ASX Announcement

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FY20 Half-Year Results Presentation Transcript

Jayride Group Limited (ASX:JAY) ("**Jayride"** or the "**Company"**) the global online travel marketplace for airport transfers today releases the transcript of the FY20 Half-Year Results Presentation held on Wednesday 12 February 2020 at 11.00am.

Start of transcript

Rod Bishop: Thank you, operator. Welcome all attendees. Thank you for taking your time to join us on our 1H FY20 conference call. We really appreciate the time and interest, and you dialling in. We're delighted to deliver our 1H FY20 results today, with good, strong growth in passenger trips booked. Also, positive contribution margins, and major improvements to operating cash flows.

Jayride is in the early stage of its long-term growth strategy and we've been investing for long-term success. It's encouraging, I believe, to see the early indicators of positive results from our strategies. Our new global foundation that we built across the preceding 18 months is now set, and we're building on top of that foundation with three key strategies for growth.

First, this period we are leaning into the traveller experience. We want to be the best traveller experience for ride service booked on the internet. It will yield retention, referral, it will also improve operating effectiveness through automation and self-service for travellers.

Second, we're continuing to enhance our transport offerings because, at the end of the day, transport content for us is our key offering. With great transport, high quality options, best prices, to all kinds of really interesting travel destinations, we're able to increase the conversion rates on the tens of millions of trips that we quote. We are getting more effective to become the place our travellers prefer.

Third, we're continuing to launch new travel partnerships, and that means reaching new travellers. This is through both large travel brands and our own travel brand, Jayride.com and especially through organic searches at Jayride.com property. That's going to grow the number of new travellers we reach.

We have a positive outlook for the second half as we continue to scale across all six continents in which we operate. We have a clear line of sight on the operating milestones that we need to deliver for success. We've got a motivated team dedicated to delivering a world-leading traveller experience, and we're very confident in our ability to meet our shareholder's expectations.

So, we're looking forward to sharing those future updates with you as we progress across the following year.

With regards to this call, we'll be talking to results in the presentation we published with the ASX this morning. We'll be referring to it throughout the call, if you haven't downloaded it, now is a good time.

Moving onto the 1H FY20 results. In the first half, we've continued to deliver strong growth across revenue, gross profit after paid acquisition, and contribution margin. These are the three key growth metrics for us to track. Net revenue, being the commissions and fees that we booked net of any cancellation, is up 67% PCP to $2.4 million for the half. Gross profit after paid acquisition, so that's net revenue less advertising and marketing, is also up to a record high of $1.3 million for the half. This exceeds our expectations for gross profit after paid acquisition margin. Our expectations are that for every dollar we spend, we receive two dollars back. We've actually outperformed this expectation; rather than 50% GPAPA margin, we sit at 54%.

Also, in this half, we present a new disclosure. We pulled apart our operating costs into variable and non-variable, and present here, for the first time, our contribution margin. That is the amount after all variable operating costs are taken into consideration. At Jayride, variable operating costs can include things like merchant fees, but it also includes things like our customer support team, where we assume that they must scale with bookings. This is a landmark for us, contribution margin has turned profitable now for the second half in a row, so, we are very proud to present this.

To provide context for the results in this report, we're very early stage in a very long-term growth strategy. We have a long-term growth horizon, we're looking to the future, and as we expand users and increase conversion rates, provide great customer experience, it's also important that we're providing increasing operating leverage as we scale.

These results are early indications that our strategies to provide great operating leverage are coming good. We had a vision that we could deliver financial results at scale; that vision is intact, the progress that we've made towards that vision is strong. We've got a clear line of sight now in what we have to build next, and even as we build, we see our unit economics are improving. We've got encouraging early evidence that new destinations are going to be top performers, and we're able to affirm our guidance.

I want to spend most of my time today just talking about what's in the presentation deck on slide 5. We present for the first time to help investors understand Jayride a performance dashboard. This breaks the entire company down to four, easy to follow measures.

First, as we talk often about generating more passenger trips, travellers taking more passenger trips around. Passenger trips are our revenue driver, and you can see passenger trips booked has increased to 235,000 in the half. It's our revenue driver, but it's also important to see what kind of revenues we generate.

