

## MARCH 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 31 March 2019.

Collaborate concluded the March 2019 Quarter recording a 48% reduction in Net Cash Used in Operating Activities vs the March 2018 Quarter representing effective cost control in a period that experienced demand challenges and significant resources allocated for the launch of **Carly** vehicle subscription at the end of the Quarter.

### Key corporate highlights include:

- + **48% decrease in Net Cash Used in Operating Activities** vs March 2018 Quarter  
30% decrease vs the December 2018 Quarter
- + **46% decrease in Staff Costs** vs the March 2018 Quarter and 38% decrease vs the December 2018 Quarter
- + Receipt of \$325,000 R&D Tax Incentive Refund relating to FY18
- + Issue of the remaining 7,955,033 fully paid ordinary shares under the Shortfall Offer were taken up by Hishenk, Collaborate's largest shareholder, and raised \$119,325. This placement took the total Shares issued under the Entitlement Issue Prospectus to 77,389,732 Shares and total funds raised to \$1,160,846, before costs.
- + Execution of a controlled placement deed with Acuity Capital for up to \$3 million of equity over a 30-month period to 31 July 2021.
- + Term sheet concluded for a financing facility of \$850,000 and an advance on proposed future equity raising of \$150,000 from Hishenk Pty Ltd
- + Launch of **Carly** vehicle subscription on 29 March 2019
- + Appointment of Stephen Abolakian as non-executive director.

### Consolidated Cash Flows

Following the peak demand period in December 2018, Receipts from Customers declined in the March 2019 Quarter in line with expectations but also impacted by continued aggressive competitor price discounting driven by the unloading of new vehicles into the rental channel by automotive manufacturers. Despite these external factors, costs were carefully managed during this time and Net Cash Used in Operating Activities decreased by 30% vs the March 2018 Quarter (decreased by 12% excluding receipt of R&D tax incentive refund).

### Corporate

On 14 February 2019, Stephen Abolakian joined the Board of Directors as a non-executive director of Collaborate. Stephen has deep experience in business growth, partnerships and finance and his family has been a long-time supporter of the Company (via Hishenk Pty Ltd, the largest shareholder of Collaborate). Stephen joins at a time of growth of the

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**DriveMyCar** business and launch of the innovative **Carly** vehicle subscription business in Australia.

### **Cash Balance at Quarter End and Funding**

At the end of the March 2019 Quarter the Company maintained a cash balance of \$381,102. The Company acknowledges its cash position at the end of the quarter and its estimated cash flows for the June 2019 quarter. It is important that shareholders note that the estimated cash outflows do not include the cash receipts from customers. The Directors continue to closely monitor cash flows and funding requirements and are assessing all funding alternatives to ensure that the Company can continue to progress growth opportunities of the businesses.

On 10 January 2019, Collaborate secured a controlled placement facility. The facility enables the Company to raise up to \$3 million over a maximum period of 30 months. Under the terms of the facility, Collaborate retains full control of all aspects of initiating the placement process: having sole discretion as to whether or not utilise the facility, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no obligations on Collaborate to utilise the facility and the Company may terminate it at any time with 5 business days' notice, without cost or penalty. The facility also does not place any restrictions at any time on Collaborate raising capital through other methods. The facility is a valuable tool as an additional funding alternative; and placements under the facility will principally be used to provide funding for customer acquisition, funding the growth of Carly and DriveMyCar and for general working capital. Collaborate has not had any need to draw on the facility during the March 2019 Quarter, or to date.

Issue of the remaining 7,955,033 fully paid ordinary shares at an issue price of \$0.015 per Share under the Shortfall Offer pursuant to the entitlement issue prospectus dated 14 September 2018 was completed on 22 January 2019. The Shares under the Shortfall Offer were taken up by Hishenk, Collaborate's largest shareholder, and raised a further \$119,325. This placement takes the total Shares issued under the Entitlement Issue Prospectus to 77,389,732 Shares and total funds raised to \$1,160,846, before costs.

On 30 January 2019, Collaborate received an Australian Government R&D Tax Incentive Refund of \$325,259 for the year ended 30 June 2018. The amount of the refund is 22% higher than the amount received for the 2017 financial year and is reflective of the additional emphasis being placed on the technology development and scaling the digital growth potential of the business. The Company received the R&D Tax Incentive after spending approximately \$750,000 on R&D activities in relation to its peer-to-peer platforms in the 2018 financial year.

