ASX Announcement

24th June 2020

Market Update Call Transcript

Jayride Group Limited (ASX:JAY) (“**Jayride”** or the “**Company”**) the global online travel marketplace for airport transfers today releases the transcript of the Market Update Conference Call held on Wednesday 24th June 2020 at 9.30am.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Thank you everyone for coming. This is a conference call that we run following the Market Update that we published yesterday.

We have three key topics to cover. First, no doubt COVID-19 has hit the travel industry hard and Jayride has taken proactive steps to manage that, we will cover those steps today. Second, we’re pleased to report an emerging early stage trend up from the bottom and looking like the worst is behind us, we will cover that today. And then third, I'd like to talk about how we see the rebound, because there are some trends there that will accelerate a Jayride rebound.

While we've obviously seen a significant impact from COVID-19 on the travel industry since March, I'm also pleased to report that there are early signs of rebound as limited domestic and international travel resumes. It's been surreal running a travel business through lockdown, but now we've come out of lockdown the travel industry is at a very interesting point. We know that travel will rebound and rebound strongly. The question is when and where and timing.

There's another question about what the new normal looks like, for example reduced competition in the landscape, and also structural trends COVID-19 can accelerate including the move to online booking. So as we look to those trends we see actually very exciting things for Jayride. And so we'd want to talk to those today as well.

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Rod Bishop: I want to recap, and start with the proactive measures that we took in response to COVID-19. We set ourselves up to weather a prolonged and severe downtown. The cost savings that we implemented in March saved $7 million of annualized costs, being $4 million of variable costs and $3 million of non-variable costs. We did it in a proactive way. It allows us to outlast and rebound from COVID-19 even if it is prolonged and severe, without requiring any equity funding to trade through.

Our COVID-19 model sets the scene. We published this in March. It's an 18-month long model of the rebound. I'll break it down into three chunks. First, for six months, we assumed zero passenger trips and that everything would be completely shut. Then, six months of slow rebound to a fraction of where we were in January. Then, six more months of no further growth as a result of some ongoing restrictions around the world.

In latest trading we're exceeding that model. Trips did not fall as far as we modeled, and we have seen early stages of initial recovery earlier than expected. There is potential for further recovery over the Northern Hemisphere travel season, then into a holiday season across the September through December period. Although the model appears conservative today, we wanted to be prudent. It's against that frame of reference that we are optimistic, although to say again – I'll stress that it's early days – that initial volumes are exceeding plan.

The next thing that's very important about our cost saving is that core IP remains intact, even though we streamlined the business, so that when volumes recover we can leverage using that core IP.

There's $21 million invested in technology in this company, and in its world's leading catalog of transport companies. Plus, in addition, we've retained our product and engineering team throughout this period. They continue to build core capabilities into the technology so that we can leverage scale when it returns.

What I'd like to talk about now is what we're observing today and the numbers.

