
SEPTEMBER 2019 QUARTERLY REPORT AND BUSINESS UPDATE

Collaborate Corporation Limited (ASX:CL8) is pleased to present its consolidated quarterly cash flow report and business update for the quarter ended 30 September 2019.

Collaborate concluded the September 2019 Quarter recording a 6% increase in Receipts from Customers compared to the June 2019 Quarter largely attributable to growth of **Carly** vehicle subscription.

During the quarter, a total of \$1.598 million of funding was raised through a partially underwritten non-renounceable entitlement offer of shares and free-attaching options which was supported by Collaborate's investors, including Willoughby Capital and Turners Automotive Group.

Subsequent to the end of the September 2019 Quarter, an agreement with Hyundai, Australia's third largest car brand, was signed for the launch of a market-first subscription proposition that will enable Hyundai's 172-strong dealer network to benefit from an additional subscription revenue stream.

Key highlights include:

- + 6% increase in Receipts from Customers vs the June 2019 Quarter, continuing strong growth in the previous quarter.
- + 5% decrease in Product Manufacturing and Operating Costs vs the June 2019 Quarter, continuing reductions in the previous quarter.
- + 17% decrease in Advertising and Marketing Costs vs the June 2019 Quarter reflecting the benefit of optimised marketing campaigns.
- + 15% decrease in Staff Costs vs the September 2018 Quarter reflecting strong YOY cost control while also progressing the rollout of **Carly** vehicle subscription.
- + \$1.598 million raised from Entitlement Issue in the September 2019 Quarter (including \$150,000 of funds received in the previous quarter).
- + \$456,000 increase in cash on hand vs the June 2019 Quarter.
- + 4% increase in Net Rental Days Booked vs June 2019 Quarter and 16% increase vs September 2018 Quarter.
- + 5% increase in Net Rental Days Realised vs June 2019 Quarter and 7% increase vs September 2018 Quarter.
- + 26% increase in supply of dealer and ex-lease vehicles from key suppliers measured at the end of the September 2019 Quarter vs the end of the June 2019 Quarter.
- + Completion of development and launch of the Car Subscription Solution at the Australian Automotive Dealers Association conference in association with I-Motor.

- + The internet domain www.carly.co.nz was acquired and the New Zealand Intellectual Property Office has accepted the Trade Mark filing for 'Carly' in classes in 9, 39 and 42, in advance of the launch of **Carly** in New Zealand by Turners Automotive.
- + Todd Hunter was appointed to the Board of Collaborate as a non-executive director on 1 October 2019, by Turners Automotive Group Limited (ASX, NZX:TRA) following their strategic investment of \$1 million via placement in June 2019.

Consolidated Cash Flows

Receipts from Customers increased by 6% in the September 2019 Quarter, continuing the 22% growth in the June 2019 Quarter as the new vehicle subscription revenue stream was supported by **Carly**'s continued growth. Advertising and marketing costs were tempered back slightly as the focus during the quarter was on building dealer and manufacturer relationships with a view to increasing supply of vehicles for **Carly** to meet the strong demand.

Administration and corporate costs and transaction costs related to the issue of shares increased in the September 2019 Quarter due significant regular costs falling into the September quarter including annual audit fees, annual ASX listing fee and annual Directors & Officers insurance premium, as well as legal and corporate advisory fees in relation to the entitlement issue completed in August 2019. Administration and Corporate costs are forecast to reduce by approximately 40% in the December Quarter, back to normal levels.

Corporate

On 2 July 2019 Collaborate announced that it had raised \$1 million (funds received in June 2019 Quarter) through a placement to a strategic investor, Turners Automotive Group Limited (ASX:TRA; NZX:TRA) (**Turners**). Turners is a New Zealand based integrated automotive financial service group, primarily operating in the automotive sector, and provides strength in the three key areas of automotive retail, finance and insurance, and debt management systems. The strategic investment from Turners, a major player in the New Zealand automotive market, comes after the Company's March 2019 launch of **Carly**, Australia's first flexible vehicle subscription service. The business aims to deliver a new revenue stream for the automotive retail market and is currently attracting significant interest from automotive dealers and manufacturers. Collaborate proposes to leverage Turners' industry experience and accelerate the growth of **Carly** in the car subscription market in Australia. In addition to the Placement, the parties have agreed an exclusivity period to negotiate the launch of a joint vehicle subscription service in New Zealand. A launch in New Zealand would enable Collaborate to leverage its existing investment in the technology platform supporting **Carly** and access a substantial new market with the support of Turners, the largest seller of cars in New Zealand. The negotiation of the operational and commercial terms for the launch in New Zealand are progressing well.

