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CONNEXION

ASX Announcement

29 October 2020

Quarterly Activities Report
For the quarter ended 30 September 2020

- **OnTRAC's CTP/CTA subscription base averaged 58k vehicles per month during the quarter**
- **Ongoing customisation and enhancements made to the OnTRAC program**
- **Considerable work undertaken on Company strategy and execution objectives**
- **Total Q1 revenue of $1.5m**
- **Q1 unaudited net profit before tax of $246k**
- **Cash receipts of $1.7m deliver positive free cashflow**
- **Increase in working capital position to $3.7m**

Melbourne Australia: Connexion Telematics Ltd ("Connexion" or the "Company") is pleased to provide an update on its activities and cash flows for the quarter ended 30 September 2020 (Q1 FY21).

Operations Summary

The Company delivered a sound set of financial results through the quarter against a continuing backdrop of economic uncertainty exacerbated by COVID-19.

Connexion continues to provide its Software as a Service (SaaS) solution, OnTRAC, for General Motors' ("GM") Courtesy Transportation Program and Cadillac's Courtesy Transportation Alternative, hereafter referred to collectively as "CTP".

The Company's priority remains ensuring the safety of its staff and suppliers whilst supporting GM and its Dealership Network. Notwithstanding the negative impact of COVID-19, Connexion continues to perform well, with a steady pipeline of ongoing customisation work and increasing recurring revenues.

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Two key uncontrollable variables that regularly impact Connexion's financial performance are:

1. **CTP vehicle subscription base**
2. **AUD/USD exchange rate**

After many months of stability, the advent of COVID-19 negatively impacted the CTP subscription base by circa 20% from peak to trough, from an average of 72k vehicles in Q3 FY20 to 64k vehicles in Q4 FY20 and 58k vehicles in Q1 FY21.

This impact was driven by changes in both:

- **Demand** (consumer sentiment and temporary dealership closures); and
- **Supply** (temporary factory closures)

In the previous Quarterly Activities Report, Management guided to an expected CTP subscription base of 56k – 58k vehicles. We are pleased to report that the Q1 FY21 average maintained at the top end of this range, slightly above 58k. Furthermore, we have seen a slight improvement through October since what now appears to have been the bottom in August. Whilst the period observed is short, it does suggest a stabilisation of the subscription base.

The second uncontrollable variable of note is the AUD/USD exchange rate. Connexion earns virtually all its revenue in USD yet, with the notable exception of the USD OnSTAR data fee, maintains the majority of its cost base in AUD. The Company also holds a USD cash balance of circa US$1.5m. During the quarter, Company revenues were negatively impacted by a further 4% strengthening of the AUD.

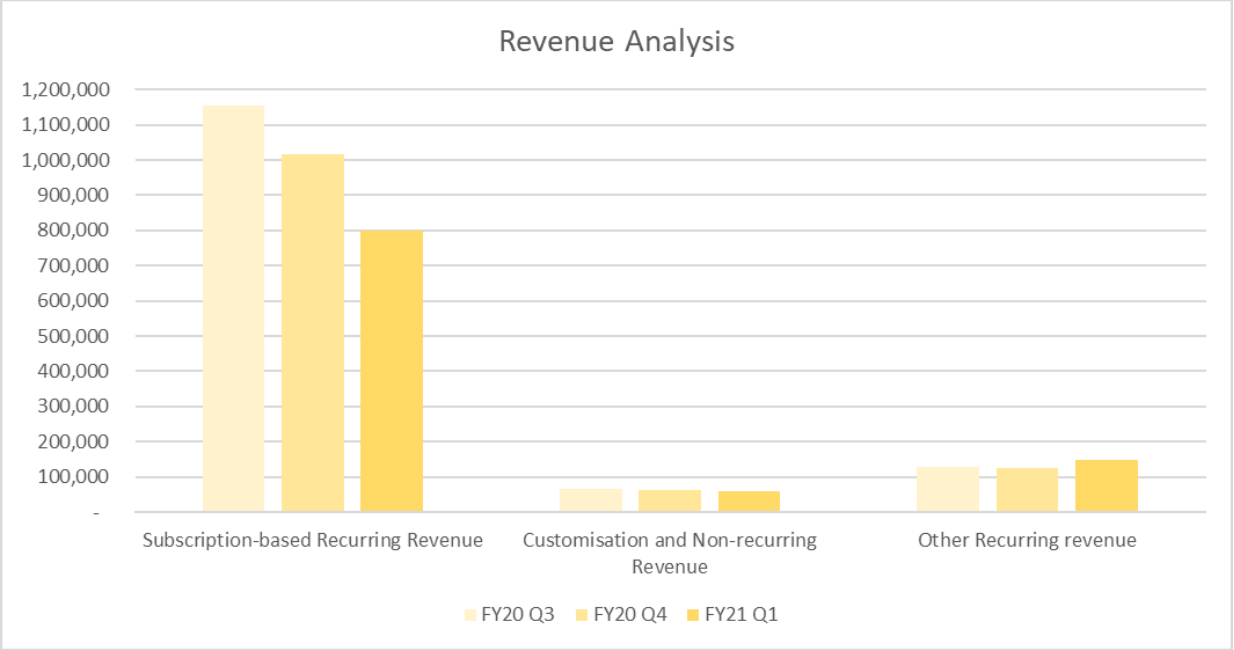
Countering these two recent headwinds are Connexion's three main forms of revenue:

1. **Subscription-based Recurring Revenue** – linked to the maximum number of vehicles on platform each month.
2. **Other Recurring Revenue** – typically linked to previously performed customisation work, including support and analytics, and APIs.
3. **Customisation and Non-recurring Revenue** – typically linked to software customisation work performed during the period.