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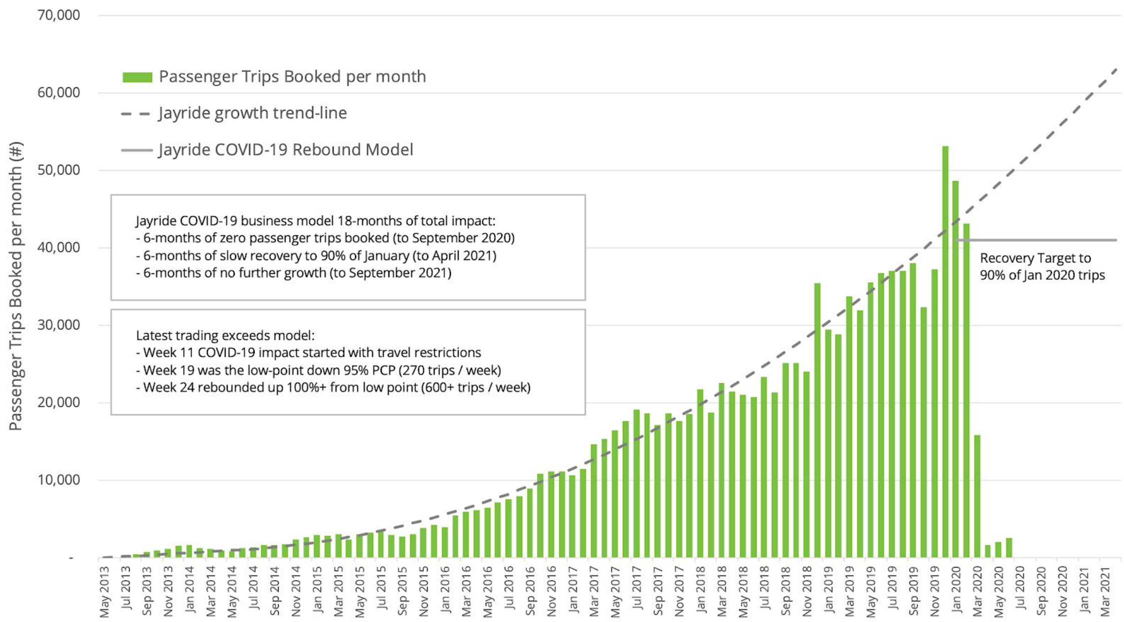
Rod Bishop: There are early signs of initial recovery of volume and I'll refer to the chart, which is now on screen. And for those who are reading the transcript later, it is in the Market Update that we've published on 23rd June 2020.



In this graph you can see four things. I think these are important to take you through.

First, you can see the long term structural growth opportunity that we're showing that remains intact. That's been seven years of a structural trend from offline to online booking. And although it's temporarily disrupted, all the technology, as I mentioned, remains in place for when travel volumes recover.

Second, you can see the point at which COVID-19 hit, that was 13th of March.

Third, you can see then April, May, and forecasts for the month of June, show early signs of recovery, although again early signs, it's ahead of the model.

Fourth, you can also see the rebound position that we're targeting. The model is for the 18 month recovery up to 90 percent of where we were in January 2020, and that's the horizontal line that extends from January there to weather COVID-19 and rebound towards.

I'll leave this on screen and for the remainder of the call because it's good to give reference to when we talk about that 90% recovery.

We're three months past the onset of COVID-19 let's take a litmus test on where we stand.

We assumed passenger trips would go to zero, that's not been the case. We no longer expect it to be the case. We assumed that it would be six months until any volume recovery. However, we see potentially early signs today. This is good news. So we remain optimistic as restrictions continue to ease that things will continue to improve.

What's more interesting is how they're going to improve, and that's the final section that I'd like to talk us through today; what we see next.

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Rod Bishop: We see Jayride's rebound from the impacts of COVID-19 as having three distinct tailwinds. Firstly, a cyclical recovery as travel restrictions ease. Secondly, reduced competition. And thirdly, an acceleration of the structural trends towards online booking and pre-packaging of rides in the travel industry.

So three recoveries: Cyclical, competitive, and structural

To talk of cyclical recovery, as social distancing restrictions have been put in place, travel closes down, but as they relax, domestic travel resumes. We're seeing that around the world. Also as international borders are closed, international travel is stopped, and then as international borders reopen travel volume resumes as we're seeing happening right now across Europe.

This positions us well as Jayride operates in 100 local destinations. And so the key for us, in terms of next trading, will be to see if we can leverage that cycle across the Northern Hemisphere summer. That's across our North American markets and our newly launched European markets, as we can see European tourist destinations, for example, opening up in terms of international border openings. That gives us some really interesting things to do across July through September to continue to build on that cyclical recovery, and that also set us up strongly for again, as I said, October–December through the holiday season.

When we're thinking about the rebound. It is ofcourse going to occur. The question is timing. Timing is uncertain and we will continue to keep everyone up to date.

The second thing that's happened is competitive intensity which we think is going to reduce through COVID-19. Jayride's competitive position has been strengthened.

The industry downtown has quite severely affected some of our competitors' market reputations in terms of their ability to meet their obligations. Jayride's position is relatively stronger than others who retail transport in that we have been able to, in general, meet obligations and this creates opportunities for growth and scale.

