

Collaborate Corporation Ltd



Renewed Focus on Growth

Overview: Collaborate Corporation Ltd (“Collaborate”, “CL8”, “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 surrounding a peer-to-peer sharing & identity verification platform. Collaborate allows private and corporate car owners to access new revenue streams for vehicles through its operation of online marketplaces including DriveMyCar (peer-to-peer car rental) and www.Carly.co (car subscription). CL8 has partnerships with Uber, RACV, Subaru, Peugeot and Custom Fleet. Wise-owl first initiated coverage in April 2017.

START UP

GROWTH

MATURITY

Catalysts: Following a period of operational challenges and industry headwinds, Collaborate is committed to reviving its business with the recently announced car subscription service Carly, a strategic addition to its established DriveMyCar marketplace. Carly is tapping into a potentially significant market, which is gaining good traction in the US and Europe, and customer acquisitions and strategic partnerships are short-term value-drivers. The Company has continued to reduce its operating cash burn over time and there is potential to derive significant value from its growing ecosystem including automotive manufacturers, dealerships and leasing companies.

Hurdles: A number of external factors limited growth in Collaborate’s core business over the past 12 months, resulting in underperformance of DriveMyCar. While recent initiatives are designed to revive the growth of the business there is no guarantee that these difficulties won’t take longer to resolve. The Company remains reliant on external capital to fund its operations and there is no guarantee that the required funding can be procured at favourable terms to existing shareholders. Collaborate may be subject to increasing competition

Investment View: Collaborate offers speculative exposure to demand for peer-to-peer vehicle sharing. Following a period of underperformance and subsequent decline in the value of its securities we see potential for a turnaround following the imminent launch of Carly. Collaborate has a strong track record of attracting high profile strategic partners, and while some past initiatives have not delivered the expected outcomes, the value proposition remains compelling and the business has strong existing foundations for this launch. We believe that effectively zero value has been ascribed to the recently announced Carly subscription service, which has the potential to trigger a re-rating of the stock price upon launch of the offering in March 2019, more so if initial traction exceeds expectations. We therefore resume coverage on Collaborate Corporation and place our valuation *under review* as we expect to provide further updates shortly once we get a better understanding of the potentially significant opportunity in the car subscription sector.

20 February 2019

Price: \$0.012

Update

DISCLOSURES

REPORT COMMISSIONED BY	CL8
AUTHOR OWNS THIS SECURITY	Yes
COMPANY OWNS THIS SECURITY	Yes

CORPORATE SUMMARY

TICKER	CL8.ASX
INDUSTRY	Software
SHARES ON ISSUE	722.5m
OTHER SECURITIES	37.3m options, \$0.0198 - \$0.0792
MARKET CAP	\$8.7m
CASH	\$0.8m (est.)
ISSUED CAPITAL	\$31.7m

FINANCIAL OVERVIEW FY18

REVENUE	\$1.2m
NPAT	(\$2.9m)
GROWTH vs FY17	31%
PE	-
DIVIDEND YIELD	-

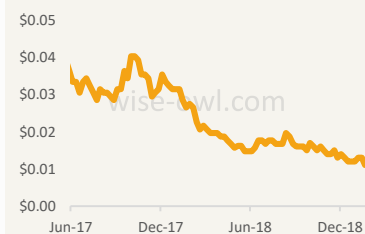
BOARD OF DIRECTORS

CHIEF EXEC DIRECTOR	Chris Noone
NON-EXEC DIRECTOR	Adrian Bunter
NON-EXEC DIRECTOR	Michelle Vanzella
NON-EXEC DIRECTOR	Stephen Abolakian

SHAREHOLDERS

MANAGEMENT	1.3%
HISHENK PTY LTD	17.4%
RACV INVESTMENT HOLDINGS	5.2%
TOP 20	55.1%

SHARE PRICE



BACKGROUND

Collaborate has recognised the rising demand for collaborative consumption and developed proprietary technology to enable the peer-to-peer rental of assets. Collaborate owns a portfolio of assets including DriveMyCar, MyCaravan and Mobilise. The Company's portfolio is soon to be complemented by www.Carly.co ("Carly") a car subscription offering that allows drivers to access cars through flexible monthly subscription fees without signing long-term or fixed-term contracts.