On 14 March 2019 Collaborate announced that it had signed a term sheet with Hishenk Pty Ltd (Hishenk), the Company's largest shareholder, for a financing facility of up to \$850,000 (Financing Facility) to enable the business more flexibility for the launch of the Carly vehicle subscription business, marketing initiatives and the continued growth of the **DriveMyCar** business. Funds drawn under the Financing Facility may be converted into equity at Hishenk's election, subject to all necessary regulatory and prior shareholder approvals, at the price of a proposed future equity raising by the Company (intended to be completed by the end of June 2019). Additionally, the Company has entered into an agreement with Hishenk for the provision of \$150,000 as an advance on equity raising funds. Subject to all necessary regulatory and prior shareholder approvals, Hishenk intends to offset this amount as a subscription for fully paid ordinary shares at the offer price of the Company's proposed

future equity raising. This subscription for shares will be subject to shareholder approval as Hishenk is a related party of the Company.

### DriveMyCar

Following the seasonal peak rental demand experienced during the December 2018 Quarter, rental demand moderated during the March 2019 Quarter, as expected. Price discounting driven by competitors continued to have an impact on demand for **DriveMyCar** vehicles. The willingness of consumers to consider alternatives to traditional suppliers is related to prices charged by large established players. The **DriveMyCar** Competitor Price Index showed that competitor prices were untypically low in the March 2019 Quarter. Competitor price reductions during the March 2019 Quarter compared to March 2018 Quarter were up to 24% lower in Melbourne, 18% lower in Sydney and 22% lower in Brisbane. The competitor price discounting is unsustainable due to the high fixed cost structures of traditional car rental companies and is largely driven by car manufacturers providing heavily discounted vehicles to the rental channel. Recent car sales data indicates that the supply of heavily discounted vehicles may have been exhausted and this appears to be supported by increases in competitor prices during April 2019 and for forward bookings. VFACTS February 2019 data shows that sales of vehicles to traditional rental companies increased 32% Feb 2019 YTD vs 2018, however during March 2019 sales declined by 18% compared to March 2018 and March 2019 YTD sales are now only 5% ahead of 2018.

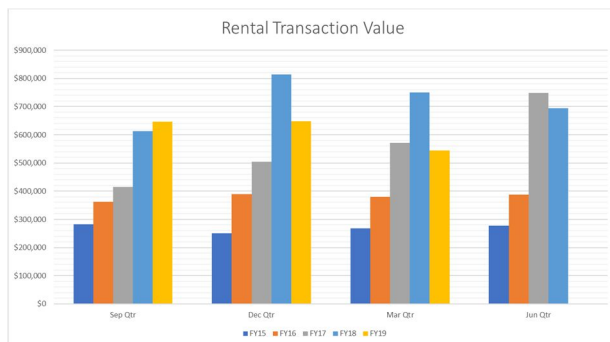
Management has determined that given **DriveMyCar**'s unique business model, which does not incur vehicle holding and depreciation costs, it is counterproductive to chase demand during periods of competitor price discounting with substantially lower prices or increased marketing activity. As a result, emphasis was given to cost control during the quarter, the most important of which was staff costs which decreased by 38% vs the December 2018 Quarter, whilst ensuring a focus on the development of the Carly car subscription offering. The net loss for **DriveMyCar** during the March 2019 Quarter decreased 27% compared to the December 2018 Quarter. The current market value for all private vehicles was also updated so the average rental price for private vehicles was reduced by 12%. This adjustment provides the benefit of reducing prices without decreasing the **DriveMyCar** gross profit margin. The vehicle stock in the corporate fleet was also refreshed resulting in the average year of manufacture for vehicles moving from 2016 as of 31 December 2018 to 2017 as of 18 April 2019.

As indicated by the sharp reduction in the number of vehicles sold to the traditional car rental companies in March 2019, average rental prices have increased substantially in April 2019. The **DriveMyCar** Competitor Price Index shows that average rental prices have increased by 54% in April 2019 vs April 2018. Some of this increase can be attributed to the school holiday and Easter holiday period falling at different times during April, regardless **DriveMyCar** has seen a positive impact. The cessation of competitor price discounting and fleet actions undertaken by **DriveMyCar** saw Gross Revenue to 29 April 2019 increase by 19% compared to the average Gross Revenue in the March 2019 Quarter

