CONNEXION

ASX Announcement
19 July 2024

Quarterly Update

For the Quarter Ended 30 June 2024

- **Marketplace subscription growth emerging**
- **New customer brands added at dealership-level**
- **Commercial Partnership signed with leading ridehail technology provider**
- **All reported figures are unaudited and in USD, unless otherwise stated**
- **Q4 Revenue of $2.6m → +4% over prior quarter**
- **Q4 Gross Profit of $1.92m → +1% over prior quarter**
- **Q4 Maintainable Earnings of $1.56m → +6% over prior quarter**
- **Q4 Net Profit Before Tax of $0.8m → +6% over prior quarter**
- **Q4 Operating Cashflow of $0.55m → +6% over prior quarter**

Connexion Mobility Ltd ("Connexion" or the "Company") is pleased to provide an update on its activities for the quarter ended 30 June 2024 ("Q4 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 Q4 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. Increased Growth Spend across R&D and Sales & Marketing

Gross Profit increased 1% quarter-on-quarter ("Q-o-Q"), to $1.92m.

Maintainable Earnings increased 6% Q-o-Q, to $1.56m.

Net Profit Before Tax ("NPBT") increased 6% Q-o-Q, to $0.8m.

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

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, and we see our Growth Spend increasing in FY25 as we invest in our expanding product suite.

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 proprietary Marketplace.

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

Operations

Team

During the Quarter, we continued investing into our Team by adding three and a half FTEs, in the form of two new Developers, one Assistant Project Manager and one HR Coordinator. Our increased headcount strengthens our operational team through the creation of multiple platform teams and the continued development of new products, mentioned in prior quarterly reports.

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, development effort was spread broadly across Marketplace, OnDemand, Paid Rental, Reporting & Analytics, Continuous Improvement, and various integrations.

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 OEM/Dealer events, complemented by the adoption of our new internal product discovery tool.

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 customers, our internal sales traction continued to improve, albeit off a low base. During the quarter, over twenty unique product sales (net new subscriptions or trials) were recorded, compared with just a handful in the prior quarter.

Whilst direct-to-dealer revenue is immaterial today, it is growing, along with overall dealership engagement.

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 and trial subscriptions to 46, at quarter-end. Revenue continues growing off a low base, with heightened demo activity at quarter-end.

- Quickride: subscriptions remain well below target, with the most common negative feedback being that the product is more of a "nice to have", than an outright necessity. We are working on ways to address this, although the stand-alone viability of this product is in question.

- UVeye: in the prior quarterly report we highlighted this new partnership. Integration work continued, with beta-testing launched at time of writing.

During the Quarter, we entered into a commercial partnership with one of the world's leading ridehail technology providers to support the upcoming launch of Connexion's OnDemand product with technological, operational and go-to-market collaboration.

More than ever, the best automotive retailers strive for those seamless and delightful experiences that make their customers feel truly valued along the way. Whether during a sales or service interaction, multiple modes of transport are an inescapable part of that customer journey.

Our mission is to be the single platform through which our customers move people, parts and vehicles – and Connexion OnDemand ties this all together.

To ensure a truly world-class customer experience, we are excited to work closely with our Ridehail Partner – a true pioneer in connecting the physical and digital worlds, helping to make movement happen at the tap of a button.

Connexion OnDemand is the result of significant effort from a dedicated, internal team, over twelve months, and serves as an example of the output generated by Connexion's growth spend.

For reasons of commercial confidentiality, we are not in a position to name our ridehail partner at this time, however once OnDemand passes testing and is available for general sale, we can and will disclose that information.

During the Quarter, Connexion OnDemand progressed to Pilot stage. Whilst technical testing is on track, subscriptions have been slow, with one of the major factors being friction in the subscription process which, in turn, is linked to a tax consideration. Final tax considerations were flagged in the ASX announcement dated 16 April 2024 as a potential source of delay, and we continue to work through these.

We are working behind the scenes with these 3rd 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 all three Revenue streams, being Subscription Revenue, SaaS Revenue, and Service Revenue.

