ASX Announcement

1st February 2023

Call Transcript for Jayride Quarterly Business Review and AirportShuttles.com Acquisition

Jayride Group Limited (ASX:JAY) ("**Jayride**" or the "**Company**") the world leading global travel marketplace for airport transfers today releases the transcript of the Jayride Quarterly Business Review Presentation held on 31st January 2023 at 2.30pm AEDT.

Start of transcript

Rod Bishop (Jayride Group Managing Director): Jayride is pleased to present another growth quarter, with new markets driving record passenger trips booked, bringing to a close a solid first half of FY23.

With triple digit growth in passenger trips booked, net revenues, and contribution profits versus the corresponding period, and the continued execution of our growth strategies towards our major milestones to support that path to cash flow positive.

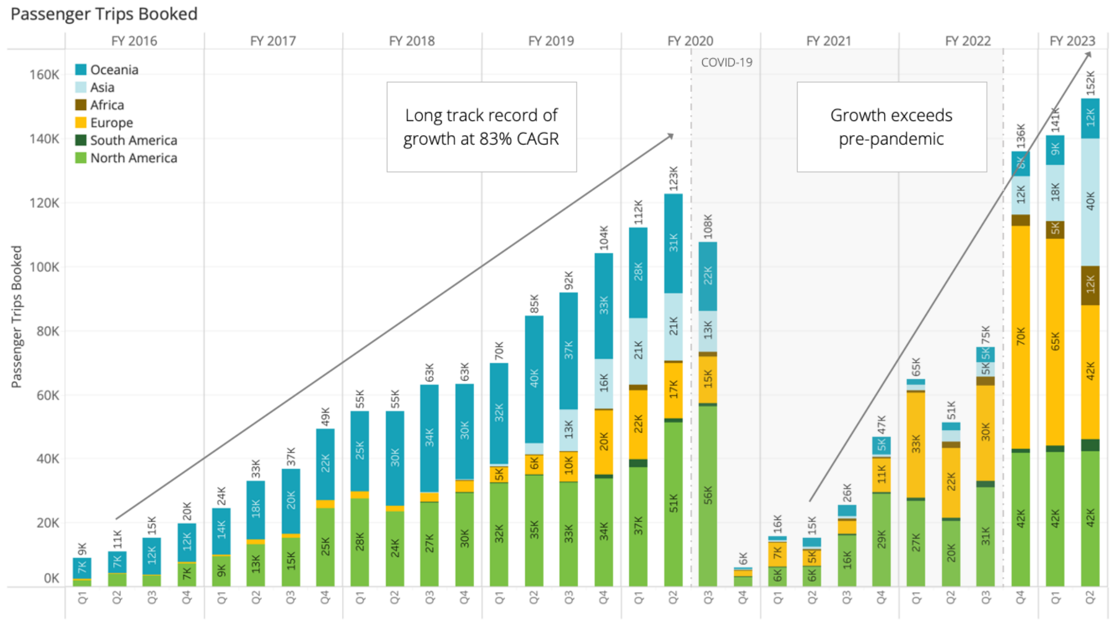
The three key points to take away from today's call are: First, a solid quarter two, in line with expectations for Northern Hemisphere winter low season and above expectations for our trips growth in Asia. Second, we are in growth mode, looking forward to quarter three and quarter four with the Northern Hemisphere summer peak season, continued expansion in Asia and the delivery of major upcoming growth initiatives. And third, today's exciting announcement that we have agreed to purchase the assets of AirportShuttles.com out of bankruptcy and have a great plan to quickly deliver attractive returns.

This is our moment, to really capture the opportunity and to accelerate our path to cash flow positive, with 1 million plus trips booked per year at $10 net revenue each, and to become the world leader in rides for travelers.

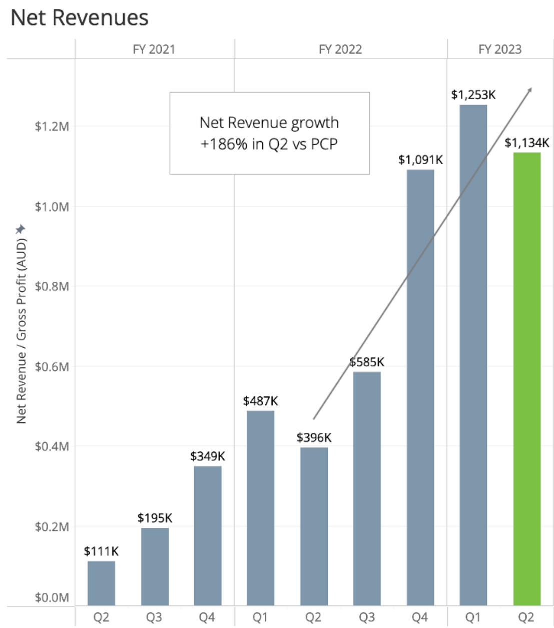
Good afternoon, thanks for coming.

