
DECEMBER 2018 QUARTERLY REPORT AND BUSINESS UPDATE

Collaborate Corporation Limited (ASX:CL8) is pleased to present its consolidated quarterly cash flow report and business update for the quarter ended 31 December 2018.

Collaborate concluded the December 2018 Quarter recording the second highest Receipts from Customers to date, a 4% increase vs the September 2018 Quarter and an 8% decrease in Net Cash Used in Operating Activities.

Key corporate highlights include:

- + **4% increase in Receipts from Customers** (\$769,000) vs September 2018 Quarter, the strongest performance of the past four quarters and the second highest result to date.
- + **8% decrease in Net Cash Used in Operating Activities** (\$664,000) vs September 2018 Quarter
- + **6% decrease in staff costs** (\$317,000) vs the September 2018 Quarter
- + **7% decrease in Product Manufacturing and Operating Costs** (\$560,000) vs the September 2018 Quarter
- + **20% increase in Research & Development Expenditure** (\$273,000) due to development of Carly subscription proposition and continued technical platform development
- + **54% increase in DriveMyCar Rental Transaction Value in December 2018** (\$254,000) vs November 2018
- + **14% increase in non-Uber Rental Transaction Value** vs the September 2018 Quarter
- + **28% increase in New Renter Registrations** vs September 2018 Quarter
- + **33% increase in New Vehicle Listings** (297) vs the September 2018 Quarter and 106% increase in New Vehicle Activations (237)
- + **Conversion from Calculator Enquiry to Listing for Private Vehicles increased to 4.7%** vs 1.9% in the September 2018 Quarter
- + **Conversion from Listing to Activation for Private Vehicles increased to 68.9%** from 42.7% in the September 2018 Quarter
- + **92% increase in Rental Transaction Value for MyCaravan** vs the September 2018 Quarter
- + **Appointed respected automotive industry veteran Paul Morris as a strategic advisor.**

Consolidated Cash Flows

Collaborate recorded the second highest Receipts from Customers to date despite a number of factors impacting supply and demand. Costs were carefully managed during this time to counteract and accordingly Net Cash Used in Operating Activities decreased by 8%.

Corporate

On 29 October 2018 Collaborate completed the partially underwritten non-renounceable entitlement issue, raising \$1,029,521, before costs, which represented take up of 90% of the total Shares offered under the offer. The offer was made on a 1 for 8 basis to shareholders of the Company at an offer price of \$0.015 per share (**Entitlement Issue**), of which a total of \$600,000 of the Entitlement Issue offer was underwritten by existing shareholders and officers of Collaborate. \$575,000 of the underwritten amount was advanced by the underwriters during the September 2018 Quarter, the funds of which were classified as borrowings per Section 3.5 of the Appendix 4C for the September 2018 Quarter. During the December 2018 Quarter, these funds were repaid by applying \$575,000 towards underwriters' commitments under the Entitlement Issue thereby returning the Company to a nil debt position.

Following completion of the Entitlement Issue, the Company had 8,755,033 shares available (approximately \$130,000) under the Shortfall Offer pursuant to the prospectus dated 14 September 2018 (**Entitlement Issue Prospectus**). On 21 November 2018, following the reinvestment by a number of non-related party underwriters of underwriting fees and interest on advances paid to them, a further 800,000 shares were issued under the Shortfall Offer. In total, during the December 2018 Quarter \$467,000 (before costs) was received under the Entitlement Issue.

Subsequent to the end of the quarter, the remainder of the shares under the Shortfall Offer were taken up by Hishenk, Collaborate's largest shareholder, on 22 January 2019 and raised a further \$119,325. This placement resulted in the offers under the Entitlement Issue being fully subscribed and took the total number of shares issued under the Entitlement Issue Prospectus to 77,389,732 shares and total funds raised to \$1,160,846, before costs.

Strategic Advisor Appointment

During the December 2018 Quarter, Collaborate appointed respected automotive industry veteran Mr Paul Morris as a strategic advisor to the Company. Mr Morris has had a long and distinguished career in the automotive industry in Australia and Europe working in a number of senior strategy, operational and sales roles with leading companies. Most recently Mr Morris was chief operating officer of the ASX-listed Automotive Holdings Group Limited, Australia's largest automotive retailer with 183 franchised dealerships representing 27 automotive manufacturers.

