
JUNE 2020 QUARTERLY ACTIVITIES REPORT

Collaborate Corporation Limited (ASX:CL8) is pleased to present its consolidated cash flow report and business update for the quarter ended 30 June 2020.

Key highlights include:

- + 43% increase in live Subscriptions at 30 June 2020 vs. 30 March 2020 and 179% increase vs. 30 June 2019
- + 13% increase in Subscription Transaction Value vs. March 2020 Quarter and 320% increase vs. June 2019 Quarter
- + 19% increase in Subscriptions Booked vs. March 2020 Quarter and 81% increase vs. June 2019 Quarter
- + **Carly** Subscription increased to 45% of Rental & Subscription Receipts in the June 2020 Quarter.

Like many businesses, Collaborate had to deal with the impact of COVID-19 during the June 2020 Quarter and while cash receipts reduced, the impact was more apparent in the legacy areas of the business. In contrast, the **Carly** car subscription business proved resilient and achieved the highest quarterly growth in subscriptions since the beginning of FY20. This performance validates Collaborate's decision to shift focus towards the high potential car subscription market and positions the Company well to benefit from the generational shift in car use and access preferences, which is accelerating in the current recessionary economic climate.

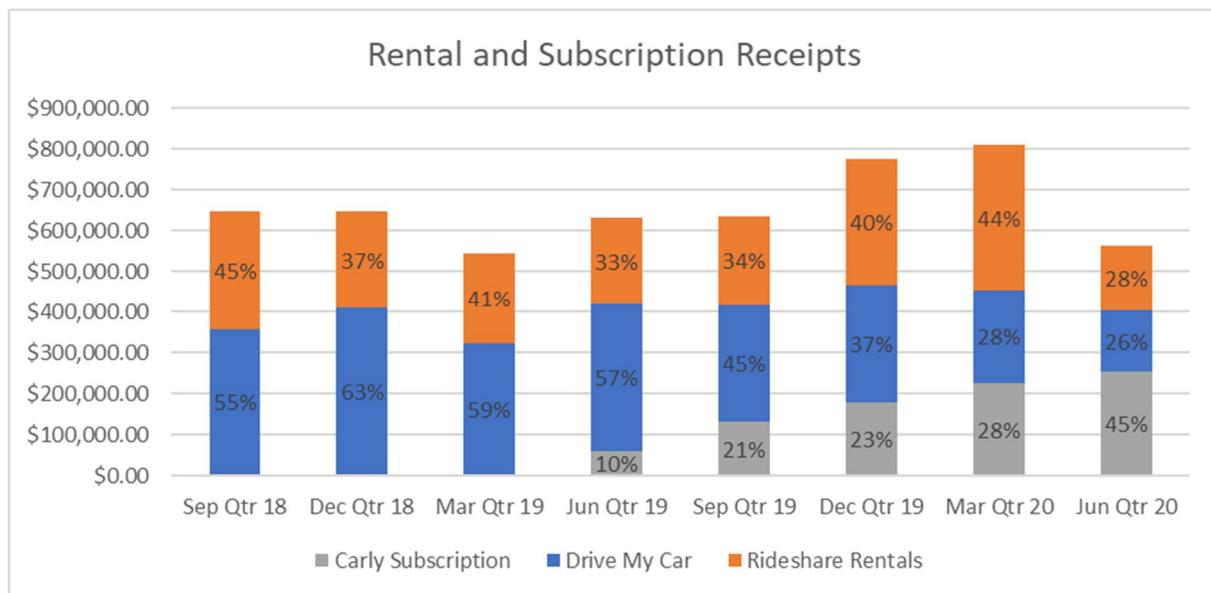
As the COVID-19 situation evolved throughout the June 2020 Quarter, traditional car rental companies saw large declines in revenue due to the curtailment of business and consumer travel. **DriveMyCar** experienced more moderate, but still material declines as it is not heavily focused on the travel market. As restrictions increased, rideshare rental revenue also declined as the need for on-demand transport plummeted.

In contrast, the number of live **Carly** car subscriptions increased by 43% during the June 2020 Quarter. This can be compared to retail sales of new passenger vehicles and SUVs, which declined by 18% in the June 2020 Quarter vs. the March 2020 Quarter (VFACTS June 2020). **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, **Carly** provides a highly attractive option for consumers and businesses, and Collaborate expects this interest to continue to increase.