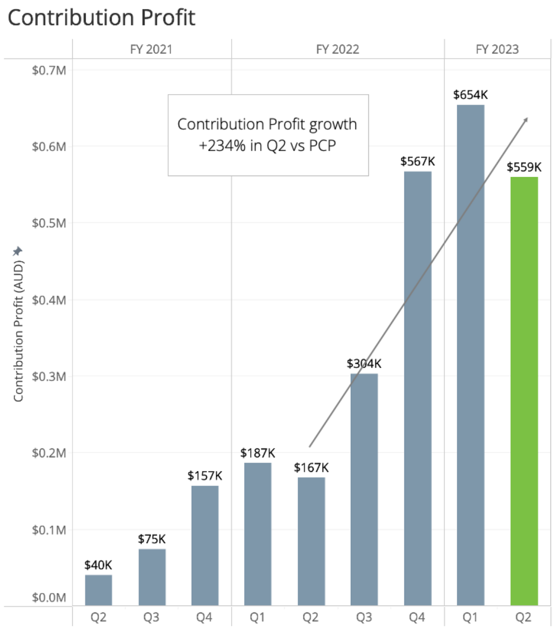
—

We have two announcements out today and it's a lot to cover, so we're going to go through it really fast with a lot of structure. On today's call, the structure will be first that I'll provide a summary of our quarterly results for quarter two. Then second, Peter will take you through the details of our quarter two cash flows and contribution profits. And then third, I'll talk about quarter three and quarter four in two parts. First, how the stage is set for our fast organic expansion. And then second, about that acquisition of the AirportShuttles.com assets and what that will do for us to leapfrog our growth.



And so up first, in a summary form, for quarter two. Passenger trips booked grew to 153,000, up 198% versus the prior corresponding period. Net revenues grew to $1.13 million, up 186% versus the prior corresponding period. Contribution profits grew to $559,000, up 234% versus prior corresponding period. And, cash receipts from customers grew up to $901,000. That's up 137% versus the prior corresponding period.





Amongst that, some really interesting progress in new regions with trips in Asia up tenfold versus the prior corresponding period.

Don't be surprised by net revenue in Asia. During quarter two FY23 in core destinations, (that's US, Europe, Oceania) net revenue per trip was $9.11. Whereas in the new fast growing destinations (that's primarily Asia, but also South America and Africa), net revenue per trip was lower at $4.46.

At the tail end of the calendar year, volume came on very strongly in Asia and it's natural now that we need to optimize that. Net revenue per trip in Asia was less than group average, but we believe that there's no structural reason for that and that it's just a matter of optimization now that we've got the volume. In Europe, we had the same challenge. And since launch in Europe, we've successfully optimized that. We now need to repeat this for Asia.

That finishes the first half with strong improvement in cash receipts from customers and stand-still operating cash flows. Comparing the first half of FY23 to prior, cash receipts from customers grew to $2.3 million. That's up 312% from $558,000 in the prior corresponding half. And stand-still cash flows grew to a loss of only $(118,000) for the full half, up from a loss of $(696,000) in the prior corresponding half.

Our vision is to build the world leader for rides for travelers. And we believe we have this once in a generation opportunity to capture the market during this travel recovery. Our results are a direct outcome of the strategies that we've been implementing. And there's a number of major improvements which we've made and which are starting to come to the forefront here.

With more scale, we've got greater buying and pricing power. With more automation and systemization, we have greater operating leverage. With our expanded offer of vehicle types and service classes, we have increased conversion through Booking.com and other channels. With our improved traveler experience, we're achieving record customer retention, we're laying the groundwork for exciting European localization, including multi-lingual. We're capturing Asian destination markets as they pop open, and with a focus on yield optimization now to bring those Asian destination unit economics in line with group averages.

In summary: Quarter two is a solid result as planned in Europe and ahead of plan in Asia on trip volume, in line with strategy to get ready for Northern Hemisphere peak summer season. And so setting the stage for expansion in Q3 and Q4 with Northern Hemisphere Summer, the ongoing Asia recovery, delivery of a number of growth initiatives and the acquisition of the assets of AirportShuttles.com. We're positioned well and looking forward to a good quarter three and quarter four.

