ASX Announcement

5th May 2022

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 Q3 FY22 Quarterly Business Review and Appendix 4C Presentation held on Thursday 28th April at 10.30am AEST.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Jayride is pleased to present this quarterly report showing our company as fundamentally improved and more profitable, on track to hit major milestones.

This is the first call we've had since we published our, some would say bold, major milestones back in February – milestones that demonstrated our raised ambition beyond recovery – and I am delighted to say that we've just delivered our first one, with contribution profit margin exceeding 50%.

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Good morning, and thanks for coming.

First, just to acknowledge that investors on this call will have a lot on at present, as the share market is quite turbulent, I will keep this concise and focused on Jayride's result.

The key thing to take away from this call is that Jayride is focused on execution and delivering the milestones we said we would deliver.

We've just had this milestone breaking quarter, so we're on the way. We're progressing to stand-still cash flow positive with a strong balance sheet. We're in control to manage growth and with great momentum going into Q4.

Jayride is helping our travelers to book their rides around the world in the global travel recovery, and these results are an early output that show the company we're building.

We're continuing to see evidence of the enhancements that we've made across our platform and operating model throughout the pandemic that are increasing our leverage to the recovery. It results in something that is a fundamentally improved and more profitable business and platform to capture those major growth and profitability milestones ahead.

On today's call will step through the key highlights of the quarterly results, put aside turbulence to just focus on what we're building, and talk about the growth and then open the room for questions.

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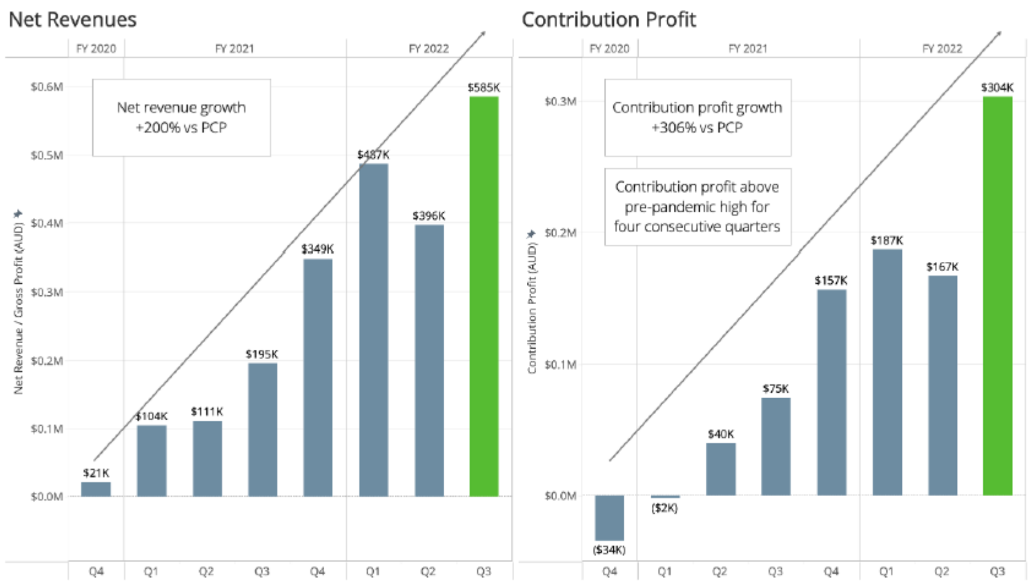
Starting with the result, the first figures, which are net revenues and contribution.

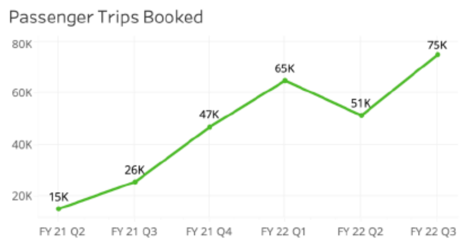
Contribution profit of $304,000, up 82% versus last quarter, up 306% versus the prior corresponding period.

