

ASX Announcement

27 October 2017

September 2017 Quarter Review

Melbourne Australia: Connexion Media Limited (ASX:CXZ), an innovator and leader in the connected car market, has today released its Appendix 4C for the three-month period ending 30 September 2017, and is pleased to provide a review of its progress during the quarter. Over the Q1 FY2018 period, Connexion Media Limited (the “Company”) saw a significant turnaround in its business trajectory and financial performance and is positive about the future.

Executive Director, David Connolly highlighted this:

“The team is now right sized for the opportunities presented to us from our key clients. We have taken aggressive steps to reduce overheads and expenses and, where available, leveraged external providers on a time and material basis to deliver company requirements that don’t make commercial sense to retain in house. The Board have met with our key clients to ensure that changes we have made to our operating model and leadership team won’t impact our strategic progress, we are happy to report that the changes have been well received.”

Summary:

- **Cash receipts for the quarter were \$222,604.**
- **Key telematics subscription metrics for the September 2017 Quarter:**
 - **Average Subscription Rate declined by approximately 7.87% month on month**
 - **ARPU of \$3.94 per calendar month per vehicle**
 - **Average 6.69 subscriptions per customer account**
 - **Average Subscription Conversion Rate of 68.87%**
- **Net cash used in operations decreased by 29% quarter-on-quarter, from \$616,141 to \$440,130**

Corporate and Financial Information

Cash Receipts

Cash receipts were \$222,604 for Q1 FY2018, compared to \$66,347 in Q4 FY2017 (2016: \$86,706). The increase in cash receipts was as a result of positive changes in the subscriber numbers, coupled with project revenues earned from work performed for key customers. Projects underway include multiple localisation features for French and Spanish applications.

Receivables at the September quarter are \$277,159, with a large proportion expected to be realised in Q2 FY2018.

Cost Saving Initiatives

Connexion Media has continued on its cost-saving initiatives to reduce the cash burn rate and accelerate the pathway to cash flow break-even. Further net cost savings were achieved after the Company’s September 2017 strategic review. These savings included significant reductions in head office costs and other corporate overheads. Net cash used in operating activities has reduced by 29% quarter-on-quarter, with a 32% savings over the prior corresponding period. Management expects cash break-even to occur before the end of Q2 FY2018.

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Convertible Notes

The Company has articulated to the convertible note holders a path to converting the outstanding convertible notes. The path to achieve this is complicated by a number of factors, however the Company is proceeding on the basis that all parties acknowledge conversion is the best outcome for all stakeholders. A separate general meeting of shareholders will be required to obtain approval of the final negotiated terms with both the Series 1 and Series 2 convertible note holders.

Research and Development Tax Rebate

The Company has lodged its tax return for FY17, including the Research and Development ("R&D") Grant rebate amount of A\$1,522,074. Moving forward the Company is pleased to now be working with external development partner Deakin University in the R&D department, with the aim of tightening the development processes for large project work. Deakin University provides the Company access to a range of high quality contemporary development skills in machine learning, Bayesian statistics and Artificial Intelligence, amongst other open standards technologies, in a high project administration environment. Based on the findings, the Company has recognized development assets in FY18 relating to our significant intellectual property.

Corporate Update

General Motors

Subsequent to the resignation of the CEO Junior Barrett, the Company visited key client, General Motors, to ensure it has continuity of coverage and to update General Motors on strategic changes that have been made by the Company.

The key feedback from that trip was as follows:

- General Motors acknowledges that the growth of Commercial Link has not met their internal revenue expectations, and growth requires further investment, which General Motors will make
- General Motors has appointed seasoned executive Brian Hoglund as their new Director of
- Commercial Experience, who will lead the Commercial Link strategy; and
- General Motors will be launching a special promotion incentive fund internally to pay sellers US\$15 per subscription for new sales

The Company was pleased with and encouraged by this feedback as it relies heavily on General Motors for sales coverage.

General Motors sales coverage is divided using the following structure:

- The go to market strategy is divided into 5 regional directors across the US
- Under these 5 regional directors there are 40 zone managers
- For fleets which acquire predominantly General Motors brand vehicles there are 50 fleet account managers; and
- For fleets which are mixed vendor there are 100 business development managers seeking to acquire market share

Mr. Connolly notes, "Within this broader go to market strategy we have been targeting sales into a registered database of fleet managers known as Business Choice. This database of clients manages approximately 50,000 registered vehicles across the various companies. To date the team has been able to acquire 317 fleet managers onto the Commercial Link product. These accounts range in the number of vehicles on the product from small fleets of 5 to medium sized fleets of greater than 600. The feedback from General Motors and the end user clients is that the product is extremely well received by parties who trial it, and the price point of US\$10 represents significant value when compared to strategic alternatives. The typical strategic alternative requires the acquisition of non-General Motors hardware, custom installation into the vehicles, a system integrator to take the risk of assembling software parts and telecommunications carriage, and thereon a custom maintenance agreement. In comparison the Commercial Link program is an elegant solution that doesn't risk affecting the warranty of the vehicle."

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Growth Opportunities

The Company has now stabilised the cost base required to deliver its revenue generating platforms. As a follow-on activity to visiting General Motors, the Company has invited the latter's Internet Connected Car leads to Australia to participate in a strategy workshop, which will generate a comprehensive technology roadmap and new General Motors/Connexion Media Commercial Link strategy which both parties will invest in.

