

27 July 2020

## Quarterly Activities Report For the quarter ended 30 June 2020

- COVID-19 Impact on the business mitigated by increase in recurring revenues
- GMs OnTRAC CTP/CTA subscription base averaged 64k vehicles per month for the quarter
- Total Q4 revenue consistent with prior quarters at \$1.8m
- Significant ongoing customisation and improvements to the OnTRAC program
- Cash receipts of \$2.9m and an unaudited net profit after tax of \$447k for the quarter
- Increase in working capital position to \$3.4m

**Melbourne Australia:** Connexion Telematics Ltd (“**CXZ**” or the “**Company**”) is pleased to provide an update on its activities and cash flows for the quarter ended 30 June 2020 (Q4 FY20).

### *COVID-19*

As reported last quarter, COVID-19 has presented an unexpected and significant challenge to the economy and our priority remains ensuring the safety of our staff, suppliers and supporting General Motors (“**GM**”) and its Dealership network. Despite the economic impact of COVID-19, CXZ continues to perform strongly with a strong pipeline of ongoing consulting work and increasing recurring revenues from GM. CXZ is uniquely positioned, which has assisted in largely mitigating the impact of COVID-19, as its primary revenue source is based on the maximum number of vehicles managed online, which has marginally decreased from an average of 72k to 64k vehicles per month, as a direct consequence of COVID-19. Revenues were slightly down as a result of 11% strengthening of the Australian Dollar during the quarter.

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

# CONNEXION

## *Operations Summary*

The Company delivered a strong set of quarterly numbers against a backdrop of economic uncertainty that unfolded during the quarter with COVID-19. The Company continues to provide its Software as a Service (SaaS) solution for the Courtesy Transportation Program (“CTP”) and Cadillac Courtesy Transportation Alternative (“CTA”), OnTRAC for GM.

OnTRAC vehicle subscriptions via the GM dealerships averaged over 64k vehicles for the quarter, which is a decrease from an average of 72k vehicles for the March 2020 quarter. The decrease is a direct result on Covid-19 and various lockdown measures imposed. As more customisation work, driven by the 4,000+ Dealer Network, drives further modification requirements, the recurring revenues from both the OnTRAC program together with new recurring revenues continues to increase.

The Company recognised total revenues of \$1.8m which included customisation improvement works for GM of \$287k. The program has been strongly adopted within the GM B2B dealer business system. The Company is working with GM through ongoing customisation and improvements work to the OnTRAC program.

The Company is confident of receiving further customisation work requests, as demonstrated in Q4 and year to date. A number of ongoing modification and feature enhancement requests for the OnTRAC program are ongoing.

The financial position and performance of the Company continues to strengthen, building on the positive momentum achieved in the previous quarters. The Company continues to be profitable and cashflow positive. The Company has identified a growth strategy which commenced in the quarter. This will result in a Business Development Manager being sourced to lead the US operation and gain the maximum return from the existing and potential customer base in delivering equivalent OnTRAC programs.

The Company believes that the OnTRAC revenues are expected to continue and is expecting subscription numbers to be in the range of 56K – 58K per month, generating revenues ranging from 418k-434k per month. This does not include customization improvement works for GM, as noted above.

## *Financial Position*

The Company’s cash receipts for the quarter totaled \$2.9m, which resulted in a closing cash position of \$2.4m as at 30 June 2020 (31 March 2020: \$1.5m).

The Company’s working capital position remains strong, with a 4% increase from the prior quarter to \$3.4m. The Company recorded an unaudited net profit before tax of \$447k for the quarter.

Q4 FY20 featured steady activity allowing the Company to optimise its operating costs while exploring other revenue opportunities that may exist for its products across the 4,000+ GM and Cadillac dealers network.

# CONNEXION

Costs for Q4 FY20 include \$264k (Q3 FY20: \$262k) on salary and wages and \$240k (Q3 FY20: \$283k) in general overheads. The Board continues to rationalise costs to enhance the Company's profitable and cashflow positive financial operating performance.

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 totaling \$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 totaling \$1,940 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

## *Corporate*

As announced on 18 May 2020, Mr Guy Perkins resigned as Managing Director and CEO of the Company, effective 24 June 2020.

The Company's stabilised financial and operating performance will now allow the Board to focus on recruiting key personnel within the US and within Australia to better exploit the Company's position in the telematics space. Whilst such recruitment is taking place, Mr Aaryn Nania, an existing director of the Company, will fill the position as Acting CEO to ensure the Company continues to deliver in accordance with its plans.

## *Outlook and COVID-19*

Whilst CXZ has currently been impacted by COVID-19, those financial impacts are somewhat mitigated by the primary revenue source being based on the maximum number of courtesy vehicles managed online, and not directly linked to sales. Whilst the number of sales of vehicles in a given month have been affected due to COVID-19, at this stage, the CTP/CTA OnTRAC program continues to run normally.

Car Dealership are considered essential service in the US and will remain open. However, due to COVID-19, we would expect to see some impact to the number of vehicle usage on the program.

The Company continues to build on its flagship OnTRAC SaaS CTP/CTA program solution within the GM 4,000+ dealership network. The OnTRAC program currently has over 10,000 unique users accessing the system which consolidates its use across the GM dealer network.

The Company expects that revenue via ongoing optimisation and customisation work currently in hand will continue to drive both consulting and new recurring revenues.

The Company continues to actively pursue opportunity for growth within the current GM dealership network, as well as actively looking at external applications to other manufacturers and vehicle dealerships within the USA and Australia.



**Ends**

**Issued by:** Connexion Telematics Ltd

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

**Queries:**

Peter Torre

Company Secretary

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## Appendix 4C

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

**Name of entity**

Connexion Telematics Ltd
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**ABN**

68 004 240 313
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**Quarter ended ("current quarter")**

30 June 2020
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Consolidated statement of cash flows	Current quarter \$A	Year to date (12 months) \$A
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers (see below note)	2,869,034	7,945,922
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,323,509)	(4,485,829)
(c) advertising and marketing	-	(6,630)
(d) leased assets	-	-
(e) staff costs	(298,609)	(1,107,200)
(f) administration and corporate costs	(221,787)	(1,071,568)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(19,564)	(19,564)
1.7 Government grants and tax incentives	50,000	230,212
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities (see below note)</b>	<b>1,055,569</b>	<b>1,485,347</b>

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	(11,708)
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>(11,708)</b>

<b>3.</b>	<b>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	-	-
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

Consolidated statement of cash flows		Current quarter \$A	Year to date (12 months) \$A
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,538,191	938,612
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,055,569	1,485,347
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(11,708)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	(150,672)	30,837
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,443,088</b>	<b>2,443,088</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	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	2,443,088	1,538,191
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>2,443,088</b>	<b>1,538,191</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

Current quarter \$A
10,973
-

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 \$1,940 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

**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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
-	-
-	-
-	-
-	-

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)

1,055,569

8.2 Cash and cash equivalents at quarter end (Item 4.6)

2,443,088

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

2,443,088

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: 27 July 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.