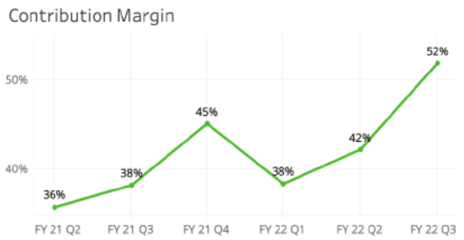


That is Jayrides highest ever contribution profit result. It is our fastest contribution profit growth. It is the fourth consecutive quarter of contribution profit above pre-pandemic all-time-highs. And it's as a result of the net revenues here of $585,000, at 48% growth over the last quarter, and the contribution profit margin at 52%, the company's highest ever contribution profit margin and exceeding that 50% milestone for the first time.

The simplest way to model Jayride is with these four numbers in the graphs here pictured. It's our passenger trips booked, multiplied by our net revenues per trip, multiplied by our contribution profit margin on those revenues. At a certain scale this fully funds our operating and corporate costs with surplus ready to invest in future growth.

Date	Trips (#)	Net Revenue / Trip ($)	Variable Cost / Trip ($)	Contribution Margin (%)	Contribution Profit ($K)	Contribution Profit V PCP
Q3 FY21	25,700	$7.62	$4.70	38%	$75K	
Q4 FY21	46,900	$7.43	$4.08	45%	$157K	
Q1 FY22	64,900	$7.50	$4.62	38%	$187K	
Q2 FY22	51,400	$7.71	$4.46	42%	$167K	+320%
Q3 FY22	**75,000**	**$7.81**	**$3.76**	**52%**	**$304K**	**+306%**





Here you can see each of these things – trips, revenues, and margins – grew significantly while operating and corporate cost remain stable. This is our operating leverage coming through right now, and it puts us right on track to become stand-still cash flow positive with a surplus after operating costs at 130,000 passenger trips booked per quarter.

What I'll do is I'll step through each of these numbers, explain the drivers for each, and then handover to Peter McWilliam to discuss overall profitability and cash flow.

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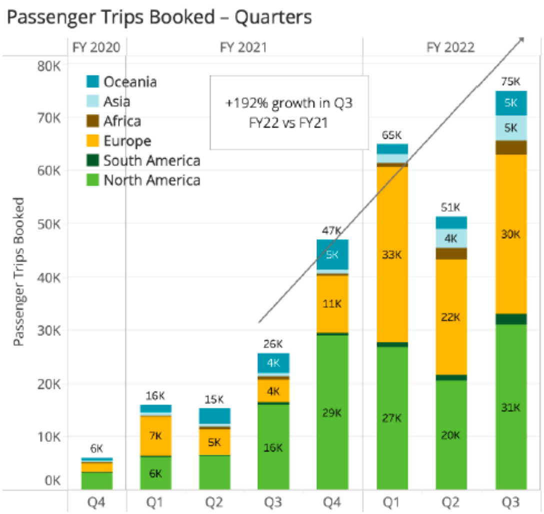
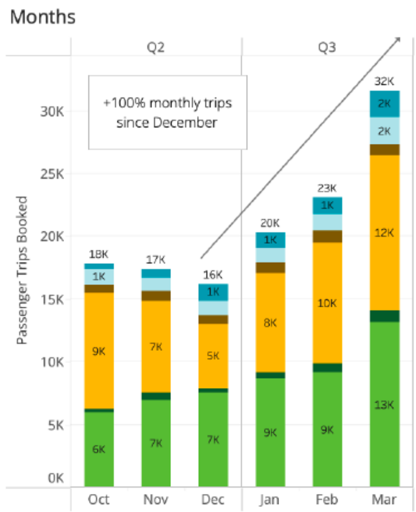
Passengers trips booked grew up to 75,000 that's 46% growth versus last quarter 192% versus the prior corresponding period.

On the left, you can see quarters and on the right recent months, so you can see in the months, the period that was impacted by omicron and how quickly travel is rebounding now that the global travel recovery continues to accelerate. Jayride's passenger trips booked have grown 100% since the December low.





In the Green and yellow you can see the US and Europe growing as the summer travel season approaches and also, as we are winning market share with our superior offering in those markets.

