

28 April 2020

Quarterly Activities Report For the quarter ended 31 March 2020

- Q1 COVID-19 Impact on the business is currently minimal.
- GM's OnTRAC CTP/CTA subscription base consistently maintained at over 70k vehicles per month for the quarter
- Total Q3 revenue exceeded budget by 17.6%, consistent with prior quarters, at \$2.0m.
- Significant ongoing customisation and improvements to the OnTRAC program
- Cash receipts of \$1.4m and an unaudited net profit after tax of \$426k for the quarter
- Substantial increase in working capital position to \$3.3m

Melbourne Australia: Connexion Telematics Ltd (“**CXZ**” or the “**Company**”) is pleased to provide an update on its activities and cash flows for the quarter ended 31 March 2020 (Q3 FY20).

COVID-19

COVID-19 has presented an unexpected and significant challenge to the economy and our priority remains ensuring the safety of our staff, suppliers and supporting General Motors (“**GM**”) and its Dealership network. At this stage, no staff have been affected by COVID19.

Despite the economic impact of COVID-19, CXZ continues to perform strongly with a robust pipeline of ongoing consulting work and increasing recurring revenues from GM. CXZ is uniquely positioned, which mitigates the impact of COVID-19, because its primary revenue source is based on the maximum number of vehicles managed online and not on the number of sales of vehicles in a given month, which have been affected due to COVID-19.

It should also be noted that revenues generated by the Company are in USD and, as such, the Company has been fortunate to benefit from the strengthening of the USD against the AUD.

CXZ continues to be debt free, revenue-generating and profitable.

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Operations Summary

The Company delivered a strong set of quarterly numbers against a backdrop of economic uncertainty that emerged during March 2020 with COVID-19. The Company continues to provide the Software as a Service (SaaS) solution for the Courtesy Transportation Program (“CTP”) and Cadillac Courtesy Transportation Alternative (“CTA”), OnTRAC for GM.

OnTRAC vehicle subscriptions via the GM dealerships averaged over 70,000 vehicles for the quarter, consistent with the prior quarters. As more customisation work, driven by the 4,000+ Dealer Network, drives further modification requirements, the recurring revenues from both the OnTRAC program together with new recurring revenues continues to increase.

The Company recognised total revenues of \$2.0m which was 17.6% over budget including customisation improvement works for GM of \$274k. The program has been strongly adopted within the GM B2B dealer business system. The Company is working with GM through ongoing customisation and improvements work to the OnTRAC program.

The Company is confident of receiving further customisation work requests, as demonstrated in Q3 FY20. A number of modification and feature enhancement requests for the OnTRAC program are ongoing.

The Company has ceased providing usage of its Commercial Link (“CL”) subscription base solution in the US, Canada and Mexico. As reported previously, this program has been phased out during Q3 FY20 with GM’s focus turning to OnTRAC. The Company has completed work with GM on the transition of CL.

The financial position and performance of the Company continues to strengthen, building on the positive momentum achieved in the previous quarters. The Company continues to be profitable and cashflow positive. The Company has identified a growth strategy which commenced in the quarter. This will result in a Business Development Manager being sourced to lead the US operation and gain the maximum return from the existing and potential customer base in delivering equivalent OnTRAC programs.

The subscription revenues are expected to continue with a monthly run-rate in the order of \$550k - \$600k per month with sustainable operating margins. This will be marginally affected by COVID-19.

Financial Position

The Company’s cash receipts for the quarter totaled \$1.4m, however, as noted in the Appendix 4C a further \$1.2m in cash receipts from customers was received on 1 April 2020. The cash position of \$1.5m as at 31 March 2020 was consistent with the prior quarter (31 December 2019: \$1.6m). Including the cash received on 1 April 2020, the Company’s cash position subsequently rose to \$2.7m.

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In addition, net receivables increased by \$1.0m, resulting in a 43% increase in the working capital position of the Company to \$3.3m as at 31 March 2020. The Company recorded an unaudited net profit before tax of \$426k for the quarter, which excludes the Research & Development tax incentive rebate of \$180k that was received in March 2020.

