

**Quarterly Update**  
**For the Quarter Ended 30 June 2021**

- **Ongoing customisation and enhancements made to the OnTRAC platform**
- **GM OnTRAC base contract renewed for 5 years**
- **Launch of CXZTRAC platform ahead of schedule**
- **Continued progress made on Company strategic objectives**
- **Total Q4 Revenue of \$1.34m**
- **Q4 unaudited Net Loss Before Tax of \$33k**
- **Preliminary unaudited Net Profit Before Tax of \$650k for FY21**
- **Cash receipts delivered unaudited positive Free Cashflow of \$655k for FY21**
- **Working Capital increased to \$4m**
- **Appointment of Mr Ben Stanyer as Group Financial Controller**

Melbourne, Australia: Connexion Telematics Ltd (“Connexion” or the “Company”) is pleased to provide an update on its activities for the quarter ended 30 June 2021 (Q4 FY21).

## **Operations Summary**

The Company continues to provide its Software as a Service (SaaS) solution, OnTRAC, for General Motors’ (“GM”) Courtesy Transportation Program and Cadillac’s Courtesy Transportation Alternative, hereafter referred to collectively as “CTP”.

As announced to Shareholders during the quarter, Connexion’s contract with General Motors for the provision of its OnTRAC platform was extended for five years. For many reasons, this is a very pleasing outcome, and testament to the quality and dedication of the Connexion Team.

Despite this good news, Connexion delivered a weaker than usual set of financial results for the quarter, primarily due to the initial impact of the global semiconductor shortage on global vehicle inventories and, by extension, CTP fleet volumes.

In rapid response to this change in market conditions, Connexion delivered a successful commercial launch of its new platform - CXZTRAC.

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Designed to be Connexion's OEM-agnostic platform, CXZTRAC was launched ahead of schedule in May for its second use-case, being a solution for GM and its Dealers to navigate the vehicle supply shortage. This platform was developed with the objective of generating sustained revenue even after normal levels of new vehicle supply resume.

Consistent with the update to Shareholders on 26 May 2021, the Company anticipates that the speed and success of this product launch will largely offset the negative impact of the global semiconductor shortage across FY22. Whilst reliable forecasts for the resumption of normal vehicle supply are unavailable, the Company notes that most manufacturers and market commentators currently expect this to occur throughout 2022, but not before.

Notwithstanding a volatile external environment for vehicle inventories, Connexion continues to make progress with its own initiatives, evidenced by its growing pipeline of customisation work and recurring revenues, the launch of CXZTRAC, and of course the 5-year General Motors renewal.

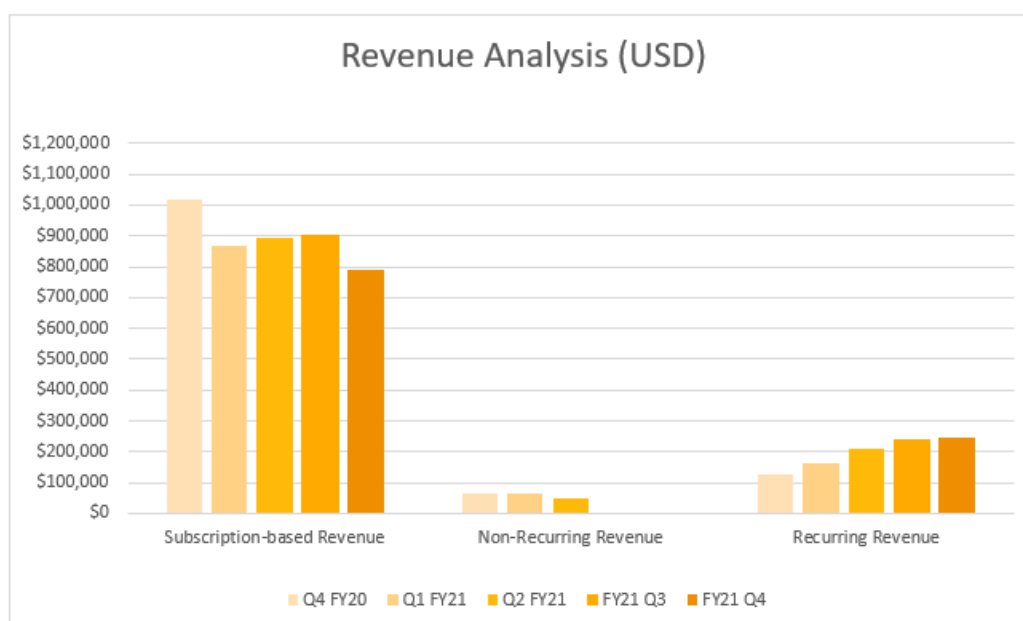
Connexion remains debt-free, generating recurring revenues with strong gross margins.

