CONNEXION

ASX Announcement
18 October 2024

Quarterly Update

For the Quarter Ended 30 September 2024

- **Marketplace subscription growth emerging**
- **OnDemand positioned to progress from pilot to general launch**
- **Upcoming focus on User Engagement and User Insights to drive sales**
- **All reported figures are unaudited and in USD, unless otherwise stated**
- **Q1 Revenue of $2.65m → +2% over prior quarter**
- **Q1 Gross Profit of $1.88m → -2% over prior quarter**
- **Q1 Diluted Earnings Per Share ("EPS") of 0.045 US cents → -24% over prior quarter**
- **Q1 Net Profit Before Tax of $0.57m → -29% over prior quarter**
- **Q1 Operating Cashflow of $0.64m → +17% over prior quarter**

Connexion Mobility Ltd ("Connexion" or the "Company") is pleased to provide an update on its activities for the quarter ended 30 September 2024 ("Q1 FY25" 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 Q1 FY25 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. Decreased Growth Spend across R&D and Sales & Marketing

Gross Profit decreased 2% quarter-on-quarter ("Q-o-Q"), to $1.88m.

Net Profit Before Tax ("NPBT") decreased 29% Q-o-Q, to $0.57m.

Connexion's top priority is growing long-term Shareholder value, being a function of the size, sustainability, and diversification of diluted 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 strive 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

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.

Sales

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

Further, we are collaborating closely with Isuzu Finance North America on their proof-of-concept to test their new commercial rental product. Our engagement is on standard commercial terms, although it is unclear if Isuzu's own program will pass their proof-of-concept test and move to general launch. Even with a progression to general launch, this revenue stream is unlikely to be classified as material, although it would be a notable entry into an OEM ecosystem.

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

We continue to focus on improving our revenue diversification in five 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 commercial relationships with OEMs outside of our existing customers
4. Deepening commercial relationships directly with existing dealership customers
5. Initiating commercial relationships directly with prospective franchised dealerships

Commercial Partnerships

We update on our core 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. Steady revenue growth continues.

- 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. The stand-alone viability of this product is in question unless we can create meaningful differentiation, and we are working on ways to address this.

- UVeye: Integration work continued, with beta-testing underway at time of writing.

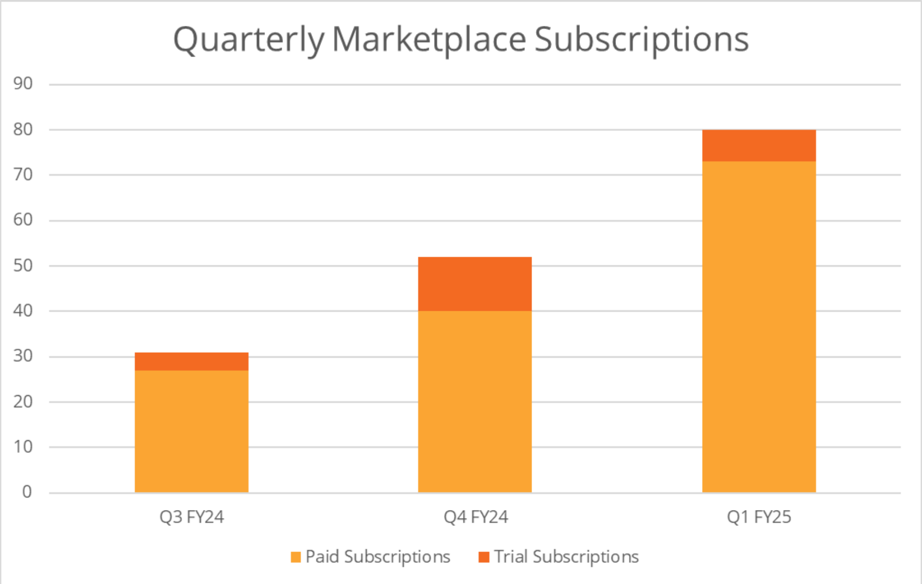
- Privacy4Cars: Integration work continued, with beta-testing scheduled for Q2 FY25.

