

# EROAD Fact Sheet

June 2018



## ABOUT EROAD

EROAD is an integrated transport technology and services company, headquartered in Auckland, New Zealand, with operations in Australia and North America. EROAD's in-vehicle technology and global electronic platform provides the commercial transport sector with an end-to-end solution to meet drivers' and operators' road tax compliance, safety compliance and fleet management needs.



## Key Financials

Year ended 31 March	FY2014	FY2015	FY2016	FY2017	FY2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	9,964	17,550	26,165	32,764	51,524
Growth (annual)	60%	76%	49%	25%	57%
Expenses	(5,935)	(12,511)	(20,478)	(25,708)	(36,515)
<b>Earnings before interest, taxation, depreciation, amortisation and non-operating costs</b>	<b>4,029</b>	<b>5,039</b>	<b>5,687</b>	<b>7,056</b>	<b>15,009</b>
Depreciation	(2,320)	(3,560)	(5,813)	(8,086)	(9,945)
Amortisation	(648)	(1,140)	(1,676)	(3,992)	(5,594)
<b>EBIT before non-operating costs</b>	<b>1,062</b>	<b>338</b>	<b>(1,802)</b>	<b>(5,021)</b>	<b>(530)</b>
<b>NPAT</b>	<b>2,942</b>	<b>(1,221)</b>	<b>(1,100)</b>	<b>(5,274)</b>	<b>210</b>

## Key Businesses

### NEW ZEALAND

#### (Road User Charges (RUC))

As at 31 March 2018, EROAD had 59,843 Contracted Units in New Zealand. There are an estimated 155,000 Heavy Vehicles subject to RUC in New Zealand and EROAD now collects 42% of all Heavy Vehicle RUC, at an annualised rate of \$558 million per annum.

The Health and Safety at Work Act 2015 has continued to drive more widespread uptake of telematics solutions, with operators that had not previously used telematics now deciding to adopt a solution to meet the new compliance requirements. EROAD is well positioned to help operators comply, with a comprehensive suite of health and safety-focused tools and reports. This has also supported EROAD's penetration into light vehicle fleets, many of which also have RUC requirements.

EROAD has seen a strong uptake from large enterprise customers, including Downer Group, Bidfood, Fulton Hogan and Waste Management, who are seeking EROAD's services to help meet their health and safety compliance requirements.

### NORTH AMERICA

#### (Mileage Based User Fees (MBUF), ELD)

In 2011, Oregon Department of Transport invited EROAD to undertake a field pilot with the Oregon Trucking Association with a view to providing an electronic alternative to Oregon's current paper-based WMT regime for Heavy Vehicles. Oregon was the logical opportunity for EROAD to pursue in North America because its WMT regime is broadly similar to New Zealand's RUC regime.

Following the successful pilot, EROAD launched its electronic WMT service in April 2014 and had 17,757 Contracted Units as at 31 March 2018.

EROAD's success in Oregon led to the California Department of Transportation selecting EROAD as its sole Heavy Vehicle technology provider for the California Road Charge Pilot. The pilot ran for nine months, concluding on 31 March 2017, and investigated road charging alternatives to California's fuel tax. During the pilot, participants had the opportunity to take advantage of EROAD's full suite of products including electronic IFTA and electronic logbook. EROAD received excellent feedback from the participants using EROAD's services. 44% of the vehicles participating in the pilot chose to remain equipped with EROAD hardware, having become EROAD customers.

In December 2017, EROAD was selected as the sole heavy transport services provider for the first multi-state truck pilot to explore the feasibility of a MBUF along the United States' eastern seaboard. The I-95 Corridor Coalition truck pilot, in partnership with the Delaware Department of Transportation, will include 50 vehicles equipped with EROAD in-vehicle hardware for a period of six months. The pilot area, running from Maine to Florida, is a critical freight corridor in the US economy. More than 5 billion tons of freight, representing almost 40% of the country's GDP, moves annually across the area's 1,917 miles of roads.

### INTERNATIONAL FUEL TAX AGREEMENT (IFTA)

EROAD used its beachhead in Oregon to expand its IFTA presence, first to Washington and Idaho, and now across North America. EROAD's comprehensive fuel tax reporting service offering makes it simple for trucking firms to file their quarterly tax returns as required by IFTA.

