ASX Announcement

24th July 2020

Quarterly Business Review 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 Quarterly Business Review and Appendix 4C Conference Call held on Friday 24th July 2020 at 9.30am

Start of transcript

Rod Bishop (Jayride Group Managing Director): Good morning, everyone. Thank you for joining the call. We'd like to present today our quarterly business review and appendix 4C for Q4FY20.

We have three topics to cover. First, when we last spoke to you in June, we spoke of green shoots. While there has been a lot of noise around the world since then I'm pleased to report that the initial recovery has continued.

Second, I'd like to take you through the cash movements for Q4 and show how that bridges into improved cash flow for Q1 FY21. There are a number of moving parts that drive the improvement and I'd like to simplify that for you.

Third, I'd like to discuss how we're seeing the recovery and how we are building on June and July's improvement. There are three drivers of recovery: the cyclical recovery as restrictions ease, the improvement in our competitive position, and also the structural acceleration to booking online.

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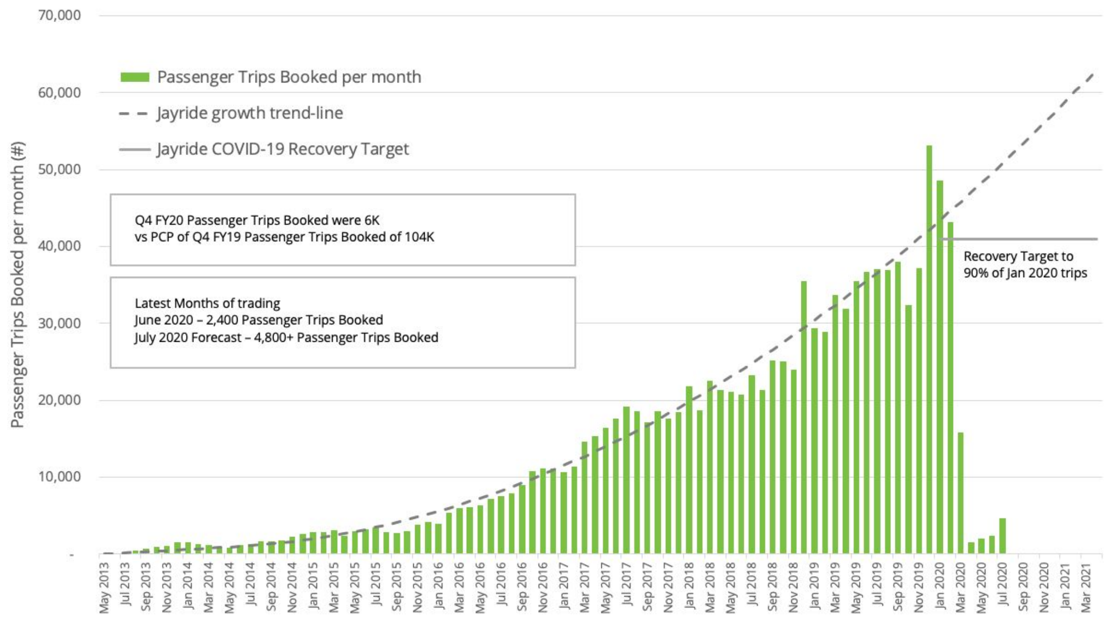
So first, let me start with the continuation of our recovery. I'd like to put on the screen now the long term trips graph from the first page of the disclosure that we released to ASX last night. This disclosure is consistent with June and I'd like to explain the detail and the graph and also what's changed.



First, you can see the structural growth opportunity which remains intact. With the $21 million invested in technology and systems we are well placed to handle volume recovery and growth.

Second, you can see the impact point where border restrictions hit on the 13th of March, and that has taken trip volumes lower.

Third, you can start to see the emerging, early stage of recovery from April into May and June.

Fourth, the new point of the disclosure here is you can see July's further improvement. We are forecasting July trips to be up over 100% on June.

