



## MEDIA RELEASE

### EROAD market update

**29 January 2016** Steven Newman, EROAD CEO, has now been based in Oregon since October 2015 and, as was signaled on 25 November 2015 at the time of releasing our half year results, we are in a position to provide an update to the market on progress to-date, including in particular:

- the publication of the U.S. Department of Transportation's Electronic Logging Devices (ELD) rule;
- the entry into the new states of Washington and Idaho, and our progress in Oregon; and
- the implementation of the North American indirect sales strategy.

"EROAD continues to deliver unit growth of over 58% year on year, and the New Zealand and North American markets present sizable and ongoing growth opportunities for the business," said Steven Newman. We set out below an update on our progress in these markets.

#### North American Market

The steady expansion into the North American market continues. Our sales team has expanded beyond Oregon, into Washington and Idaho, and the indirect sales channel now has a number of partner evaluation pilots underway. Achieving strong partner channels is viewed as an essential element in moving more quickly to cover the broader North American market opportunity, and will be a key focus for this year. As at 28 January 2016 EROAD had grown Total Contract Units (TCU) in the North American market to 4,100.

#### *US Department of Transportation rule requiring electronic logging devices (ELD)*

The most significant development in North America since 1 October 2015 has been the US Department of Transportation's introduction of its long-awaited rule requiring the use of ELDs for commercial vehicle drivers to record their hours of service (HOS). With the rule now finalised we have seen a significant increase in the level of engagement from customers around both electronic logbooks and fleet telematics.

It is estimated that more than three million drivers and vehicles are now required to comply with the new ELD rule by December 2017. This represents a significant opportunity for EROAD to provide customers across North America with a comprehensive electronic tax (International Fuel Tax Agreement (IFTA) and Oregon Weight Mile Tax (WMT)) and compliance solution on its secure technology platform. We currently expect EROAD to be the only ELD provider able to offer customers both ELD services and Oregon WMT services.

The U.S. Department of Transportation's Federal Motor Carrier Safety Administration published its final rule requiring the use of ELDs on 11 December 2015. The rule was consistent with EROAD's expectations, in particular:

- The ELD must enable the driver to securely record and display their HOS.
- The ELD must automatically and securely record vehicle information including driving time, engine hours, power status, motion status and location.
- All drivers and vehicles must adopt a compliant ELD solution within 2 years – by December 2017.

EROAD built its Ehubo2 in-vehicle hardware, driver electronic logbook and Depot cloud based platform with the goal of becoming a global leader in road user charging and compliance services to the heavy transport sector. Further, we designed our solution in anticipation of the proposed ELD rule.



Our R&D team has put in place our ELD development program building on our recently launched compliant Electronic Logbook (see below). We expect the development and testing of our full ELD solution to be completed during 2016.

#### *Launch of our Electronic Logbook in North America*

EROAD launched its Electronic Logbook in North America in December, providing transport operators with an innovative electronic HOS solution to help improve compliance and reduce paperwork. The Electronic Logbook has added to EROAD's service offering in North America. Our Electronic Logbook is the first step towards offering a compliant ELD solution that meets the recently published ELD rule.

"We can report that EROAD, through its business strategy and current technology platform, is very well placed to service the ELD opportunity in North America," said Mr Newman.

#### ***Direct sales channel***

Tony Warwood, General Manager New Zealand, is currently acting VP Sales North America. Tony has overseen the expansion of the direct sales channel.

We have established a sales team in Washington, which has delivered encouraging early sales since October, including one of our largest North American clients to date, with 245 units. The team is building a pipeline of opportunities which should see them running at full productivity in 2016.

We are in the process of completing build out of our Idaho sales team and expect this to be in place by March 2016.

Oregon remains our most important state and is progressing well. With 3,000 units in Oregon we now estimate our Oregon based WMT market share is 3%. In New Zealand, after the same time period in the market, EROAD had 2,500 units.

Since the publication of the ELD mandate, we have seen more commitment from the industry to adopting an electronic solution. "The level of engagement from potential customers is considerably higher as they begin to prepare to meet the new rule's requirements," said Mr Newman.

"We are having sales success with customers who have not had telematics as well as customers who have chosen to switch to EROAD from other telematics providers. Our tax based solutions, including WMT and IFTA, as well as our Electronic Logbook capability, have both been drivers of this sales success," said Mr Newman.

The average monthly sales for the last three months for our direct sales channel is 240 units per month and broadly in line with the forecast in our 28 September 2015 announcement. Our pricing has also improved as our brand has become more established and as customers understand the additional value our solution provides in operational and health and safety areas.

"I am encouraged by the impact the new ELD rule has had on the market and customer engagement. With our unique technology, along with both our direct and indirect sales channels, we are very well placed to service the three million plus drivers and trucks required to comply with the new ELD rule, by December 2017," Mr Newman said.

#### ***Indirect sales channel***

Steven Newman is currently overseeing the newly established indirect sales channel. Indications from the market are that our indirect sales channel will play a big part in accessing ELD customers across North America. Sales cycles are likely to be between six and nine months as we work with our channel partners to develop our joint solutions and incorporate our new ELD into the offering. We expect to deliver a small



number of initial sales in FY16, in part driven by the desire to incorporate the new ELD rule in our sales. As a consequence, FY16 TCU will be lower, by up to 1,000, than the 6,000 forecast in our 28 September 2015 announcement, with minimal revenue impact on the FY16 full year result.

#### New Zealand/Australian Market

EROAD's New Zealand/Australia business has continued to achieve strong growth since September 2015. EROAD is now collecting 34% of total Heavy Vehicle road user charges in New Zealand, up from 29% at April 2015. As at 28 January 2016 EROAD had grown TCU in the New Zealand/Australia market to 31,300.

Health and safety continues to be a major concern for New Zealand businesses and is driving EROAD's engagement with an increasingly diverse range of customers including light vehicle fleets. New Zealand's health and safety reforms will come into effect in April 2016. EROAD's ability to offer services that support health and safety compliance while also improving operational efficiency is helping the company to meet the needs of its customers.

#### **About EROAD**

EROAD is a fully integrated technology, tolling and services provider. It was the first company to implement a GNSS/cellular-based road charging solution across an entire country. Its advanced technology provides road charging, compliance and commercial services with the same platform to lower overall client and delivery costs.

The EROAD system consists of a secure electronic distance recorder (Ehubo), integrated with mobile applications, and an online bank-grade payment gateway and services portal. It undertakes design and manufacture of our Ehubos, as well as software development, from our headquarters in Auckland.

EROAD's successful New Zealand reference site provided it with the opportunity to enter the international market. In 2014 EROAD commercially launched in Oregon, becoming the first approved electronic WMT service provider in North America.

EROAD's goal is to offer flexible and powerful solutions based on our innovative technology to assist in the creation of a transport sector that is responsive to the evolving needs of business, government and the wider community. For more information please visit [www.eroad.com](http://www.eroad.com).

For a detailed description of EROAD's business, and terms including Total Contracted Units (TCU), which are non GAAP measures used by EROAD to manage the business, please refer to the investor section of the EROAD website.

Contact: Steven Newman CEO on +64 9 9274713.