Despite impacts to revenue in the June 2020 Quarter, all revenue streams have rebounded strongly from the lows experienced during the Quarter. April 2020 was the first full trading month to experience lockdown restrictions. Compared to April 2020, total Rental & Subscription Value in June 2020 increased overall by 19%, led by **Carly** with 43% growth,

DriveMyCar with 28% growth and a decline in rideshare rentals. The rideshare rental revenue stream has continued to be impacted in the short term by the restrictions in Melbourne.

The ongoing challenges of COVID-19 are acknowledged, and substantial cost saving measures were implemented in April 2020 to ensure that Collaborate had sufficient resources to cope with a reduction in economic activity. A 20% salary reduction for all employees and a 40% fee reduction for non-executive directors was implemented from 15 April 2020. Rent reductions were negotiated for premises and State and Federal Government assistance totalling \$102,500, including the JobKeeper subsidy, was secured during the June 2020 Quarter. An R&D Tax Incentive payment of \$74,055 for the 2019 financial year was also received in the Quarter. Despite the continuing challenges, Collaborate believes it is well positioned to take advantage of new opportunities that are arising as consumers and businesses reassess the merits of taking on long-term finance for vehicles in a period of economic uncertainty.



Consolidated Cash Flows

Cash receipts declined in the June 2020 Quarter vs. the March 2020 Quarter in part due to the receipt of a lump sum payment from Turners Automotive for the development of the subscription proposition in New Zealand in March 2020 and a payment from Hyundai Australia. Excluding those items, and on a like-for-like basis, Total Rental & Subscription Receipts declined by 30%, driven by declines in both **DriveMyCar** and rideshare rentals, while **Carly** Subscription Value increased by 13%.

Product Manufacturing and Operating costs, which are largely made up of payments to owners for their proportion of subscription and rental revenue, did not decline in line with receipts as they are paid in arrears and reflect the strong sales momentum during the March 2020 Quarter. Direct salary costs were reduced by 20% from 15 April 2020. The increase in staff costs during the June 2020 Quarter was in part due to salaries and recruitment costs for several roles, including Chief Operating Officer, Head of Marketing and Operations Manager as Collaborate strengthened the management team to position for growth in FY21.

Payments to related parties and their associates in the June 2020 quarter of \$77,000 related to remuneration of executive and non-executive directors for the period.

Corporate

On 30 June 2020, Collaborate announced the negotiation of a further extension of the repayment date of the Financing Facility from 1 July 2020 to 1 October 2020. The financing facility of \$850,000 (**Financing Facility**) was provided to the Company from Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust, a company related to Stephen Abolakian, a director of the Company. The terms of the Financing Facility and variation of those terms were previously announced on 14 March 2019, 16 July 2019 and 31 March 2020.

The Company advises that the 2020 Annual General Meeting will be held on 20 November 2020. The deadline to receive director nominations is 25 September 2020.

Cash Balance at Quarter End and Funding

At the end of the June 2020 Quarter, the Company maintained a cash balance of \$1.433 million.

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, Collaborate has taken a prudent approach to cash management and proactively implemented a range of cost saving measures.

Strategic Direction

While many businesses will be severely impacted by COVID-19, Collaborate's efforts to reposition itself over the past 12 months have prepared it well to deal with the current challenges, benefit from economic uncertainty and leverage opportunities brought about by longer term structural change in the automotive market. **Carly** car subscription is an alternative to a lease, loan or outright purchase of a vehicle and provides consumers and businesses with the ability to access vehicles they require without long-term financial risk. It is likely that the COVID-19-related concern about strength of the economy will accelerate the shift to more flexible vehicle access options. Collaborate believes that **Carly** is likely to benefit from this shift, even in an environment of slow economic growth.

