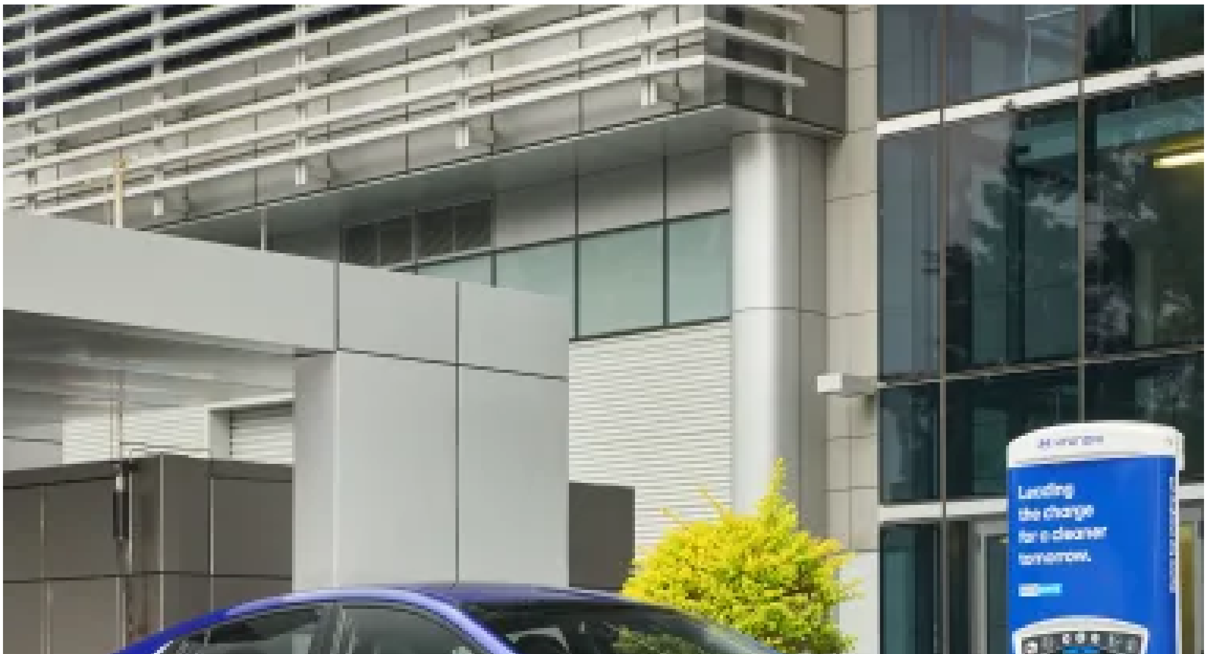
Netflix-style car subscription company reboots