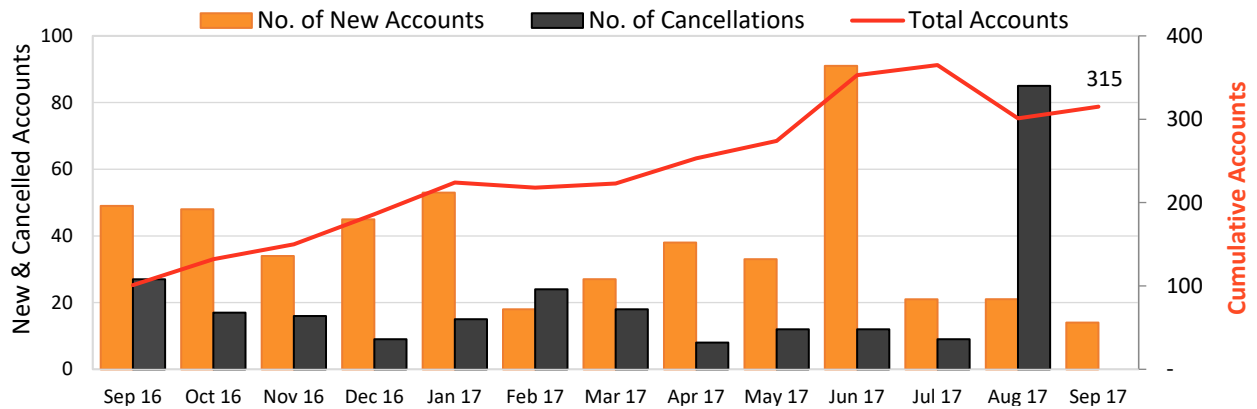
Broader growth opportunities are being explored. It has become evident that the Company needs a more balanced revenue strategy and the fastest approach to achieving this is acquisitions in markets complementary to our current, which is Internet of Things. The Company has begun a review of opportunities in Regulation Technology, Cyber Security and Government Hosting. The objective is to refurbish skills gaps in the management and production support areas through acquisition.

Operational Progress

Connexion Media is pleased to report subscriptions in its telematics products. The key performance indicators for the three months to 30 September 2017 are detailed below:

- **Average Revenue Per User** of \$37.21/month per user excluding tax, or \$446.46 annualised, (July \$37.57, August \$34.16, September \$39.89)
- **Average Subscriber Growth** of -3.64%, (July 2.47% growth, August 3.21% growth, September 16.58% decline)
- **Average Subscribers Per Customer** 7.01 vehicle subscriptions per customer on average (July 7.07, August 6.43, September 7.51)
- **Average Subscription Conversion Rate** of 68.87% (July 26.05%, August 83.58%, September 96.97%)

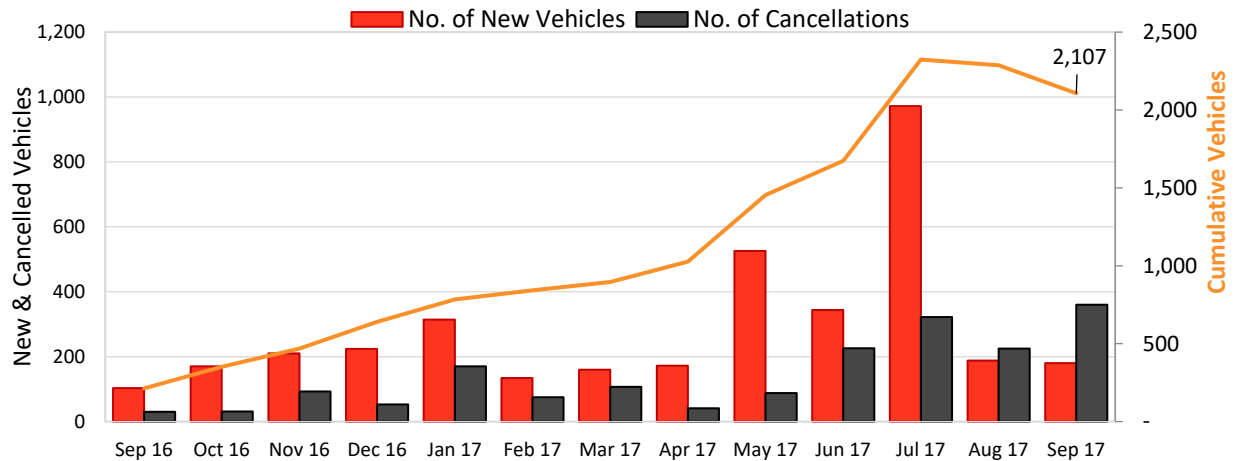
Customer Accounts



After a slight dip in August, the growth in accounts are on the rise again, with less new accounts in September, but also no cancellations.

Customer Vehicles

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Consistent growth in the vehicles portfolio, driven by relative growth in the customer accounts. Portfolio changes in Q1'18 have tapered off the total number of vehicles to 2,107 under telematics analysis.

Outlook

Looking forward to the remainder of the 2018 fiscal year, and after conducting a significant strategic review, the Company is optimistic in its plan and ability to improve its growth and success through existing and new markets. The conversion or similar of the convertible notes is a critical first step to undertaking a recapitalisation and execution of the growth strategy. Outcomes are already improving and this will be a vital quarter in the recovery of the business. The Company is confident it has the cooperation of all parties required to achieve this.

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, CXZ Telematics and miRoamer. CXZ Telematics 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. CXZ Telematics 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.

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