CONNEXION

ASX Announcement
19 January 2024

Quarterly Update

For the Quarter Ended 31 December 2023

- **Marketplace launch, facilitating future partnership sales**
- **Continued investment in Team and Product**
- **All reported figures are unaudited and in USD, unless otherwise stated**
- **Q2 Revenue of $2.42m → +4% over prior quarter**
- **Q2 Gross Profit of $1.93m → +2% over prior quarter**
- **Q2 Maintainable Earnings of $1.53m → +10% over prior quarter**
- **Q2 Net Profit Before Tax of $0.63m → +37% over prior quarter**
- **Q2 Operating Cashflow of $0.33m → -68% over prior quarter**

Connexion Mobility Ltd ("Connexion" or the "Company") is pleased to provide an update on its activities for the quarter ended 31 December 2023 ("Q2 FY24" or "the Quarter").

Summary

Connexion continued to supply its mobility SaaS platforms, OnTRAC and Connexion, to US Automotive OEMs and franchised dealers, to manage their courtesy transportation activity.

Financially, Connexion's performance in Q2 FY24 consisted of:

1. Revenue growth from Connexion subscriptions
2. Revenue growth from income linked to vehicle inventories
3. Revenue loss from feature-enhancement delivery
4. Lower Growth Spend across R&D and Sales & Marketing

Gross Profit increased 2% quarter-on-quarter ("Q-o-Q"), to $1.93m.

Maintainable Earnings increased 10% Q-o-Q, to $1.53m.

Net Profit Before Tax ("NPBT") increased 37% Q-o-Q, to $0.63m.

Connexion's top priority is growing long-term Shareholder value, being a function of the size, sustainability, and diversification of earnings.

This drives our mission to be the "Connexion" between Fleet Owners and the Future of Mobility.

We are starting this journey within the niche of Courtesy Transportation for Automotive Retail – a niche supplied by three main modes of transportation: the loaner, shuttle and ridehail.

To date, we have meaningfully commercialised our loaner product, with the rest to come.

We are pursuing clear strategic and financial objectives. Both are fully funded, with our budget for growth initiatives ("Growth Spend") that which, when fully expensed, would reduce our NPBT to nil.

Strategically, we intend to be the single platform through which our customers move people, parts and vehicles. Achieving this means prioritising product development, whilst deepening and expanding customer relationships, rather than over-optimising for near-term revenue or NPBT.

Financially, we aim to grow long-term Shareholder value, as measured by the size, sustainability, and diversification of our earnings. We pay most attention to growth in Diluted Maintainable Earnings Per Share ("DMEPS"), whilst targeting a neutral bottom line (NPBT). We will continue prioritising reinvestment into the business, as measured by Growth Spend, provided that we see a clear path to generating an acceptable Return on Growth Spend ("RGS").

Further information regarding our metrics is found in the ASX release dated 16 October 2023.

Operations

Team

During the Quarter, we continued investing into our Team, adding a 0.6 FTE to Human Resources and promoting Mohammed "Mo" Adnan to the role of Chief Technology Officer. Mo joined Connexion in April 2023, leading the ex-Placie (Carsales) team charged with building our ridehail product ("OnDemand"), which is anticipated to launch later this quarter.

Product Enhancements

Connexion is focused on keeping its mobile and desktop platforms at the forefront of fleet, rental, and mobility management capabilities.

Some of our efforts are invoiced, contributing to either Fixed-dollar SaaS or Service Revenue, with the balance self-funded within our R&D program - forming part of our Growth Spend metric.

Each product enhancement falls into one of the three categories within Connexion's operating model of "Embed, Integrate, Generate". During the Quarter, product development remained around all-time highs, as measured by R&D Expenditure.

Late in the Quarter, we released multiple upgrades to features and products, including our new Paid Rental experience, Express Check-in, New UI, and more. This was supported by the launch of our Marketplace.

The Connexion Marketplace is designed to educate our customers on the latest technology, and act as our conduit for direct-to-dealer sales of both proprietary and partner technology.