You can see revenue per passenger trip also increased. That's as a function of optimizing our TTV margins and new destinations towards scale, but also as a function selling higher average order values and really delivering on premium products to travellers. That is now also at an all-time high, $10.06 for the half, it's actually $10.25 in the most recent report.

Our new measure, that we talked to, of contribution margin – the amount of that revenue we keep after all of our variable costs – also hitting a all-time high of 10.6%. You can see the trajectory that's on PCP, where it's jumped up half-on-half from minus 30% from the previous corresponding period.

Lastly, we want to track the non-variable costs base, and we want to consider all cash costs, including anything that's engineering, for example, that might be capitalised on the balance sheet.

You can see when you follow these four metrics the improvements that we're making. You can also start to see how Jayride becomes cash generative.

The key thing that we're doing, building upon on our international foundation, is delivering growth across the six continents, and growth is coming across all sectors. It's really interesting to follow, especially when you see this broken down, that Asia and Europe are much stronger than they were in the prior corresponding periods last year. Europe, in particular, although it's gone through a small contraction, we believe that's seasonal at this point, and we're looking forward to European travel peaking across the summer season. Also, Asia, still strong, even and despite the latest headline news.

There's a concern that some people have raised: They look at Australia and they see that there's a small passenger trip decline. We've provided additional disclosure in the Appendix 4D, where we break out Australia by revenue in terms of segment reporting, and you can actually see that revenue is growing, even despite passenger trip decline. And that goes to our broad strategy of optimising for contribution on every passenger trip. We're targeting higher average order values and making more revenue per trip.

You can also see US strongly returns to growth, and a lot of that has to do with the large channel partnerships that we launched over the course of November, December.

At this point, I'd like to hand over to Chief Financial Officer Peter McWilliam to take you through the financial results.

Peter McWilliam: Thanks, Rod. Good morning. My name's Peter McWilliam, I'm the Chief Financial Officer at Jayride. Starting off on page 11, let's cover off on the key points relating to the financial performance. This will provide you with confidence about where the business is headed.

This period we continued our consistent strong growth of net revenues from passenger trips, a 67% growth rate was particularly pleasing because of the quality of the revenue that enabled strong improvement to our contribution margin.

Our contribution margin was up from negative 29% to positive 10.6%. We've now covered variable costs for the second consecutive half and are seeing a great looking trend. Rod showed you before, but I would suggest again that you take a look at the graph on slide 4.

As we work in conversion, traveller experience, and operational excellence, in coming periods we expect to see further improvements to the contribution margin.

This period we adopted AASB 16 leases. There are no material impacts on any of our financial statements. Overall, our financial performance is on track with guidance.

Let's turn over the page to the cash flow statement. For me, the two key points to highlight; operational cash performance significantly improved this period from a loss of $1.5 million to a loss of $860,000, which is a 45% improvement PCP. The improvement was driven by focusing on all aspects of the business, including contracting, elections, increasing revenue, as well as improvements of contribution margins.

When thinking about cash trajectory, we suggest you review the graph in the December 4C that shows underlying cash performance adjusted for interest, grants and difference of net receipts has consistently been improving over the last six quarters. And also, that you consider what impact continued improvements that scale and the contribution margin will have.

This period, we also completed a $5 million capital raise to fund our growth plans, which is the key movement in the balance sheets on the next page.

Thank you. Happy to answer any questions at the end of the presentation.

Rod Bishop: Now I'll come back and talk about growth outlook, because it's very important, and we encourage investors to consider Jayride at scale, at a million passenger trips a year. That's what we think at scale looks like for our business.

We're targeting a million passenger trips per year in FY21. Our growth rate towards that objective is going very well.

Rod Bishop: Apologies for the disconnection, but I'm back on the line. I'd like to just take a moment to talk about the growth outlook of the Company. I'd encourage investors to consider Jayride at scale at a million passenger trips per year.

To get there, 68% PCP growth rate, and you can see that our growth rate is 69% on revenue, and 65% PCP in passenger trips and latest trading is commensurate to the goal.

When you look at what a million passenger trips looks like, it's a very good picture of a scale business.

