CONNEXION

ASX Announcement
18 April 2024

Quarterly Update

For the Quarter Ended 31 March 2024

- **Initial Marketplace subscriptions validate path for future product sales**
- **New UVeye product partnership unlocks world-first customer experience**
- **All reported figures are unaudited and in USD, unless otherwise stated**
- **Q3 Revenue of $2.5m → +3% over prior quarter**
- **Q3 Gross Profit of $1.91m → -1% over prior quarter**
- **Q3 Maintainable Earnings of $1.47m → -4% over prior quarter**
- **Q3 Net Profit Before Tax of $0.76m → +20% over prior quarter**
- **Q3 Operating Cashflow of $0.53m → +59% over prior quarter**

Connexion Mobility Ltd ("Connexion" or the "Company") is pleased to provide an update on its activities for the quarter ended 31 March 2024 ("Q3 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 Q3 FY24 consisted of:

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

Gross Profit decreased 1% quarter-on-quarter ("Q-o-Q"), to $1.91m.

Maintainable Earnings decreased 4% Q-o-Q, to $1.47m.

Net Profit Before Tax ("NPBT") increased 20% Q-o-Q, to $0.76m.

Connexion's top priority is growing long-term Shareholder value, being a function of the size,

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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 car, 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 financial metrics.

We believe that deepening and expanding our customer relationships will ultimately lead to sales growth via our recently-launched Marketplace.

Financially, we aim to grow long-term Shareholder value, as measured by the size, sustainability, and diversification of our earnings. 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

Earlier in the Quarter, we continued investing into our Team by adding three FTEs, in the form of two new Customer Success Managers ("CSMs") and two new Non-Executive Directors ("NEDs"). Our new CSMs augment our direct-to-dealer engagement efforts, and our new NEDs complement the skills of our Board in areas of product strategy, sales and capital management.

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, priority effort was allocated to the launch of our Marketplace, which 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.

Pleasingly, we concluded the Quarter with multiple Marketplace subscriptions performing to plan, validating the Connexion Marketplace as a path for future product sales.

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 to better understand our customers' businesses, which we believe will ultimately support our efforts to manage more of their daily processes.

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 are starting to see evidence of our recent Marketplace launch facilitating 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 continued working with the sales consulting team of MobilityFund, and are confident that we will achieve improving results in the near term.

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. This brings the total number of paying subscriptions to 24, at quarter-end. Revenue continues growing off a low base, with heightened demo activity at quarter-end.

- Quickride: during the Quarter, multiple dealers signed up to trial, although subscriptions remain well below target. Of the feedback received, the most common negative type is that the product is more of a "nice to have", than an outright necessity. We are working on ways to address this.

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

We regularly assess potential product integrations and partnerships with which to populate our Marketplace. During the quarter, we were pleased to welcome the addition of UVeye to our ecosystem.

UVeye is a high-quality, hardware technology business focused on damage detection within the automotive industry. UVeye's hardware sits at the service lane entrance of its dealership customers, scanning each vehicle that passes through to automatically capture any instances of damage, and compare this with prior images of the vehicle. Following release of their integration, mutual customers of Connexion and Uveye will be able to largely do away with the standard, physical walk-around process required to manage their loaner and rental fleets. High-quality inspection reports will be made available to end-customers and dealership staff in real-time.

While in this particular case, neither Connexion nor UVeye will charge their dealership customers for the integration, it serves to highlight the value that both companies are creating on a regular basis. For more information on the UVeye partnership, please see our news page, here.

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. Naturally, 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 performance continued strongly during the Quarter, with steady growth in two of three Revenue streams, being Subscription Revenue and SaaS Revenue. Service Revenue saw a decline when compared with the previous quarter.

The Company recognised total revenue during the Quarter of $2.5m, being a 3% increase over the prior quarter and another record for the company.

Subscription and Fixed-dollar SaaS Revenue increased by 7.1% and 1.5%, respectively, over the prior quarter, with Subscription Revenue once again reaching all-time highs. Service Revenue had a decrease over the prior quarter by 19%.

