



Market Release

26 November 2020

EROAD continues to grow, despite difficult macro-economic conditions

Transportation technology services company EROAD today released its financial results for the first half of the 2021 financial year.

All numbers are stated in New Zealand dollars (NZ\$) and relate to the six months ended 30 September 2020 (H1 FY21) and comparisons relate to the six months ended 30 September 2019 (H1 FY20) or the six months ended 30 June 2020 (H2 FY21), unless stated otherwise.

Key highlights:

- Revenue continued to grow to \$45.8m, up 19% from H1 FY20 and 7% from H2 FY20 reflecting growth across all regions
- EBITDA of \$15.3m was up 29% from H1 FY20 and flat on H2 FY20 reflecting accelerated R&D and spend-to-save initiatives
- EROAD grew contracted units by 5,705, while keeping ARPU and asset retention stable in the six months despite challenging macro-economic conditions
- Launched EROAD Day Logbook, EROAD Go and EROAD Clarity Dashcam which will support future growth
- EROAD listed on the ASX as a Foreign Exempt Listing and raised \$53m to accelerate growth strategies

“EROAD delivered a 19% increase in Revenue and 29% improvement in EBITDA period-on-period. In a period of extreme uncertainty and operating restrictions across our markets, the continued growth in contracted units, stable SaaS Average Revenue Per Unit and asset retention rate is reflective of EROAD’s strong customer value proposition.” said Steven Newman, Chief Executive Officer.

EROAD Chair Graham Stuart says: “Now, more than ever before our customers face significant change and increasingly require telematics solutions that give visibility, data and insights to manage vehicles, reduce costs and improve efficiencies within their business. As the pioneer of regulatory telematics, we are in the ideal position to find and deliver the solutions to their problems. Now is the time to be bold and accelerate our growth strategies to capture the significant growth opportunity for EROAD once uncertainty recedes.”

Revenue increased period on period by 19% from \$38.5m to \$45.8m, reflecting both the growth in contracted units from 108,414 to 122,193 as well as an increase in Average Monthly Revenue per Unit (ARPU) from \$57.60 to \$58.80. In the same period our asset retention rate remained steady at 95%. Our Annualised Monthly Recurring Revenue metric (AMRR) provides a forward view of revenue. This increased from \$84.0m at 31 March 2020 to \$84.8m as at 30 September 2020, reflecting the growth in both new units and SaaS Average Revenue per Unit, partly offset by foreign exchange translation impacts.

Operating expenditure increased from \$27.5m to \$30.5m period on period reflecting increased research and development operating expenditure and further ongoing spend on initiatives to deliver longer-term improvements in operating leverage.

New Zealand

New Zealand was the least impacted of EROAD's markets by COVID-19 restrictions, and growth rates in the markets returned to pre-COVID-19 levels relatively quickly once restrictions were lifted. New Zealand revenue increased by 13% period on period to \$27.4m and EBITDA increased period on period by 14% to \$18.5m. The growth in units of 4,160 since 31 March 2020 was driven predominantly from new customers across a range of industries with medium sized fleets, as well as further extension into the fleets of several larger existing customers.

North America

Revenue for North America increased by \$2.6m to \$13.9m and EBITDA increased period on period from \$3.2m to \$5.9m. North America's growth slowed adding only 1,292 units during the period, reflecting the challenging market conditions. The majority of these units added were from new customers. The launch of 'EROAD Go' and 'EROAD Clarity Dashcam' are considered critical steps in further expanding the North America addressable market and being able to win more medium and enterprise customers.

Australia

Growth in Australia was also heavily impacted by COVID-19 restrictions, particularly in Victoria. 253 units were added during the six-month period. Revenue for the Australian business was \$0.5m, compared to H1 FY19 of \$0.3m. EBITDA was \$(0.4)m, as EROAD continued to invest into this new market to support future growth.

Launching innovative products to solve customers' problems

Continuing to launch innovative products into our markets aimed at solving key customer issues is expected to deliver further growth in contracted unit numbers and ARPU as well as retaining customers.

During the period EROAD launched the new EROAD Day Logbook for New Zealand. This simplifies fatigue management by enabling drivers to capture work and rest hours via a smart phone or tablet. EROAD customers can then use the investigative tools on the web portal to examine the driver's workday, enabling easier compliance and reporting. Since the launch in Q1 FY21, EROAD has sold 1,373 logbook subscriptions by 30 September.

