

30 April 2020

## Appendix 4C, Operational, Strategic, Delisting and COVID-19 Update

**Melbourne and Mexico City – 30 April 2020:** LatAm Autos Limited (ASX:LAA) (“LatAm Autos” or “the Company”) has released its Appendix 4C for the March 2020 quarter (“1Q20”).

### 1Q20 Key Points:

- **Cash burn decreased by 28% compared with previous quarter;**
- **Motorfy Credit Mexico achieved record collections and revenues (up approximately 65% on 1Q19), growth declines in April 2020 due to COVID-19;**
- **Overall receipts from customers in 1Q20 steady;**
- **1Q20 ended with the largest ever number of Mexican car Dealers using the Company’s Mexican classified platform [www.seminuevos.com](http://www.seminuevos.com). This growth momentum has continued into 2Q20;**
- **Capital raise of approximately \$5.1 million is progressing as planned, with funds expected to enter the Company’s bank account in early May 2020;**
- **The Shareholders of LatAm Autos voted to delist the Company from the ASX on 31 March 2020. LatAm Autos is scheduled to delist from the ASX in the first week of May 2020;**
- **Further cost reductions are being implemented with the Chairman, Directors, Senior management and almost all continuing employees agreed to a salary reduction of approximately 35%, on average;**
- **The Company’s Ecuadorian and Mexican operations have both recently seen declines in some operating and financial metrics since the onset of COVID-19 in late-March and April; and**
- **The Company continues to work with Grant Samuel in assessing a range of strategic options to maximise value for shareholders.**

### Operational Performance:

Following 4Q19, the Company’s Motorfy Credit Mexico product, in terms of revenues and collections, again reached record levels in 1Q20. Motorfy Credit Mexico unit sales grew by almost 80% 1Q20 on PCP. With unit sales growing over 100% in both January 2020 and February 2020 on respective PCPs. Chart 1 below illustrates the continuous growth of demand for the product since inception.

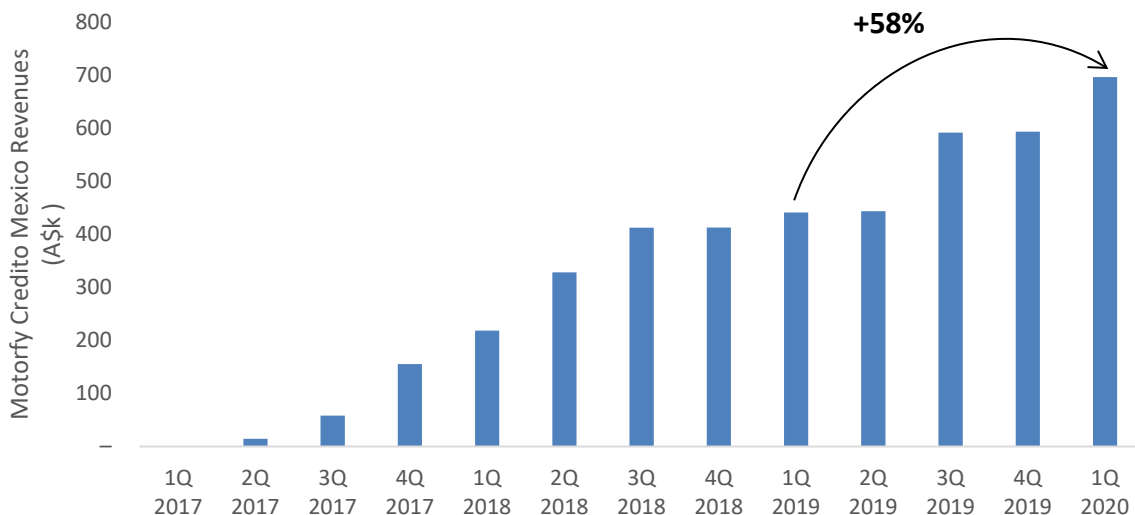
However, the Company has experienced a decline in Motorfy Mexico Credit revenues in April 2020, as commercial and social restrictions relating to COVID-19 have gradually become stricter in Mexico.

While there continues to be uncertainty, mainly due to COVID-19, about the visibility of the Company’s revenues, it is worth noting that in 1Q20 car Dealer revenues in Mexico and Ecuador accounted for approximately 55% and 25% of total Classified revenues in each country respectively. Furthermore, the average duration of subscription contract of a car Dealer is 7.5 months and 12

months in Mexico and Ecuador respectively, providing a certain level of continuity to revenues in the foreseeable future.

The Ecuadorian Classified business has also experienced a slowdown in April 2020 as Ecuador has had strict COVID-19 related commercial and social restrictions imposed on it since late March 2020.

