMyCar** and rideshare rentals continued to be hampered in the March 2021 Quarter due to restricted supply of vehicles. The COVID-19 pandemic continues to cause significant disruption to global automotive supply chains, resulting in a deficit of new cars in Australia and a substantial increase in the price of used cars. The limited supply of vehicles is being experienced by automotive dealers, corporate fleets and **Carly** alike. Despite these challenges, **Carly** has been successful in retaining its core fleet of vehicles provided by automotive manufacturers, dealers and fleet management organisations, however it continues to be difficult to secure significant additional vehicles to keep pace with the level of demand.

The global vehicle supply disruptions that have occurred as a result of COVID-19, and the additional lockdowns in the March 2021 Quarter in various Australian cities meant that the consecutive increases in Cash Receipts from Customers achieved in the previous two quarters were not sustained in the March 2021 Quarter, despite continuing strong demand. New vehicles were added to the platform in the March 2021 Quarter, however not at a rate to service demand. Results in the December 2020 Quarter also reflected higher demand for rental vehicles and increased prices during the summer holiday period.

The Board is cognisant of the large opportunity for car subscription and that it is a critical element of the business model to secure a reliable source of vehicles to match the high level of demand. The directors recognise that a change to the vehicle supply strategy is required to ensure the growth potential of the car subscription business is realised. Following the successful completion of the Renounceable Rights Issue and as announced on 15 April 2021, **Carly** intends to deploy a portion of the capital raised to secure vehicles for a medium/long term period. This may involve indirect control of vehicle supply, direct purchase, lease or a combination of these approaches. This will be in addition to the existing vehicle supply model whereby vehicle providers retain ownership of their assets. Greater control of vehicles will enable **Carly** to retain a higher proportion of subscription value as revenues which enable more funds to be allocated to vehicle handover and management and business growth. Using the past subscription and search criteria, **Carly** expects to be able to better identify, control and price vehicles that should result in higher demand and utilisation of assets and, in turn, increased revenues for the car subscription business.

Carly will manage the vehicles secured under the new strategy and intends to establish 'high street' retail handover locations, the first of which is planned for the inner west of Sydney. This location will replace the existing airport handover facility. This shift in vehicle supply strategy should enable **Carly** to manage the subscription lifecycle more effectively and provide an excellent opportunity to develop the **Carly** brand image through a branded location.



Consolidated Cash Flows

Strong demand and restricted supply resulted once again in high corporate vehicle utilisation days of 83% in the March 2021 Quarter, the highest utilisation rate achieved to date. A number of vehicle categories achieved close to 100% utilisation.

Carly Subscription increased to 62% of Rental & Subscription Receipts in the March 2021 Quarter vs. 28% in the March 2020 Quarter, once again reflecting the continued strong performance of **Carly** car subscription and its increasing importance to overall group revenues.

Subscription retention period increased from 5.2 months in December 2020 to 5.3 months in March 2021, reflecting the long-term appeal of the **Carly** car subscription proposition.

In recognition of the current vehicle supply constraints, strong organic demand and recurring nature of subscriptions, Advertising & Marketing costs decreased 25% compared to the December 2020 Quarter. Since the June 2020 Quarter, Advertising & Marketing costs have been reduced by 57%, whilst seeing continued strong performance in subscription revenues. Furthermore, some external marketing providers were terminated in March 2021 and the functions brought in house, resulting in an ongoing saving of \$12,500 per month in fixed costs from April 2021 onwards. **Carly** intends to review Advertising and Marketing activities once the new vehicle supply strategy is underway.

Carly achieved significant improvements in claims on their motor fleet insurance policy in the year ended 21 March 2021. The operational improvements are a result of enhancements to the PeerPass verification platform and the transition from the rental model to the subscription model which delivers a lower risk profile for vehicle usage.

The Claims Loss Ratio, which measures the value of claims as a percentage of insurance premium paid, reduced from 64% in 2019/20 to 38.9% in the 2020/21 policy year which ended on 21 March 2021.



Due to this achievement the motor fleet insurance premium for the 2021/22 policy year has been reduced by 9.1%. This reduction was achieved despite a general increase in motor insurance premiums across the industry.

The continuing transition to the subscription model is expected to deliver further Claims Experience Discounts and insurance premium reductions in future periods. Insurance costs make up a significant proportion of cost of sales and the Claims Experience Discount and insurance premium reductions will support improvements in unit economics and gross margin in future periods.

Payments to related parties and their associates in the March quarter of \$70,000 related to remuneration of the executive and non-executive directors for the period.

