

Fleet growth delivered – cash set to follow

Carly Holdings Limited (ASX:CL8) operates a vehicle subscription service that is a shorter-term alternative to lease, loan or outright purchase of a vehicle. Average subscription period is five+ months vs. three+ years for more traditional options. The subscription includes insurance, registration and maintenance. There is no debt or balance sheet impact for the customers. The business model has attracted the attention of large strategic investors. Second-largest shareholder SG Fleet (ASX:SGF), refers individual, business and government clients to Carly when vehicles are required for periods shorter than a lease term. Turners Automotive (ASX:TRA), currently CL8's fourth-largest shareholder, has licensed the Carly technology platform to operate its own subscription business in New Zealand. In FY24 Carly has focused on fleet growth, adding 243 vehicles, this naturally caused a reduction in utilisation and increase in vehicle-related costs. However, we expect the company to deliver higher cash returns as this increase is digested and asset-light vehicles form a larger part of the offer.

Business model

Carly manages a mixed asset-heavy and asset-light fleet of over 530 vehicles allowing it to generate higher margins from owned vehicles and make a margin on vehicles provided by automotive dealers and manufacturers seeking to generate subscription revenue for their vehicles. The most notable strategic partners in this regard are Hyundai and Genesis. Carly operates with minimal reliance on 'bricks and mortar' facilities, instead using third-party locations to store and handover vehicles. Carly manages the entire vehicle fleet, arranges insurance coverage and verifies customers through its PeerPass platform. Individual subscribers are acquired through digital marketing and referral partners, and corporate customers are engaged via business development activities and strategic relationships.

Fleet growth delivered

Carly's June quarter update delivered the expected 19% growth in fleet total fleet size versus the March quarter. The fleet grew to 538 vehicles with 33% growth in the asset-light fleet, now 35% of the total. Operating cash used fell 7% despite this increase. Fleet growth leaves Carly's finance facility fully drawn. The company says it remains focused on improving cash outcomes from vehicle subscriptions. With the launch of the in-dealer subscription tool, CarlyNow, and EV trial for consumers and business, Carly should see fleet utilisation rates increase following recent fleet growth. Growth in the quarter was concentrated in June and has continued in July with additional growth in corporate customers. COVID-related vehicle supply issues have eased and cost-of-living issues are resulting in weaker new retail vehicle sales. Easier supply drives an increase in available asset-light vehicles while the consumer's reluctance to purchase should increase demand for subscriptions.

Valuation base case unchanged at \$21.2m (\$0.079/share)

Our valuation is based on the discounted cash-flow methodology using a discount rate of 13.75% (risk-free rate 4%). We have modelled three cases differentiated by available finance for vehicles, subscription levels and vehicle-related costs. Our unchanged base case values Carly at \$21.2m (\$0.079/share) suggesting strong share price growth potential as Carly builds fleet size and consequently revenue. Our downside case values CL8 at \$8.4m (\$0.031/share), while we see upside potential to \$70.4m (\$0.26/share).

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

Year end	Revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	Price / Book (x)
06/22a	1.3	0.5	(3.0)	(3.0)	(2.2)	1.5	1.1
06/23a	2.1	0.5	(3.0)	(3.1)	(1.5)	3.0	1.8
06/24f	4.6	0.8	(1.9)	(3.3)	(1.2)	3.1	4.0
06/25f	8.3	3.3	0.4	(1.6)	(0.6)	2.2	5.3

Source: Company data; RaaS estimates for FY24f and FY25f

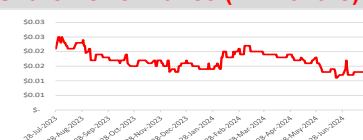
Vehicle Subscription Services

29 July 2024

Share Details

ASX code	CL8
Share price (26-Jul)	\$0.013
Market capitalisation	\$3.5M
Shares on issue	268.4M
Net debt 30-Jun-2024	\$7.69M
Free float	~75%

Share 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

Latest Company Interview

[Carly Holdings RaaS Interview 23 04 2024](#)

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Adrian Bunter	Non-Executive Chairman
Stephen Abolakian	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Chris Noone	CEO / Executive Director

