

Quarterly Activities Report For the quarter ended 31 December 2020

- OnTRAC's CTP/CTA subscription base averaged 60k vehicles during Q2 FY21
- Ongoing customisation and enhancements made to the OnTRAC program
- Considerable work undertaken on Company strategy and execution objectives
- Total Q2 Revenue of \$1.6m
- Q2 unaudited Net Profit Before Tax of \$198k
- Cash receipts of \$1.5m delivered positive Free Cashflow
- Working Capital increased 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 31 December 2020 (Q2 FY21).

Operations Summary

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

The Company 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".

Connexion'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, the Company continues to perform well, with a steady subscription base, pipeline of ongoing customisation work and increasing recurring revenues.

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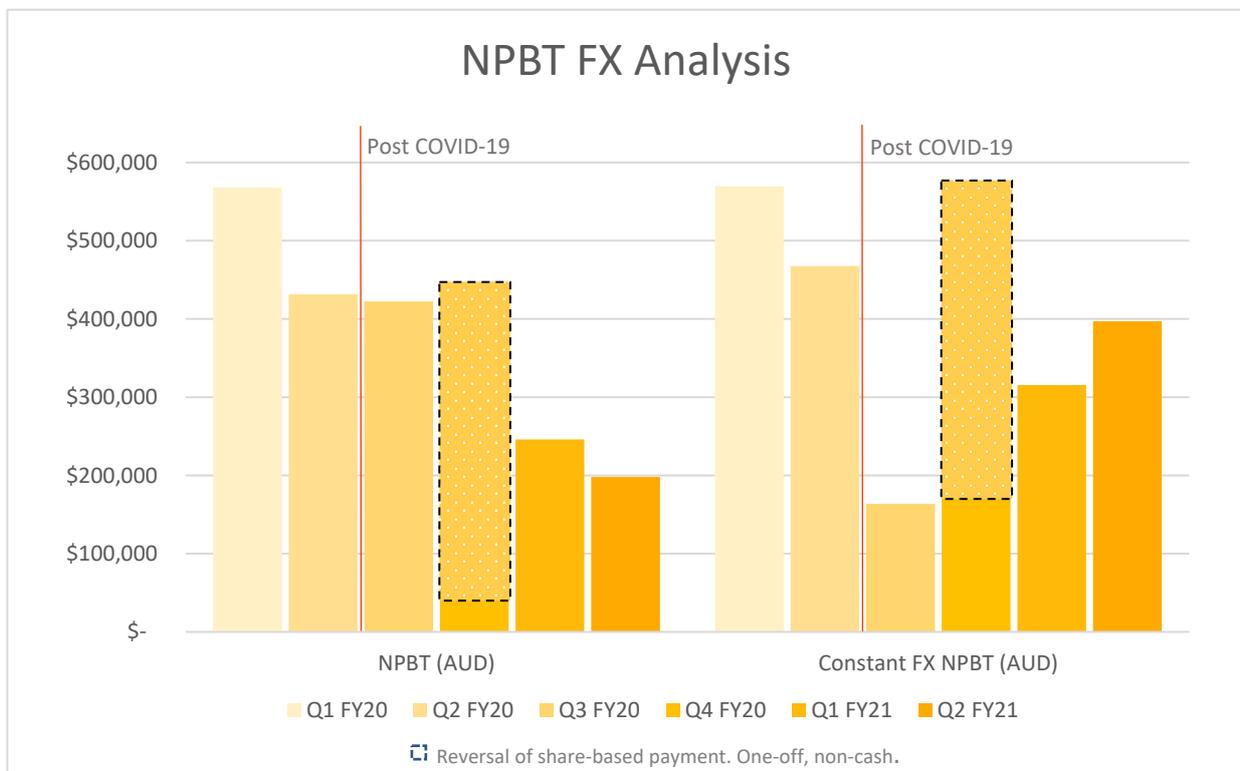
Two key uncontrollable variables that regularly influence Connexion’s profitability are:

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

The largest uncontrollable variable influencing Company profitability is the AUD/USD exchange rate. Connexion earns virtually all its revenue in USD yet, with the notable exception of its USD telemetry costs, maintains the majority of its cost base in AUD. During the quarter, Company revenues were negatively impacted by a further 7.6% strengthening of the AUD/USD.