Customer Success

Our CS Team engaged with dealership customers recovering from such severely depleted inventories that they have largely been without a loaner fleet (and therefore a need for our software) altogether. These efforts included in-person attendance at multiple OEM/Dealer events, complemented by the adoption of our new internal product discovery feature.

Our CS Team brings us closer to our dealership customers' needs and feedback, and we are investing further in the current quarter.

Sales

Across our existing dealership base, our internal sales efforts are gaining traction, with dealers steadily signing up for our Toll and Shuttle Management products. Whilst direct-to-dealer revenue is immaterial today, it is growing, along with overall dealership engagement.

We expect the recent launch of our Marketplace to facilitate the promotion and adoption of complementary products.

We continue to focus on improving our customer concentration in four ways, by:

1. Deepening our commercial relationship with our existing OEM counterparts
2. Initiating commercial relationships within other departments of our OEM customers
3. Initiating and deepening commercial relationships directly with franchised dealerships
4. Initiating commercial relationships with OEMs outside of our existing customers

For items 3 and 4, during the Quarter we began working with the sales consulting team of the MobilityFund. The process itself has improved the quality of our demonstration capabilities, leading to greater industry engagement than we have previously experienced.

Commercial Partnerships

We update on our Commercial Partnerships as follows:

- Tollaid: during the Quarter, multiple dealerships signed up to trial, from which we anticipate a strong conversion rate, as we have seen with our other trial users to date. As expected, the near-term revenue is growing, though is not yet material.

- Quickride: during the Quarter, multiple dealers signed up to trial. Most of these were existing mutual customers, from whom we will not derive revenue but expect valuable feedback, testimonials, and stickiness. Anticipated near-term revenue is not yet material.

- Privacy4Cars: integration work remained paused during the Quarter as our Product Team focused on clearing its backlog.

We are working behind the scenes with these parties, and many others, to develop a vibrant software ecosystem, managed via our proprietary Marketplace.

Attracting, developing and retaining a broad range of participants in our Marketplace is critical to unlocking significant long-term value for all stakeholders.

With that said, all Commercial Partnerships involve a range of risks, including technological risk and commercial adoption risk. Notwithstanding the best efforts of each party, there is no guarantee that any of these initiatives will lead to sustained commercial success.

Financial Position

Connexion's overall financial position remained strong during the Quarter, with steady growth in two of three Revenue streams, being Subscription Revenue and Service Revenue. Fixed-dollar SaaS Revenue saw a decline when compared with the previous quarter.

The Company recognised total revenue during the Quarter of $2.42m, being a 4% increase over the prior quarter and another record for the company.

Subscription and Service Revenue increased by 1.4% and 4.8%, respectively, over the prior quarter, with both reaching all-time highs. Fixed-dollar SaaS Revenue had a minor decrease over the prior quarter by 3.8%.

