CONNEXION

ASX Announcement

16 October 2023

Performance Reporting Update

Melbourne Australia: Connexion Telematics Ltd ("CXZ", "Connexion" or "the Company") provides the following update in respect of its performance reporting methodology.

Publicly and internally, Management has always presented a range of financial metrics, and will continue to do so. To date, however, Management has given particular support to the use of Gross Profit as a core measure of the underlying economic health of Connexion's business, in the absence of superior financial metrics.

Today, Management advises an improved set of metrics designed to measure performance with greater scrutiny.

Each quarter, Management will report unaudited **Diluted Maintainable Earnings Per Share ('DMEPS')** as its core financial metric, complemented by **Return on Growth Spend ('RGS')**.

DMEPS is calculated as Maintainable Earnings / Diluted Share Count.

Maintainable Earnings is calculated as Net Profit Before Tax, excluding Growth Spend. Maintainable Earnings is preferred to Gross Profit as it captures the full P&L whilst excluding distortions created by lumpy Growth Spend that is fully expensed, rather than capitalised. At Connexion, Growth Spend consists of discretionary R&D plus Sales & Marketing expenditure, and expensed M&A costs.

Diluted Share Count comprises the weighted average number of ordinary shares plus the dilutive potential of all other equity instruments, such as unvested ordinary shares, performance rights, options, etc.

DMEPS is based on the gold standard of Diluted EPS, cutting to the core of how Management judges long-term company performance.

In Connexion's case, Management views EPS as an unreliable measure of performance due to Connexion's publicly stated policy of expensing virtually all its Growth Spend, together with its publicly stated budget objective of executing an amount of Growth Spend which, when fully expensed, would reduce EPS to nil.

By excluding Growth Spend, we uncover Maintainable earnings, the trend of which is far more reflective of the health of the underlying business.

To tie business health to Shareholder value, we incorporate the Diluted Share Count, capturing the very real cost of issuing shares, including those issued as part of remuneration, and any other effects of capital allocation decisions made on behalf of Shareholders.

The result is a highly Shareholder-focused financial metric.

Furthermore, to account for the varying amounts of Shareholder capital that may be used to generate growth in Maintainable Earnings, Management balances DMEPS with a measurement of Return on Growth Spend.

RGS is calculated as Growth in Maintainable Earnings / Prior Year Growth Spend.

RGS adopts the classic Return on Incremental Invested Capital ('ROIIC') metric and makes it appropriate for a software company fully expensing its Growth Spend. It is the measure of the one-year incremental return that Management achieves on each additional dollar of capital deployed into the operations of the business (as distinct from corporate activity such as share buy-backs).

Management notes that for software companies building recurring, B2B revenue streams, an RGS below 100% is almost universal, as customer cohorts typically deliver revenue for many years after the major associated cost is spent, being the initial cost to build the product and acquire the customer. Due to the natural variance in sales and operational cycle length, RGS is best assessed over multiple periods. For simplicity, Connexion will publish its 1-year RGS metric.

Management Remuneration

Finally, in pursuit of simplicity, transparency and maximal alignment with Shareholders, most of the variable component of Management's remuneration is now set against DMEPS and RGS.

Ends

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About Connexion Telematics

Connexion is a public, enterprise-grade, mobility software company servicing the global Automotive Retail industry. Its mission is to be the Connexion between Fleet Owners and the Future of Mobility, starting with courtesy transportation.

The Company's proprietary OnTRAC and Connexion platforms incorporate embedded telemetry, fleet management, contract management and data analytics tools to help OEMs and dealerships move people, parts, and vehicles.

Connexion powers courtesy transportation for thousands of dealerships across the US, maximising their asset utilisation and increasing operational efficiency, whilst elevating the end-customer experience.