

ASX Announcement

December Quarter Review

- Cash receipts for the quarter were \$2,632,655
- Receivables relating to work completed during the quarter were approximately \$123,500, with payments expected to be received in the next quarter
- Substantial growth across telematics subscriptions services, with clear growth trends:
 - **Average subscription growth rate** of approximately 50% month on month
 - **ARPU** of \$13.97 per calendar month per vehicle
 - **Average 3.25 subscriptions** per customer account
 - **Subscription conversion rate** of 95.7%
- Strategic sales and marketing plan developed to drive further strong telematics product uptake
- Company in continued advanced discussions with leading global automakers for further white-labelling partnerships and new product developments
- Connexion Media remains confident of reaching cash flow breakeven in CY2017

27 January 2017, Melbourne Australia: Connexion Media Limited (ASX:CXZ), an innovator in the connected car market, has today released its Appendix 4C for the three-month period to 31 December 2016 and is pleased to provide a review of its progress during the quarter.

Corporate and Financial

Cash Receipts and Revenue Growth

Cash receipts were \$2,632,655 (compared to \$724,817 in Q2 FY2016). This was comprised of \$235,960 in sales revenue (compared to \$1,915 in Q2 FY2016) and government grants (R&D refund) of \$2,396,695 (compared to \$722,902 in Q2 FY2016).

Sales revenue was driven by growth in telematics product subscription fees and from the customisation work efforts for both GM and Wex Australia.

The Company's receivables relating to work performed during Q2 FY2017 were approximately \$123,500, predominately from customisation work efforts. Payment is expected to be received in Q3 2017.

Board Changes

Oracle sales executive, David Connolly was appointed as a Non-Executive Director on the Board of Connexion Media. Via Oracle's 15,000-strong sales force, Mr Connolly will drive Connexion's sales efforts to reach Oracle's large global customer base.

Operational Progress

Solid Telematics Growth

During the quarter, Connexion Media was pleased to announce that the Company's telematics services were experiencing solid growth and user uptake. The Company's telematics offering includes its GM Commercial Link, Flex and WEX MotorPass Telematics products.

The key performance indicators for the three months to December 2016 can be found below:

- **Average Revenue Per User (ARPU):** \$13.97/month per user excluding tax (~\$167.64 annualised).
- **Average Subscriber growth:** ~50% month on month, which is expected to continuing growing

as sales and marketing activities are implemented.

- **Average Subscribers Per Customer (ASPC):** 3.25 vehicle subscriptions per customer on average.
- **Average Subscription Conversion Rate (ASCR):** 95.7%, representing strong customer conversion from free trials to fee-paying subscription.

The Company expects continued revenue uplift in the months ahead as uptake of its telematics offerings continues to increase.

Territory Expansion and New Product Development

Connexion Media expects to shortly announce new automaker contracts, expanding its telematics offering into new territories. The Company's negotiations with a large automaker partner are near finalisation and Connexion Media will announce the contracts to the market once it has received a purchase order. The Company expects to announce further partnership deals and new product developments in CY 2017 and beyond.

GM Commercial Link momentum

Uptake of Connexion Media's Commercial Link service by General Motors customers continues to grow. During the quarter, there was a solid increase in new subscribers that coincided with the "model year change-over" period in the US market.

To further drive Commercial Link subscriber growth and contribute to revenue growth, General Motors has initiated a number of marketing initiatives which include:

- Sales and marketing strategies across digital media, retail, trade shows and internal divisions.
- The launch of the "Business Choice" promotion, giving new vehicle customers a free trial of Commercial Link.
- Production of free-trial coupon cards to be distributed by General Motors at automotive trade shows.

Sales and Marketing strategy

Connexion continues to ramp up its marketing initiatives to drive uptake of its telematics products and is focused on four core customer segments:

1. Automaker/OEM
2. Business to Business (B2B)
3. Business to Enterprise (B2E)
4. Vendor Partnerships (i.e. Oracle)

The Company's sales and marketing team has established a detailed strategic plan and have commenced implementing a number of initiatives to achieve Connexion's sales objectives.

Connexion Media's "Go-to-Market" strategy includes an outbound call centre campaign, the engagement of third-party agencies to manage outbound digital marketing and the hiring of Account Managers to drive sales of the Company's telematics products, with a key focus to expand its telematics offering across Australia, USA, and Europe.

Participation at TU-Automotive Show Munich, Raising the Business Profile Internationally

With a view to building further automotive partnerships and demonstrating its Flex and miRoamer products, Connexion exhibited at TU-Automotive Show Munich in November 2016. Connexion Media CEO George Parthimos participated in a panel discussion with other industry leaders on the future of the infotainment services. Other speakers included senior representatives from Volkswagen, BMW, Facebook and Uber.

The TU-Automotive Europe Conference & Exhibition is Europe's largest conference dedicated to the

future of auto mobility and brings together those at the forefront of automotive technical innovation and business strategy.

