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## Connexion: Ford Approval, Share Buyback and LFSP

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To: tomperfrement@gmail.com

Wed, Jun 8, 2022 at 4:52 PM

Hi Tom,

Per the attached, this morning we announced several developments to the ASX, namely:

1. Approved Vendor status with Ford and Lincoln
2. A share buyback
3. A Loan Funded Share Plan

### Approved Vendor Status

The approval by Ford Motor Company allows us to offer our Connexion platform to its dealers in the US as part of its Courtesy Transportation Program.

Unlike GM, Ford only manages an approved panel of software vendors, and it is up to each vendor to directly sell their software to dealerships. Our main competitors, including TSD, Dealerware and ARS Loaner, have already been approved and operating within Ford dealerships for years. As such, it will be incumbent upon us to convince Ford dealers to switch to the Connexion platform. This will be a marathon, not a sprint.

The process of marketing and selling directly to dealerships is still a relatively new one for us at Connexion, so there will be plenty of learning and adapting as we go. Whilst Ford's US dealer network is large, there is no guarantee that we will earn any revenue from this endeavour.

Importantly, we will maximise the capabilities we have developed with GM to demonstrate to Ford just how much value and innovation we can bring to the table.

Whilst our Sales & Marketing efforts will naturally increase (as we have foreshadowed for some time), as a product-led organisation our Connexion Platform remains the star, and we have an ever-growing pipeline of functionality and integrations to develop.

Today is a milestone for our Company, as we pass the most meaningful hurdle yet towards expanding our business to a large new network of franchised dealers.

### Share Buyback

Through years of sound management and execution, combined with supportive Customers and Users, Connexion is now in the fortunate position of being both well-funded and sustainably profitable. The Directors of your Company have a duty to not only ensure sound operational and strategic management, but to also manage the Company's capital in the best interests of Shareholders. With this context, and the prevailing share price of CXZ in recent times, the Directors deem it sensible that a Share Buyback be initiated.

The Buyback is expected to consist of both an off-market, minimum holding buyback and an on-market buyback of up to 20% of shares on issue, pending Shareholder approval. The actual purchase of any shares on-market will depend upon future factors such as share price and volume available. There is no guarantee that any shares will be bought back through this initiative, although we will do our best.

Worth noting is that a thesis we operate under here is one best described by Benjamin Graham: *'In the short run, the market is a voting machine but in the long run, it is a weighing machine'*.

Applied to CXZ, we believe that over the long run (a multi-year period) it will be our operational performance that will determine the range of prices within which the stocks trades. However over the short-term, sentiment (either good or bad) can exert significant influence. Management's focus is a limited resource, and ours sits squarely on managing the business and communicating transparently with our Shareholders. By contrast, promotion to investors that aren't needed (given our funding) or worrying about a share price that is either too high or too low at any given point, is not a productive use of time. What is important, however, is having the ability to recognise and the willingness to act upon a share price that is either much too high or too low, relative to internal estimates. For that reason, we intend to be occasional, and dispassionate buyers and sellers of our Company's stock over time.

### Loan Funded Share Plan

Like most software companies, Connexion operates in a highly competitive market for talent. As a listed company, Connexion has a tool available to it that some of its competitors do not – equity incentives that can be easily valued regularly and transparently. To better align, attract and retain our permanent employees, we have designed a Loan Funded Share Plan that allows Participants to benefit meaningfully from any potential upside in the CXZ share price over a five year period, so long as they remain loyal to our Company from an employment perspective. The Plan is likely to result in the issue of a significant number of shares to employees, which is another reason why the Share Buyback initiative referenced above is important.

In summary, the Ford approval has moved us up to the starting line of a race that we are ready for. Complementing this, the share-based initiatives are carefully designed to improve Connexion's Earnings Per Share, Staff alignment and Staff loyalty.

We believe that this overall strategy is the most effective way to achieve these objectives, through leveraging both the Company's listed status and its Excess Capital, without taking undue risk.

As always, should you have any questions, please contact me directly.

Aaryn Nania  
Managing Director  
Connexion Telematics

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### 2 attachments

 220608 - ASX - CXZ Approved Vendor for Ford & Lincoln CTP.pdf  
104K

 220608 - ASX - Listed Equity Strategy.pdf  
140K