



EROAD

Market Release

26 November 2021

EROAD accelerates towards next phase of growth

Transportation technology services company EROAD (ASX/NZX: ERD), with its purpose of safer and more sustainable roads, today released its financial results for the first half of the 2022 financial year.

All numbers are stated in New Zealand dollars (NZ\$) and relate to the six months ended 30 September 2021 (H1 FY22). Comparisons relate to the six months ended 30 September 2020 (H1 FY21) unless stated otherwise.

Key highlights:

- Revenue increased \$2.2m to \$48.0m from H1 FY21 (which included non-recurring revenue of \$1.6m) and delivered reported EBITDA of \$12.6m which includes \$2.0m of transaction and integration costs;
- Contracted units increased by 6,500 despite COVID-19 and monthly ARPU was \$57.64 reflecting additional products and services sold;
- Asset retention rate remained high at 94.1% reflecting the quality of EROAD's service and product offering; and
- Continued acceleration of growth strategies by increasing R&D spend to 28% of Revenue, development of strategic partnerships and the undertaking of the transformational acquisition of Coretex.

"EROAD's financial result reflects both the continued investment in our growth strategies as well as the resilience of our business model in continued challenging macro-economic conditions. Sales momentum is expected to increase with the easing of COVID-19 impacts, the launch of the next generation platform and hardware, the release of Clarity Solo, and the Coretex acquisition." said Steven Newman, Chief Executive Officer.

EROAD Chair Graham Stuart says: "We have always been clear, that EROAD chooses to grow through organic growth, strategic partnerships and acquisitions. In H1 FY22, we have successfully delivered across all these fronts. We are positioned for the next phase of growth as we look to build our business in the North American and Australian telematics markets."

Revenue increased \$2.2m to \$48.0m reflecting growth in units, dashcams and additional add-on subscriptions sold to customers. This was partly offset by a reduction in other revenue from H1 FY21. This prior period included income from the forgiveness of a North American COVID-19 government support loan (\$1.6m).

Over the period, contracted units grew by 5% to 132,703 reflecting continued good growth in both New Zealand and Australia. This was partly offset by a fall in units in North America predominantly due the loss of an enterprise customer (1,751 units) which aligned its

technology with that of its acquirer. EROAD also continued to see increased momentum selling add-on hardware or SaaS subscription products with over 296 customers adding a product or service to their existing plan, representing 7,341 Dashcam Clarity, Inspect, Logbook or Bookit subscriptions added.

EROAD's Asset Retention Rate remained high at 94.1%, reflecting the quality of EROAD's service and product offering. In addition, 538 customers across all markets renewed their EROAD plan (representing some 16,481 contracted units). EROAD's Annualised Monthly Recurring Revenue metric increased to \$92.8m from \$88.4m at 31 March 2021. EROAD also increased Future Contracted Income from \$140.0m to \$149.1m reflecting the considerable number of renewals that occurred during the period, including the continuing 3G to 4G roll-out programme in North America (nearly 80% of North American units now on 4G technology).

Operating expenditure increased from \$30.5m to \$35.4m. This increase includes \$2.0m of transaction and integration costs relating to the Coretex acquisition, increased employee costs related to additional employees hired and the increased competition for talent, as well as annual leave accruing over COVID-19 lock-downs.

Accordingly, reported EBITDA reduced from \$15.3m to \$12.6m, representing an EBITDA margin of 26%. For H1 FY22, once transaction and integration costs are excluded, normalised EBITDA is \$14.6m, an increase from normalised EBITDA for H1 FY21 of \$13.7m once the one-off COVID-19 government support loan in North America of \$1.6m is excluded. EROAD's normalised EBITDA margin is 30%.

As anticipated, research and development spend increased from \$9.3m to \$13.3m, representing 28% of revenue. As EROAD moves ahead with its growth strategies, research and development is focused on opening up our addressable market for Enterprise customers.

Successful delivery of EROAD's growth strategy

EROAD is in a transitional period, as it moves into the next phase of growth. EROAD has continued to deliver on its growth strategy, with operating cashflow and two capital raises over the last 12 months allowing acceleration of investment for organic growth, the development of strategic partnerships and the undertaking of the transformational acquisition of Coretex.