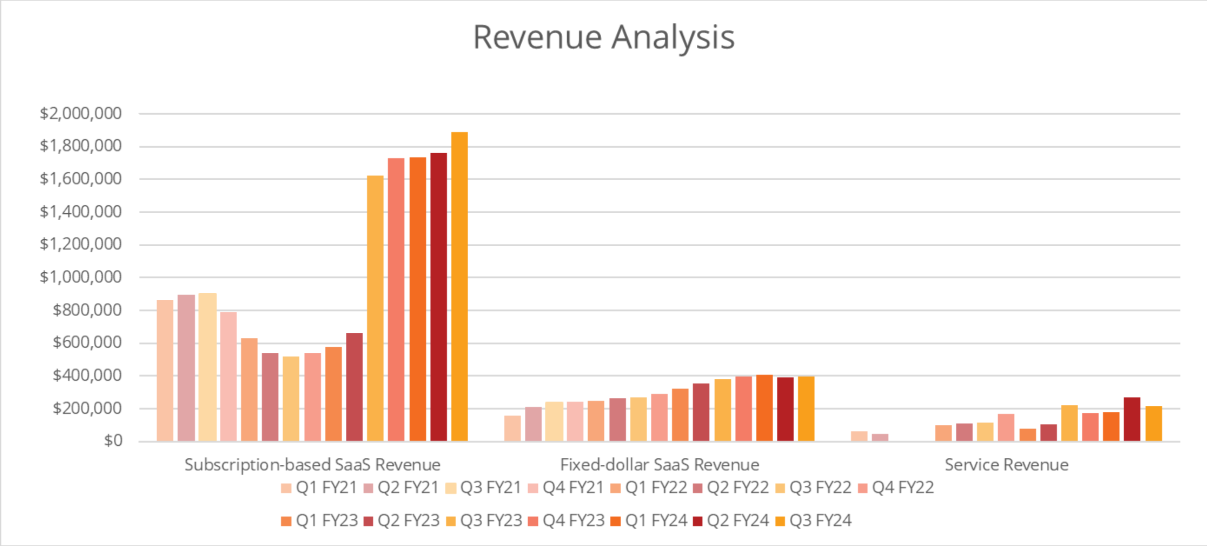
Revenue

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 and customer reimbursement for certain service staff.

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.

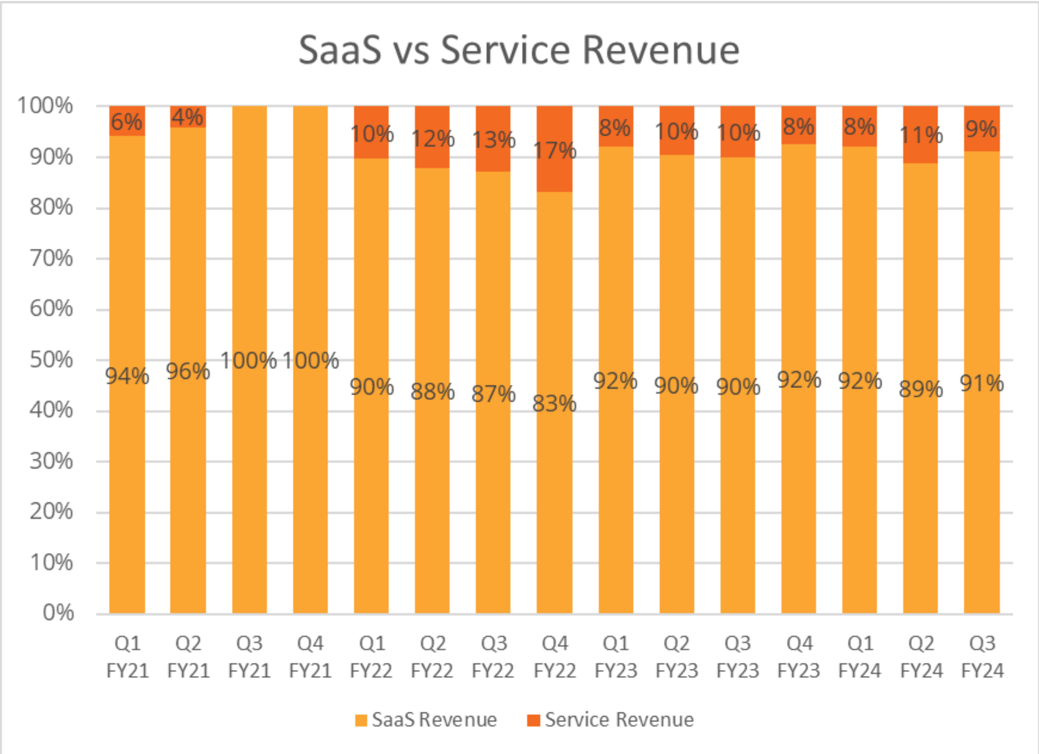
Below, we present the revenue categories from FY21 onwards.



