EVmo, Inc. (YAYO) CEO Steven Sanchez on Q1 2021 Results - Earnings Call Transcript

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EVmo, Inc. (OTC:YAYO) Q1 2021 Earnings Conference Call May 18, 2021 4:30 PM ET

Company Participants

Terren Peizer - Executive Chairman

Steven Sanchez - Chief Executive Officer

Ryan Saathoff - Chief Financial Officer

Operator

Hello and welcome to the EVmo First Quarter 2021 Financial Results Conference Call and Webcast. At this time, all participants are in a listen-only mode. [Operator Instructions] A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded. It's now my pleasure to turn the call over to Ryan Saathoff. Please go ahead.

Ryan Saathoff

Good afternoon and welcome to EVmo's first quarter 2021 conference call. On the call today are EVmo's Executive Chairman and largest shareholder, Terren Peizer; CEO, Steven Sanchez; and CFO, myself, Ryan Saathoff.

I would also like to remind everyone that various remarks about future expectations, plans and prospects constitute forward-looking statements for purposes of Safe Harbor provisions under the Private Securities Litigation Reform Act of 1995. EVmo cautions that these forward-looking statements are subject to risks and uncertainties that may cause their actual results to differ materially from those indicated, including risks described in the company's filings with the SEC. Any forward-looking statements made on this conference call speak only as of today's date, Tuesday, May 18, 2021 and EVmo does not intend to update any of these forward-looking statements to reflect events or circumstances that occur after today. A replay of the conference call be available on the EVmo's website at www.evmo.com.

And with that, I'd like to turn the call over to EVmo's Executive Chairman and largest shareholder, Terren Peizer for opening comments. Thank you, Mr. Peizer. Please go ahead.

Terren Peizer

Thanks, Ryan. Good evening, everyone. And I have not prepared a script, not going to read off the script. I am just going to give you a few takeaways that I think are relevant to our company at this time as I think the press release today after the close says it pretty much all in the heading. We are planning on a 10,000 car expansion to begin post our capital formation process, which I am very excited about. I think the first thing we will see in that regard is a debt financing that we are working way to closure and that would go a significant amount away towards the $25 million that we reference, given the efficiency of our model, given the margins inherent in our business, given the proximity to EBITDA positive state.

We are quite excited there has been a lot of enthusiasm in the ridesharing, car-sharing market. The company hire car, which is doing really well, $300 million market cap talks about I think there is somewhere in the neighborhood of 4,000 cars. We have significantly better margin in our business. They are an asset light business. We are not. We have also synergies with our – I have the majority shareholder of delivery, last mile delivery logistics company, who happen to be one of EVmo's customers. And we – there are lot of synergies between our delivery business, ridesharing gig economy and also ultimately car sharing.

I am going to turn it over to Steven who is going to take our CEO, who is going to take us through the call today. But the bottom line is as far as I could see is based on our model what we know today, $25 million we will be able to go out and have the margin by 10,000 cars, put them on our platform, demand way as you've heard on higher cars calls, demand way outstripped supply. And we also have expertise in the fleet management business on our company in our management team. And we have access to the cars. We will be buying the cars and our revenues and EBITDA will be climbing. At scale again, 10,000 cars gives us $200 million of revenue, roughly 25% EBITDA margin and we look forward to sharing that progress with you in subsequent calls.

With that, I am going to turn it over to Steven.

Steven Sanchez

Thank you, Terren, for those great opening remarks and good afternoon to everyone on the call today. Thank you for joining us and taking the time to participate in our first quarter 2021 financial results call. We develop what we believe is an innovative business model in which we not only provide ridesharing and delivering good drivers with the necessary technology to operate, but also the vehicles themselves should the driver not have a qualified vehicle to use. Our two principle operating segments have a rare corporate synergy that enables us to both diversify and create complimentary revenue streams. Further, as we continue our transition to all electric vehicles, we believe we are in the vanguard of a new era in commercial transportation and that our early precedence in this industry will further distinguish us from a competitive standpoint.

In 2020, we entered into the delivery gig space, which has provided us with another form of service diversity. One was fewer barriers to entry as the requirements for vehicles operated by delivery gig drivers are significantly less onerous than those operated by rideshare drivers. The increasing demand for ridesharing and delivery gig services has produced an increase in demand by peer-to-peer transportation network businesses for more ridesharing and delivery gig drivers and vehicles on the road at any given time. The growing demographic of ridesharing and delivery gig drivers has drawn drivers to these industries to perform services for a host of private transportation focused businesses such as Uber, Lyft, DoorDash, and Grubhub. We estimate that these businesses are hiring more than 50,000 drivers a month to keep pace with the current commercial demand for ridesharing and delivery gig services. Both Uber and Lyft have recently said the rideshare business is increasing week over week and they are having their best week since the pandemic. Uber alone said they expect to increase driver incentives to the tune of over $250 million to help drivers return to rideshare.