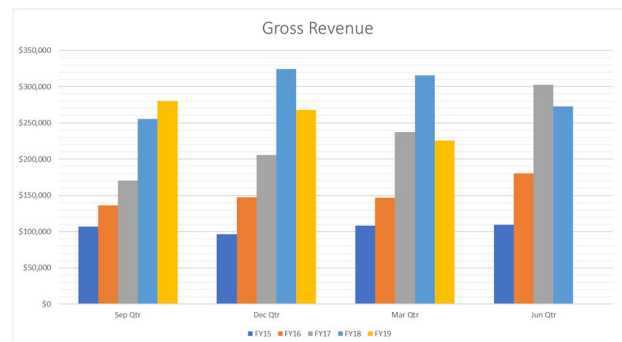
Period	Rental Transaction Value <sup>1</sup> '000	Gross Revenue <sup>2</sup> '000	Gross Profit '000	Gross Profit %	Net Rental Days Realised <sup>3</sup>	Net Rental Days Booked	Total Vehicle Activations	Calculator Enquiries	New Renter Registrations
Mar Qtr 2019	\$544	\$225	\$89	39%	13,679	14,410	-49	3,590	1,165
Mar Qtr 2018	\$749	\$315	\$197	63%	18,796	20,032	88	2,831	1,285

Jun Qtr 2018	\$694	\$273	\$165	61%	16,733	20,047	-52	4,655	1156	
Sep Qtr 2018	\$646	\$280	\$149	61%	15,990	16,681	-62	9,360	1367	
Dec Qtr 2018	\$648	\$268	\$106	40%	15,715	19,029	49	4,042	1,756	
<b>Mar Qtr 2019 % growth vs Dec Qtr 2018</b>	<b>-16%</b>	<b>-16%</b>	<b>-17%</b>			<b>-13%</b>	<b>-24%</b>		<b>-11%</b>	<b>-34%</b>
<b>Mar Qtr 2019 % growth vs Mar Qtr 2018</b>	<b>-27%</b>	<b>-29%</b>	<b>-55%</b>			<b>-27%</b>	<b>-28%</b>	<b>-156%</b>	<b>27%</b>	<b>-9%</b>

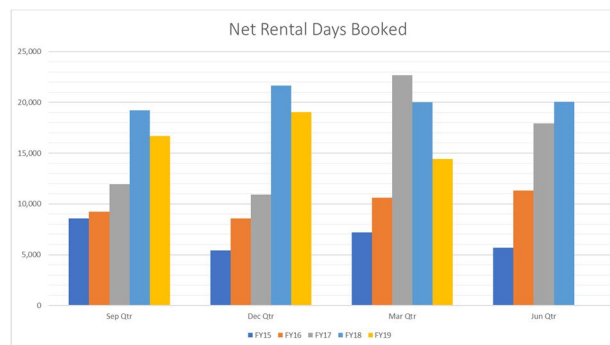
1. Rental Transaction Value is the total amount paid by the customers during the period.
2. Gross Revenue is the component of the Rental Transaction Value excluding the value of payments to owners that is charged by DriveMyCar and recognised as revenue for accounting purposes plus booking system revenue.
3. Net Rental Days Realised is the sum of rental days billed in the period.



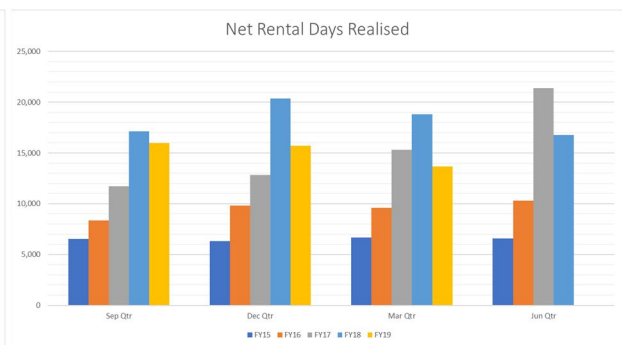
**Graph 1: Rental Transaction Value**



**Graph 2: Gross Revenue**



**Graph 3: Net Rental Days Booked**



**Graph 4: Net Rental Days Realised**

## Carly Vehicle Subscription

During the March 2019 Quarter, significant effort was devoted to the planning, development and launch of **Carly**, Australia's first flexible car subscription product - which was launched on 29 March 2019 in Sydney, with launches in other cities planned to follow.

**Carly** ([www.Carly.co](http://www.Carly.co)) is an alternative to saving for, leasing or borrowing money to buy a car and offers access to a range of new and used vehicles including insurance, registration and maintenance packaged into a single monthly payment with no long term commitments.