A total of 159,849,080 New Shares and 106,566,006 Unquoted Options were issued on 27 August 2019, representing take up of 78% of the total Shares offered under the Entitlement Issue and raising \$1,598,491 before costs. The Entitlement Issue was offered to shareholders registered at the Record Date of 26 July 2019 with a registered address in Australia and New Zealand on the basis of one (1) new fully paid ordinary share (**Share**) for every four (4) Shares held, together with two (2) free attaching options for every three (3) new Shares subscribed for and issued. The free attaching options are unquoted, exercisable at \$0.015 each and expire on 18 December 2020 (**Unquoted Options**). The Entitlement Issue was partially underwritten up to \$1.255 million by existing shareholders of the Company namely Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust and Reefpeak Pty Ltd,

alongside officers of the Company namely Adrian Bunter and Karen Logan. The results of the Entitlement Issue include take up of entitlements (15,000,000 Shares and 10,000,000 Unquoted Options) by offset of the advance of \$150,000 previously announced on 14 March and 16 July 2019 and provided by the Willoughby Capital Trust, an entity associated with Mr Stephen Abolakian, a director of the Company.

On 1 October 2019 Collaborate welcomed Mr Todd Hunter to the Board of Collaborate as a non-executive director. Todd has been appointed to the Board by Turners Automotive Group. Todd has been Group CEO of Turners since July 2016. Todd is a strong and experienced senior executive, with a background in marketing, sales and accounting in both large global and domestic businesses (Ernst & Young, Microsoft and New Zealand Post). Todd joined the listed entity Turners Auctions in 2006 and became CEO of Turners Auctions in 2013. Turners Auctions was taken over in 2014 by listed entity Dorchester Pacific Finance which was then renamed to Turners Automotive Group. Todd was appointed Group CEO for the wider Turners Automotive Group business in 2016. Todd is a Chartered Accountant and holds a Bachelor and Diploma of Commerce from Auckland University.

In July 2019, the Company negotiated an extension of the repayment date of the Financing Facility from 30 September 2019 to 31 March 2020. With effect from 1 October 2019, the parties have also agreed to reduce the simple interest payable on the Financing Facility from 12% to 9% per annum. The Company was also advised that the Abolakian family completed an internal restructure of its assets resulting in a total of 127,455,033 fully paid ordinary shares in Collaborate held by Hishenk being transferred to the Willoughby Capital Trust, a trust controlled by the Abolakian family. As part of the restructure, the Financing Facility and Advance have also been novated from Hishenk to the Willoughby Capital Trust. The Abolakian family have shown their strong ongoing support for the Company by agreeing to underwrite \$1.15m of the Entitlement Issue which completed in August 2019.

Cash Balance at Quarter End and Funding

At the end of the September 2019 Quarter the Company maintained a cash balance of \$1,702,000 an increase of \$456,000 from the June 2019 Quarter.

The Directors closely monitor cash flows and funding requirements and are assessing all funding alternatives, which may include a placement to strategic and/ or high-net-worth investors to ensure that the Company can continue to progress growth opportunities of the businesses. The Company acknowledges its cash position at the end of the quarter and its estimated cash flows for the December 2019 quarter. It is important that shareholders note that the estimated cash outflows do not include the cash receipts from customers. The December Quarter has historically been a strong period for bookings and cash receipts due to seasonal factors.

Vehicle Revenue Streams

Given the scale of the car subscription opportunity and the significant ongoing negotiations with manufacturers, dealers and other parties seeking to partner with **Carly**, limited metrics will be reported so that the existing competitive advantage in the subscription market is preserved. This is in line with limited, if any, metrics reported by other providers in the car subscription market.

Overall Net Rental Days Booked increased by 4% vs the June 2019 Quarter and 16 % compared to the September 2018 Quarter. It should be noted that a conservative booking recognition policy has been adopted with regards to subscription. Despite all subscriptions being for periods of 30 days or more, each booking is only recorded as 30 days until the

occurrence of each monthly recurring renewal. This differs from the **DriveMyCar** booking days recognition policy which records the actual period of the booking which may be up to 12 months or more in some cases.

By the end of the September 2019 Quarter, the supply of dealer and ex-lease vehicles had increased by 26% compared to the end of the June 2019 Quarter. These suppliers and vehicles have been identified as being crucial for the long term growth of **Carly**. Access to additional vehicles from existing providers and new providers such as Hyundai and its dealer network remain the focus of business development effort. Material agreements for the supply of additional vehicles will be announced via the ASX.

Overall Net Rental Days Realised increased by 5% vs the June 2019 Quarter and 7% compared to the September 2018 Quarter.

Industry Partnerships

Further to the announcement on 11 June 2019, **Carly** and I-Motor jointly developed the Car Subscription Solution that enables a 'subscribe' option to be added to each vehicle listed on dealer websites and for customers to activate a car subscription to be facilitated by **Carly**. This provides a highly scalable customer acquisition opportunity combined with access to a large fleet of dealer supplied vehicles and was launched to the industry at the Australian Automotive Dealers Association Conference in September 2019. The Car Subscription Solution can be readily added to over 700 automotive dealer websites currently managed by I-Motor. The Car Subscription Solution will enable automotive dealers to transact with customers entirely online making it possible to secure a customer without requiring them to visit a dealership and improving the conversion rates for their online campaigns. Strong interest was received from dealers following the launch. **Carly** is engaging with dealers to educate them regarding car subscription opportunities. Given this is a new product offering, take up is expected to be gradual as dealers begin to understand and review the proposition.

