ASX Announcement

2nd November 2020

Quarterly Business Review Call Transcript

Jayride Group Limited (ASX:JAY) ("**Jayride**" or the "**Company**") the world leading global travel marketplace for airport transfers today releases the transcript of the Quarterly Business Review and Appendix 4C Conference Call held on Friday 30th October 2020 at 9.30am.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Good morning, everyone. Thanks for coming. Just a short call today, as is our practice with high transparency and in the interest of being investor user-friendly, on our quarterly business review and appendix 4C that we've released, and also our top line figures released previously at the start of this month.

For this call, we'll talk about three key items. We will just briefly touch on the top line figures, and then we'll discuss in some detail the positive cash results, and then onwards to talk about our positive outlook for continuing recovery and CY21.

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But first though, before that, our $1.5M capital raise which last week we successfully completed, and opened our $1.0M share purchase plan for shareholders.

Let me start first by saying thank you to all investors who supported this placement. It was a pleasure to have your support and also pleasure to update you on this call. For those who are just now hearing about the placement, the placement was well supported by existing shareholders and also new investors.

Institutional and sophisticated investors took part and it serves as a really strong endorsement in terms of Jayride's execution quality and the strategic opportunity that exists here as we continue the recovery out of COVID-19.

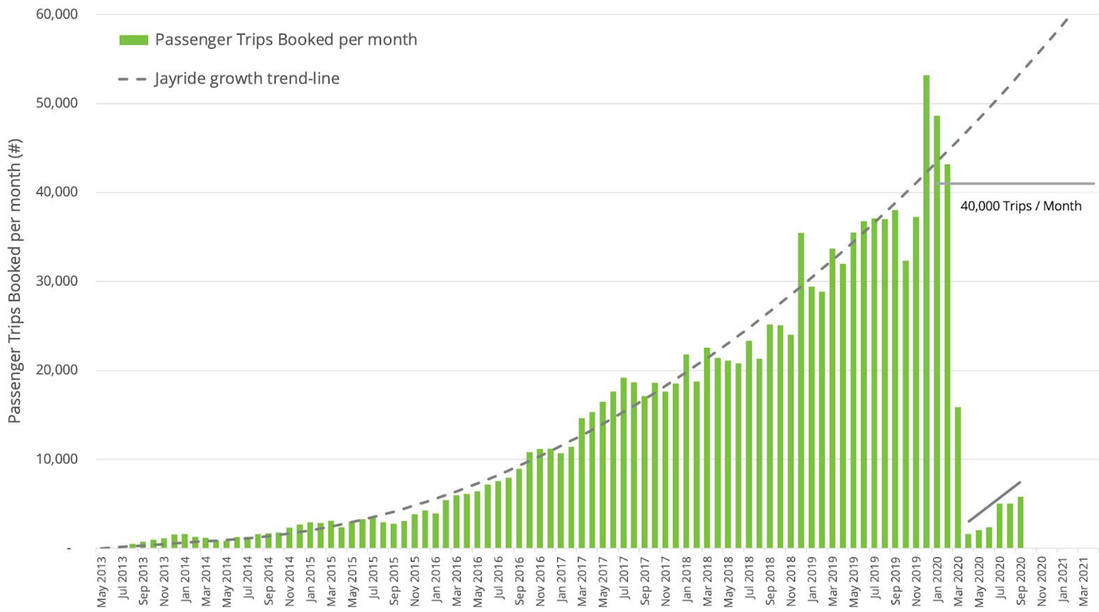
The opportunity ahead is big, and the potential to use this capital to capture market share in the COVID-19 recovery is so immediate, that it was just the right choice to raise funds to deploy at this point – To get on the front foot and secure market share now that we will get to retain as the market comes back into full swing across the course of CY21.

We will talk about that outlook more towards the end of the call. However, it all goes to explain why shareholders have shown their support and have aggressively defended their positions in a placement, and also how the board has elected now to extend that offer to shareholders in the form of the share purchase plan to raise additional $1.0M.