Following a review of its FX policy during the Quarter, the Company now holds its excess cash in AUD to achieve a modest natural hedge. In due course, the Company intends to shift its functional currency to USD to more accurately reflect its underlying economics.

For the purpose of analysis, below we compare our reported Net Profit Before Tax (NPBT) with the constant currency adjusted NPBT for the same period. This allows for distinction between the effects of FX and operational performance on the Company’s NPBT. The swift impact of COVID-19, and our recovery, is also more clearly seen.



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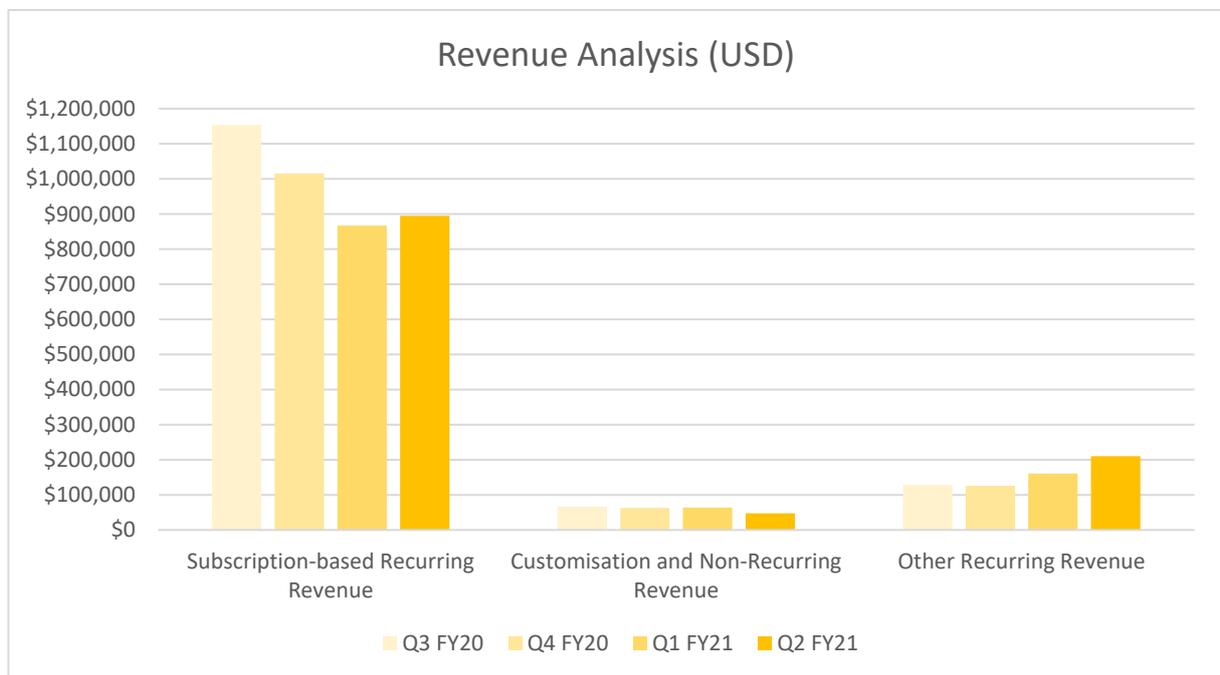
The second variable that is uncontrollable in the short-term is the number of vehicles on platform. Confirming forward-looking commentary made in the previous Quarterly Activities Report, the average number of vehicles on platform increased from 58k vehicles in Q1 FY21 to 60k vehicles in Q2 FY21 as business conditions in the US stabilised.

From a revenue perspective, Connexion's three main drivers are:

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

It is important to note that the second and third revenue drivers above are typically fixed USD fees (both one-off and recurring, 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.

For the purpose of analysis, below we present the revenue drivers post COVID-19 in USD:



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

As further modification and feature requests driven by the circa 4,000 Dealerships leads to more customisation work, Connexion's subsequent recurring revenues continue to increase along with the functionality of the platform.