When we think about how to get there, we want to lean into three strategies; traveller retention, traveller conversion, and traveller acquisition. Ordinarily, a company would think about acquisition first, but it's important to make the statement I think, to the investors in the room, that I truly believe the Jayride has enough eyeballs, enough travellers and enough passenger trips being quoted right now, that in order to effectively double the business, we simply need to lean into retention and conversion of that audience we already have.

If we can give travellers a reasons to return, if we can always have the best content so the travellers are willing to purchase because they find the best choices for their specific needs, the best prices on those choices, then they'll have reason to convert, and really just by focusing on these areas, we'll be able to achieve the goal.

In the latest trading, growth has accelerated slightly since the last disclosure in the Quarterly Business Review. Now passenger trips booked up January PCP from 65%.

And so in conclusion, a strong result first half FY20: Consistent growth in revenue and passenger trips booked, outperformance at GPAPA profitability, contribution after variable costs profitable for the second consecutive period which is a great outcome, early evidence of positive results in building our growth strategies, and building upon that global foundation across six continents.

The opportunity is set for ongoing growth.

How to deliver that growth, focusing on retention, conversion and acquisition, and just really leaning into the traveller experience; delivering satisfaction to travellers and a great experience, a world class travel experience so they have a reason to return.

Thank you very much. That concludes the formal part of the presentation today. Sorry for the disruption to the call, and we're now available to take questions.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you're on a speaker phone, please pick up the handset to ask your question. Your first question comes from Stephen Scott, from Taylor Collison. Please, go ahead.

Stephen Scott: (Taylor Collison, Analyst) Taylor Collison, I dare say. Thank you very much, operator. Just a question around your user experience and getting that better in terms of self-service, and you've got a slide breaking that into some detail, perhaps you could talk to that a little bit? Thank you.

Rod Bishop: Very happy to. Providing context to this: Jayride used to operate in five countries and we identified that the number one thing that travellers wanted was to be able to use us globally. We weren't feature-complete for them by only serving some of the destinations that they wanted to go to. We completed that part at least at the foundation level in July of last year, and they've been enhancing the content for more choices and more options on the platform ever since. That's been the first key thing that we've been doing for the traveller experience and it's come along very well.

So, when you look at what's next for the traveller experience, we considered the booking process, and not just the point of booking, where we believe we already have an absolute advantage in terms of most comparison, most choice, best discovery, great user interface. We're more talking about the period that happens after booking, right the way through, until the traveller arrives at their destination.

The transport industry, the ride service industry, every individual operator around the world has a different way of operating, and for a traveller that can be confusing. One of the things that we think we're in a unique position to deliver is a consistent booking and travel experience through the fact that we're an aggregator.

So, when we look at what's going to happen towards traveller satisfaction, first of all, we're going to step up to making sure that a traveller can specify the things that are important to them. Whether that's inclusions, added value like meet and greet, specific vehicle classes and services, and that's important because once they have their expectations met correctly, when they travel those expectations can be met.

Then secondly as we think about what's next: Really streamlining the communications, especially on mobile when you're in destination with your transport company. And while there's different ways to do that technically, it's about streamlining the communications, getting out of people's inboxes and giving them a real message at the right time.

So, the effect that we think that will have on the company is – we have a certain metric that we track, which is passenger trip booked per traveller per period, that's up to 6.2 trips per traveller per period, which is very strong growth, and we'd expect that as we continue to improve the traveller experience, we'll continue to see more retention there. And that is also critical to delivering really good cash flow benefits at scale because with a retained traveller, obviously you pay less per acquisition.

So, great for travellers, great for the business. Also, by focusing on this we should see some operating leverage creep into the operational costs, that you'll find customer support costs per booking might come down for our Company because the traveller is able to take care of more of their communication with the various transport companies.

Stephen Scott: (Taylor Collison, Equity Analyst) Thank you.

Operator: Thank you. Once again, if you wish to ask a question please press star 1 on your telephone and wait for your name to be announced. I will now give you a few moments to register your questions. Your next question comes from Weimin Xie from MX Capital.

Weimin Xie: (MX Capital, Analyst) Hi gents, Weimin speaking here. How're you?

