ASX Announcement

28th February 2022

1H FY22 Results 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 1H FY22 Results Presentation investor conference call held on 24th February at 9.30am AEDT.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Good morning. Jayride is pleased to present this 1H FY22 interim report, which shows Jayride as a fundamentally improved and more profitable company compared to pre-pandemic.

Today, with raised ambitions to major milestones beyond the recovery, and an exciting future for 2H FY22 and years ahead.

Our results show strongly improved contribution profits, up 828% versus the prior corresponding period. Winning market share in Europe, and well positioned for more to come. And a strong balance sheet, with no debt and sufficient cash to fully fund our growth ambitions.

Good morning, thanks for coming.

Starting as ever with an acknowledgement that we're at the tail end of the pandemic. November and December were choppy with Delta and Omicron respectively. This changed trading conditions during the period. We took it in stride, and consistent with our strategy throughout the pandemic, focused on improving our business for future growth and scale.

Now, I say we're raising our ambitions. Investors will want to know: Why now – Upon what foundation stones are we building that cause us to raise our ambitions today? Where to – The ambitions expressed as milestones, what are they? And then lastly, how are we going to get there?

So on today's call we're going to focus on that. We will very quickly cover the result itself and then spend most of our time talking about those raised ambitions milestones and our outlook.

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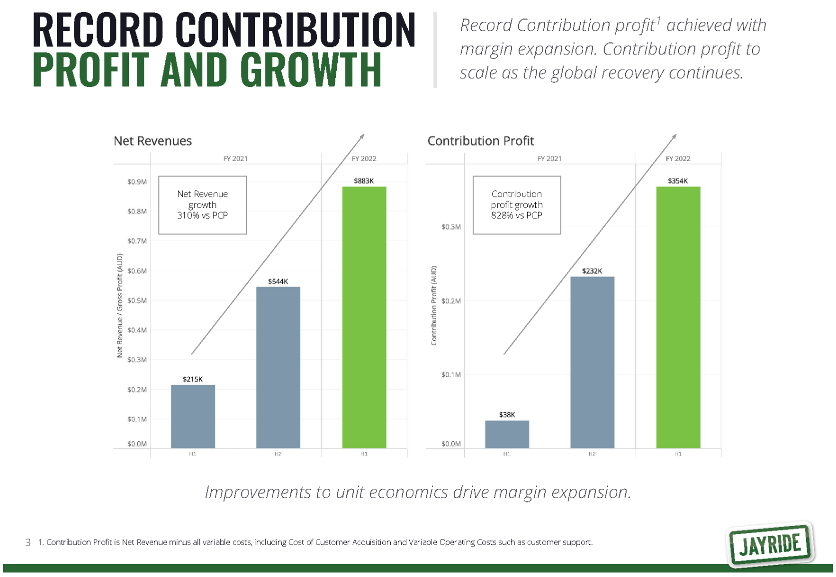
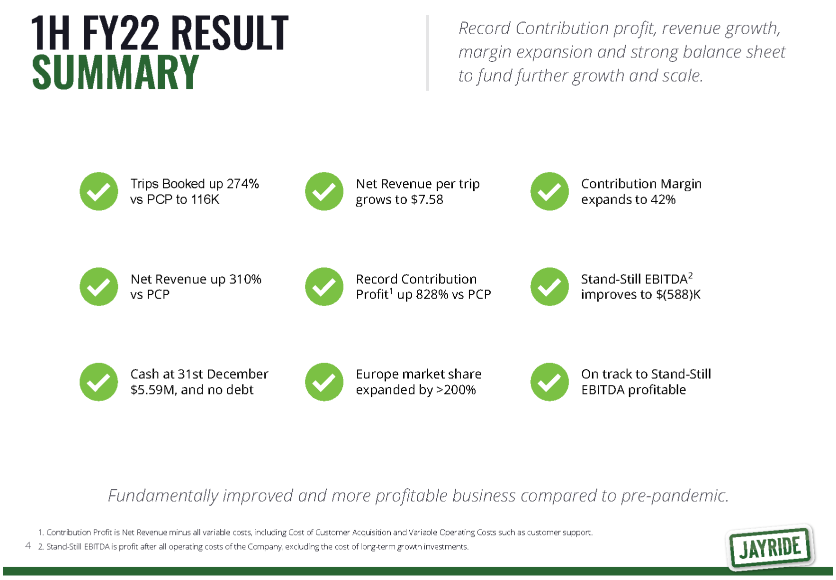
Starting with the result.