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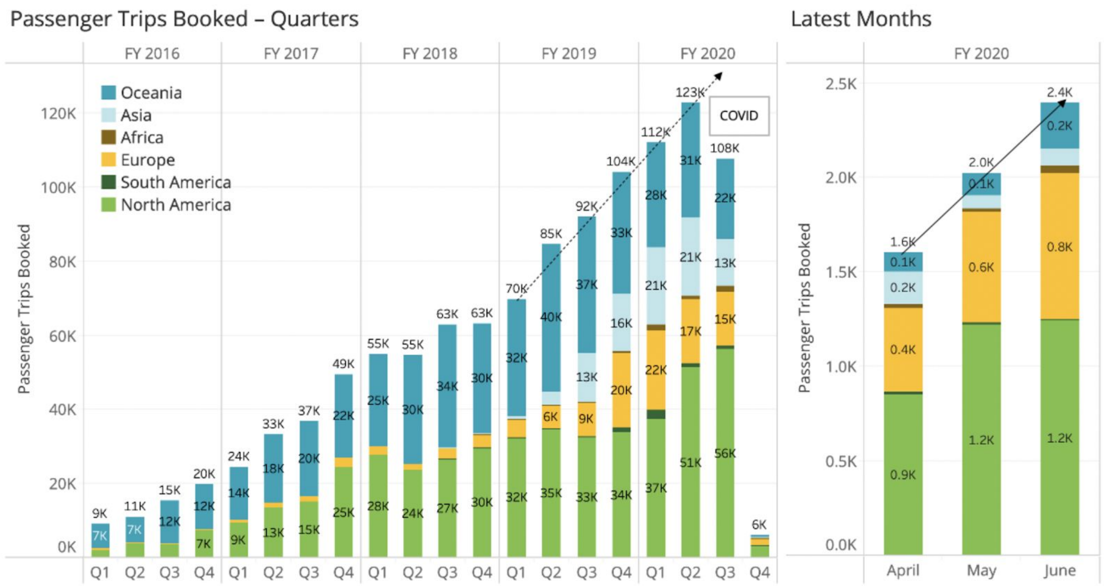
I'm sure that people have been reading a lot of local news and seeing local events and it gives us a very Australian view of the world.

I'd just like to point out that Australia is not a very normal travel market at the moment. It's an outlier for us, relative to the other hundred and eight countries we operate in. In particular, North America and Europe, for example are behaving quite differently.

By comparison to other Australian travel businesses which source travelers primarily from Australia, I'd like to remind you that Jayride is different as this explains what's happening in June and July for us, For Jayride over 80% of our trips booked and travel are outside of Australia. For example, the northern hemisphere, at the moment, is driving most of our growth and trips.

To explain July's growth I'd like to bring up the graph that we've put in the appendix of our 4C which shows long term trip behavior. It is broken down by continents around the world. July will be up 100% on June. To unpack that you really have to understand where the booking volume is coming from.



The graph on the left shows the historical quarters of our trading by destination of travel. Australia historically has been an important destination for us but we began to push very hard over the last four to six quarters into Europe.

The graph to the right of this chart shows the latest months by destination of travel and you can see the US and EU by comparison to Australia in June. Australia is now less than 10% of our business. And so in July, those trends continue,

It's early days, but it seems to be working for us that Jayride can recover travel volumes by targeting global markets, quite regardless of whether Australia recovers quickly or slowly.

