

Collaborate Corporation Ltd



Hyundai Partnership Could Drive Re-Rating

Overview: Collaborate Corporation Ltd (“Collaborate”, “CL8”, “the Company”) is an Australian technology company providing mobility solutions to the automotive industry. Collaborate allows automotive manufacturers and dealers to access new revenue streams for vehicles through its operation of online marketplaces. The Company's primary focus is DriveMyCar (peer-to-peer car rental) and www.Carly.co (car subscription). Wise-owl first initiated coverage in April 2017 and issued an update in February 2019 titled “Renewed focus on growth” after the launch of car subscription service Carly.

START UP

GROWTH

MATURITY

Catalysts: The agreement with Hyundai validates Carly’s value proposition and allows Collaborate to access a nationwide network of 172 dealerships at a low cost. Additional supply agreements with established brands including Suttons Motors, Subaru and Peugeot further validate the progress of Carly and ensure consistent supply of vehicles as demand increases. The partnership with I-Motor offers a potentially compelling, scalable online model consistent with Carly’s business model where financial metrics are expected to improve with scale. A \$1m strategic investment from Turners Automotive, the largest seller of cars in New Zealand, provides near-term funding and will allow Collaborate to leverage Turners’ expansive footprint and experience to accelerate the forthcoming launch into the New Zealand market.

Hurdles: While no more capital will be required in the near-term, Collaborate remains reliant on external capital and there is no guarantee that future funding can be procured at favourable terms to shareholders. Collaborate has a first mover advantage in targeting the growing car subscription industry, however the Company may be subject to increasing competition which could put pressure on future pricing power. Carly is in its infancy and the commercial appeal and success with partnerships remains to be validated.

Investment View: Collaborate offers speculative exposure to the emerging car subscription industry. The recently launched Carly service has the potential to change the economics of the business fundamentally. While the commercial merit of Carly remains to be validated, DriveMyCar and strategic partnerships – including I-Motor and Hyundai - provide a foundation for Carly to grow, allowing Collaborate to fast-track revenue extraction from these high profile partnerships and expansive ecosystems. The \$1m strategic investment from Turners and successful completion of the Entitlement Issue will satisfy the Company's near-term demand for funding and alleviate balance sheet pressure in the short-term. We have increased our medium-term guidance to reflect enhanced revenue growth and cost synergies of the combined group and see strong potential for a re-rating of the stock price once Collaborate can demonstrate the successful execution of its growth strategy. We believe this is a speculative opportunity for investors seeking to gain exposure to the emerging car subscription market.

22 October 2019

Price: \$0.013

SPEC BUY

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	987.6m
OTHER SECURITIES	149.6m options, \$0.01 - \$0.0792
MARKET CAP	\$12.8m
CASH	est. \$1.6m post raising
ISSUED CAPITAL	\$32.7m

FINANCIAL OVERVIEW FY18

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

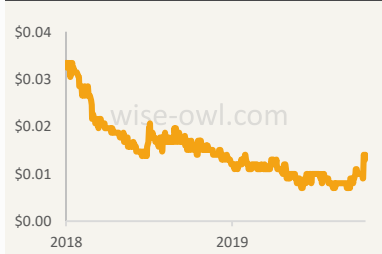
BOARD OF DIRECTORS

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

SHAREHOLDERS

WILLOUGHBY CAPITAL	25.1%
TURNERS AUTOMOTIVE	12.7%
TOP 20	~65%

SHARE PRICE



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COMPANY OVERVIEW

Collaborate Corporation provides mobility solutions to the automotive industry through two key online marketplaces:

- DriveMyCar (peer-to-peer car rental)
- Carly (car subscription)

Leveraging an expansive ecosystem of partnerships, Collaborate allows automotive manufacturers and dealers to access new revenue streams for vehicles through its operation of online marketplaces.

STRATEGY & OUTLOOK

The recently launched car subscription service Carly taps into the growing demand for flexible access over ownership.

According to Deloitte's 2019 Global Automotive Consumer Study an increasing number of millennials are questioning the need to own a vehicle. In developed markets between 33% and 60% of Gen Y/Z ride-hail users favour shared mobility solutions.