### INTERNATIONAL REGISTRATION PLAN (IRP)

EROAD's electronic IRP solution simplifies the IRP recordkeeping and application process for motor carriers.

## COMPANY INFORMATION

EROAD Limited  
PO Box 305 394  
260 Oteha Valley Road, Albany,  
Auckland, New Zealand  
P +64 9 927 4700 F +64 9 927 4701  
FREE 0800 4 EROAD  
[www.eroad.co.nz](http://www.eroad.co.nz)

## SHARE INFORMATION (at 5 June 2018)

**NZX Code:** ERD  
**Share Price:** \$3.50  
**Shares on Issue:** 68,089,931  
**Market Capitalisation:** \$238.3m  
**Financial Year End:** 31 March  
**NZX Industry Sector:** Services/Finance  
**Indices:** NZX SciTech, NZX SmallCap, NZX All

## REGISTRY INFORMATION

Computershare Investor Services  
Ltd  
Private Bag 92119, Auckland 1142  
P +64 9 488 8777  
E [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

## AUGUST 2014 NZX LISTING

EROAD listed on the NZX on 15 August 2014 at an issue price of \$3.00 per share. EROAD raised \$40 million of new capital through the issue of 13,333,248 ordinary shares. The majority of the new

capital raised was used to fund and accelerate the company's North American growth strategy, driven off existing Weight Mile Tax, Fuel Tax and Hours of Service compliance regulations.

## ELECTRONIC LOGGING DEVICE (ELD)

The ELD mandate was introduced by the Federal Motor Carrier Safety Administration in December 2015. The ruling mandates the use of ELDs to electronically record driver hours, by more than 4 million commercial vehicles from December 2017. This is not simply a change in compliance, it is a complete change in the way compliance is managed within a carrier's business. EROAD registered the first fixed in-cab ELD solution with the FMCSA in March 2017, currently one of only a handful of fixed in-cab ELDs on the market.

## Compliance

EROAD provides an electronic system for managing and paying road and fuel taxes (RUC in New Zealand, WMT in Oregon, and IFTA and IRP in North America). EROAD also provides a compliant ELD solution and a number of regulatory and commercial services to support driver and vehicle compliance and fleet efficiency. New Zealand RUC and Oregon WMT are explained below together with an overview of EROAD's compliance tools: ELD and Electronic IFTA and key industry trends in road funding.

## ELECTRONIC LOGGING DEVICES

The ELD mandate required more than 3 million commercial vehicles and drivers to use an ELD from December 2017. This represents a significant opportunity for EROAD to grow market share across North America with our FMCSA-compliant, independently verified, driver-centric solution. EROAD has worked with external consultants to segment the total ELD market of 3 million vehicles. We have refined our target market, to initially target those fleets whose needs most closely match our product offering. We estimate this market represents close to 1 million vehicles.

## ELECTRONIC INTERNATIONAL FUEL TAX REPORTING (IFTA)

IFTA, the international fuel tax agreement, is an agreement between 48 states of the United States and 10 Canadian provinces, to simplify the reporting of fuel use by motor carriers that operate in more than one jurisdiction. IFTA is a mechanism to level the playing field by netting fuel taxes charges based on consumption per jurisdiction. A significant part of IFTA compliance for motor carriers is substantiating the returns with records of miles travelled, location and fuel purchased and consumed by state for approximately 2.5 million vehicles. The records must be kept for a minimum of four years and made available to auditors upon request. EROAD's market-leading IFTA solution provides motor carriers with the opportunity to modernise, simplify and improve their IFTA compliance. Benefits to carriers include reduced paperwork and administrative costs, the ability to claim on exempt miles, and more accurate record keeping.

## Road & Fuel Taxes

### NEW ZEALAND ROAD USER CHARGES

RUC applies to vehicles over 3.5 tonnes and all vehicles that use diesel or other fuel not taxed at source. Approximately \$1.4 billion of RUC is collected annually, with \$1 billion from an estimated 155,000 Heavy Vehicles. The balance comes from 514,000 light diesel vehicles. RUC is charged based on the distanced travelled, the class of vehicle and its weight.