Subscribers can start, pause and stop their subscription and 'switch' cars as their needs change. This could be a short-term switch to a vehicle more suitable for a holiday, a longer term switch to cater for increasing family size, or pausing a subscription due to an extended

holiday. **Carly** delivers the car directly to the subscriber's location at a time that is convenient to them at the commencement of the subscription and whenever the car is switched.

**Carly** will provide the flexibility that many drivers and especially younger generations are now seeking, by removing the long-term financial commitment required to buy or finance a vehicle - eliminating the need to lock into long-term debt. In addition, the whole process can be performed online without the need to visit multiple dealers, negotiate the price and complete endless forms. Prices for a **Carly** subscription currently start from a very affordable \$115 per week, making it highly suitable for a very wide range of consumers.

The launch of **Carly** is being supported by a significant marketing campaign which includes PR, online advertising, search marketing, Instagram influencers, social media advertising and a radio campaign on 2Day FM which commenced on 29 April. Since launch, **Carly** has received very strong press coverage in both consumer and industry media which has increased awareness and interest in what is currently a new, but significantly growing market.

The level of industry interest in **Carly** is very significant, and has exceeded the Board's expectations as to the potential size of the opportunity. The Board is pleased by the willingness of manufacturers and dealers to engage with **Carly** as part of the solution to the current difficulties being faced in the motor vehicle industry.

### **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 new 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 p.a car sales market in Australia. **DriveMyCar** continues to pursue opportunities in the car rental market including private, rideshare and accident replacement rentals and both businesses will leverage the operations expertise, technical platform and industry relationships established by **DriveMyCar**.

Collaborate intends to ensure its focus is applied to the mobility sector, with significantly reduced allocation of resources to MyCaravan and Mobilise. This refocus and reallocation of resources has enabled over \$411,000 of annual payroll costs to be removed from the business in recent months which was seen in the 46% decrease in Staff Costs in the quarter vs the March 2018 Quarter.

In May 2019, an updated investor presentation will be released which will provide more details of the car subscription opportunity and articulate the **Carly** growth strategy.

### **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](http://www.DriveMyCar.com.au) Australia's leading peer-to-peer car rental business, complemented by [www.Carly.co](http://www.Carly.co), Australia's first flexible car subscription offering. Other businesses include [www.MyCaravan.com.au](http://www.MyCaravan.com.au) a leading peer-to-peer caravan rental business; and [www.Mobilise.com](http://www.Mobilise.com) a rental marketplace for under-utilised assets. Through our proprietary trust and reputation platform, [www.peerpass.com.au](http://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.

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## 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")**

31 March 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	543	2,054
1.2 Payments for		
(a) research and development	(238)	(738)
(b) product manufacturing and operating costs	(649)	(1,812)
(c) advertising and marketing	(88)	(384)
(d) leased assets	-	-
(e) staff costs	(196)	(849)
(f) administration and corporate costs	(161)	(447)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	325	325
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(465)</b>	<b>(1,850)</b>

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<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(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	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	119	586
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	(24)	(115)
3.5	Proceeds from borrowings	400	975
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(17)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>495</b>	<b>1,429</b>

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<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	351	802
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(465)	(1,850)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	495	1,429
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>381</b>	<b>381</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	381	351
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>381</b>	<b>351</b>

**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

<b>Current quarter \$A'000</b>
67
-

Directors' remuneration for the period.

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7. <b>Payments to related entities of the entity and their associates</b>	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. <b>Financing facilities available</b> <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	850	250
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	150
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.		

During the March quarter, the Company secured a financing facility of \$850,000 and an advance on proposed future equity raising of \$150,000 from Hishenk Pty Ltd, the Company's largest shareholder who is also 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. The advance is interest free and subject to repayments terms under the agreement. Full details of the facility and advance are set out in ASX announcement dated 14 March 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 the ASX release dated 10 January 2019.

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	(230)
9.2 Product manufacturing and operating costs	(650)
9.3 Advertising and marketing	(210)
9.4 Leased assets	-
9.5 Staff costs	(210)
9.6 Administration and corporate costs	(250)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(1,550)</b>

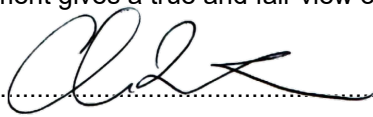
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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets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

  
 CEO and Director

Date: 30 April 2019

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.

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