

16 December 2022

Carly Holdings Limited

Business update confirms strong trading

Carly Holdings Limited (ASX:CL8) operates a vehicle subscription business, which it launched in March 2019, leveraging the existing DriveMyCar operations and technology. Car subscription allows business and retail customers to pay a single monthly fee to access a car for 30 days or more and is an alternative to purchasing or financing a vehicle. Carly has attracted larger automotive industry businesses as shareholders, with a model that facilitates sales volumes of new vehicles and delivers a new recurring revenue stream for automotive manufacturers and dealers. The company has developed the model on similar lines to business launches in Europe and proved over the past three years that the business works in Australia. Carly is now ramping up fleet size through vehicle purchases and leases. Carly provided a trading update on 15-Dec, reporting a 28% increase in average monthly subscription revenue. Subscription as a share of transaction value has increased to 59% from the 51% previously reported in Q1 FY23. Fleet utilisation increased to 89%, from 87% reported at the last quarter. The delivery of the final 11 of 61 recently ordered vehicles is expected to be completed by 31-Dec. Carly is pursuing additional financing to further expand the vehicle fleet.

Business model

Carly provides vehicles to business and retail customers for periods exceeding 30 days under a subscription model. The subscriber pays a flat monthly subscription fee which includes exclusive use of the vehicle, insurance, registration and servicing, otherwise they are responsible for fuel and tolls. Vehicles are sourced by Carly via two models: an external owner provides a vehicle in return for a share of receipts (asset light); or the vehicle is secured through a vehicle finance lease or purchase of the vehicle by Carly (asset heavy). Carly is currently in the top-two organic results for 'car subscription' internet searches with vehicle supply still the main constraint on growth.

Trading update highlights subscription momentum

Carly issued a trading update on 15-Dec confirming delivery of new vehicles ordered under the June 2022 \$1.5m finance facility. Fifty (80%) of the 61 vehicles ordered have been delivered and are highly utilised. Including new vehicles, subscription vehicle utilisation reached 89% in November – a rise from 87% in the September 2022 quarter. The company also achieved a higher 59% share of subscriber transaction value versus 51% in the previous quarter. Carly has placed forward orders for an additional 100 vehicles in anticipation of securing additional finance facilities.

Valuation base case at \$27.1m (\$0.132/share)

Our valuation is based on the discounted cashflow methodology using a discount rate of 16.5% (beta 2.0, risk-free rate 3.5%). We have modelled three cases differentiated by available finance for vehicles, subscription levels and vehicle-related costs. Our downside case values CL8 at \$5.6m (\$0.027/share), while we can estimate upside to \$90.3m (\$0.442/share) using a range of factors. Financing to enable an increase in vehicle purchases is the crucial factor in these valuations, together with ongoing growth in fleet size and stable vehicle utilisation rates.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	Gross profit	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	Price/Book (x)
06/21a	1.0	0.5	(3.3)	(3.4)	(3.1)	(0.8)	(0.31)
06/22a	1.3	0.6	(2.8)	(3.0)	(2.1)	2.2	1.06
06/23f	5.5	3.8	0.3	(1.6)	(1.0)	2.7	3.35
06/24f	16.5	11.3	7.1	0.1	0.1	1.8	6.64

Source: Company data; RaaS Advisory estimates for FY23f and FY24f; *EPS normalised for one-time items

Share Details

ASX code	CL8
Share price (15-Dec)	\$0.022
Market capitalisation	\$4.5M
Shares on issue	204.4M
Net cash 30-Sep-2022	\$2.3M
Free float	~52%

Share Price Performance (12 months)



Upside Case

- CL8 is successful in raising additional vehicle finance
- Competitors remain less committed to growth due to business-related distractions
- Subscription rates remain attractive relative to car purchase values

Downside Case

- Limited finance is available for car purchases; CL8 relies on corporate owners of vehicles for supply
- Competitors strengthen their focus on subscription business
- Cost pressures reduce retained share of subscription transaction value

Catalysts

- Increased monthly subscription revenue
- Additional finance confirmed
- Continued excellent operational performance
- Vehicle deliveries

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- how we are paid, and
- complaint processes

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