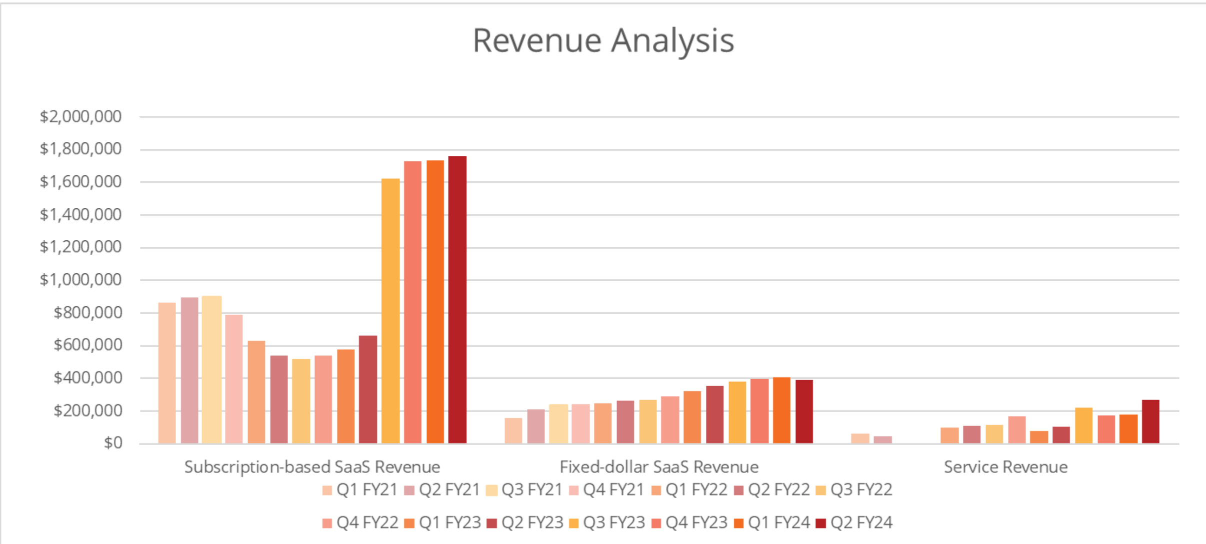
Revenue

Connexion's three main revenue sources are:

1. Subscription-based SaaS Revenue – includes the OnTRAC and Connexion Subscription Bases. Both OnTRAC and Connexion generate revenue which is linked to the maximum number of vehicles on the platform each month. In addition, the Connexion Platform generates a monthly fee per dealership. Each revenue stream has its own cost structure.
2. Fixed-dollar SaaS Revenue – typically linked to the maintenance of previously performed customisation work, including analytics, and some APIs.
3. Service Revenue – typically linked to one-off software customisation work.

All commercial revenue is USD-denominated. Notably, the second and third revenue categories above are fixed fees (both recurring and one-off, respectively), and not directly linked to any variable Subscription Base. As such, they serve to dampen some of the volatility caused by a fluctuating Subscription Base. Each revenue category has its own cost structure.

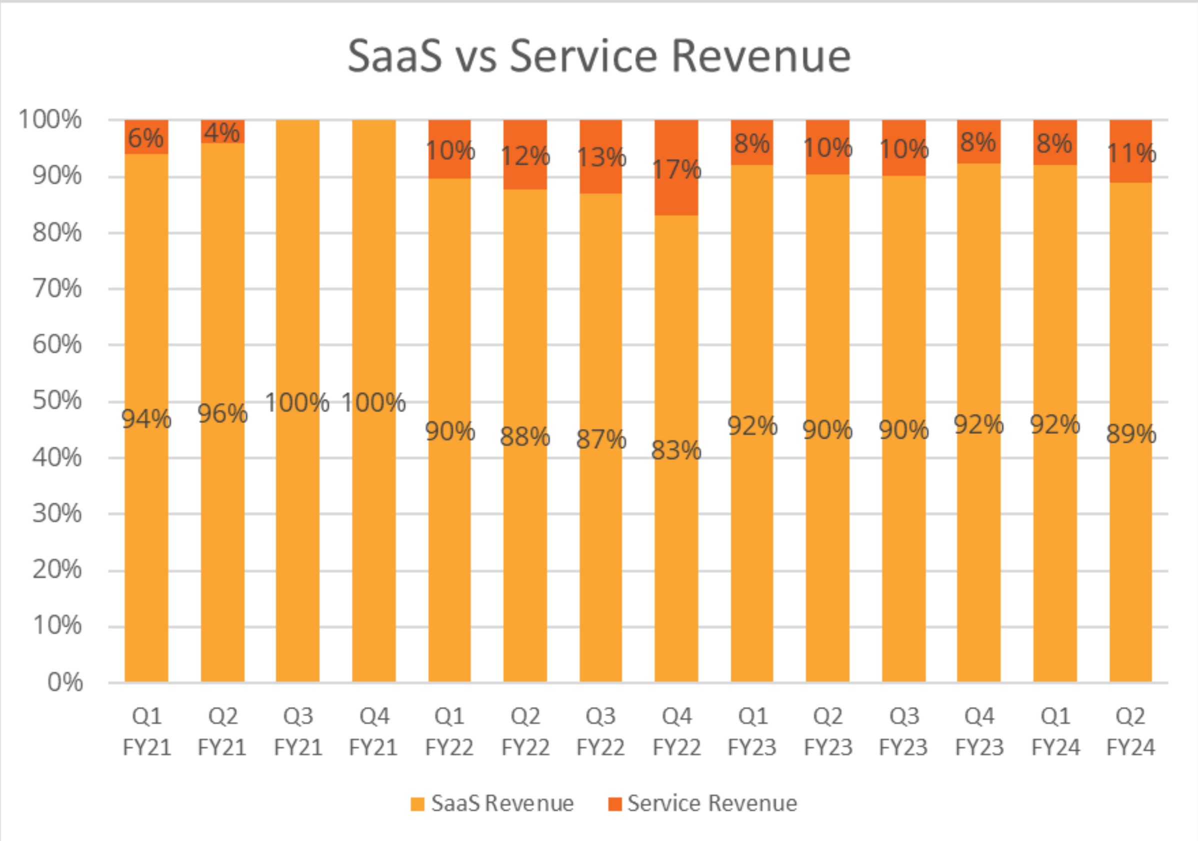
Below, we present the revenue categories from FY21 onwards.



