

Quarterly Activities Report For the Quarter Ended 31 March 2021

- **OnTRAC's CTP/CTA subscription base averaged 59k vehicles during Q3 FY21**
- **Ongoing customisation and enhancements made to the OnTRAC program**
- **Considerable progress made on Company strategic objectives**
- **Total Q3 Revenue of \$1.5m**
- **Q3 unaudited Net Profit Before Tax of \$240k**
- **Cash receipts of \$1.5m delivered positive Free Cashflow**
- **Working Capital increased to \$3.9m**
- **Appointment of Mr Aaryn Nania as MD and CEO**
- **Appointment of Mr Greg Ross and Mr Simon Scalzo as Independent Non-Executive Directors**

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 March 2021 (Q3 FY21).

Operations Summary

Connexion delivered a sound set of financial results through the quarter amid growing internal investment in growth initiatives.

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".

Notwithstanding a volatile economic environment, Connexion continues to perform well, with a steady subscription base, ongoing customisation work and increasing recurring revenues.

The Company enjoyed a stable foreign exchange environment over the quarter, in addition to a largely stable vehicle subscription base. The number of vehicles on platform averaged 59,000 in Q3 FY21, compared with 60,000 vehicles in Q2 FY21. The effects of the global semiconductor shortage on new vehicle inventory negatively impacted subscriptions towards the end of the reported quarter, and continue into Q4 FY21. Connexion is actively working with GM to find solutions for its Dealers whilst the supply shortage remains.

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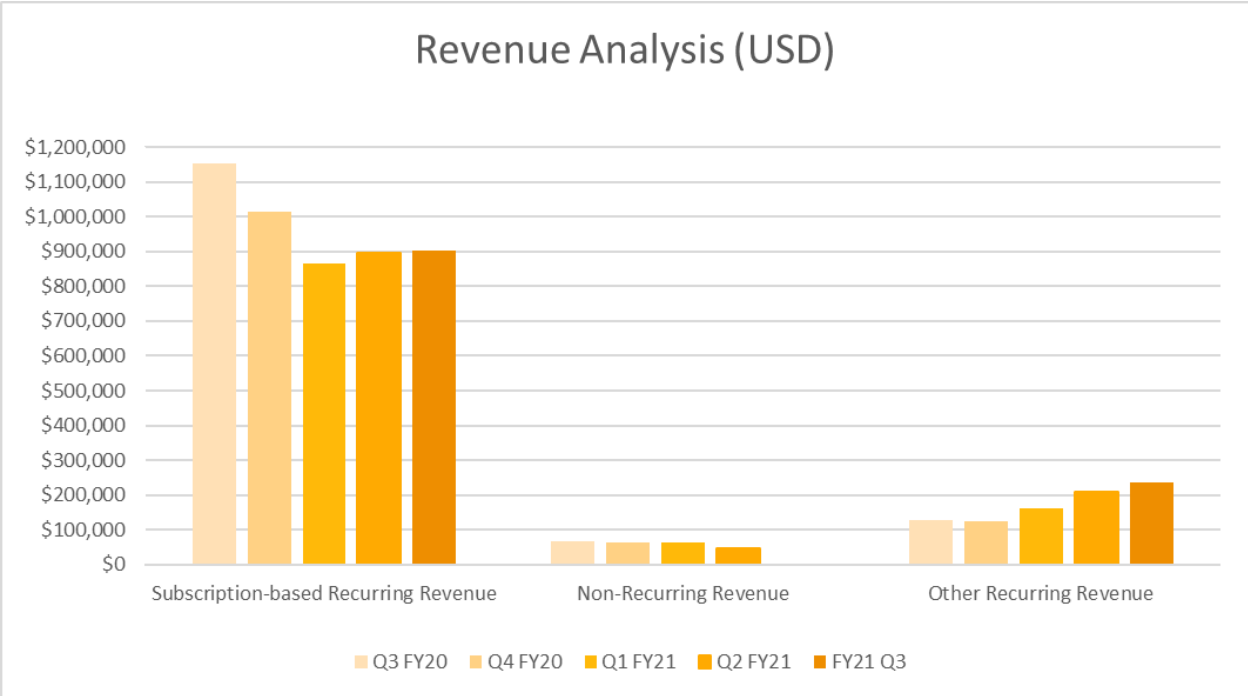
Connexion remains debt free, generating recurring revenues with good margin.

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. **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, analytics, and APIs.

