ASX Announcement

30th April 2021

Quarterly Result 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 Presentation held on 29th April 2021 at 9.30am AEST.

Start of transcript

Rod Bishop (Jayride Group Managing Director): It's a world of opportunity ahead. Our recovery and the global travel recovery has started and has a long way to go, and we expect to see more profitability than ever, given what we've done and what lies ahead.

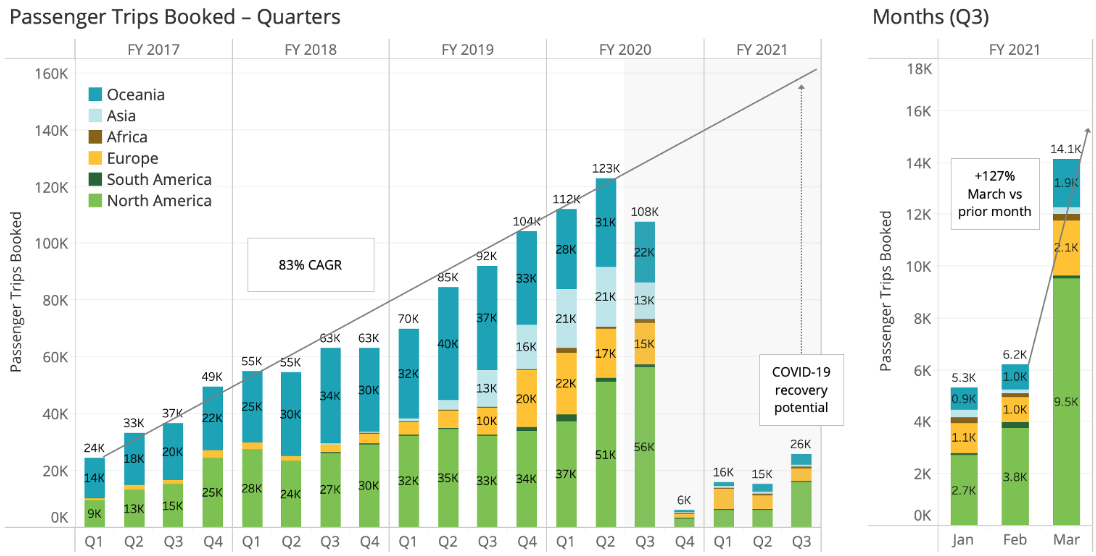
When we started this year we outlined the world of opportunity. We outlined three tailwinds and what the recovery would look like, and we start to see promising initial signs of that in March as the global travel recovery gathers pace.

And more, we focused on build during the pandemic, especially building out our contribution margin and our operational gearing, and we start to see that initial early pay back in March, with far more to come.

Today, i'm going to talk about three things. One, to talk about the recovery, how we see it today. Two, to talk about that deliberate strategy to focus on margin, and what that means for our current financials. And then three to talk about what we expect from here.

First up, that recovery continues and it's real.

Since we last spoke, North America in particular, on the back of advanced vaccination programs, has a domestic and regional travel recovery well underway. And we can see that in growth in trips up 69% versus prior quarter, and also growth and revenues outstripping trips up 76% versus prior quarter.



It's important to understand that growth in revenue will outstrip trips going forward on the basis of normalization of cancellation and refunds.

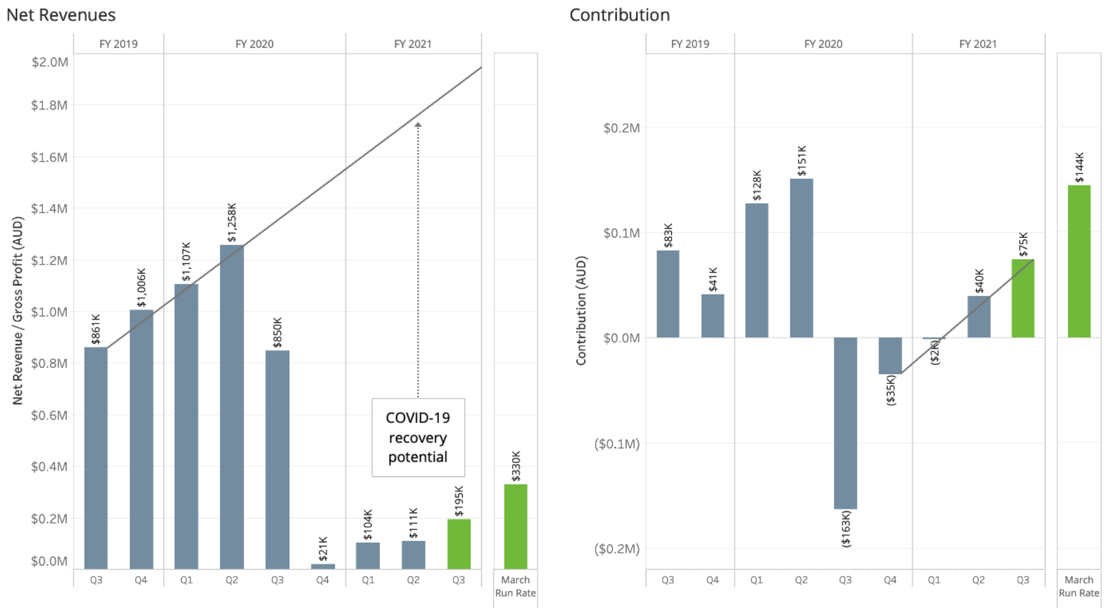
As we've been waiting for that recovery we've used the time productively. So, second is to talk about that operational gearing.

