



# EROAD

## EROAD Annual Shareholders' Meeting

28 July 2023

EROAD Limited (EROAD) attaches the presentation and Chair, CEO and CFO addresses that will be delivered at the Annual Shareholders' Meeting being held today, Friday 28 July, by EROAD at 2pm at the Great Northern Room, Ellerslie Events Centre, 100 Ascot Avenue, Ellerslie, Auckland.

Shareholders can attend the meeting virtually at: <https://vimeo.com/event/3519688>.

Authorised for release to the NZX and ASX by the Chair of the EROAD Board.

**ENDS**

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| <p><b>For Investor enquiries please contact:</b><br/>Matt Gregorowski<br/><b>Citadel-MAGNUS</b><br/>+61 422 534 755<br/><a href="mailto:mgregorowski@citadelmagnus.com">mgregorowski@citadelmagnus.com</a></p> | <p><b>For Media enquiries please contact:</b><br/>Richard Llewellyn<br/><b>Shanahan</b><br/>+64 27 523 2362<br/><a href="mailto:richard@shanahan.nz">richard@shanahan.nz</a></p> |
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28 July 2023

### Chair Address

#### Welcome

On behalf of the rest of the Board and management team at EROAD, welcome to the EROAD Annual Shareholder's Meeting for 2023. My name is Susan Paterson and I recently assumed the role of Chair of EROAD, having been a Director since early 2019.

I am joined today on stage by fellow directors, Graham Stuart, who has led us capably as Chair for the past five years, Tony Gibson, who joins us for his last meeting, and Selwyn Pellet who is the former CEO of Coretex. We are joined on-line by Barry Einsig and Sara Gifford from the USA. Barry and Sara joined us in person last month for several days of important meetings, and are able to join virtually today helping to reduce our carbon footprint.

#### Agenda

Today I will be speaking to EROAD's core purpose, key developments from the Board's perspective over the past 12 months, and key focus areas for the current financial year. I will then hand over to Mark and Margaret for a discussion of EROAD's financial and operating performance over the past financial year alongside an overview of our core strategic priorities and how we as a business are executing against these. We will then move to the formal part of the meeting and take questions.

#### Introduction

Towards the end of FY23, we consulted a number of key stakeholders in order to define a new Purpose for the company, which you can see on the slide.

**"Delivering Intelligence You Can Trust, For a Better World Tomorrow"** represents a progression of our previous purpose "Creating Safer and More Sustainable Roads", and speaks to the ongoing integration of the Coretex business. It also aligns with our public tagline of **"Empowering Transformation"**.

As a hardware-enabled SaaS business, we see this purpose as reinforcing our commitment to delivering innovative solutions with a strong integrated ESG focus, a core part of our value proposition for our customers. The benefits from a compliance, safety and operational efficiency standpoint is what ensures our customers stay with us and that we are able to win market share.

It is the exceptional value we add to our customers and indeed society that makes EROAD such an attractive place to work. I would like to outline some of this value upfront:

- **Road User Charges** – EROAD produced the first electronic distance recorder approved by the New Zealand Transport Agency (NZTA) for road user charges (RUC) – and offers four of the seven electronic distance recorders currently approved by the NZTA. EROAD's Electronic RUC solutions overcome the shortcomings of mechanical hubodometers, supporting customers in meeting and not exceeding RUC obligations, delivering stream-lined compliance, reducing administrative burdens and providing visibility around RUC status and charges.



- **Health and Safety** – road safety and creating a safe workplace is key for EROAD and each customer that we serve. EROAD takes pride in delivering driver-friendly tools, insights and reports that can help improve road safety in real time, when it matters. By delivering solutions and analytics that can track vehicle performance, operator behaviours, driving patterns and potential safety hazards, EROAD is empowering our customers to proactively address and mitigate road-related risks for customers, their people and all road users.
- **Environmental Footprint** – EROAD places sustainability at the heart of its operations. We voluntarily report on our sustainability journey annually, which you can see in our second annual Sustainability Report, also partnering with Toitū Envirocare to capture EROAD’s full emissions profile. EROAD’s platform supports customers in understanding their environmental footprint, informing strategies and plans for reducing their emissions. Later this year this will include EROAD’s innovative decarbonisation tool. Developed in working with New Zealand’s Energy Efficiency and Conservation Authority, EROAD’s solution is capable of identifying areas where fleets are producing excess emissions and opportunities for change.
- **Exoneration** – EROAD recognises the vital role drivers play in our customers' operations and the challenges drivers face as eyewitnesses to incidents and accidents. EROAD’s dashcams and telematic data offer a dependable and verifiable means to safeguard customers' drivers and assets from incidents and complaints. High-definition video quality captures important details like registration plates and clear views of the road and driver, while the telematic data offers insights into speed, driving behaviour, conditions, and reactions, enabling an objective, verifiable record of events.
- **Cold Chain** – EROAD’s solutions enable customers to measure what matters in cold chain delivery, with remote management of trailers and detailed trip-based temperature reporting supporting compliance with food safety rules. CoreTemp’s algorithms predict with accuracy the core temperature of EROAD’s customer’s products in real-time, mitigating the need for time-consuming manual temperature probing. These solutions coupled with predictive maintenance powered by AI support fewer failed loads and improved traceability, saving customers time, money and fuel.

## Board Renewal

Secondly – it is about our people. At the governance level we have an outstanding group of people to take us forward, and I want to highlight their diverse backgrounds and unique contributions.