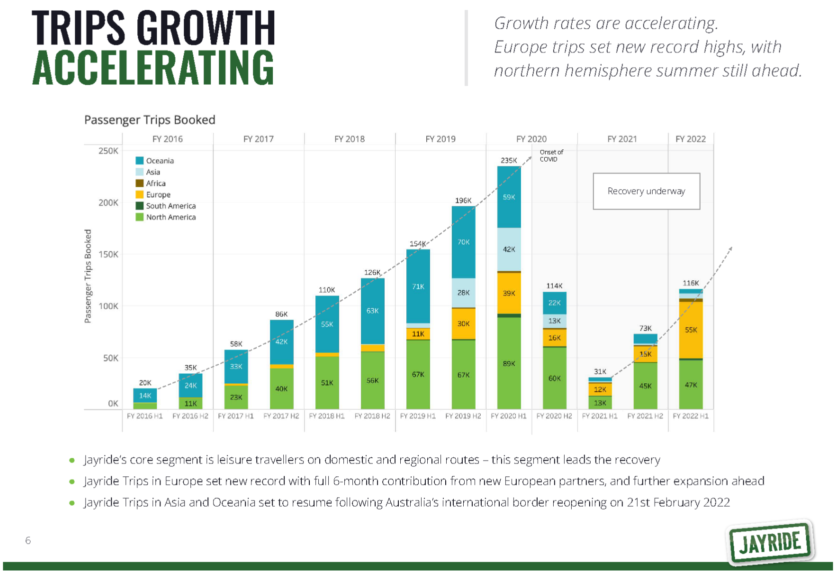


Net revenue and contribution growth were up 310% and 828% respectively versus the prior period and that growth is set to continue.

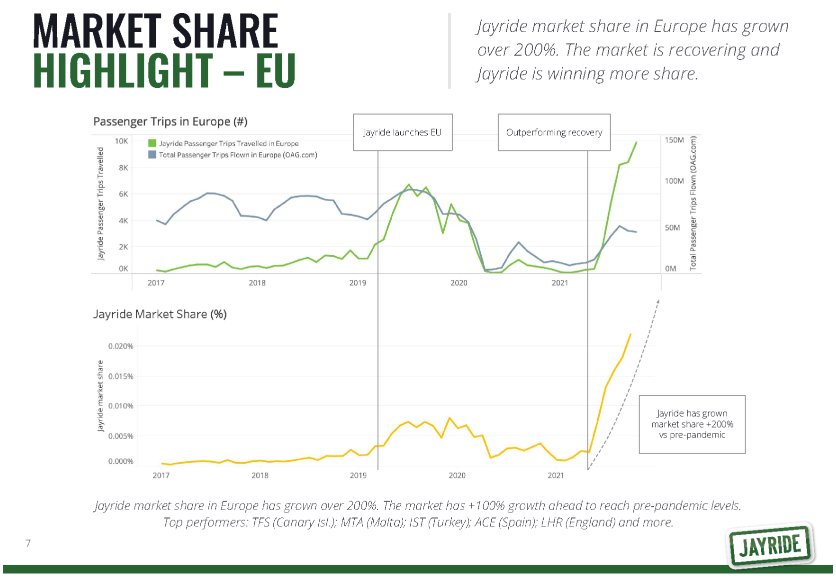


Trips booked grew, net revenue per trip grew, contribution profit margin on those revenues also grew, and all are set to continue growth. And, as those things multiply each other, now gives us geometric contribution growth potential to go forward.

We have improved profitability at a Stand-Still EBITDA profit level. We have expanded cash reserves. We have expanded our European market share. And, we're on track to Stand-Still EBITDA profit and the other milestones that we will shortly outline to you.



Trips growth was driven by Europe, you can see that on the Passenger trips graph here in yellow at 55,000 trips for the half.



In Europe we're winning market share. This is a new disclosure, which gives a deep dive into the European market. The top graph shows trips to and from airports in Europe. In grey showing all trips in the market, and green showing Jayride's trips in the market.

The gray line is sourced from OAG, an airline data authority. You can see, on that top graph Jayride's launch in Europe when we expanded beyond the UK, you can also see when COVID-19 came out in March of 2020, and then more importantly, you can see our strong outperformance in recent months.

The bottom graph expresses the same thing as a percentage showing our share of total trips in the market and how it has expanded to record highs, with a position for that market share growth to continue.

1H FY22 PRIORITIES DELIVERED

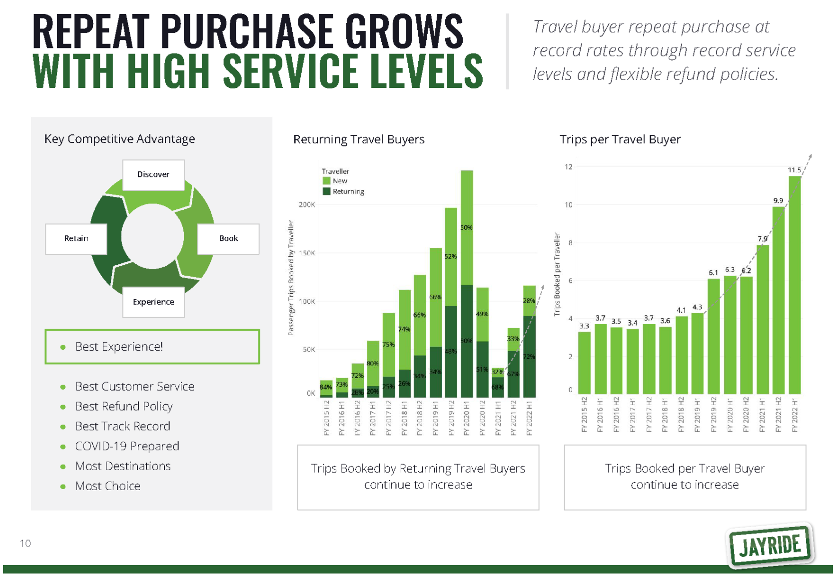
Expanded traveller offer launches B2C and integrations start on B2B – Booking.com, CarTrawler, more, launch expanded offers in Q3.