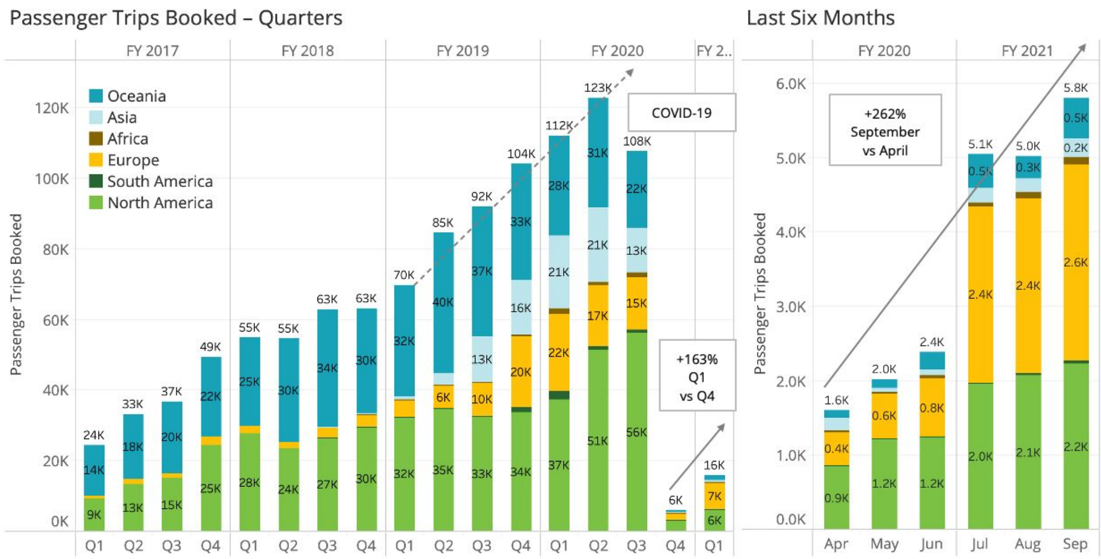
The Share Purchase Plan launched on 27th October, that was earlier this week. Documents went out to shareholders that day, and were also posted in digital form yesterday, that's 29th October, to the ASX. The SPP remains open until 9th November, and is firmly capped to $1.0M. If oversubscribed we will scale back.

For shareholders that are interested, the forms are provided. And if you have any questions at all you can reach out to the company by email at corporate@jayride.com or to follow this presentation, feel free to ask any questions at the end.

On to the result. I'll bring up on screen now the graphs that are presented in the quarterly business review which you also will have a copy of, I'm sure, right in front of you. This first graph on the screen shows the continuing recovery.



This is passenger trips booked we presented each quarter and it shows the monthly passenger trips booked across the five years, showing the long term structural trend that Jayride has been riding; it shows the onset of COVID-19 in March; and then continuing recovery for six months now into September. And so that recovery continues in passenger trips booked across, August, September, and that continues, also in latest trading into October.



The second graph that we can show is those same trips broken down by continents around the world. On the left per quarter, and on the right the latest months. What you can see when you take a look at the destination continents that travelers are traveling in, is you can see expansion across years and what that's done for us lately.

Prior to COVID-19 we had rolled out around the world, which started to build a foothold in Europe and continue to build our business in North America. Now in the latest months, you can see that our business is almost entirely outside of Australia, as we've focused heavily on areas that have open travel corridors. You can see on the right latest trading months, Europe has become a material market for us, as has North America.

90% of our business now is coming from those markets outside of Australia. And, in the months between April and September, that has delivered 262% growth.

