



EROAD better positioned for future growth

28 May 2021

Transportation technology services company EROAD (NZX/ASX: ERD) today released its financial results for the 2021 financial year. All numbers relate to the year ended 31 March 2021 and comparisons relate to the year ended 31 March 2020.

Key highlights

- Revenue grew to \$91.6m, up 13% from FY20 and EBITDA grew by 13% to \$30.7m
- EROAD grew contracted units by 9,715, while keeping ARPU and asset retention stable in challenging macro-economic conditions
- EROAD accelerated its growth strategies – extending the platform further and launching new products
- EROAD reiterates its FY22 guidance provided in November 2020

“In a year that presented challenging macro-economic conditions we continued to grow across all of our markets delivering a 13% increase in revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) year on year. In addition, we accelerated our growth strategies to take better advantage of opportunities that have emerged from the challenges of the last twelve months. EROAD is now stronger than ever before, better positioned to capture the increasing growth opportunities in telematics” said Steven Newman, Chief Executive Officer.

EROAD Chair Graham Stuart commented “EROAD recognised that this was the time to be bold and to prepare to take best advantage of growth opportunities when macro-economic conditions improved. For EROAD this meant increasing and accelerating its investment in its platform and products. The ASX listing and simultaneous \$53m capital raise in September 2020 ensured we had the upfront funding to be able to begin this acceleration. We achieved what we set out to do. EROAD is now stronger than ever and ready to grow – and grow quickly.”

Revenue increased year on year by 13% to \$91.6m, reflecting growth in contracted units across all our markets. Average SaaS Monthly Revenue per Unit (ARPU) remained stable at \$58.30 per month from \$58.38 in FY20 reflecting customers upgrading their plans and selling additional SaaS products offset by foreign exchange movements over the year. EBITDA grew by 13% to \$30.7m. EROAD’s Annualised Monthly Recurring Revenue metric (AMRR), which provides a forward view of sustainable revenue, increased from \$84.0m at 31 March 2020 to \$88.4m as at 31 March 2021.

Reflecting the quality of EROAD’s service and product offering, in a year that brought with it a significant amount of uncertainty for our customers, EROAD’s Asset Retention Rate remained stable at 94.9% (FY20: 95.2%). In addition, 640 customers renewed their plan (13,821 contracted units).

In the year ended 31 March 2021, a total of \$21.3m (FY20: \$15.6m) was invested in research and development, representing some 23% of revenue. As previously signalled, EROAD sees substantial and increased future growth opportunities in the markets it operates in. As such research and development spend has been accelerated during FY21 and it is anticipated this will grow to some 24-27% of revenue in FY22 to be able to appropriately capitalise on this growth opportunity.



New Zealand

New Zealand revenue increased by \$6.4m or 12% year on year to \$59.8m. EBITDA was \$38.8m, up 11% from \$34.9m reflecting both increased contracted units as well as sales of add-on SaaS products. The growth of 7,526 contracted units reflects further extension into fleets of existing customers, as well as new customers in Construction & Civil Engineering, Freight & Road Transport, Services & Trades. During Q3, EROAD secured a large Enterprise customer, Toll New Zealand. EROAD will install almost 1,000 units and EROAD SaaS products, across their heavy vehicle, light vehicle and trailer fleet.

North America

Revenue for North America increased by \$4.8m or 19% to \$30.6m and EBITDA increased period on period from \$7.5m to \$10.0m. North America, has been the most challenging of EROAD's markets during COVID-19 due to the impacts of lengthy lockdowns, wildfires, civil unrest and politics. New sales were significantly challenged with customers working from home and focused on maintaining their businesses as opposed to looking at making changes. While EROAD grew in North America, adding 1,435 units during the year representing growth of 4%, it was significantly less than the prior year. It is encouraging to see signs that the North America economy is opening up again, bolstered by the increase in government support and rollout of vaccination programme with workers beginning to return to their workplaces across the region. Reflecting this, EROAD currently has two enterprise customer prospects in pilot for its Ehubo delivered services (approx. 1,500 units) as well as a solid mix of mid-market pilots either launched or beginning soon. There are also further pilots for Clarity Dashcam with existing and new customers.