It is important to note that the second and third revenue drivers above are typically fixed USD fees (both recurring and one-off, respectively), and not directly linked to the variable CTP subscription base. As such, they serve to dampen some of the volatility caused by a fluctuating CTP subscription base. Naturally, each revenue driver has its own cost structure.

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For comparative purposes, we present the revenue drivers in USD below:



Connexion remains debt free, generating recurring revenues with good margin.

As further modification and enhancement requests driven by the circa 4,000 Dealerships leads to more customisation work, Connexion's recurring revenues continue to increase.

The Company is confident of receiving further customisation work requests, as several customisation and feature enhancement requests for the OnTRAC software are ongoing.

Financial Position

The Company's financial position continues to strengthen, building on the positive momentum achieved in the previous quarters. The Company remains profitable and cashflow positive.

The Company recognised total revenues during the quarter of $1.5m, which included customisation works for GM of $259k.

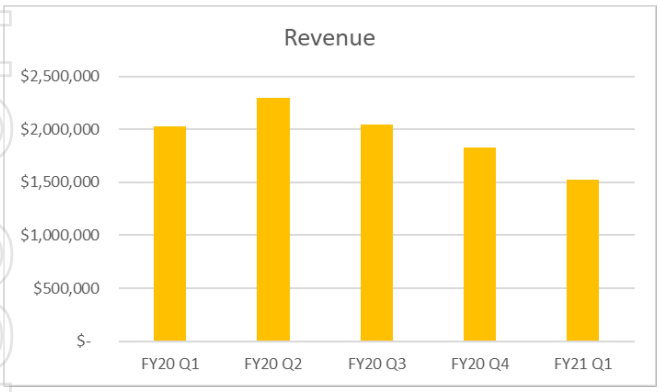
The Company's cash receipts for the quarter totalled $1.7m, resulting in a closing cash position of $2.6m as at 30 September 2020 (30 June 2020: $2.4m).

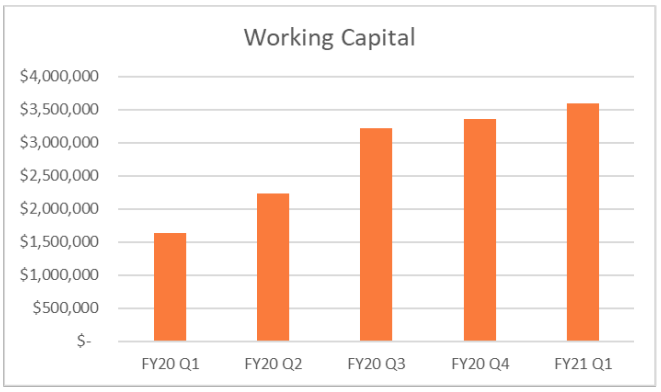
The Company's working capital position remains strong, with a 9% increase from the prior quarter to $3.7m. The Company recorded a quarterly unaudited net profit before tax of $246k.

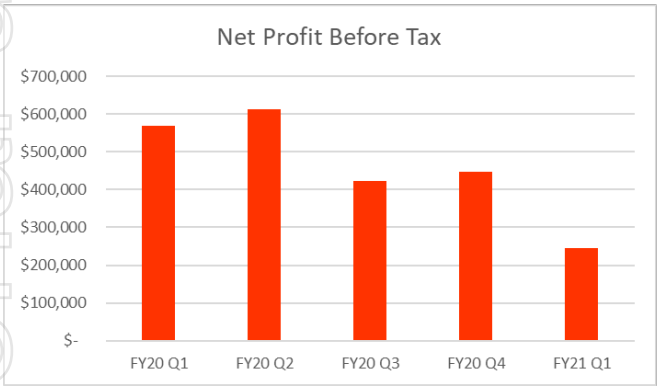
Costs for Q1 FY21 include $245k (Q4 FY20: $264k) on salary and wages and $183k (Q4 FY20: $240k) in general overheads. Both Board and Management continue to maintain a highly disciplined approach to costs, enhancing the Company's profitable financial performance.

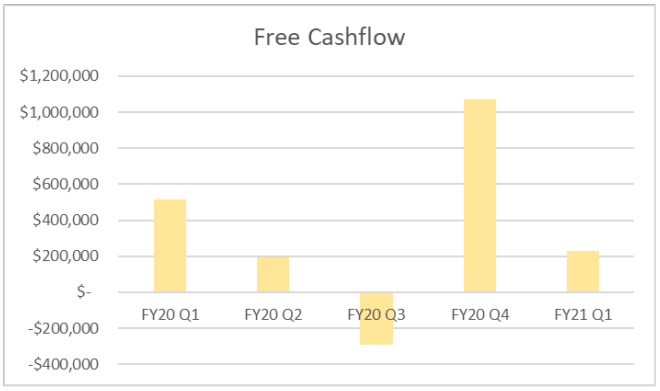
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Below features a summary of our key financial metrics. For comparative purposes, it is worth noting that Q4 FY20 benefitted from a positive writeback of $407,118 of previously incurred Share Based Payment Expense relating to the resignation of the previous Managing Director.