Mr Morris joined Collaborate as a strategic advisor as the DriveMyCar business unit accelerates its efforts to engage with automotive dealers and manufacturers to help them navigate the ongoing shift in consumer preferences and mobility needs which are increasingly moving online and favouring access to mobility solutions in preference to traditional vehicle ownership.

Mr Morris' input and assistance has been extremely valuable to the Group in the short time he has been working with Collaborate.

Cash Balance at Quarter End and Funding

At the end of the December 2018 Quarter the Company maintained a cash balance of \$350,723.

Subsequent to the end of the quarter on 30 January 2019 Collaborate received an R&D tax incentive rebate of \$325,259 for FY18, in addition to the \$119,325 placement to Hishenk detailed above.

The Company acknowledges its cash position at the end of the quarter and its estimated cash flows for the March 2019 quarter. It is important that shareholders note that the estimated cash outflows do not include the cash receipts from customers. The Directors closely monitor cash flows and funding requirements and are assessing all funding alternatives to ensure that the Company can continue to progress growth opportunities of the businesses.

On 10 January 2019, Collaborate secured controlled placement facility. The facility enables the Company to raise up to \$3 million over a maximum period of 30 months. Under the terms of the facility, Collaborate retains full control of all aspects of initiating the placement process: having sole discretion as to whether or not utilise the facility, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no obligations on Collaborate to utilise the facility and the Company may terminate it at any time with 5 business days' notice, without cost or penalty. The facility also does not place any restrictions at any time on Collaborate raising capital through other methods. The facility is a valuable tool as an additional funding alternative and placements under the facility will principally be used to provide funding for customer acquisition, funding the growth of Carly and DriveMyCar and for general working capital.

DriveMyCar

During the December 2018 Quarter a number of factors limited growth in sales including continued price discounting by competitors, short term rentals reducing the availability of cars for long term rentals and a short term gap in vehicle supply during November that limited rental momentum into December.

DriveMyCar maintains a Price Index which indicates a strong correlation between competitor prices and demand for DriveMyCar vehicles. The willingness of consumers to consider alternatives to traditional suppliers is related to prices charged by large established players. During the December 2018 Quarter average competitor prices for 7 day economy rentals were 10% lower than the December 2017 Quarter. Competitors are believed to be discounting their prices because of the availability of heavily discounted vehicles being sold by manufacturers at low or zero margin, especially in the SUV category. VFACTS December 2018 data shows that sales of SUV's to rental companies increased 30% in 2018 vs 2017. As these sales are often not profitable for manufacturers and vehicles are held for a short period of time by the rental companies it is unlikely that the discounted prices can persist. DriveMyCar seeks to counteract the impact of short term competitor price discounting through diversified revenue streams including rideshare rentals for Uber drivers, accident replacement rentals, new initiatives such as apartment car share and the recently announced Carly subscription model (to be launched in March 2019) and new pick up locations via automotive car dealerships and airports. As DriveMyCar does not incur direct vehicle ownership costs, there is less requirement to operate 'heavily discounted' promotions to recover high fixed costs and instead DriveMyCar focuses on cost containment.

Short Term Rentals launched on 25 June 2018 and during the December 2018 Quarter accounted for 17% of RTV. Whilst this represents an important contribution to overall sales and delivers a higher gross margin per day, the booking of cars for short term rentals can preclude those cars from being booked for longer term rentals if there is an existing future short term booking on that particular vehicle. To lessen this unintended impact, the number of vehicles available for short term bookings has been reduced to ensure revenue opportunities are maximised for the business and vehicle owners.

While the number of Net Vehicle Activations increased substantially from the prior two quarters, these new vehicles were activated late in the December 2018 Quarter and as a result were not available during the peak demand period. Additionally, there was a gap in supply of vehicles in November resulting from the retirement of the existing Peugeot fleet. With the availability of the new vehicles and increased demand Rental Transaction Value in December 2018 surged 54% compared to November 2018.