Subscription-Based Revenue increased to $1.89m. Notably this is the ninth consecutive quarterly increase since Q3 FY22.

Fixed-dollar SaaS Revenue increased 1.5% compared with the prior quarter, from an annualised run rate of $1.56m in Q2 FY24 to $1.58m in Q3 FY24. Fixed-dollar SaaS Revenue reflects Connexion's ongoing product enhancement work.

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.

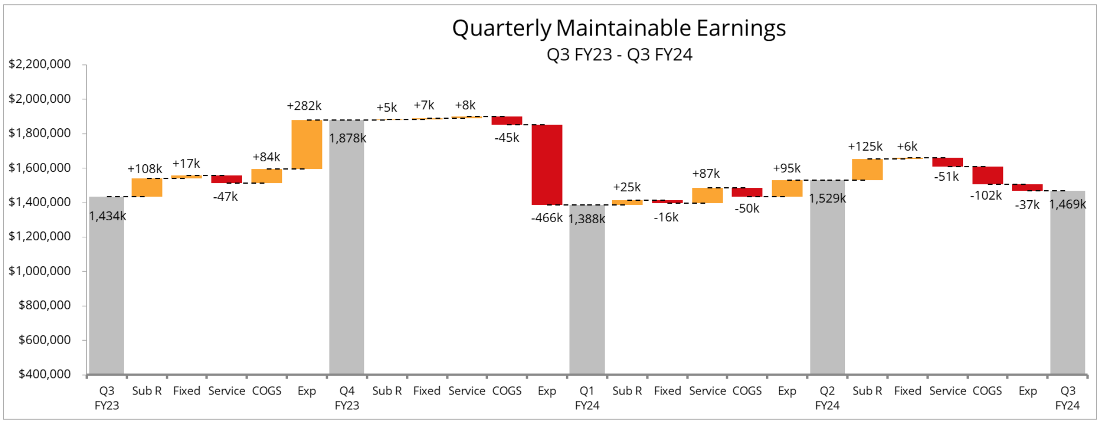
As mentioned in the recent ASX announcement, most of the variable component of Management's remuneration is now set against DMEPS and RGS.

For Q3 FY24, DMEPS decreased by 4% to 0.15 cents. Maintainable Earnings decreased by 4% to $1.47m, down from $1.53m from the previous quarter.

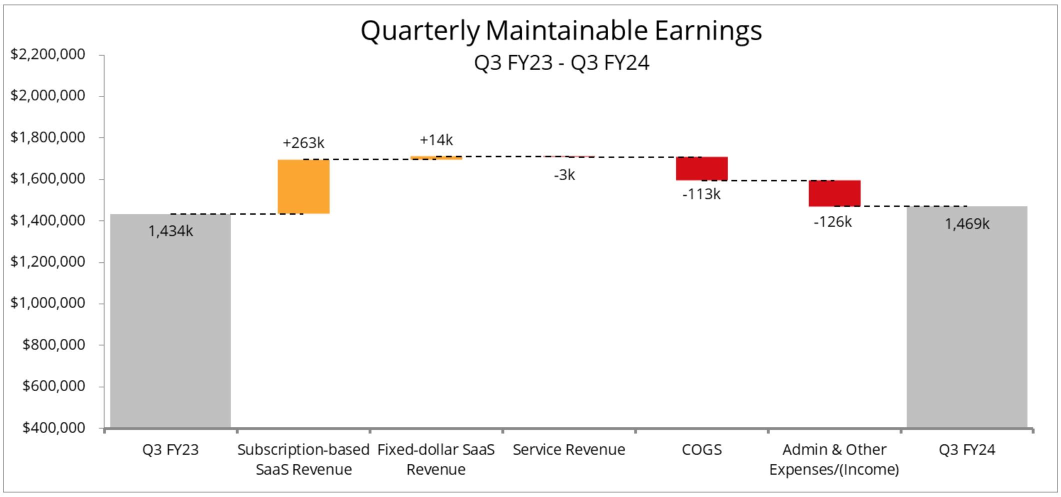
The rolling one-year RGS is 200%. Per previous reports, we expect this to decrease and continue to expect further decline in future quarters, as the historically low Growth Spend through FY22 rolls off. In the coming quarters, RGS will decrease as the denominator of Growth Spend increases.

