

Growth plans working, now accelerate

Carly Holdings Limited (ASX:CL8) operates a vehicle subscription business, which it launched in March 2019, leveraging existing operations, strategic relationships, 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 direct offering and services to support automotive manufacturers and dealers to generate revenue from car subscriptions. Carly is now ramping up fleet size through vehicle purchases and leases. The FY23 result was dominated by the impact of the \$10m asset finance facility secured at the end of March. Carly increased fleet size 32% and subscription revenue 82% in the year. Carly's September quarter report now substantiates the strong growth highlighted in an earlier update with fleet growth continuing to drive subscription revenue and strong cost control retained. The company is increasing advertising in the December quarter with a broader campaign in the Sydney area in anticipation of further fleet growth and has introduced a corporate sales team to increase penetration into business & government markets. An agreement with Chargefox signifies increased focus on electric vehicles. We retain our full-year forecast and valuation unchanged as Carly continues to deliver relative to expectations.

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).

Fleet growth and advertising to drive revenue

Carly's September quarter update showed 255% growth in total fleet size vs pcp to 359 vehicles, a negligible change in costs +4% over pcp and -33% relative to the June quarter, while subscription revenue grew +15% over June quarter and 106% vs pcp. The company retains draw-down capacity of \$6m of the \$10m vehicle finance facility arranged earlier this year. We expect further strong fleet growth to drive increases in subscription revenue and continued cost discipline to assist in accruing benefits of scale. A newly launched advertising campaign with an EV and corporate focus will be important in driving growth in the December and March quarters.

Valuation base case at \$24.4m (\$0.091/share)

We have retained our valuation at \$24.4m and our forecasts are unchanged. 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 base case values Carly at \$0.091/share suggesting strong share price growth is possible as Carly builds fleet size and consequently revenue. The downside case values CL8 at \$16.1m (\$0.06/share), while we can estimate upside to \$63.7m (\$0.237/share) using a range of factors.

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)	1.7	1.1
06/23a	2.1	0.5	(3.0)	(3.1)	(1.1)	2.8	1.5
06/24e	7.2	0.8	0.7	(1.7)	(0.6)	1.7	3.0
06/25e	13.0	5.2	4.5	0.2	0.1	1.2	3.9

Source: Company data; RaaS estimates for FY24f and FY25f

Vehicle Subscription Services

26 October 2023

Share Details

ASX code	CL8
Share price (25 Oct)	\$0.015
Market capitalisation	\$4.0M
Shares on issue	268.4M
Net cash 30-Sep-2023	\$0.97M
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 \(ASX:CL8\) RaaS 2023 Interview 4 September 2023](#)

Board of Directors

Adrian Bunter	Non-Executive Chairman
Stephen Abolakian	Non-Executive Director
Robbie Blau	Non-Executive Director
Michelle Vanzella	Non-Executive Director
Kevin Wundram	Alternate NED to Mr Blau
Chris Noone	CEO / Executive Director

Company Contact

Chris Noone (CEO/ED) +61 2 8889 3641
 shareholder@carly.co <https://investors.carly.co/>

