
JUNE 2019 QUARTERLY REPORT AND BUSINESS UPDATE

Collaborate Corporation Limited (ASX:CL8) is pleased to present its consolidated quarterly cash flow report and business update for the quarter ended 30 June 2019.

Collaborate concluded the June 2019 Quarter recording a 22% increase in Receipts from Customers vs the March 2019 Quarter arising from improvement in market conditions for **DriveMyCar** and additional revenue from the launch of **Carly** vehicle subscription. Net Cash Used in Operating Activities (excluding R&D tax incentive received in March 2019 Quarter) decreased 11% and Administration and Corporate Costs decreased 34% and there was an increase in marketing expenditure to support the launch of **Carly** vehicle subscription.

During the quarter, \$1 million of funding was raised through a placement to a strategic investor, Turners Automotive Group Limited (ASX:TRA; NZX:TRA). The strategic investment from Turners, the largest seller of cars in New Zealand, comes after the March 2019 launch of **Carly**, Australia's first flexible vehicle subscription service. Collaborate proposes to leverage Turners industry experience and accelerate the growth of **Carly** in the car subscription market in Australia. In addition to the Placement, the parties have agreed an exclusivity period to negotiate the launch of a joint vehicle subscription service in New Zealand. A launch in New Zealand would enable Collaborate to leverage its existing investment in the technology platform supporting **Carly** and access a substantial new market with the support of Turners. The Company also announced a 1-for-4 rights issue to enable existing shareholders to also participate on the same investment terms as the strategic investor.

Key corporate highlights include:

- + **22% increase in Receipts from Customers** vs the March 2019 Quarter
- + **5% decrease in Product Manufacturing and Operating Costs** vs the March 2019 Quarter
- + **11% decrease in Net Cash Used in Operating Activities** vs the March 2019 Quarter (excluding benefit from R&D tax incentive received in March 2019 Quarter)
- + **31% decrease in Staff Costs** vs the June 2018 Quarter
- + **34% decrease in Admin and Corporate Costs** vs the March 2019 Quarter
- + **\$1 million strategic investment from Turners Automotive Group**
- + **\$866,000 increase in cash on hand** vs the March 2019 Quarter
- + **54% increase in Gross Profit** vs March 2019 Quarter
- + Receipt of **\$26,000 Claims Experience Discount** arising from low claims on the vehicle insurance policy
- + **16% increase in Rental Transaction Value** vs March 2019 Quarter
- + **29% increase in New Renter Registrations** vs March 2019 Quarter
- + **20% increase in Net Rental Days Realised** vs March 2019 Quarter
- + **27% increase in Net Rental Days Booked** vs March 2019 Quarter.

Consolidated Cash Flows

Receipts from Customers increased by 22% in the June 2019 Quarter as the prior aggressive competitor price discounting driven by the unloading of new vehicles into the rental channel by automotive manufacturers moderated and the new vehicle subscription revenue stream supported by **Carly** grew strongly from the initial launch. Despite an increase in marketing expenditure to support the launch of **Carly**, costs were carefully managed during this time and Net Cash Used in Operating Activities decreased by 11% vs the March 2019 Quarter (excluding benefit from R&D tax incentive received in March 2019 Quarter).

Corporate

Subsequent to the end of the quarter, the Company negotiated an extension of the repayment date of the Financing Facility from 30 September 2019 to 31 March 2020. With effect from 1 October 2019, the parties have also agreed to reduce the simple interest payable on the Financing Facility from 12% to 9% per annum. The Company was also advised that the Abolakian family completed an internal restructure of its assets resulting in a total of 127,455,033 fully paid ordinary shares in Collaborate held by Hishenk being transferred to the Willoughby Capital Trust, a trust controlled by the Abolakian family. As part of the restructure, the Financing Facility and Advance have also been novated from Hishenk to the Willoughby Capital Trust. The Abolakian family have shown their strong ongoing support for the Company by agreeing to underwrite \$1.15m of the entitlement issue which will be completed in August 2019.

The Company is very happy to welcome Turners Automotive Group as a substantial investor in the business and consider the strategic benefits available will result in substantial value-add for Collaborate and its shareholders.

Cash Balance at Quarter End and Funding

At the end of the June 2019 Quarter the Company maintained a cash balance of \$1,247,000 an increase of \$866,000 from the March 2019 Quarter.

