

Growth continues apace

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), currently, 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. Carly has sought to differentiate its proposition from competitors through the launch of two new products. The first, CarlyNow enables automotive dealers to tap into Carly's platform to subscribe vehicles from their dealership to walk-in customers, as an alternative to buying or finance. The second, EV Trial, was launched in March 2024, enabling prospective electric vehicle purchasers, including business fleets, to test drive electric vehicles for one or more months.

Business model

Carly manages a mixed asset heavy and asset light fleet of over 450 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 is paramount

Carly's March quarter update showed the expected 20% growth in total fleet size vs. the December quarter. The fleet grew to 451 vehicles with a further 35 vehicles due for delivery in the June quarter. Costs fell despite this increase and will likely be lower again in the current quarter as one-off employment costs roll off. The company says it retains draw-down capacity of \$3.7m of total vehicle finance facilities of \$13.2m. The company is delivering improved cash outcomes as fleet growth translates into subscription revenue growth and quarterly operating cash break-even may be achieved in 2024 depending on growth choices and fleet growth in H1 FY25. Carly's performance continues to highlight substantial demand for the product. Revenue growth appears to remain dependent on vehicle supply rather than consumer demand.

Valuation base case 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 is possible 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)	2.2	1.1
06/23a	2.1	0.5	(3.0)	(3.1)	(1.5)	3.8	1.6
06/24f	4.8	0.8	(2.6)	(3.9)	(1.4)	3.0	2.8
06/25f	8.6	3.4	(0.6)	(2.7)	(1.0)	2.3	3.8

Source: Company data; RaaS estimates for FY24f and FY25f

Vehicle Subscription Services

29 April 2024

Share Details

ASX code	CL8
Share price (26-Apr)	\$0.019
Market capitalisation	\$5.1M
Shares on issue	268.4M
Net debt 31-Mar-2024	\$4.95M
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 April 24](#)

Board of Directors

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

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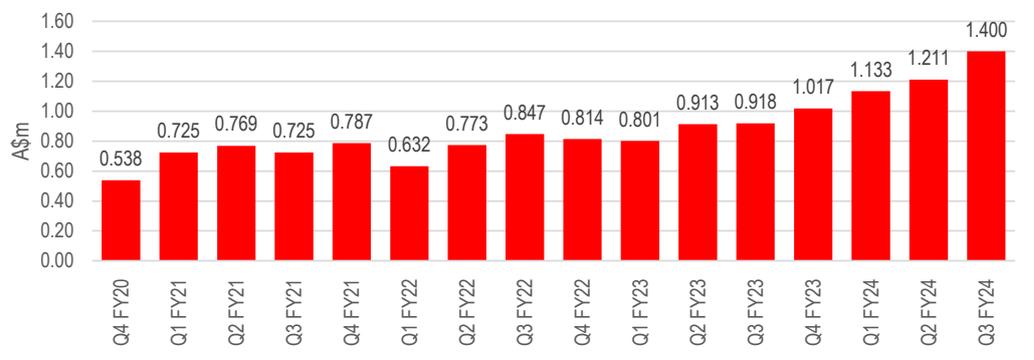
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Q3 FY24 Results Analysis

March quarter receipts rose +16% relative to the December quarter and +53% on the previous March reflecting the substantial increase in fleet size and consequent subscription numbers. Cost reductions were a feature with payments to suppliers declining -3% relative to the December quarter, including one-offs. Advertising and marketing fell -12% following an increase in spend previously. Lease costs fell slightly, and product manufacturing costs declined -34%. Staff payments were up +61% in the period reflecting previously expensed director's fees (\$128,000) and timing differences in employee incentives. Adjusting for these one-offs, Carly reports staff costs fell -7% vs. the December 2023 quarter and it expects these costs to decline to normal levels in the June quarter. Carly is nearing operating cash break-even on a quarterly basis with receipts of \$1.4m and operating costs of \$1.5m. The company continues to translate fleet growth into subscription growth while controlling costs successfully.

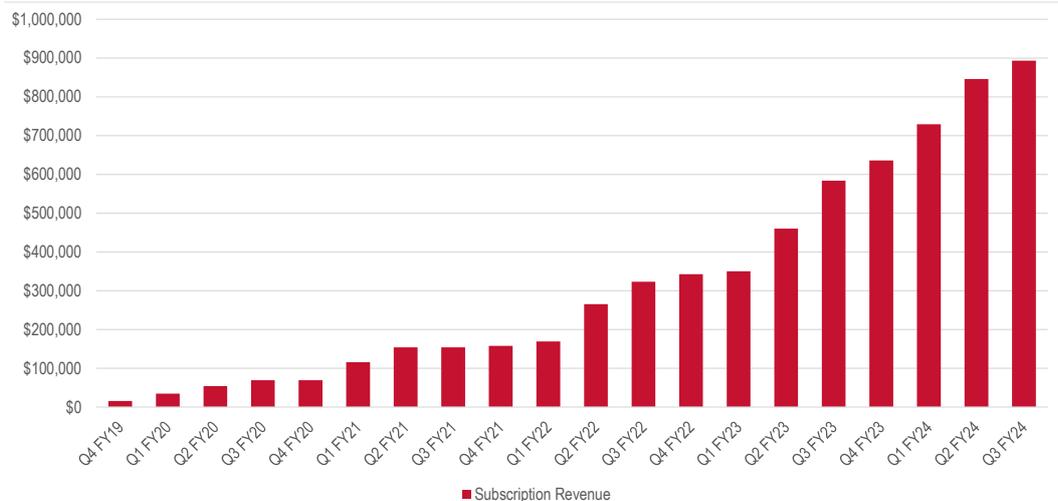
Exhibit 1: Quarterly receipts from customers



Source: Company reports

Carly reported a +58% rise in subscription revenue versus the December quarter with an increase in Average Monthly Subscription Revenue from \$281,000 in the December quarter to \$298,000 per month in the March quarter. The company did not disclose fleet utilisation or subscriber transaction value in this report however CEO Chris Noone has noted (see RaaS interview link) that utilisation of the owned fleet "...has been increasing every quarter throughout the financial year and is well within the 80% utilisation range that we're targeting".

