



Market Release

Quarterly Operational Update

21 October 2021

Transportation technology services company EROAD (NZX/ASX: ERD) today released its quarterly update for the three months ended 30 September 2021. Key points include:

- Contracted units grew by 2,348 in Q2 FY22 reflecting continued good growth in both New Zealand and Australia. This is partly offset by a fall in units in North America which is predominantly due the loss (as previously disclosed) of an enterprise customer who has aligned its technology with that of its acquirer
- Continued success in accelerating growth strategies through increased sales in recently launched products and services and new strategic partnerships which are increasing addressable markets
- With continued challenging macro-economic conditions (particularly with respect to North America) and with the Coretex acquisition now expected to complete before the end of 2021, EROAD now expects its FY22 'stand-alone' revenue growth to be between 10 and 13% and continues to expect EBITDA margin (prior to transaction and integration costs) to be at or around the levels delivered in FY21

EROAD's Key Operating Metrics as at 30 September 2021 are as follows:

	Total at 30 June 2021	Total at 30 September 2021	Added in quarter
Contracted Units*	130,355	132,703	2,348
New Zealand	90,747	93,639	2,892
North America**	35,827	33,992	(1,835)
Australia	3,781	5,072	1,291
Clarity Dashcam	2,984	4,141	1,157
New Zealand	411	780	369
North America	2,552	3,299	747
Australia	21	62	41
Philips Connect	322	666	344

*Total Contracted units in a non-GAAP measure used by EROAD which represents the total units subject to customer contract and includes both Units on Depot and units pending instalment.

**As disclosed in the Q1 Quarterly Operational Update, a recently acquired North American enterprise customer has aligned its in-cab technology away from EROAD to that of its parent. This has resulted in the return of 1,751 units.



Contracted units grew by 2,348 in Q2 FY22 reflecting continuing good growth in both New Zealand and Australia. In addition, EROAD continues to see strong contract renewals reflecting the quality of EROAD's product and service offering. Overall, Group Asset Retention Rate was 94.1% for 30 September 2021 with 261 customers renewing their contracts (representing over 6,000 units) in New Zealand and North America.

During the quarter, both New Zealand and Australia markets were impacted by COVID-19 lockdown restrictions which caused delay in installations due to access to worksites and supply chain issues. Notwithstanding this, growth in Australia continued to accelerate adding 1,291 units in the quarter reflecting continued momentum in winning small-to-medium customers and the roll-out of the EROAD's largest Australian enterprise customer, Ventia. The Ventia roll-out is almost 60% complete and is expected to complete in Q4 FY22.

As anticipated in EROAD's Q1 operating update, North America was impacted by an enterprise customer (1,751 units) who completed deinstallation during Q2 FY22 to align its technology with that of its acquirer. In addition to this, North America experienced a further net decline of 84 units in the quarter. This reflects gross sales of 845 units offset by returns of 929. These include returns from mid-market customers who are reducing the number of units they acquire due to the lagging COVID-19 related impacts of driver shortages, loss of underlying contracts and broader macro-economic concerns in North America. Only 30% (net of the large Enterprise customer) of churn in the quarter represent customers who have moved their entire telematics contract to a competitor.

EROAD continues to have a solid pipeline of North American customer prospects and pilots including two enterprise customers and a solid mix of mid-market customers. These potential customers are overwhelmingly supportive of the Coretex acquisition and a range of them are waiting to access the wider suite of products that the combined entity will deliver. EROAD anticipates an increased sales momentum from the launch of EROAD's next generation Android platform and hardware, the standalone variant of the Clarity dashcam, and through the completion of the Coretex acquisition, working to up-sell and cross-sell opportunities that arise from EROAD's pipeline and Coretex's pipeline of North American enterprise customers.

Continued acceleration of growth strategies through launches of innovative new products and new strategic partnerships

EROAD continues to make good progress in providing additional products and services to its customers. This has been achieved through internally developing new products and services, as well as increasingly entering into strategic partnerships which are opening new addressable markets.

During the quarter, EROAD sold 1,157 Clarity Dashcams, increasing the total number of installed units to 4,141. EROAD expects this growth to accelerate with the launch of EROAD's new stand-alone dashcam product (with no in-cab requirement for a pre-installed Ehubo unit) which significantly increases the addressable market. The stand-alone dashcam complements EROAD's recently announced partnership with Seeing Machines, an industry



leader in vision-based monitoring technology. In just one month since the strategic partnership with Seeing Machines was announced, this has contributed to approximately 170 Clarity dashcam sales in New Zealand.

Growth continued for both EROAD Day Logbook and Inspect sales. EROAD Day Logbook added 541 driver subscriptions to a total of 7,621 driver subscriptions as at 30 September 2021 and added 1,038 Inspect subscriptions to a total of 12,155 subscriptions as at 30 September 2021, representing over 330 customers.

EROAD Where continued its momentum adding 1,070 tags in the quarter to a total of 9,100 tags as at 30 September 2021. Following the strategic partnership with Phillips Connect in North America in June 2021, which provides customers with advanced trailer and asset monitoring, EROAD has sold 666 Phillips Connect Solutions (including 344 added in Q2 FY22). This solution enables EROAD a further product channel in attracting new North American medium and enterprise fleets.

EROAD FY22 Stand-Alone Guidance

With continued challenging macro-economic conditions (particularly with respect to North America) and the Coretex acquisition expected to complete before the end of 2021, EROAD now expects its stand-alone FY22 revenue growth to be between 10% and 13% and continues to expect 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 continued closure of New Zealand's international borders, domestic competition for talent (in particular, but not limited to software development capability) is resulting in increased pressure on employment costs. EROAD is actively working to ensure it has the requisite capability to deliver high quality, innovative and disruptive solutions for its customers across all of its markets.

Following completion of the Coretex acquisition (expected before the end of 2021), EROAD will look to provide the market with combined FY22 guidance after integrating the business planning and financial forecasting processes of both businesses and confirmation of the accounting policy impacts of consolidating Coretex into its audited financial accounts.

With the easing of COVID-19 restrictions and their impacts, the launch of EROAD's next generation Android platform and hardware, the release of the standalone variant of the



Clarity dashcam, and the completion of the Coretex acquisition, EROAD expects increased sales momentum in FY23.

EROAD will release the company's financial results for the six months ended 30 September 2021 to the NZX and the ASX on 26 November 2021.

Ends

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

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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/>