



EROAD

NZX Announcement

28 May 2019

EROAD FY2019: A year of good progress delivers double-digit growth

EROAD Limited (ERD) results for the financial year to 31 March 2019:

Financial highlights (comparisons with FY18):

- Revenue increased to \$61.4m, up 40%
- Operating costs were \$45.7 million, up 38%
- EBITDA of \$15.6m, up 48% compared to \$10.5m (restated) in FY2018
- Total Contracted Units in New Zealand/Australia grew to 71,446, up 19%
- Total Contracted Units in North America rose to 24,944, up 40%
- Future Contracted Income grew to \$117m, up 17%
- Net loss before tax of \$5.1m, influenced by investment programme as well as changes to accounting treatment
- Asset and customer retention rates remain strong at 94% and 98% respectively

Business highlights:

- Continued implementation of the investment programme enabling a scalable business ready for the next level of growth. This was consistent with the strategic plan at time of Feb '18 capital raise
- Maintained operational momentum as we refreshed our in-vehicle hardware design to decrease the cost of manufacturing, increase scalability and enable 4G capability
- Talent capability was strengthened with key appointments and we undertook a major refurbishment of our global headquarters, located in Auckland
- **NZ:** 46% of New Zealand's heavy vehicle road user charges (HT RUC) dollars are being collected using our technology and 54% of all HT RUC licences are issued through EROAD. Our solid pipeline continues
- **Australia:** Re-launched into the Australian market establishing sales staff in key states and operationally leveraging off the company's New Zealand capabilities. EROAD's gravitas in regulatory telematics is proving attractive as Australia's new Chain of Responsibility requirements are increasing customer interest in telematics
- **North America:** Signed our first enterprise customer with completed installations anticipated within first half of FY2020. Growth within the Small to Medium Business (SMB) business is growing steadily

Board Changes:

- Graham Stuart appointed chairmanship of EROAD's Board of Directors in August, succeeding Michael Bushby, who remains on the Board
- Susan Paterson was appointed to the Board in March 2019
- Gregg Dal Ponte stepped down from the Board in April 2019

Awards:

- EROAD included at #7 on the Deloitte Fast 50 Master of Growth New Zealand with 415% growth between FY14 and FY18, and the Deloitte Fast 500 for Asia Pacific
- Received the internationally prestigious Brake Fleet Safety Award acknowledging EROAD's positive

impact in creating safer drivers, vehicles and roads

- EROAD collected the Exporter of the Year to the USA (\$1m to \$10 m category) at the American Chamber of Commerce in New Zealand AmCham DHL Express Success & Innovation Awards
- EROAD is a finalist in the EXPORTNZ Company of the Year, recognizing success by net return to the New Zealand economy. EROAD is also a finalist for EXPORTNZ Intellectual Property Excellence in Innovation, recognizing success in developing and commercializing innovation in international markets. Winners of those two awards will be announced in June
- EROAD was a finalist for Company of the Year (\$50m+) in the NZ Hi-Tech Awards

Chairman Graham Stuart says:

“This has been a year of good progress. The Board are impressed that strong business momentum has continued alongside implementation of our key strategic initiatives, delivering a solid performance”.

“All significant milestones in the transition from start-up to established phases have been achieved and the company is now well positioned for the next phase of growth”.

“We believe that decisions affecting our roads should be well informed through the masses of data that we can now access and analyse. EROAD believes it has a role to play in making our roads safer and this is why we are establishing growth incubators that will make a difference to our business and our communities.”

Chief Executive Steven Newman says:

“This year we’ve built a solid platform for future growth. We’ve made significant progress implementing the investment programme set out in the strategic plan approved at the time of capital raise (Dec ’17 - Feb ’18), ensuring we can scale efficiently, improve our customer experience and provide greater operating leverage.”

“In the past year, EROAD has supported journeys of more than 3.2 billion kilometres travelled by trucks and light vehicles in New Zealand, Australia and the United States of America. More customers, more journeys, more data, more knowledge for informed decisions. We must continually evolve the business to remain relevant in this constantly changing environment.