In March, in each of the US and Europe, Jayride had more trips booked than any prior March in those regions. We estimate that seasonality and recovery alone took us to say 25,000 trips, the rest, all the way up to that 32,000 mark in March was as the result of market share gains.

You can see the emerging signs of recovery in Oceania and Asia, with more to come.

And most importantly today trips in March at 72.5% of the required volume to achieve stand-still cash flow positive and start generating a surplus after operating costs which we would then be able to invest to accelerate future growth.

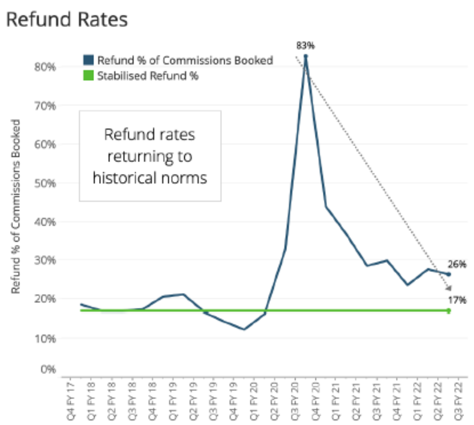
Net revenues per trip increased to $7.81 for the quarter after refunds 26%. Now that refund rate is a little high for the quarter, and was due to omicron in January and has resumed improvement in March. On the good news front, our new vehicle types and service classes which we launched in December continue to grow average order values which leads to more revenue per trip.

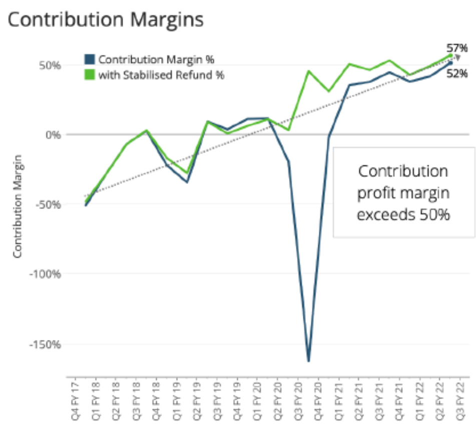
Net revenues per trip are positioned to grow again as we roll out those premium service classes and vehicle-types to more destinations and through more channels, including booking.com and our other travel partners. And as refund rates continue their improving trends towards historical norms at 17% of revenues.

Date	Trips (#)	Revenue Booked	Revenue Refunded	Refund Rate	Net Revenue	Net Rev / Trip	Net Rev V PCP
Q3 FY21	25,700	$274,000	$(78,000)	28%	$195,000	$7.62	
Q4 FY21	46,900	$498,000	$(149,000)	30%	$349,000	$7.43	
Q1 FY22	64,900	$637,000	$(150,000)	24%	$487,000	$7.50	
Q2 FY22	51,400	$548,000	$(152,000)	28%	$396,000	$7.71	+256%
Q3 FY22	**75,000**	**$795,000**	**$(209,000)**	**26%**	**$585,000**	**$7.81**	**+200%**
March 2022	31,600	$350,800	$(75,300)	21%	$275,500	$8.72	

In March, we had very good success. Net revenue per trip increased right up to $8.70 after refunds of just 21%, and that means March had the highest net revenue per trip and the lowest refund rate, since the onset of the pandemic.

That momentum looks to have continued through April and onwards from here, so we look forward to this momentum propelling us towards our next milestone of $10 net revenue per trip.





Contribution profit margin increased to 52%, up from 42% last quarter, and that is the highest ever margin and above that milestone of 50% we outlined in February.

The result is due to the increasing net revenues per trip, but also our lowest ever variable cost per trip of just $3.76. That's due to economies of scale, and also the work that we've done over many periods to automate and improve processes for superior travel experience.

In the left hand graph you see the refund rates and how they're returning to that pre-pandemic baseline of 17% of revenue refunded. On the right hand chart you see contribution here today at 52% contribution margin, but with a normalized refund rate of 17% we would have been all the way up to 57% contribution margin.

Now that the company's 50% contribution profit margin milestone is exceeded, we intend to invest our profit margins above 50% to increase customer acquisition to grow passenger trips and net revenues at accelerated rates.