For the remainder of this call, we'll talk together with Peter about our cash flows and contribution profits. Then I'll talk about the outlook and growth ahead. And then, we'll open the room for questions. Over to you, Peter.

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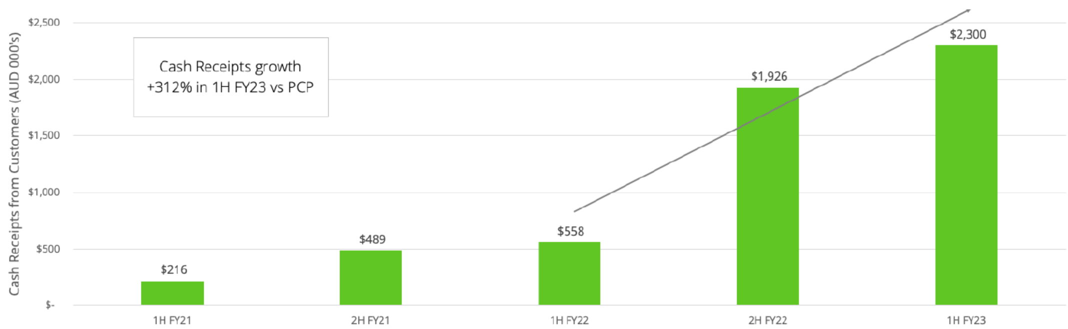
Peter McWilliam (Jayride Group CFO): Thanks, Rod. Today I'm going to cover off on stand-still cash flow, stand-still EBITDA , and the key performance drivers.

At the end of the presentation, I want you to take away that:

- our quarterly results are in line with our expectations.
- we have successfully completed a capital raise to strengthen our balance sheet, to self-fund our strategy.
- for a short period of time, we will be elevating our growth investments to capitalize on growth opportunities in coming quarters; and
- we are accelerating towards cash flow break even.

Starting from the cash receipts chart on page two of the quarterly business review.



Quarterly cash receipts were up 137% in Q2 PCP and for the half year they were up 312% PCP. The chart shows our consistent half yearly improvements. We believe it is most appropriate to focus on the half year, given the travel market seasonality.

Moving to stand-still cash flow table on page two.

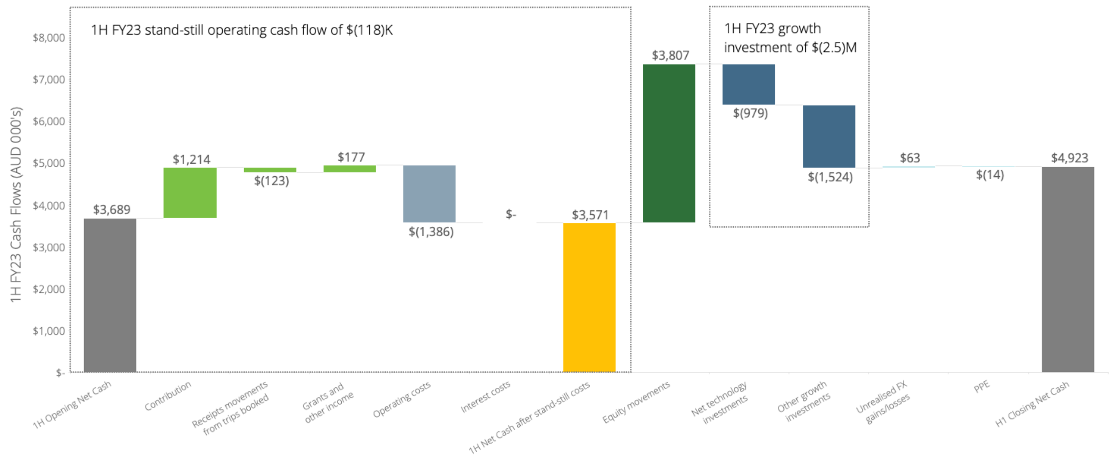
The Company generated $187,000 of surplus stand-still cash flow over the last 12 months.

Q2 stand-still cash flow and working capital on cash receipts were seasonally impacted, but are expected to strongly reverse in coming quarters. The new disclosure shows the relationship between net revenue increases and working capital on cash receipts, as well as stand-still EBITDA trends.