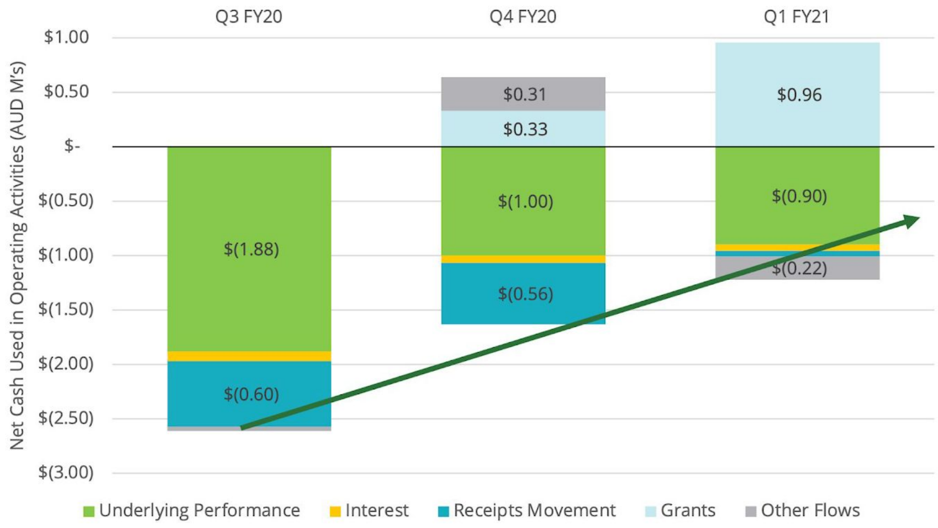
So the bottom is in. The bottom was in April, and we're seeing continuing recovery and can confirm that recovery continues in October.

How that into plays with net revenues and GPAPA is a disclosure consistent with how we typically present in previous quarters. Net revenues and GPAPA are both up quarter on quarter. Net revenue is up 397% quarter-on-quarter, and GPAPA – being gross profit after the acquisition cost of those travelers, gross profit after paid acquisition – is up 209% quarter-on-quarter.

These are the top line numbers we released first at the start of the month and now here with our quarterly business review. Next to report on the cash result, I'll hand over to our CFO, Mr Peter McWilliam.

Peter McWilliam (Jayride Group CFO): Thanks Rod. It is pleasing to see the operational improvements relating to trips shine through in our cash flow performance.

Cash flow was significantly improved over two quarters since the onset of COVID-19 which you can see here at the bottom of the table.



$AUD M's[1]	Net cash flows	Interest	Grants	Receipts movement	Other Flows	Underlying performance
Q3	$(2.61)	$(0.09)	–	$(0.60)	$0.04	$(1.88)
Q4	$(0.99)	$(0.07)	$0.33	$(0.56)	$0.31	$(1.00)
Q1	$(0.26)	$(0.06)	$0.96	$(0.05)	$(0.22)	$(0.90)

You can see that net cash outflows have improved from $2.6M to $260K, which is a 90% improvement. And on the bottom right, underlying cash performance also improved for the second consecutive quarter with cash outflows improving from $1.8M to $900K, which is a 52% improvement.

The key drivers to these improvements since March are as follows. The $7M in cost savings implemented immediately after COVID-19 impacted us, followed by an ongoing focus on eliminating waste. The completion of the payment of traveler refunds, and transport obligations relating to pre-COVID-19 bookings, have also completely washed through at this point. And finally, the successful receipt of grants across Q1, including the R&D Tax Incentive, JobKeeper, Cash Boost, and the Export Market Development Grant. These were the main drivers that contributed to the performance.

One other minor point with regards to the categorization of cash flows noted in the Appendix 4C notes. I'd like to draw your attention to the underlying performance in the table on screen, you can see that it's consistent. We provide both this graph and this table on screen so you can easily understand the underlying performance. These changes that we made with the Appendix 4C categorisations bring it more inline with annual reporting, and if you have any questions about any of the notes, please feel free to ask me a question at the end.

Thanks, Rod.

Rod Bishop (Jayride Group Managing Director): Thank you, Peter. So a very good cash result in particular over the two quarters since COVID-19, and although trips volume is down, cash position and cash expenditure shows improvement.

What I'd like to talk about now is how the capital raise and our current performance bridges into CY21 and what you can expect in regards to growth.

When Jayride talks to how we perceive the ongoing travel recovery we see three tailwinds and we've spoken about these in the past, but just to quickly summarize – the three tailwinds are: The cycle of COVID-19 with net relaxation of restrictions occuring around the world and returns to travel as normal over the course of the coming quarters; the ongoing changes to our competitive market, in which Jayride finds itself very well positioned versus other online competitors; and the ongoing structural trend from offline bookings and haling in taxi ranks, to the online pre-booking of rides, which we see accelerating as travelers are having very high concerns right now around confidence in their travel that we can meet with highly health-secure and door-to-door ride service.