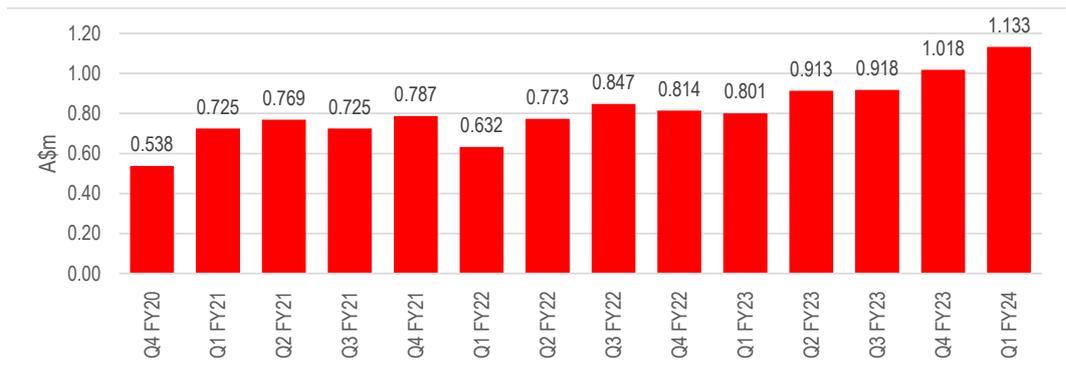
RaaS Contacts

Scott Maddock +61 418 212 625
 scott.maddock@raasgroup.com
 Finola Burke +61 414 354 712
 finola.burke@raasgroup.com

Q1 FY24 Results Analysis

September quarter receipts rose 11% relative to the June quarter, +41% on the previous September. Fleet growth continues to drive cash flow. Costs remain very well controlled declining -33% versus the June quarter and only +4% versus the previous September quarter despite continuing growth in activity levels. Lease costs rose +2% versus the June quarter but all other cost categories fell significantly with product manufacturing costs down -19%.

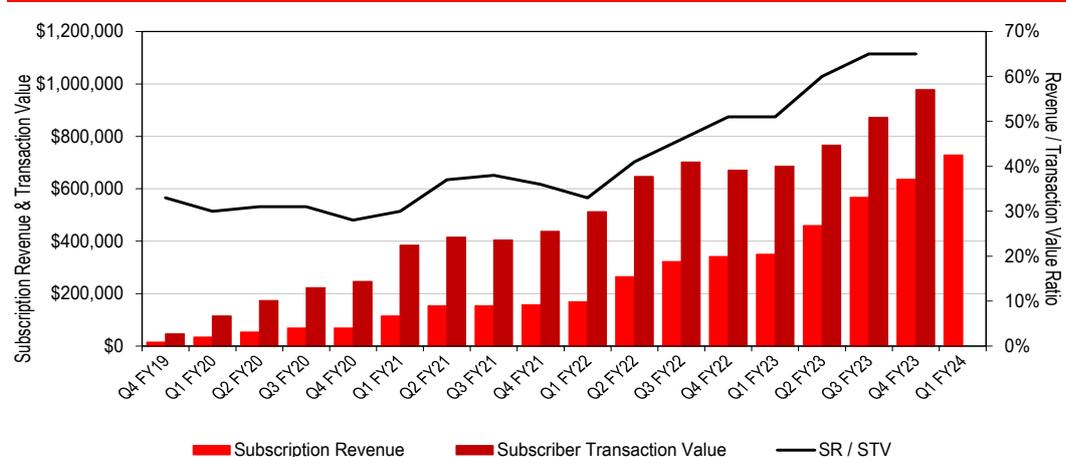
Exhibit 1: Quarterly receipts from customers



Source: Company reports

Carly reported that subscription revenue rose 15% versus the June quarter with an increase in Average Monthly Subscription Revenue from \$212,000 in June to \$243,000 per month in June generating an annualised run-rate of \$3.1m based on September month of \$258,000. Our current forecast for FY2024 total revenue remains at \$6.3m including further fleet growth. Subscription revenue was 64% of reported cash receipts from customers in the September quarter, having risen from 42% of receipts in the quarter to June 2022. The company did not disclose fleet utilisation or subscriber transaction value in this report, however, previous trends have been positive despite lumpy vehicle deliveries. Subscription Revenue for owned and financed fleet (“asset heavy”) is equivalent to Subscriber Transaction Value, however for “asset light” vehicles managed for third-parties Carly receives subscriber payments less payments made to owners as Subscription Revenue. As the asset heavy fleet grows as a proportion of total fleet size, Subscription Revenue received moves closer to Subscriber Transaction Value.