	Net Revenue and Cash Receipts				Stand-still EBITDA and Cash Flows			
Date	**Net Revenue**	**Growth vs PCP**	**Working capital**	**Cash Receipts**	**Stand-still EBITDA**	**Growth vs PCP**	**Working capital**	**Standstill Cash Flow**
Q2 FY22	$396K		$(16)K	$380K	$(410)K		$262K	$(148)K
Q3 FY22	$585K		$(31)K	$554K	$(250)K		$59K	$(191)K
Q4 FY22	$1,091K		$281K	$1,372K	$118K		$382K	$500K
Q1 FY23	$1,253K		$146K	$1,399K	$70K		$203K	$273K
Q2 FY23	**$1,134K**	**+186%**	**$(233)K**	**$901K**	**(126)K**	**+69%**	**$(270)K**	**$(390)K**

Moving to the cash waterfall chart on page three.

The Company required $(118,000) of stand-still cash outflow to trade the underlying business in H1. The Company is for a short period of time accelerating deployment of growth resources following the capital raise, with $2.5 million net of R&D deployed for H1. We have focused on capturing market share ahead of Northern Hemisphere summer with the belief we can hit key trip and cash milestones with effective deployment. The business finished the period with $5 million of cash on hand following the capital raise.



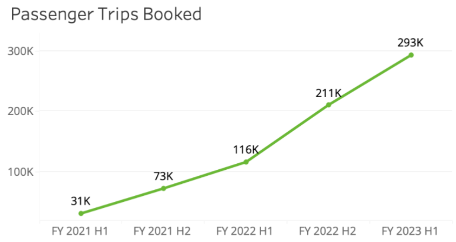
Let's take a look at the key cash initiatives delivered on page three.

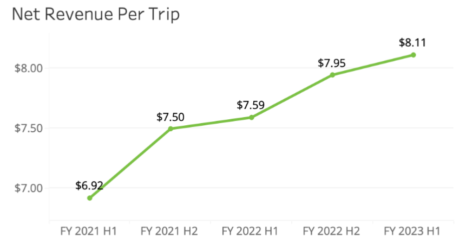
This quarter, we improved our capital efficiency by: Securing an attractive $1 million financing facility that can be drawn down at our election and that can fund any working capital requirement of the underlying business; and renegotiated transport payments to be paid at month end rather than at the start of the month.

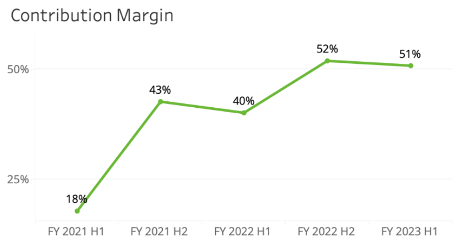
Both of these initiatives are going to improve our capital efficiency and ability to trade off a lower cash base going forward.

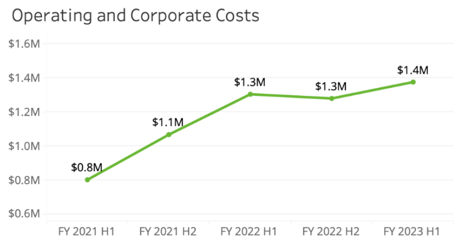
Let's now take a look at stand-still EBITDA. Q2 stand-still EBITDA increased 69% PCP and in H1 increased 91% PCP. Stand-still EBITDA losses improved to $(57,000) in H1, with increased scale and operating leverage showing in the performance dashboard charts on screen.

Let's take a look at each of the individual drivers of the stand-still EBITDA result.









Passenger trips booked: Passenger trips defied seasonality with strong gains in Asia and other emerging markets. Accessing new customers in new markets and having compelling product for existing customers will drive retention and superior unit economics and future periods.

Net revenue per trip: Net revenue per trip for the half was $8,11. Net revenue per trip increased 170% in H1 PCP despite being 4% down in Q2 PCP. The net revenue per trip for mature markets was $9.11 in Q2 and in Asia and other emerging markets was $4.46. The higher percentage of volume from Asia and other emerging markets created headwind for net revenue per trip. The yields optimization team is already working on these new markets. We've had to do this each time we open up a new market. Previously we did not have a yield optimization team. We expect to be able to optimise faster this time round.

Contribution margin: The contribution profit margin increased to 49% from 42% in Q2

PCP and to 51% from 40% in 1H PCP. We retain the policy to invest our expected surplus margin above 50% into customer acquisition. We are constantly optimizing refund rates and other variable costs so we can free up surplus margin to do this.

Finally, operating costs: The existing cost base has avoided inflationary cost increases to date. The Company did add some new functionality where we're specifically targeting yield optimization and customer retention following the recruitment of the new Chief Growth Officer. This new cost has increased our fixed operating cost base by about $100,000 a quarter and you can see that increase in the line on the chart on the right.