Complete / Ongoing

		Status
Traveller retention *"Improve the traveller experience"*		
Launch new product marketing initiatives to engage and retain travellers	Done	Complete
Further enhance traveller self-service and customer service tools	Done	Complete
Traveller conversion *"Enhance our offer for travellers"*		
Launch new vehicle types and service classes	Done	Complete
Enhance supplier coverage and pricing in Northern Hemisphere destinations (especially Europe)	Done	Complete
Traveller acquisition *"Win market share in the Northern Hemisphere"*		
Roll-out new vehicle types and service classes via API to new and existing travel brand partners	Launched in Q3	Ongoing
Northern Hemisphere business expansion to new travel brand partners	Done	Complete
Enhance SEO for Northern Hemisphere destination markets	Enhanced and continues into Q3	Ongoing

9 Please refer to the disclaimer on forward looking statements on the final page of this presentation.

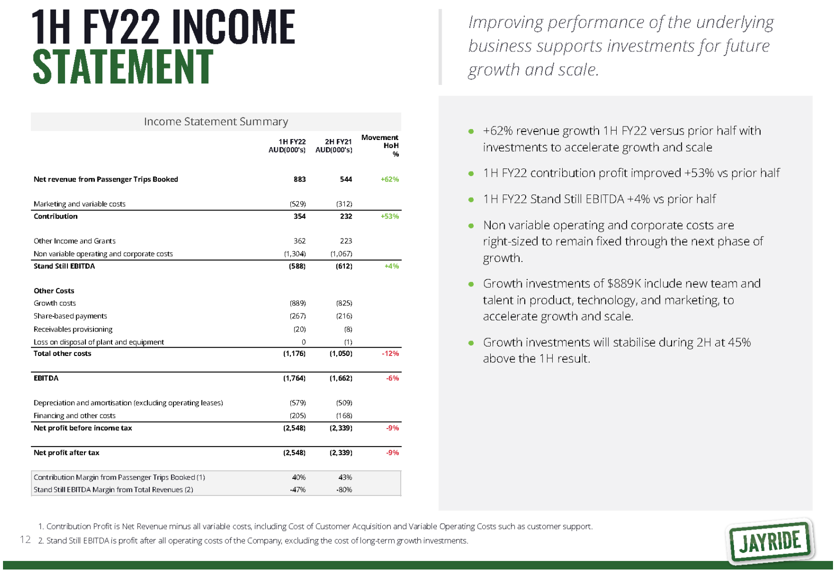
Throughout the half we've delivered key enhancements to our platform and, most importantly, we've kept service levels high and resulting in repeat purchase rates now at all time highs.



Trips booked by repeat buyers on the left graph have continued to grow. 72% of trips are now booked by repeat buyers, and on the right hand graph an average of 11 trips per buyer. Both of those are record highs.

Peter McWilliam our CFO will now briefly cover the financials.

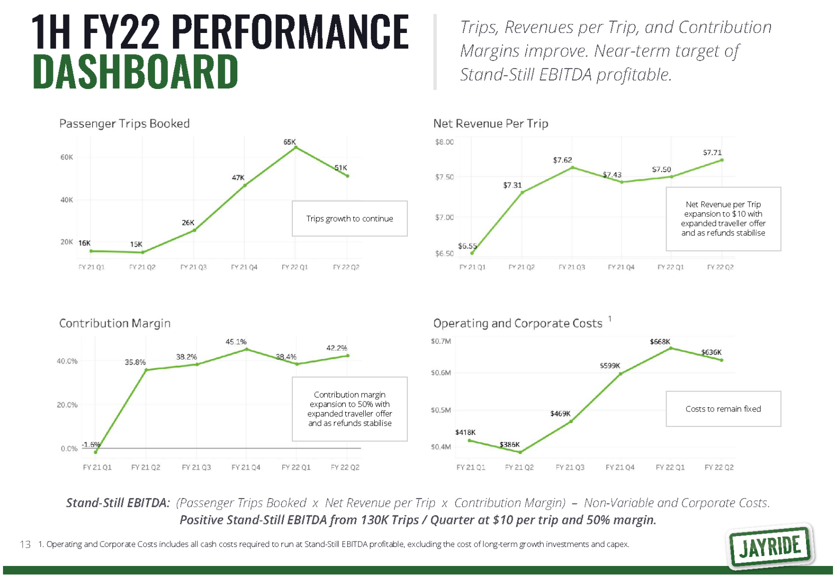
Peter McWilliam (Jayride CFO): Thanks Rod. Turning to slide 12, the income statement.