Everybody likes to focus on the first one of those three: The cycle of COVID-19 recovery. And for us, that cycle is business as usual, because it's all about identifying commercial opportunities, and contracting great rates and coverage with transport companies. That's what we've been doing for years and that's what today's landscape looks like too. It looks like targeting travel reopening.

So, for example, North America is still going well, even as headlines about Europe slightly retrace, we find ourselves in a balanced position where we are making as much business in North America as we have previously been in Europe. Next we look ahead to travel corridors opening like Australia-New Zealand, Australia- Taiwan, Japan, Singapore, and we get contracting in those regions. So for us, that cycle is now quite business as usual. And it's also not the most material of the tailwinds which we can focus on.

The material tailwinds to focus on are the ability to capture market share and the ability to bring the offline to online.

In particular, these are the two areas we focus, and are our growth strategy. Thankfully, completely unimpacted by the US election or any of the other macro-volatility that we're going to hear about over the next few weeks. This is something that we can execute today with the funds that we currently have in order to secure market share. So I'd like to talk about that.

When we talk about this ability to secure a market share what we see as the opportunity to gain and capture share now that we will then keep as the travel market resumes in full across CY21.

How this will impact financials is to achieve a high volume of trips so that we should be outperforming the market’s trips recovery.

Contribution is our goal and that should be moving towards our target of $6 per passenger trip booked, building over time. As trips and contributions continue to build, variable costs will increase, but contributions will be increasing faster. Or to phrase it another way, as volume increases, unit costs improve.

As we seek now to deploy the capital, our volume and trips will be driven by sales and marketing, and sales and marketing goals will be about capturing market share both in terms of cannibalizing the taxi rank – that is bringing the offline to online – but also taking advantage of our relatively stronger competitive standing.

Remember our competitive standing. We've got the ability to pay transport companies, and the ability to refund travelers. Other brands that look like us in the market, still even since March, have not met those obligations. This allows us with these relationships to really secure and provide a high quality service, both to travel brands and also to transport companies, in a way that is at the moment unmatched in the market.

Right now this is about the leverage of that competitive standing. Deploying funds – acknowledging the macro environment, in a measured way – into sales and marketing. This is an investment in capturing market share.

This is the subject of the capital raise. This is proven out now with a great endorsement from the institutional and sophisticated investors who participated in the placement, and available now to shareholders in the share purchase plan.

The very specific thing that we're doing with the funds is to follow a very straightforward path, very close to core play that Jayride has been making for years. That is a focus on B2B business development of new travel brand partnerships, supported by our product and technology. Giving travel brand partners the opportunity to turn-key the world of transfers. And whereas they previously might have had another alternative to use Jayride, today Jayride is a superior solution. Alternatively if they haven't previously had a transfers solution, bringing them into transfers as an opportunity for the very first time.

It's an opportunity to out-compete in B2B sales and marketing and it's also an opportunity to out-compete in terms of our product, and product marketing. By that I mean: Our membership system that we're building, which we showcased at the AGM, the traveller retention which that system will bring; the conversion optimization through better rates and coverage at reopening destinations; and that low cost of customer acquisition through enhanced organic search rankings, for example on Google.

We're newly capitalized, so we get to expand our vision now. What it's about is executing on those growth strategies now, regardless of what happens in the cycle of COVID-19 because we have, quite despite that, and perhaps even because of it, a parallel opportunity to capture share and bring the offline to online.

So what we're doing is achieving a significant improvement to market share both offline and online. And more importantly, it's the ability to maintain that market share as the travel volumes recover over the course of CY21.

So it's an enormous and timely opportunity. We're on the front foot now and we have a positive outlook with regards to the calendar year upcoming.

Ultimately, what can this achieve looks like Jayride in a position relative to other online competitors, where we can secure true market leadership. The share we acquire now as volume returns will give us real scale and dominance to be a global strategic leader and rides for travelers. Where simply that travel brands and transport companies prefer to work with us. It gives us the buying power, the brand power, the scale and the systems that makes it so easy for travel brands to turn-key the entire world of transport. And for every traveler to find every ride.

