



EROAD HALF YEAR 2018 ANNOUNCEMENT AND UPDATE

EROAD achieves record sales in New Zealand and US markets

28 November 2017

Integrated technology, and services provider EROAD Limited says it has enjoyed record sales growth in both its foundation New Zealand market and its growing North American market.

Highlights for 6 months to September 2017 and business update

- Revenue at \$20.9 million up by 35% over same period last year
- EBITDA of \$4.0 million during the period underpinned by EBITDA of the New Zealand/Australia business which reached \$11.1 million during the period
- Net Loss before tax \$3.7 million, driven by investment in US sales activity
- Total Contracted Units in New Zealand/Australia 49,802 up by 31% since September 2016
- Total Contracted Units in North America 9,736 up by over 84% since September 2016
- Q1 and Q2 of FY18 were both record sales quarters for the New Zealand and North American markets
- Customer Retention Rate remains strong at 98%
- Future Contracted Income grew to \$75 million during the period up \$17m or 29% in 6 months
- Secured new credit facility from the BNZ totaling \$33.4 million for initial term of 12 months with initial drawdown in July 2017. Post September 2017, EROAD has subsequently signed a credit approved facility letter with the BNZ to further extend its facilities by approximately \$16 million, to further support expected growth
- Strong momentum has continued in the business with total contracted units increasing in October 2017 by 1,133 units for the New Zealand/Australia business and 1,166 units for the North American business
- As part of EROAD's continuing focus on growth in the US, EROAD has engaged First NZ Capital to undertake a strategic review of its North American business. The review is focused on evaluating options to further capture the compelling growth opportunity in North America.

Half-year to 28 September 2017



EROAD Limited (EROAD) (NZX:ERD) reports record unit and revenue growth which delivered strong net profit in the New Zealand & Australia business to support both head office costs and losses in the North American business, as EROAD pursued revenue growth in line with its strategy and business plans for North America.

Chairman of the Board Michael Bushby said the investment made in strategy and business planning for the US business had begun to show returns with the US business selling 3,634 units in the six months to September 2017 compared with 801 units for the preceding 6 months.

“The US business invested in sales capability in line with our business plan which saw the US business grow total contracted units by 81% and incur a net loss of \$3.1 million,” Mr Bushby said.

“While our investment in sales capability and a more targeted strategy is generating positive results, we continue to focus on growing the total contracted units to achieve scale and move towards breakeven and profitability for the US business,” he said.

“It is important to acknowledge the EROAD team for what have been significant achievements in the six months, particularly as it has been a challenging time for them, with a restructure of the business, and saying farewell to a number of good people who had helped us on our journey so far.”

Operational summary

New Zealand & Australia

EROAD’s New Zealand business enjoyed two record sales quarters during the six months to September 2017, and finished the period with a strong pipeline of demand for the second half of FY18.

Chief Executive Steven Newman said health and safety services, such as driver behaviour, are now as strong a driver of sales as electronic Road User Charges (eRUC) services, which continue to grow well. The company continues to engage with an ever more diverse range of large and small customers as fleet owners and managers begin to appreciate the positive business outcomes that can be achieved by ensuring safety within their businesses.

Mr Newman said, “Our customers are improving health and safety thanks to services that support safer driver behaviour. And road planners and policy makers now have high quality network data from the activity of around 50,000 vehicles on our platform. Road transport accounts for around 15% of fuel used in New Zealand, and our customers are achieving, on average, fuel savings of around six per cent, representing a significant cost saving and carbon saving to the economy.”

Mr Newman said he was particularly pleased that two of New Zealand’s leading companies, Fulton Hogan and Waste Management, had invested in new, sophisticated EROAD in-vehicle technology, with ~4,500 Ehubo2 units being installed in their transport fleets to further improve their management of health and safety.

In New Zealand around half of all heavy transport Road User Charges (RUC) is now paid and collected electronically. This 50% market conversion, since EROAD launched the world’s first GPS-based road user charging system in New Zealand in 2009, represents a rapid eCommerce adoption by our road transport sector. EROAD collects 80% of the electronic RUC in New Zealand and has now collected more than \$1.7 Billion since launch.



"The profitable, cash-generating performance of our New Zealand business continues to provide the platform for our investment in North America.

North America

As the ELD (electronic logging device) deadline nears and EROAD benefits from the preceding investment in sales, first half growth in North American sales were at their highest since EROAD entered the market in 2014. 3,634 units were added in the six months, more than double the total number added in the last full financial year to March 2017 (1,601).

During the six months, legal appeals against the ELD mandate were thrown out, and a last-ditch attempt to have Congress halt implementation of the mandate was dismissed. Fleets that must meet the December 2017 deadline are urgently seeking a solution, and tend to be price rather than value focused.