	1H FY22 AUD(000's)	2H FY21 AUD(000's)	Movement HoH %
Net revenue from Passenger Trips Booked	**883**	**544**	+62%
Marketing and variable costs	(529)	(312)	
Contribution	**354**	**232**	+53%
Other Income and Grants	362	223	
Non variable operating and corporate costs	(1,304)	(1,067)	
Stand Still EBITDA	**(588)**	**(612)**	+4%
Other Costs			
Growth costs	(889)	(825)	
Share-based payments	(267)	(216)	
Receivables provisioning	(20)	(8)	
Loss on disposal of plant and equipment	0	(1)	
Total other costs	**(1,176)**	**(1,050)**	-12%
EBITDA	**(1,764)**	**(1,662)**	-6%
Depreciation and amortisation (excluding operating leases)	(579)	(509)	
Financing and other costs	(205)	(168)	
Net profit before income tax	**(2,548)**	**(2,339)**	-9%
Net profit after tax	**(2,548)**	**(2,339)**	-9%
Contribution Margin from Passenger Trips Booked (1)	40%	43%	
Stand Still EBITDA Margin from Total Revenues (2)	-47%	-80%	

H1 results show improving underlying business performance which provides us with confidence to invest in future growth and scale. Our top financial measure, contribution profit, is up 53%. Stand-Still EBITDA is up 4%.

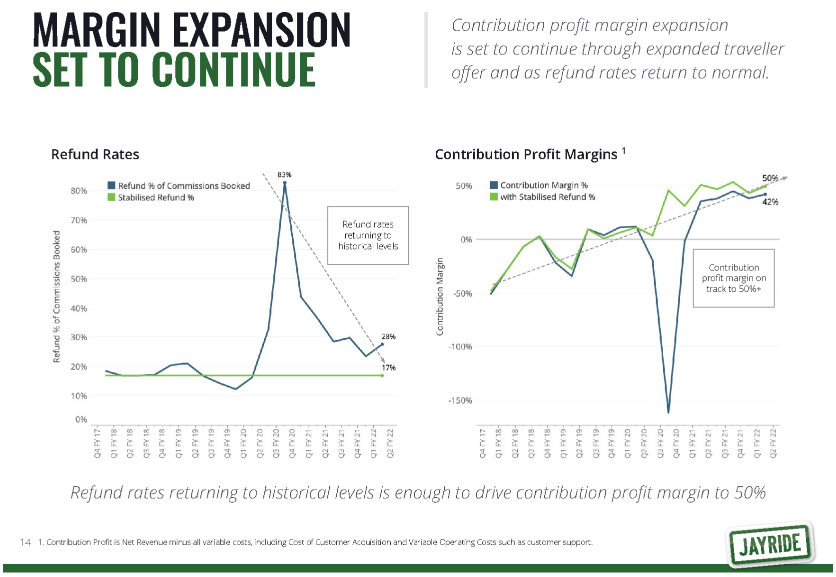
The improved contribution was offset by the right-sizing of our finance and talent functions to support our growth ambitions. Looking forward, any growth in contribution will drop straight to Stand-Still EBITDA, and in pursuit of growth and scale, you can expect growth costs to increase by 45% before stabilising for a number of milestones.



Let’s now look at some of the drivers behind these results in the performance dashboard on slide 13.

This half, passenger trips, revenue per trip, and contribution profit margins improved. The improvements reaffirmed our near term Stand-Still EBITDA profit objective.

We include this slide to help you get a feel of trends and also help you do some sensitivity analysis. You should note that passenger trips in Q2 were limited by seasonality, but it was up strongly for the half and that Q3 and Q4 are typically the strong growth quarters in travel.



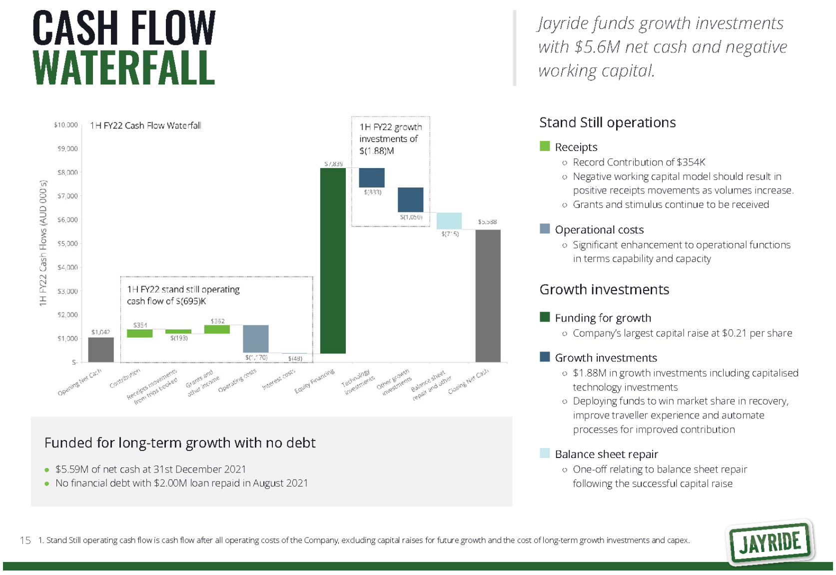
Let's now take a look at margin expansion on slide 14.

One of the things that we have done well in recent times is our work on margin expansion. This slide shows that the near term 50% contribution profit margin target should be achieved when travel refund rates normalise.

The expansion shown in these charts ignores improvements to cart sizes, marketing effectiveness, and booking related variable cost efficiencies, all of which will be targeted by our growth and technology teams over the next 24 months.

We intend to reinvest any margin above 50% back into growth and scale.

Jayride has and is becoming a fundamentally improved and more profitable business poised to produce strong EBITDA and cash results in coming periods.



Let's now take a look at the cash flow waterfall on slide 15.