Before handing back to Rod, I'd like to summarize once again where I see us at.

Q2 has been another solid period for the Jayride team, where we are executing in line with our plans. Our ability to secure the AirportShuttles asset at the purchase price paid shows how under-resourced the competitive landscape is. We have cash in the bank and are currently accelerating growth deployment to capture market share ahead of our peak Northern Hemisphere season. And when we capture this market share, it will push us towards the key milestones and help us accelerate towards cash flow positive.

Thank you and back to you Rod.

Rod Bishop (Co-founder and Managing Director): Thank you, Peter. On to Outlook.

Our outlook is positive.

We are positioned for growth and passenger trips booked, net revenues, contribution profits, plus improved cash flows into the second half of FY23.

In latest trading, December was Jayride's largest ever month passenger trips booked, with 53,500 trips booked. And in January we have a run rate of 50,400 trips booked per month. That's 150,000 per quarter. And all of that is prior to the start of the Northern Hemisphere summer peak season, which will just build upon our current platform.

First, I'd like to talk about our positive outlook on organic growth and then second about our new acquisition and the assets of AirportShuttles.com.

—

Within organic growth, in order to capitalize on that expected seasonal uplift in Q3 and Q4, Jayride is investing in market expansion and its expanded traveler offer to improve acquisition, conversion and retention.

In particular, Jayride expects to deliver a whole series of new deliveries this quarter ahead of that Northern Hemisphere summer season.

That's the launch of Jayride's brand refresh as previewed at our 2022 AGM.

The continued expansion of our Europe growth hub with related activities including new trading and multilingual capabilities to support Europe localized sales and support.

Specific activity to optimize the conversion rates and yield in Asian destination markets, to bring net revenues per trip and contribution margins in line with group averages.

Continued deployment of surplus contribution into acquisition. Continued improvements in service quality through operating enhancements. And continued improvements to traveler satisfaction and retention initiatives including, for example, the enhancements to Jayride's membership platform and travel agents portals.

All together, this helps us progress to our two major milestones ahead. That is average net revenue of $10 per trip, and growth of trips to 1,000,000 trips booked per year, at which point we will be cash flow positive.

Now towards these goals what we should see is further growth and trips in Asia as that reopening continues. We should see increasing yield on our Asia trips as we optimize our supply base, prices, and coverage. And also we'll see the expansion in the US and Europe as that Northern Hemisphere summer peak season lands, and as those key initiatives that I mentioned this quarter, launch.

With this momentum in the substantial market opportunity, we intend to continue to invest in selected growth activities, and I think as Peter noted I would note that in Q3 and just as we've seen in Q2, we will run a slightly elevated level of investment from within our cash reserves to accelerate the delivery of those initiatives, in order to complete their deployment and conclude their investment this quarter, ready to book travelers ahead of Q4's Northern Hemisphere summer peak season, and also so that that cost is rolled off by Q4, so that the profit and contribution from those bookings drops to the bottom line and towards cash flow positive.

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And then, in addition, we are very pleased to announce this morning a new complementary inorganic growth strategy, with the acquisition in the news, that we have agreed to purchase the assets of AirportShuttles.com.

We've been investigating acquisitions of complementary assets in our market for a long time, and we're pleased now to have this one here.

Acquisitions in general are a good complimentary strategy for Jayride Group. Jayride has a unique competitive advantage of the best transport supply, and so for us, acquiring new incremental paths to market will be a major strategic opportunity.

For today, we're announcing the acquisition of the AirportShuttles.com assets including their domain name, which was the best top level domain name for airport shuttles, a key element of the service that Jayride offers its travelers today.

This is a good asset. It's a strong strategic fit for Jayride. We've got a clear path to integrate it. And it was purchased from bankruptcy proceedings on compelling terms.

It's a unique opportunity. We know these assets very well. We've tracked them for a long time, until we now have today's opportunity to own it.

By acquiring this asset, we get to add incremental and contribution positive ride bookings to Jayride Group that enhance our scale, especially in North America and that accelerate our path to cash flow positive.

So what is it?

AirportShuttles.com is a website that sells airport shuttles to consumers in the US. Website visitors search and find rides, which they book, and from which we can earn revenues.

Until February of 2022 at the onset of the Pandemic, Jayride was the exclusive supplier to AirportShuttles.com. The website had integrated the Jayride API and all those travelers I mentioned were booking Jayride rides exclusively, up until the point that we ended that relationship at the onset of the pandemic, which we only did in order to reduce our credit risk.