It’s a really immediate and interesting opportunity to secure share and to bring the offline to online, to go from now and looking forward, to deploying those funds over the course of CY21.

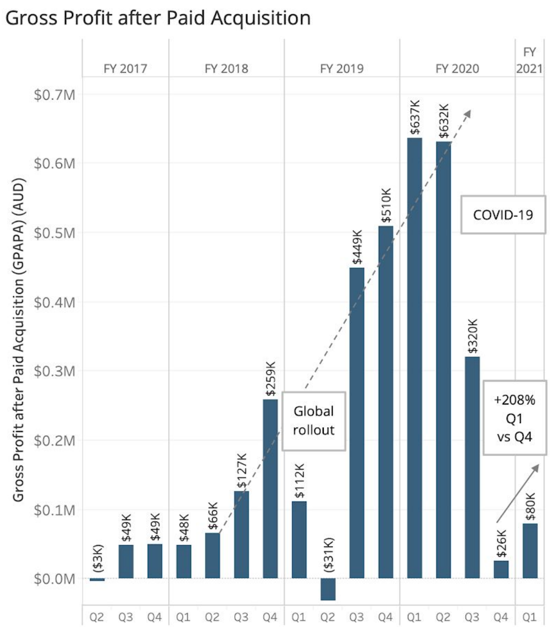
That ends the formal part of the presentation with the three key points that we wanted to cover, covered. That is recapping the top line financials; the strong and positive cash result; and the improvements over the course of Q1 FY21 and positive outlook for CY21.

I'd like to open now for questions.

James Tracey (Veritas Securities, Analyst): Yeah, hi Rod. It's James Tracy here from Veritas. One thing that struck me on the slides was the GPAPA margin. So dividing the GPAPA by the net revenue in the first quarter and I got a margin of 77% which compares to 57% in the prior year. Essentially just dividing the $80,000 on the right hand side by the $104,000 on the left. So that's it.

You know, that's a pretty substantial improvement in the margin. I was hoping you could explain the drivers there and how margin will evolve as some of the trips and the revenues come back to a more normal level?

Rod Bishop: Okay, thank you, James. Very good catch and very important point. You're right. We are pleased with this. I've put the graph on the screen now for everyone to see. This is the graph that James is referring to in the quarterly business review.



It shows net revenues for the quarter of $104,000, and GPAPA – that is gross profit after paid acquisition – of $80,000, and so cost of acquisition being the difference at $24,000.

That is a good result that is a higher margin than we've had in previous quarters. So what's driving it? Is it going to be maintained? A very interesting thing to talk about.

The first thing is that in pre-COVID-19 landscapes we were investing quite a lot more in terms of paid acquisition than we currently are. For example, prior to COVID-19, we were investing and paid acquisition, now, not so much.

What we had also, pre-COVID-19, was we were just starting to crack into organic search traffic and organic acquisition. What we find in today's landscape is actually that organic acquisition has been retained, even though we're not currently advertising in paid channels. To say the same thing another way, our search engine traffic and bookings used to be driven by a mixture of paid and organic, and now it's entirely organic.

Obviously that then has a really good flow-on effect to our cost of customer acquisition because organic traffic is the cheapest traffic there is. As we look forward, we're going to maintain a higher organic-to-paid mix because we've had time in the market now and organic traffic has really built up.

So as we start to see that COVID-19-recovery come through, we should start to see continued pick-up in terms of travelers through organic traffic sources, and will be still more cautious to turn on paid ads to support that.

The second thing to talk about here is travel retention. We've retained travelers across the course of COVID-19. And of course retained traveler acquisition is cheaper.

As the COVID-19 recovery continues and the travel market continues to recover we're starting to see those retained travelers come back. They're yet not traveling as often as pre-COVID-19 days, but they are still here and still retained. And so again, that traveller retention gives us the opportunity to continue to improve our GPAPA margin.