The headline movements in our cash waterfall include stand-still cash outflows of $695,000, $1.88 million of growth investments to improve future stand-still profitability, and $715,000 of balance sheet repair following the $7.8 million capital injection.

Stand-still operating cash flow for the half did not benefit from our negative working capital model, with volumes seasonally decreasing in Q2. Working capital should turn around with volume growth in peak seasons.

Looking ahead, the stand-still operating cost base should be relatively stable. Growth and technology costs should increase by 45%.

Given travel demand, margin expansion, and a negative working capital model we have a clear line of sight on our near-term stand-still cash flow positive objective.

I will now hand you back to Rod for his business outlook.

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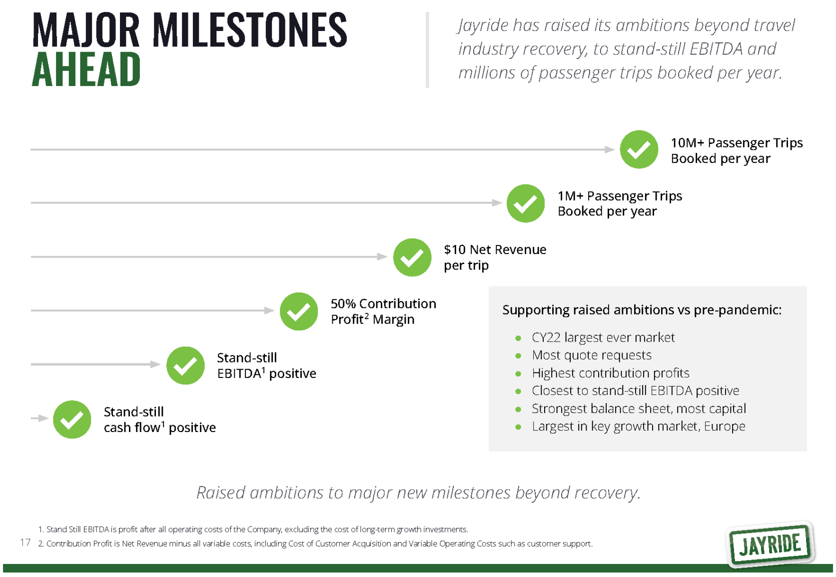
Rod Bishop: Thank you, Peter.

We have raised ambitions to major new milestones ahead on the basis of a strong foundation that we built across the pandemic.

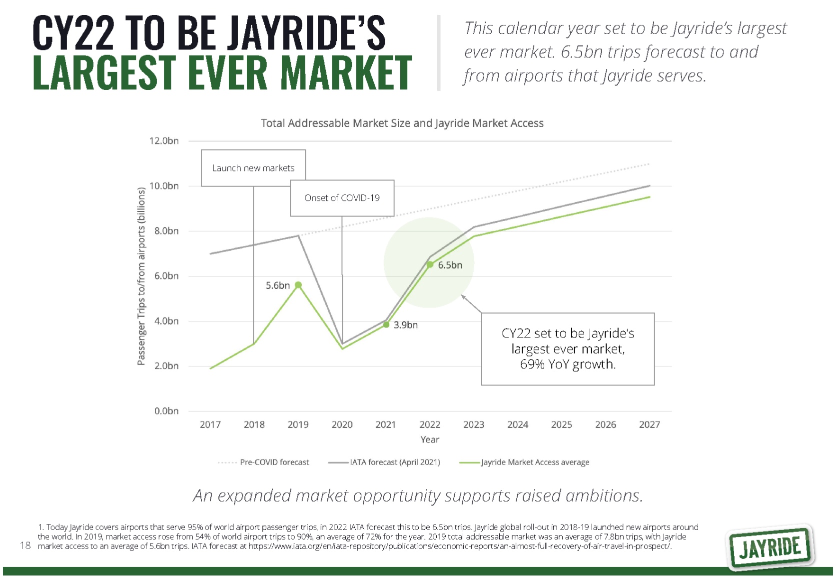
Those new milestones are on the screen. They are stand-still cash flow positive, stand-still EBITDA positive. Driven by unit economics of 50% contribution profit margin and $10 net revenue per trip. And then onwards towards 1 million trips booked per year, and on again to 10 million trips booked per year.



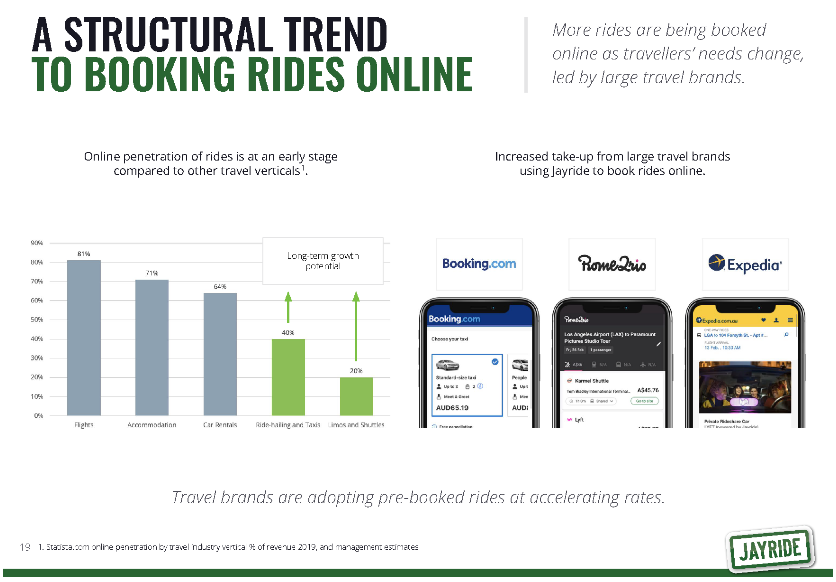
Why now? Why those major milestones ahead? Why look beyond recovery?