Subscription-Based Revenue increased to $1.76m. Notably this another consecutive quarterly increase since Q3 FY22.

Fixed-dollar SaaS Revenue decreased 3.8% compared with the prior quarter, from an annualised run rate of $1.62m in Q1 FY24 to $1.56m in Q2 FY24. Fixed-dollar SaaS Revenue reflects Connexion's ongoing product enhancement work. The decrease relates to historical enhancement work which is no longer required.

Below, we present the split between SaaS and Service revenue.



Maintainable Earnings

DMEPS is calculated as Maintainable Earnings / Diluted Share Count.

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

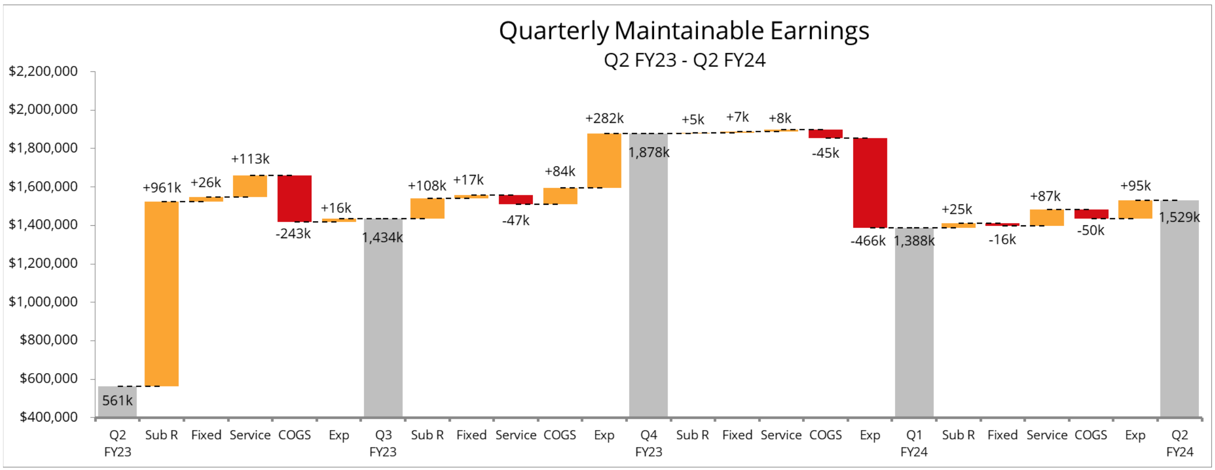
As mentioned in the recent ASX announcement, most of the variable component of Management's remuneration is now set against DMEPS and RGS.

For Q2 FY24, DMEPS increased by 12% to 0.16 cents. Maintainable Earnings increased by 10% to $1.53m, up from $1.39m from the previous quarter.