Graham Stuart has excellent capital markets experience but also in international markets. As you are aware he recently handed over the role of Chair and will remain a Non-Executive Director of EROAD, also taking over as Chair of our Finance, Risk and Audit committee (FRAC) until his retirement at an appropriate date in the future.

He has contributed enormously to EROAD during his five years as Chair, a period that included the acquisition of Coretex, the recent strategic refresh, and of course the COVID-19 pandemic. I am honoured to be taking the reins and look forward to continuing to support the business as it delivers on its core purpose and value proposition for customers and our communities.

Barry Einsig is one of our North American-based directors and has very strong transportation and technology industry experience, including with Cisco. He knows the US transport operators well having both working for them and as a service provider and has expertise in hardware and software.



Sara Gifford is our other North American-based director, who has decades of experience in SaaS businesses, across sales and technical operations, including in the transport and logistics sector.

Selwyn Pellett is the former founder CEO Coretex and has strong supply chain and telematics experience in Asia, North America, Europe and Australia, along with excellent sales and marketing experience.

David Green, as we recently announced will join the Board on 1 August as an Independent Non-Executive Director and stand for election at the ASM in 2024. He brings significant experience both a Board Director and as a former senior executive at ANZ and Deutsche Bank. We will no doubt benefit from his wealth of expertise in finance, governance and strategy as well as his experience in overseeing change management projects.

David replaces Tony Gibson, who in March this year advised the Board he would not be offering himself for re-election at today's meeting. Noting the EROAD Board guidelines on Director rotation, Tony will be retiring from the Board today. He was a member of the Board for over 13 years, which has included time as Chair of the Board and also Chair of the Remuneration, Talent, and Nomination Committee. I would like to thank Tony for the valuable contribution he has made to the company over that period, and wish him all the best for the future.

And finally myself, I have 25 years of governance experience on both NZX and ASX company boards but also globally as a former management consultant to numerous international and domestic companies. I have a particular passion for the positive impact technology can have on businesses from a sustainability standpoint and continue to champion these efforts at EROAD.

These recent changes to the Board are part of our longstanding and ongoing renewal process. We seek people that have the right combination of governance, technology, industry and finance experience to ensure the interests of our shareholders are protected and enhanced at all times.

Lastly, I would also like to mention that as we recently announced, after taking some time out of the business Steven Newman has re-joined EROAD as an independent consultant to our Technology Board Committee. Technology is at the core of EROAD's business and ongoing investment in its enhancements will be an important part of our strategy. Steven's skills and experience will help guide that strategic investment and ensure it delivers. I know I speak on behalf of many of us at EROAD in welcoming him back.

Turning now to management – let me assure you we have a real leader in Mark Heine our CEO.

After stepping up as Acting CEO, Mark was appointed as CEO last year. He clearly demonstrated how well he could inspire and motivate our team. Mark bring his eight years of knowledge working within the EROAD business to the fore, while working with customers and external parties to understand the environment and galvanise the Board, management and all EROADERS around a shared, compelling and doable strategy going forward.

Mark will take you through the leadership team he has assembled later. However, I can assure you, the Board is delighted with the talent and structure Mark has pulled together. It is a real mix of domain expertise alongside dedication and teamwork. The team has come from internal succession – reflecting our talent development programs, the return of people who have left for other opportunities but returned to



EROAD as a great place to work, and the new talent we have been able to attract based on our purpose and culture. The progress they are making is tangible.

## **FY23 Progress and FY24 Focus Areas**

Which leads me to the key developments over the past year. Towards the end of 2022, EROAD undertook an in-depth strategic review of the business, with the support of McKinsey & Company. As a result of this review we settled on a clear plan to optimise our business, which was built around the identification of four key opportunities for improvement:

- Optimising our segmented service model given our current customer mix.
- Enhancing R&D payback via faster speed to market and project prioritisation.
- Better capturing large enterprise clients in North America via our differentiated product offering.
- Improving our unit economics as cost-out initiatives are realised and customer growth occurs.

The resulting strategic plan, which is now being implemented, will see EROAD return to being cash flow positive and drive further growth via two programs. The first of these is **Turning Around the Core**, and the second is **Growing North America**.

**Turning Around the Core** is built around embedding a deep focus on cash and efficiency across the entire EROAD business. In practice this means:

- Tailoring service levels appropriately to drive profitable performance relative to the clients we service in each geography and vertical;
- Streamlining R&D functions and refocusing R&D spend to ensure maximum return on investment, as we are acutely aware of the need to be judicious when investing shareholder capital; and
- Creating operating efficiencies where possible to right-size the cost base and generate operating leverage as we win new business.

As part of these efforts, total annualised cost out of \$10m was achieved during FY23, with a further \$10m targeted in the current financial year.

The second is **Growing North America**, which is built around the need to better realise the value of our assets in what is a key growth market for EROAD. This means:

- Increasing revenue growth from large enterprise customers, including the provision of whole-of-fleet solutions alongside greater integration;
- Targeting the transportation vertical with whole-of-fleet solutions;
- Completing our scalable and competitive product offering for enterprises; and
- Scaling up our North American-focused enterprise sales team.

In parallel with the focus on growing our presence in North America, in recent months we have also been working with our advisers Goldman Sachs to identify partnership options to contribute expertise, additional market access for EROAD to gain further growth in the North American market and potentially also contribute fresh capital.