Details in respect to payments to related parties or their associates as detailed in Section 6 of the attached Appendix 4C are as follows:

Payments totalling $9,033 (incl. GST) were paid to Mine Site Construction Services Pty Ltd, a company related to Mr Mark Caruso, for directors' fees and superannuation on directors' fees.

Payments totalling $7,369 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

Payments totalling $8,213 were paid to Mr Robert Downey for his services as a non-executive director of the Company.

Payments totalling $8,213 were paid to Mr Aaryn Nania for his services as a director and Acting CEO of the Company.

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Corporate

Since the present Board and Management assumed control circa 2017, the Company has focused firmly in favour of execution (specifically in relation to GM), over long-term strategy. This was a critical tactic successfully employed to restore the Company's balance sheet and achieve sustained profitability. It is now appropriate to take a disciplined approach towards developing the Company's broader strategy, and ensuring diligent execution in the pursuit of non-GM Original Equipment Manufacturer ("OEM") sales.

Throughout September and October, considerable work was undertaken to review the Company's strategy and execution. Numerous areas of improvement were identified, and these are expected to enhance the Company's pursuit of its two drivers of value:

- **Economic Value** (OEM Sales Strategy and Dealership Sales Strategy); and
- **Strategic Value** (building and commercialising the strategic value of our OEM and Dealership Networks).

Commensurately, the Company is pleased to advise that the execution of a key tactic, being integration across the automotive ecosystem via Application Programming Interface ("API"), is underway, with API certification obtained from one of the largest Dealer Management System ("DMS") providers in the US ahead of a small Dealership trial. Whilst the near-term revenue opportunity is unlikely to be material, the Company expects to benefit both strategically and through feature enhancement in due course.

Further detail on these initiatives will be presented to shareholders at the upcoming AGM.

Outlook

Despite COVID-19, Car Dealerships are considered an essential service in the US and are expected to remain open. However, we would expect to continue seeing a dampened number of vehicles on the program whilst the pandemic is uncontained.

The Company believes that the OnTRAC revenues will continue with subscription numbers appearing to have stabilised in recent months.

Subscription numbers aside, the Company continues to build on its flagship OnTRAC SaaS solution within GM's Dealership Network. Today, OnTRAC is used by circa 22% of all Light Vehicle Dealerships in the US, with the platform registering on average over 10,000 logins per day. The Company expects that ongoing optimisation and customisation work currently in hand will continue to drive both customisation and new recurring revenues.

The Company continues to actively pursue growth opportunity within the current GM Dealership Network, as well as across other OEMs and their respective Dealerships.

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Ends

Issued by: Connexion Telematics Ltd
Authorised by: The Board of Connexion Telematics Ltd

Queries:
Aaryn Nania
Interim CEO and Executive Director
E: aaryn.nania@connexionltd.com

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
Connexion Telematics Ltd	
ABN	***Quarter ended ("current quarter")***
68 004 240 313	30 September 2020

Consolidated statement of cash flows		**Current quarter $A**	**Year to date (3 months) $A**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,690,589	1,690,589
1.2	Payments for		
	(a) research and development	(14,954)	(14,954)
	(b) product manufacturing and operating costs	(1,032,103)	(1,032,103)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(304,997)	(304,997)
	(f) administration and corporate costs	(147,927)	(147,927)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	6
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	37,500	37,500
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**228,114**	**228,114**

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Consolidated statement of cash flows		Current quarter $A	Year to date (3 months) $A
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

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Consolidated statement of cash flows		**Current quarter $A**	**Year to date (3 months) $A**
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**-**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	2,443,088	2,443,088
4.2	Net cash from / (used in) operating activities (item 1.9 above)	228,114	228,114
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(77,635)	(77,635)
4.6	**Cash and cash equivalents at end of period**	**2,593,567**	**2,593,567**

5.	***Reconciliation of cash and cash equivalents*** *at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts*	**Current quarter $A**	**Previous quarter $A**
5.1	Bank balances	2,593,567	2,443,088
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,593,567**	**2,443,088**

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6.	***Payments to related parties of the entity and their associates***	**Current quarter $A**
6.1	Aggregate amount of payments to related parties and their associates included in item 1	32,828
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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7.	***Financing facilities*** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A**	**Amount drawn at quarter end $A**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**-**	**-**

7.5	**Unused financing facilities available at quarter end**	

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not applicable.

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8.	*Estimated cash available for future operating activities*	$A
8.1	Net cash from / (used in) operating activities (Item 1.9)	228,114
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,593,567
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,593,567
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	N/A

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable.

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2020

Authorised by: The Board of Connexion Telematics Ltd

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.