**Chart 1: Motorfy Credit Mexico revenues (Quarterly since launch, revenues unaudited in 1Q20)<sup>1</sup>**



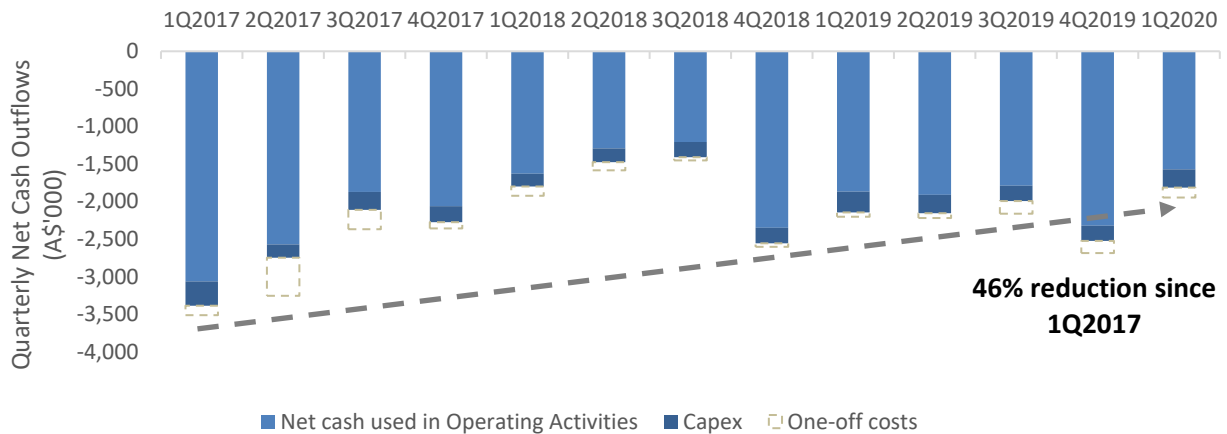
### Financial Overview:

Receipts from customers of \$2.4 million in 1Q20 was driven by strong growth from Motorfy Credit in Mexico, which grew over 60% in revenue in 1Q20 on PCP. Ecuador had a lower contribution overall due to lower collections from both the Classifieds business and the Motorfy business (which was largely discontinued in Ecuador in 2Q19).

In 1Q20 quarterly net operating cash outflows (excluding one-offs and including capex) decreased 15% on PCP – decreasing from \$2.1 million in 1Q19 to \$1.8 million in 1Q20. As at 30 March 2020, the Company had cash balances of \$1.1 million (bearing in mind that the \$5.1 million capital raise is due to complete in early May 2020).

<sup>1</sup> This does not include any revenues from Insurance, GPS or Warranty products

**Chart 2: Quarter-on-quarter changes in cash flows<sup>2</sup>**



### Strategic Review of Operations

The Directors continue to believe that the market is not currently valuing the Company appropriately. The Company continues to work with Grant Samuel in assessing a range of strategic options to maximise value for shareholders.

#### CEO and Managing Director Jorge Mejia commented:

“The Company was pleased that Motorfy Mexico’s strong end to 2019 continued into a record quarter in 1Q20. Additionally, the number of car Dealers using LatAm Autos’ Mexican classified platform, seminuevos.com, has never been higher.

Notwithstanding strong performance in certain key aspects of the Mexican business and past, present and future cost reductions, the Board has taken exceptional actions in order to best ensure the Company’s survival in the current and future economic environments. While a lot of these decision were very hard to make, they have been made with the survival of the Company as being paramount.

These measures include:

- Capital raise of approximately \$5.1 million to bolster the Company’s balance sheet and provide additional runway;
- Reduction or elimination of all non-essential spending (including delisting from the ASX and various changes to office lease agreements);

<sup>2</sup> Includes Operational cash flows (excluding on-offs) and Capex

- Chairman, Directors, Senior management and almost all continuing employees, agreeing to a material wage reduction (approximately 35% on average); and
- Right-sizing of the workforce.

Notwithstanding the continued aggressive cost restructure, it is the Board's intention to:

- Be able to weather the storm of COVID-19 over the medium to long term; and
- Position the Company to be able to achieve strong growth if and when the adverse impacts of COVID-19 subside

The Company is continuing to pursue its leading Motorfy and Classifieds businesses in Mexico its dominant Classifieds business in Ecuador."

**Notes to the Appendix 4C:**

Payments to related parties and their associates during the quarter as outlined in Section 6 of the accompanying Appendix 4C to this quarterly activities report were \$0.2 million. These payments are related to Directors' fees and salaries paid to Directors during the March 2020 quarter.