The Company recognised total revenue during the Quarter of $2.6m, being a 4% increase over the prior quarter. This is another record quarter for the company, with the seventh consecutive quarter of increased revenue.

For the year-ending, total revenue increased to $9.8m. This is an increase of 32%, up from $6.6m from the previous year.

Subscription and Fixed-dollar SaaS Revenue increased by 2% and 1%, respectively, over the prior quarter, with Subscription Revenue once again reaching all-time highs. Service Revenue had an increase over the prior quarter by 26%.

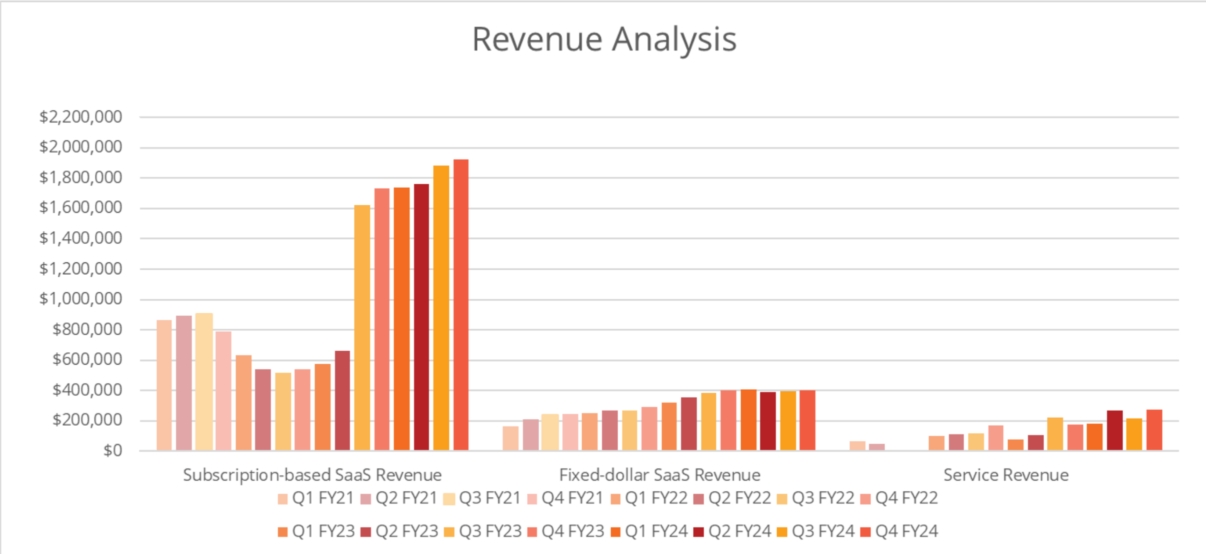
Revenue

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.