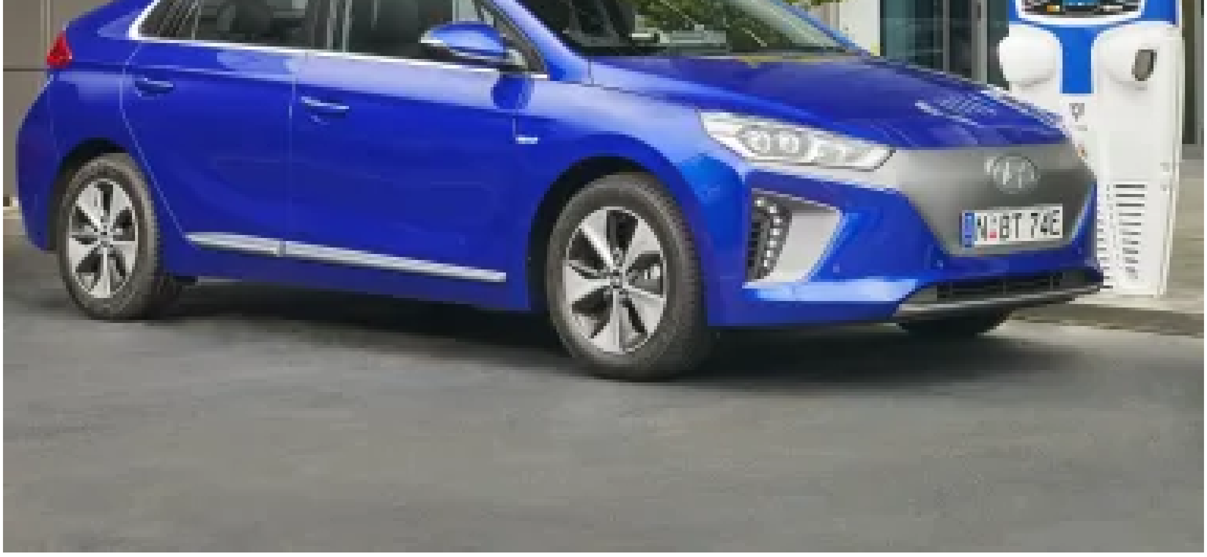
Simon Evans *Senior Reporter*

Dec 16, 2020 – 1.09pm

Car subscription company Carly, which has remade itself by taking on a new name and undertaking a one-for-25 share consolidation, says demand is rising as customers seek maximum flexibility in uncertain economic times and it enhances its range with electric vehicles.

Chief executive Chris Noone said on Wednesday that aside from a small drop in subscription users in April, the company had been growing solidly during the pandemic and expected that to continue as it begins offering electric vehicles to customers.





The Hyundai electric vehicle Ioniq is now part of the Carly range offered under subscription.

"People see it as a low-risk way to get a car," he said of the subscription model.

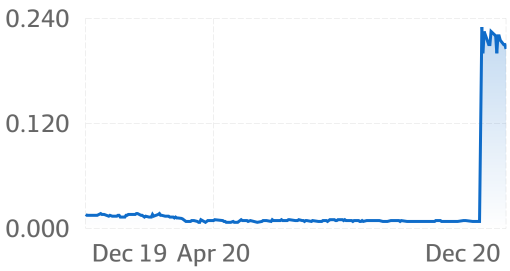
Higher unemployment rates, uncertainty in the job market and a reluctance to make long-term financial commitments had delivered a fresh set of customers to Carly over the past few months, he said.

The company had lifted monthly subscription value to $150,000 in October, compared with $50,000 in October last year.

RELATED QUOTES

CL8	$0.215	▲ 4.88%

1 year   1 day



Updated: Dec 17, 2020 – 11.39am. Data is 20 mins delayed.

View CL8 related articles →

Younger drivers, in particular, like the flexibility of a Netflix-style subscription service where they pay a monthly fee for the use of a car, rather than locking in a finance deal to buy a vehicle.

Mr Noone said the company was expanding into electric vehicles through an arrangement with Hyundai. It had taken delivery of some Hyundai Ioniq electric vehicles to offer subscription customers, with more to arrive in January.

Eradicating EV anxieties

Hyundai and other more traditional manufacturers have been racing to bring new technology to a market where pioneer Tesla, led by Elon Musk, has captured much of the spotlight.

Mr Noone expected a step up in demand from customers for electric vehicles because the subscription model addressed issues that some potential drivers had over "range anxiety", battery life and depreciation.

"With subscription, all of these anxieties are removed," he said.

The ASX-listed company was previously known as Collaborate Corporation and ran Carly as one of its divisions. But a name change, approved by shareholders a few weeks ago, came into effect on Wednesday.

The share price has been largely moving sideways and is still around the 20¢ mark.

"We'd certainly like to see the share price higher," Mr Noone said.

One of Australia's largest car leasing groups, SG Fleet, is the second-largest shareholder in Carly, having dipped its toe in the water in late 2019 in what is still a segment in its infancy.

Mr Noone said Carly had several hundred vehicles on the road with subscription customers, and demand was exceeding supply. Shutdowns of automotive factories in Europe and other offshore locations during the pandemic and a rebound in demand across the industry for new vehicles over the past few weeks had been a headache for the entire industry.

"There's been fewer cars coming into the country," he said. "We haven't been immune from this."

A ute-buying frenzy underpinned a strong rebound in new vehicle sales in November which ended a run of 31 months of consecutive declines in an industry that had been battling before the pandemic.

The federal government's instant asset write-off tax break scheme helped increase confidence levels as the pandemic came under control in Australia and Victoria moved out of lockdown.

The Federal Chamber of Automotive Industries said on December 3 that sales for November jumped to 95,205, up 12.4 per cent on November 2019.

It marked the first lift in sales since mid-2018 using the industry benchmark, which measures sales against the same month in the previous year.

Simon Evans writes on business specialising in retail, manufacturing, beverages, mining and M&A. He is based in Adelaide. *Connect with Simon on Twitter. Email Simon at simon.evans@afr.com*