Discussions with various parties are ongoing related to different opportunities. Our aim was to have something finalised in time for today's meeting. However, by their nature, these opportunities take time to consummate, and we continue to prioritise those discussions which the Board considers will deliver the best outcomes for shareholders over the long-term.

We remain committed to each of our geographies. Management is executing well as evidenced by the renewal of key contracts and winning new business within our markets where we see highly complementary opportunities. Mark will talk more to this a bit later. Our New Zealand business is cash generative with a focus on multi-product adoption and there are increasingly ways we can leverage our market leadership and client relationships to grow in Australia, while our ability to service large enterprise clients is providing good momentum into North America.

This momentum in North America is largely down to the acquisition of Coretex, which we completed in December 2021. From a strategic standpoint, this was absolutely the right thing to do as it accelerated our product roadmap by at least two years and formed the basis of our strong product market fit the region. It gave us access to new verticals, particularly refrigeration and construction, and considerably bolstered our pipeline of opportunities as well our US leadership team. While the integration process took longer than anticipated, the process was largely hampered by COVID and our ability travel, but also inventory issues as global supply chains were disrupted. We also had some challenges in bringing the two technologies together, but as Mark will talk to, we now have integrated functionality between our two platforms and this is resonating extremely well with customers.

This leads me to the Board's focus for the current financial year, most importantly ensuring the execution against the Strategic Plan. As a Board we have set our management team clear targets for delivering against these goals and are pleased with the performance to date.

These include the guidance we have provided to the market, which will see the business deliver:

- Revenue growth of between 6 – 9%.
- Positive EBIT of up to \$5m, normalised for the accelerated 3G replacement programme.
- Continued cost-out, with an additional \$10m targeted this financial year.
- Focused R&D spend of \$30m.

Achieving this guidance will in turn put EROAD on the path to neutral Free Cash Flow by FY25, and positive Free Cash Flow by FY26. These have been set within EROAD's funding capability and the management team continues to exercise strong financial discipline to ensure this remains the case. We are continually looking to optimise our capital structure to ensure we have the right balance and flexibility for growth. We are still exploring a range of options including our approach to strategic and technological partnerships in North America as previously mentioned.

These milestones, and related metrics that Mark and Margaret will speak to shortly, represent measurable targets for investors to judge EROAD's performance against, and we believe that achieving these targets will maximise value for our shareholders as a standalone business.



## Governance

It is important to acknowledge that EROAD's share price performance has been unsatisfactory over the past year, for reasons related to the market but also of our own making. The Board has been acutely aware of this, but firmly believes that with the hard work largely done, our strategic plan in place and given where we are along our path towards reaching positive free cash flow, we are now at the point where shareholders will start to reap the rewards.

Against that backdrop, on the 22nd of June Volaris submitted a Non-Binding Indicative Offer (NBIO) for all EROAD shares outstanding at a price of NZ\$1.30 per share. As the Board disclosed to the market earlier this month, we undertook a thorough review process alongside our advisers Goldman Sachs and Chapman Tripp, with that review concluding that the NBIO materially undervalues our business.

We have taken this process very seriously and taken our time to assess a number of measures in determining this outcome, including our own expectations of the future performance of the business based on execution against the strategy I have outlined. I can assure all of our shareholders that going about this, in the proper way, is our first priority.

Ultimately the Board remains deeply committed to maximising value for our shareholders. We believe we have the vision, plan and people in place to do so.

Thank you for attending today's meeting, I will now hand over to Mark Heine and Margaret Warrington for the CEO and CFO Address.

## CEO and CFO Address

### Introduction

Thank you Susan. Good afternoon everybody. My name is Mark Heine and I am EROAD's Chief Executive Officer. This is my second year presenting at the EROAD Annual Shareholders Meeting as CEO. I am joined by our CFO Margaret Warrington who will also address the meeting today.

As Susan said, in many respects it has been a challenging year. It has also been a very fruitful one in terms of the direction we are taking and the strengthened team we have in place. We've also done a lot of great work in reimagining our purpose as Susan talked to, which has really helped to define who we are and what we stand for. So, I want to start by thanking everyone across the business, for your efforts and ongoing commitment as we deliver outcomes for our clients in a truly sustainable way.

### EROAD at a Glance

Before going into an overview of FY23 and our strategy and outlook for FY24, for the benefit of investors that are less familiar with EROAD, I wanted to give you a quick overview of our business. As you can see, we are far more than just being just about road user charges. We are truly a data creation and aggregation business which empowers our customers to transform their businesses.



Our numbers are immense. We have over 10,000 customers, with a quarter of a million drivers driving over 227,000 units being monitored by us, which travel over 9.2 billion kilometres annually. For context, that is more than the distance from the Sun to Neptune and back. Daily over 116,000 people are using our platform to ensure their drivers are compliant, that loads are being delivered, and driving efficiency and obtaining insight throughout their operations.

This leads to safer vehicles being on the road each day, less fuel being used, goods being delivered more efficiently and real money being saved in our customers' businesses.

We are truly delivering intelligence our customers can trust, for a better world tomorrow.

This week we also achieved a major milestone for EROAD. For the first time we exceeded 100,000 connections for EROAD in North America. This significant milestone ensures we are a credible player in the North American market, and validates the strength of our offering, together with the ability of our EROAD team to market, sell, install and support our customer base.

## **FY23 Results: Stabilised Foundations**

During FY23 we made great progress in stabilising the foundations of the business as we set and began delivering against our new strategy.