So we know the value of the asset, and the value of the traffic to Jayride very well, and the path to integrate the assets is very clear. We intend to keep the AirportShuttles website in place, and simply re-implement the Jayride booking system in order to resume that exclusivity and reinstate that previous revenue model, thereby monetizing the traffic and making ride bookings there once more.

These ride bookings are interesting. They feature low cost of customer acquisition through organic search that is the most significant channel to AirportShuttles.com. Also, they'll be pre-booked pre-paid in advance, which helps to grow our cash flows and enhance our negative working capital cycle. And we get the opportunity to retain new travelers again to travel with the group.

This strategy is intended to deliver quick and accretive returns to the Jayride shareholders. The website comes with some existing traffic which we can quickly monetize, but further it provides us with another platform to go to market with our world leading supplier coverage to acquire and convert and retain more travelers.

We've spent US$215,000 on these assets, which includes all of the technologies but no team members or other fixed costs. After integration we don't anticipate any material increase in fixed costs to maintain the asset. So we see a very short path to generate positive return on investment from the contribution profits that this generates.

All things considered, we look forward to more growth from here.

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That ends the formal part of today's call.

In conclusion, to recap, the three points I'd like to take away from the call are:

First, a solid quarter two in line with expectations for Northern Hemisphere winter and above expectations for trips in Asia.

Second, we are in growth mode looking forward to quarter three and quarter four, Northern hemisphere summer peak season, continued expansion in Asia, and the upcoming delivery of these major growth initiatives.

And then third, today's exciting announcement that we have agreed to purchase the assets of AirportShuttles.com out of bankruptcy, with a plan to deliver attractive returns,

And that these things accelerate our path to cash flow positive towards our milestones of 1,000,000 plus trips booked per year at $10 net revenue each, and to become the world leader and rides to travelers.

I'd like to thank the team for the result this quarter and for everyone on this call for spending some time this afternoon with us, and I'd now like to open the room for questions. Thank you.

—

James Tracy (Veritas Securities Analyst): Hi Rod. James Tracy from Veritas here. I've got a couple of questions for you.

Rod Bishop: Go ahead. James.

James Tracy: First is on this acquisition of AirportShuttles.com. Can you give an indication of what you think the payback period could be?

Rod Bishop: We aren't providing any outlook today but I would note three key things.

Firstly, it's a very clear fit to our strategy, that is, it is a path to market for transport content that we already have. Second, it has a very clear path to integrate, that is, the booking systems integration that we already had in place with them pre-pandemic to re-enable that, so reintegrate that supply; it's very clear how that will work. And lastly, when we think about the return on those trips on that traffic, we think we have a very compelling price which we have purchased it for, at only US$215,000 for the whole asset.

In terms of ways to think about the payback period, the website has a certain amount of traffic measured in website sessions. Historically speaking, we did receive a certain amount of revenue for every website session. And so, a way that you could model the outcome, you could take a look at what traffic you might expect it to have over the coming 12 months, and what revenue you might expect us to derive from that traffic, given all of the supply that we already have in place.

James Tracy: Yep. Yeah, it makes sense. When I did that calculation it looks like it's going to pay back within a year or so. So it's pretty decent.

Rod Bishop: Also in addition to the platform, we have the ability to focus on growth there as well. Essentially it doubles our consumer facing website opportunity. We can be doing paid marketing, organic marketing, and traveler retention. There's many things that we can do once we have that asset in hand.

Initially, it'll be AirportShuttles.com, and in the future maybe it will be AirportShuttles Brought to you by Jayride. You could integrate the member systems. There's a lot of places you could take it. So we look forward to growing it from here.

James Tracy: And you did mention before that in the past it's been the top domain for AirportShuttles specifically in the US. It looks like just from my Google searching it, it's maybe slipped down the rankings a little bit. What's your plan to get it back to where it was?

Rod Bishop (Co-founder and Managing Director): And beyond. First of all, it's a great natural language domain for searches relating to airport shuttles. And although its business was pre-pandemic 70% in the U.S, we are a global company with supply globally. We think we can apply that dot com domain name to other destinations too. We think this has a really global opportunity starting with the US and expanding beyond that.

I'd also note that we have a dedicated team who are specialists at exactly this problem, and they'll be committing their full energy to growing AirportShuttles.com alongside Jayride together over the next period.

James Tracy: Okay. And there's a couple of initiatives you talked about at the AGM, the brand relaunch and multilingual. I'm hoping you could give us an update on where we're at with those.

Rod Bishop (Co-founder and Managing Director): Happy to.