Towards a new sustainable low cost base we're focused on technology, enhancing operational processes through building automation, and building traveler self service.

It's a deliberate strategy and starting to show results, just early results, you can see them in the key numbers: Margins expanding to all-time highs of 38% contribution margin on revenue, building across the quarter to 43% contribution margin in March. And so, for illustrative purposes, March contributions are right back to pre-COVID levels.

That's as much profitability as we've ever had before, despite trips recovery still having 400% to go.

Further margin expansion is ahead: Through further trips recovery, as refund rates continue to normalize, as scale benefits continue to come through, and as we continue to get travelers to adopt our new self service culture on our new membership system that we've launched in December.



With those margins in mind, I'd like to hand over to Peter to talk about the result.

Peter McWilliam (Jayride Group CFO): Thanks Rod. It's very pleasing to see the key performance metrics moving in the right direction with passenger trips up 69%, net revenue up 76%, and contribution margin at a record 38%, and finishing even stronger in March at 43%.

As Rod stated we've used our time productively and are now beginning to see the early rewards on the hard decisions that we made.

With respect to the Appendix 4C headline results: We deployed $550,000 this quarter to continue to deliver on key operational metrics whilst also retaining latent capacity to capitalize on the recovery. We invested a further $301,000 to enhance the platform for scalability and improve unit economics. The total cash movement for the period was $828,000.

Looking forward: We expect cash receipts to materially increase as booking volume returns to pre pandemic levels, this float was $1.2 million at the start of the pandemic. Cash outflows to remain at the same level, with latent capacity retained across the pandemic, and ongoing automation providing opportunity to run leaner. Required breakeven booking volumes are expected to continue to improve as we enhance contribution margin.

To capitalize on the opportunities in front of us, we have available cash resources of

$1.43 million and debt headroom of $1.0 million being topped up by $520,000 of grants and tax incentives, and up to $1.2 million of advanced bookings cash flows. We believe that this is sufficient resources to capitalize on the opportunities in front of us.

Back to Rod.

Rod Bishop (Jayride Group Managing Director): Thank you, Peter.

This is the start of demonstrating the kind of result that we have said was coming.

And so the important question is, what happens next. You know we're looking for continued gains both across trips expansion, as we head back to those prior highs 400% growth from here, and also margin expansion, as we continue to realize the scale benefits and leverage the work that we've done across the pandemic.

So I mean the real question is, am I calling 400% growth from here? And for clarity, yes I am. We don't see any reason why we won't return to a previous pre-pandemic trend, and do so at a higher margin level than we've ever had before.

To explain this and kind of unpack it for you there are three things I would talk to. One is scale and how we see that manifest. Two is that sustainable low cost base and why we truly believe it's sustainable into scaling. And three, to put this into a financial context for you.

So first, scale. There are three tail winds: The relaxation of COVID restrictions, the decimated position of our competitive market, and the structural acceleration of online booking of rides in the travel industry.

In the relaxation of COVID restrictions we're well positioned geographically for this recovery. US regional travel is open. The top international travel corridor in the world is US to Latin America, which is one of our top corridors. US domestic travel is back to 66% of pre-pandemic. The UK has announced the potential resumption of international travel starting as early as 17th May, just weeks from now. High vaccination rates across the northern hemisphere would support expectations of continued recovery into northern hemisphere summer in Q1 and Q2. Also, the trans-tasman bubble has launched 19th April and we were receiving our first bookings on that since the announcement date on 6th April.

To be very clear we're a global business and we're trading globally on these opportunities. We are already driving our growth from these, and as they continue to open up, we expect more to come.

Second is that, you know, distressed – I would even say decimated – competitive market, which as I have outlined in the past: This is the year we win the market.

Our strategy has been all along to increase our relative market standing in order to win share, and for this we've taken deliberate action. We've paid transport companies the money they're owed, we've paid traveler refunds in cash. These things are not common. Compared to other alternatives in the market that might be providing transport aggregation, this strategy is leaps and bounds ahead.