If you recall, at the last Annual Shareholders' Meeting, I laid out three key priorities for EROAD in FY23. These were to:

1. Build growth momentum in North America and New Zealand;
2. Build and maintain an engaged culture aligned to vision of the merged EROAD; and
3. Deliver on key product and platform integration.

I will first detail how EROAD has performed against those priorities, and then discuss how we win business in the North American market. I will then hand over to Margaret Warrington, our CFO, who will talk to the financial highlights over the past year and touch on the first key part of our strategy Susan talked to, on **'Turning around the Core'**. I will then talk to our progress in **'Growing North America'** and update you on our platform integration with Coretex, and finish with an update on current trading and how we are tracking against our longer-term targets.

## **Growth Momentum: New Zealand**

As mentioned, the first priority from last year's ASM was to build growth momentum in North America and New Zealand, in particular by building on the growth acceleration provided by the merger with Coretex.

In New Zealand we added over 9,500 net units, up almost 9% year-on-year. Over a thousand customers renewed their plans with us, which represented over 28,000 units being renewed for another term. Key enterprise customers Bidfood and Higgins renewed their contracts, representing collectively over 1,200 units. As you can see more than two-thirds of our new revenue came from existing customers, which reflects our strong market presence and our ability to continue to add value to these customers.





With that said, there is still plenty of opportunity to grow through new customers and a key highlight was winning a whole-of-fleet contract with Fonterra for a total of more than 500 units, with 50 units installed during FY23.

We have worked hard over the years to build a strong market position in New Zealand. However, we do not take this position or our customers for granted and we are proud to maintain an ongoing focus on continuous improvement.

As part of this focus, as Susan mentioned, EROAD has been busy developing a Decarbonisation Tool that will be available in New Zealand from later this year. This solution is designed to help customers to operate sustainable and more cost-effective heavy vehicle fleets. Inspired by EROAD's 2022 Sustainability Survey, this solution has emerged from customer feedback, which notes the continued challenges operators have in tracking and measuring sustainability performance, which hampers the successful pursuit of their environmental priorities.

EROAD's innovative Decarbonisation Tool will bring new visibility and transparency for customers into their carbon emissions, highlighting areas where fleets may be producing excess emissions and opportunities for change through a range of reports supporting data-driven decision-making. This project has been co-funded by New Zealand's Energy Efficiency and Conservation Authority (EECA) – and EROAD is proud of this relationship and EECA's continuing support.

## **Fleet Day**

This week, we once again held our Fleet Day in Hamilton in conjunction with Waikato Regional Council, with over 800 current and potential customers and more than 50 exhibitors in attendance. True to our renewed Purpose, this year's theme was centred on road safety, sustainability and fleet efficiency – all underpinned by data and technology. The fact this event has become one of the largest annual transport industry events in New Zealand is a testament to the scale and support EROAD has been able to achieve.

Overall NZ remains a cash generative market for us and we continue to focus on multi-product adoption and broadening how we support our current customer fleets as well as winning new customers. There remains scope for further opportunities and we expect to maintain good growth here in FY24. We also launched our 3G replacement program in New Zealand as Margaret will talk to, which presents further opportunities for product upgrades.

## **Growth Momentum: North America**

Turning to North America we added over 7,300 net units, up over 8% year-on-year. 110 customers renewed their plans with EROAD, representing nearly 7,200 units being renewed for another term. This was driven by major enterprise customer ABC, which renewed a contract for more than 6,000 units.

But a real highlight was that, during the year, as previously announced, we won a contract with a leading North American food service operator Sysco, for more than 9,000 units. Winning an enterprise client of this calibre is an incredibly important touchpoint, that speaks to EROAD's ability to win flagship customers in the crucial North American market.



Even without this enterprise customer, we sold approximately 14,000 units in NA in FY23. We are focused on ensuring we have the product and competitive advantage in the verticals we are targeting. As you can see, more than 50% of our new revenue comes from new customers as we are still relatively early in our growth journey.

The total addressable market for telematics in North America exceeds \$10bn, and is expected to more than double by 2030. Following the Coretex acquisition, with our unique IP and local market knowledge, we believe we are well placed to grow our customer base, while the wealth of data we collect helps provide targeted solutions for customers and maintain a competitive advantage.

## Pivoting to Enterprise

I thought it would be useful to provide a little bit more colour around how we go about winning key customers, especially in North America, given how important this is to our strategic plan.

While specific details of our customer contracts and relationships are confidential, we can share with you insights about our experience of the complexities involved in winning new customers, and our ways of working, to demonstrate to prospective customers why EROAD is the right choice.

In November last year we publicly announced a new, 5-year agreement with an initial order to supply our fully-integrated CoreHub technology and SaaS solutions to over 9,000 of Sysco's trucks.

This is to say that EROAD's technology supports underpinning supply chain assurance for Sysco, one of the largest food service distributors in North America.

Winning enterprise customers like this one relies on robust, rigorous procurement processes, focusing on understanding customer needs and enabling confidence in EROAD's solutions. We typically operate using a small EROAD tactical team, working collaboratively with our potential customers. Engaging in a relatable way delivers results in getting new customer contracts across the line.

We recognise and identify very early in our pipeline processes that winning comes down to a technology and innovation evaluation of our capabilities by our customers' key stakeholders. Our multidisciplinary teams typically involve our Director of Technology, CFO, Executive VP of Sales, a Senior Product Manager, engineering resources and our legal team.