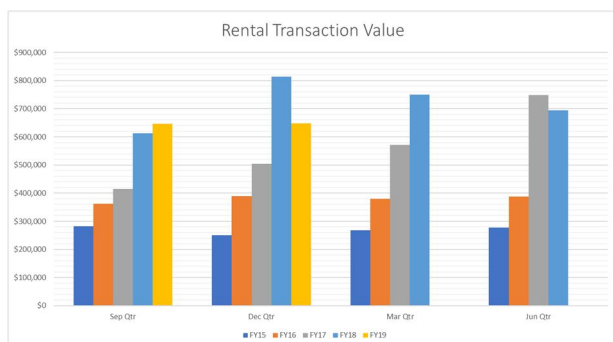
The number of New Renter Registrations increased 28% versus September Quarter 2018 to reach a new record of 1,756 registrations which was largely as a result of improved marketing performance.

Compared to the December 2017 Quarter, the following factors impacted performance of the DriveMyCar business unit:

- + The number of vehicles available for rideshare rentals in the December 2018 Quarter was lower as the available fleet size was still growing following changes in registration requirements for vehicles in NSW, Victoria & Queensland. Vehicles are now registered for rideshare rentals in these three states.
- + The December 2017 Quarter strongly benefited from the availability of 105 Subaru XV vehicles which were highly utilised for rideshare and private rentals. In the December 2017 Quarter these vehicles accounted for \$103,000 of additional RTV in that prior year period. Vehicles from Custom Fleet became available in late December and will contribute to RTV in the March 2019 Quarter and beyond.
- + Average competitor prices were 10% lower in the December 2018 Quarter.

Period	Rental Transaction Value ¹ '000	Gross Revenue ² '000	Gross Profit '000	Gross Profit %	Net Rental Days Realised ³	Net Rental Days Booked	Total Vehicle Activations	Calculator Enquiries	New Renter Registrations
Dec Qtr 2018	\$648	\$268	\$106	40%	15,715	19,029	49	4,042	1,756
Dec Qtr 2017	\$815	\$324	\$226	70%	20,359	21,634	104	3,863	1,608
Mar Qtr 2018	\$749	\$315	\$197	63%	18,796	20,032	88	2,831	1,285
Jun Qtr 2018	\$694	\$273	\$165	61%	16,733	20,047	-52	4,655	1,156
Sep Qtr 2018	\$646	\$280	\$149	61%	15,990	16,681	-62	9,360	1,367
Dec Qtr 2018 % growth vs Sep Qtr 2018	0%	-4%	-29%		-2%	14%	179%	-57%	28%
Dec Qtr 2018 % growth vs Dec Qtr 2017	-20%	-17%	-53%		-12%	-13%	-53%	5%	9%

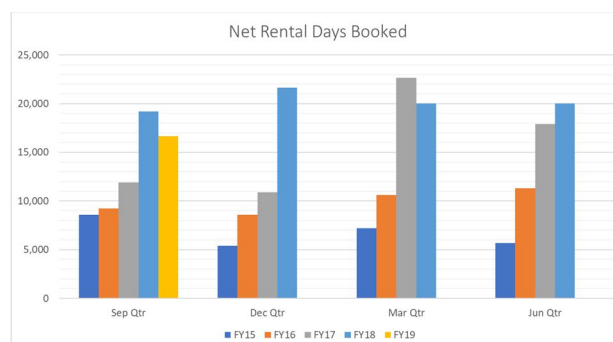
- Rental Transaction Value is the total amount paid by the customers during the period.
- Gross Revenue is the component of the Rental Transaction Value excluding the value of payments to owners that is charged by DriveMyCar and recognised as revenue for accounting purposes plus booking system revenue.
- Net Rental Days Realised is the sum of rental days billed in the period.
- Gross Profit in June 2017 Quarter included Claims Experience Discount recognised as a result of the low level of insurance claims



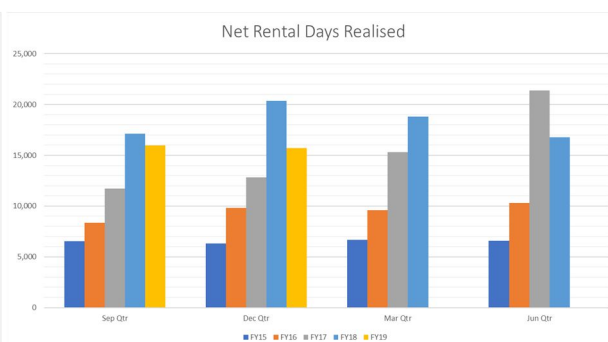
Graph 2: Rental Transaction Value



Graph 3: Gross Revenue



Graph 4: Net Rental Days Booked



Graph 5: Net Rental Days Realised

During the December 2018 Quarter a number of new initiatives for DriveMyCar were announced or launched which will contribute to revenue growth in future periods:

- + Cricks Tweed is the latest automotive dealer to provide vehicles for rent via DriveMyCar. The Cricks Tweed dealership is situated in an ideal location to service the important Tweed Heads/Coolangatta and Gold Coast regions, combining potential demand from tourists, residents, local businesses and Uber drivers. Vehicles commenced for rental on 29 October.
- + Custom Fleet has signed an agreement for the supply of vehicles to the DriveMyCar marketplace. Custom Fleet is Australia and New Zealand's premier fleet management organisation with over 2,400 customers in metropolitan and regional Australia. Custom Fleet will provide vehicles in Sydney, Melbourne and Brisbane for collection from central locations. Additionally, vehicles are intended to be available for pick up from DriveMyCar's locations at Sydney and Melbourne airports. This new supply channel of quality vehicles will be available to private renters, business customers and Uber drivers. Vehicles rentals commenced on 22 December.
- + LSH Auto trading as Mercedes-Benz Melbourne has signed an agreement for the supply of vehicles to the DriveMyCar marketplace and the launch of a premium vehicle rental service. The first collaboration between DriveMyCar and LSH's Mercedes-Benz dealerships will launch at Melbourne Airport. DriveMyCar will make a range of new Mercedes-Benz vehicles including A-Class, B-Class, CLA, C-Class, X-Class and GLA vehicles available for rent to Melbourne residents and incoming visitors via the Mercedes-Benz Melbourne Airport dealership. Upon arrival at Melbourne Airport customers will be collected from the Domestic or International terminals by a Mercedes-Benz valet driver and conveyed to Mercedes-Benz Melbourne Airport for collection of their vehicle. Rentals commenced in January 2019 and a number of vehicles are available for rent via the main DriveMyCar website. The promotion of these vehicles will be predominantly via a micro-site which has been developed for this proposition and is awaiting final approval by the OEM.
- + DriveMyCar launched a guaranteed rental income offer for private vehicle owners. Private vehicle owners who list their car on DriveMyCar and meet the eligibility criteria will receive guaranteed income of \$2,500 per annum. The income guarantee terms incentivise vehicle owners to make their vehicles available and accept bookings in order to qualify for the guarantee - thereby increasing the overall availability of vehicles in the DriveMyCar fleet. During the December 2018 Quarter, conversion from Calculator Enquiry to Listing for private vehicles increased to 4.7% vs 1.9% in the September 2018 Quarter and conversion from Listing to Activation for private vehicles increased to 68.9% from 42.7% in the September 2018 Quarter. Net Activations increased by 111 vehicles during December 2018 Quarter
- + The Apartment Car Share pilot launched in October in the Sydney suburb of Willoughby enabling residents of apartment developments to rent vehicles to and from other residents. The learnings from this initial pilot have been incorporated into the product and additional sites for the expansion of the pilot are currently being reviewed.

Carly Vehicle Subscription

Subsequent to the end of the December 2018 Quarter Collaborate announced the pre-launch campaign for the Carly vehicle subscription service. There was significant work undertaken on the development of Carly during the December 2018 Quarter. Carly (www.carly.co) is an alternative to buying, leasing or borrowing money to buy a car and will offer access to a range of new and used vehicles including insurance, registration and maintenance packaged into a single monthly payment with no long term commitments. Subscribers will be able to start and stop their subscription and 'switch' cars as their needs change. This could be a short term switch to a vehicle more suitable for a holiday, a longer term switch to cater for increasing family size, or pausing a subscription due to an extended holiday. Carly can deliver the car to the subscriber's address at the commencement of the subscription and whenever the car is switched. Consumers are able to register their interest and receive a \$200 upgrade to be used towards their first vehicle subscription when Carly commences vehicle subscriptions in March 2019.