Consider being a company that hasn't been able to do that. You are now 13 months delinquent on transport payments and you have travellers with credits outstanding, such that your next six to nine months of travel bookings will all be credit, not receiving any real further cash inflows. With what money do you expect to make your transport companies whole? And the transport companies notice and so, you know they're not super-inclined to provide good service to you. It's a tricky situation if you were in it, but Jayride is not.

We've navigated this well, and we've met all those obligations, and it provides us an ability to leapfrog the market to increase our leverage to the upside of this recovery.

This is primarily an organic opportunity for us, but also, I would say we're potentially looking to complement that with inorganic opportunities if they would make sense.

Lastly, then just that structural acceleration, that "cannibalizing of the taxi rank", the bringing of offline to online. We've talked about the increasing strategic importance of traveller confidence and the way that it's manifesting across online travel agencies is that they want to go all-in on service and door-to-door Is the ultimate value proposition.

If we can be offering the large travel brands the ability to package hotels with door-to-door transfers then, that has a higher service proposition than ever before, for today's new COVID-cautious traveler.

We can see that in the result, and it's worth calling out just a small piece of our data, that of Booking.com and Expedia. They have been travel brand partners of ours for a long time, and in March their booking volume with Jayride each has already exceeded their pre-COVID levels.

This is how we see growth coming through and it's going to hit us in a position where we've got a sustainable low cost structure. And we've retained our ability to scale.

We have the infrastructure in place to trade with this profitability at 400% of today's scale. To give you an example of that – we have worked example from our customer service team coping with a 120%+ month-on-month increase in booking volume in March. Our customer service leadership team was in place, our customer service team had spare capacity. We were able to flip part-time team members full-time, we were able to recruit, we were able to, in recruiting, use our knowledge base and all of our retained articles to rapidly onboard new service agents. And so we are able to eat up that 120%+ increase, that growth, still with high service levels and great travelers satisfaction throughout.

Not every company can do that, and it's on the basis of the retained skills and retained knowledge and retained systems that we've kept throughout the period.

So these cost savings are sustainable, both in terms of things that we've retained and which we don't need to spend to rebuild in order to scale up, and also in terms of the improvements we've made to technology-driven process enhancement, automation, and self service.

Foremost amongst that, our new travel membership system which we launched last quarter is the foundation stone of our new traveller self-service culture. It brings better user experience and also brings savings on costs for customer support to provide high quality service to our customers.

Just to put this into a financial context to close. With our trips volume where it is, it can grow 400% and still be in a realm that we're comfortable with.

Revenue. As that trip volume comes through 400%, revenue will outpace trips recovery, on the basis that cancellation and refund rates should go back to normal as travel policies stabilize.

Margins will continue to expand. Both in terms of leveraging the systems that we've built, but also simple scale benefits and what it's going to allow us to do is bring back paid acquisition to further accelerate that growth engine.

Even with that paid acquisition, we still expect margin expansion to continue to 50% contribution margin.

In conclusion and just to be very clear, we're comfortably looking at being a larger and more profitable company coming out of COVID.

That's the world of opportunity ahead as recovery has started and has a long way to go, we're set to be more profitable, given what we've done and what lies ahead, than we've ever been before.

I'd like to thank you all for attending. That is the formal part of the presentation completed, and now to open the floor for Q&A.

James Tracey (Veritas Securities, Analyst): Hi Rod I've got a question for you just around the contribution margin.

I thought it was pretty impressive that in March, the quarterly run rate contribution was actually higher than what you delivered on average throughout 1H FY20 – which was the highest ever period in the company's history, and it was pre-COVID as well – but that was done with 60% fewer passengers.

So i'm just wondering if you could unpack how you managed to achieve that and then talk about how sustainable you think those higher contribution margins are.

Rod Bishop: Thank you James yes we're proud of this one. Margin back to pre-COVID run rate levels, despite trips still having 400% recovery ahead to hit those same passenger trip levels, is as a result of the deliberate strategy we've taken through COVID. We haven't been able to control market size, but we have been able to focus and take a disciplined approach to cost and efficiency.

Considering the life story of Jayride, the first eight years of the company were about building dominance globally in terms of transport aggregation. And then subsequently two years spent building that transaction engine to yield real economic benefits. This is how, with the effort that's gone into that bookings engine, we are starting to realize that margins gain.

To talk about the sustainability of it – it's sustainable, absolutely. That is as a result of the booking engine that we always needed to have, now materialized.

The way that it functions is simply through more automation, more systems, more processes, all dependent on technology and our work as a technology company, leading to better traveler experiences, more traveler self-service, and lower cost for all transactions. It's that operational gearing piece that we've been building for years now materializing.