We collaborate with customers on any operational issues with current providers through multiple discovery sessions - and can rapidly respond with working prototypes of how EROAD could work with our customers in addressing those issues.

This collaborative and targeted engagement style builds trust, encouraging enhanced stakeholder engagement, based on our experiences in North America and the sales we have won.

In working with our customers, we're finding that enterprise organisations are typically on a journey to unlock new creative solutions, by leveraging near-real time access to their operational data. EROAD's 360 Platform provides the technology to achieve a continuous contextualized data stream from enterprise fleets' vehicles, drivers and deliveries.



Throughout the entire procurement processes, EROAD operates from the premise that large enterprise customers are typically not just looking for a telematics vendor and instead a trusted innovation partner. By applying this mindset, we tend to win the hearts and minds of enterprise customers, with feedback demonstrating that our ability to collaborate, undertake fast-iterations, communicate clearly and take a customer-centric approach are critical factors for securing a win and executing successful rollouts.

For EROAD, winning significant enterprise customers provides a massive tail wind, through providing us with referenceable customers, engendering credibility and trust with those we are delivering for and their networks.

### **Growth Momentum: Australia**

In Australia we added over 1,500 net units, up almost 11% year-on-year. 51 customers renewed their plans with EROAD, representing over 1,100 units being renewed. Around half of this was attributable to key enterprise customer Jim Pearson Transport, who renewed their contract representing more than 600 units.

While Australia is the smallest of our markets, it remains an important part of our growth outlook given the significant opportunity in servicing trans-Tasman fleets, reflected in the high percentage of new revenue that we are winning from existing customers. We are excited about our prospects for building quickly off a small base, with NZ customers realising the significant 'value add' EROAD makes to their organisations and wanting the same advantages in the Australian market.

Overall, we continue to win business across each of the geographies we operate in, despite challenging market conditions as we, and our customers, continue to emerge from COVID-19 and deal with elevated cost pressures. However, these cost pressures also help accelerate the adoption of systems that deliver improved efficiencies and better fleet utilisation, especially for the larger enterprise customers we are targeting. We are very proud of the work our people have done to continue to win and retain these high-quality customers.

### **Engaged Culture**

The second priority I flagged at last year's ASM was to build and maintain an engaged culture aligned to the vision of EROAD following the merger with Coretex, which we have previously referred to as 'EROAD 2.0'. Our people are, of course, at the very core of what we do, and while COVID-19 has been a challenging time for all of us, I believe we have assembled an incredible team that is right behind our purpose and our strategy.

The vast majority of the team is now in place and while I won't speak to each of them in turn, I would just like to call out a few important areas where we have strengthened our capability. Firstly, AK joined the business through the acquisition of Coretex as our President of North America and Chief Innovation Officer. He has more than 10 years of industry experience and understands how to take technology solutions to customers to enable greater efficiency and productivity, which considerably enhances our sales opportunities.

Secondly, Steen Anderson joined us during the year in the newly created role of Chief Transformation Officer. He has more than 20 years of experience working in SaaS businesses with a focus on customers and



execution. Steen oversees our transformation program to ensure we focus on building stronger operational execution so we can deliver sustainable and profitable growth.

And lastly, demonstrating our commitment to sustainability we have appointed Craig Marris as our Chief Sustainability Officer. Craig helps to provide solutions to customers as they look to decarbonise their fleets and adopt technology as part of their own commitments to enhancing safety, driving better operating efficiencies and reducing their carbon footprints.

This is the team that I back to deliver the results we know our shareholders want to see. As CEO, a core part of my role is empowering this team to ensure they can deliver for our customers, and as such we have continued to remove silos, optimise resource alignment, devolve decision making where appropriate, and empower our product managers and engineers.

I am excited to see how this team performs in the years ahead. Many of our EROAD team are here today, and I encourage you all to talk to them after the conclusion of today's formal business.

## Platform Integration

The third priority that I flagged at last year's ASM was to deliver on key product and platform integration. The acquisition of Coretex in 2021 was a step-change for our business, accelerating our strategic growth and providing immediate scale in North America. In addition, the acquisition provided us with significant scope to offer key customers a fully integrated service. We have made significant progress in building out an integrated platform that enables data and product features to be synced across both the EROAD and Coretex platforms.

We now have integrated functionality between our two platforms. End to end testing is in process and we will start beta testing with customers in the upcoming weeks. Once fully launched, this will have several near-term benefits:

1. The ability to share and sell EROAD tax functionality to our Core360 platform customers in North America;
2. Integrating our Clarity Dashcam and Clarity Replay functionality for our Core360 customers. This enables users to review and retrieve footage within Core360 and opens up our addressable market to all our Coretex customers that have long been asking us for a connected dashcam; and
3. The ability to leverage Corehub technology to deliver a new generation of RUC certified hardware in New Zealand.

On the whole, I am very proud of what we have achieved over the past year which has resulted in our solid financial results in FY23, including meeting our guidance. I will now hand over to Margaret to talk to our FY23 guidance, along with our turnaround plan.

## FY23 Guidance Achieved

Thanks Mark and welcome to all our shareholders. As you can see, we met our FY23 guidance and made excellent progress in managing the cost base as both Susan and Mark have referred to. We delivered revenue growth across all of our markets, with normalised revenue slightly ahead of expectation, while our future contracted revenue is at nearly \$220m.



