

Quarterly Activities Report For the quarter ended 31 December 2019

- **GMs OnTRAC CTP/CTA subscription base consistently maintained at over 72k vehicles per month**
- **Monthly average total group subscription base of 77k vehicles maintained for the quarter**
- **Total revenue for the quarter increased 15% from previous quarter to \$2.3m including ongoing significant customisation improvements**
- **Cash receipts of \$1.9m and an unaudited net profit after tax of \$432k for the quarter**
- **Substantial increase in working capital position to \$2.3m**

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 December 2019 (Q2 FY20).

Operations Summary

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 General Motors ("**GM**").

OnTRAC vehicle subscriptions via the GM dealerships averaged over 72k for the quarter, consistent with the prior quarter. As more customisation work, driven by the 4,000+ Dealer Network, drives further modification requirements, we expect the subscription rate to gradually increase over the coming months with increasing awareness and ease of use of the OnTRAC program.

The Company recognised total revenues of \$2.3m for the quarter including customisation improvement works for GM of \$669k. The total YTD customisation and improvements work for the OnTRAC program is \$881k. The initial program has been strongly adopted within the GM B2B dealer business system. The Company is working with GM to optimise the operating software platform and program through ongoing customisation and improvements work to the OnTRAC program.

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The Company is confident to receive further customisation work requests, as demonstrated in this quarter. A number of ongoing modification and feature enhancement requests for the OnTRAC program are ongoing.

The Company has maintained steady usage in its Commercial Link ("CL") subscription base averaging 5k vehicles. However, as reported previously, this program is expected to be phased out in 2020 with GM's focus turning to OnTRAC. We are continuing to work with GM on the transition of Commercial Link.

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.

Financial Position

The Company's cash receipts for the quarter totaled \$1.9m. Cash position increased by 9% during the quarter to \$1.6m as at 31 December 2019 (30 September 2019: \$1.5m). In addition, net receivables increased by \$0.6m, resulting in 37% increase in the working capital position of the Company to \$2.3m as at 31 December 2019. The Company recorded an unaudited net profit before tax of \$432k for the quarter.

The current quarter features 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.

The Board continues to rationalise costs to enhance the Company's profitable and cashflow positive financial operating performance.

Outlook

The Company will continue 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.

The Company expects revenue paying subscriptions for OnTRAC to continue to maintain usage of over 70,000 monthly subscriptions. Ongoing optimisation and customisation work currently in hand will continue to drive both consulting and recurring revenues.

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

Ends

Issued by: Connexion Telematics Ltd

Authorised by: The Board of Connexion Telematics Ltd

Queries:

Guy Perkins

Chief Executive Officer and Managing Director

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Connexion Telematics Ltd

ABN

68 004 240 313

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
1. Cash flows from operating activities		
1.1 Receipts from customers	1,891,146	3,711,046
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,165,273)	(1,931,227)
(c) advertising and marketing	(3,340)	(4,540)
(d) leased assets	-	-
(e) staff costs	(244,641)	(514,786)
(f) administration and corporate costs (see note 4)	(285,561)	(547,718)
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	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	192,331	712,775

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Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,454)	(4,399)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(1,454)	(4,399)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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	-	-

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Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,494,532	938,612
4.2 Net cash from / (used in) operating activities (item 1.9 above)	192,331	712,775
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,454)	(4,399)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	(55,751)	(17,330)
4.6 Cash and cash equivalents at end of quarter	1,629,658	1,629,658

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	1,629,658	1,494,532
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)	1,629,658	1,494,532

6. Payments to directors of the entity and their associates	Current quarter \$A
6.1 Aggregate amount of payments to these parties included in item 1.2	70,450
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payment of Director's Fees, Director's Salary and Superannuation.

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7.	Payments to related entities of the entity and their associates	Current quarter \$A
7.1	Aggregate amount of payments to these parties included in item 1.2	5,635
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments totalling \$5,635 were paid to Dominion Legal Pty Ltd, a company related to Mr Robert Downey, for the provision of legal services.

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A	Amount drawn at quarter end \$A
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash flows for next quarter	\$A
9.1	Research and development	-
9.2	Product manufacturing and operating costs	(1,140,153)
9.3	Advertising and marketing	(8,090)
9.4	Leased assets	-
9.5	Staff costs	(285,114)
9.6	Administration and corporate costs	(312,721)
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	(1,746,078)

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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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.



Sign here:
Company secretary

Date: 30 January 2020

Print name: Peter Torre

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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