That puts us firmly on track to our next milestones including that stand-still cash flow positive and generating surplus to find our future growth.

I'd like now to hand over to Peter McWilliam, Jayride CFO.

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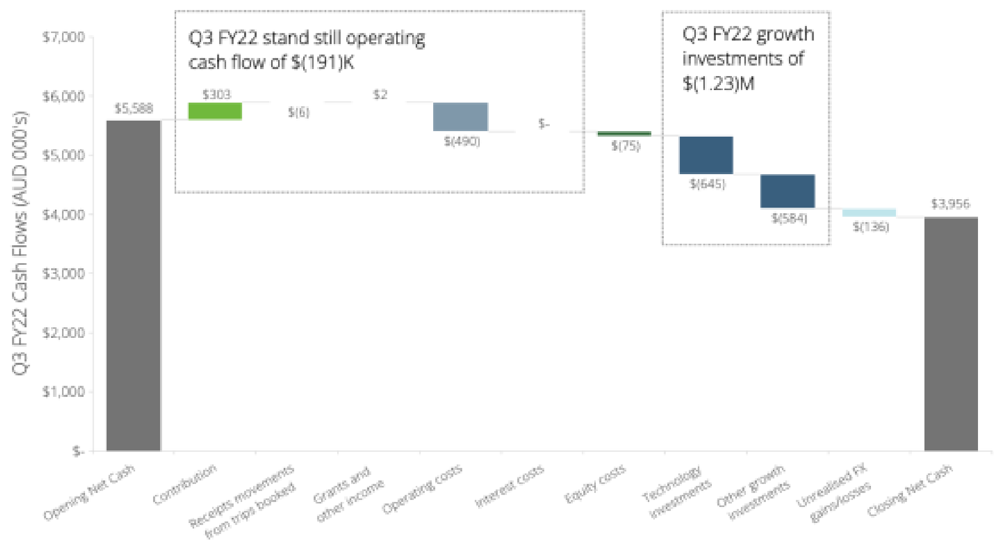
Peter McWilliam (Jayride Group CFO): Thanks Rod. It is pleasing to see the strong performance in passenger trips booked, net revenue, and contribution margin.

With our key financial drivers performing the company's contribution grew 82% to a record $304K this quarter. It was also a record Stand-still EBITDA result up 34% with operating costs stable. These are clearly quality results.



Let's now take a deeper look at the cash movements. For the quarter, Stand-still cash outflows inclusive of grants totalled $191K, up from $148K for a net movement of $43K against us.

If you were to exclude the grants, which is an alternate measure of underlying performance, then stand-still cash flow would have improved $174K. This more closely correlates with the improvements made to contribution.

I will now provide comments on the drivers shown in the waterfall chart on page 5.

Contribution was $304K for the period, up 82% with more than half of the performance coming from strong trade in March. The strong March result provides great momentum into Q4 FY22.

Receipts movement from trips booked is yet to deliver material cash inflows expected from our negative working capital model. We expect to invest more resources into growing the direct channel in coming periods with contribution margins exceeding 50% and having restaffed our marketing team. In addition we are also working at improving partner cash cycles at multiple points of the value chain. Looking ahead we expect the cash float to rebuild at a similar ratio to monthly net revenue that existed prepandemic.

Grants, another driver, were not received this quarter, with job subsidies discontinued by federal and state governments. In Q4 FY22 the company has already received $352K for the 2021 R&D rebate and expects to receive $90K for the 3rd COVID-19 Travel Grant. In Q1 FY23 the company expects to benefit from another larger R&D rebate and the export market development grant.

Cash flow linked to operational costs were down this quarter, however as stated earlier costs increased by 2.8% and accordingly you should not assume that the cost base went down. Rather, the benefits here relate to operational working capital movements. The operating costs should be stable in the coming periods.

Looking ahead, the March run-rate and the fixed cost base should show strong progress towards stand-still cash flow positive, even before considering seasonal and recovery tailwinds, grants and cash float movements. We are well-positioned.

I will now provide some comments on growth investments. For the March quarter growth investments stabilised at $1.23 million, up from $1 million with technology and sales and marketing teams increased again. This is consistent with our previous disclosure and reflects our go-forward growth cost base contained within our resourcing plan.