All commercial revenue is USD-denominated, and it is important to note that the second and third revenue drivers above are typically fixed 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.

Below, we present the revenue drivers in USD, pre and post the impact of COVID-19:



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Feature Enhancements

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

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

Customer Insights

Early in the quarter, the Company received pleasing results from its initial Dealer survey, with an overwhelming majority of respondents reporting that they would "likely" or "very likely" recommend OnTRAC to others. Valuable insight was acquired into the nature of Connexion's Dealer Network, including the spread of multi-franchises, commercial rental operations, DMS-providers, desired functionality, and so forth.

Customer Success Team

An internal Customer Success Team was appointed, and mandated with developing a data-rich CRM to uncover the value of the Company's strategic asset, being its Distribution Network of ~22% of all franchised light-vehicle dealerships in the US.

Relationship Expansion

Pleasingly, Connexion's reputation for responsive delivery of practical solutions led to its introduction to the Customer Care and Aftersales division of GM. Whilst not currently material, this represents another validation of the Company's abilities, and a potential revenue stream.

APIs

Connexion is also pleased to advise that the execution of a key tactic, being integration across the automotive ecosystem via Application Programming Interfaces ("APIs"), is progressing, with workflow APIs live across two key Dealer Management System ("DMS") providers in the US. 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 time.

CXZTRAC

Finally, the Company devoted a material amount of resourcing to the development of its white-label product, CXZTRAC. CXZTRAC is a highly scalable platform being rapidly developed in anticipation of both non-GM and non-CTP use by Dealers. A Minimum Viable Product version of CXZTRAC was trialled during the quarter ahead of a broader roll-out.

Financial Position

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

The Company recognised total revenues during the quarter of \$1.5m, which was entirely subscription-based and/or recurring.

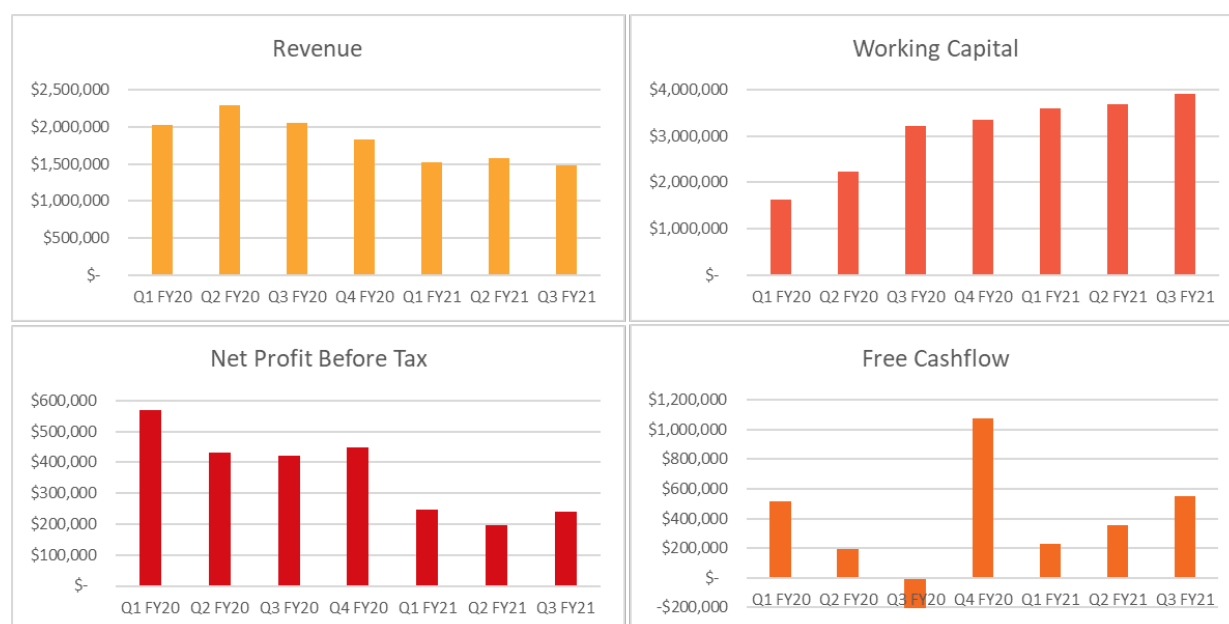
The Company's cash receipts for the quarter totalled \$1.5m, resulting in a closing cash position of \$3.2m as at 31 March 2021 (31 December 2020: \$2.7m).