We delivered normalised EBIT of  $-\$4.5\text{m}$ , at the midpoint of our guidance range. The increase in operating costs reflects the full year of combined Coretex and EROAD, and we have made great strides in reducing our cash burn from  $\$4.2\text{m}$  per month in H1 FY23 to  $\$1.8\text{m}$  per month in H2 FY23.

We have taken  $\$10\text{m}$  of cost out on an annualised basis in FY23 and are on track to achieve a target of an additional  $\$10\text{m}$  in FY24. This resulted in our free cash flow improving considerably throughout the year, while our available liquidity including our debt facility headroom and cash balance was  $\$27.5\text{m}$  at the end of March 2023. As Susan emphasised earlier, this gives us the requisite funding support to return to positive and sustainable cash flows and we continue to manage this across the business with rigour.

Importantly, this positive trend has continued into FY24. We have further reduced our monthly cash burn, at  $\$1.5\text{m}$  per month during Q1 24, down 16% from the second half of FY23. We have also not had to draw down on our debt facility during the first quarter and yet have grown net units by nearly 8,000.

It's worth noting that were it not for the additional operating and hardware expenditure to support the accelerated 4G roll-out program in Australia and New Zealand, we would have been free cash flow positive much sooner. While we had naturally planned for this, COVID disruptions to global supply chains meant the switch program needed to be more concentrated once the hardware was finally available. What is pleasing is that we are able to support this accelerated program from existing funding, while it has given us the opportunity to implement new hardware with several customers and will continue to drive new adoptions over the coming years. To date, 40% of all units across New Zealand and Australia are now 4G-compatible and from August, mid contract upgrades will commence at volume so there is excellent progress with the roll-out.

### **Focus for FY24: Execution of Strategy**

Moving to how we are executing against the first part of our strategy that Susan talked to, 'Turning around the Core', during FY23 we reduced our cost base largely via lowering headcount and through property portfolio changes. This year we are focused on our accelerated 3G replacement program, further reducing our SaaS costs, better supplier negotiations and overall expense reduction, including the launch of our customer self-help portal.

I am pleased to report that in the current financial year we have already identified and executed approximately  $\$7.5\text{m}$  of the targeted  $\$10\text{m}$  in annualised cost savings. All of this has been achieved while ensuring we have the right infrastructure in place to support the growth of the business, a testament to the team's efforts in managing costs and driving efficiency improvements.

With that I will hand back to Mark to talk about our other focus areas for FY24 and to discuss our further progress in Q1 and outlook for the rest of FY24.

### **Focus for FY24: Execution of Strategy**

Thanks Margaret. Alongside the cost our initiatives Margaret has just talked to, one of the areas we are focused on this year is our customer service segmentation. For example, 51% of our revenue comes from our top 160 customers, while our smaller 7,600 customers account for only 13% of revenue, so getting segmentation right will help us focus investment on the right areas. We are also continuing to stabilise and



simplify our product offering through our integrated platform and are focused on rolling out our integrated CoreHub SaaS solutions in North America for our key enterprise customer during 1H24.

In the longer term our core growth horizon is in North America, which is centred around our strategy of expanding our enterprise customer base in our targeted verticals and we continue to invest in our capability there as we scale. As Susan referred to, we are progressing discussions with various parties through our advisers Goldman Sachs, which have the potential to accelerate our progress in this market. I look forward to reporting on our further progress in the months ahead.

## Q1 Trading Update

It is very pleasing to be able to deliver a number of strong proof points for the first quarter for FY24 which demonstrate the progress we are making in delivering against our strategy.

Firstly, we have made solid progress across six key enterprise customers during the quarter. We sold 5,300 new units and renewed a similar number, with nearly 4,600 units installed. Our enterprise customer roll-outs are progressing well. As Margaret mentioned earlier we grew net units by nearly 8,000 during Q1.

We won a 1,950 unit upgrade with GoBus as well as 1,000 new units to be implemented over the next 60 months. We have also secured a preferred supplier appointment for a new key customer operating vehicles in Australia and New Zealand and are in the process of renewing and expanding contracts with key existing customers, including for one after a rigorous RFP process for an Australian-headquartered organisation which tested our product against nine competitors.

I would also call out that for the first time in ten years we have implemented a price increase in line with CPI for most of our customers in Australia and New Zealand and have started a global pricing review. This reflects the added value our enhanced products and services are providing customers, which is also reflected in our growing AMRR.

As Margaret mentioned, we are 40% through our 3G replacement program. We have also continued to improve our cash position without the need to draw down further debt, while we have already achieved \$7.5m in annualised cost savings. All in all, an outstanding first quarter and I look forward to updating you all on our first half financial results in November.

And lastly, as I mentioned earlier this week, we exceeded 100,000 connections for EROAD in North America which is a major milestone for the business.

## Focus for FY24: Outlook

I am pleased to reiterate our outlook for FY24, including:

- Revenue of \$175m to \$180m, reflecting continued growth across all three geographies;
- EBIT of up to \$5m, normalised for 3G replacement program; and
- R&D spend of \$30m.

Hitting these milestones will put EROAD firmly on track to be Free Cash Flow neutral by FY25, and Free Cash Flow positive by FY26.



## Key Metrics

Finally, I wanted to remind everyone of the targets we have set for FY26. We introduced these targets at the Investor Day in March as they underpin the outcomes of all the strategy work we are doing. While it's early days, we saw good progress in FY23, and this has continued in the current year.