Because we're a fundamentally improved business. We're a more profitable business. We have a larger market potential. We're in a larger market, expanded for Jayride to record size this calendar year. That is going to be a fast growth market for the next two years. We have today already more quote requests for passenger trips than ever before. We are generating more contribution profits than ever before. We have an improved balance sheet, with more cash and no debt. We've used that to build trust to be the strongest counterparty for our industry. We have more supply coverage. Better conversion rates. Improved and more scalable software system. Larger product and engineering team now recruited. We have improved unit economics. We have larger brand name partners booking more volumes with us. We have larger market share in our top growth market, Europe.

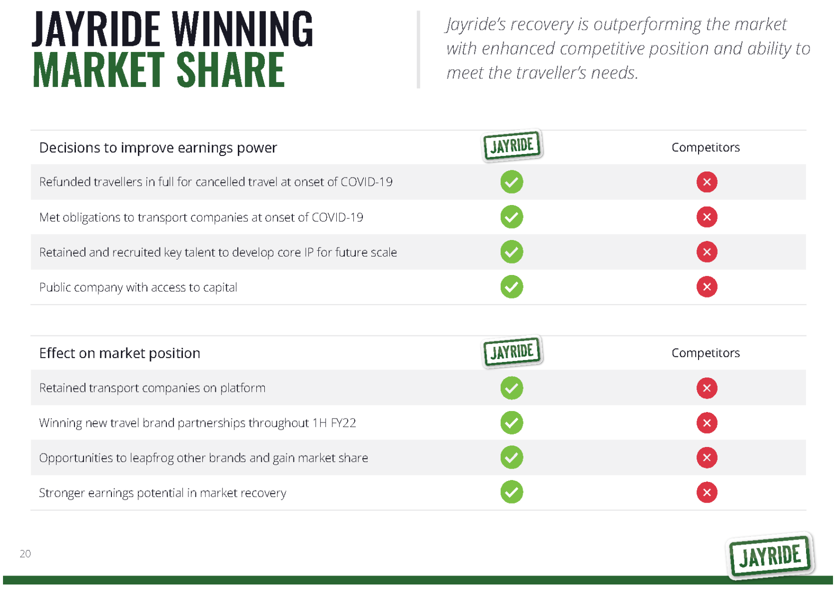
We've built the strongest launch pad and in many ways are already above pre pandemic levels. It’s time to set our sights higher.



This calendar year is going to be, as I said, Jayride's largest market ever. You know we expanded pre-pandemic with the launch of new markets, then at the onset of the pandemic the entire market contracted, but now Jayride will be operating in its largest market ever, and that market will be growing 69% year-over-year this calendar year.



Travel brands continue to raise their adoption of rides. For travel brands it's about traveller service, it's about enhanced service levels, competitive differentiation, higher revenues per traveller. Jayride is there to support that business and we're launching, not just new offers with existing brands, but also whole new brands like CarTrawler.



We continue to be best placed amongst our peers, which gives us greater velocity now to win market share.

Given all that opportunity, we're building for a stronger, larger and more profitable business. We're executing methodically to a clear plan. And we're building enhanced products to win the market with traveler experience and deliver that future margin expansion. As Peter said, we've got a clear line of sight on the opportunity.

Here are the things that we intend to build to capture that opportunity now on slide 21.

This half we focus on: Improving the traveler experience, that's enhancing still further that repeat purchase rate, and includes things like raising awareness of our global coverage amongst our existing travelers, and specialist tools for travel agents which we've had for a while but want to enhance.

Second will be enhancing our traveler offer, and that's with a view to increase our conversion rates – turning lookers into bookers. It will include new supply offerings, rolling out still more service classes and more destinations, but also enhancing our branding and messaging and tightening our user experience.

And lastly, focusing on winning market share, and that's about acquiring new travelers through quality and cost effective channels. At the moment that includes rolling out our expanded traveler offer into those major new travel brands and existing travel brands like Booking.com, and also Google search optimizations to acquire new travelers.

These should take place now for the northern hemisphere summer, which will progressively grow trips as it builds across the second half of FY22.

Even as trips grow we have potential for revenue and contribution to have still higher growth rates, as we talked about, through increased net revenues per trip, through improved variable cost per trip, fundamentally increased operating leverage, and scale benefits.