Through this period, we've used this to build trust and goodwill with our transport companies. And so whereas our competitors have been challenged to do so, it's allowed us to bring new rates and services to market, including great Jayride-only discounts and our COVID-19-prepared rides offering, which we mentioned in our Market Update.

These things enhance our competitive position. And further, they go to what I think as a structural trend, a structural acceleration of moving from offline "turn up and hail it" to online pre-booking and pre-packaging of rides for the travel industry.

Since 2013 Jayride has been riding this trend, a structural change from offline to online and booking of rides online. And we're early in the structural trend, but we see that COVID-19 has the potential to accelerate that transition to online.

We're seeing early signs of changes and travel behavior. In particular travelers want confidence, more than ever. Whether that's transport brands or travel brands to have a health-secure option with high duty-of-care. In rides especially that's translating as a touchless-door-to-door experience.

Ride companies, for example, who have promoted COVID-19-prepared rides on our platform are making a material upswing in terms of the market share. A smaller absolute number of bookings, but higher market share on Jayride. And we think that this has to do with traveler behavior where travellers are "trading up" for confidence.

It's also leading people to take longer distance trips, to swap out of public transport and airfare and other things.

These sorts of things we believe give rise to an acceleration of the structural trend to move online and pre-book for confidence, especially through your relationships with your travel management company, or your online travel agency.

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Rod Bishop: So in summary, we've got positive structural trends, enhancement to our competitive position, and expectation for further relaxations in terms of travel restrictions. These combine to create Jayride's rebound to our target, which is 90% of January's volume, by April of next year.

Today we reaffirm that model. There's a lot of uncertainty, of course, so it's too early to revise it either way. But we view the current model with a positive lens and, as you remember, the current model does not require any additional equity funding to trade through COVID-19.

So, in closing, we appreciate the opportunity to give investors an update before blackout. We published last week a calendar of events which speaks to the next times that we will be following this format of release followed by a conference call, across the coming months.

In July, that will be our Quarterly Business Review and Appendix 4C which will include full cash for the quarter, and also our business metrics to complete the financial year. And then full results in August.

All dates are published, and you can refer to them in our last release on 18th June 2020. Our intent is just to be transparent and user-friendly for investors through this period as we come through COVID-19.

That ends the formal part of the presentation. I'd like to open the floor to questions. Thank you very much.

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Michael Brown (Moderator): Thank you Rod, just remind people, please press the raise hand to ask a question and we will form a queue.

Stephen Scott (Taylor Collison): Rod, can you just give an update on Europe just what's open and what's not. It's just a bit hard to track which markets are open and the circumstances are.

Rod Bishop: This requires full time research, Stephen. I completely agree. I can actually point to a resource. Skift Travel Reopening (https://reopening.travel/reopening/) if you Google that, Skift is publishing a day-by-day reopening of markets around the world. That's a great data source, it's updated daily and it's ordered by the reopening of markets, as opposed to when the news article was published, which makes it very handy for targeting reopenings.

In summary, European destinations, especially tourist hotspots are reopening for international travelers especially tourists. Outbound from the UK is a good opportunity for us - that's happening. Presently, June, July, and August are expected to be a peak travel season, although limited by comparison to previous years, it is a good opportunity for Jayride. We are brand new into those European destinations and able to serve travelers from the UK.

North America, also is an interesting case because North America obviously never significantly closed down domestic travel and shall I say is boldly reopening their economy; that includes domestic travel and that remains an opportunity for transport.

Matt Joass: Can I ask a quick question? You mentioned some of your competitors, what they're up against, tell us a bit more about their obligations.

Rod Bishop: There's a lot of smaller companies that do ground transport in the world who are smaller than Jayride and didn't have the benefit of putting an equity raise together in November and December of last year. And so, Jayride is relatively well positioned by comparison to others in our vertical.

Accordingly, where we find ourselves now, which is really looking for opportunities to scale into a rebound, many others are not necessarily in a position to take that sort of optimistic lens.