Achieving these metrics will deliver significant returns from our assets and ongoing investment. With some metrics, such as our customer churn, we are already in line with where we want to be, with our Asset Retention Rate very high at 95%. Most of the new business we win in New Zealand is from our competitors, while in Australia we have seen customers move to try competitor products only to return. This gives us a lot of confidence in our offering.

Our customers are generally sticky due to the hardware component. Increasingly, however, the integrated nature of what we bring to their business further entrenches us with our customers. As our customers grow, we tend to grow with them. Yet we still need to ensure we are continually evolving our customer solutions to remain at the forefront of the industry, especially in New Zealand, where we are the market leader and are focused on further growing our strong service culture.

Our R&D programs are more targeted with this in mind. We will continue to invest in R&D, but we will keep this spend at \$30m for the foreseeable future. Average lease duration will extend out as we build out our enterprise customer base that typically have longer contract durations.

While there remains a lot of work to do, our team is well-prepared to tackle the challenges ahead and continue executing against our strategic plan. I look forward to reporting further progress in delivering on our strategy of delivering sustainable, profitable growth.

Authorised for release to the NZX and ASX by the Chair of the EROAD Board.

Ends

|   |   |
|---|---|
| <b>For Investor enquiries please contact:</b><br>Matt Gregorowski<br><b>Citadel-MAGNUS</b><br>+61 422 534 755<br><a href="mailto:mgregorowski@citadelmagnus.com">mgregorowski@citadelmagnus.com</a> | <b>For Media enquiries please contact:</b><br>Richard Llewellyn<br><b>Shanahan</b><br>+64 27 523 2362<br><a href="mailto:richard@shanahan.nz">richard@shanahan.nz</a> |
|---|---|





# EROAD (NZX: ERD ASX: ERD) ANNUAL SHAREHOLDERS MEETING

28 July 2023



# IMPORTANT INFORMATION

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, uncertainties and assumptions.

All numbers relate to the 12 months ended 31 March 2023 (FY23) and comparisons relate to the 12 months ended 31 March 2022 (FY22), unless otherwise stated. All dollar amounts are in NZD, unless otherwise stated.

There is no assurance that results contemplated in any projections or forward-looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about EROAD.

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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 are not subject to audit or review. Definitions can be found in the Glossary on page 32 of this presentation.

# HOW TO PARTICIPATE ONLINE

## Shareholder & Proxyholder Q&A Participation

**Written Questions:** Questions may be submitted ahead of the meeting. If you have a question to submit during the live meeting, please select the Q&A tab on the right half of your screen at anytime. Type your question into the field and press submit. Your question will be immediately submitted.

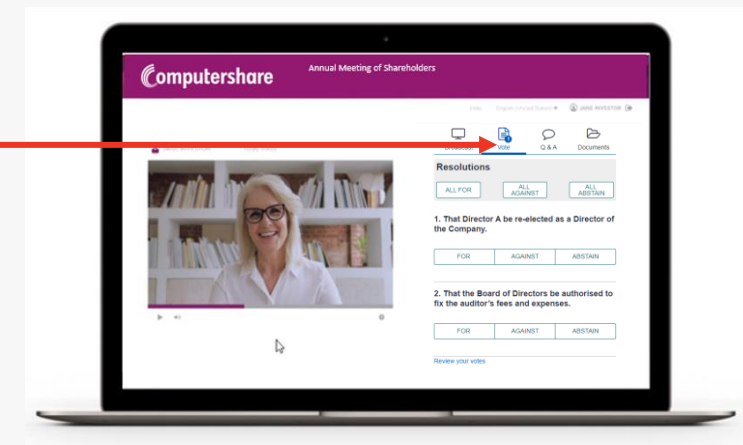
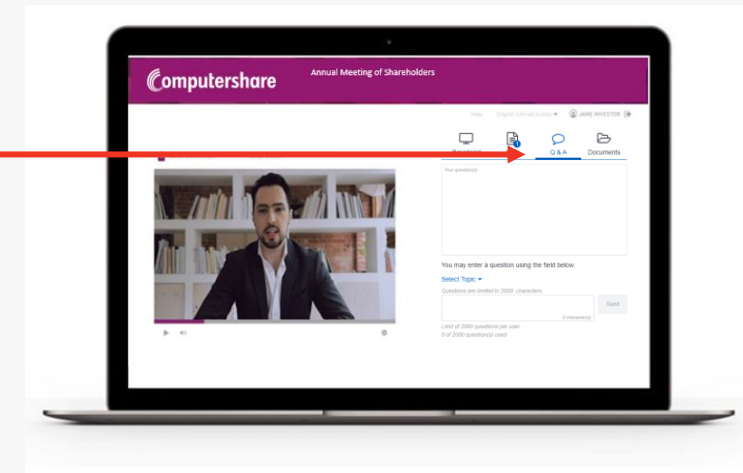
**Help:** The Q&A tab can also be used for immediate help. If you need assistance, please submit your query in the same manner as typing a question and a Computershare representative will respond to you directly.

## Shareholder & Proxyholder Voting

Once the voting has been opened, the resolutions and voting options will allow voting.

To vote, simply click on the Vote tab, and select your voting direction from the options shown on the screen. You can vote for all resolutions at once or by each resolution.

Your vote has been cast when the tick appears. To change your vote, select **'Change Your Vote'**.