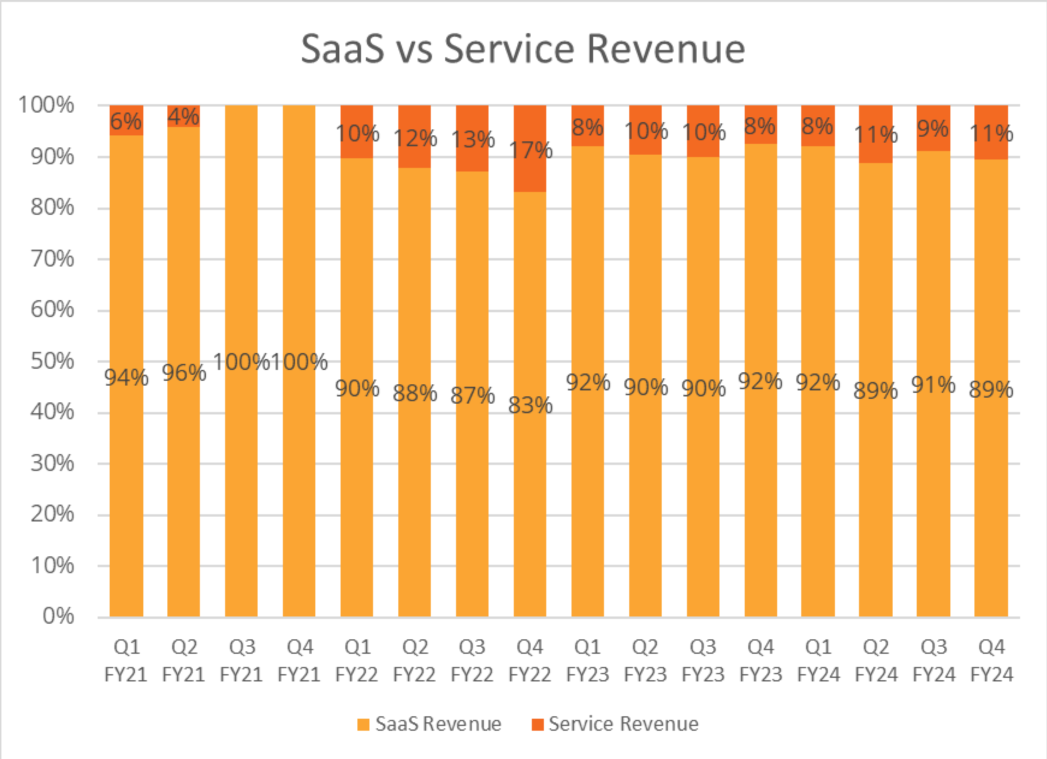
Below, we present the revenue categories from FY21 onwards.



Subscription-Based Revenue increased to $1.92m. Notably this is the tenth consecutive quarterly increase since Q3 FY22.

Fixed-dollar SaaS Revenue increased 1% compared with the prior quarter, from an annualised run rate of $1.58m in Q3 FY24 to $1.59m in Q4 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 FY24 remuneration was set against DMEPS and RGS.

For Q4 FY24, DMEPS increased by 7% to 0.16 cents. Maintainable Earnings increased by 6% to $1.56m, up from $1.47m from the previous quarter.

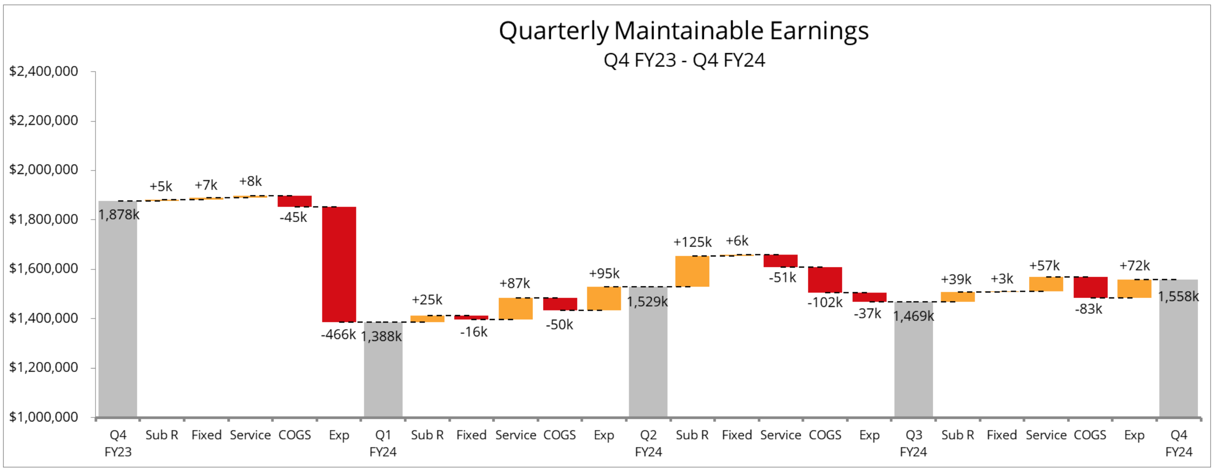
For FY24, DMEPS increased by 0.15 cents, from 0.47 cents to 0.62 cents. This is an increase of 32%. Maintainable Earnings have increased by 35% to $5.94m, up from $4.4m from the previous year.