The growth teams continue to focus on traveller experience, eliminating waste and inefficiencies, bringing new content to the market, launching new channels and enhancing our teams experience in a competitive labour market. The improvements in contribution and operating leverage are a result of these efforts.

This ends my comments regarding cash.

Before handing back to Rod, I would like to convey that we have a strong balance sheet, are within reach of stand-still cash flow positive, we are being disciplined and controlled with our growth investment, and have leavers to scale this up or down.

Thank you. Back to you, Rod.

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Rod Bishop: Thank you Peter.

On to outlook. To say it very clearly, as for all our listeners today I know there's a lot on:

Jayride is focused on execution and we're delivering those milestones that we said we would.

We just had a milestone breaking quarter, so we're on the way. We’re progressing to stand-still cash flow positive with a strong balance sheet. We’re in control to manage growth and with great momentum into Q4. These things give us a positive outlook.

April numbers, we published in the report, show growth continuing onwards from March. We present a straight line forecast for April of 35,400 passenger trips booked which would be our highest post pandemic.

And looking ahead, we feel set for further growth. We feel set for further growth due to: Structural changes in the travel market; increased appetite for door to door itineraries; further gains to market share, driven by our superior value proposition; we've got the accelerating travel recovery; we've got the fundamental enhancements that we've made across the pandemic to be ready and capture that recovery; we've got the northern hemisphere summer peak travel season, which is building right now; we’ve got the ability to deploy margins about 50% into additional customer acquisition; and we've got the preliminary – I mean early days – returns from the latest growth investments that we're making into sales, marketing, and technology teams following the August 2021 capital raise.

All things considered: Further growth from here.

That ends the formal part of today's call.

In conclusion, results are good, milestones are being met, and we look forward to achieving all the future milestones we've set out, especially stand-still cash flow positive that will generate surplus to invest in future growth.

Thank you for the support and I look forward to keeping you up to date. I am happy to open the line for questions.

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Guy Hedley (Atlas Advisors): Rod if you don't mind I'll open the questioning. I just want to sort of ask if you can just run through the competitive landscape. What you're seeing happening out there, and you know sort of how you see Jayride's position against your larger competitors.

Rod Bishop: Thank you. There's an absolute increase in interest in the travel industry for door-to-door itineraries because it increases traveller conversion, it's a better customer experience, and it's the next logical ancillary revenue to attach to flight and hotel revenues.

Furthermore there is a very, very interesting new entrant some people might be aware of: Uber's plans to enter the travel industry. Uber's CEO Dara, who's the former CEO of Expedia, has decided that they are going to compete head on with the world's leading Online Travel Agencies by selling flights and hotels. Their competitive differentiation is they can give you a door-to-door travel itinerary based on the fact that they've got Uber drivers.

That's really put a fire under the rest of the travel industry to move door-to-door, and we are seeing absolute uptake and interest from all of the large travel brands.

We are above pre-pandemic levels with Booking.com and others for a while now, but the amount of inbound interest in attaching rides from all the large OTA is marked and honestly probably related to Uber entering their market.

So it's a very exciting time to be in the rides segment in the travel industry.

Guy Hedley: Thank you.

Ronnie Chalmers (Clime Asset Management): Peter, can you please comment on the current cash balance.

Peter McWilliam: Hi Ronnie. We have approximately $4 million in the Bank. And we're approaching, as stated in the presentation, stand-still cash flow positive. So I'm feeling very comfortable with where we are.

It's a big market and there's strong pent up demand. We see the opportunity to really scale contribution from this point to take it to a place where it's covering all the costs of the company from where we are. I think that we're well resourced at this point in time.

James Tracey (Veritas Securities): I just wanted to talk about the trip numbers. Obviously March was, you know, a very strong quarter, and if you sort of multiply it out by three it's the best quarter you've done since before the pandemic. Can you give us a bit of an indication on any forward looking metrics you might have in terms of people clicking on your website, and potential B2B partnerships and so on?

You know, how's April shaping up, and what are you seeing in terms of approaching that European summer as well?