The brand relaunch that James mentioned, we teased at our November AGM. We're doing a complete rebrand of our entire platform to make it more compelling and a more professional looking label that is better fit, especially fit for not just leisure travelers anymore, but also for business travelers. We expect this to generate a material increase in trust, increase in conversion rate, and increase in traveler retention.

That's scheduled to go out in the coming days. It is ready, we're just doing final tests and we're looking forward to then trading on that for the rest of the quarter.

In addition, multilingual is a major opportunity for us going into the European summer and what this will be is not just multilingual in the backend with trading teams and support teams, but also on the front end with a multil-ingual website. I'll also note AirportShuttles.com is already multi-lingual as a website. We'll now be adding that to the Jayride.com website too. We will be starting with European languages.

That's set to go out later this quarter.

James Tracy: Okay, fantastic. Good work, Rod. Thank you.

Michael Brown (Investor Relations): If anybody else would like to ask a question, please take yourself off mute and introduce yourself. And go ahead.

James Tracy: I've got another question just in the absence of anybody else asking them.

Just around the net revenue per trip in the latest quarter, it took a step backwards a little bit unexpectedly, mostly because of Asia. You launched the business in Asia and you hadn't optimized the yields there yet. How quickly do you think yield optimization can improve that Asian net revenue per trip, and then also get the group net revenue per trip up to the $10 target?

Because see, it was tracking really nicely up until the latest quarter. But yeah, it makes sense as to why that particular quarter was different.

Rod Bishop (Co-founder and Managing Director): Yeah, thank you James.

It was like drinking from a fire hose a little bit in December there with Asia trip growth. We were getting a lot of trips, especially through channels like Booking.com that needed further optimization. But we took the approach simply to capture them in the first instance.

There's no structural reason why Asia trips should command less net revenue per trip to our group than other regions. Because of the way we contract net rate and then price to market at retail prices, we are free to set our retail price wherever.

Where that comes through in terms of opportunities to optimise is as follows. We see places now where we have volume, where we can go back to transport companies with buying power and negotiate cheaper cost prices. We see places where we are getting volume at a retail price that is considerably better than the next cheapest option, where we have the ability to do a little bit of markup if we choose.

These sorts of optimizations are available to us. We are very familiar with them. Peter notes we have now a dedicated team that does exclusively this. We ran this approach in Europe when we did the European expansion and I think you can note the success in Europe. As James you pointed out, the net revenue per trip has been sequentially quarter over quarter increasing every quarter since, I think, two plus years now.

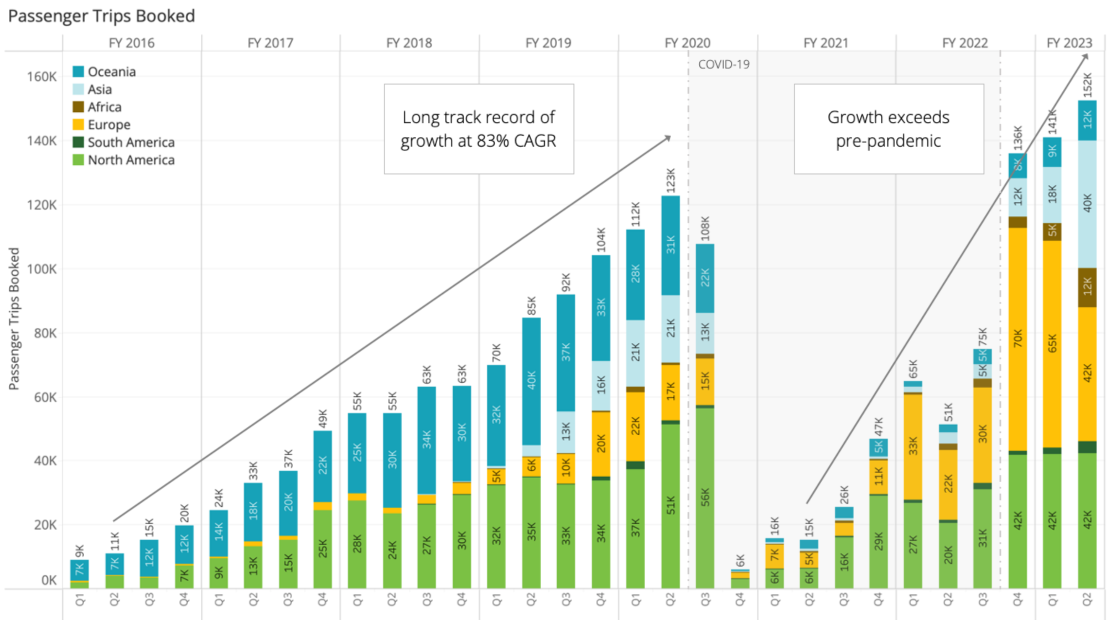
And so we look forward to applying those strategies to the Asian bookings. We've already started. We're getting early signs of good success. We need to keep going. In particular for Asia trips, growth hasn't stopped either, so every single day there's more opportunities to go to new places and enhance.