The rolling one-year RGS is 85%. Per previous reports, we expected RGS to decrease to approximately 85%. Cycling off a significant increase in profitability, RGS is projected to decline in future quarters, though at a slower rate compared to previous quarters. In the coming quarters, RGS will decrease as the denominator of Growth Spend increases.

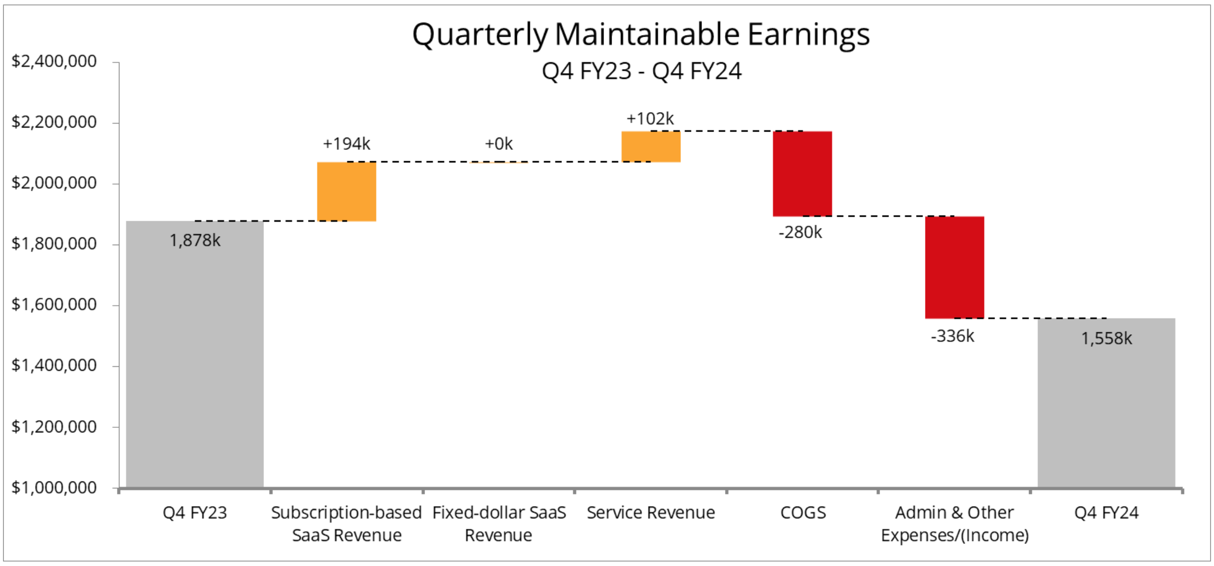
Management notes that for software companies building recurring, B2B revenue streams, an average RGS below 100% is almost universal, as customer cohorts typically deliver revenue for many years after the major associated cost is spent - being the initial cost to build the product and acquire the customer. 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.

In Q1 FY25, we will transition to publishing more conventional financial metrics. such as Diluted EPS growth, Annualised Monthly Recurring Revenue ("AMRR") growth, Customer Diversification and Shareholder Returns. We will phase out our public use of the Maintainable Earnings, DMEPS and RGS metrics.

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.