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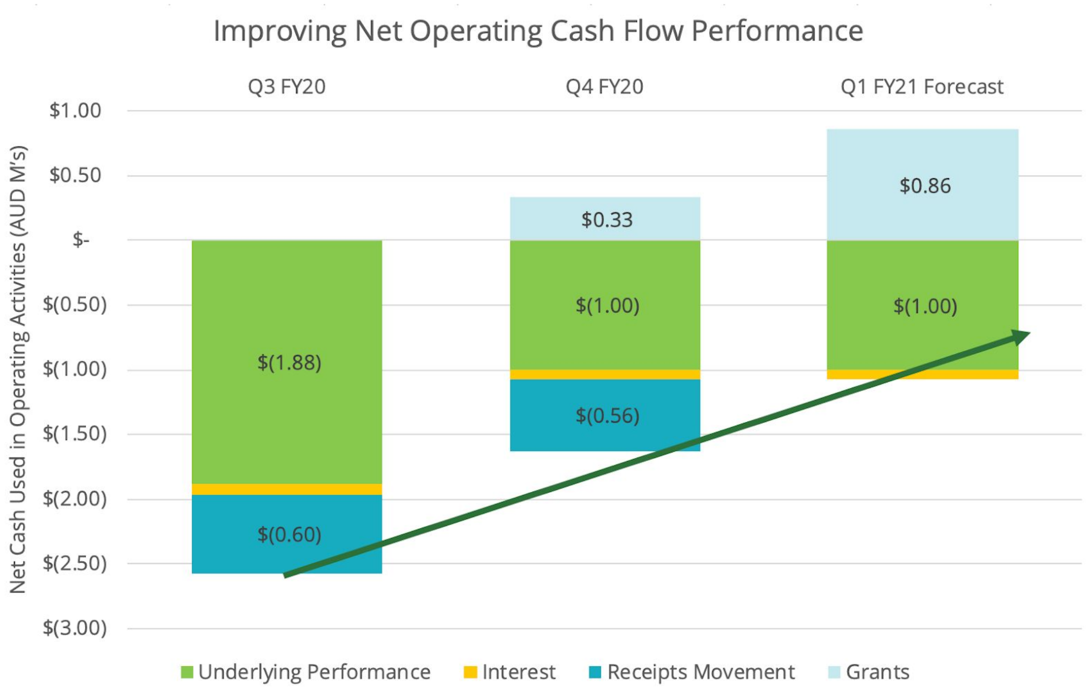
Second, I'd like to explain and simplify our cash movement. So there's a big improvement from the Q3 $2.57 million of net cash used, to Q4 where we used $990,000 of net cash.

Even though trips have fallen by 94% our cash flow materially improved in Q4.

This is because we saw COVID-19 early and in March we enacted $7 million of annual cost savings. $4 million dollars of the savings were across variable cost centers and $3 million were across non-variable cost centers. We were proactive. We went hard and fast and it positioned us to outlast and rebound with the recovery of travel volumes around the world, even if COVID-19 is severe and prolonged. We're starting to see that performance now reflected in our cash flow in Q4.

Contribution margin has also turned positive again in June. Contribution margin is important for Jayride. With a positive contribution margin after all of our variable costs Jayride is generating positive free cash flows on every booking. The fact that we're back to the level of positive free cash flow generation in June is good news. It's a result of our cost savings and we also expect it to continue as we go forward.

Let me help you bridge that into our cash forecast for Q1. We are making the forecast that net cash flow in Q1 will be less than half of what it was in Q4. And we're doing that, even without forecasting an increase in passenger trips. So I want to explain to you how come we're providing that confident signal. To help I want to put on the screen the cash flow bridge graph from the quarterly business review.



So with this cash flow bridge graph, you can see a few different cost categories. Green being the underlying performance of the company, that's revenue less cost. Blue is the receipts movement, which is the difference between our net revenues and our net cash receipts from customers, typically a timing issue. And light blue represents receipt of grants. So to explain each movement in turn:

Underlying performance in green is strongly improved. That's as a result of the cost savings we spoke about.

With receipts movement, typically that's a timing issue. For example prompt collection from a travel brand partner creates a positive movement in our favour. Prompt payment to a transport company creates a negative movement. We like to think of these things as strategic. In Q3 with COVID-19 we took a strategic approach to refund all travelers that were impacted by COVID-19 and that created the negative cash movement. But we viewed it strategically because it allows us to retain loyal travelers. Similarly in Q4 during April we made the strategic decision to pay transport companies for bookings traveled in March, even though the travel brand partners who made those bookings with us, have not yet paid us. So again, that's a timing issue, but we think it's important to take care of our transport companies.

When we look ahead to Q1, the majority of traveler refunds and transport payments from the onset of COVID-19 have been paid. We don't expect another quarter of negative movement here. And in fact, as travel volume recovers, we should begin to collect payments from travelers and that should create positive movements.