The kind of obligations that we're talking about, the most concerning ones for competitor companies would in general be payment of transport companies. Because transport companies are the ultimate providers of service. If they're not paid, then they're not predisposed to provide fantastic service. And so, Jayride has managed to do better than some of those other companies there.

Shuo Yang (Microequities Asset Management): Thanks Rod for your presentation. Just on the fixed costs. How do you see that cost out coming back into the business as your trips rebound to your target levels?

Rod Bishop: This is a good question for Peter. In general “conservatively”.

Peter McWilliam (Jayride Group): Thanks, Rod.

So, there's no need to increase the opex. We've got excess utilization, it could be much higher. We don't need to invest materially to support the emerging recovery. And we're definitely going to drive the leverage hard.

It should be noted that we've invested $21 million into the platform already so we're built. We did that roll out, it's just about scaling now.

Rod Bishop: Over the next period we can tap into the technology. We retained the key contracts with all key transport companies. We've retained the API implementations with channel partners, the travel brands who make our bookings. All of this remains in place.

And so as volumes return non-variable operating costs won't increase. It may be some variable operating costs increase, but only in lockstep with returning revenues and profits.

Shuo Yang: And then, I guess, following on from that, how do you see the variable marketing costs rebound. Is there any structural changes as competitive tensions change to make better returns on that variable marketing spend?

Rod Bishop: Potentially yes.

Variable costs for those who aren't so familiar with our model tends to be a very broad interpretation of anything that scales with bookings. So not just direct variable costs like transaction fees, also, for example, we include Adwords, our customer service team, anything that relates at all to bookings.

With regards to scaling up those costs, you'd move them in line but capture leverage as you go, making sure that you have your net positive contribution margin that we draw everyone's attention to. So long as bookings have positive contribution, then we can scale these to add profits to the company.

With regards to how we expect them to come through. That's very interesting. So we've turned off, for example, Adwords paid search at the moment, and will be very slow and cautious to turn it back on. And one of the things that may lead us to, is whether or not there's reduced competition would lead to cheaper acquisition through those channels.

Similarly, we have good organic search in B2C. And if we've got, for example, competitors who also commanded good organic search that are no longer in a position to serve those bookings, we expect to be able to pick up our organic profile there too.

In B2B if we're one of many suppliers for a particular travel brand who is using us and we're relatively well positioned and can provide travelers with more confidence, whether that's through just great relationships and transport companies, or brand new offers like COVID-19-prepared rides, and other things that we can bring to market, then we'd expect to be able to win business there too.

At the larger end of town, we're engaging actively in productive conversations with the big travel brands to help them reimagine what rides in travel looks like post COVID-19. We're finding a lot of engagement from large travel brands who are all trying to reimagine what travel looks like. We're able to go to them with a very conclusive message that says “travelers demand confidence”. Touchless door-to-door health-secure travel packages provide that confidence.

For those brands, that's exciting potentially because it's no longer “transfers as an ancillary revenue offer” that kind of sits, you know, on the side of their core hotels and flights. Instead now it's part of the core offer that allows them to sell more hotels and flights.

It's early days in those conversations but we believe it is very compelling and we're getting good responses today.

Shuo Yang: Understood. Just remind me. What is the split between B2C and B2B in each of the geographies, just a rough cut?

Rod Bishop: Historically, and COVID-19 may change this, historically pre-COVID-19, US was our largest destination market catering for over 50% of the business. Also our largest source market. So the US market is one to pay very close attention to. Europe also, we were newly launched and what we were seeing was good growth traction, up until COVID-19. We expect to continue that growth out of April across Europe.

And with regards to the B2B, B2C split, roughly speaking, half the businesses each of B2B and B2C.

Shuo Yang: Right. Thank you.

Stephen Scott: Who's the typical traveler at the moment and what, you know, what are they all sort of doing?

Rod Bishop: A variety. B2C travel brands are still sending us a variety of travelers with a variety of needs, and in B2C also, different needs again. We're seeing all sorts of things.