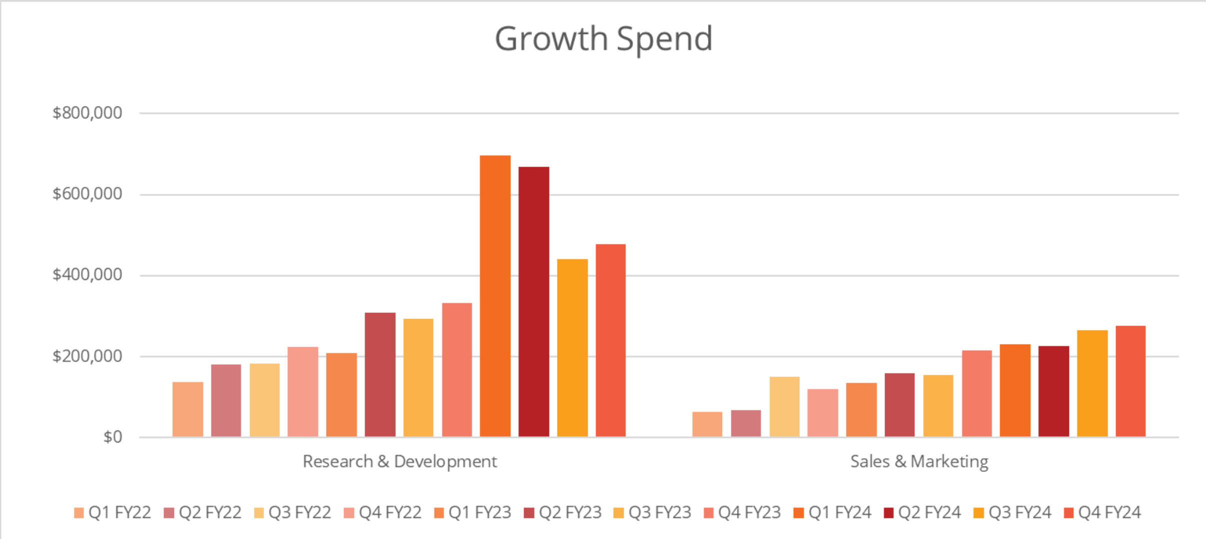
Growth Spend

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

In Q3 FY24, our Research & Development and Sales & Marketing expenditure increased over the prior quarter, by 5.3% and 5.4% 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 $0.8m, an increase of 6.4% over the prior quarter. The movement when compared to the prior quarter reflects the increase in revenue, and decrease in corporate expenses.

The AUD:USD exchange rate <u>increased</u> throughout the Quarter, ending 2 cents lower.

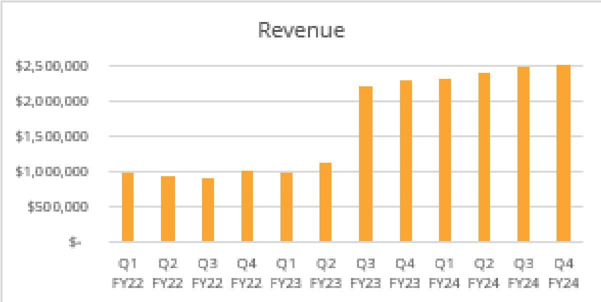
Generally speaking, an <u>increase</u> in the AUD:USD has the following impact on Connexion:

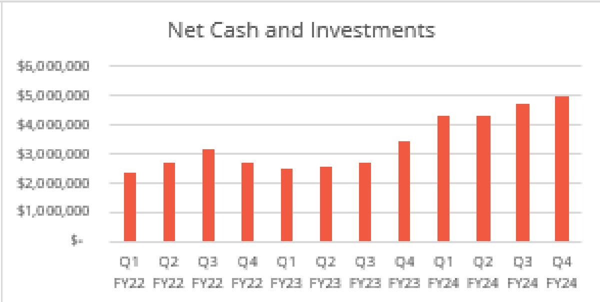
1. An immediate positive impact to our P&L via an increase in the USD value of our AUD-oriented balance sheet.
2. A sustained negative impact to our P&L via decreased Operating Cashflow over time.

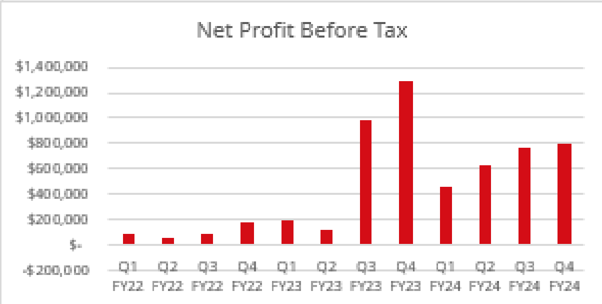
Both Board and Management continue to maintain a disciplined approach to costs, whilst reinvesting a large portion of Maintainable Earnings back into the pursuit of long-term growth.

