

3 May 2022

Company Update

Melbourne and Mexico City – 3 May 2022: LatAm Autos Limited (**LatAm Autos** or **Company**) provides the following update in relation to several matters.

Dear Shareholder

This announcement is an update regarding the developments of the Company since the last update provided in early December 2021 (see Company announcement from 7 December 2021 - www.latamautos.com/s/LAA-Company-Update-Dec-2021-vF.pdf).

The Company has not yet proceeded with an equity capital raising as foreshadowed in the December 2021 Company update. In short, the planned equity capital raise has been delayed due to ongoing uncertainty with respect to the Company's main provider of auto loan disbursements in its Motorfy division. The name of this financial institution is Credito Real (**Credito Real**) and is listed on the Mexican Stock Exchange.

Since 2017 LatAm Autos has had a successful partnership with Credito Real where Motorfy originates high quality used auto loan applications resulting in a highly profitable used auto loan portfolio for Credito Real. In early November 2021, the Company was informed by Credito Real that it would temporarily cease loan disbursements via Motorfy as it addressed issues relating to its unrelated SME loan portfolio.

Revenue generated as a result of the Company's partnership with Credito Real – from auto loan origination commissions and ancillary products – represented approximately 45% and 40% of the Company's consolidated revenues in 2020 and 2021 respectively. The sudden and unexpected suspension of this revenue stream has acutely impacted the Company's operating cashflow. In the temporary absence of Credito Real's operations with Motorfy, the Company reallocated loan applications to its other financial institutional partners, resulting in a lower number of loan disbursements.

This put the Company in a difficult liquidity position. As has been the case since the issuance of \$10.0 million of Convertible Notes (**Convertible Notes**) by the Company in mid-2017 to various investors, Log Creek Pty Ltd (**Log Creek**), a legal entity associated with the Company's Chairman Mr Michael Fitzpatrick, agreed to provide immediate funding on arms-length terms to the Company by way of a working capital facility. This was considered the optimal manner to provide the Company with short-term liquidity whilst it navigates its liquidity situation. As at 31 March 2022 the value of the Log Creek working capital facility and the Convertible Notes were \$0.6 million and \$5.6 million respectively.

No shares have been issued since 30 June 2021, with 763 million ordinary shares on issue as at 31 March 2022.

Credito Real has recommenced loan disbursements via Motorfy and is growing strongly month-on-month though it is still below levels prior to November 2021. Motorfy continues to work with additional financial institutions.

Given that less than 2% of used car transactions are financed by a regulated financial institution¹ the used car loan opportunity in Mexico remains tremendous.

Even though many key engagement and traffic metrics of the Company's core classifieds businesses remain strong and/or at all-time highs; external market conditions for classifieds remain challenging.

The unprecedented semiconductor chip shortages and the resulting shortage of vehicle inventories globally have put sustained pressure on advertising spend by both OEMs and used car dealers. This has impacted advertising and dealer revenue, mainly in the Company's Mexican Classifieds business.

Industry experts have forecast a recovery in global vehicle inventory, commencing from 2Q2022 and a return to normal production levels and associated advertising spend by early 2023².

In response to these challenges, the Directors of LatAm Autos have all made substantial personal financial contributions to support the Company in recent months. Non-Executive Director fees have been eliminated and corporate costs have been reduced wherever possible and prudent. Senior Management have continued to support the business with their salaries reduced between 35% - 50% for two years from the onset of the pandemic in early 2020. Additionally, there have not been any equity incentive plans or equity issuances for employees during this period.

Recently, the Company has been in advanced discussions and due diligence with a number of credible parties interested in either partnering with or acquiring various business units. These processes are ongoing and at various stages of advancement, though there is no guarantee that they will result in completed transactions or partnerships.

LatAm Autos' Board remains open-minded regarding possible paths forward for the Company and remain firmly committed to maximising value for all stakeholders.

Given the uncertainty of potential transactions and partnerships and the goodwill values of the Company's various cash generating units, the 2021 annual report will be released as soon as practicable.

A summary of key financial figures from 2020 (audited) to 2021 (proforma):

- Revenue (on a constant currency basis): decreased by 4% from \$4.7 million to \$4.5 million, due to equal contributions from the classifieds and Motorfy businesses
- EBITDA (on a constant currency basis): improved by \$1.6 million from negative \$3.5 million to negative \$1.9 million, driven by large reductions in operating expenses

¹ Source: Mexican Association of Automotive Dealers (www.amda.mx)

² Source: KAR Auction Services, Inc Analyst Day Presentation September 2021 (<https://s24.q4cdn.com/744161464/files/Analyst-Day-Presentation.pdf>)

- Cash Flow: Operating and Investing cash flows improved by \$4.1 million from negative \$5.7 million to negative \$1.6 million
- Motorfy Credit unit sales in Mexico: increased marginally in 2021 on 2020

As mentioned above trading conditions remained challenging in 1Q2022.

Mike Fitzpatrick
Chairman

-Ends-

For more information, please contact:

Gareth Bannan
CFO, Executive Director and Co-founder
+52 55 6806 4027
investors@latamautos.com

Louis Joseph
Non-executive Director
+61 429 659 512
investors@latamautos.com

About LatAm Autos

LatAm Autos is a leading online car transaction market place with operations in Mexico and Ecuador. LatAm Autos is capitalising on the shift of automotive classifieds advertising to online channels, whilst providing ancillary services to car buyers such as finance, insurance and car tracking technology through its Motorfy brand. For more information on LatAm Autos, please visit its website: www.latamautos.com.

Caution Regarding Forward-Looking Information

This document may contain certain "forward-looking statements". The words "anticipate", "believe", "expect", "project", "forecast", "estimate", "outlook", "upside", "likely", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance, are also forward-looking statements, as are statements regarding LatAm Autos' plans and strategies and the development of the market. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of LatAm Autos, which may cause actual results to differ materially from those expressed or implied in such statements. LatAm Autos cannot give any assurance or guarantee that the assumptions upon which management based its forward-looking statements will prove to be correct or exhaustive beyond the date of its making, or that LatAm Autos' business and operations will not be affected by other factors not currently foreseeable by management or beyond its control. Such forward-looking statements only speak as at the date of this announcement and LatAm Autos assumes no obligation to update such information. The release, publication or distribution of this presentation in jurisdictions outside Australia may be restricted by law.