- OnDemand: we are progressing through the pilot and, in collaboration with our Commercial Partner, are working towards a general launch. If we achieve general launch, more details will be available at that time.

Marketplace

Launched in H2 FY24, we are growing our Marketplace subscriptions each month, with improving performance. Internal dealer sales holds the largest opportunity for near-term improvement, given our already large userbase, and our small share of their software budget.

FY24 Sales & Marketing efforts highlighted a greater need for User-Product engagement, User insights, and new communication channels. In FY25, we are addressing this with our R&D spend, to drive sales.



Financial Position

Connexion's overall financial performance continued strongly during the Quarter, with steady growth in Subscription Revenue and SaaS Revenue. With one-off Service Revenue, decreasing when compared to the previous quarter.

The Company recognised total revenue during the Quarter of $2.65m, being a 2% increase over the prior quarter. This is another record quarter for the company, with the eighth consecutive quarter of increased revenue.

Subscription and Fixed-dollar SaaS Revenue increased by 3% and 6%, respectively, over the prior quarter, with both Revenue streams reaching all-time highs. Service Revenue had a decrease over the prior quarter by 14%.

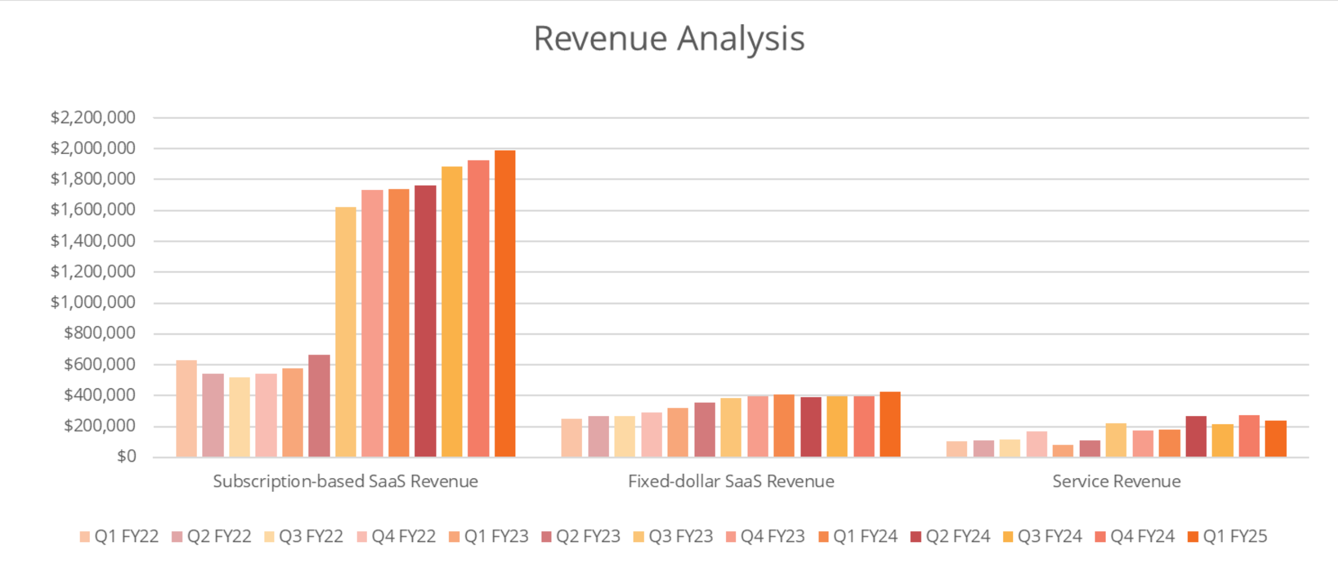
Revenue

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.