Rod Bishop: Happy to do so, James. As you can see on the release, March had very strong growth ex omicron. And the forward outlook statement in April again is continuing growth from March, April set just on a straight line forecast basis to be the largest ever, still larger than March, and this puts us as bigger than we've ever been before in northern hemisphere markets.

We're still looking at the northern hemisphere summer ahead; we're still looking at the southern hemisphere, especially Oceania and Asia-type markets that would be destomations for Australian outbound travel, still to resume – that was worth another 50,000 trips per quarter pre-pandemic. There's a very good amount of tailwind here that we can capture.

A few other things we monitor. One we monitor the number of passenger trips being quoted. I've said before and it remains true that the number of trips quoted at the moment on our platform significantly exceeds pre-pandemic levels.

That should ultimately turn into more trips booked, so long as we have the right prices and the right coverage in our supply. And so as ever, our core advantage, making sure our supply contracting is very good, is the thing that's driving for us that market share gain in the US and Europe as well – conversion of that incumbent demand.

So in addition to the seasonality, in addition to the travel recovery, we've got the opportunity to convert current quotes. All of these things set us up for good growth in passenger trips booked.

James Tracey: Another thing I've just noticed you're looking at those quarterly figures and then the monthly figures as well they've got on the screen, is that the notable thing that's been holding you back really is, Australia and Asia. And Asia is mostly sourced from Australia, but then they're traveling in Asia, so you know, given that they've recently seen lockdowns removed, borders opened, both state borders and international borders from Australia, you know, are you seeing any signs of that Australian an Asian business could sort of return to historical percentages of the total?

Rod Bishop: Yes absolutely. The market is our friend at the moment. All of the losses that we encountered at the onset of COVID-19 now, we look to see the gains commensurate. Every single trip should come back: The platform is in place, the suppliers are in place, the channels are in place. It's just about capturing that demand as it comes online.

I'd also go one further. It was Just immediately pre-pandemic, we were expanding our supply base in Asia. We've got better prices, better coverage, more suppliers and more channels pointed at Asian destinations than pre-pandemic. I'm not aspiring to recovery to our pre-pandemic Asian numbers, I'm aspiring to brand new milestones in Asia.

James Tracey: I mean it looks like historically your best ever quarter was 123,000 passenger trips per quarter and if you're doing sort of 90,000 annualised at March, you know you're not far off of the best ever given that that March quarter was sort of held back by COVID in in Asia and Australia.

Rod Bishop: Yes. Plus, add summer in the US and Europe, add Oceania and Asia reopening, add more conversion rate and market share gains across the board, we feel very comfortable, yeah.

James Tracey: Okay, and just on a different topic around capex. Capex is running at around $400,000 a quarter in the first half, and in the latest quarter around $650,000 in round figures. That stepped up. So in terms of a cash perspective, the step up in capex, maybe some is about getting that contribution, that net-net it's all part of the plan?

In terms of just this, you know the stock market volatility that you mentioned, before you know which is affecting every company particularly in the small cap space. Have you considered, I mean maybe delaying some of the capex or easing back on some of the capex around preserving cash in a more uncertain macro environment? Or you know, are sort of sticking to the original plan.

Rod Bishop: At a high level, and perhaps Peter can give a detailed answer, we're sticking to the original plan.

The amount of capex and growth investment that we're making we believe is commensurate with our cash and takes us through those milestones of profitability and cash generative, on the basis of the spend that we've mapped out, and the recovery, and growth that we expect.

We have great control and good management here, and that growth cost basis is entirely discretionary. So in a future instance, if we feel like we need to dial it up or dial it down, we have control. And from stand-still cash flow positive and onwards, I mean, that cost could be zero the moment we wanted to be a cash generative company.

The purpose of investing and growth at the level that we've got is because the opportunity warrants it. It's a big market, it's recovering and we want to go get it.

Peter, and is there more to add on the numbers there.

Peter McWilliam: No, I think that was a good answer.

James Tracey: And one thing I've noticed as well, just on talking to you, you mentioned booking.com and said that the level of referrals or trips going through these types of channels is hitting sort of new highs, you know higher than it was before the pandemic.