-Ends-

This announcement is authorised for release by the Board of Directors of LatAm Autos Limited.

**For more information, please contact:**

Joe Hanna, Non-Executive Director

+61 3 9692 7222

[investors@latamautos.com](mailto:investors@latamautos.com)

Registered Office

Level 4, 100 Albert Road

South Melbourne, VIC 3205

**About LatAm Autos (ASX: LAA)**

LatAm Autos is a leading online car transaction market place with operations in Mexico, Ecuador and Peru. LatAm Autos is capitalising on the shift of automotive classifieds advertising to online channels, whilst providing ancillary services to car buyers such as finance, insurance and car tracking technology through its Motorfy brand. For more information on LatAm Autos, please visit its website: [www.latamautos.com](http://www.latamautos.com).

**Caution Regarding Forward-Looking Information**

This document contains certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance, including LatAm Autos' FY20 outlook, are also forward looking statements, as are statements regarding LatAm Autos' plans and strategies and the development of the market. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of LatAm Autos, which may cause actual results to differ materially from those expressed or implied in such statements. LatAm Autos cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that LatAm Autos' business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this announcement and LatAm Autos assumes no obligation to update such information. The release, publication or distribution of this presentation in jurisdictions outside Australia may be restricted by law. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## Appendix 4C

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

**Name of entity**

LATAM AUTOS LIMITED

**ABN**

12 169 063 414

**Quarter ended ("current quarter")**

31 Mar 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,424	2,424
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,473)	(1,473)
(c) advertising and marketing	(377)	(377)
(d) leased assets		
(e) staff costs	(1,309)	(1,309)
(f) administration and corporate costs	(838)	(838)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
- Severances	(85)	(85)
- One-off payments related with Argentina	(47)	(47)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,704)</b>	<b>(1,704)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(8)	(8)
(d) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(e) intellectual property	-	-
(f) other non-current assets	(236)	(236)
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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(244)</b>	<b>(244)</b>

<b>3. Cash flows from financing activities</b>		
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	(112)	(112)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(112)</b>	<b>(112)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	3,104	3,104
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,704)	(1,704)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(244)	(244)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(112)	(112)
4.5	Effect of movement in exchange rates on cash held	26	26
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,070</b>	<b>1,070</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,070	3,104
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,070</b>	<b>3,104</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

<b>Current quarter \$A'000</b>
200
-

Note: if any amounts are shown in items 6.1 or 6.2, the quarterly activity report must include a description of, and an explanation for, such payments

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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) – Convertible Notes	5,164	5,164
7.4 <b>Total financing facilities</b>	5,164	5,164
7.5 <b>Unused financing facilities available at quarter end</b>		-

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.

The above facility is a Secured Convertible Notes facility that the Company entered into with Noteholders in mid-2017.

The key terms of the Convertible Notes are:

- Counterparties: Log Creek Pty Ltd and Startive Ventures Inc. (entities controlled by Directors, Mr Michael Fitzpatrick and Mr Simon Clausen respectively)
- Maturity Date: 31 July 2021
- Interest Rate: 8% per annum, accrued daily and payable on the first business day of each quarter, unless the interest is capitalised
- Conversion Price: \$0.10 (10 cents) per Note (assuming no event triggers an adjustment to the conversion price)

The terms (mainly the Conversion Price and the Maturity Date) of the Convertible Notes were amended with shareholder approval on 31 October 2019.

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,704)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,070
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,070
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	0.6

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:

No, the Company does not expect to have in the future the level of net operating cash flows that it did in 1Q2020.

The Company is in the process of implementing a substantial cost reduction programme to better align outflows with inflows and prepare for future uncertain economic activity.

This cost reduction programme was announced to the ASX and started to be implemented in 4Q2019.



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:

The Company announced to the ASX on 27 February 2020 its intention to raise \$5.1 million and de-list the Company from the ASX.

In the announcement on the 27 February 2020, the Company stated that two of the Company's largest shareholders had pre-committed to take up their entitlements and to subscribe for shortfall shares of the \$5.1 million capital raise.

Shareholders voted to de-list the Company on 31 March 2020.

A prospectus was lodged with ASIC and ASX on 7 April 2020.

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:

With the stated restructure plan and successful capital raise of \$5.1 million, the Company expects to be able to continue its operations and to meet its business objectives, though it must state that its ability to do this is highly contingent on the economic impact of the COVID-19 pandemic.

## 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: 30 April 2020.....

Authorised by: The Board.....  
(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.