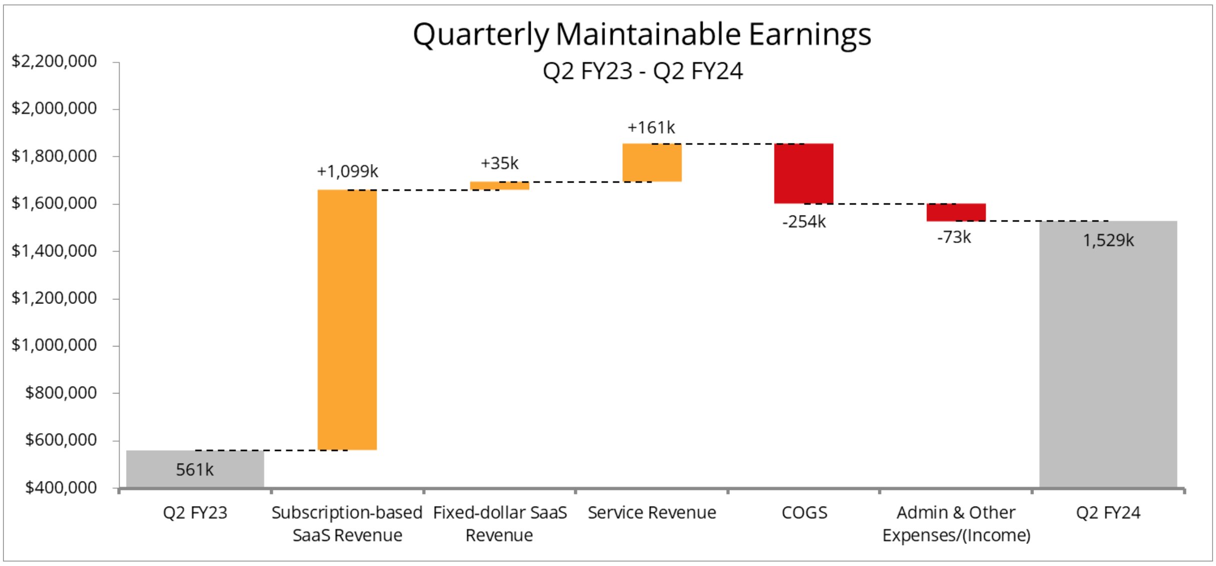
The rolling one-year RGS is 281%. We expect this to decrease in future quarters, as the historically low Growth Spend through FY22 rolls off. In the coming quarters, RGS will decrease as the denominator of Growth Spend increases.

Management notes that for software companies building recurring, B2B revenue streams, an average 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 now, Connexion will publish its one-year RGS metric.

Below are the key impacts to Maintainable Earnings, both quarterly and aggregated, over the past 12 months.



Note that included in COGS is the cost of telemetry, which is charged per vehicle.