Outlook

With the ramp up of sales and marketing initiatives and subscriber numbers continuing to grow, Connexion Media is confident of reaching cash flow breakeven in CY2017. The Company expects sustained revenue uplift over the course of CY2017 on the back of increased sales of its telematics products.

A key strategic priority of Connexion remains the expansion of its operations via the signing of new partnership deals and new product developments with global automakers. Connexion Media expects to shortly announce new automaker contracts that will expand its telematics offering into new territories. The Company notes the long lead times for automotive contracts (6-24 months) and will announce new partnership deals once the process is completed and the partner automaker has issued a purchase order.

Connexion Media has received multiple RFQ's (Request for Quotations) from global automakers in recent months. Ongoing advanced discussions with multiple automakers are continuing and the Company expects to announce additional automaker agreements and new product developments in the period ahead.

The Company is preparing for a rebrand of its Flex product (to be renamed CXZ Telematics), which is scheduled to go live on 1 February 2017. The rebrand will be complemented by Connexion's "Go-To-Market" strategy to drive sales and uptake of its telematics range from international consumers.

Connexion's Victorian white-label partner, Wex Australia has seen a steady uptake of the Company's Flex solution under its six-month pilot program. Launched in August 2016, Wex Australia is initially targeting 400 premier Wex fuel cardholders across Victoria to reach an initial addressable market of approximately 11,500 vehicles across Victoria.

Connexion is currently updating its mobile applications, including the miRoamer internet radio and music offering, to enhance the user experience. New mobile apps are expected to be released in 2017 and are expected to drive user uptake.

George Parthimos, CEO of Connexion Media, said:

"Calendar year 2017 will be a transformational year for Connexion Media. Our revenues have continued to grow in the December quarter and we expect to reach cashflow breakeven during the course of the calendar year. The forecasted growth of internet connected cars and embedded telematics solutions place our Company at the forefront of the internet connected car sector, presenting a substantial commercial opportunity for investors.

"Importantly, we are committed to pursuing our growth objectives and expanding the market penetration of our telematics products."

Ends

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About Connexion Media

Connexion Media specialises in developing and commercialising smart car software apps and services

for internet-connected vehicles and mobile devices. The Company is headquartered in Melbourne, Australia and currently has offices in Cambridge and Detroit.

Connexion has two core products in commercialisation, Flex and miRoamer. Flex is a highly sophisticated smart car solution that allows car fleet managers to manage an entire fleet of vehicles from a mobile phone or computer and deliver cost efficiencies through reduced maintenance costs. Flex is able to track a range of real time and historical data including vehicle locations, distance travelled, fuel consumption, battery life, engine performance and absolute and average speeds travelled. It is also able to monitor driver behaviour and instantly send notifications and alarms to vehicle owners and fleet managers.

miRoamer is a next generation internet radio product that allows users to pick up radio stations from broad geographies, including international stations. miRoamer has become the world leader in internet radio technology, delivering a superior understanding of the technical, content and marketing demands of radio manufacturers and car makers alike.

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 MEDIA LTD

ABN

68 004 240 313

Quarter ended ("current quarter")

December 2016

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	235,960	322,666
1.2 Payments for		
(a) research and development	(296,206)	(596,074)
(b) product manufacturing and operating costs	(203,273)	(856,062)
(c) advertising and marketing	(93,837)	(100,500)
(d) leased assets		
(e) staff costs	(843,904)	(1,534,228)
(f) administration and corporate costs	(190,603)	(1,069,880)
1.3 Dividends received (see note 3)		
1.4 Interest received	0	1,989
1.5 Interest and other costs of finance paid	(220,355)	(234,787)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	2,396,695	2,396,695
1.8 Other (provide details if material)	0	
1.9 Net cash from / (used in) operating activities	784,177	(1,670,181)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A	Year to date (6 months) \$A
(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		

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes	50,000	2,804,700
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)	186,414	186,414
3.1 Net cash from / (used in) financing activities	236,414	3,091,114

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	435,002	320,824
4.2 Net cash from / (used in) operating activities (item 1.9 above)	784,177	(1,670,181)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		
4.4 Net cash from / (used in) financing activities (item 3.10 above)	236,414	3,091,114

Consolidated statement of cash flows		Current quarter \$A	Year to date (6 months) \$A
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	1,455,593	1,455,593

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'000	Previous quarter \$A
5.1	Bank balances	1,374,605	889,603
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	80,988	80,988
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,455,593	970,591

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A

104,400

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 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

Current quarter \$A'000

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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.		

Finalisation of capital raise- estimated proceeds of \$1.5m early February 2017.

9. Estimated cash outflows for next quarter	\$A
9.1 Research and development	(195,000)
9.2 Product manufacturing and operating costs	(173,000)
9.3 Advertising and marketing	(147,000)
9.4 Leased assets	
9.5 Staff costs	(655,000)
9.6 Administration and corporate costs	(442,000)
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	(1,612,000)

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		

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:
(Director/Company secretary)

Date:27 January 2017.....

Print name:George Parthimos.....

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.