Rod Bishop: Very good, Weimin. Good to hear from you.

Weimin Xie: (MX Capital, Analyst) I looked, you see your revenue for bookings go up, and number of trips per passenger has gone up as well, but if I look at your TTV divided by the number of trips booked, that number has been declining in the last six months, and also the six months prior, maybe just trying to look inside why it's different?

Rod Bishop: I'm sorry, which number is declining, just so I can understand the question correctly?

Weimin Xie: (MX Capital, Analyst) It must be a take rate, okay. The TTV per trip booked, oh yes, okay, it must be a take rate. You were talking about conversion rate so your price icrease must be quite a lot per trip on average?

Rod Bishop: That's right. Yes, so I don't have the TTV per trip in front of me, but I'd be surprised if it was going down. After the...

Weimin Xie: (MX Capital, Analyst) So last year was 43.5, and this year it's 38.3. This is down 12%. Your take rate – yes – so how, maybe the question should be then, because I am going to see the take rate going to increase further from here?

Rod Bishop: Yes, I would expect over time that we'd continue to see more and more average order values, and more and more revenue per trip, as that's part of the focus. It makes the business really sing, when you, for example, are paying a fixed cost for customer acquisition but you're able to yield more per passenger trip.

Ways that we focus on yield, mostly tied to different types of classes of service, and different types of destinations, so for example, long distance trips are higher average order values, larger group sizes; higher average order values. And really trying to de-commoditize the content, so that if you have the opportunity to choose between a standard or a luxury class of service, you can understand the extra value that's incumbent in the luxury class and maybe you'd select that. So, expecting to see on that basis, contribution per trip, GPAPA per trip, net revenue per trip, and also potentially TTV per trip increase over time.

Weimin Xie: (MX Capital, Analyst) Okay, and just maybe follow up, how many travellers did you have in the H1?

Rod Bishop: I have that here, in the appendix of the presentation there, if you have a copy, it's slide 20.

Weimin Xie: (MX Capital, Analyst) Ah, sorry.

Rod Bishop: For H1 we have 37,500 travellers for 235,000 passenger trips booked and 6.2 average trips per traveller.

Weimin Xie: (MX Capital, analyst) Okay, that's all from me. Thank you.

Rod Bishop: Thank you.

Operator: Thank you. Once again, if you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. I will now give you a few moments to register your questions. Your next question comes from Doug Macphillamy from Avoca. Please, go ahead.

Doug Macphillamy: (Avoca, Analyst) Thanks. Good morning. Rod, would you mind just talking through slide 22 in a little bit more detail. I noticed that there's some new B2B partners at the bottom there, highlighted in green, just if you could walk through those and how material they could be going forward, please?

Rod Bishop: Absolutely. Thanks, Doug. So, for those who don't have the presentation deck, Doug is referring to our traveller acquisition slide in the appendix, which just talks to the number of B2B partners that use Jayride's content – that's transport that we've aggregated – to sell airport transfers within their own business. This is great ancillary revenue for them, obviously, because they're able to add an additional category of ancillary revenue to their travel offering. And it's also great for us, and for our transport companies, because by fulfilling the connection, the transport company receives more work from - more jobs, for example - from large corporate brands or travel brands that might not have been able to treat with directly. And Jayride is able to benefit those parties by providing aggregation in the middle.

The key strategy over the course of the last year, I guess since we announced the global rollout in July of last year, has been that with our content offering now fully global, that's far more compelling to potential travel partners to implement our API, because they only have one place to go. It's like a turn-key global adoption of all airport transfers at all airports. It's far more compelling than if we said, "hey, here's five countries". Where are they going to get the rest? Is the kind of challenge that they have.

So, over the course of the last period, channel partners have been implementing upon our API, and five partners in particular launched, these are the five that are highlighted. We named here CT Partners, Ugo Transfer, AirportShuttles.com, Shuttlefare.com, and Travezl. There are more partners currently implementing who are building on the technology as we speak. So, with regards to materiality, there's a couple of big US guys there, AirportShuttles and Shuttlefare have very good, for example, organic search presence across the US domestic travel, and they were the source of a lot of our uplift in terms of US traveller demand over the last period.