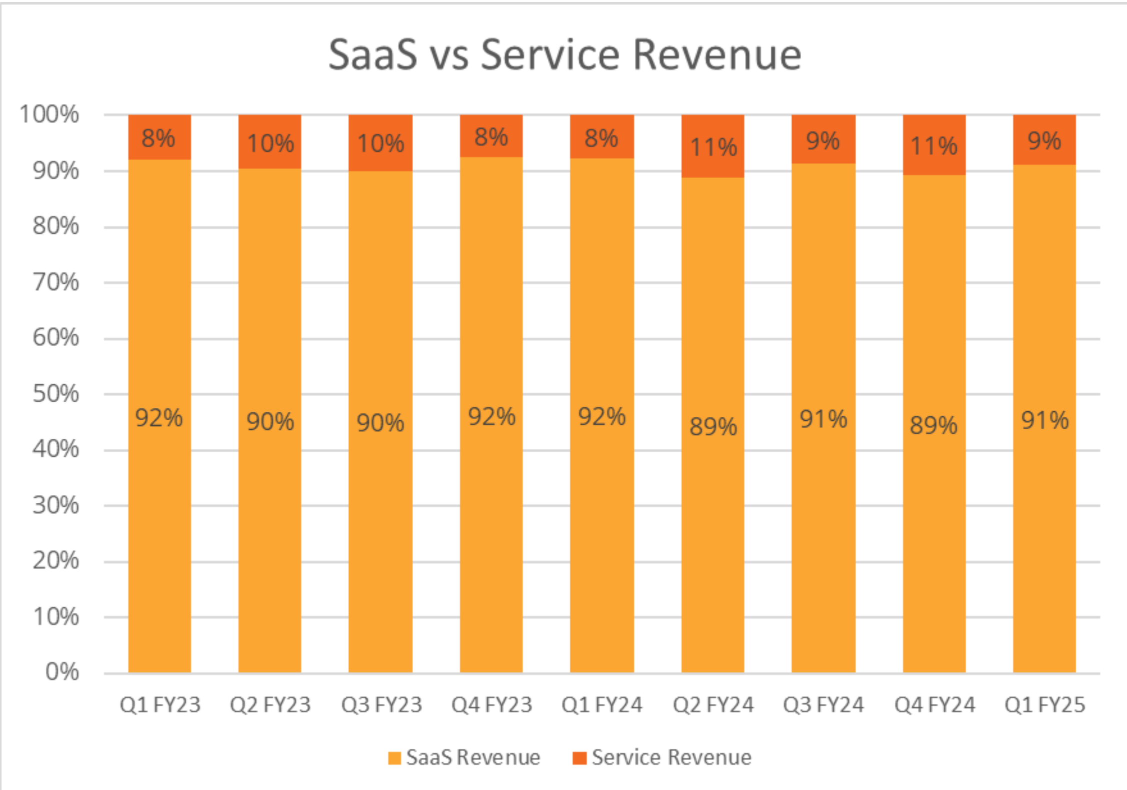
Below, we present the revenue categories from FY22 onwards.



Subscription-Based Revenue increased to $1.99m. Notably this is the tenth consecutive quarterly increase since Q3 FY22.

Fixed-dollar SaaS Revenue increased 6% compared with the prior quarter, from an annualised run rate of $1.59m in Q4 FY24 to $1.69m in Q1 FY25. Fixed-dollar SaaS Revenue reflects Connexion's ongoing product enhancement work.

Below, we present the split between SaaS and Service revenue.



As mentioned in the previous Quarterly Report, the Board 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, Annualised Monthly Recurring Revenue ("AMRR") growth, Customer Diversification and Shareholder Returns. We have phased out our public use of the Maintenance Earnings, DMEPS and RGS metrics.