As previously announced, Turners Automotive Group, Collaborate's third largest shareholder, delayed the launch of **Carly** in New Zealand beyond the previously scheduled date of 31 March 2020 in response to the New Zealand Government mandated COVID-19 Level 4 lockdown restrictions. With the easing of New Zealand lockdown restrictions and bounce back of the economy, Turners have confirmed a launch of the subscription proposition in the September 2020 Quarter. The subscription proposition will now be branded 'Turners Subscription' to leverage the strong brand recognition in New Zealand and reflect the increasing importance of flexible mobility solutions to Turners Automotive's revenue streams. Apart from additional fees earned by Collaborate for implementing the branding change, the commercial model of the arrangement remains unchanged.

In light of the significant opportunities in the mobility sector and issues related with closed borders and restricted travel, Collaborate has reviewed the potential of the MyCaravan platform and decided to cease operations as of today. This closure will allow resources to be focused on the **Carly** car subscription proposition. There will be no material impact on revenue or the carrying value of assets on the group balance sheet.

This announcement was authorised to be given to ASX by the Board of Directors of Collaborate Corporation Limited.

Authorised by:

Chris Noone
CEO and Director
Collaborate Corporation Limited

For more information please contact:

Chris Noone
CEO and Director
Collaborate Corporation Limited
E: shareholder@collaboratecorp.com

Jane Morey
Morey Media
E: jane@moreymedia.com.au
M: 0416 097 678

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 providing innovative mobility solutions for consumers and the automotive industry. Collaborate 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, supported by our proprietary PeerPass trust and reputation platform.

Appendix 4C

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

Name of entity

Collaborate Corporation Limited (ASX:CL8)

ABN

60 066 153 982

Quarter ended ("current quarter")

30 June 2020

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	538	3,053
1.2 Payments for		
(a) research and development	(258)	(960)
(b) product manufacturing and operating costs	(734)	(2,864)
(c) advertising and marketing	(193)	(657)
(d) leased assets	-	-
(e) staff costs	(402)	(1,335)
(f) administration and corporate costs	(150)	(643)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	74	74
1.8 Other (COVID-19 government grants)	103	103
1.9 Net cash from / (used in) operating activities	(1,022)	(3,222)

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	-	(4)
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	-	(4)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,654
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	45
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(272)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	(13)
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	3,415

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,456	1,247
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,022)	(3,224)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(4)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	3,415

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,434	1,434

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	1,434	2,456
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)	1,434	2,456

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	77
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p>		

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	850	850
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	850	850
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.		
<p>The Company has a financing facility of \$850,000 (Financing Facility) from Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust (Willoughby Capital), the Company's largest shareholder and a related party of the Company.</p> <p>The Financing Facility is unsecured and provided at a simple interest rate of 12% per annum calculated based on draw down amount. With effect from 1 October 2019, the simple interest payable will be reduced to 9% per annum until the repayment date of 1 October 2020. Full details of the Financing Facility are set out in the ASX release dated 14 March 2019 and subsequent variations of terms in the ASX releases dated 16 July 2019, 31 March 2020 and 30 June 2020.</p> <p>The Company also 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 ASX release dated 10 January 2019.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,022)
8.2 Cash and cash equivalents at quarter end (item 4.6)	1,434
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,434
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.4
<i>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.</i>	

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 Collaborate 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:

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. The Directors are very conscious of the cash flow requirements of the Group but also seek to ensure that funding is accessed at appropriate valuations so as to preserve value and limit dilution for all shareholders. The Company has received several approaches from new institutional and strategic investors interested in making an investment in the Group. As a result, Collaborate has not sought to raise excessive funds at the current subdued share price.

The Company has demonstrated the ability to access various capital raising mechanisms as and when required. These capital funding mechanisms are available via existing shareholders of Collaborate as well as potential new shareholders. For example, in the past 12 months the Company has raised:

- (a) \$1.60 million before costs (including offset of a \$0.15 million advance) through a non-renounceable entitlement issue in August 2019, which was partly underwritten by existing shareholders and officers of the Company;
- (b) a further \$2.20 million via an investment from a strategic investor in November 2019; and
- (c) \$0.05 million from the exercise of employee and unquoted options in November 2019 and January 2020.

Therefore, the Directors believe that the Company will be successful in raising further funding as required.

The Group also has access to a controlled placement facility with Acuity Capital for up to \$3.00 million of equity until July 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 (as noted above) 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: **30 July 2020**

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.