To bring it all together. When we talk about achieving a contribution of $6 per passenger trip, a lot of the way to achieve that is through really effective customer acquisition. Customer acquisition cost is a material cost, and by really optimizing it, that's a very quick way for us to get to that contribution goal of $6 per passenger trip and become cash generative on a really low number of trips.

James Tracey: Yeah, that's, that's very interesting Rod and and you also mentioned the customer loyalty piece. At the AGM you did that demo of the sort of value that you can provide your travellers when they sign in. You can leave your card details in there and it's a lot more seamless if you want to book future rides. I mean, how's that, how's the sort of roll-out of that going, and what are you planning on making it widely available?

Rod Bishop: Thank you, James. Again, very, very important point for everyone. And especially if you weren't able to attend the AGM.

We demonstrated at the AGM our upcoming membership system. And we've disclosed that this quarter that we're releasing the first release of that system.

Membership is a really common travel online travel industry feature. It is the ability to login to a travel platform that says, you know, “Welcome back. James, we know who you are, here are all your previous trips, here's your standing discount, thank you for being a loyal customer.”

It's in many ways, kind of a hygiene thing that other travel brands have and that travellers expect, whereas we hadn't previously focused on it, because we've been focusing on global supply dominance. Now that we've got global supply dominance, it's about bringing home those features that the travelers expect, including the ability to be welcomed back, to remember previous rides, these sorts of things.

And so the first components of that are due for release this quarter. What it's going to do for us is it's going to continue to have us double down on that traveler service for high customer satisfaction scores and loyal travelers that are retained and keep coming back.

The kind of features that James mentioned – it's all the things that you expect in a travel system – where you can log in, that saves your credit card, it remembers your trips, and ultimately, it can get you down to a very low friction transaction where – as we showed at the AGM – you almost have “one click to buy” because it remembers who you are, remembers your preferences, it's got all the detail saved, one click and you're done.

That's again due for release in terms of the first components, to be released this quarter. And we get to then continue to build on that platform across CY21

How should it affect the financials? Over the course of history we've built our passenger trips per traveler for in any six month stretch. We’ve built up from four trips per traveler, all the way up to 6.2 trips per traveler. We've actually maintained six trips per traveler across the course of COVID-19 – Fewer travelers, same amount of adoption each. This membership system is about our journey to get those trips per traveler up further.

You know, when we think about how high that can go, you know, there's really no limit. Certain travel buyers in a recovered market are traveling frequently to and from airports. And, even forgetting about the airport limitation in a long term view, all trips around the city could be Jayride trips. And so long, long term, this provides a really solid foundation for us to get more trips per traveler up past single digits, all the way into double digits and beyond. Membership is the foundation stone. It's something we're looking forward to releasing just now and then leverage for the rest of the calendar year.

James Tracey: Yeah, that's, that's very helpful. Right. Last question for me really as I understand the trend from the the taxi rank towards pre-booking as, as you've mentioned, do you have you seen any surveys already, or data on preferences for pre-booking online service in a Jayride-type arrangement versus an instantaneous ride-hailing thing with the customer coming to the airport getting on to Uber, versus sort of booking. You know, is there any information you've seen about people's preferences for those two options?

Rod Bishop: There's two things that I'll point to, one internal, one external, but first I would just kind of outline that ridesharing services are a very popular option on Jayride for pre-booking. For example, Lyft is one of our top suppliers; Gett and Grab are alike suppliers across Europe and Asia, respectively. We also just released Ola, which is a major Indian ridesharing network. So ridesharing, it works as supply for us, just like everyone else.