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

Further, the Company is pleased to advise that the execution of a key tactic, being integration across the automotive ecosystem via Application Programming Interfaces ("APIs"), is progressing well, with API certification obtained from two key Dealer Management System ("DMS") providers in the US. These initial APIs have since performed to expectation within their respective Dealership trials. Company focus now turns to rolling these out amongst Dealers. Whilst the near-term revenue opportunity of the initial APIs is unlikely to be material, the Company expects to benefit both strategically and through feature enhancement in due course.

Finally, the Company devoted a material amount of resourcing to the development of its non-GM white-label product, CXZTRAC. CXZTRAC is a highly scalable platform being steadily developed in anticipation of non-GM and non-CTP sales.

Financial Position

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

The Company recognised total revenues during the quarter of \$1.6m, which included Non-Recurring Customisation work of \$137k.

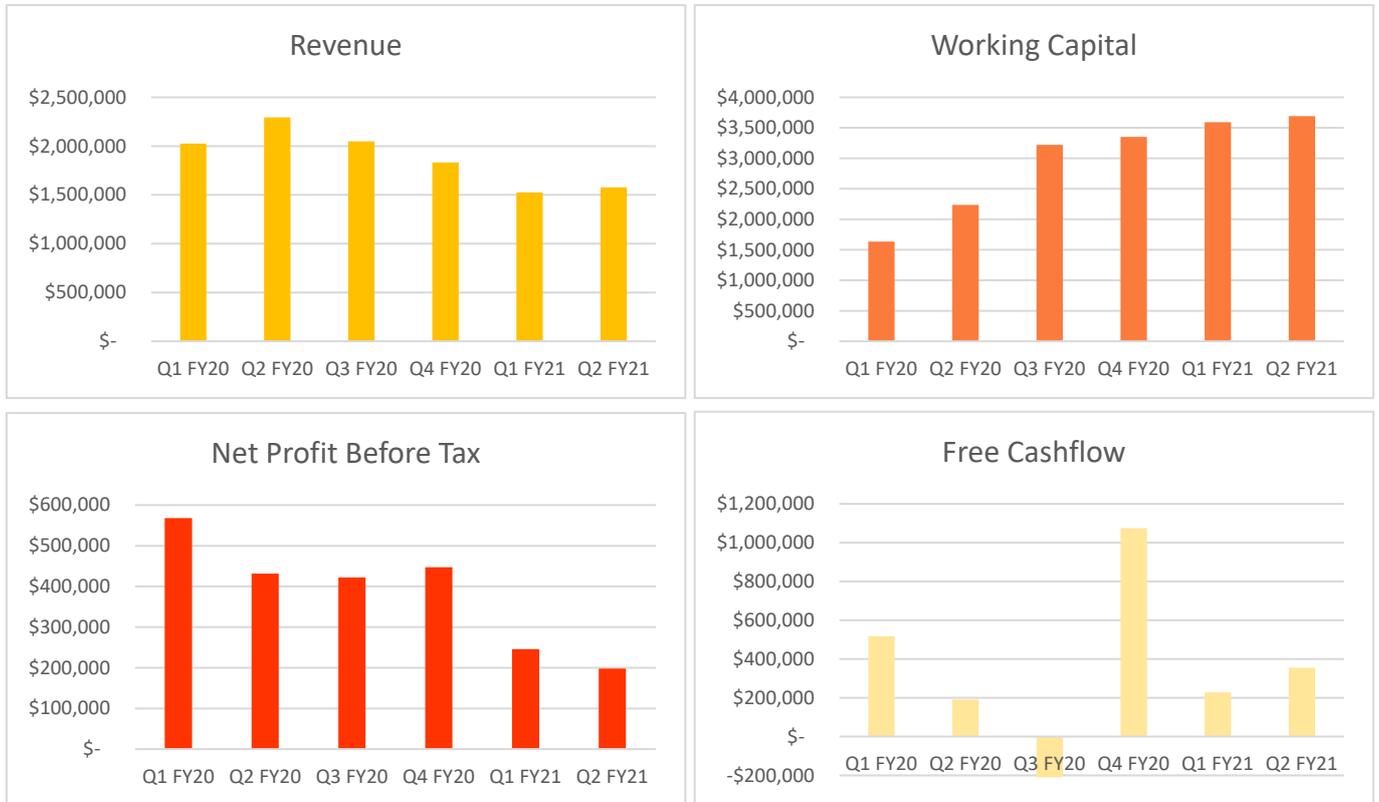
The Company's cash receipts for the quarter totalled \$1.5m, resulting in a closing cash position of \$2.7m as at 31 December 2020 (30 September 2020: \$2.6m).