In September 2020, 'EROAD Go', a mobile workflow application that connects with customers' transport management systems, was launched in North America. This product allows critical data to flow between the driver, dispatch, safety, compliance, accounts and back office which allows real-time management of logistics, routing between deliverables and monitoring driver safety and compliance improving safety and cash-flow for the customer.

A virtual launch event for EROAD Clarity Dashcam was held during October 2020. 'EROAD Clarity Dashcam', which is integrated into EROAD's Ehubo, improves safety, enables driver coaching and incident prevention, and provides proof of facts. Strong demand is anticipated as customers look to improve safety and reduce insurance premiums. 'EROAD Clarity Dashcam' sales from Q3 FY21 are expected to grow ARPU, retain customers, and help EROAD win more medium and enterprise customers.

Improving capital structure and investing for growth

In a significant milestone for the company, EROAD was admitted onto the Australian Stock Exchange (ASX) on 16 September as a Foreign Exempt Listing. The Board determined that it was also the appropriate time to raise capital to accelerate the execution of our growth strategies, increase liquidity and to broaden EROAD's investor base. EROAD successfully raised \$53m via a private placement (\$42m) and an oversubscribed share purchase plan (\$11m)

These funds will be used to extend and increase the scalability of the platform to focus on winning medium and enterprise customers in North America and Australia, developing integration and data analytics capability further and increase sales and marketing activity.

H2 FY21 and FY22 Outlook

Looking ahead to the second half of the financial year, EROAD is anticipating a small increase in revenue compared to the first half. EBITDA is anticipated to be similar to the first half's figure (adjusted for one-off items) reflecting the acceleration of product development and increased sales and marketing costs associated with the launches of key products.

For FY22, EROAD anticipates that the percentage revenue growth in FY22 will strengthen, but not be at the level experienced in FY20. In New Zealand, EROAD expects similar growth to the last four years. In North America, targeting an increased addressable market through improved product market fit, to deliver increased unit growth. In Australia, growth during the next 2 years will come predominantly from an Enterprise pipeline of 15-20,000 vehicles. As EROAD continues to accelerate new product delivery for future growth in FY23 and FY24, it anticipates spending 24-27% of revenue on R&D during FY22. However, the company anticipates EBITDA margin to be maintained but improving at the end of FY22, to provide further increased EBITDA margin.

Conference Call details:

EROAD's Chief Executive Officer, Steven Newman, and Chief Financial Officer, Alex Ball, will give a presentation on the company's financial and operational performance for the FY20 Half Year via a teleconference commencing at 10.30am NZDT.

Register in advance for this webinar:

https://us02web.zoom.us/webinar/register/WN_kiL0P29mSECiDj7-ngLKxA

After registering, you will receive a confirmation email containing information about joining the webinar. A replay of this conference call will be available once it has been uploaded to the EROAD website under 'presentations' on <https://www.eroadglobal.com/global/investors/>

Ends

For Investor enquires please contact: Alex Ball Chief Financial Officer ph: +64 29 772 5631 alex.ball@eroad.com	For Media enquiries please contact: Anna Bonney Merlin Consulting ph: +64 21 844155 anna@merlinconsulting.co.nz
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Non-GAAP Measures

EROAD has used non-GAAP measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. Non-GAAP measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by EROAD in accordance with NZ IFRS.

The non-GAAP measures EROAD have used are Adjusted EBITDA, Annualised Monthly Recurring Revenue (AMRR), Costs to Acquire Customers (CAC), Costs to Service & Support (CTS), EBITDA, EBITDA margin, Free Cash Flow and Future Contracted Income (FCI). The definitions of these can be found on pages 37 of the investor presentation.

All numbers relate to the six months ended 30 September 2020 (H1 FY21) and comparisons relate to the six months ended 30 September 2019 (H1 FY20), unless stated otherwise. All dollar amounts are in NZD.

About EROAD

EROAD Limited (ASX: ERD; NZX: ERD) ("EROAD") purpose is safer, more productive roads. EROAD develops and markets technology solutions to manage vehicle fleets, support regulatory compliance, improve driver safety and reduce the costs associated with operating a fleet of vehicles and inventory of assets. EROAD has a proven SaaS business model and is experiencing continuing growth in installed units and revenue. EROAD has operations in New Zealand, North America and Australia with customers ranging in size from small fleets through to large enterprise customers. For more information visit <https://www.eroadglobal.com/global/investors/>