Diluted EPS for the quarter was 0.045 US cents, down 24% when compared to Q4 FY24. Diluted EPS is determined by our quarterly Net Profit before Tax, applying an assumed effective tax rate to calculate an estimated Net Profit after Tax, which is then divided by the diluted share count. Diluted EPS is lower due to the reduced Net Profit before Tax, down 29%, while being offset by the deceased diluted share count. The primary reason for the decrease in Net Profit before Tax, when compared to Q4 FY24, relates to the R&D Tax rebate.

AMRR is the Subscription-based SaaS Revenue and Fixed-dollar SaaS Revenue for the month ending, annualised, then compared to June 2024. AMRR has increased 2% at the end of September 2024.

The best metric with which to measure Connexion's improving customer diversification is Customer Diversification AMRR, comprising revenue unrelated to the General Motors CTP program. Customer Diversification AMRR increased 32% at the end of September 2024, when compared to June 2024.

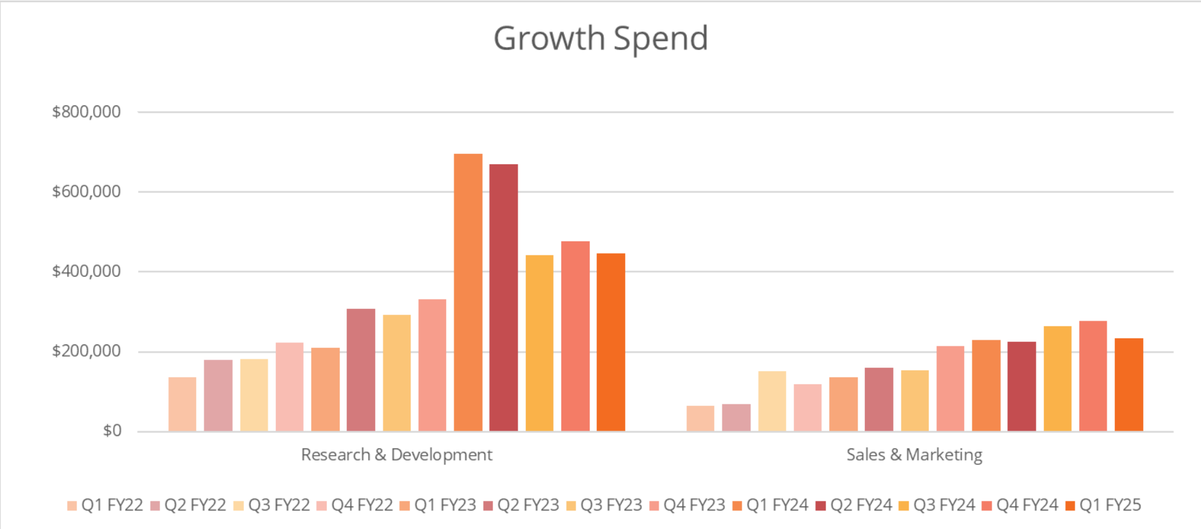
Growth Spend

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

In Q1 FY25, our Research & Development and Sales & Marketing expenditure decreased over the prior quarter, by 6.6% and 15.8% 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 $0.57m, a decrease of 29% over the prior quarter. The movement when compared to the prior quarter reflects a modest increase in revenue, and expenses. The primary reason for the decrease in Net Profit before Tax, when compared to Q4 FY24, relates to the R&D Tax rebate.

The AUD:USD exchange rate <u>increased</u> throughout the Quarter, ending 2.5 cents higher.