RUC is a significant operating cost for Heavy Vehicles and generally is one of the largest costs for fleet operators. For example, a standard Class 14 truck towing a Class 43 trailer would typically incur around \$70,000 of RUC annually.

RUC was traditionally collected by 'bricks and mortar' agencies such as NZ Post, the AA and Vehicle Testing New Zealand. EROAD has been a pioneer in shaping New Zealand regulatory reform to allow for efficient and cost-effective electronic solutions for RUC collection. 51.6% of all Heavy Vehicle RUC is now collected electronically.

## WEIGHT MILE TAX IN NORTH AMERICA

Oregon was the first United States jurisdiction to implement a tax based on distance travelled and weight. The Weight Mile Tax (WMT) applies to Heavy Vehicles over 26,000 lbs that operate on public roads in the state.

Oregon is the only US state to rely on a distance and weight-based road charging regime. New York, Kentucky and New Mexico use a combination of weight distance and fuel taxes. In 2017 California completed its Road Charge Pilot Program, the largest road charging pilot in the US to date, investigating alternative funding mechanisms to fuel tax.

## Key Industry Trends

### TRADITIONAL ROAD FUNDING IN DECLINE

Fuel excise taxes and vehicle registration fees remain the most widespread means by which roads are funded. However, these traditional funding methods are being increasingly undermined by:

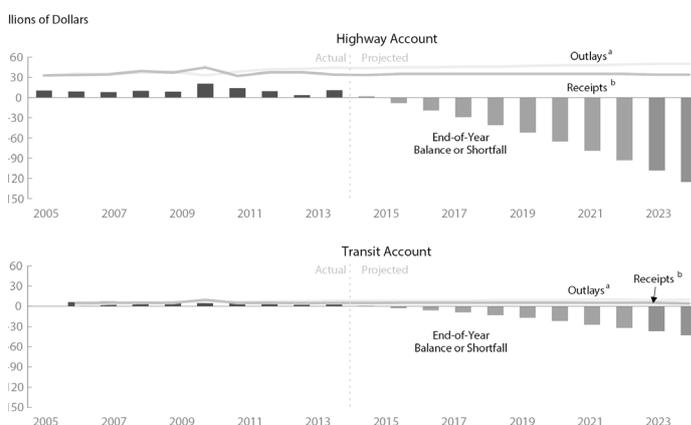
- increasing vehicle fuel efficiency;
- poor ability to link fuel use with road damage, congestion and environmental costs;
- increased availability and adoption of electric, hybrid and gas-powered vehicles;
- policy targets to reduce dependence on fossil fuels;
- revenue volatility from fluctuating oil prices; and
- policy targets to promote sustainable transport.

### UNITED STATES INFRASTRUCTURE CHALLENGES

The United States faces a growing funding shortfall for surface transportation infrastructure as highway and road funding is almost entirely reliant on the gas tax. The federal fuel tax has not been increased since 1993 and the United States Federal Congressional Budget Office found in its June 2015 report that the Highway Trust Fund could not support spending at the current rate because of the reduction in revenues from excise taxes.

The Congressional Budget Office predicts revenues from excise taxes will continue to fall at an extreme rate over the coming decade. By 2025 cumulative shortfalls are estimated to total about \$150 billion. Between 2008 and 2015, shortfalls totalling \$54 billion have been covered by top-ups to the fund from the United States federal government.

### US Highway Trust Fund Forecast Shortfall (US\$ Billion)



## ALTERNATIVE METHODS OF VEHICLE CHARGING

In December 2015 the US federal government passed the FAST (Fixing America's Surface Transportation) Act, establishing a US\$95 million grant program for states to demonstrate the feasibility of a user-based alternative revenue mechanisms as a replacement of fuel tax. States can apply for a 50% federal match for pilot projects that test the design, acceptance and implementation of an alternative revenue mechanism that is user based. A number of states across the US are looking at or are conducting pilot projects.

In February 2018 President Trump stated in his Economic Report that fuel taxes have historically acted as imperfect user fees and that one innovative approach is to consider supplementing or replacing fuel taxes with a user fee more closely related to a consumer's use of the system – such as a tax on vehicle miles travelled.