Subsequent to the end of the September Quarter, on 18 October 2019, Collaborate announced that an agreement had been signed with Hyundai Motor Company Australia to launch an industry first vehicle subscription proposition that will enable customers to subscribe via **Carly** to vehicles provided by Hyundai dealers in Australia. Hyundai is the third largest automotive manufacturer by volume in Australia (VFACTS Sep 2019 YTD). Hyundai's partnership with Carly marks a significant step forward for the car subscription industry in Australia:

- + First Manufacturer: Hyundai is the first manufacturer to support a vehicle subscription service in Australia across multiple models in its new vehicle range
- + First Dealer Network: The Hyundai dealer network is the first to deliver a subscription service to enable customers to subscribe to use Hyundai vehicles
- + First Subscription Service: **Carly** is the first manufacturer-led subscription service to enable the Hyundai dealer network to earn subscription revenue from vehicles whilst retaining long term ownership and eventual resale opportunities
- + First Manufacturer Supported Marketing Campaign: Hyundai will fund, and **Carly** will manage, a digital marketing campaign to promote the availability of subscription vehicles from Hyundai dealer.

Strategic Direction

Collaborate continues to direct its resources and strategic focus towards its mobility strategy owing to the large number of opportunities resulting from significant changes in the automotive industry and rapid evolution of the ways that consumers wish to access vehicles. Car subscription, which Frost & Sullivan has forecast to account for 10% of new car sales in USA & Europe in 2025, is an area of significant opportunity for Collaborate. **Carly** has been launched to capitalise on the opportunity in the current \$60 Billion pa car sales market in Australia. **DriveMyCar** continues to pursue opportunities in the car rental market including private and rideshare rentals and both businesses leverage the operations expertise, technical platform and industry relationships established by **DriveMyCar**.

Authorised by:

Chris Noone
CEO and Director
Collaborate Corporation Limited

About Collaborate Corporation Limited

Collaborate Corporation Limited is listed on the Australian Securities Exchange (ASX:CL8). It is Australia's leading listed company focused on 'collaborative consumption', 'peer-to-peer' or 'sharing economy' business model with a strong focus on mobility solutions. Collaborate's core business is www.DriveMyCar.com.au Australia's leading peer-to-peer car rental business, complemented by www.Carly.co, Australia's first flexible car subscription offering. Other businesses include www.MyCaravan.com.au a leading peer-to-peer caravan rental business; and www.Mobilise.com a rental marketplace for under-utilised assets. Through our proprietary trust and reputation platform, www.peerpass.com.au we create 'trust' between individuals and make it possible for people and companies to safely transact with each other in the sharing economy.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Collaborate Corporation Limited (ASX: CL8)

ABN

60 066 153 982

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	702	702
1.2 Payments for		
(a) research and development	(242)	(242)
(b) product manufacturing and operating costs	(589)	(589)
(c) advertising and marketing	(148)	(148)
(d) leased assets	-	-
(e) staff costs	(285)	(285)
(f) administration and corporate costs	(226)	(226)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(788)	(788)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	(4)	(4)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(4)	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,448	1,448
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(187)	(187)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(13)	(13)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,248	1,248

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	1,247	1,247
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(788)	(788)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,248	1,248
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,703	1,703

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,703	1,247
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,703	1,247

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
103
-

payments include Directors' salaries and fees for the period and fees outstanding for previous financial year.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
-	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	800	800
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has a financing facility of \$850,000 (**Financing Facility**) from Willoughby Capital Pty Ltd as trustee for the Willoughby Capital Trust (**Willoughby Capital**), the Company's largest shareholder and a related party of the Company.

The Financing Facility is unsecured and provided at a simple interest rate of 12% per annum calculated based on draw down amount. With effect from 1 October 2019, the simple interest payable has been reduced to 9% per annum until the repayment date of 31 March 2020.

Full details of the Financing Facility are set out in the ASX release dated 14 March 2019 and subsequent variation of terms in the ASX release dated 16 July 2019.


The Company also has a controlled placement deed with Acuity Capital for up to \$3 million of equity over a 30-month period to 31 July 2021. Full details of the facility are set out in ASX release dated 10 January 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(239)
9.2 Product manufacturing and operating costs	(720)
9.3 Advertising and marketing	(160)
9.4 Leased assets	-
9.5 Staff costs	(296)
9.6 Administration and corporate costs	(136)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,551)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 

Date: 31 October 2019

CEO and Director

Print name: Chris Noone

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.