Subsequent to the end of the June 2019 Quarter, a partially underwritten non-renounceable entitlement issue of shares and free-attaching options to raise approximately \$2.06 million, before costs (**Entitlement Issue**) was announced on 2 July 2019. The Entitlement Issue is partially underwritten up to \$1.255 million by existing shareholders of the Company namely Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust and Reefpeak Pty Ltd, alongside officers of the Company namely Adrian Bunter and Karen Logan. The Entitlement Issue will be offered to Eligible Shareholders on the basis of one (1) New Share for every four (4) Shares held, together with two (2) free attaching options for every three (3) New Shares subscribed for and issued. The free attaching options will be unquoted, exercisable at \$0.015 each and expire on 18 December 2020. The funds raised from the Entitlement Issue are planned to be principally used to fund continued growth of the **Carly** vehicle subscription business and the **DriveMyCar** car rental business through continued marketing initiatives and pursuit of business development opportunities to grow the available fleet size to meet the demand for vehicles. Additionally, the proceeds will be used for general working capital and to cover costs associated with the Entitlement Issue.

The controlled placement facility that enables the Company to raise up to \$3 million over a maximum period of 30 months remains available to the Company. There are no obligations on Collaborate to utilise the facility and the Company may terminate it at any time, with 5 business days' notice, without cost or penalty. The facility also does not place

any restrictions at any time on Collaborate raising capital through other methods. The facility is a valuable tool as an additional funding alternative and placements under the facility will principally be used to provide funding for customer acquisition, funding the growth of **Carly** and **DriveMyCar** and for general working capital. Collaborate has not had any need to draw on the facility during the June 2019 Quarter, or to date.

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 progress growth opportunities of the businesses.

Vehicle Revenue Streams

Following the launch of **Carly** vehicle subscription in Sydney on 29 March and Melbourne on 7 May, Collaborate now has two revenue streams generated from the supply of vehicles. **DriveMyCar** continues to focus on the \$1 billion p.a. (approx), mature car rental market with products for private, rideshare and corporate renters while **Carly** is focused on the emerging car subscription market which provides an alternative to loan, lease and outright purchase in the existing \$60 billion p.a. (approx) automotive retail market. The car subscription opportunity is attracting significant interest from automotive manufacturers, dealer groups, financiers and buyer acquisition channels, especially in light of the circa 10% decline in sales of new vehicles in Australia. As an early market leader in the car subscription market, **Carly** is playing an important role in helping the existing automotive industry evolve to a future where consumers place greater value on access to a car rather than outright ownership. Given the scale of the car subscription opportunity and the significant ongoing negotiations with manufacturers and dealers in partnering with **Carly**, specific metrics for the subscription business will not be reported separately to ensure that the existing competitive advantage is not lost. This is in line with other providers in the car subscription market.

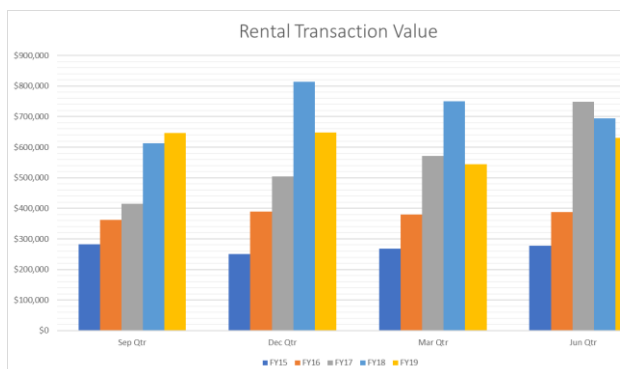
Period	Rental Transaction Value ¹ '000	Gross Revenue ² '000	Gross Profit '000	Gross Profit %	Net Rental Days Realised ³	Net Rental Days Booked	Total Vehicle Activations	Calculator Enquiries	New Renter Registrations
Jun Qtr 2019	\$631	\$254	\$136	40%	16,353	18,603	-64	3,749	1,506
Jun Qtr 2018	\$694	\$273	\$165	61%	16,733	20,047	-52	4,655	1156
Sep Qtr 2018	\$646	\$280	\$149	61%	15,990	16,681	-62	9,360	1367
Dec Qtr 2018	\$648	\$268	\$106	40%	15,715	19,029	49	4,042	1,756
Mar Qtr 2019	\$544	\$225	\$89	39%	13,679	14,410	-49	3,590	1,165
Jun Qtr 2019 % growth vs Mar Qtr 2019	16%	13%	54%		20%	27%	-31%	5%	29%
Jun Qtr 2019 % growth vs Jun Qtr 2018	-9%	-7%	-18%		-3%	-7%	-23%	-19%	30%

1. Rental Transaction Value is the total amount paid by the customers during the period.
2. Gross Revenue is the component of the Rental Transaction Value excluding the value of payments to owners that is charged by DriveMyCar and recognised as revenue for accounting purposes plus booking system revenue.
3. Net Rental Days Realised is the sum of rental days billed in the period.