We're seeing travelers being repatriated, we're still seeing medical assistant transfers for non-emergency patient care, we're seeing limited domestic tourism, for example, within the US. It's a really mixed bag.

I can speak to a couple of trends.

People are preferring higher cart sizes at the moment with higher average order values, which of course leads to higher revenue per trip for Jayride, on the basis of travellers trading up to more, shall we say, reliable and confident suppliers, and in particular preference to COVID-19-prepared rides.

Over 800 transport companies have listed their health-security protocols and been listed by Jayride as health-secure companies to travel with. Those companies on the platform are in demand from travellers and have captured more share of the Jayride market.

The other thing that's really interesting to talk about is that in addition to “trading up” people also “trading out” of non-door-to-door rides. We're seeing people switch from, for example, rail connections or even short-haul domestic airfare into long, even very long, door-to-door rides. Examples of that might be, for example, that you might otherwise fly between LA and Las Vegas, but it's around about the same time to destination to take a transfer, and for a group of people cost comparative. Same thing, Austin to Houston.

Similarly, in terms of connections that we've all taken. Out of Hong Kong airport, or out of Shanghai airport, you might take the high speed rail part of the journey and then a taxi for the rest. People are opting out of that sort of journey and instead of taking a private ride for the entire distance.

So we're seeing changes to travel behavior. We think that leads to, again, a structural acceleration towards online pre-packaged transfers, and we think that's very exciting for the travel industry.

Stephen Scott: Thank you.

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Rod Bishop: To wrap up this call, I'd like to say thanks to everyone for your support and for attending and I'd also like to say thanks to the team.

It’s Jayride’s team that really sets us apart, we are a growth focused team here. You know, every month for years they’ve been working on making next month bigger than the month before. COVID-19 has reset volumes, but the game remains the same. It's next month, bigger than the month before.

It's that hunger for month-on-month growth that really helps to get through the period. Team morale is high, we’ve reopened the office, we're fantastic working remotely, and I just really have to say that the team has stepped up and thanks to them.

In closing, I just want to say again, it's early days, but we're pleased to report that we didn't reach zero trips. That we have three months that show early signs of recovery. That today we reaffirm the model remembering that the model does not include or require a capital raise to trade through COVID-19.

We see three tailwinds to support our rebound. First cyclical recovery from COVID. Second a reduced competitive intensity. And third, the potential to have really great conversations with travel brands to accelerate the structural trend to the online booking of rides.

I look forward to keeping you up to date on these three key drivers across July and August releases, and thank you very much for dialing in.

End of Transcript

For more information please contact

Rod Bishop
Managing Director
Email: corporate@jayride.com

ASX release authorised by Rod Bishop, Managing Director, Jayride Group Limited.

About Jayride Group Limited (ASX:JAY)

Jayride.com is a world leading global airport transfers marketplace, which creates seamless experiences for travellers by allowing them to compare and book airport transfers around the world. With Jayride.com, travellers can compare and book with 3,600+ transport companies, servicing 1,500+ airports in 100+ countries around the world, including the Americas, Europe, Middle East, Africa, Asia and the Pacific.

The Jayride.com platform aggregates ground transport companies and distributes them to travellers at Jayride.com; and via partnerships with other travel technology platforms, travel agencies and wholesalers. These partners implement Jayride.com APIs to sell ground transport and add new incremental ancillary revenue to their travel businesses.

Founded in 2012, Jayride.com is headquartered in Sydney, Australia.

For more information, please visit www.jayride.com

Forward-looking statements

This announcement contains forward-looking statements that involve risks and uncertainties. Indications of, and guidelines or outlook on, future earnings, distributions or financial position or performance and targets, estimates and assumptions in respect of production, prices, operating costs, results, capital expenditures, reserves and resources are also forward-looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and estimates regarding future events and actions that, while considered reasonable as at the date of this announcement and are expected to take place, are inherently subject to significant technical, business, economic, competitive, political and social uncertainties and contingencies. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management. We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this announcement will actually occur and readers are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are subject to various risk factors that could cause actual events or results to differ materially from the events or results estimated, expressed or anticipated in these statements.