“Maintaining this momentum requires continued innovation, exemplary service and sustained reliability. Preserving these factors has required the programme of investment commenced during this past year.”

“EROAD is more robust and well positioned for sustained growth across all markets.”

“To drive on our roads should not require spinning the roulette wheel of life. It is heart-warming indeed to know that what we do, what our products and services enable for our customers, also helps get more people home safely, every night.”

Change in accounting treatment

As announced in EROAD’s half year results on 26 November 2018, EROAD has elected to adopt early the new lease standard NZ IFRS 16 in conjunction with NZ IFRS 15 which was effective from 1 April 2017. While under the existing lease standard NZ IAS 17 many of EROAD’s customer contracts meet the definition of a lease and, therefore, lease accounting as a lessor was applied, these same contracts do not meet the definition of a lease under NZ IFRS 16. The contracts would, therefore, be accounted for as service contracts under NZ IFRS 15.

This represented a significant change in the way the company recognises revenue and costs relating to its contracts with customers. Most significantly, since the half year results, the company no longer recognises upfront revenues for outright sales, installation services, sale of accessories or finance leases. EROAD now recognises these revenue streams evenly over the contract term, typically over three years. Other impacts from adopting the new accounting standards include a reduction in the capitalisation of costs associated with establishing the customer contracts. Results presented in the full year report, as well as comparative numbers for the last financial year have been restated to reflect these changes. More detail on this change is available in the Financial Statements included within EROAD’s annual report.

Outlook for FY2020:

EROAD expects steady growth in New Zealand and North America to continue during FY2020.

This will come from continuing run rate SMB business as well as anticipated expansion with enterprise

customers. While the projected pipeline in Australia remains strong, investment will continue to run ahead of revenue in the near to medium term.

The shift to more fuel efficient and alternate fuel source vehicles is creating an increasing deficit in infrastructure funding, leading more regulatory authorities to consider road funding options. With EROAD's gravitas in regulatory telematics, there is an expectation that interest from regulatory authorities in EROAD's products and services will continue to grow.

Attached to this announcement are:

- Annual Report FY2019
- Investor Presentation FY2019

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About EROAD

- EROAD believes every community deserves safer roads that can be sustainably funded. This is why EROAD develops technology solutions (products and services) that manage vehicle fleets, support regulatory compliance, improve driver safety and reduce the costs associated with driving. EROAD also provides valuable insights and data analytics to universities, government agencies and others who research, trial and evaluate future transport networks. This data enables those who use the roads to influence the design, management and funding of future transport networks.
- EROAD launched with the purpose of modernizing New Zealand's paper-based road user charging system. By 2009 EROAD had introduced the world's first nationwide electronic road user charging system and now around 46% of collected heavy vehicle road user charges in New Zealand are being collected using EROAD technology. By March 2019, this had delivered NZ\$2.5B to NZTA for the sustainability of the NZ transport network. In the USA EROAD introduced the first electronic Weight Mile Tax service (2014) and the first independently verified Electronic Logging Device service (2017).
- EROAD (ERD) is listed on the NZX, employs over 250 staff located across NZ, Australia and North America.

EROAD Limited		
Results for announcement to the market		
Reporting period	Year to 31 March 2019	
Previous reporting period	Year to 31 March 2018	
	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$61,352	40%
Profit (loss) from ordinary activities after tax attributable to security holders	NZ(\$4,915)	42%
Net profit (loss) attributable to security holders	NZ(\$4,915)	42%
Final dividend	Amount per security	Imputed amount per security
No dividend is proposed		
Record date	Not applicable	
Dividend payment date	Not applicable	
Audit	The financial statements attached to this announcement have been audited.	
Comments	Refer to accompanying pages for commentary. Prior year comparatives and percentage change has been updated to reflect adoption of new accounting standards.	
Net tangible assets per security	31 March 2019	31 March 2018
	\$0.55	\$0.39

ENDS