Fleets whose vehicles already have an automatic on-board recording device (AOBRD) have two years' grace (18 December 2019), and these operators are looking for more robust and value-oriented solutions, and are likely to consider a solution when their existing technology leases come up for renewal, Mr Newman said.

"EROAD remains very focused on US tax compliance and health and safety products, and in particular the ELD market for the next two years and beyond," he said.

"Our US business plan implemented last year sought to expand EROAD's reach beyond the Northwest states where EROAD had been concentrating. I am pleased to report that 20%, or 2,000, units out of our total units in the US are now outside the Northwest - from Florida to Illinois."

Mr Newman said EROAD remained focused to lifting sales and therefore the scale of the US business to create a high-growth, self-sustaining business to match its New Zealand operation in performance.

As part of this focus on growth in the US, EROAD has engaged First NZ Capital to undertake a strategic review of its North American business. The review is focused on evaluating options to further capture the compelling growth opportunity in North America. We will be looking for potential partnership, joint venture and other opportunities that can help us expand our distribution footprint in the US.

Outlook for full year to March 2018

EROAD will continue to focus on growing its New Zealand business to meet the needs of an ever more diverse group of customers, as well as growing its North American business to take advantage of the ELD opportunity and build the scale for EROAD as a whole to move toward breakeven in the 2019 financial year.

Growth in the New Zealand business is expected to remain very strong given the known pipeline the EROAD team is working on. The company also expects growth to continue in North America given the need of many customers to become ELD compliant. It is expected that price will be a key driver in the US as late adopters focus more on meeting the ELD deadline than the extra value that can be extracted from new telematic services. Mr Newman said the company expects value will become



more important in 2018 when businesses with existing hardware come up for renewal at the end of their current leases, and look to renew with an ELD compliant solution.

EROAD will continue to invest in improved back office and customer support systems to maintain growth and to work with customers to bring new analytics and improved services to market.

EROAD put in place a new credit facility with the BNZ for an initial term of 12 months in July. EROAD has now subsequently signed a credit approved facility letter with the BNZ, to further extend this facility. Under this extension, the growth facility increases by approximately \$14 million and the overdraft facility increases to \$5 million from \$3 million. In addition, the term increases through to 1 April 2019.

The new debt facilities will be used to provide for the funding needs of expected growth and to support the financing of new units leased to customers in New Zealand, Australia and the United States, which will be drawn down in accordance with the execution of new rental contracts.

Consistent with its dividend policy, EROAD does not intend to pay an interim dividend for the year 31 March 2018.

October 2017 Total Contracted Units

EROAD is pleased to announce that the strong momentum in the business experienced over the six months to September 2017 has continued in October 2017. Total contracted units increased by 1,133 units for the New Zealand/Australia business and 1,166 units for the North American business.

Financial Statements

Attached to this release are the unaudited financial statements, for the six months ended 30 September 2017 and the comparative financial information for the six months ended 30 September 2016. These financial statements have been prepared under the New Zealand equivalents to International Financial Reporting Standards and reviewed by KPMG.

About EROAD

EROAD modernises road charging and tax compliance and health and safety compliance for road transport by replacing paper-based systems with easy-to-use electronic systems that also improve fleet management. The company is headquartered in Auckland, New Zealand, and listed on the New Zealand Exchange (NZX). Its US business is based in Portland, Oregon, serving customers with vehicles operating in every US mainland state, growing outward in concentration from the Northwest. In 2009 EROAD introduced the world's first nationwide electronic road user charging (eRUC) system in New Zealand. Currently half of all heavy transport RUC is collected electronically, representing a rapid transition to e-commerce on a voluntary, industry-led basis, due to the cost-savings and benefits to customers. EROAD is also a leading provider of health and safety compliance services, including vehicle management and driver behaviour and performance measures.

For more information please visit www.eroad.com.



For a detailed description of EROAD's business, and terms including Total Contracted Units, Future Contracted Income and Retention Rate, which are non GAAP measures used by EROAD to manage the business, please refer to the Appendix of the November 2017 Half Year Presentation.

Contact: Steven Newman CEO on +64 9 9274713.

Attachment: Summary financial statements



| EROAD Limited | | |
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| Results for announcement to the market | | |
| Reporting period | Six months to 30 September 2017 | |
| Previous reporting period | Six months to 30 September 2016 | |
| | Amount (000s) | Percentage change |
| Sales revenue from ordinary activities | NZ\$20,906 | 35% |
| Profit from ordinary activities after tax attributable to security holders | NZ\$(3,617) | (1,401%) |
| Net profit attributable to security holders | NZ\$(3,617) | (1,401%) |
| Interim 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 not been audited. | |
| Comments | Refer to accompanying pages for commentary. | |
| Net tangible assets per security | 30 September 2017 | 30 September 2016 |
| | \$0.20 | \$0.40 |