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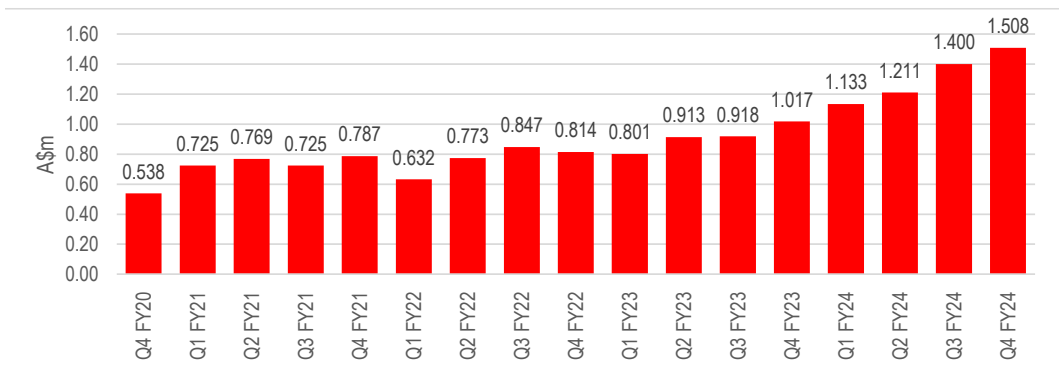
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Q4 FY24 Results Analysis

June quarter receipts rose 8% relative to the March quarter and 48% on the previous June. Fleet size increased 19% relative to the March quarter. Costs were broadly unchanged on the quarter despite the fleet growth, with a reduction in staff costs as March quarter one-off payments cycle out. Advertising and marketing rose 9%, however are down 76% vs. June Q. 2023. Product manufacturing costs rose 51% reflecting the jump in vehicle numbers and some third-party owner costs expensed in the prior quarter but invoiced and paid in the June 2024 Quarter.

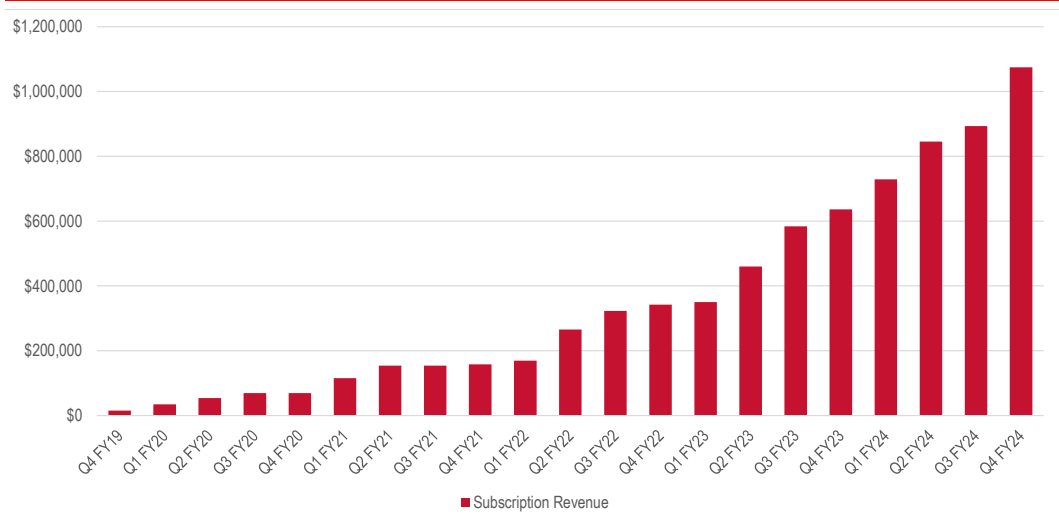
Exhibit 1: Quarterly receipts from customers



Source: Company data

Carly reported a 68% rise in subscription revenue versus the previous June quarter with an increase in Average Monthly Subscription Revenue from \$298,000 in the March quarter to \$358,280 per month in the June quarter. The company did not disclose fleet utilisation in this report, however noted in the quarterly report that “..revenue growth from new additions to the fleet of asset-heavy vehicles lags the vehicle additions and results in an increase in costs prior to the commencement of subscriptions.”

