

6 June 2023

Carly Holdings Limited

Becoming a layer of the auto industry

Carly Holdings Limited (ASX:CL8) operates a vehicle subscription business, which it launched in March 2019. 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 model that facilitates sales volumes of new vehicles and delivers a new recurring revenue stream for automotive manufacturers and dealers. The company has developed the model on similar lines to business launches in Europe and proved over the past three years that the model works in Australia. Carly is now ramping up fleet size through vehicle purchases and leases. On June 5, Carly released an updated presentation highlighting market targets, solid fleet growth in April and +15% higher revenue versus March quarter 2023 revenue as a result of a +14% increase in fleet size for the period.

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).

Growth targets clear, dealers targeted as a customer channel

Carly's investor presentation is clear that the company aims to be the number-one Australian car subscription company with significant milestones already achieved. Next CL8 intends to expand in SA and WA and continue to grow the fleet (now 300 Carly- and partner-owned vehicles), increase advertising to target consumers, expand in the corporate and government market, increase the EV offering via the Hyundai relationship, and become the first choice for automotive OEMs and dealers to enable sales via the launch of a Carly dealer subscription platform. These initiatives are enabled by Carly's ability to use wholly-owned or asset-light partner owned vehicles to supply customer demand while maintaining high levels of fleet utilisation. Turners Automotive NZ (CL8's third-largest shareholder) recently reported its subscription business was profitable in the past four months of its financial year. This bodes well for Carly's ambitions.

Valuation base case at \$27.1m (\$0.132/share)

Our valuation is based on the discounted cash-flow methodology using a discount rate of 16.5% (beta 2.0, risk-free rate 3.5%). We have modelled three cases differentiated by available finance for vehicles, subscription levels and vehicle-related costs. Our base case values Carly at \$27.1m or \$0.132/share, the downside case values CL8 at \$5.6m (\$0.027/share), while we can estimate upside to \$90.3m (\$0.442/share) using a range of factors.

Historical earnings and RaaS' estimates (in A\$m unless otherwise stated)

Year end	Revenue	Gross profit	EBITDA rep.	NPAT rep.	EPS* (c)	EV/Sales (x)	Price/Book (x)
06/21a	1.0	0.5	(3.1)	(3.4)	(5.7)	0.7	0.17
06/22a	1.3	0.6	(2.7)	(3.0)	(2.7)	3.4	1.04
06/23f	2.8	1.9	(2.8)	(3.3)	(1.9)	3.8	1.71
06/24f	7.2	5.2	(0.2)	(2.7)	(1.3)	2.6	3.08

Source: Company data; RaaS Advisory estimates for FY23f and FY24f; *EPS normalised for one-time items

Share Details

ASX code	CL8
Share price (5-Jun)	\$0.031
Market capitalisation	\$6.1M
Shares on issue	204.4M
Net cash 31-Mar-2023	\$0.96M
Free float	~57%

Share Price 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

Catalysts

- Increased monthly subscription revenue
- Additional finance confirmed
- Continued excellent operational performance
- Vehicle deliveries

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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