

Collaborate Corporation Ltd



Entering the Next Stage of Growth

Overview: Collaborate Corporation Limited (“Collaborate”, “the Company”) is an Australian technology company operating in the sharing economy enabling the peer-to-peer rental of assets. The Company’s primary asset is Intellectual Property (“IP”) surrounding a peer-to-peer sharing and identity verification platform, which can be utilised for multiple industry verticals. Collaborate’s most advanced asset is DriveMyCar, a peer-to-peer marketplace which allows car owners to rent vehicles to third parties. Since we initiated coverage in April 2017, the Company received a \$1m strategic investment from the Royal Automobile Club of Victoria (‘RACV’), raised \$3.5m via the exercise of 100% of CL8O Options and posted record results in April. Our last advice was a [‘spec buy’ recommendation on 6 April 2017](#) at a price of \$0.024.

CONCEPT

COMMERCIAL TRIALS

SALES

Catalysts: Collaborate’s funding position has significantly improved following the exercise of its April 2017 options tranche and a \$1m strategic investment from RACV. The strategic investment at a premium to market is a validation of management’s strategy and provides a new channel partner to leverage Collaborate’s IP into a new market. Continuation of the company’s organic growth trajectory whilst further capitalising on the growing number of strategic partnerships is a value driver. The launch of Mobilise in Q3CY17 offers an additional driver for growth.

Hurdles: Collaborate and its subsidiaries are not currently cash flow positive and there is no guarantee they will become self funding despite its significantly improved funding position. We believe the company has a competitive edge, however Collaborate may be subject to increasing competition from new entrants to the marketplace. There is a risk that growth across its platforms may slow down which may impact the company’s financial performance.

Investment View: Collaborate offers speculative exposure to demand for peer-to-peer sharing. We are attracted to the Company’s improved funding position and growing pipeline of strategic partnerships. The investment from RACV is a validation of Collaborate’s business strategy and it opens the door to a new market of significant size. Primary hurdles include competition and the company’s need to deliver ongoing growth in order to reach a self-funding position. We believe that Collaborate’s improved funding position will enable management to drive demand for all of its platforms whilst leveraging new and existing channel partnerships. Seeking to monitor organic growth and the upcoming launch of the Mobilise business, we maintain coverage and reiterate our valuation of 6 cents/share, which represents a ~40% premium to recent trade.

22 May 2017

Price: \$0.043

Update

Valuation: \$0.06

CORPORATE SUMMARY

TICKER	CL8.ASX
INDUSTRY	Technology
SHARES ON ISSUE	619m
OTHER SECURITIES	
	<i>19.3m Options 2c – 3.5c, Oct '17 – Nov '20</i>
MARKET CAP	\$26.6m
CASH	\$3.8m
ISSUED CAPITAL	\$10.9m

FINANCIAL OVERVIEW HY17

REVENUE	\$0.4m
NPAT	-
GROWTH vs H12016	~34%
NTA / SHARE (MAY 2017)	\$0.05
DIVIDEND YIELD	-

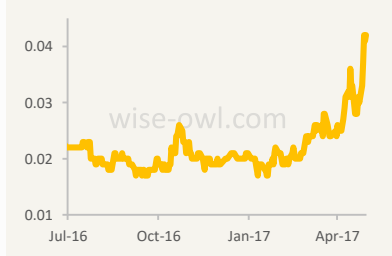
BOARD OF DIRECTORS

CEO & EXEC DIRECTOR	Chris Noone
NON-EXEC DIRECTOR	Adrian Bunter
NON-EXEC DIRECTOR	Jim Landau

SHAREHOLDERS

MANAGEMENT	1%
HISHENK PTY LTD	14.7%
RACV INVESTMENT HOLDINGS	5.4%
TOP 20	47.8%

SHARE PRICE



22 May 2017

THE BULLS AND THE BEARS



THE BULLS SAY

- Collaborate is experiencing strong organic growth and a growing number of strategic partnerships should further support the company's growth trajectory
- The \$1m strategic investment from the Royal Automobile Club of Victoria ('RACV') at a premium to market is a validation of management's strategy and provides a new channel partner to leverage Collaborate's IP
- 100% of CL80 Options with expiry 30 April 2017 were exercised which is a sign of confidence and it provides the company with sufficient capital for the foreseeable future
- The upcoming launch of Mobilise could be a driver for growth if successfully executed
- Our valuation represents a substantial premium to recent trade.



THE BEARS SAY

- The company is contingent on further growth in order to reach a self funding position and there is a risk that growth may slow down
- We believe the company has a competitive edge, however Collaborate may be subject to increasing competition from new entrants to the marketplace.
- Even though the company's funding position has been significantly improved there is no guarantee that Collaborate's reliance on external capital has been entirely eliminated
- There is no guarantee that the investment in Mobilise will yield a return on shareholder funds
- The valuation is contingent on a significant degree of inventory and transaction growth, which is not assured

22 May 2017

GLOSSARY

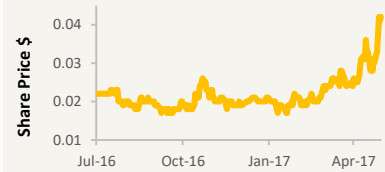
Buy	Increasing value of established business operations is likely to yield share price appreciation
Spec Buy	Increasing value of a new or developing business operation is likely to yield share price appreciation.
Hold	There exists an even balance of risks.
Sell	There is elevated risk of share price depreciation.
Stop	Our recommended, pre determined sell price, to be executed if the share price fails to appreciate
Concept	An early stage of technological development characterised by design, controlled tests and prototyping
Commercial Trials	An intermediate stage of technological development characterised by testing with end users and prospective customers
Sales	An advanced stage of technological development where regulatory approvals have been secured and a commercial rollout has commenced

ARCHIVES

Collaborate Corp (CL8.ASX)

Apr-17 Initiating Coverage – Spec Buy

May-17 Update



ANALYST

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The author has an interest in the following securities: CL8

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