Q3 FY20 featured steady activity allowing the Company to optimise its operating costs while exploring other revenue opportunities that may exist for its products across the 4,000+ GM and Cadillac dealers network.

Costs for Q3 FY20 included \$262K of salary and wages and \$283K of general overheads. The Board continues to rationalise costs to enhance the Company's profitable and cashflow positive financial operating performance.

Details regarding payments to related parties or their associates as detailed in Section 6 of the attached Appendix 4C are as follows:

- Payments totaling \$9,033 (incl. GST) were paid to Mine Site Construction Services Pty Ltd, a company related to Mr Mark Caruso, for directors' fees and superannuation on directors' fees
- Payments totaling \$3,333 were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services

Outlook and COVID-19

CXZ is currently minimally impacted by COVID-19 due to its primary revenue source being based on the maximum number of courtesy vehicles managed online in any given month. However the volume of GM dealers' monthly vehicle sales has been affected by COVID-19 and, if that persists, it will likely have a follow on impact to the number of vehicles under CTP/CTA subscription. It is important to note that any impact will not be linear and is currently not ascertainable. CXZ is paid based on the maximum number of vehicles that are "on the shelf" (OnTRAC) in any given month, not on how many are sold by dealerships. At this stage, the CTP/CTA OnTRAC program continues to run normally.

Car Dealerships are considered an essential service in the US and at this stage are remaining open. Due to COVID-19, we have already seen a 5% drop in the number of vehicles under subscription in the month of April. Should this restricted environment persist, the Company expects that the level of subscriptions may fall a further 10%-15% through the months of May and June.

The Company continues to build on its flagship OnTRAC SaaS CTP/CTA program solution within the GM 4,000+ dealership network. The OnTRAC program currently has over 10,000 unique users accessing the system which consolidates its use across the GM dealer network. With customisation work currently in hand, CXZ will continue to drive both consulting and new recurring revenues.

The Company continues to actively pursue opportunity for growth within the current GM dealership network, as well as for external applications to other manufacturer vehicle dealerships within the USA and Australia.



Ends

Issued by: Connexion Telematics Ltd.

Authorised by: The CEO/Managing Director and the Company Secretary

Queries:

Guy Perkins

Chief Executive Officer and Managing Director

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Connexion Telematics Ltd

ABN

68 004 240 313

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A	Year to date (9 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers (see below note)	1,365,842	5,076,888
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,231,093)	(3,162,320)
(c) advertising and marketing	(2,090)	(6,630)
(d) leased assets	-	-
(e) staff costs	(293,805)	(808,591)
(f) administration and corporate costs	(302,063)	(849,781)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	180,212	180,212
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities (see below note)	(282,997)	429,778

Note: Receipts from customers

On 1 April 2020, the Company received a further A\$1,193,126 (US\$736,755) in cash receipts from customers.

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(7,309)	(11,708)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(7,309)	(11,708)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

Consolidated statement of cash flows		Current quarter \$A	Year to date (9 months) \$A
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,629,658	938,612
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(282,997)	429,778
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,309)	(11,708)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	198,839	181,509
4.6	Cash and cash equivalents at end of period	1,538,191	1,538,191

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A	Previous quarter \$A
5.1	Bank balances	1,538,191	1,629,658
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,538,191	1,629,658

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A
12,366
-

Payments totalling \$9,033 (incl. GST) were paid to Mine Site Construction Services Pty Ltd, a company related to Mr Mark Caruso, for directors' fees.

Payments totalling \$3,333 (incl. GST) were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

Not applicable.

8. Estimated cash available for future operating activities	\$A
8.1 Net cash from / (used in) operating activities (Item 1.9)	(282,997)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	1,538,191
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	1,538,191
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5 (see note on page 1)

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Not applicable.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Not applicable.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Not applicable.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28 April 2020

Authorised by: The CEO/Managing Director and Company Secretary

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.