Corporate

On 15 April 2021, the Company announced the launch of a 3-for-4 renounceable rights issue offer to raise up to \$3.39 million (**Rights Issue**). Participants in the Rights Issue will receive a free attaching option on a 1-for-3 basis. The free attaching options will be exercisable at \$0.16 each and expire on 31 May 2023 (**New Options**). The Company has applied for the New Options to be quoted on ASX. The minimum subscription under the Rights Issue is \$3.15 million and major shareholders of the Company, namely SG Fleet Management Pty Limited and Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust, intend to take up their rights totalling in excess of \$1.5 million. Mahe Capital advised on the Rights Issue and acts as Lead Manager.

Rights can be traded under ASX ticker code CL8R and trading ends on 30 April 2021. The Rights Issue is due to close on 7 May 2021 and securities are expected to be issued on or around 14 May 2021.

Cash Balance at Quarter End and Funding

At the end of the March 2021 Quarter, the Company maintained a cash balance of \$530,000, a decrease of \$795,000 from the December 2020 Quarter.

The Directors closely monitor cash flows and funding requirements and are assessing all funding alternatives, which may include a placement to strategic and/or high-net-worth investors to ensure that the Company can continue to pursue the growth opportunities of the businesses. In response to the potential impact of COVID-19, **Carly** has taken a prudent approach to cash management and proactively implemented a range of cost saving measures. The Company will continue to review the cost structure of the business to ensure that it is appropriate.

This announcement was authorised to be given to ASX by the Board of Directors of Carly Holdings Limited.

Authorised by:

Chris Noone
CEO and Director
Carly Holdings Limited



For more information please contact:

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About Carly Holdings Limited

Carly Holdings Limited (ASX:CL8) www.carly.co/investors is listed on the Australian Securities Exchange. It is Australia's leading listed company focused on providing innovative mobility solutions for consumers and the automotive industry. Carly Holdings operates www.DriveMyCar.com.au Australia's leading peer-to-peer car rental business, and www.Carly.co, Australia's first flexible car subscription service.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Carly Holdings Limited (ASX:CL8) (formerly Collaborate Corporation Limited)

ABN

60 066 153 982

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	725	2,219
1.2 Payments for		
(a) research and development	(303)	(856)
(b) product manufacturing and operating costs	(653)	(1,948)
(c) advertising and marketing	(83)	(359)
(d) leased assets	-	-
(e) staff costs	(333)	(1,040)
(f) administration and corporate costs	(149)	(459)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (COVID-19 government grants)	-	193
1.9 Net cash from / (used in) operating activities	(795)	(2,246)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	1,379
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(37)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	1,342

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,325	1,434
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(795)	(2,246)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,342

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	530	530

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		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	530	1,325
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)	530	1,325

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	70
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	The Company has a controlled placement deed with Acuity Capital for up to \$3,000,000 of equity over a 30-month period to 31 July 2021. Full details of the facility are set out in the ASX release dated 10 January 2019.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(795)
8.2	Cash and cash equivalents at quarter end (item 4.6)	530
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	530
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.7

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

The Company expects to have negative operating cash flows for the time being due to the current stage of development of its businesses. The Company is aggressively growing the size, scale and market presence of the businesses and the level of operating expenditure is reflective of the ongoing investment being made. The business has stable fixed operational costs which do not materially increase with the scale of the existing businesses. Payments to vehicle owners are variable in nature and increase as a direct result of increased sales. But ultimately, as revenues grow, the negative operating cash flows are expected to reduce.

As outlined in the Quarterly Activities Report that accompanies this Appendix 4C, the Company is pursuing a number of strategic opportunities, predominantly for the Carly car subscription service. Carly is an alternative to car purchase and provides a lower risk option for consumers and businesses that require cars but do not want to take on long-term financial obligations. Given the recent economic turmoil arising due to the COVID-19 pandemic, Carly provides a highly attractive option for consumers and businesses, and Carly expects this business to continue to grow.

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

On 15 April 2021, the Company announced the launch of a renounceable entitlement issue to raise up to \$3.39 million (**Rights Issue**). The minimum subscription under the Rights Issue is \$3.15 million and major shareholders of the Company have confirmed their intention to take up their rights totalling in excess of \$1.5 million. The Rights Issue is due to close on 7 May 2021 and securities are expected to be issued on or around 14 May 2021.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

The Company expects to continue its operations and to meet its business objectives as it is confident that it will be able to continue to raise funds as and when required.

This expectation is based on past experience and because the Company continues to have the support of its existing shareholders and strategic partners who also remain committed to the Company's strategy of providing flexible access to vehicles and its focus on Carly car subscription and rideshare rentals.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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.

Date: **28 April 2021**

Authorised by: **Board of Directors**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.