And I noticed on the Booking.com website, you know that the homepage now has a tab, which is essentially adding transfers, which you know you're one of the providers of and that's a tab they never had. So I mean, could you maybe just talk through the drivers of why, and if you're seeing increased demand?

I know, historically they've attached a very low proportion of transfers to the hotel bookings, you know them and Expedia and other people generally. Is it the sort of travel class stuff, the upgrades you're doing, is that you know macro factors, and you know what are you seeing going forward in terms of giving them more of the features that you've developed, onboarding into the newest version of your platform?

Rod Bishop: The door-to-door itinerary is the latest hottest trend in online travel, creating what they call a “connected” or “seamless” experience, where the traveller gets the door-to-door itinerary all pre-booked. Booking.com, Expedia, even Airbnb were all talking about this pre-pandemic. Even Uber was also talking about it pre-pandemic and now re-upped their game and decided that they are going to enter the travel industry using rides as a differentiator.

So there's a massive industry swell behind this. Traveller behavior is driving it. Travellers want this; nobody really wants to stand in the taxi rank and every traveller that passes through an airport has a relationship with the travel brands who left them standing there. Much better if it could have been booked with their itinerary.

There's always been that demand. It's just the next attachment to add. Hotel and flight revenue is under threat. Adding great ancillary revenue offers; differentiating yourself with good customer service; these are the things you've got to do to compete as a travel brand.

And Jayride is a turnkey solution for the industry that allows them to do just that.

We look forward to that macro and structural trend to continue in our favor.

James Tracey: And just on those online travel agents like Booking.com and Expedia they have you know numerous travel providers. Some of them are direct owners of cars, some of them are marketplaces like yourself. Where do you see your sort of market share amongst the providers of transport to these online travel agents, and why would they choose you over a local car company in New York or London that had a big fleet and then perhaps wasn't known or geographically diverse?

Rod Bishop: In terms of share, there is a lot of opportunity ahead clearly to go and capture, not just more share of their current ecosystem, but to really help them build their ecosystems. You noted at the start, you said it's rare that they attach rides at all. We think that's going to change. We think attaching rides is going to be commonplace. And if we can help them get the supply and the prices they need to make compelling offers, this is part of the value we add.

The way to think about it in terms of that value we add. You know it's tricky to do what we do, with great prices, and great coverage, and manage so many suppliers. And, in general, the bigger shops don't have dedicated tooling for it and they end up bogged down in account management across thousands of accounts.

An example, there's an airline ancillary revenue software provider we work with. It provides car service at the back of flight booking flows. And they've said to us very clearly, "we don't aspire to be managing thousands of transport companies. For a couple of points on the booking, Jayride if you could please take that off our hands, we'd use exclusively you and we would start to migrate away from direct supplier relationships to work with you as our aggregator for that reason". It's for reducing that administrative cost, and overall saving of the need to aggregate for themselves.

It's always been our core advantage to have the best supply, and so just delivering that to the travel brands is in a turn key way is the core value we add.

James Tracey: All right, fantastic job. Well done on getting above 50% on the contribution margin.

Rod Bishop: Thank you, James.

Geoff Warring (Atlas Advisors): Just with customer retention, I didn't see that data. As we're seeing increasing competition, I was just wondering what the effect it is having on customer retention?

Rod Bishop: Thanks Geoff, you're right, we don't typically publish those figures quarterly only because it's a lot of figures we publish.

The customer retention rates are good. In particular trade buyers are buying more, and travelers repeating more, and we're getting more trips per traveler.

Sorry, a short answer, but short and sweet I hope. Geoff did that answer your question?

Geoff Warring: Yeah, thanks.

Michael Brown: We're always happy to take any follow up questions offline so thank you all again for joining us, much appreciated, and i'll hand over to Rod for closing comments, thank you.

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Rod Bishop: Thank you all for joining. In conclusion, we have a milestone breaking quarter, so we're on the way. We're progressing towards stand-still cash flow positive with a strong balance sheet. And we have the control to manage our growth with great momentum going into Q4, and a positive outlook,

Thank you and we look forward to keeping you up to date.

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.