

Strong growth in FY23

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%. Gross profit increased 74% and gross profit per subscription rose almost 36% against the same period a year ago. The impact of the asset finance facility was particularly evident on H2 which increased revenue 38% over H1. We expect ongoing fleet expansion to dominate results in FY24. Carly continues to prioritise maximising vehicle utilisation and returns while expanding the fleet. Release of the full year accounts reinforces the positive signs for the business evident at the Q4 report in July. We maintain our valuation, updated in July, which is now \$0.091/share.

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).

Focus on cost control and fleet utilisation maintained

Carly's annual accounts confirm that the major building blocks for growth are in place and the management focus on profitable growth has been maintained. Costs have increased but revenues have increased much more significantly. Much of this acceleration was in the final quarter as we have previously noted. Prospects for growth in FY24 appear strong with the existing finance facility able to be used to purchase up to another 300 vehicles and Carly actively seeking further finance for expansion.

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

We have maintained our valuation as detailed in our July report. 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 potential 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)	2.3	1.1
06/23a	2.1	0.5	(3.0)	(3.1)	(1.1)	3.4	1.3
06/24f	7.2	0.8	0.7	(1.7)	(0.6)	1.9	2.5
06/25f	13.0	5.2	4.5	0.2	0.1	1.3	3.2

Source: Company data; RaaS estimates for FY24f and FY25f

Vehicle Subscription Services

5 September 2023

Share Details

ASX code	CL8
Share price (4-Sept)	\$0.02
Market capitalisation	\$5.4M
Shares on issue	268.4M
Net cash 30-Jun-2023	\$1.66M
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

Company Interview

[Carly Holdings \(ASX:CL8\) RaaS 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

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FY23 Results Analysis

Carly's revenue from vehicle subscriptions and rentals rose +68% - despite constraints on fleet size until the end of Q3 when an expansion in an asset finance facility of \$10m was secured. Costs remained under control with cost of sales only rising +64% and gross margin expanding 1.5 points to 39%. Gross profit consequently rose +74%. Employment costs rose +17% reflecting the businesses expansion during the year while Corporate (+12%) and R&D (+8%) costs also rose. Finance costs increased and will be higher in FY24 as the finance facility is drawn down and the vehicle fleet increases in size.

Exhibit 1: FY23 Profit and Loss (A\$'000)			
	FY 2022	FY 2023	Change %
Revenue	1,254	2,100	68
Cost of sales	(783)	(1,281)	64
Gross Profit	471	820	74
Other income	42	26	(37)
Total Income	513	846	65
Employment costs	(2,018)	(2,357)	17
Corporate and admin	(464)	(438)	(6)
Research and Development	(1,048)	(1,051)	0
EBITDA	(3,018)	(2,999)	(1)
Depreciation	(169)	(171)	1
EBIT	(3,186)	(3,170)	(1)
Net Finance costs	10	(100)	(1,065)
Loss before tax	(3,176)	(3,270)	3
Tax benefit	168	127	(24)
Loss after tax	(3,008)	(3,142)	4
Basic loss per share.	(2.66c)	(1.78c)	(33)

Source: Company data

Loss before tax increased only +3% in the context of this major business expansion and Loss per share rose +33% mainly due to equity capital raising.

Exhibit 2: FY23 Cashflow (A\$'000)			
Selected items	FY 2022	FY 2023	Change %
Receipts	3,066	3,650	19
Payments	(5,768)	(5,681)	(2)
)Govt grants	0	296	
Net cash from operations	(2,771)	(1,892)	(32)
Net cash from investing	(465)	(1,763)	279
Proceeds for issue of shares	655	3,363	414
Proceeds from borrowings	0	2,200	
Net cash from financing	307	4,513	1369
Change in cash	(2,929)	857	(129)
Cast at end	805	1,663	106

Source: Company data

Annual cash flows show the major drivers of the full year result with a 32% improvement cash from operations, helped by government grants of \$296k. Cash spent on investments rose due to vehicle acquisitions which was financed by \$3,363k in equity raises and \$2,200k in borrowing. Cash on hand rose \$857k at 30th June.

Exhibit 3: FY23 Financial position (A\$'000)			
Selected items	FY 2022	FY 2023	Change %
Cash	805	1,663	106
Property, Plant & Equipment	271	2,966	993
Loans payable	0	3,478	

Source: Company data

Property, Plant and Equipment reflected the vehicle acquisitions, rising to \$2,966 at year end while Loans rose reflecting finance facility drawdowns.

Key Events In The Year

Events in the year included:

- Carly broadened the fleet operation model to include company owned and leased vehicles, allowing an expansion in fleet size to 320 vehicles of which 34% are owned by third-parties (asset-light) with the balance owned by Carly (asset-heavy);
- Subscription revenue rose +82% from FY22;
- Average revenue per subscription rose +9.4% versus FY22 and gross profit per subscription increased 35.9% highlighting positive leverage in the business model;
- Q4 subscription vehicle utilisation was 84% down from 88% in Q3 and finished FY23 overall at 86% due to vehicle additions, but remains on target for FY24;
- Carly completed a capital raising totalling \$1.60m in August;
- The company secured a \$10m asset finance facility in March;
- Overall business momentum increased substantially through the year with a +38% increase in H2 revenue vs H1.

Finance and vehicle acquisitions

The iPartners facility commenced at the end of March and Carly has progressively drawn down \$3m of the \$10m available. Management note that the average price of vehicles acquired via the iPartners facility has been \$23,000. Correcting our previous calculation, Carly has remaining capacity to purchase around 332 additional vehicles utilising this facility (at average vehicle prices achieved to date). At the end of July, the facility was 30% drawn down and about 79% of that cash had been utilised leaving \$7.6m still to be used to acquire 332 vehicles at an average price of \$23,000.

Exhibit 4: Finance facility utilization at 31st July							
Event	Drawn	% Drawn	Date	Available Funds	Vehicles	Average price est.	Change in price %
Initial size	\$10,000,000	0	22-Mar-23		450	\$22,222	Initial estimate
Tranche 1	\$700,000	7	31-Mar-23		28		
June qtr	\$1,500,000	22	30-Jun-23		38		
Sept qtr	\$800,000	30	31-Jul-23		34		
Total drawdown	\$3,000,000	79% utilised			100	\$23,000	3.5
Available	\$7,000,000			\$7,644,000	304	\$23,000	

Source: Company data, RaaS estimates

Exhibit 5 Financial Summary

Carly Holdings Ltd						Share price (Date) 4/09/2023						A\$ 0.020				
Profit and Loss (A\$m)						Interim (A\$m)										
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	1H22 A	2H22 A	1H23 A	2H23 A	1H24 F	2H24 F					
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)				
Mice 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.	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.	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.	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	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.	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.	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.	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%	0.0%				
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation	30	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.	n.a.	26.5				
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	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.	n.a.	73%				
Other non current liab	0.0	0.0	0.6	1.3	1.6	EV/EBITDA	0.2	n.a.	n.a.	n.a.	18.3	3.7				
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.	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.	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, share capital assumes options are not exercised before expiry.

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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AFSL 456663

Effective Date: 6th May 2021

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- how we are paid, and
- complaint processes

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