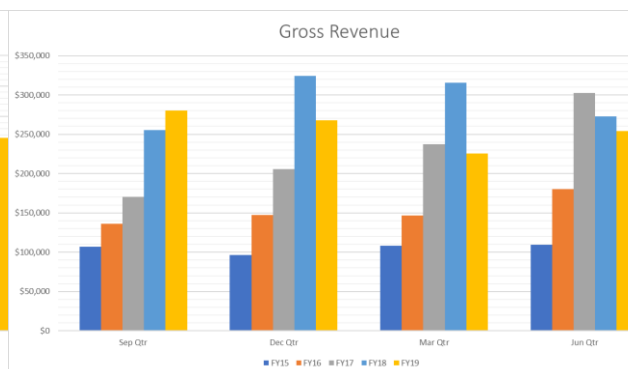
Rental Transaction Value for **Carly** and **DriveMyCar** (ex rideshare) revenue channels increased 30% vs the March 2019 Quarter as competitor price competition in the car rental space moderated and the revenue from car subscription showed solid growth. Rideshare rental RTV decreased 5% vs the March 2019 Quarter as further rideshare rental vehicle registration changes in Queensland removed some vehicles from the road during June. The new registration requirements were met during July 2019 and rideshare rentals in Queensland have recommenced.

Gross Profit increased 54% vs the March 2019 Quarter due in part to the receipt of a \$26,000 Claims Experience Discount from the vehicle insurance provider which was paid in recognition of a low claims loss ratio on the vehicle insurance policy. This result underscores the importance of the PeerPass verification platform, which assesses suitability of renters and subscribers to reduce risk while also maintaining high online conversion ratios.

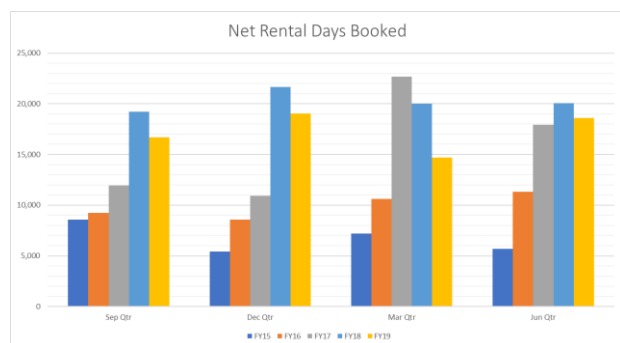
Net Rental Days Booked, Net Rental Days Realised and Net Renter Registrations all achieved growth of 20% or more vs the March 2019 Quarter. With the increasing number of subscriptions undertaken via **Carly**, the Net Rental Days Booked will reduce for parties intending to undertake longer term subscriptions, as Net Rental Days Booked are only recorded on a monthly basis, rather than for a longer term rental period (e.g. 6 months). The quality of the fleet was improved by the removal of older, less suitable vehicles during the June 2019 Quarter and were replaced by new vehicles from providers including leading automotive dealer Suttons Motors and JC Motors during July 2019.



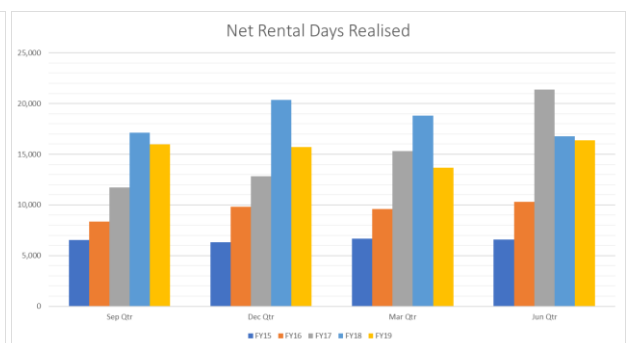
Graph 1: Rental Transaction Value



Graph 2: Gross Revenue



Graph 3: Net Rental Days Booked



Graph 4: Net Rental Days Realised

On 11 June 2019, an Agreement was reached with I-Motor, one of Australia's leading providers of websites and digital marketing services to Australian automotive dealers, to offer an end-to-end **Car Subscription Solution** for dealers. **Carly** and I-Motor will jointly develop the **Car Subscription Solution** that will enable a 'subscribe' option to be added to each vehicle listed on dealer websites and for customers to activate a car subscription to be facilitated by **Carly**. This provides a highly scalable customer acquisition opportunity combined with access to a large fleet of dealer supplied vehicles. The **Car Subscription Solution** can be readily added to over 700 automotive dealer websites currently managed by I-Motor. The **Car Subscription Solution** will enable automotive dealers to transact with customers entirely online making it possible to secure a customer without requiring them to visit a dealership and improving the conversion rates for their online campaigns.