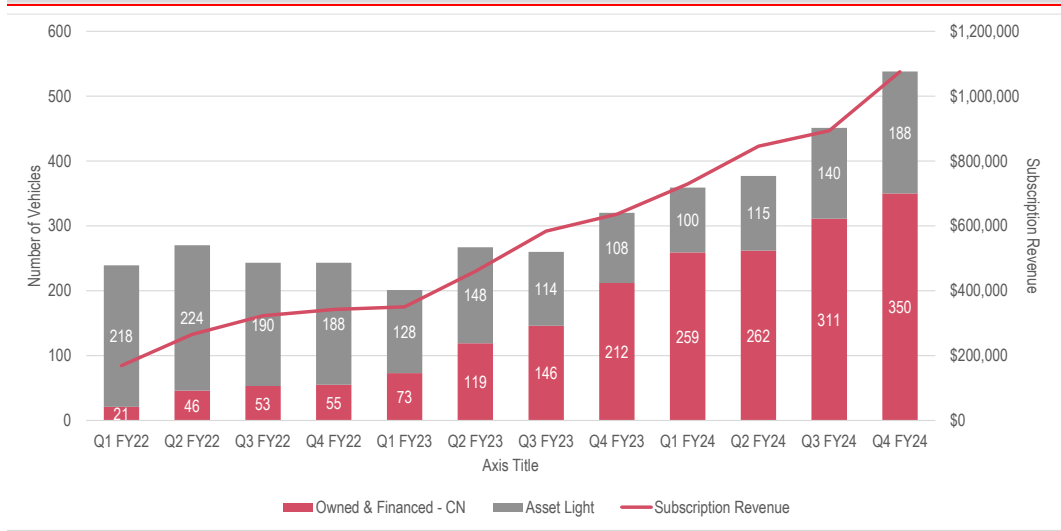
Exhibit 2: Quarterly subscription revenue



Source: Company data; RaaS estimates

Fleet size grew to 538 vehicles from 451 with an additional 88 (four more than forecast) owned vehicles and 73 asset-light vehicles (vehicles owned by partners and managed by Carly as part of the fleet). With the current finance facility fully utilised we expect a pause in asset-heavy fleet growth but with Carly's initiatives in the dealer and EV sectors further growth in asset-light vehicles seems likely. This would be both lower cost and lower revenue but would not require further finance.

Exhibit 3: Subscription revenue vs. fleet size



Source: Company data

Carly says it has \$1.3m in cash at period end. The company's focus appears to be mainly on improving fleet utilisation in the short term, leveraging the recent additions to the vehicle fleet. We have adjusted our forecasts slightly to account for the June quarter result and improved cash flow in FY25 with estimated FY25 NPAT improving from (\$2.7m) to (\$1.6m) and we will provide further detail post the FY24 result.

Exhibit 4: Q4 FY24 versus previous quarters (A\$m)

	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
Cash receipts	0.80	0.91	0.92	1.02	1.13	1.21	1.40	1.51
Payments to suppliers	(1.15)	(1.12)	(1.14)	(1.90)	(1.21)	(1.55)	(1.50)	(1.56)
R&D	(0.25)	(0.28)	(0.27)	(0.26)	(0.24)	(0.28)	(0.27)	(0.26)
Other	-	-	-	-	-	-	-	-
Operating cash flow	(0.43)	(0.48)	(0.48)	(1.01)	(0.38)	(0.68)	(0.49)	(0.45)
Free cash flow	(0.43)	(0.48)	(0.48)	(1.01)	(0.38)	(0.68)	(0.49)	(0.45)
Net cash at the end of the period	0.28	1.62	0.96	1.54	0.98	3.12	2.56	1.31
Monthly cash burn	(0.14)	(0.16)	(0.16)	(0.34)	(0.13)	(0.23)	(0.16)	(0.15)
Quarters of cash on hand	1	3	2	3	3	5	5	3
Including vehicle financing	3	8	9	3	19	8	13	3

Source: Company data

Key Events

Events in the quarter included:

- 69% increase in subscription revenue vs. June 2023 quarter, up from the +58% for 12 months to March 2024.
- 48% rise in customer receipts vs. June 2023 quarter.
- 37% reduction in staff costs vs. March quarter 2024.
- 68% increase in fleet size vs. June 2023 quarter with 87 vehicles added in June quarter 2024.
- Asset-light fleet rose 72% vs. June 2023 quarter
- Launch of CarlyNow in-dealer subscription tool continuing in the September quarter.