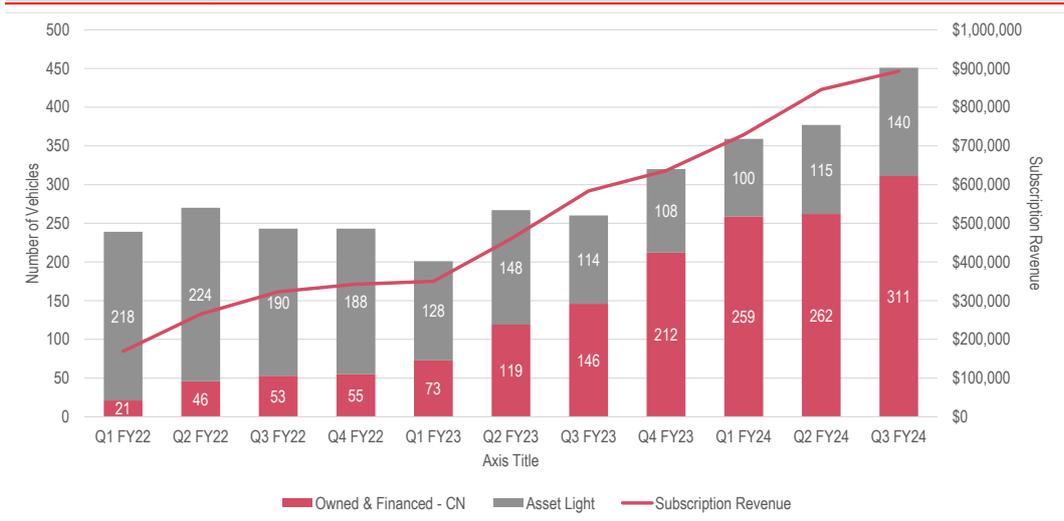
Exhibit 2: Quarterly subscription revenue



Source: Company reports, RaaS estimates where not disclosed.

Fleet size grew to 451 vehicles from 377 with an additional 51 owned vehicles and 23 ‘asset light’ vehicles (vehicles owned by partners and managed by Carly as part of the fleet) Carly says it expects a total of 84 additional owned vehicles during H2 FY2024 including 44 electric vehicles. Carly’s recent product initiatives have included a focus on EVs following a reduction in acquisition price with the company able to add EVs to the owned fleet for under \$40,000. In addition, Hyundai has provided higher priced EVs as ‘asset light’ fleet, providing a strong range of EV choices for Carly’s EV Trial (www.evtrial.com.au) initiative and providing a wide range of choices for customers.

Exhibit 3: Subscription revenue vs. fleet size



Source: Company reports

Carly says it has \$2.5m in cash at period end and a further \$3.7m available for vehicle purchases following orders placed in December.

Exhibit 4: Q3 FY24 versus previous quarters (A\$m)

	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	Q1 FY24	Q2 FY24	Q3 FY24
Cash receipts	0.81	0.80	0.91	0.92	1.02	1.13	1.21	1.40
Payments to suppliers	(1.25)	(1.15)	(1.12)	(1.14)	(1.90)	(1.21)	(1.55)	(1.50)
R&D	(0.28)	(0.25)	(0.28)	(0.27)	(0.26)	(0.24)	(0.28)	(0.27)
Other	-	-	-	-	-	-	-	-
Operating cashflow	(0.72)	(0.43)	(0.48)	(0.48)	(1.01)	(0.38)	(0.68)	(0.49)
Free cashflow	(0.72)	(0.43)	(0.48)	(0.48)	(2.77)	(0.38)	(0.68)	(0.49)
Net cash at the end of the period	0.81	0.28	1.62	0.96	(0.22)	0.98	3.12	2.56
Monthly cash burn	(0.24)	(0.14)	(0.16)	(0.16)	(0.92)	(0.13)	(0.23)	(0.16)
Quarters of cash on hand	1	1	3	2	3	3	5	5
Including vehicle financing	1	3	8	9	2	19	8	13

Source: Company reports

Key Events

Events in the quarter included:

- +58% increase in subscription revenue vs. March 2023 quarter.
- +53% rise in customer receipts vs. March 2023 quarter.
- -3% reduction in payments to suppliers vs. December 2023 quarter, including one-offs.
- Significant reductions in product manufacturing, operating and advertising costs.
- +73% increase in fleet size vs. March 2023 quarter with 74 vehicles added in March quarter 2024.
- 44 EVs added to the fleet, enabling launch of EV Trial aimed at enabling individuals and businesses to experience electric vehicles before committing capital to a purchase.

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

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Corporate Authorised Representative, number
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