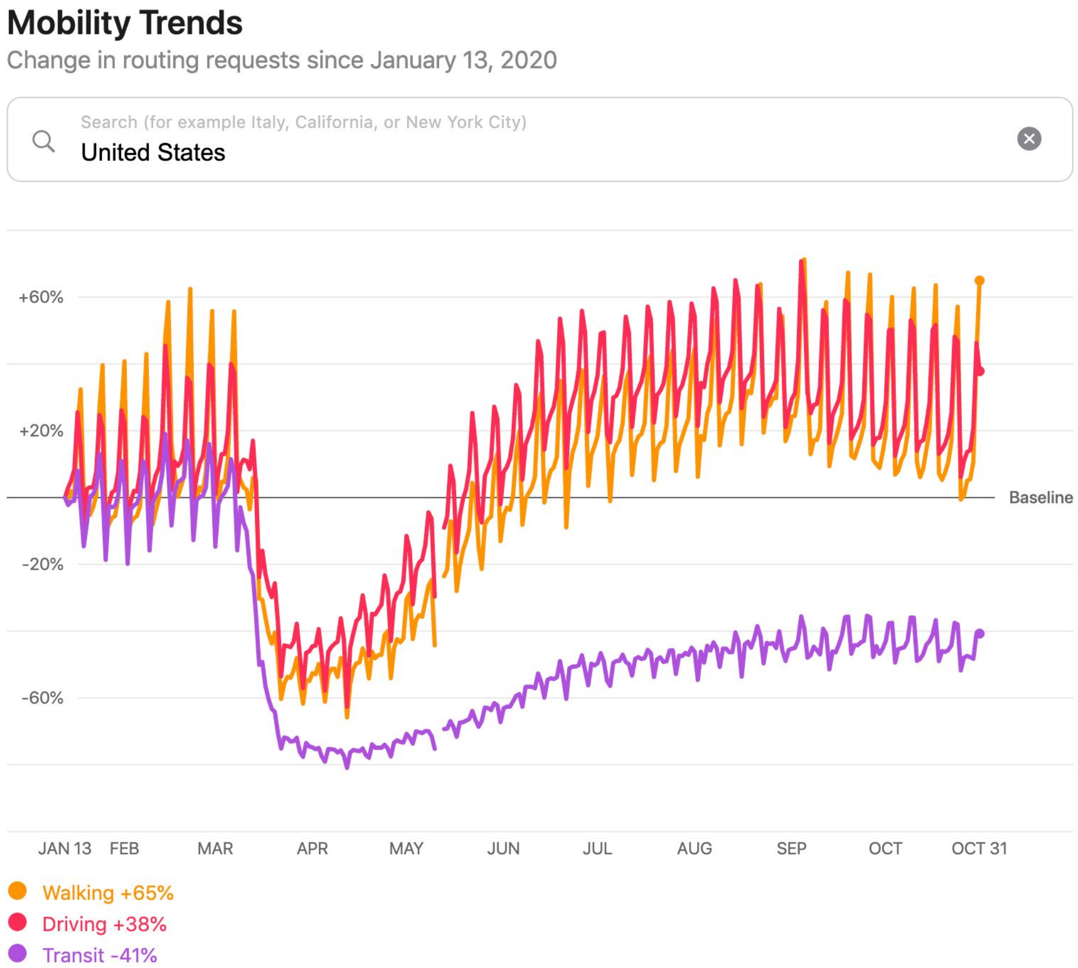
In terms of them kind of two data points just to consider changing user behavior, one internal, one external. Internally, the thing to be looking for is as we report new partner sign ups. It's the new travel brand partners that have come on the Jayride platform. Especially in terms of travel brand partners that have never previously had a transfer solution. So that, that's speaking to travel industry adoption of the pre-booking of rides.

You can see that at the small end of town where there's a number of new travel partners joining Jayride, in our last half yearly disclosure, which had never previously had a transfer solution. We're going to continue to onboard those new partners this year.

You can also see that the big end of town with both Expedia and Booking.com recently deployed airport transfers tabs to their homepage. And so we have some business through those brands, and we get to continue to build the business through those brands. They've got a very new strategic outlook on transfers. It's an important vertical for their travelers, just because it builds, you know, confidence in today's landscape of COVID-19 when you've got a door-to-door ride waiting for you with your hotel reservation. So, very good, very strong industry adoption there and it's the thing that we can talk to with regards to the travel industry adoption.

With regards to kind of a broader macro of how travelers are choosing ground transport at the moment, the most holistic view actually is Apple Mobility[1], they published some really interesting stats in terms of public transport versus private driving type modality choices.

