



EROAD

Acquisition of Coretex and Capital Raise VOTE IN FAVOUR



LETTER FROM THE CHAIR

14 July 2021

Dear Fellow Shareholder

Today, EROAD has announced that it has entered into a conditional agreement to acquire 100% of Coretex Limited (“Coretex”) (the “Acquisition”), a telematics vertical specialist provider delivering enterprise grade solutions for NZ\$157.7m upfront consideration and NZ\$30.6m consideration contingent on certain performance milestones. This will be partly funded by an underwritten conditional placement to raise NZ\$64.4m (“Placement”) and a share purchase plan to raise NZ\$16.1m (“SPP”). The acquisition is expected to complete in early H2 FY22 and is subject to conditions, including Commerce Commission clearance in relation to Coretex’s New Zealand business, Overseas Investment Office approval and EROAD shareholder approval.

On behalf of the Board of EROAD, I am pleased to outline how this accelerates EROAD’s key growth metrics by two years enabling it to capture the significant growth opportunity in North America and Australia. The Board recommends that shareholders vote in favour of the proposed Acquisition and the Capital Raise.

The Proposed Transaction

EROAD has entered into a conditional agreement to acquire 100% of Coretex. Coretex is a telematics vertical specialist provider delivering enterprise grade solutions with connected units in North America, Australia and New Zealand. Coretex is focused on growth verticals of less than a truck load (LTL), refrigerated transport, construction, and waste & recycling. Coretex has a well advanced pipeline of North America Enterprise customers.

Both EROAD and Coretex aspire to create a safer, more sustainable and more productive society. EROAD’s customer solutions not only help to reduce speed, ensure vehicles are safe and improve driver behaviour, but they also help our customers achieve greater fuel efficiency, reduce compliance costs and improve fleet productivity. Coretex’s specialist products complement EROAD’s solutions. For example, Coretex’s refrigerated transport solutions optimises compliance, safety and fuel consumption to help reduce wastage and emissions. Furthermore, their construction solutions help reduce construction and industrial wastage and waste & recycling solutions to help reduce contamination.

The acquisition of Coretex is truly transformational for EROAD. Accelerating our key growth metrics by two years and positioning us to become a bigger player in the global telematics market. Coretex brings with it a broadened product fit and new strategic high growth key verticals. Combining EROAD’s broadly adopted regulatory telematics solutions with Coretex’s vertical market expertise and products creates an advanced market fit.

The Acquisition accelerates EROAD’s key growth metrics by two years by providing:

- Increased product market fit with proven technology solutions in new verticals and significantly increasing EROAD’s addressable market
- Increased Enterprise grade solutions as well as gaining a number of key Enterprise accounts which increases EROAD’s ability to win Enterprise customers
- Access to Coretex’s next generation platform, which provides EROAD the ability to accelerate its technology and product roadmaps with the combined expertise of product and engineering teams
- 64,177 units in North America, Australia and New Zealand, significantly lifting EROAD’s market position in North America and Australia
- Increased growth velocity toward 250,000 units and positions EROAD to become a bigger player in the global telematics market

The acquisition is expected to drive significant revenue synergies and integration benefits and is expected to be accretive on an earnings basis in FY23.

Shareholder Approval Required

EROAD will hold a Special Shareholders Meeting in conjunction with EROAD's Annual Shareholder Meeting, at 30 July 2021, 1pm, Loyalty Lounge, Eden Park, Reimers Avenue, Kingsland, Auckland. You will also be able to attend virtually via the link <https://web.lumiagm.com/> (Meeting ID: 312-976-984).

On behalf of EROAD's Board, I encourage you to cast your vote in favour of the resolutions outlined in the Notice of Meeting. If you are unable to attend the meeting in person you are able to cast a proxy vote in advance of the meeting. If you wish to vote in advance of the meeting, it is important that your vote is received by 1pm on 28 July 2021 to ensure that your vote is heard. Further details on how to vote and where to return your proxy form are included in the form itself as well as the Notice of Meeting.

Ahead of the meeting, the Board encourage you to carefully read the investor presentation detailing the acquisition accompanying this letter. The presentation includes the key strategic rationale for the acquisition of Coretex, the key risks involved and the terms of the proposed transaction.

Acquisition Consideration and Funding

EROAD has entered into a conditional agreement to acquire Coretex for NZ\$157.7m in upfront consideration and NZ\$30.6m in consideration contingent on certain performance milestones. The total consideration is intended to be funded by:

- the issue of EROAD shares to Coretex shareholders (NZ\$96.0m) at NZ\$6 per share
- NZ\$64.4m fully underwritten conditional placement at an offer price of NZ\$5.58
- NZ\$16.1m SPP, subject to the Board's discretion to accept over subscriptions and is not underwritten
- NZ\$11.8m of existing cash

Both the placement and SPP are structured to provide all shareholders, where possible, at least a pro rata allocation of shares.

EROAD will offer eligible retail shareholders (as at the Record date of 13 July) the opportunity to acquire up to A\$30,000 (Australian shareholders) and NZ\$32,000 (New Zealand shareholders) in New Shares via a Share Purchase Plan. The SPP is conditional upon shareholder approval at the SSM.

- The issue price for the New Shares issued under the SPP will be the lower of the placement price NZ\$5.58 and the five day volume weighted average price of EROAD shares traded on the NZX during the five trading days up to, and including, the SPP closing date. If you are eligible to participate in the SPP, you will be separately sent further details in relation to the SPP on 20 July 2021.

Reflecting the Board's commitment, I can confirm that all EROAD Directors that are eligible intend to participate in the capital raise. All EROAD directors intend to vote all shares held or controlled by them in favour of the resolutions to approve the transaction to the extent permitted to do so.

Thank you for your continued support.



Graham Stuart

Chairman