The Company recorded a quarterly unaudited NPBT of \$198k and its working capital position increased to \$3.7m (30 September 2020: \$3.6m). For analytical purposes, had the AUD/USD exchange rate held steady during the quarter, the unaudited NPBT would have been \$397k.

Costs for Q2 FY21 included \$157k (Q1 FY21: \$245k) on salary and wages and \$224k (Q1 FY21: \$183k) 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 in AUD:



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 \$14,282 (incl. GST) were paid to Torre Corporate, a company related to Mr Peter Torre, for company secretary fees, directors' fees and superannuation on directors' fees.

Payments totalling \$5,775 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

Corporate

Throughout the Quarter, 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).

Further detail on these initiatives was presented to Shareholders at the recent AGM.

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Outlook

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

The Company believes that OnTRAC revenues will continue at similar levels with subscription numbers having stabilised in recent months.

Subscription numbers aside, the Company continues to enhance the functionality of its platform for GM's large Franchised Dealership Network. Today, OnTRAC is used by circa 22% of all Franchised Light Vehicle Dealerships in the US, with the platform registering on average well over 10,000 unique users throughout the quarter. 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. An important step forward will be the hiring of our US-based Enterprise Sales Executive, which we expect to have finalised during the current quarter.

During the quarter, the Company undertook an extensive sourcing process to add external talent to the Board in the form of two Non-Executive Directors. The Company is very pleased with the high calibre of candidates and expects to update the market shortly in this regard. A strengthening of the Board and Management will see the Company better resourced to pursue growth. Naturally, the Company's investment in this resourcing will impact the Company's profitability in the near term as it pursues what is a material long-term growth opportunity. To date, the current Board has successfully demonstrated a disciplined approach to the management of Shareholder capital, and this will continue as the Company invests for growth.

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

Appendix 4C

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

Name of entity

Connexion Telematics Ltd

ABN

68 004 240 313

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	1,503,792	3,194,381
1.2 Payments for		
(a) research and development	(64,257)	(79,211)
(b) product manufacturing and operating costs	(717,564)	(1,749,667)
(c) advertising and marketing	(4,345)	(4,345)
(d) leased assets	-	-
(e) staff costs	(204,807)	(509,804)
(f) administration and corporate costs	(162,627)	(310,554)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	10
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(5,344)	(5,344)
1.7 Government grants and tax incentives	12,500	50,000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	357,352	585,466

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Consolidated statement of cash flows		Current quarter	Year to date
		\$A	(6 months)
		\$A	\$A
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(2,999)	(2,999)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) 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	(2,999)	(2,999)

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	-	-

CONNEXION

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 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	2,593,567	2,443,088
4.2	Net cash from / (used in) operating activities (item 1.9 above)	357,352	585,466
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,999)	(2,999)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(252,199)	(329,834)
4.6	Cash and cash equivalents at end of period	2,695,721	2,695,721

5.	Reconciliation of cash and cash equivalents <i>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts</i>	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	2,695,721	2,593,567
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)	2,695,721	2,593,567

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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	20,057
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p>Payments totalling \$14,282 (incl. GST) were paid to Torre Corporate, a company related to Mr Peter Torre, for company secretary fees, directors' fees and superannuation on directors' fees.</p> <p>Payments totalling \$5,775 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.</p>		

7.	Financing facilities <i>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.</i>	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.			

8.	Estimated cash available for future operating activities	\$A
8.1	Net cash from / (used in) operating activities (Item 1.9)	357,352
8.2	Cash and cash equivalents at quarter end (Item 4.6)	2,695,721
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	2,695,721
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:

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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.

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: 21 January 2021

Authorised by: The Board of Connexion Telematics Ltd

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.