We weren't able to see the economic benefits across the last 12-months because the industry was on such a depressed volume, but now as that volume comes back you can see the benefits that we've built.

With the forward outlook of this, you know operational cost per traveler will only decrease from here in terms of still-further scale benefits and still further systems and self service that we're focused to build. And what that's going to allow us to do is bring back paid acquisition and still realize a 50% contribution margin at that scale point.

You can start to see that now, in the numbers across this quarter, and also especially across March.

James Tracey: Thanks Rod and the other thing is you've sort of been going on about industry consolidation, for a long time, and you know haven't really seen much of it happening. But yesterday, I went on to the Hoppa website, which you know previously was your biggest competitor, and I tried to book a trip and it didn't work, and then later found out that they've entered into this scheme of arrangement so you know it's finally happening. What do you think that means for you guys?

Rod Bishop: Yeah thank you James, um yeah that’s right. What we've talked at length about is the fact that we are in pole position to win market share, that there isn't an 800-pound gorilla in transfers aggregation in the world, there are a handful of smaller players, amongst which only Jayride is public and listed with access to equity capital.

And, that we've started to use that advantage from the placement in October last year to put more fuel and our tank and and keep accelerating and keep gaining share, even while alternatives in the market haven't been able to make transport payments or traveller refunds for thirteen-plus months.

And that's having the predictable effects in that we're able to deploy money into winning new business, whereas you know the other brands, maybe can't necessarily look forward and see stable cash flows let alone ability to invest.

You know, if you're a brand who hasn't paid your transport companies, that's the lifeblood of transport aggregation. They've got to know that they can trust you. And if your travel brand in general hasn't paid traveller refunds yet then you've damaged your traveler proposition too. It's hard yakka if you damage those relationships, whereas Jayride has kept them whole.

The only thing that we can say is that going forward we expect to win more exclusive relationships will travel brands and transport companies than anyone else can compete with. And ultimately, then just outperform everyone else in the market.

Ultimately it's market share gains, we believe at the moment it's best executed organically, but we're – you know, again – open to potential inorganic opportunities also, if they make sense.

James Tracey: Was it that Hoppa had a number of partnerships with other travel companies that have, you know, package holiday companies and stuff like that, I mean have you been able to pick up any of those relationships with any of those brands.

Rod Bishop: Well, I mean specifically with Hoppa I should emphasize that we are a supplier for Hoppa, and Hoppa is a good partner to us, and so it's not about winning business specifically from Hoppa. I accept it's an interesting game, it's an interesting dance because it's a game of supporting them, but also you know if there's new business out there to win, go and win it.

So no we haven't been specifically attacking Hoppa. Rather just in general, there are travel brands out there that are dissatisfied and letting their current transport aggregator go in favor of, for example, us. We have a strong financial position, and still have that comprehensive supply, and a track record of giving refunds.

James Tracey: Okay, thank you Rod.

Daniel Broeren (Watermark Funds, Portfolio Manager): Just following on from that question and you know, do you think it's time to start to push forward with some more business development capability in, say, Europe and maybe the US to try and take advantage of these opportunities?

Is it, I mean, I know this setup that is helping us to sell is fairly fresh, but is that something that you think the board would consider?

Rod Bishop: Yes, the proceeds of our October-November capital raise were very explicitly for exactly this, which was to deploy incremental resources into winning new business in both the US and Europe which are both core markets for us.

And so, absolutely, winning B2B travel brand's bookings – New brands, and also increasing our share with existing brands across those markets – has been core to that strategy. And it's you know, a couple hundred thousand dollars of incremental cost that we've deployed into that so far, since that placement.

The way that it manifests is more business development hours and more product hours in order to do those integrations and win those new channels, so the travelers who find those brands, ultimately, book our supply.

With regards to when is the right time to still further open up – we're just playing very carefully, still in the tail end of this pandemic, just to make sure that we're trading well. Cash is king for now and so we watch and play a very prudent and careful game.

Jayride is in a position to win this market through being the last man standing. Further acceleration is part of this, but also really carefully minding cash resources is another part of it. And so, for now, it's a softly-softly approach. But at some near future point you could imagine that would be time to put the foot down and accelerate.

Daniel Broeren: Thanks.

Michael Brown: Okay Rod, if there is no further Q&A on this call clearly we'll be very happy to take questions offline. Rod I will come back to you for closing remarks, please.

Rod Bishop: Thank you everyone for your time and your interest in watching our story.

Today we are only at 20% of pre-COVID trips volume but we've already printed margin back to previous pre-pandemic levels.

And so, as that recovery continues, margins will go higher than ever before.

We look forward to sharing that with you in future quarters. so with thanks and we look forward to keeping in touch.

End of transcript

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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

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