From a revenue perspective, Connexion's three main categories are:

1. **Subscription-based Revenue** – includes the OnTRAC and CXZTRAC Subscription Bases. OnTRAC revenue is linked to the maximum number of vehicles on the platform each month, whilst CXZTRAC generates a monthly fee per Dealer.
2. **Non-Recurring Revenue** – typically linked to one-off software customisation work.
3. **Recurring Revenue** – typically linked to previously performed customisation work, including support, analytics, and APIs.

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

Below, we present the revenue categories in USD:



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## Feature Enhancements

As further modification and feature requests driven by the circa 4,000 Dealerships lead to more platform enhancement work, Connexion's subsequent Recurring Revenues continue to increase along with the functionality of the platform.

The Company is confident of receiving further enhancement work revenue, as several customisations and feature requests for its OnTRAC software are ongoing.

## Customer Success Team

The recently appointed Customer Success Team continued with its mandate of developing a data-rich CRM to uncover the value of the Company's strategic asset, being its Distribution Network of ~22% of all franchised light-vehicle dealerships in the US.

## Relationship Expansion

Connexion continues to invest in growing relationships across the industry, with OEMs and potential commercial partners alike.

## APIs

Connexion has APIs live across two key Dealer Management System ("DMS") providers in the US. Focus on this rollout was superseded during the quarter by the CXZTRAC launch. Whilst the near-term revenue opportunity of the initial APIs is unlikely to be material, the Company expects to benefit both strategically and through feature enhancement in time.

## CXZTRAC

The Company devoted a material amount of resourcing to the development and launch of its white-label product, CXZTRAC. CXZTRAC is a highly scalable platform designed for both non-GM and non-CTP use by Dealers. During the quarter, a meaningful number of GM Dealers became early adopters in a bid to navigate the semiconductor shortage with used fleets.

## Pilot Agreement - Tollaid

Post quarter-end, Connexion was pleased to execute a Pilot Agreement ("Pilot") with US automotive software company Tollaid LLC ("Tollaid").

The Pilot follows Connexion's strategy of partnering with high-quality software providers servicing the US automotive industry with products complementary to OnTRAC & CXZTRAC.

Based in Dallas, Texas, Tollaid supplies an innovative range of digital tools used today by fleet managers, including dealerships, to manage their toll payments in real-time across 8 states in the US.

Today, a significant portion of Connexion's Dealers regularly contend with the challenge of manually processing and recovering customers' toll-charges following the return of a courtesy or rental vehicle.

Through integration with Tollaid's technology, OnTRAC & CXZTRAC Dealers stand to benefit from reduced net tolling expenses and reduced time to process and recover payments.

The Pilot involves a range of risks, including technological risk and commercial adoption risk. There is no guarantee that the Pilot will lead to commercial success.

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## Financial Position

The Company's financial position is strong, and underpinned by the 5-year extension to its base GM contract achieved during the quarter.