We believe that many potential ridesharing drivers are deterred from, applying for, or are turned away from employment by certain operators on account of the fact that their personal vehicles would fail or are failing to meet the qualification requirements imposed by these businesses. We address this directly by enabling these drivers to rent vehicles from us. Each of our drivers meets if not exceeds the qualification requirements imposed on privately owned vehicles operated by prospective rideshare drivers. Our technology and expertise allow for a frictionless rental experience from intake to vehicle return. We have leveraged our partnership with best-in-class OEMs in the EV category to build a fleet of EVs at attractive lease terms, receiving favorable pricing and delivery commitments from multiple OEMs. These EV growth plans are fully aligned with the two largest ride-hailing platforms in the U.S. We have attractive buyback agreements and the option to purchase vehicles at the end of the financing term and have consistently been able to sell vehicles at a gain given the strong residual value relative to attractive initial acquisition prices below MSRP.

In the first quarter, the combined tailwinds of loosening COVID restrictions, increasing vaccination rates, higher rideshare demand and stable delivery demand pushed our business to the highest quarterly revenue in company history. Our strong growth and record revenue is a result of the foundation we built in 2020, which included operational efficiency measures, increasing the size of our fleet, committing to an EV strategy, increasing our credit lines and entering the last mile logistic space.

We continue to maintain strong gross margins. Gross profits grew at a rate of 57% over Q1 2020 making the company's core rental operations profitable before taking into account corporate overhead and one-time costs. We expect our gross margins will significantly expand in 2021 as we substantially increase our fleet and transition to an EV model. Our managed fleet is now 14% EVs and is expected to grow similarly throughout 2021. Our capital formation strategy, which includes debt and equity capital, is expected to translate into exponential revenue and EBITDA growth moving forward. We also launched a company operated maintenance facility in the first quarter, which is expected to further lower costs and provide quicker return to service times.

I will now hand the call back over to Ryan, our CFO, for a more detailed review of our financial results. Ryan?

Ryan Saathoff

Thank you, Steve and good afternoon again everyone. Revenue for the first quarter ended March 31, 2021 was $2.3 million, is up 31.3% over Q1 2020. Growth was primarily driven by an increase in our rental fleet. During the first quarter, our average weekly rental income per vehicle placed in service was $404. Cost of revenue in Q1 were $1.8 million, up 27.1% compared to the first quarter of 2020. The increase is due to higher depreciation expense and insurance expense due to the increase in our fleet size.

Selling and marketing expenses were $166,000, an increase of 26% compared to Q1 2020. We are able to maintain low selling and marketing expenses through our management of media placement and the quality of the vendor we use to spearhead our marketing efforts the ridesharing and delivery gig drivers. General and administrative expenses were $1.4 million, a decrease of 24.1% compared to Q1 2020. Lower payroll costs for executive officers and decrease in stock option expense were the result of that decrease for G&A.

Total operating expenses were $1.6 million in the first quarter, a decrease of 20.4% versus Q1 driven by a combination of the factors just discussed. Net cash generated by operating activities totaled $77,000 in the first quarter, which was an increase of $639,000 from net cash expended in operating activities of $562,000 in Q1 of 2020. The increase is principally due to the change in accounts payable, accrued expense customer deposits, and non-cash expense items.

That concludes the summary of our first quarter financial results. I would now like to turn it back over to Steve for his final remarks.

Steven Sanchez

Thank you, Ryan. As 2021 progresses, the company plans to deploy capital to facilitate the purchase of new EVs and cargo vans and anticipate strong revenue contribution. At the margin, every $10 million in debt and/or equity capital raised should enable the company to purchase approximately 4,000 vehicles, with an 85-15% ratio car to van mix.

This should translate to approximately $80 million in annual revenue for every $10 million capital raised at the margin. To this end, the company is endeavoring to raise $25 million of mostly debt capital to expand our fleet to 10,000 vehicles. This is just the beginning of our capital formation strategy. The company anticipates $200 million revenue at scale with 25% EBITDA margin.

EVmo currently has more than 34,000 registered drivers on this platform and is actively in discussions with multiple new and existing lending partners to meet our anticipated growth in vehicles. Approximately, 60% of EVmo drivers currently have more than 80 continuous rental days. We are on a mission to rent every car everyday and provide excellent service in the process and we are committed to an environmentally friendly user platform. We, by right, maintain high utilization through our maintenance excellence program and forge key relationships to drive our environmental and economic initiatives. Our plans are bold and aggressive and 2021 should be a breakout year for EVmo.

I want to thank our shareholders for the continued support and thank everyone on the call today for their time and interest in EVmo. We would now like to open the call up for questions.

Question-and-Answer Session

Operator

Steven Sanchez

Once again, I just want to thank everyone for participating today on the call and for your competence in EVmo. As Terren mentioned in his opening remarks, we have some very bold and executable plans for the future and we really believe that we are on the right trajectory during 2021 to really have a banner year. And once again, we thank you for your time and thank you for your confidence in EVmo. Have a fantastic week.

Operator

Thank you. That does conclude today’s teleconference webcast. You may disconnect your lines at this time and have a wonderful day. We thank you for your participation today.