Exhibit 2: Subscription revenue vs subscriber transaction value

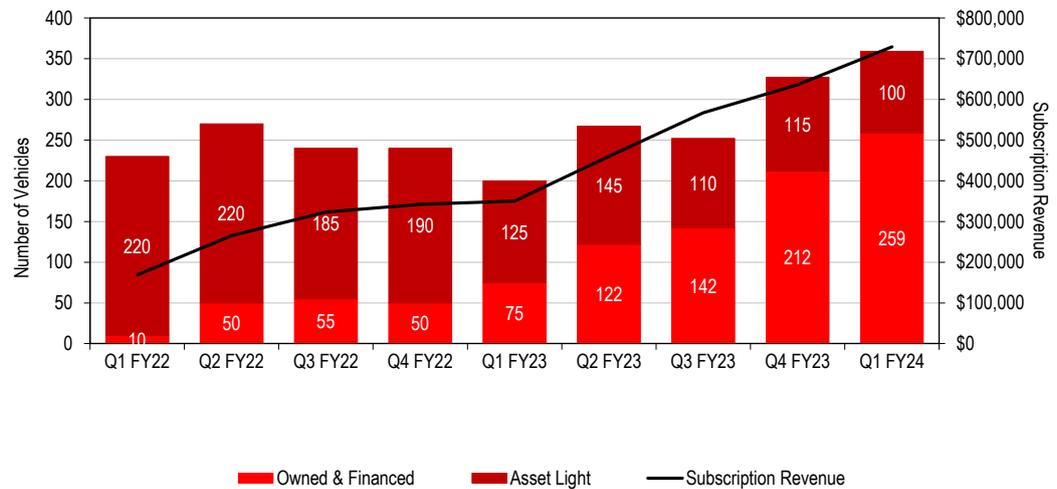


Source: Company reports, RaaS estimates

Fleet size grew to 359 vehicles from 320 on June 30 with an additional 47 owned or financed vehicles and a reduction of 8 “asset light” vehicles (which offer a lower operating margin). Carly expects the asset light fleet

to grow again in the current quarter. Subscription revenue as noted above grew commensurate with the vehicles available for subscription.

Exhibit 3: Subscription revenue vs fleet size



Source: Company reports, RaaS estimates

Carly continues to manage cash with a frugal mindset. Operating cash flow (used) in the September quarter 2023 was only 62% of the June quarter operating cash used and was still 11% less than the previous September quarter. In that period fleet size has risen from 200 to 359 vehicles, suggesting that Carly is maximising any available scale benefits.

Exhibit 4: Q1 FY24 versus previous quarters (A\$m)

	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24
Cash receipts	0.77	0.85	0.81	0.80	0.91	0.92	1.02	1.13
Payments to suppliers	(1.20)	(1.03)	(1.25)	(1.15)	(1.12)	(1.14)	(1.90)	(1.21)
R&D	(0.23)	(0.22)	(0.28)	(0.25)	(0.28)	(0.27)	(0.26)	(0.24)
Other	-	-	-	-	-	-	-	-
Operating cash flow	(0.66)	(0.40)	(0.72)	(0.43)	(0.48)	(0.48)	(1.01)	(0.38)
Free cash flow	(0.72)	(0.40)	(0.72)	(0.43)	(0.48)	(0.48)	(1.01)	(0.38)
Net cash at the end of the period	2.10	1.61	0.81	0.28	1.62	0.96	1.54	0.97
Monthly operating cash burn	(0.24)	(0.13)	(0.24)	(0.14)	(0.16)	(0.16)	(0.34)	(0.13)
Quarters of cash on hand - reported	3	4	1	1	3	2	3	3
- Including vehicle finance	3	4	1	3	8	9	3	19

Source: Company data

Key Events

Events in the quarter included:

- 106% increase in subscription revenue versus the previous September 2022 quarter;
- Subscription revenue in the month of September of \$258,000, a rise of 2.2x on the previous September quarter average;
- Carly added a Business Development Manager for the corporate, government and not-for-profit sectors; and
- Completed the second tranche of the June capital raising.