Exhibit 5: Financial Summary

Carly Holdings Ltd						Share price (Date)		26/07/2024				A\$	0.013
Profit and Loss (A\$m)						Interim (A\$m)		1H22 A	2H22 A	1H23 A	2H23 A	1H24 A	2H24 F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F								
Sales Revenue	1.0	1.3	2.1	4.6	8.3	Revenue	0.5	0.7	0.9	1.2	1.6	2.9	
Gross Profit	0.6	0.5	0.5	0.8	3.3	EBITDA	(1.7)	(0.4)	(1.6)	(1.6)	(1.9)	0.1	
EBITDA	(3.3)	(3.0)	(3.0)	(1.9)	0.4	EBIT	(1.7)	(0.5)	(1.6)	(1.6)	(1.9)	(0.7)	
Depn	(0.2)	(0.2)	(0.2)	(0.8)	(1.4)	NPAT (normalised)	(1.7)	(1.3)	(1.6)	(1.5)	(2.1)	(1.2)	
Amort	(0.0)	0.0	0.0	0.0	0.0	Minorities	-	-	-	-	-	-	
EBIT	(3.5)	(3.1)	(3.2)	(2.6)	(1.0)	NPAT (reported)	(1.7)	(1.3)	(1.6)	(1.5)	(2.1)	(1.2)	
Interest	(0.0)	(0.1)	(0.2)	(0.9)	(0.8)	EPS (normalised)	(1.34)	(0.97)	(1.12)	(0.73)	(0.81)	(0.45)	
Tax	0.0	0.2	0.1	0.2	0.2	EPS (reported)	(1.27)	(0.97)	(0.79)	(0.60)	(0.80)	(0.45)	
Minorities	0.0	0.0	0.0	0.0	0.0	Dividend (cps)	0.00	-	-	-	-	-	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Imputation	30	30	30	30	30	30	
NPAT pre significant item	(3.4)	(3.0)	(3.1)	(3.3)	(1.6)	Operating cash flow	(1.65)	(1.1)	(0.9)	(1.0)	(1.1)	(0.9)	
Significant items	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(1.65)	(1.1)	(0.9)	(1.0)	(1.1)	(0.9)	
NPAT (reported)	(3.4)	(3.0)	(3.1)	(3.3)	(1.6)	Divisions		1H22 A	2H22 A	1H23 A	2H23 A	1H24 A	2H24 F
Cash flow (A\$m)						Car Subs	0.52	0.73	0.88	1.22	1.62	2.91	
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Licence Revenue	0.00	0.00	0.00	0.00	0.00	0.02	
EBITDA	(3.3)	(3.0)	(3.0)	(1.9)	0.4	Other Revenue	n.a.	n.a.	n.a.	n.a.	n.a.	0.00	
Interest	(0.0)	(0.1)	(0.2)	(0.6)	(0.8)	COGS	(0.39)	(0.39)	(0.39)	(0.89)	(0.93)	(0.29)	
Tax	0.0	0.0	0.0	0.0	0.0	Employment	(0.82)	(0.71)	(0.75)	(1.01)	(0.94)	(1.29)	
Working capital changes	0.6	0.2	1.3	0.4	(0.2)	Technology, licence fees	(0.55)	(0.50)	(0.53)	(0.52)	(0.52)	(0.41)	
Operating cash flow	(2.8)	(2.8)	(1.9)	(2.0)	(0.7)	Other costs	(0.46)	0.50	(0.78)	(0.35)	(1.17)	(0.87)	
Mtce capex	0.0	0.0	0.0	0.0	0.0	EBITDA	(1.70)	(0.37)	(1.57)	(1.55)	(1.93)	0.08	
Free cash flow	(2.8)	(2.8)	(1.9)	(2.0)	(0.7)	Margins, Leverage, Returns		FY21A	FY22A	FY23A	FY24F	FY25F	
Growth capex	(0.1)	(0.3)	(1.8)	(5.1)	(3.8)	EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	4.7%	
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Other	0.0	(0.2)	0.0	0.2	0.0	NPAT pre significant items	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cash flow pre financing	(2.8)	(3.2)	(3.7)	(7.0)	(4.4)	Net Debt (Cash)	3.4	(0.2)	(2.8)	(10.5)	(14.9)		
Equity	5.6	0.7	3.4	0.4	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	(37.8)		