[1] https://covid19.apple.com/mobility



What you see around the world as highly consistent is that private driving and private vehicle use has stepped right back up to Pre-COVID-19 level whereas public transport use is significantly depressed.

And it's funny that the same regardless of where you are, even in New Zealand, which has essentially no virus, public transport has not rebounded to pre-COVID-19 levels. What it's showing me, what it should show all of us as we investigate and interrogate this thesis with private rides and door-to-door transport, is that travelers don't feel comfortable at the moment on shared modalities.

They want to have an exclusive use vehicle. And so, Jayride is here offering exclusive-use private driver services around the world, and the traveler, who might have otherwise have had the choice to hop on the highspeed rail or the public bus, is now going to try to opt into that private modality, which is the thing that Jayride offers. Maybe not specifically about ride hail, this is about any private ride vs shared bus and other modes, but they're all compliments, they're all substitutes.

And so we get to, essentially, it's kind of cannibalizing those shared modalities as much as any other.

James Tracey: Yeah, I think it's interesting that point you raised about Expedia and Booking.com recently adopting a tap the tabs for booking transfers. And understand that you are a provider to them. So, you know, a certain proportion of people that, you know, use those tabs will end up booking through Jayride. I mean, is there a way that you can ensure a greater share of that volume? That's presumably, it's a very, you know, very high volume channel.

Rod Bishop: Yeah, it's interesting. It's like a reasonable volume channel, but I would still describe it as quite nascent. These are new offers from Expedia and Booking.com so they have yet to really throw their weight behind it. When we look at that opportunity we go after it three ways.

One, just a really tight relationship with these brands, so that they know that they can source their global supply from us. Two, making sure that we're providing anything that we know about the transfers market – noting that we've been in it for eight years and they haven't – to those brands to help them continue to build their business, you know, insights about how, for example they can help their traveler conversion funnel, you know, we're we're engaged at that strategic level with the brand owners at each of those brands.

And then thirdly is just watching quote volume and optimizing rates and coverage. So wherever we see, for example, that Expedia needs some new prices and needs some good services based on high volume demand at certain destinations and certain hotels, our transport contracting team are going out contracting ride service companies that really want to deploy their rides onto Expedia and offering them the ability to do so.

Bringing them on to the Jayride platform, bringing on their prices and their services, so that those travel brands can consume those services and just, you know, helping to bridge, as we always do, the travel industry and the transport industry.

So these three things to me are really good ways for us to continue to build – even just as an inside sales channel – our current relationships with those accounts and then also to sign new accounts because you know where Booking and Expedia go, so too does the whole online travel industry. They've set a very, very interesting example right now, and we see many, many brands following suit.

James Tracey: Yes. Very interesting. Thank you. Thank you, Rod.

Rod Bishop: Thank you everyone for attending, and thank you especially to all shareholders who participated in our fully subscribed placement. Now, with which we get to go and capture market share and build a great business that continues to accelerate out of COVID-19.

Key Results in this quarterly business review show a continuation of recovery, show strong cash performance, and really give ourselves a solid layup into CY21 where we get to expand our ambition to deploy funds, capture market share, and bring the offline to online. We're looking forward to continuing to keep you up to date across coming quarters with regards to these trends.

And then as a final note, just with regards to the share purchase plan, which is currently open: If you have any questions at all about making a subscription into the plan, you can reach out to us at corporate@jayride.com.

The SPP offer is open until 9th November, and is firmly captured to a maximum of $1.0M of additional funds to bring our total capital raised to a maximum of $2.5M. Any questions at all, we're here to help.

Thanks very much for attending and we look forward to speaking with you soon.

End of transcript

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 the world's leading publicly listed airport transfers marketplace, where travellers compare and book rides around the world. With Jayride.com, travellers can compare and book with 3,700+ ride service companies, servicing 1,600+ airports in 110+ countries around the world, including the Americas, Europe, Middle East, Africa, Asia and the Pacific.

The Jayride.com platform aggregates ride service companies and distributes them to travellers at Jayride.com; and via travel brand partners including other technology platforms, travel agencies and wholesalers. These travel brands implement Jayride APIs to sell door–to–door ride services that build traveller confidence and defend their core travel business.

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.