With grants, we announced that we expected $1.5 million of grant inflow over the course of Q4, and 1H and I reaffirm that for you today. In Q4, we received the first $330,000 of this, including JobKeeper and other stimulus. When we look ahead to Q1, we expect to receive $860,000. We've got high conviction on that number as it includes things we've done before, for example, JobKeeper and also the R&D tax incentive.

So, accordingly, for Q1, as we make that positive forecast about cash being 50% improved over Q4, we do so on the basis of $1 million cash outflows to operate the business and receipt of $860,000 cash inflows from grants.

This Q1 forecast is even assuming that we exclude cash receipts from customers, although that should be positive as travel recovers. And it also excludes the receipt of aged receivables, or receipt of insurance on those receivables, despite the fact that we do indeed expect to be paid, either by the travel brand or the insurer.

Looking ahead further, Q2, Q3, they still have further grant funding available.

The sum of these movements is that we have several quarters of cash remaining even without significant recovery of travel volume and without considering the draw down on our loan facility.

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Thirdly, I'd like to talk about how we see recovery as having three three facets: Cyclical recovery, reduced competitive intensity and a structural acceleration to online booking.

These are the three things that we've covered in previous disclosures and I just want to quickly reaffirm them.

First with regards to the cyclical recovery. COVID-19 impacts us as travel restrictions come in. Travel is recovering across the northern hemisphere, especially in summer right now.

Second with regards to reduced competitive intensity. We've seen some other businesses in the sector cease trading as a result of COVID-19. Jayride is relatively well positioned by comparison to many other companies in the sector. And what that does for us, is it allows us to increase market share. Even though the market is depressed at the moment we've got an opportunity to build share. We see that as a very significant thing, both now and also in the future, where we have the opportunity to take pole position on a global stage.

Third we see the acceleration potential for moving bookings online as it addresses all sorts of concerns that travelers have at the moment, even more so than usual, whether that's health security or duty of care. The ability to contract a reliable supplier which provides the things they need. Where they want to pre-plan. Where they want the confidence of a ticket and itinerary. And for travel brands it's an opportunity to defend their core asset, to convince travelers to be confident to travel. If, through the addition of a ride to an itinerary the travel brand gets the opportunity to sell additional hotels and flights, then that is a good proposition for our travel brand channels as well.

Our company continues to make progress on all three of these tailwinds and we look forward to providing further updates on our strategies in our August results presentation.

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To close:

First, when we spoke in June, we spoke of green shoots. Despite the noise around the world about COVID-19 since then. I'm pleased to report that the initial, early stage recovery has continued and is expected to continue into July with plus 100% on June.

Second, we see strong improvements to net operating cash flows, even despite reduced passenger trip volume. That is as a result of the cost savings we made in Q3. Bridging into Q1, we expect further improvements to net cash flow.

And third, we see the travel landscape and its impact on Jayride as being upward from here. The bottom was in March and April. We intend to build through June, July, using those three drivers: Cyclical recovery, reduced competitive intensity, and the structural acceleration of the trend to online booking.

I'd like to thank you all for dialing in. That is the formal part of the presentation done and I'd like to now open the floor for questions. Thank you.

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First question: Can you talk about reduced receivables collections in the fourth quarter?

Answer: In summary, we have $650,000 of aged receivables, of which $600,000 was expected to be collected in Q4. We've taken a strategic approach to extending credit terms to some of our big brand partners as they're doing it tough. That's just a general statement. And in a couple of instances we have actually commenced collections activity.

With regards to the insurance. We have insurance on key accounts to a combined total of $900,000 and in the instance where if we thought that collections couldn't be enacted, we are insured for a majority of the outstanding.

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Thank you very much for attending. I can see a number of people on the line here. I hope that presentation was valuable for you.

Just again to recap: Early initial but pleasing signs of continued recovery through July. We see strong improvement to cash flows, even despite strongly reduced passenger trips, as a result of the cost savings. And then the opportunity for us to continue to build as travel volumes recover with those three drivers that we've outlined - the cyclical, the competitive, and the structural improvements to our market.

Thank you all for attending and I look forward to speaking with you soon.

For more information please contact

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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 3,700+ 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.