EROAD continues to extend its platform offering. Since March 2021, EROAD has released a series of enhancements and new products to enable growth, including EROAD Analyst, EROAD Bookit, EROAD Messaging and EROAD Where Mini Tags. In October 2021, EROAD expanded its video telematics offering with the launch of EROAD Clarity Solo Dashcam (with no in-cab requirement for a pre-installed EHUBO unit). Clarity Solo is an integrated dashcam and telematics device, as such it expands EROAD's addressable market into a wider range of fleets (e.g. US Light Commercial Vehicles), without the need to also install an EHUBO, and it can also be installed alongside other telematics providers. With the low penetration of video telematics across North American transportation fleets, this significantly increases EROAD's addressable market.

EROAD entered into a strategic partnership with Philips Connect in June this year which provides customers a single view of all of their assets, including trailers and assets making deployment and management easier. EROAD sold 666 Philips Connect solutions in H1 FY22. EROAD has also entered into a partnership with Seeing Machines, an industry leader in vision-based monitoring technology, that enable machines to see, understand, and assist people.

In July 2021, EROAD entered into a conditional agreement to acquire Coretex. The acquisition is expected to accelerate key growth metrics by two years enabling EROAD to capture significant growth opportunity in North America and Australia (particularly with respect to Coretex's focus on the Enterprise customer segment, which has been less impacted by COVID-19 challenges). It also accelerates growth by adding new strategic verticals and broadens EROAD's product offering and customer base.

The acquisition has now received 100% shareholder approval, and both Overseas Investment Office and NZ Commerce Commission approvals and is expected to complete with effect from 1 December 2021. It is anticipated that the two businesses will be largely integrated in approximately 12-18 months. The initial focus will be on North America and promoting the Coretex 360 platform and CoreHub hardware solution as EROAD's next generation product within weeks of completion to enable sales momentum to increase in that market.

FY22 Outlook

As announced in EROAD's Q2 operating update on 21 October 2021, with continued challenging macro-economic conditions (particularly in North America) and the Coretex acquisition expected to complete before the end of 2021, EROAD now expects stand-alone FY22 revenue growth to be between 10% and 13%, and continues to expect normalised EBITDA margin (prior to integration and transaction costs) to be at or around the levels delivered in FY21.

While good growth is still being experienced in both Australia and New Zealand, some anticipated growth has been deferred to either later in FY22 or into early FY23 due to COVID-19 lock-down restrictions delaying piloting activity, installation roll-outs and lengthening sales lead-times. North America continues to experience ongoing impacts of COVID-19 and its associated economic challenges, in particular significant driver shortages and supply chain issues impacting mid-market customers. As a result, growth to date has been below EROAD's expectations.

With the easing of COVID-19 restrictions and their impacts, the launch of EROAD's next generation Android platform and hardware, the release of Clarity Solo in October, and the completion of the Coretex acquisition, EROAD expects increased sales momentum in FY23.

The Coretex acquisition is expected to complete with effect from 1 December, therefore it is now appropriate for EROAD to withdraw its FY22 stand-alone guidance as it is no longer relevant for the combined entities.

Ends

Authorised for release to the NZX and ASX by EROAD's Board of Directors.

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 via a teleconference commencing at 11.00am NZDT. Register in advance for this webinar:

<https://us02web.zoom.us/j/85265986688?pwd=d1F6YmxCYkYzRFUveXRTQ3hmcE1Wdz09>

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/investors>

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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, Normalised EBITDA, Normalised Revenue, EBITDA margin, Normalised EBITDA margin, Free Cash Flow and Future Contracted Income (FCI).

The definitions of these can be found on pages 41 of the investor presentation. All numbers relate to the 6 months ended 30 September 2021 (H1 FY22) and comparisons relate to the 6 months ended 30 September 2020 (H1 FY21), unless stated otherwise. All dollar amounts are in NZD.

About EROAD

EROAD Limited (ASX: ERD; NZX: ERD) ("EROAD") purpose is safer and more sustainable 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/>