## HEALTH & SAFETY REGULATION

Globally we are seeing an increased focus on state regulation of corporates' health and safety obligations. This trend is leading to increased consumer demand for products that help corporates to manage their compliance risks, such as fatigue management. Health and safety regulation applies equally to Heavy and Light Vehicles which has led to increased interest in telematics and driver behaviour monitoring tools from light commercial fleet managers.

## Business model, governance, dividends & research

### BUSINESS MODEL

Recurring revenue is generated from all customers through monthly charges for both services and rental of hardware. In New Zealand, Australia and North America the majority of EROAD's contracts have a 36-month term.

In New Zealand, EROAD also charges transaction fees each time a customer purchases RUC from the New Zealand Transport Agency through EROAD's platform.

### Hardware sales

Hardware sales revenue is generated from the sale of EROAD's Ehubos to customers. Hardware sales make up around 8% of EROAD's total sales.

### Other revenue

Other revenue is earned from provision of transport statistics, accessory sales and consulting and advisory services.

### RESEARCH AND DEVELOPMENT

Innovation and product development to meet both customer and regulator needs is essential to:

- the achievement of our growth plans; and
- achieving our vision to become a leader in the provision of road user charging and compliance services to the global transport sector.

In FY2018 our annual investment in research and development totalled \$9.8 million and represented 19% of total revenue.

## BOARD OF DIRECTORS

**MICHAEL BUSHBY** Chairman

**TONY GIBSON** Independent Director

**CANDACE KINSER** Independent Director

**GREGG DAL PONTE** Independent Director

**GRAHAM STUART** Independent Director

**STEVEN NEWMAN** Executive Director/CEO

## SENIOR EXECUTIVES

### STEVEN NEWMAN *Executive Director/CEO*

Executive Director/CEO Steven brings a wealth of experience to EROAD after a long and successful association with Navman, which he co-founded. In his roles as COO and CEO, Steven helped establish Navman as a leading international brand within the Marine Electronics, Fleet Tracking, Precision GPS Modules and Consumer Car Navigation sectors, with annual sales in excess of NZ\$500 million. Steven has been CEO and a member of the EROAD board since 2007.

### JARRED CLAYTON *COO*

Jarred oversees EROAD's global corporate, manufacturing, and research and development operations. He joined EROAD in 2008, bringing a wealth of international software and leadership experience. Jarred was instrumental in building EROAD's initial SaaS platform and has been central to the company's growth, holding key positions, leading high-performing teams, and supporting EROAD's dedication to customer success.

### JASON DALE *CFO*

Jason is responsible for EROAD's global financial functions. He has more than 25 years' experience in New Zealand, Australia and North America in finance and governance roles, and is a Fellow of Chartered Accountants Australia and New Zealand. Jason was previously CFO at Sealord Group, PGG Wrightson, and Auckland International Airport, and Commercial Director at Fonterra (Ingredients).

### NORM ELLIS *President, North America*

Norm joined EROAD in 2017 to lead our North American business. He has more than 30 years' experience in the transportation and telematics sectors, in some of the largest businesses in the US market. He was previously COO at I.D. Systems, Inc., a producer of wireless asset management systems for the transport sector, and prior to that, led sales, services and marketing efforts at Omnitracs for the US and Canada.

### TONY WARWOOD *General Manager New Zealand*

Tony leads EROAD's New Zealand business. Tony joined EROAD in 2009 having worked in the heavy transport industry for a number of years. Until October 2015 Tony led the New Zealand sales team as National Sales Manager.

### MARK HEINE *EVP General Counsel & Company Secretary*

Mark is responsible for all aspects of legal compliance at EROAD including health and safety. Mark joined EROAD in 2015 after a career in the legal profession, having worked for Bell Gully in Auckland and Allens in Sydney.

### REBECCA MCKASKELL *VP, People & Capability*

Rebecca is responsible for all aspects of People & Capability, including recruitment, staff engagement, training and career development. Rebecca joined EROAD in 2012 after extensive HR and recruitment experience in New Zealand and the UK. Since joining, Rebecca has overseen the growth in the EROAD team from 34 employees to 229.

### SARA GOESSI *VP, Global Communications & Content*

Sara has responsibility for EROAD's global marketing and communications. Sara joined EROAD in 2012, after working in media relations and marketing for New Zealand high-tech companies.