In a previous graph, earlier in the briefing, we talked to the amount of uplift in the US business, and the US business was largely driven by these two channel partners who joined. On a go forward basis, yes, I continue to see strong, strong interest from new channel partners who would like to implement our API, and sell airport transfers turn-key and we just continue to look forward to serving them, and really enriching the content so they have more things to sell.

Doug Macphillamy: (Avoca, Analyst) Excellent. And also just a question around your traveller base, I mean, do you have a sense for what the split is between business and leisure?

Rod Bishop: Very good question. So, Jayride's both a B2B and B2C business and we sell through the travel brands that we name, and we also sell direct to consumers at the website. Each one has a slightly different profile. For example, when we're selling to consumers at the website, that's typically leisure consumers, and when we're selling through channel partnerships, for example some of the corporate travel brands you see listed on slide 22, these travel brands are typically a corporate customer.

I don't have a number in front of me, but I would suggest it's about half the business either way. It has slightly different dynamics, but it blends to about 50-50, where we have slightly more travellers in leisure but slightly more revenue for a traveller in corporate.

Doug Macphillamy: (Avoca, Senior Analyst) Excellent, and just on those newer additions on the B2B partnership side, just what your experience is to date with how long it takes for them to ramp up to, I guess, what they're typically capable of generating for the business?

Rod Bishop: That's a very good question. So, first of all, the partners who we see here, they launched during the course of the period. So, for example, I think Shuttlefare was live by mid-October, Airportshuttle was live by mid-November, and so, they've each been present for only a part period and once these are full impact, the revenues they are generating for our company until we post the next quarter – after the close of March. But you can see some of the uplift they've generated now.

With regards to how they come on board, well, first of all, now that we're global, it's a much simpler process, because they really understand the value, so that part is easy, and from that point on it comes down to the technology implementation. Bear in mind, actually, sometimes the smaller partners are faster to move and very technically adept and really prioritise us and can get an implementation done in around three months. We find, sometimes, that the larger partners, they may be slower to move, they may be encumbered by legacy technology at their end, but we really have to hold their hand and sometimes it can take up to six months.

So, it's the technical implementation that is the piece of work to do. For clarity, the partner pays for that. It's not a Jayride cost. We simply provide them the API and then we make money together as partners once they've launched. But then the turn-key is the really interesting thing, because once the development is launched, well from that point on, it's everywhere on their website, and it's every country globally, and it's all done in one job. So, the ability to really, kind of step-change revenue within a partner is very strong.

It's worth pointing out also that some of those brands that are listed on slide 22, they haven't fully implemented all of our content yet. And when you think about the upside potential of generating more demand with an existing account, that's a really strong potential, too. For example, we've been a preferred supplier of Flight Centre for many years, but we still I think have so much upside in terms of value that we can deliver to the Flight Centre brand, and really by working closely with them and discovering new revenue opportunities, everybody wins.

Doug Macphillamy: (Avoca, Analyst) Thanks, that's great.

Operator: Thank you. Once again, if you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. I will now give you a few moments to register your questions. There are no further questions at this time. I will now hand back to Mr Bishop for closing remarks.

Rod Bishop: Thank you all very much for attending the call, and for some high-quality questions. We're very happy to have your interest for the Company.

Just to recap and conclude: Strong results first half, and looking forward to second half. First half looks good. Still on track to 1 million passenger trips, and looking forward to staying in touch across the course of the calendar year.

Thank you all and have a great day.

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 a world leading global airport transfers marketplace, which creates seamless experiences for travellers by allowing them to compare and book airport transfers around the world. With Jayride.com, travellers can compare and book with 3,600+ transport companies, servicing 1,500+ airports in 100+ countries around the world, including the Americas, Europe, Middle East, Africa, Asia and the Pacific.

The Jayride.com platform aggregates ground transport companies and distributes them to travellers at Jayride.com; and via partnerships with other travel technology platforms, travel agencies and wholesalers. These partners implement Jayride.com APIs to sell ground transport and add new incremental ancillary revenue to their travel businesses.

Founded in 2012, Jayride.com is headquartered in Sydney, Australia.

For more information, please visit www.jayride.com

Forward-looking statements

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