Strategic Direction

Collaborate continues to direct its resources and strategic focus towards its mobility strategy owing to the large number of opportunities resulting from significant changes in the automotive industry and rapid evolution of the ways that consumers wish to access new vehicles. Car subscription, which Frost & Sullivan has forecast to account for 10% of new car sales in USA & Europe in 2025, is an area of significant opportunity for Collaborate. **Carly** has been launched to capitalise on the opportunity in the current \$60 Billion p.a car sales market in Australia. **DriveMyCar** continues to pursue opportunities in the car rental market including private, rideshare and accident replacement rentals and both businesses will leverage the operations expertise, technical platform and industry relationships established by **DriveMyCar**.

Authorised by:

Chris Noone
CEO and Director
Collaborate Corporation Limited

About Collaborate Corporation Limited

Collaborate Corporation Limited is listed on the Australian Securities Exchange (ASX:CL8). It is Australia's leading listed company focused on 'collaborative consumption', 'peer-to-peer' or 'sharing economy' business model with a strong focus on mobility solutions. Collaborate's core business is www.DriveMyCar.com.au Australia's leading peer-to-peer car rental business, complemented by www.Carly.co, Australia's first flexible car subscription offering. Other businesses include www.MyCaravan.com.au a leading peer-to-peer caravan rental business; and www.Mobilise.com a rental marketplace for under-utilised assets. Through our proprietary trust and reputation platform, www.peerpass.com.au we create 'trust' between individuals and make it possible for people and companies to safely transact with each other in the sharing economy.

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

Collaborate Corporation Limited (ASX: CL8)

ABN

60 066 153 982

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	660	2,713
1.2 Payments for		
(a) research and development	(230)	(969)
(b) product manufacturing and operating costs	(619)	(2,431)
(c) advertising and marketing	(179)	(562)
(d) leased assets	-	-
(e) staff costs	(241)	(1,090)
(f) administration and corporate costs	(106)	(553)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(1)	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	325
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(716)	(2,567)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(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)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,000	1,586
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	(11)	(126)
3.5	Proceeds from borrowings	600	1,575
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(7)	(23)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,582	3,012

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	381	802
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(716)	(2,567)
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)	1,582	3,012
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,247	1,247

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	1,247	381
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)	1,247	381

6. Payments to directors of the entity and their associates

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

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

Current quarter \$A'000
62
-

Directors' remuneration for the period.

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	
-	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	850	850
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	150	150
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.		

The Company has a financing facility of \$850,000 (**Financing Facility**) and an advance of \$150,000 on a future equity raising (**Advance**) from Hishenk Pty. Ltd., the Company's largest shareholder and a related party of the Company. The Financing Facility is unsecured and provided at a simple interest rate of 12% per annum calculated based on draw down amount. On 16 July 2019, the terms of the Financing Facility were varied as follows:

- the repayment date was extended from 30 September 2019 to 31 March 2020
- with effect from 1 October 2019, the simple interest payable will be reduced to 9% from 12% per annum.

Additionally, the Financing Facility and Advance were novated from Hishenk to Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust (**Willoughby Capital**) following an internal restructure of the Abolakian family assets. Willoughby Capital is also a related party of the Company.

The Advance is unsecured and interest free. On 22 July 2019, Willoughby Capital agreed to take up \$150,000 of entitlements by offset of the Advance under the partially underwritten non-renounceable entitlement issue of shares and free-attaching options to raise approximately \$2.06 million (**Entitlement Issue**).

Full details of the Financing Facility and Advance are set out in the ASX release dated 14 March 2019 and subsequent variation of terms in the ASX release dated 16 July 2019. Details of the Entitlement Issue and Willoughby Capital's agreement to underwrite up to \$1.15 million of the Entitlement Issue, including offset of the Advance, are set out in the prospectus dated 22 July 2019 and lodged with ASX on that date.

The Company also has a controlled placement deed with Acuity Capital for up to \$3 million 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.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	(228)
9.2	Product manufacturing and operating costs	(752)
9.3	Advertising and marketing	(157)
9.4	Leased assets	-
9.5	Staff costs	(288)
9.6	Administration and corporate costs	(390)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(1,815)

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: 

Date: 31 July 2019

CEO and Director

Print name: Chris Noone

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.