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.



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Growth Spend

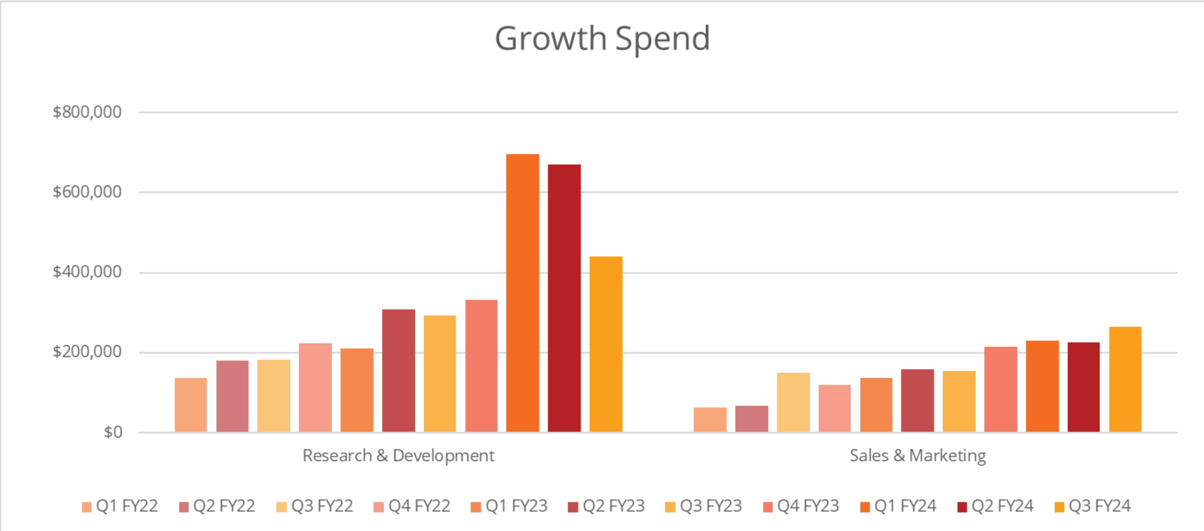
Connexion's Growth Spend consists of discretionary Research & Development plus Sales & Marketing expenditure, and is generally expensed as incurred.

In Q3 FY24, our Research & Development expenditure decreased, and Sales & Marketing expenditure increased over the prior quarter, by 34.1% and 16.9% respectively.

The decrease in Research & Development expenditure relates to the culmination of several upgrades to features and products, which had significant costs in Q1 and Q2 FY24. These upgrades were reported in our previous Quarterly Report, in our Product Enhancement section.

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 $0.76m, an increase of 20.6% 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 decreased throughout the Quarter, ending 3 cents lower.

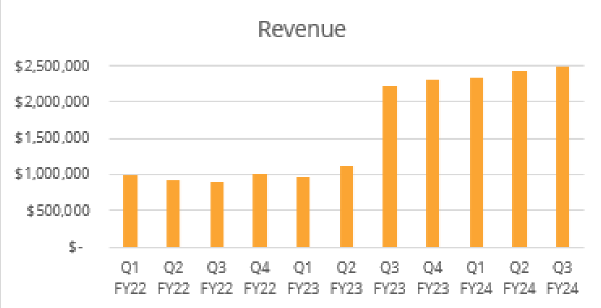
Generally speaking, a decrease in the AUD:USD has the following impact on Connexion:

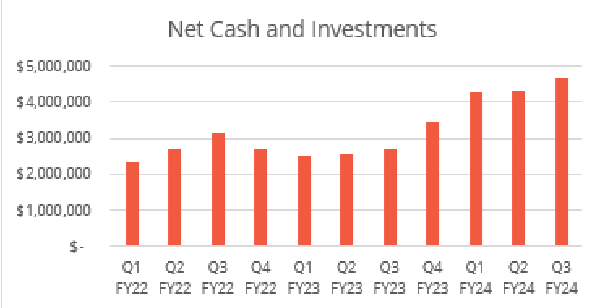
1. An immediate negative impact to our P&L via a decrease in the USD value of our AUD-oriented balance sheet.
2. A sustained positive impact to our P&L via increased Operating Cashflow over time.

