

25 February 2021

The Manager

Market Announcements Office  
Australia Securities Exchange  
20 Bridge Street  
SYDNEY NSW 2000

**Electronic Lodgement**

**1H21 Results Announcement**

Attached is an announcement for release to the market.

Authorised for lodgement by:



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## **ASX Release**

25 February 2021

### **1H21 Results – Investing in future growth streams while proactively managing impacts of COVID**

- \$0.3m operating cash flow
- \$19.2m net cash
- \$44.2m of available liquidity at 31 December 2020
- \$0.8m underlying EBITDA
- -\$5.6m underlying NPAT (-\$6.2 statutory NPAT)
- No interim dividend declared
- New business models proving effective
- Ongoing expansion of customer base
- Rapid acceleration in Digital Payment momentum
- Generic payment services on track for launch in current half

During 1H21 the global pandemic continued to impact travel movements and Driver supply. The effects on activity have been felt most keenly in Sydney and in Melbourne, which endured the majority of the 6-month period in lockdown. A2B has been proactive in managing these challenges, while at the same time investing for future growth as A2B transforms into a digitally driven mobility and payments company. A2B's strong cash position enabled continued investment in growth initiatives including: expanding the national footprint of the mobility business; building on the global footprint of its technology business; and laying the foundations for a new retail payment terminal offering launching in 2H21.

#### **Financial Results**

A2B produced a breakeven EBITDA performance in 1H21 of \$0.8m, largely counteracting a \$54.3m or 52% drop in revenue with a \$24.3m or 27% reduction in cash expenses. Group Revenue has steadily improved since April 2020, although at different rates in different markets. Pleasingly, the rebound of activity is typically rapid when restrictions are lifted.

The Government's implementation of JobKeeper preserved hundreds of A2B jobs during the pandemic, subsidising staff costs by \$12.2m during 1H21. A2B is prepared for the wind down of JobKeeper in April. The end of JobKeeper is expected to encourage a significant number of Drivers back into service, accelerating the rebuild of affiliated fleet in major cities.

Current liquidity remains robust with \$18.2m cash at bank (on 18 February) and A2B's \$25m loan facility remaining undrawn.



## **Growth Initiatives and Innovation**

Price Guarantee has seen the business break with decades of tradition and use AI to price trips in advance instead of using a Taxi meter during the journey. This is an historic shift for A2B and its stakeholders. The new technology provides certainty and transparency, generating a commerce experience in tune with what digital natives expect. Combining Price Guarantee with enhanced pre-authorisation processes is increasing Driver and Passenger confidence that payment will be processed in a timely and accurate manner. Price Guarantee has been rolled out across the majority of the 13cabs fleet and is a product that will offer value to global clients of Mobile Technologies International, helping us take our payments business international.

The 13cabs app continues to gain traction. The addition of the Price Guarantee feature is contributing to further increases in payment turnover, so much so that 13cabs app payments now exceed the total amount of Amex processed by all Cabcharge, Spotto and Giraffe payment terminals combined. The proportion of app payments increased from 7% of app bookings in June 2020 to 71% in December 2020.

Spotto payment terminals are recovering strongly, especially in Queensland and Western Australia which, for the month of December, exceeded prior year turnover by 17% and 30% respectively. NSW also showed strong signs of recovery in Spotto turnover with volumes up 30% in December on prior month. Partnering with Split Payments to leverage 365-day settlements using the New Payments Platform has driven up Spotto usage on weekends, with Friday and Saturday turnover improving relative to mid-week turnover. As restrictions wind down, our substantial payment terminal footprint and product enhancements position A2B to capture a growing share of Taxi payments.

The performance of A2B's more traditional Cabcharge payment terminals is benefitting from a new business model, with 2,941 terminals now provided on monthly rental plans, reducing the historical reliance on service fee income and encouraging Drivers to utilise the offering more fully. Including 585 payment terminals rented to hire car drivers increases the total rentals to 3,526.

Mobile Technologies International has coordinated new and existing clients taking up its North American cloud hosted solution, while key clients in the UK and New Zealand are well advanced in migrating their fleets onto MTI's latest Android Driver Dispatch App technology. Taksi Helsinki grew its fleet by 12% during 1H21 with MTI supporting the Network's expansion into new regions and preparing trip merging services powered by new AI capabilities to support Government subsidised transport in Finland.

December 2020 saw strong growth in bookings with numerous fleets exceeding pre-COVID levels, a trend most pronounced in North Queensland and regional centres. Meanwhile Sydney and Melbourne have remained substantially below pre-COVID levels, with these markets feeling more impact from reduced air travel and a temporary shortage of Drivers. Since 1 July 13cabs has extended its national footprint by striking deals to support local Taxi Networks in Apollo Bay, Yarram and Orbost in Victoria, Wollongong, Wellington and Broken Hill in New South Wales, Mandurah and Geraldton in WA, and Mareeba in Queensland.

The 13things instant delivery service has been rolled out to support Woolworths deliveries from 131 stores nationwide. In January, 13things partnered with Ferguson Plarre Bakehouses to provide deliveries from 80 sites across Victoria.



## Outlook

A2B has observed generally fast returns towards pre-COVID activity levels as restrictions are lifted. A welcome return of Drivers to fuel fleet growth is anticipated in the months following the removal of JobKeeper at the end of March, although the impact on labour costs within the business will be immediate. Staying committed to enhancing the business during the last 12 months has significantly changed the value proposition of our offerings. Throughout this period we have continued to make choices that reshape our business for future growth. While reductions in migration and air travel are likely to impact our Australian operations for some time, digitisation of payments, new business models, expansion of the national footprint and the growing provision of instant deliveries are all providing avenues for sustained growth.

Collaboration between MTI and 13cabs is accelerating the digitisation of legacy activities, generating more efficient processes and the potential to commercialise additional Network functionality to MTI clients globally.

A major push to establish a competitive generic payment offering is progressing well and on target for launch in 2H21. Software upgrades to support a range of retail functionality are progressing through full certification, and backend processes have been re-engineered to prepare for extension of our payment capabilities into global markets. A new partnership with PAX, a leading manufacturer of Android payment terminals, enables us to develop and certify our own Android payment application. We believe Android payment terminals will continue to gain market share and relevance due to the ability of Android devices to readily extend beyond just payments.

While various economic signals and company specific enhancements suggest a robust recovery towards pre-COVID trading and beyond, in light of current uncertainties related to COVID-19 and associated restrictions the Board has determined that no interim dividend be paid in conjunction with the 1H21 period. In the absence of unforeseen events, A2B anticipates a resumption of dividend payments once trading and growth resume at pre-COVID levels (anticipated to occur during FY22).

A2B remains well funded to consider acquisition opportunities. A2B will continue its disciplined approach to testing future opportunities for compelling value or a transformative impact, particularly in the payments industry.

For further information please call Dana Standfield 0403 372 612.