Australia

Revenue for the Australian business was \$1.4m, compared to a FY20 figure of \$0.7m. EBITDA for the Australia region was at \$(0.9)m, compared to \$(1.3)m in the prior year. Despite restrictive lockdowns in the first half of the year, we added 754 contracted units in the year, with the majority of the units being added in H2. This growth predominately came from new small-to-medium size customers in Freight & Road Transport, Construction & Civil Engineering, Services & Trades. During the year, we were focused on securing some large enterprise opportunities within our Australian pipeline. EROAD announced at the beginning of April 2021 that we had signed our largest Australian enterprise customer, Ventia. This contract alone almost doubles the size of EROAD's Australian presence and it is still working a short to medium term enterprise sales pipeline of some 15-20,000 connected vehicles.

Accelerating Growth Strategies to capture significant opportunity for EROAD once market uncertainty recedes

During the year, EROAD accelerated its growth strategies – extending the platform further and launching new products. This leaves EROAD very well positioned to capture the significant and growing opportunity with Enterprise customers in North America and Australia now that uncertainty is beginning to recede.



Following the launch of Clarity Dashcam in October 2020, EROAD began marketing, selling and dispatching this product in March 2021. As expected, high demand was seen in North America as EROAD customers looked for safety solutions to deal with challenges associated with increasing insurance premiums. For the month of March 2021, EROAD sold a total of 1,054 EROAD Clarity Dashcams and this run-rate is expected to continue at a Group level, as North America continues to return to normality after restrictive COVID-19 lock downs and further momentum is built within the New Zealand and Australian markets. The EROAD Day Logbook product has seen great success with some 6,407 drivers now using the product, including 515 subscriptions to customers who do not currently have EROAD hardware installed.

FY22 Outlook

EROAD's Board and Management reiterate the FY22 guidance provided November last year at the time of the H1 FY21 financial results release. It is anticipated that the percentage revenue growth in FY22 will strengthen from that delivered in FY21, but not be at the level experienced in FY20.

In New Zealand, EROAD expect to add a similar number of units to that seen prior to FY21 (~9,000 p.a). New Zealand Ehubo sales will be complemented with Clarity Dashcam sales. In North America, EROAD expect increased unit growth in FY22, supported by Clarity Dashcam sales, as economy returns to pre-COVID conditions. In Australia, growth during the next 2 years will come predominantly from an Enterprise pipeline of 15-20,000 vehicles. As EROAD continues to accelerate new product delivery for future growth in FY23 and FY24, we anticipate spending 24-27% of revenue on R&D during FY22. However, EROAD also anticipate that EBITDA margin will be maintained for FY22 but will improve at the end of FY22.

The Global Telematics industry poised for significant growth

EROAD operates in the global telematics industry, which is estimated to grow to US\$750b by 2030¹. As each country around the world look to solve their transportation problems and as companies look to solve their operational problems - the demand for telematics and EROAD's products grows. EROAD customers are going through a digital transformation and therefore they are increasingly looking for solutions that give visibility, data and insights to manage their fleets more productively track and manage mobile and remote assets and as well as help with their ESG reporting requirements.

As governments look to solve transportation problems, regulatory telematics solutions in particular are forecast to be a significant growth driver forcing telematics adoption over the next 5+ years. Declining transportation revenues (as cars become more fuel efficient and EV uptake increases) and continued growth in road congestion will accelerate moves to road pricing globally.

EROAD is focused on world leading regulatory telematics solutions and is therefore well positioned to take advantage of this trend. EROAD's cash flow, combined with the recent \$53m capital raise and banking facilities puts the company in a strong position to pursue strategic growth opportunities. EROAD continues to consider inorganic growth opportunities that will provide customer base and product capabilities to differentiate EROAD further.

¹ Source McKinsey & Company (2018). Relates to global telematics plus the monetary value of the global ecosystem developing around monetizing vehicle data—including consumer vehicles.



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 for FY21 via a teleconference commencing at 10.30am NZST.

Register in advance for this webinar:

<https://us02web.zoom.us/meeting/register/tZAocuyopj4rH93lwQV4QAJcnJ1dACbiuYci>

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/global/investors>

Ends

This announcement has been authorised by EROAD's Board of Directors.

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Non-GAAP Measures

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, EBITDA margin, Free Cash Flow and Future Contracted Income (FCI). The definitions of these can be found on pages 38 of the investor presentation. All numbers relate to the 12 months ended 31 March 2021 (FY21) and comparisons relate to the 12 months ended 31 March 2020 (FY20), 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/investors>.