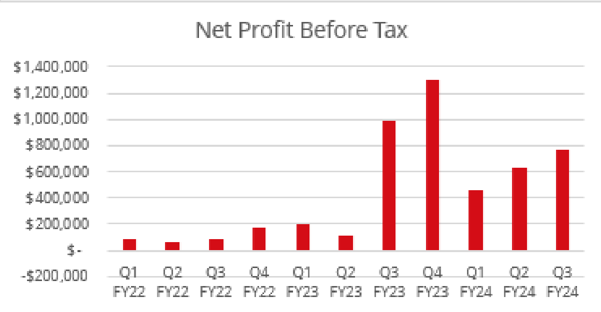
Both Board and Management continue to maintain a disciplined approach to costs, whilst reinvesting a large portion of Maintainable Earnings back into the pursuit of long-term growth.

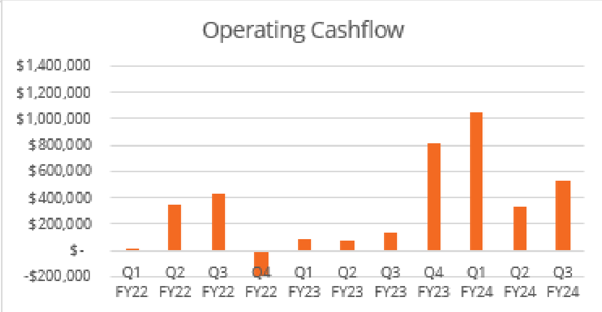
Net Cash and Investments increased by $0.37m, driven by Operating Cash Inflow of $0.53m, Investing Cash Outflow of $0.74m and Financing Cash Outflow of $0.04m. The remaining movement is attributable to the movement in AUD:USD, as explained above.

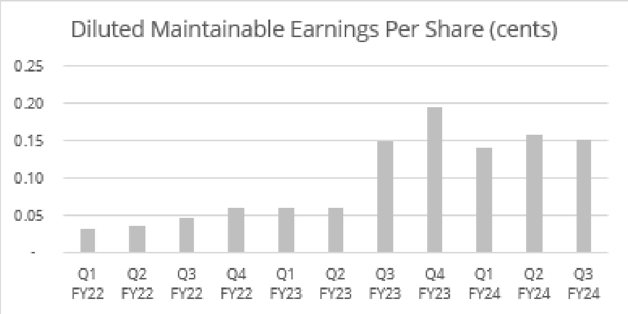
Below features a summary of our key financial metrics.











Corporate

During the Quarter, we continued investing in our human capital, expanding our Team by three FTEs. 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 financial metrics. 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.

Capital Management

It has been a while since we commented on the constituents of our investments. This is intentional, as our focus is squarely on our operating business. With that said, we appreciate that some Shareholders wish to better understand Connexion's balance sheet, hence the occasional update.

At quarter-end, Connexion held Net Cash and Investments of US$4.67m, most of which is held in AUD-denominated assets. In addition to our ordinary cash reserves, our pool of Investments also consisted of primarily (63.7%) cash and equivalents, such as the Betashares AAA ETF. The balance of our Investments portfolio consists of a widely diversified, and mostly liquid, sub-portfolio of 25+ managed funds – mostly focused on various forms of fixed income. Over the past twelve months, our aggregate Investments portfolio, i.e. cash plus managed funds, delivered a consistent return of approximately 7.50% per annum.

Our priority is to deploy balance sheet resources into our operating business, where we have confidence of earning an acceptable Return on Growth Spend. Beyond organic growth, we regularly seek and assess potential M&A opportunities. And as we wait for meaningful organic and M&A-related opportunities, we are likely to continue investing passively, as we have done to date. Our mix of investments may change at any time, without notice.

Share Buyback

During the Quarter, Connexion repurchased 3.2m shares at an average price of A$0.02 per share. Across all its buyback initiatives, Connexion has repurchased approximately 130m 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.

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Ends

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

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About Connexion Mobility

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.