Carly is Australia's first truly flexible and comprehensive car subscription service. The potential market size for the Carly subscription offering is exceptionally large. Over 870,000 new passenger and SUV vehicles were sold in 2018 and were worth approximately \$30 Billion. There is also additional substantial market size potential in the used car market. Whilst the transition of consumers moving from buying vehicles to utilising vehicle subscription services is expected to take time, an initial small take up of 0.5% of new car buyers per annum would represent approximately \$150 million of vehicles per annum in the subscription space and would represent approximately 5,000 customers each year. An increase to 5% of new car buyers per annum would represent approximately \$1.5 Billion per annum of vehicles and would require less than 50,000 customers each year. Carly will work with manufacturers, leasing companies and automotive dealers. Carly is able to provide automotive dealers with an additional revenue stream as part of their customer offering, and will offer a valuable distribution channel for Carly.

Carly has received strong interest from consumer and automotive industry media including a 3 page article in respected auto industry publication, Go Auto. Go Auto indicated strong support from dealers in the industry stating "It is being seen in dealer circles as a potential for retailers to get cars out of the showroom door that are presently not getting finance approval. Dealers are saying that the reaction of some finance companies to the new ASIC rules and a very conservative response to funding cars ahead of the banking royal commission findings, is leaving thousands of willing buyers without the means to purchase their cars. The subscription model being promoted by Carly has the potential to open up a new avenue to selling their cars."

Strategic Direction

Collaborate has been orienting its resources and strategic focus towards its mobility strategy owing to the large number of opportunities resulting from significant changes in the automotive industry and rapid evolution of the ways that consumers wish to access new vehicles. According to IDC's Worldwide Semi-annual Mobility Spending Guide, worldwide spending on mobility solutions is forecast to reach \$1.72 trillion in 2021 and the changing nature of the industry in conjunction with the DriveMyCar and Carly offerings ensures that Collaborate is at the forefront of this opportunity.

As a result, Collaborate intends to ensure its focus is applied to the mobility sector, with significantly reduced allocation to MyCaravan and Mobilise. This refocus and reallocation of resources has enabled over \$411,000 of annual payroll costs to be removed from the business in recent months with the full impact of these savings to benefit the business in the March 2019 Quarter and beyond.

Authorised by:

Chris Noone
CEO and Director
Collaborate Corporation Limited

About Collaborate Corporation Limited

Collaborate Corporation Limited is listed on the Australian Securities Exchange (ASX:CL8). It is Australia's leading listed company focused on 'collaborative consumption', 'peer-to-peer' or 'sharing economy' business model with a strong focus on mobility solutions. Collaborate's core business is www.DriveMyCar.com.au Australia's leading peer-to-peer car rental business, complemented by www.Carly.co, Australia's first truly flexible car subscription offering to be launched in March 2019. Other businesses include www.MyCaravan.com.au a leading peer-to-peer caravan rental business; and www.Mobilise.com a rental marketplace for under-utilised assets. Through our proprietary trust and reputation platform, www.peerpass.com.au we create 'trust' between individuals and make it possible for people and companies to safely transact with each other in the sharing economy.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Collaborate Corporation Limited (ASX: CL8)

ABN

60 066 153 982

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	769	1,511
1.2 Payments for		
(a) research and development	(273)	(470)
(b) product manufacturing and operating costs	(560)	(1,163)
(c) advertising and marketing	(133)	(326)
(d) leased assets	-	-
(e) staff costs	(317)	(654)
(f) administration and corporate costs	(151)	(286)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(664)	(1,386)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – <i>refundable rental deposit for office</i>	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	467	467
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(87)	(90)
3.5	Proceeds from borrowings	-	575
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(17)	(17)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	363	935

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	652	802
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(664)	(1,386)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	363	935
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	351	351

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	351	652
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	351	652

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

90

-

Directors' remuneration for the period.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		


Subsequent to the end of the quarter, the Company announced the execution of a controlled placement deed with Acuity Capital for up to \$3 million of equity over a 30-month period. Full details of the facility are set out in the ASX release dated 10 January 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(209)
9.2 Product manufacturing and operating costs	(835)
9.3 Advertising and marketing	(63)
9.4 Leased assets	-
9.5 Staff costs	(308)
9.6 Administration and corporate costs	(343)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,759)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

Date: 31 January 2019

CEO and Director

Print name: Chris Noone

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.