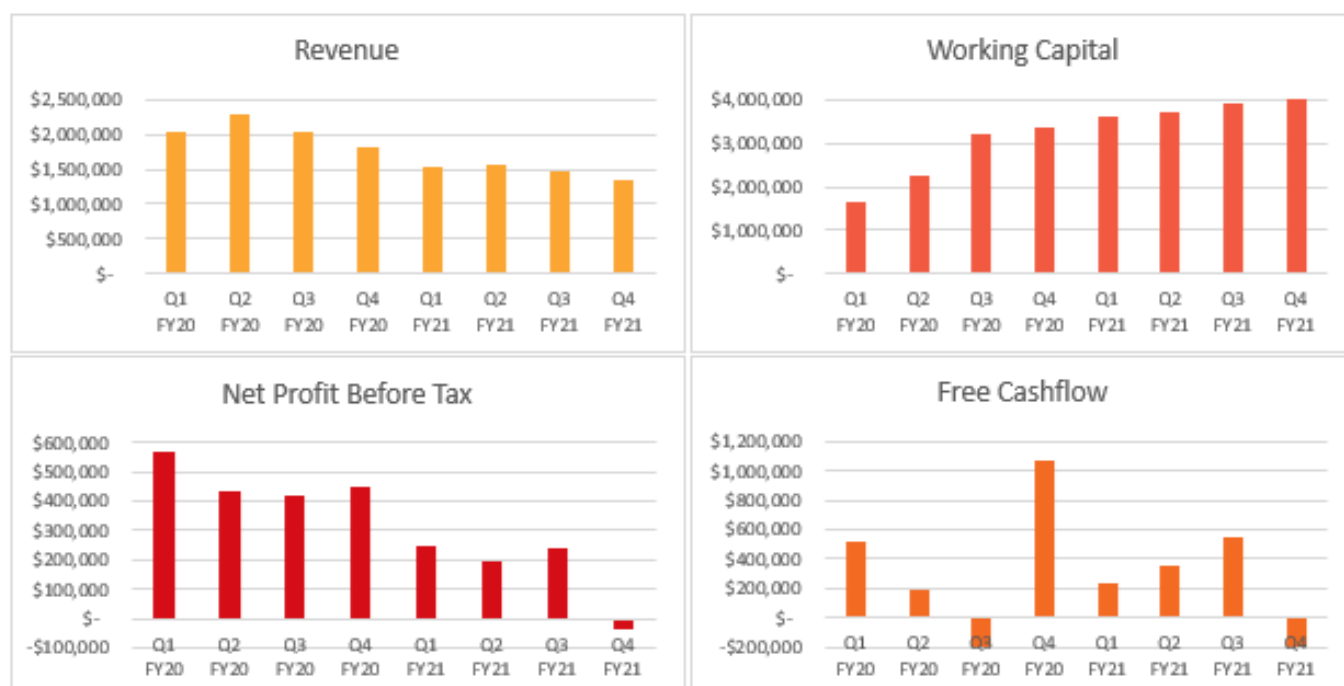
The Company's focus during the global semiconductor shortage is the challenge of minimising discretionary spending whilst balancing growth opportunity and organisational capability enhancements. The Company is well placed to profit should vehicle subscription numbers recover towards pre-pandemic levels.

The Company recognised total revenue during the quarter of \$1.34m, which was entirely subscription-based and/or recurring.

The Company recorded a quarterly unaudited Net Loss Before Tax of \$34k. Included in this result is the recognition of \$140k of performance rights and other employee benefits as key criteria were met at the end of the financial year. Working capital moved favourably during the quarter, increasing to \$4m. The AUD:USD exchange rate held steady during the quarter.

Both Board and Management continue to maintain a highly disciplined approach to costs, whilst reinvesting a growing portion of Gross Profit ("GP") back into the business in the pursuit of long-term growth.

Below features a summary of our key financial metrics in AUD:



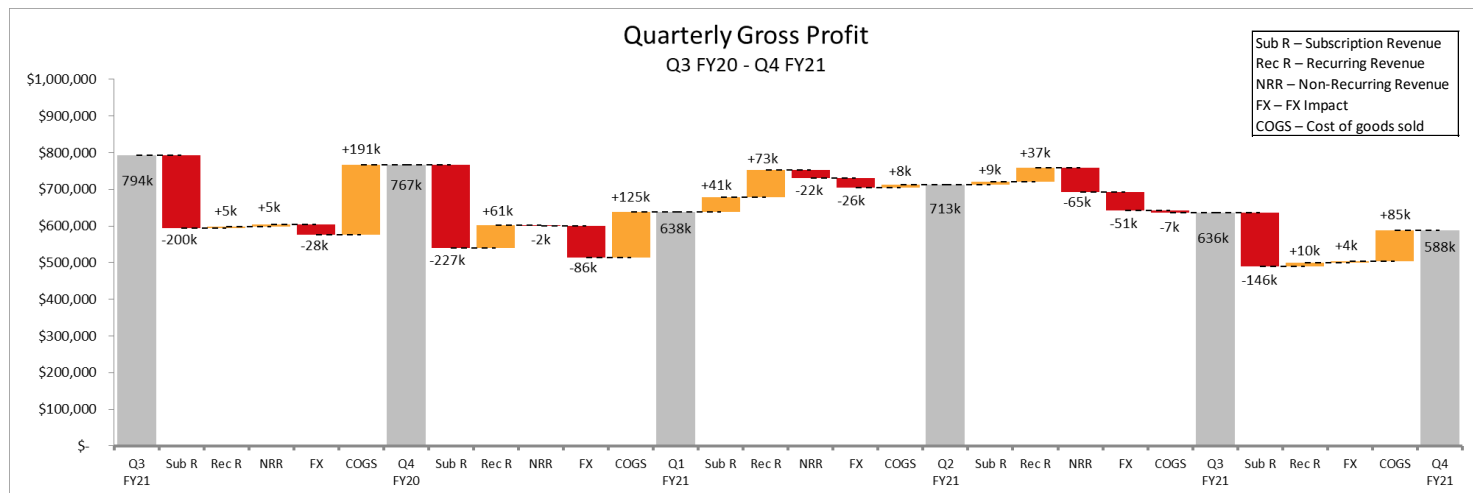
Ever-changing market conditions will always present either a headwind or a tailwind. More certainly, however, it is the Company's underlying performance that will determine its long-term success.

In this regard, we continue to expand the analyses offered to Shareholders to enable these

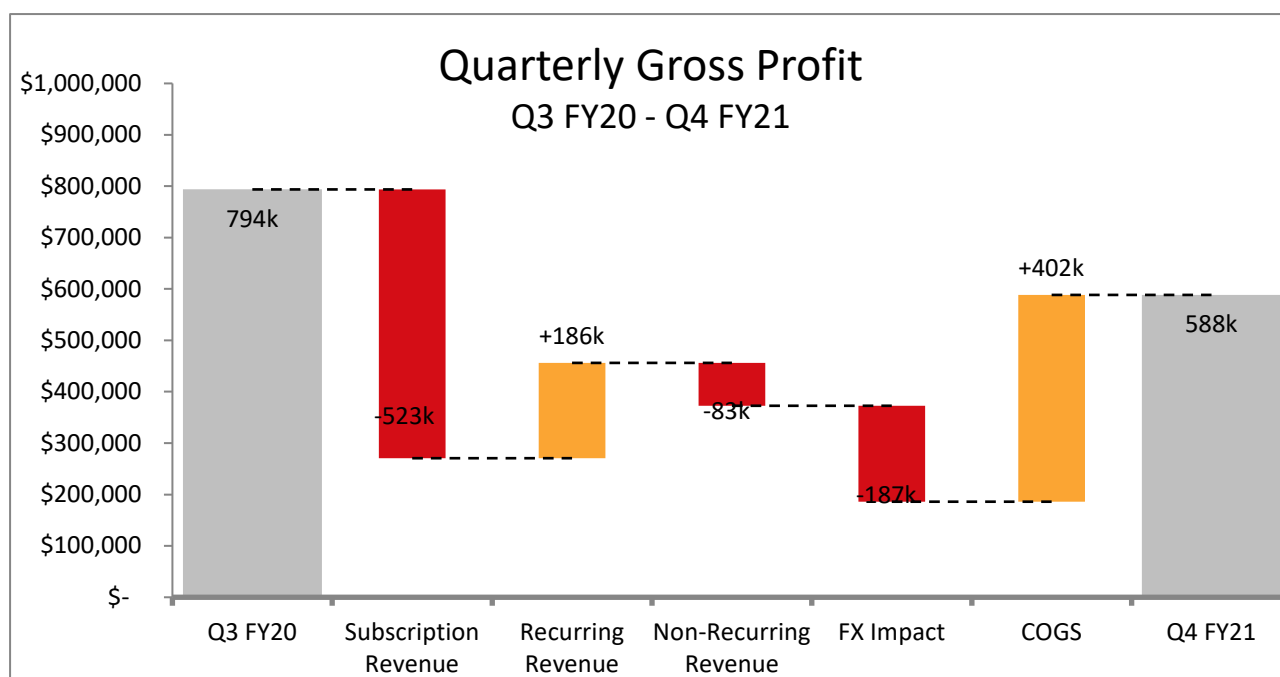
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observations, specifically since COVID-19.