Since quarter end the company has:

- Enhanced the electric vehicle (EV) subscription proposition through an agreement with Chargefox to bundle EV charging packs with vehicle subscriptions;
- Signed agreements enabling distribution of educational material and promotional offers via employer benefits programmes to over 990,000 Australian employees;
- Signed dealership subscription agreements for the CarlyNow subscription product; and
- Commenced radio advertising in the Sydney region in anticipation of increasing fleet size. This programme will be supported by out-of-home (OOH) advertising on billboards, buses, etc.

Exhibit 6: Financial Summary

Carly Holdings Ltd						Share price (Date)		23/10/2023		A\$ 0.015			
Profit and Loss (A\$m)						Interim (A\$m)		1H22 A	2H22 A	1H23 A	2H23 A	1H24 F	2H24 F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F								
Sales Revenue	1.0	1.3	2.1	7.2	13.0	Revenue	0.5	0.7	0.9	1.9	3.0	4.3	
Gross Profit	0.6	0.5	0.5	0.8	5.2	EBITDA	(1.6)	(1.5)	(1.6)	(0.7)	(0.1)	0.9	
EBITDA	(3.1)	(3.0)	(3.0)	0.7	4.5	EBIT	(1.7)	(1.7)	(1.6)	(1.1)	(0.8)	(0.2)	
Depn	(0.2)	(0.4)	(0.0)	(1.8)	(3.1)	NPAT (normalised)	(1.7)	(1.3)	(1.6)	(1.2)	(1.1)	(0.6)	
Amort	(0.0)	0.0	(0.2)	0.0	0.0	Minorities	-	-	-	-	-	-	
EBIT	(3.3)	(3.4)	(3.2)	(1.0)	1.4	NPAT (reported)	(1.7)	(1.3)	(1.6)	(1.2)	(1.1)	(0.6)	
Interest	(0.1)	(0.0)	(0.1)	(0.1)	(0.9)	EPS (normalised)	(1.34)	(0.97)	(0.80)	(0.42)	(0.36)	(0.22)	
Tax	0.0	0.2	0.1	0.3	0.5	EPS (reported)	(1.27)	(0.97)	(0.79)	(0.45)	(0.41)	(0.22)	
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)	(1.7)	0.2	Operating cash flow	(1.65)	(1.1)	(0.9)	(0.9)	(0.5)	0.3	
Significant items	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(1.92)	(1.1)	(0.9)	(0.9)	(0.5)	0.3	
NPAT (reported)	(3.4)	(3.0)	(3.1)	(1.7)	0.2	Divisions	1H22 A	2H22 A	1H23 A	2H23 A	1H24 F	2H24 F	
Cash flow (A\$m)						Car Subs	0.52	0.73	1.71	1.89	2.95	4.25	
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Licence Revenue	0.00	0.00	0.01	0.02	0.02	0.02	
EBITDA	(3.1)	(3.0)	(3.0)	0.7	4.5	Other Revenue	0.03	0.01	0.00	0.00	0.00	0.00	
Interest	(0.0)	(0.1)	(0.1)	(0.9)	(1.8)	COGS	(0.39)	(0.39)	(0.39)	(0.54)	(0.85)	(1.23)	
Tax	0.0	0.0	0.0	0.0	0.0	Employment	(0.82)	(1.20)	(1.90)	(0.73)	(0.87)	(0.75)	
Working capital changes	0.4	0.3	1.2	(0.0)	0.0	Technology, licence fees	(0.55)	(0.50)	(0.53)	(1.10)	(1.13)	(1.16)	
Operating cash flow	(2.8)	(2.8)	(1.9)	(0.2)	2.8	Other costs	(0.32)	(0.10)	0.34	(0.25)	(0.25)	(0.26)	
Mtce capex	(0.1)	(0.3)	0.0	0.0	0.0	EBITDA	(1.56)	(1.46)	(1.60)	(0.70)	(0.13)	0.87	
Free cash flow	(2.8)	(3.0)	(1.9)	(0.2)	2.8	Margins, Leverage, Returns	FY21A	FY22A	FY23A	FY24F	FY25F		
Growth capex	0.0	0.0	(1.8)	(6.9)	(6.1)	EBITDA	n.a.	n.a.	n.a.	10.3%	35.1%		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	n.a.	n.a.	n.a.	n.a.	11.2%		