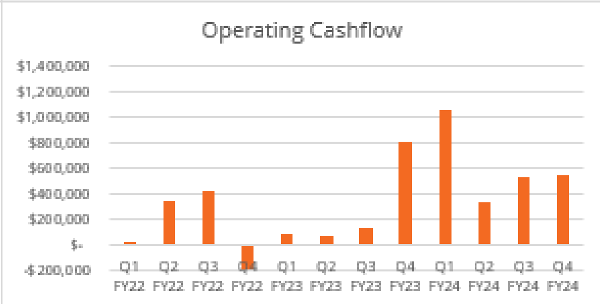
Net Cash and Investments increased by $0.32m, bringing total Net Cash and Investments to $5m at the end of the Quarter. This was driven by Operating Cash Inflow of $0.55m, Investing Cash Outflow of $0.09m and Financing Cash Outflow of $0.42m. The remaining movement is attributable to the movement in AUD:USD, as explained above.

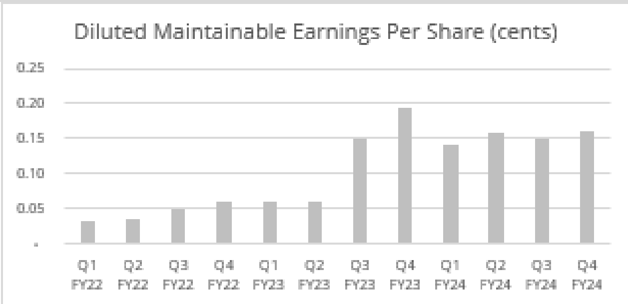
Below features a summary of our key financial metrics.











Remuneration Update

The Board has conducted a review of the remuneration framework (including STI and LTI incentive programs), and a decision was made in line with contemporary practice to introduce performance milestones based on more conventional metrics, such as Diluted EPS growth, AMRR growth, Customer Diversification and Shareholder Returns.

Given our strong balance sheet and ample liquidity, the FY25 remuneration structure will comprise fixed remuneration and STIs/LTIs delivered in cash. The Board does not intend to grant any equity securities such as performance rights, thereby avoiding dilution for our Shareholders.

The Board notes that Connexion's CEO, CFO and COO are all significant shareholders in Connexion, and think like owners of the business in making decisions in the best long-term interests of the Company.

Corporate

During the Quarter, we continued investing in our human capital, expanding our Team by three and a half FTEs. Our hiring efforts support our OnTRAC and Connexion product roadmaps, as well as all new initiatives.

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

At quarter-end, Connexion held Net Cash and Investments of US$5m, most of which was held in AUD-denominated assets. In addition to our ordinary cash reserves, our pool of Investments also consisted of primarily (47%) cash and equivalents, such as the Betashares AAA ETF. The balance of our investment portfolio consisted 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 Investment portfolio, i.e. cash plus managed funds, delivered a consistent return of approximately 7.50% per annum. Post quarter-end, we conducted an annual portfolio rebalance, reducing our cash-weighting to 13%. This considers our projection of continued cash inflow from our operating business, and the opportunity cost of holding cash.

Our priority is to deploy capital into our operating business, where we have confidence of earning an acceptable Return on Growth Spend. Beyond organic growth, we regularly source and assess M&A opportunities. While we search for attractive 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 23.3m shares at an average price of A$0.0274 per share. Across all its buyback initiatives, Connexion has repurchased approximately 154m shares between A$0.01-0.028 per share.

A crude assessment is to consider reversing the decision and selling our repurchased stock today. Since inception in 2022, Connexion would record a 73% cash-on-cash return, or +A$2m.

However, this ignores that most of the value of a well-executed buyback continues to be generated in the future. So far, our investment has increased our Earnings Per Share by 16.2%, into perpetuity. Should Connexion's growth continue, the value of this initiative will grow significantly over time (16% of a much larger future EPS will be worth more than 16% of today's EPS), even without any further buybacks. Such is the beauty of a permanent reduction in shares outstanding executed at an attractive price.

Importantly, our capital management initiatives are designed to not constrain our organic investment initiatives. It is only after our projected internal growth initiatives are fully funded that we turn to alternative uses for any excess capital, such as dividends, buybacks, M&A, and so on.

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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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.