Below is a summary of the key impacts to Quarterly Gross Profit over the past 15 months in AUD:



Below are the combined key impacts to Quarterly Gross Profit over the past 15 months in AUD:



Over the past 15 months, the Company has adapted its operations according to external factors. Most notably, the global semiconductor shortage, in turn sparked by the pandemic, directly and materially impacted Subscription Revenue and GP in Q4 FY21.

Another significant and negative influence on GP over time has been the weaker USD (vs the AUD), as all commercial revenue is denominated in USD. The Company demonstrated its resilience by generating greater Recurring Revenue and reducing Cost of Goods Sold where possible.

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The Company's agility was most notable in Q4 FY21 in response to the accelerating impact of the semiconductor shortage, whereby it profitably launched CXZTRAC ahead of schedule.

## Strategy

Connexion is employing a strategy described by a16z Partner Chris Dixon as *"Come for the tool, stay for the network"*.

Connexion's "tool" is its telemetry-enabled mobility platform that streamlines fleet management at automotive dealerships.

Connexion's "network" is framed by its Distribution Network of ~22% of all franchised light vehicle dealerships in the US. Beyond its value as a B2B consumer of technology, this network holds a material supply of assets in the form of vehicles (upon which Connexion has direct visibility), real-estate, and knowledgeable personnel, that are available to transact with the demand side of the equation, in the form of consumers (of both vehicle sales, rentals and subscriptions), and other 3rd party hardware, software and service partners.

When playing this long game, the "tool" is like the kindling. It is first the distribution and stickiness of the tool that is critical, rather than early (or, in some cases, any) optimisation of its profitability. There is always room for optimisation later, particularly if the product generates revenue for its user, as we are intending to do with our long-term ambition of being a critical "Connexion" between Dealers and Consumers.

Increasingly, many software companies price their "tool" as a loss-leader or, in some cases, even distribute it for free, to rapidly build a valuable network. Connexion is fortunate to already be profitable based on its initial "tool".

It is in this context that we have previously described Connexion as benefitting from two main drivers of value:

- **Economic Value** (OEM Sales Strategy and Dealership Sales Strategy); and
- **Strategic Value** (building and commercialising the strategic value of our OEM and Dealership Networks).

Connexion's Economic Value grows over time through the successful execution of its *"Embed, Integrate, Generate"* operating model, as applied to its core mobility platforms, OnTRAC and CXZTRAC.

The launch of CXZTRAC to multi-franchise Dealers underpins Connexion's sales strategy, further growing Economic Value.

Commercial Partnerships will be key to commercialising Connexion's Strategic Value. The Company is in the early stages of exploring numerous commercial partnerships. Whilst there is no guarantee that any level of success will be achieved, the observed opportunity set is large.

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## Corporate

During the quarter, the Company continued to meaningfully invest in its human capital, securing hires in the form of its Group Financial Controller, two Full Stack Developers and a Quality Assurance Tester, along with additional QA consulting support. This further follows numerous key appointments made in the prior quarter.

Naturally, the Company's investment in human resources will continue to impact its profitability in the near term as it pursues what is a material long-term growth opportunity in the US. To date, the current Board and Management have successfully demonstrated a highly disciplined approach to the management of Shareholder capital, and this will continue as the Company invests for growth.

From a reporting perspective, the Company advises that, whilst it has been relieved by the ASX of its obligations to publish a Quarterly Activities Report and 4C Quarterly Cashflow statement, it will continue to publish Quarterly Updates to keep Shareholders regularly informed of its progress.

## Outlook

As referenced earlier, the Company expects to continue seeing a dampened number of vehicles on our platforms whilst the global semiconductor shortage remains in play.

Subscription numbers aside, Connexion continues to build upon its recurring revenue stream through platform feature enhancements that are valued by its large Franchised Dealership Network, together with its new CXZTRAC platform.

Beyond this core function, the Company is actively executing on previously referenced investment initiatives in pursuit of what is a material long-term growth opportunity in the US. The Tollaid Pilot represents the first formal example of what the Company expects to be multiple Commercial Partnerships over time.

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 Telematics Ltd

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

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