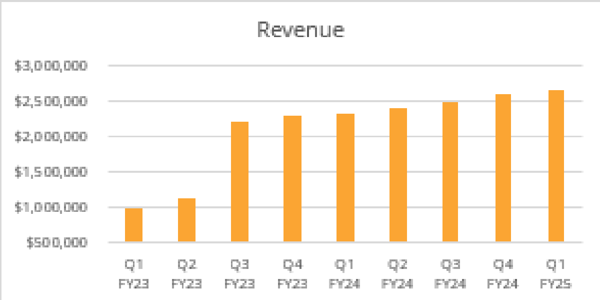
Generally speaking, an <u>increase</u> in the AUD:USD has the following impact on Connexion:

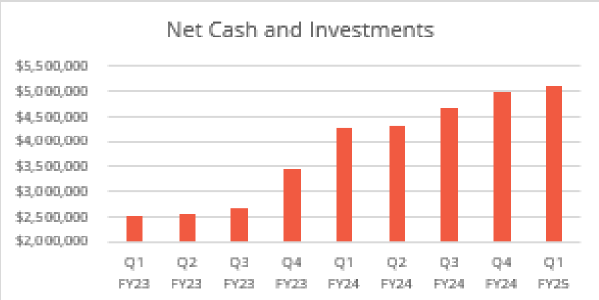
1. An immediate positive impact to our P&L via an increase in the USD value of our AUD-oriented balance sheet.
2. A sustained negative impact to our P&L via decreased Operating Cashflow over time.

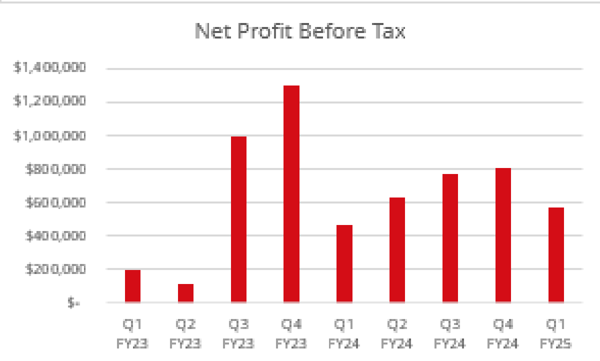
Both Board and Management continue to maintain a disciplined approach to costs, whilst reinvesting a large portion of Maintainable Earnings back into the pursuit of long-term growth.

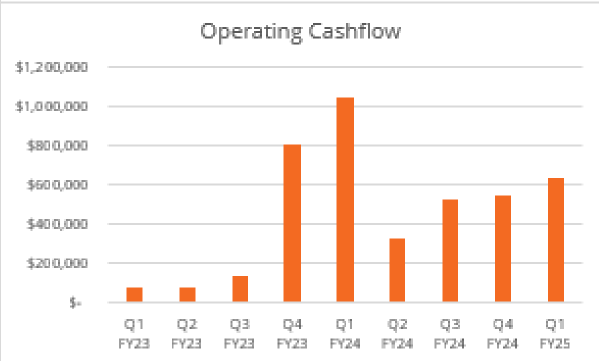
Net Cash and Investments increased by $0.09m, bringing total Net Cash and Investments to $5.1m at the end of the Quarter. This was driven by Operating Cash Inflow of $0.64m, offset by a Financing Cash Outflow of $0.61m relating to Share Buybacks. The falling share count increases the intrinsic value of each share, while our balance sheet remains strong.

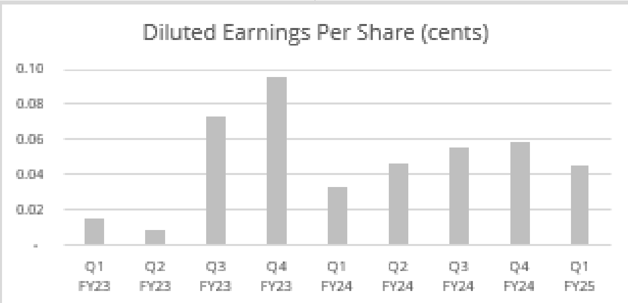
Below features a summary of our key financial metrics.











Share Buyback

During the Quarter, Connexion repurchased 33.7m shares at an average price of A$0.027 per share. Across all its buyback initiatives, Connexion has repurchased approximately 187m shares between A$0.01-0.028 per share.

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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CONNEXION

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.