## KEY MARKETS

### Australia and New Zealand

New Zealand continues to offer a significant growth opportunity for EROAD. In the heavy vehicle market, Electronic Road User Charges (eRUC) are quickly becoming the market standard method of paying for Road User Charges. eRUC now accounts for 51.6% of all heavy vehicle RUC collected in New Zealand with EROAD collecting 82% of all eRUC. Further, EROAD's new products are targeting a broader range of customer needs both in the light and heavy vehicle markets. EROAD has seen healthy growth in sales to operators of light commercial vehicles (vehicles weighting less than 3.5 tonnes) over the last financial year with over 9,000 units installed in light vehicles. Currently, only a small proportion of the estimated 500,000 commercial light vehicles on the road in New Zealand are thought to have installed telematics services.

Australia's 700,000-strong heavy vehicle fleet and 2.9 million-strong light commercial vehicle fleet still has relatively low levels of market penetration for advanced transport technology services like telematics. As Australia does not currently operate a Road User Charges system, most of EROAD's Australian growth comes via expansion into trans-Tasman fleets.

### North America

North America presents a significant and multi-faceted opportunity for EROAD. The ELD mandate impacts both fleets without telematics technology and those with older technology that doesn't meet ELD requirements. EROAD's broad product suite offered in conjunction with ELD (including Weight Mile Tax, electronic fuel tax and registration reporting, fleet management services and driver behaviour solutions) help to differentiate EROAD from its competitors.

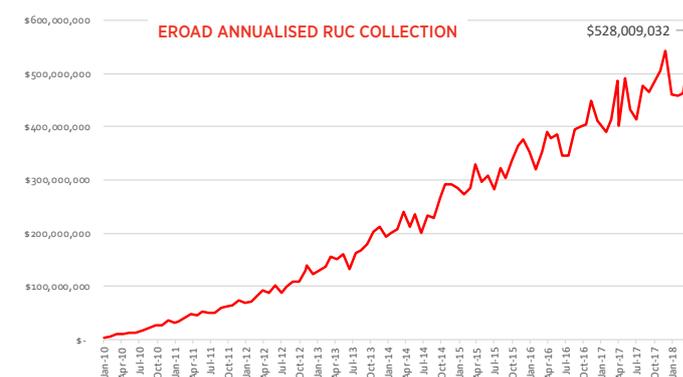
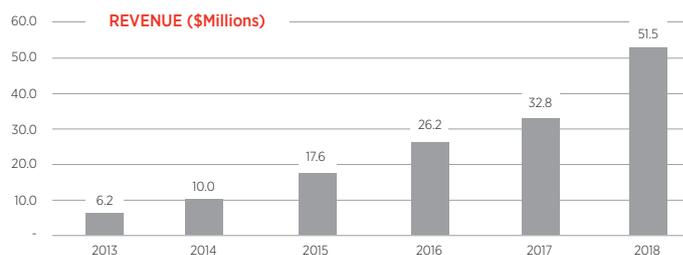
EROAD has refined its target market to fleets whose needs most closely match EROAD's product offering. In the longer term, EROAD expects to expand its market focus beyond its initial target segment both to larger fleets and to smaller operators looking for a reliable, future-proofed ELD solution.

Beyond the existing compliance framework, a number of states, as well as the Federal administration, are looking at alternative ways to fund infrastructure maintenance and improvement, including roads and highways, as evidenced by the California Road Charge Pilot Program and I-95 Corridor Coalition Truck Pilot.

## Key metrics, dividends and research

### KEY METRICS

#### Performance Indicators



	Mar 14	Mar 15	Mar 16	Mar 17	Mar 17
Customer Retention Rate	99.3%	99.2%	97.1%	99.0%	98.0%

## DIVIDENDS

The company has a dividend paying policy, however the directors do not anticipate the payment of dividends in the next financial year as funds will be retained in order to capitalise on immediate and future market growth opportunities.

## RESEARCH

There are currently two analysts following EROAD who provide written research reports on our business, performance and future outlook. They are:

**Greg Main**  
 First NZ Capital  
 +64 4 474 4061  
 greg.main@fnzc.co.nz

**Guy Hallwright**  
 Woodward Partners  
 +64 21 999 442  
 guy.hallwright@woodwardpartners.co.nz