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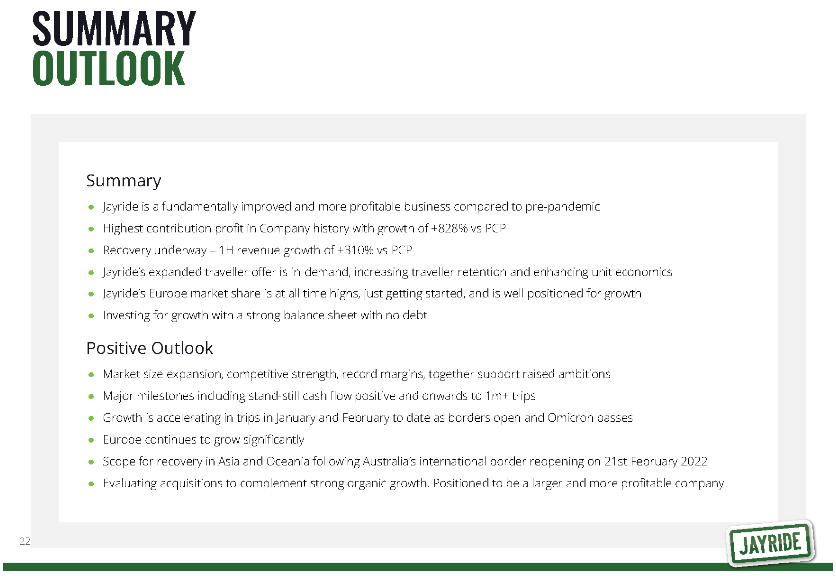
That ends the formal part of today's call.



In summary, we are a fundamentally improved and more profitable business compared to pre-pandemic. We show our highest contribution profitability ever. Fast contribution and revenue growth. Our expanded travel offer is in demand from new travel brands and old. We're winning market share in Europe. And we're investing for growth with a strong balance sheet and no debt.

Our outlook is positive. Margin expansion, competitive strength, record margins, record market size. These things support raised ambitions. And so we're setting out towards major new milestones.

January and February so far, trading has been good. Europe has continued to expand and also as North America summer rolls in we're expecting a good Q3 and Q4. There is scope also for recovery in Asia and Oceania following Australia earlier this week opening international borders to tourists, which was on the 21st of February – again expansion potential here at home, too.

There is potential to complement all of this strong organic growth with potential for disciplined acquisitions as well.

Jayride is ultimately positioned to be a larger and more profitable company.

We're on our way we're building and leveraging our advantages to win this market share and deliver returns to shareholders. Thank you for coming this morning, thank you for your support.

I'd like to now open the room for questions.

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James Tracey (Veritas Securities, Analyst): Good to see you, thanks for the questions.

Referring to a comment you made before about you seeing more quotes than ever before. You know, obviously before people book they'll get a look for a price and they might you know wait for a couple of days or weeks before they actually booked the trip.

So you know, just to clarify, are you seeing more people requesting prices on your website than in December 2019 when you were doing sort of double the number of passenger trips in the quarter?

Rod Bishop: It's a good question James. So, yes.

Quotes are the top of the funnel for us. People come and request passenger trips, and we have more passenger trip quote requests now than pre-pandemic. More than December 2019, yes, we do.

It isn't necessarily a leading indicator for us in terms that those trips don't necessarily immediately turn into bookings. They can be evidence that we've got demand in new regions where we need to go and cultivate supply. So we've got work to do. We see trips being quoted in new European regions and we've got to get contracting, to make sure that we've got supply to meet that demand.

I don't know if it's a leading indicator in terms of that booking is going to turn up tomorrow. But it's definitely a leading indicator that we need to go and get supply there and then once we've got that supply we will be able to convert the next person.

It's great market intelligence and also great insight that volumes are starting to recover and that we've got the opportunity through enhanced contracting and that expanded traveller offer to convert more of those quotes – to turn those lookers into bookers – and propel us above pre-pandemic levels and onward.

James Tracey: Okay that's great and I just wanted to get an update on booking.com I think last time we spoke, you were looking at launching with them the new vehicle types and service classes functionality as well. I am interested in seeing how that's going.

Rod Bishop: That's in active development at the moment, due for release imminently.

For those who want a recap of what James is referring to, we've been partners with booking.com for a long time. They send us a lot of travelers, and one of the things that they look for is different service classes and different vehicle types, which we've never previously been able to give them, we've always been able to give them only the economy sedan through an artifact of how our original API was created.

Now our expanded traveler offer is enlarged to cover all vehicle types and all vehicle service classes, so you could book, for example, luxury stretch limousine. And the work that's going on at the moment is implementing all of those new products into the booking.com API so the booking.com travelers will be able to book them.

That’s active work at the moment that's in the engineering team to launch soon.

James Tracey: Okay, and just a question, maybe this one's for Peter, just around the financials. Obviously you've got these ambitions, the contribution margin at 50% that you’ve talked about for a while, and that's driven by the refunds coming down.

Just in terms of the cost growth, it seems like the growth costs are going to keep on growing you know for the medium term, you know what do you see as being sort of the steady state run rate of growth costs? And do you have any sort of timeline around the new milestones that you put up today?

Peter McWilliam: We've completed the recruitment that we set out to do, and so the costs have already normalized for us, in terms of growth costs. It's just you didn't see them across the full first half. And so I gave an indication on both the waterfall chart and and also in the income statement, that you can expect to see a 45% increase there and that will be a stabilized cost base ahead for a number of milestones.

James Tracey: I guess that's a 45 cent increase in the second half vs half one? Correct, okay cool.