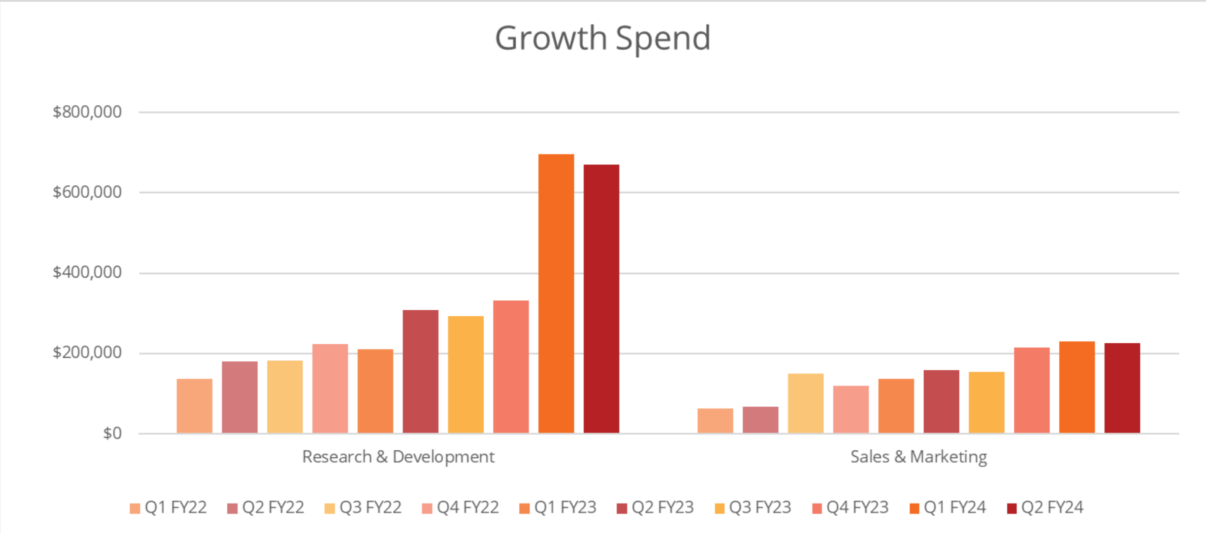


Growth Spend

Connexion's Growth Spend consists of discretionary Research & Development plus Sales & Marketing expenditure, and is generally expensed as incurred.

In Q2 FY24, our Research & Development and Sales & Marketing expenditure decreased over the prior quarter, by 3.5% and 1.9% respectively. Our growth spend reflects our investment into product-based growth initiatives.

Below, we present the Growth Spend categories from FY22 onwards:



Net Profit Before Tax

Connexion recorded a quarterly, unaudited Net Profit Before Tax of $0.63m, an increase of 37.4% over the prior quarter. The movement when compared to the prior quarter reflects the increase in revenue, and decrease in growth spend, as mentioned above.

The AUD:USD exchange rate increased throughout the Quarter, ending 3.9 cents higher.

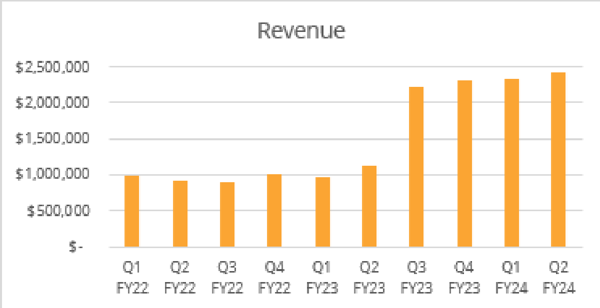
Generally speaking, an increase in the AUD:USD has the following impact on Connexion:

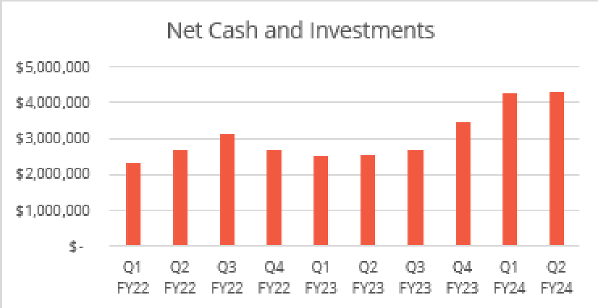
1. An immediate positive impact to our P&L via an increase in the USD value of our AUD-oriented balance sheet.
2. A sustained negative impact to our P&L via decreased Operating Cashflow over time.

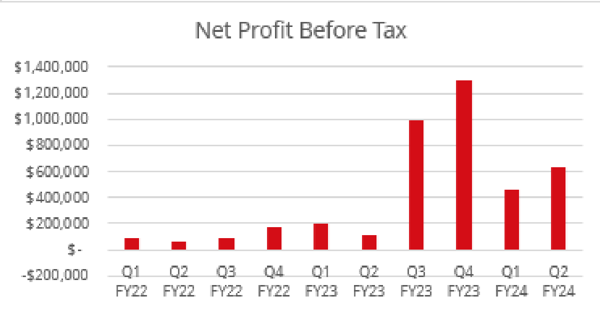
Both Board and Management continue to maintain a disciplined approach to costs, whilst reinvesting a large portion of Maintainable Earnings back into the pursuit of long-term growth.