Other	0.0	(0.2)	0.0	0.0	0.0	NPAT pre significant items	n.a.	n.a.	n.a.	n.a.	1.6%		
Cash flow pre financing	(2.8)	(3.2)	(3.7)	(7.1)	(3.3)	Net Debt (Cash)	3.4	(0.2)	(1.8)	(8.2)	(11.6)		
Equity	5.6	0.7	3.4	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	(11.1)	(2.5)		
Debt	(0.2)	(0.3)	1.6	6.9	6.1	ND/ND+Equity (%)	(%)	609%	23%	78%	105%	101.8%	
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	0.6	
Net cash flow for year	2.6	(2.9)	1.0	(0.2)	2.8	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	2.1	4.9	NTA (per share)	0.02	0.00	0.00	n.a.	n.a.		
Accounts receivable	0.0	0.3	0.2	0.7	1.2	Working capital	(0.9)	(0.6)	(0.9)	0.5	0.9		
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)	(85%)	(48%)	(42%)	7%	7%		
Other current assets	0.1	0.1	0.3	0.2	0.2	Revenue growth	n.a.	25%	68%	245%	79%		
Total current assets	3.8	1.1	2.1	3.0	6.3	EBIT growth pa	n.a.	n/a	n/a	n/a	-239%		
PPE	0.4	1.2	3.0	8.3	11.2	Pricing	FY21A	FY22A	FY23A	FY24F	FY25F		
Intangibles and Goodwill	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	135	135	268	268	268	
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	59	135	291	268	268	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(2.5)	(2.2)	(1.2)	(0.6)	0.1	
Other non current assets	0.0	0.2	1.1	0.3	0.8	EPS Normalised/Diluted	cps	(5.7)	(2.2)	(1.1)	(0.6)	0.1	
Total non current assets	0.5	1.4	4.1	8.6	12.1	EPS growth (norm/dil)	n.a.	n.a.	n.a.	n.a.	n.a.		
Total Assets	4.3	2.6	6.2	11.6	18.4	DPS	cps	-	-	-	-	-	
Accounts payable	0.9	0.9	1.0	0.2	0.3	DPS Growth	n.a.	n.a.	n.a.	n.a.	n.a.		
Short term debt	0.2	0.4	0.4	0.7	0.7	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	0.5	0.2	0.2	PE (x)	n.a.	n.a.	n.a.	n.a.	19.9		
Total current liabilities	1.3	1.4	1.9	1.0	1.2	PE market	15.3	15.3	15.3	15.3	15.3		
Long term debt	0.2	0.6	3.1	9.7	15.8	Premium/(discount)	n.a.	n.a.	n.a.	n.a.	30%		
Other non current liabs	0.0	0.0	0.6	1.3	1.6	EV/EBITDA	0.4	n.a.	n.a.	16.5	3.4		
Total long term liabilities	0.3	0.6	3.8	11.0	17.4	FCF/Share	cps	-2.3	-2.0	-0.9	-0.7	-0.1	
Total Liabilities	1.5	2.0	5.7	12.0	18.6	Price/FCF share	n.a.	n.a.	n.a.	n.a.	n.a.		
Net Assets	2.8	0.5	0.5	(0.4)	(0.2)	Free Cash flow Yield	n.a.	n.a.	n.a.	n.a.	n.a.		
Share capital	22.9	23.5	26.6	27.1	27.1								
Accumulated profits/losse	(20.1)	(23.0)	(27.0)	(28.4)	(28.2)								
Reserves	n.a.	n.a.	0.9	1.0	1.0								
Minorities	n.a.	n.a.	0.0	0.0	0.0								
Total Shareholder func	2.8	0.5	0.5	(0.4)	(0.2)								

Source: Company data for actuals; RaaS analysis

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

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- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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