James Tracy: Right and just on the seasonality, while you've got that chart up there of the regional trip numbers, you can see that the US led the recovery and it has flattened a bit. Europe has come back a little bit. Obviously there's some natural seasonality at play there. What do you expect to happen, I suppose, in Europe and the US?

And obviously you've got this new acquisition in the US as well. What's the potential for those markets?

Rod Bishop (Co-founder and Managing Director): In general, Q1 into Q2, you start to see a bit of a step down in Northern Hemisphere markets.

You can see that there in FY22 Q1 and Q2, a bit of a decline in the US and a bit of a decline in Europe, because it is winter, and so they're less desirable destinations to travel to, remembering that this is all about the destination served.



When you look at FY23 Q1 and Q2, note first that the US actually stayed stable for three consecutive quarters despite winter. That is a good sign. And then Europe kind of performed as you'd expect, which is with around about a 30% decline from Q1 into Q2.

In terms of where we can go from here, I think it's no surprise that European destinations are very seasonal. The high season is much higher than the low season.

You can kind of see the growth that took place here from FY22 Q2 into Q4. Some of that was pandemic recovery, yes. But the rest of it was just natural seasonality, we grew from 22,000 up to 70,000 trips per quarter.

We are starting here again from Q2 FY23 at around 2X of last year's baseline, and we're looking forward to seeing how high we can push it.

James Tracy: All right, awesome. Thank you Rod.

Rod Bishop (Co-founder and Managing Director): No worries. Thank you. James.

Michael Brown (Investor Relations): Would anybody else like to ask a question? Please take yourself off mute and introduce yourself and we've got plenty of time.

Rod Bishop (Co-founder and Managing Director): I've got one ... Actually, one question came in here on the chat from Sho Yang. *"What is your mix of B2B and B2C net revenue in Q2, and what is your ideal mix longer term and does it change post today?".*

Thank you Sho Yang.

A mix of B2B and B2C. In general, it's not a thing we disclose in detail is our channel splits, just because of commercial sensitivity. We are about a 50/50 mix of B2B and B2C in terms of travelers coming through labels like Booking.com versus those coming through the Jayride.com website.

The acquisition of AirportShuttles.com is a B2C acquisition, so that will in the short term, assuming that it's successful at driving volumes, increase our B2C component. But also all the time, every quarter, we're both optimizing existing B2B partners to get more volume from them, and also signing new partners, new labels, new travel brands, new travel agencies.

In terms of idealized mix, I like the mix of B2B and B2C being about even, because it gives you optionality and it also allows you certain paths to then convert a customer that was B2B once, to maybe have the opportunity if you provide good service to retain them directly through B2C next time.

And so I do like a mix. I do like it to be about half/half, but I do note that the AirportShuttles.com acquisition is B2C.

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Rod Bishop (Co-founder and Managing Director): Thank you everyone for attending this, our quarter two Quarterly Business Review and Appendix 4C conference call, and also on the topic of the AirportShuttles.com acquisition.

A lot covered today. We went really quickly. And so just to summarize, the three key points to take away from today are: First, a solid Q2. Second, setting up for growth in quarter three and quarter four. And third, the purchase of AirportShuttles.com out of bankruptcy with a great plan to deliver attractive returns.

Thank you very much for your time today, and we look forward to staying in touch as we get towards our February 1H FY23 results release, which will be on the 23rd of February

End of transcript

For more information please contact

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ASX release authorised by Rod Bishop, Managing Director, Jayride Group Limited.

About Jayride Group Limited (ASX:JAY)

Jayride.com is the world's leading publicly listed airport transfers marketplace, where travellers compare and book rides around the world. With Jayride.com, travellers can compare and book with 3,700+ ride service companies, servicing 1,600+ airports in 110+ countries around the world, including the Americas, Europe, Middle East, Africa, Asia and the Pacific.

The Jayride.com platform aggregates ride service companies and distributes them to travellers at Jayride.com; and via travel brand partners including other technology platforms, travel agencies and wholesalers. These travel brands implement Jayride APIs to sell door–to–door ride services that build traveller confidence and defend their core travel business.

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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