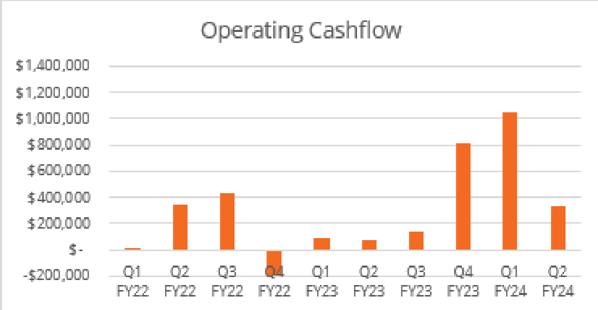
Net Cash and Investments increased slightly by $0.02m, driven by Operating Cash Inflow of $0.33m, Investing Cash Inflow of $0.51m and Financing Cash Outflow of $0.63m. The remaining movement is attributable to the movement in AUD:USD, as explained above.

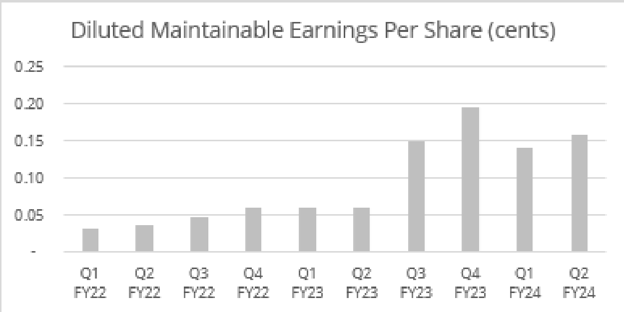
Below features a summary of our key financial metrics.











Corporate

During the Quarter, we continued investing in our human capital, expanding our Team by one. Our hiring efforts support both our OnTRAC and Connexion product roadmaps. Today, around 40% of our Team has joined only in the past twelve months, reflecting our pace of expansion.

Our investment into Product and Sales & Marketing initiatives will continue to constrain near-term profitability as we pursue our significant, long-term growth opportunity in the US.

Consistent with our growth ambitions, our overriding priority is to deepen & expand our customer relationships at attractive gross margins, rather than over-optimise for near-term revenue or NPBT. Financially, we are targeting growth in DMEPS and RGS, combined with a neutral NPBT.

To date, current Management and Board have enforced a disciplined approach to the management of Shareholder capital, and this will continue as the Company invests for growth.

Share Buyback

During the Quarter, Connexion repurchased 45m shares at an average price of A$0.021 per share. Across all its buyback initiatives, Connexion has repurchased approximately 127m shares between A$0.01-0.022 per share.

The logic for the buyback was articulated most recently in Connexion's Q4 FY22 Quarterly Update and is designed to not constrain our organic investment initiatives.

Outlook

Connexion's mission is to be the "Connexion" between Fleet Owners and the Future of Mobility.

We are starting this journey within the niche of Courtesy Transportation for Automotive Retail – a niche supplied by three main modes of transportation: the loaner, shuttle and ridehail.

To date, we have meaningfully commercialised our loaner product, with the rest to come.

We see OEMs and dealerships increasingly adopting software to:

1. Improve their customers' experience
2. Drive operational efficiency
3. Reduce risk

Connexion's software:

1. Delivers on each of the above, today
2. Has a large Userbase within which to iterate its product, and grow its market presence
3. Has only a small share of dealerships' total software spend, providing ample scope to grow

Connexion intends to continue growing its SaaS revenue streams via:

1. Proprietary features valued by its existing Userbase of franchised dealerships
2. Commercial Partnerships bringing complementary functionality to this existing Userbase
3. Expansion of the Userbase itself to new OEMs and franchised dealerships

All numbers in this release are preliminary and unaudited. This announcement has been authorised for release to the ASX by the Board of Directors.

Ends

Issued by: Connexion Mobility Ltd
Authorised by: The Board of Connexion Mobility Ltd

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