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The Company recorded a quarterly unaudited NPBT of \$240k and its working capital position increased to \$3.9m (31 December 2020: \$3.7m). The key AUD/USD exchange rate held steady during the quarter.

Both Board and Management continue to maintain a highly disciplined approach to costs, enhancing the Company's profitable financial performance.

Below features a summary of our key financial metrics in AUD:



Payments totalling \$17,283 (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 \$1,016 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

Payments totalling \$5,733 (incl. GST) were paid to Go Fast Stripes Trust, an entity related to Mr Simon Scalzo, for directors' fees.

Payments totalling \$5,215 (excl. GST) were paid to Connected Business Innovations LLC, a company related to Mr Greg Ross, for directors' fees.

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Strategy

Connexion is employing a strategy described by a16z Partner Chris Dixon as “*Come for the tool, stay for the network*”.

Connexion’s “tool” is its telemetry-enabled mobility platform that streamlines fleet management at automotive dealerships.

Connexion’s “network” is its Distribution Network of ~22% of all franchised light vehicle dealerships in the US. Beyond its value as a B2B consumer of technology, this network holds a material supply of assets in the form of vehicles, real-estate, and knowledgeable personnel, that are available to transact with the demand side of the equation, in the form of consumers (of both vehicle sales and rentals), and other 3rd party hardware, software and service partners.

Increasingly, many software companies price their “tool” as a loss-leader, or even distribute it for free, to rapidly build a valuable network. Connexion is fortunate to already be profitable based on its initial “tool” (OnTRAC).

It is in this context, that we have previously described Connexion as benefitting from two main 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 during the quarter via an inaugural Shareholder webinar.

Connexion’s Economic Value grows over time through the successful execution of its “*Embed, Integrate, Generate*” operating model, as applied to its core mobility platforms, OnTRAC and CXZTRAC.

The distribution of CXZTRAC to multi-franchise Dealers is expected to underpin Connexion’s sales strategy, further growing Economic Value.

Commercial partnerships will be key to commercialising Connexion’s Strategic Value. The Company is in the early stages of exploring numerous commercial partnerships. Whilst there is no guarantee that any level of success will be achieved, the observed opportunity set is material.

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Corporate

During the quarter, the Company invested meaningfully in its human capital, securing key hires in the form of two Non-Executive Directors, its Managing Director, and VP of Sales. The Company's search for talent continues with the anticipated appointments of Software Developers and a Financial Controller. Naturally, the Company's investment in human resources will impact its 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 highly disciplined approach to the management of Shareholder capital, and this will continue as the Company invests for growth.

Outlook

As referenced earlier, the Company expects to continue seeing a dampened number of vehicles on our platform whilst the global semiconductor shortage remains in play.

Subscription numbers aside, Connexion continues to build upon its recurring revenue stream through platform functionality enhancements that are valued by its large Franchised Dealership Network. Beyond this core function, the Company is actively executing on the previously referenced investment initiatives in pursuit of what is a material long-term growth opportunity.

Ends

Issued by: Connexion Telematics Ltd

Authorised by: The Board of Connexion Telematics Ltd

Queries:

Aaryn Nania

Managing Director and CEO

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 March 2021

Consolidated statement of cash flows	Current quarter \$A	Year to date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	1,505,245	4,699,626
1.2 Payments for		
(a) research and development	(59,662)	(138,873)
(b) product manufacturing and operating costs	(513,181)	(2,262,848)
(c) advertising and marketing	(6,490)	(10,835)
(d) leased assets	-	-
(e) staff costs	(255,680)	(765,484)
(f) administration and corporate costs	(116,504)	(427,058)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	36	46
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(5,344)
1.7 Government grants and tax incentives	-	50,000
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	553,764	1,139,230

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Consolidated statement of cash flows		Current quarter	Year to date
		\$A	(9 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)
	(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)

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 (9 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	2,695,721	2,443,088
4.2	Net cash from / (used in) operating activities (item 1.9 above)	553,764	1,139,230
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(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	(9,849)	(339,683)
4.6	Cash and cash equivalents at end of period	3,239,636	3,239,636

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	3,239,636	2,695,721
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)	3,239,636	2,695,721

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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	29,247
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Payments totalling \$17,283 (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.

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7. Financing facilities		Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
<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>			
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)	553,764
8.2	Cash and cash equivalents at quarter end (Item 4.6)	3,239,636
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	3,239,636
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.

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: 23 April 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.

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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.