James Tracey: You know, last time we met we'd seen that Omicron had surprise impacts in the second quarter of the year, where there is a slight drop off in the number of trips.

Growth is now driven by all of the geographies including Europe, and you know, we've got, it seems, Omicron starting to wane. You know, maybe I'm biased, because I’m in Sydney, that around the world things like this are happening and they may be leading indicators of things picking up. What do you see in that regard?

Rod Bishop: The absolute overwhelming feeling, to the point where it's very hard to keep up with it all, is of reopening.

UK and other European countries, Austria, Switzerland, Germany, so on and so forth, all either immediately opened or with publicized and telegraphed plans to reopen. Australia saying “welcome back world” to international travelers. New Zealand signaling an end to mandates and border reopening. I mean the list goes on. This morning I'm reading that Iceland drops all restrictions on Friday. And so it's almost impossible to keep up with all the headlines.

It's an overwhelming feeling of reopening.

James Tracey: And if you think about places that are maybe shut – maybe like China and Russia because of various reasons – were they ever a big proportion of your customer base?

Rod Bishop: No. The key segments that we're after are US international inbound and outbound, and UK to Europe international inbound and outbound. These are exciting segments at the moment and are strongly reopening. And then, with the international tourist arrivals to Australia again, also inbound and outbound travel from Australia picking up the Asian destinations.

Pre-pandemic we had a significant Australian and Asian destination business on the basis of Australian outbound travel. That announcement just now, Monday 21st February, that international travel has reopened for tourists too, that's an exciting announcement.

James Tracey: Yeah, because that Asia segment in the historic numbers is not really sourced from Asia as your primary source is from Australians going international.

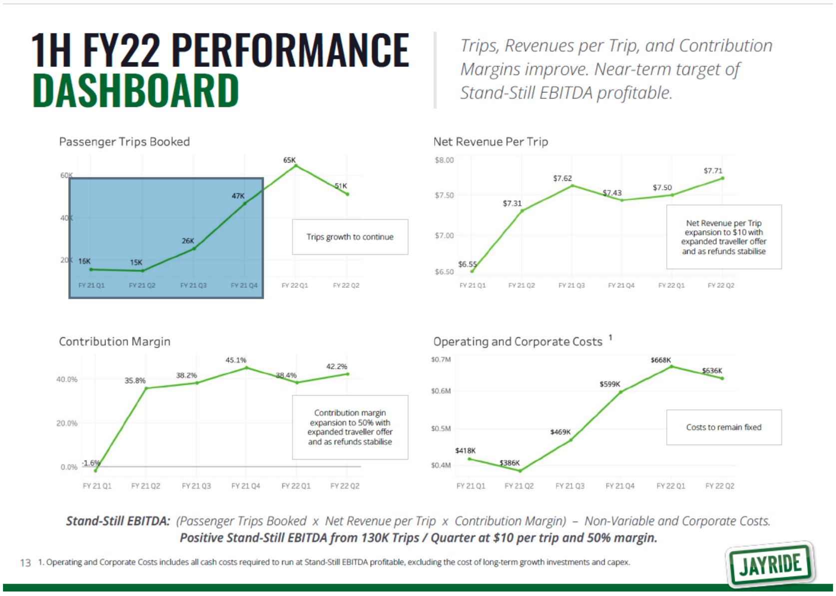
Rod Bishop: That's right. And we've got the ability to send Australian tourists to all those destinations, as they reopen.

James Tracey: Yeah. And just another question as well because we're almost you know getting towards Easter and that seems to be the time when in the northern hemisphere, the weather gets better and people start to plan their summer holidays. To what extent are you seeing people starting to book for summer? Or do you not have that sort of people, not that far in advance?

Rod Bishop: People are booking for summer right now, and we expect that to continue. The next six months would be the strongest growth months seasonally up until the peak of European summer, and we look forward to all that volume coming through.

James Tracey: Are you able to give us an indication of the sort of growth rate that the pre-bookings would suggest, versus your historical pre-bookings?

Rod Bishop: I guess I would only point to past trips booked here in a previous year, and noting that this was a pandemic year, but it's still an interesting indication of how seasonality can look, which is the Q1 and Q2 are flat on each other, and then Q3 and Q4 show accelerated growth.



That's close to a typical seasonality. And now we've got more northern hemisphere business now than ever before, so you'd expect that again that Northern hemisphere business to really drive a good Q3 and Q4.

James Tracey: That's pretty interesting. Again thanks a lot Rod.

Rod Bishop: My pleasure James.

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Rod Bishop: Thank you all for coming. You'll have noticed, we took a different approach to this results call. We focused on milestones ahead more than the strong results, and the large percentage gains throughout the pandemic, and we're not talking recovery anymore. The reason is twofold.

One, we're now above pre-pandemic on a host of key measures. As James asked about quotes, but also contribution profits here we've published.

And two, where we were pre-pandemic was never anywhere in particular, we were just on the way towards further growth and scale.

So here today, we find ourselves better placed on the way to further growth and scale than ever before. With stronger foundations, with a faster growing market at our back. We feel well placed and it's time to start leveraging that.

Ultimately, it leaves us focused on execution of the things we need to build, with our new product, engineering, sales and marketing talent that we've successfully recruited, and just get on with growing the business.

So thank you for joining us, and we look forward to updating you again soon.

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

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.