As consumers look for more flexible ways to access vehicles and consumers increasingly see ownership as a burden, there is potential for Carly to “disrupt” the traditional car sales market., which has seen little innovation to date in Australia.

The NSW Government estimates the annual value of car sales in Australia to be \$60 billion per annum. The industry is experiencing headwinds, with data from the Australian Automotive Industry showing declines year-on-year.

Regulatory challenges could further challenge the industry on the back of a launched investigation into the \$8 billion motor vehicle finance industry by the Australian Securities and Investments Commission in mid-2018. Lending laws for car buyers are expected to tighten and loan application rejection rates could further increase, which has the potential to drive demand for alternative providers such as Carly.

Since launching the service in Q1 2019, the Company has focused on scaling the service via strategic partnerships and geographic expansion. The project received early validation through credible key partnerships including with Hyundai, I-Motor and Turners Automotive which could deliver rapid market penetration.

Carly leverages the existing technology and footprint from the DriveMyCar business, which will allow Collaborate to mobilise complementarities and exploit cost and operational synergies of the two business units.

Early data suggest that Carly can be scaled in a capital light business model via channel partnerships. The model is dependent upon the supply of vehicles by strategic partners and the uptake of the subscription service by consumers.

The average subscription value as of July 2019 was \$863 per month (excl. GST) delivering average revenue per month of \$303 per subscribed vehicle.

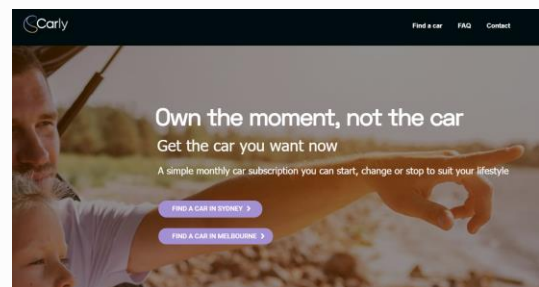
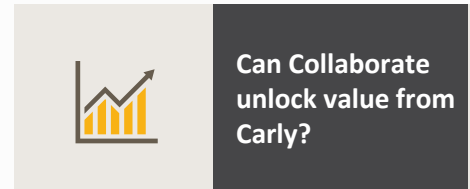


Figure 1: Carly has been launched in Australia and has attracted numerous high-profile companies in the automotive industry.

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THE BULLS AND THE BEARS



THE BULLS SAY

- The agreement with Hyundai validates Carly's value proposition and allows Collaborate to access a nationwide network of 172 dealerships at a low cost.
- The \$1m strategic investment from Turners Automotive validates the Company's progress and provides near-term funding and will allow Collaborate to leverage Turners' expansive footprint and experience into the New Zealand market, where Turners is an established player.
- Near-term funding is satisfied through strategic investment and successful completion of Entitlement Issue raising \$1.6m before costs
- 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 partnership with I-Motor could deliver rapid market penetration.
- The economic model is compelling as financial metrics are expected to improve with scale.



THE BEARS SAY

- The success of Carly is dependent on the uptake of the subscription service by consumers, which cannot be predicted accurately at this stage
- Collaborate's need for external capital may not be entirely eliminated and there is no guarantee that future funding can be procured at favourable terms to 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, the long-term economic benefits of Carly remain 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

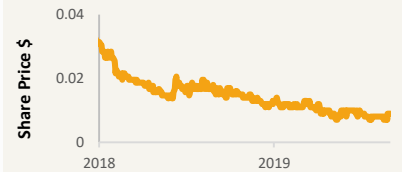
Collaborate Corp (CL8.ASX)

Apr-17 Initiating Coverage

May-17 Update

Oct-17 Update

Feb-19 Update



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@ admin@wise-owl.com

1300 306 308

www.wise-owl.com



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MEDIA PARTNERS:



CONTACT

Wise-owl Holdings
Level 2 383 George Street
Sydney, NSW 2000 Australia

Phone Australia 1300 306 308
International +61 2 8031 9700

Intelligence Centre
www.wise-owl.com

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