Collaborate's most advanced asset is DriveMyCar, a peer-to-peer marketplace allowing private and corporate car owners to rent vehicles to third parties. Each of these platforms is supported by the Company's identity verification platform PeerPass.

Carly represents a strategic expansion of the Company's presence in the automotive mobility sector and significantly leverages the backend technology, platform and resources that exist within the DriveMyCar business. Collaborate recently announced that the strategic focus will be applied to the mobility sector and its car sharing platform.

STRATEGIC APPEAL

While the Company's IP is capable of servicing multiple industry verticals, recent market announcements suggest a renewed focus on exploiting evolving opportunities in the automotive mobility industry through DriveMyCar and Carly.

Carly is marketed as Australia's first flexible and comprehensive car subscription and launches at a time of increased scrutiny around lending practices (including car loans) as well as evolving consumer expectations.

In Australia approximately 90% of all car sales are acquired with finance. Demand for alternative offerings such as Carly is poised to accelerate following an investigation by the Australian Securities and Investment Commissions ("ASIC") into the \$8 billion motor vehicle finance industry, which is expected to result in a tightening landscape for car financing.

Forbes estimates that in developed markets like the UK and the US, subscription-based ownership models have already crossed 10% of monthly household incomes with consumers looking for more flexible methods for accessing goods and services, without committing to upfront purchases or bank loans.

Carly addresses both of these trends – offering an alternative to traditional car financing solutions and responding to consumer demand for flexible subscription models. Research and Markets estimates that the market for car subscription services will experience explosive growth through 2022 at a CAGR in excess of 70% per annum.

By 2025-26, vehicle subscription programs could account for nearly 10% of all new vehicle sales in the US and Europe, with over 16 million vehicles predicted to be part of a vehicle subscription service. US car subscription provider Fair recently raised US\$385m led by Softbank.

While the adoption of car subscription services in the US and Europe has already gathered pace, the market in Australia appears to be presently unexplored. Through the launch of Carly and through its existing footprint in the market, Collaborate seeks to capture market share in this fast growing market with an early mover advantage.



Figure 1: Carly will launch in March 2019 and the target the growing demand for car subscription services.

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THE BULLS AND THE BEARS



THE BULLS SAY

- Carly is tapping into a potentially significant market, which is gaining good traction in the US and Europe and is largely unexplored in Australia
- We believe that effectively zero value has been ascribed to the recently announced Carly subscription service, which has the potential to trigger a re-rating of the stock price upon launch of the offering in March 2019
- Carly represents a strategic expansion of the Company's presence in the automotive mobility sector and significantly leverages the backend technology, platform and resources that exist within the DriveMyCar business
- The Company has continued to reduce its operating cash burn over time and there is potential to derive significant value from its growing ecosystem including automotive manufacturers, dealerships and leasing companies
- Collaborate has a strong track record of attracting high profile strategic partners



THE BEARS SAY

- A number of external factors limited growth in Collaborate's core business over the past 12 months, resulting in underperformance of its DriveMyCar unit
- While recent initiatives are designed to revive the business there is no guarantee that the recent difficulties won't take longer to resolve
- The Company remains reliant on external capital to fund its operations and there is no guarantee that the required funding can be procured at favourable terms to existing shareholders
- Collaborate may be subject to increasing competition
- Whilst it appears to be a strong opportunity and Collaborate has already shown success with long term car rentals, demand for Carly remains to be validated

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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
Start Up	The earliest phase of a company's life cycle, and typically the most risky as new ventures are tested in the market place. These businesses are usually reliant on external capital to fund day to day operations.
Growth	Refers to companies that are seeking to expand their presence after achieving a degree of market success. External capital may be required to fund their expansion.
Maturity	Refers to companies that are well established in their market place with little to no external capital requirements.

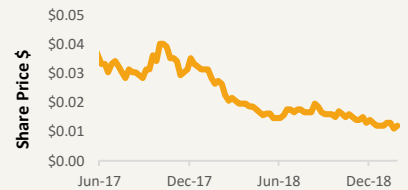
ARCHIVES

Collaborate Corp (CL8.ASX)

Apr-17 Initiating Coverage

May-17 Update

Oct-17 Update



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