Debt	(0.2)	(0.3)	1.6	7.1	3.8	ND/ND+Equity (%)	(%)	609%	23%	84%	132%	137.9%	
Dividends paid	n.a.	n.a.	(0.3)	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a	
Net cash flow for year	2.6	(2.9)	1.0	0.5	(0.7)	ROA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Balance sheet (A\$m)						ROE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Cash	3.7	0.8	1.7	1.3	0.7	NTA (per share)	0.02	0.00	0.00	n.a.	n.a.		
Accounts receivable	0.0	0.3	0.2	0.5	0.8	Working capital	(0.9)	(0.6)	(0.9)	0.4	0.5		
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)	(85%)	(48%)	(42%)	9%	6%		
Other current assets	0.1	0.1	0.3	0.2	0.2	Revenue growth	n.a.	25%	68%	117%	83%		
Total current assets	3.8	1.1	2.1	2.0	1.7	EBIT growth pa	n.a.	n/a	n/a	n/a	n/a		
PPE	0.4	1.2	3.9	5.8	7.5	Pricing		FY21A	FY22A	FY23A	FY24F	FY25F	
Intangibles and Goodwill	0.0	0.2	0.2	0.0	0.0	No of shares (y/e)	(m)	135	135	268	268	268	
Investments	0.0	0.2	0.2	0.0	0.0	Weighted Av Dil Shares	(m)	75	135	208	268	268	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(2.5)	(2.2)	(1.2)	(1.2)	(0.6)	
Other non current assets	0.0	(0)	(0)	1.7	2.8	EPS Normalised/Diluted	cps	(4.5)	(2.2)	(1.5)	(1.2)	(0.6)	
Total non current assets	0.5	1.4	4.1	7.5	10.2	EPS growth (norm/dil)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Total Assets	4.3	2.6	6.2	9.5	11.9	DPS	cps	-	-	-	-	-	
Accounts payable	0.9	0.9	1.0	0.1	0.2	DPS Growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Short term debt	0.2	0.4	0.7	0.8	0.8	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%		
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation	30	30	30	30	30		
Other current liabilities	0.2	0.2	0.2	0.1	0.1	PE (x)	n.a.	n.a.	n.a.	n.a.	n.a.		
Total current liabilities	1.3	1.4	1.9	1.0	1.2	PE market	19.1	19.1	19.1	19.1	19.1		
Long term debt	0.2	0.6	3.8	11.0	14.8	Premium/(discount)	n.a.	n.a.	n.a.	n.a.	n.a.		
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EV/EBITDA	0.5	n.a.	n.a.	n.a.	46.6		
Total long term liabilities	0.3	0.6	3.8	11.0	14.8	FCF/Share	cps	-2.3	-2.0	-1.0	-0.7	-0.8	
Total Liabilities	1.5	2.0	5.7	12.1	16.0	Price/FCF share	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Net Assets	2.8	0.5	0.5	(2.5)	(4.1)	Free Cash flow Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Share capital	22.9	23.5	26.6	26.9	26.9								
Reserves & Accum profits / losses	(20.1)	(23.0)	(26.1)	(29.4)	(31.0)								
Minorities	n.a.	n.a.	n.a.	0.0	0.0								
Total Shareholder func	2.8	0.5	0.5	(2.5)	(4.1)								

Source: Company data for actuals; RaaS estimates for FY24F and FY25F

FINANCIAL SERVICES GUIDE

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