# AGENDA

PAVING A PATH TO SUSTAINABLE & PROFITABLE GROWTH

1. Chair's Address
2. CEO and CFO Address
3. Resolutions
4. Q&A



SUSAN PATERSON, **CHAIR**



MARK HEINE, **CEO**



MARGARET WARRINGTON, **CFO**



EROAD

01

# CHAIR'S ADDRESS



# INTRODUCTION

PROVIDING CUSTOMERS WITH INNOVATIVE SOLUTIONS WITH AN INTEGRATED ESG FOCUS



**CHAIR**  
**SUSAN PATERSON**

## **Our Purpose:**

***“Delivering intelligence you can trust, for a better world tomorrow”***



# BOARD RENEWAL

RIGHT SKILLSET TO SUPPORT THE NEXT PHASE IN OUR JOURNEY



## SUSAN PATERSON, CHAIR

- Professional Director with 25 years of governance experience, based in Auckland
- Senior executive and consultant to several companies in New Zealand, the US and Europe
- Chair of Steel & Tube Holdings Ltd, Theta Systems and Evolution Healthcare, Director of Reserve Bank of New Zealand



## SELWYN PELLETT, NON-EXECUTIVE DIRECTOR

- Founder and CEO of Coretex
- Previously co-founder, CEO and Chairman of Endace Ltd
- Based in Auckland



## DAVID GREEN, INDEPENDENT DIRECTOR

- Chair of BT Funds Management (NZ) Ltd and MyFarm UFI GP Ltd
- Independent Director of Westpac New Zealand
- Previously held senior executive roles at ANZ and Deutsche Bank
- Based in Auckland
- **Commences role on 1 August 2023**



## SARA GIFFORD, INDEPENDENT DIRECTOR

- Director of Spiro, co-founder and Director of Activote (both based in NA)
- Previously Chief Solutions Officer and executive board member of Quintiq
- Based in Boston, Massachusetts



## BARRY EINSIG, INDEPENDENT DIRECTOR

- Advisor to companies on Transportation, Business, Technology and ESG
- Previous advised Singapore Ministry of Transportation on Highly Automated Vehicle Program and created technology used in Public Safety Networks
- Based in Pennsylvania



## GRAHAM STUART, INDEPENDENT DIRECTOR

- Previously CEO of Sealord Group
- CFO, then Director of Strategy & Growth at Fonterra
- On Boards of Metro Performance Glass (MPG-NZX), the manager of Vital Healthcare (VHP-NZX), and Tower Insurance (TWR-NZX)
- Based in Auckland
- **Former Chair, retiring at an appropriate date after the ASM to ensure an orderly transition**

Former Independent Director Tony Gibson retired from the board at the 2023 ASM

# FY23 PROGRESS AND FY24 FOCUS AREAS

## PATH TO SUSTAINABLE & PROFITABLE GROWTH

### Refreshed strategy

- Turning around the core
- Growing North America

### Strategic Partnerships

- Contribute expertise; market access; capital
- Discussions with various parties ongoing

### Management executing well

- Strong customer renewals and new wins
- Winning key enterprise customers

### Key milestones set

- FY24 guidance for revenue, EBIT, cost out program and R&D
- FCF neutral by FY25 and FCF positive by FY26
- Funded by existing debt facilities





# GOVERNANCE

WE HAVE REACHED AN INFLECTION POINT IN DELIVERING VALUE FOR SHAREHOLDERS

## Approach from Volaris

- Volaris recently acquired 18.7% of EROAD shares on issue
- On 22 June 2023, Volaris submitted a Non-Binding Indicative Offer (NBIO) at NZ\$1.30 per share
- The Board undertook a thorough review process assisted by its advisers Goldman Sachs and Chapman Tripp
- **The review concluded that the NBIO materially undervalues EROAD**
- The Board remains committed to acting in the best interests of EROAD and maximizing value for shareholders







EROAD

02

# CEO & CFO ADDRESS

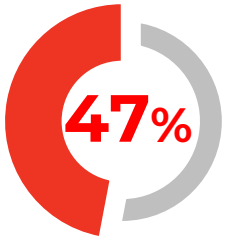


# EROAD AT A GLANCE

DELIVERING INTELLIGENCE YOU CAN TRUST, FOR A BETTER WORLD TOMORROW

EROADers

**470**



CUSTOMERS USE  
2+ PRODUCT  
CATEGORIES



**10,260**

CUSTOMERS



**227,149**

UNITS



**116,599**

ACTIVE  
PLATFORM USERS



**256,805**

ACTIVE DRIVERS

**63%**

CUSTOMERS WITH  
EROAD >3YRS

**94.8%**

ASSET RETENTION RATE

**33.7bn+**

DATA POINTS

**9.2bn+**

KM TRAVELLED

**\$536m+**

RUC PURCHASED  
(NZ)

**205m+**

API CALLS

**352k+**

TRIGGERED EVENTS  
CAPTURED ON  
VIDEO

## Our Values



WE DO WHAT'S RIGHT



WE PLAY AS A TEAM



WE LEARN & GROW



WE GET IT DONE

# STABILISED FOUNDATIONS

## DELIVERING AGAINST OUR STRATEGY

### Achieving FY23 priorities

- Build growth momentum in North America and New Zealand
- Build engaged culture aligned to vision of merged EROAD
- Deliver on key product and platform integration

### Sysco case study

- Pivoting to Enterprise

### FY23 Financial Highlights

- Delivered in line with guidance

### Focused execution

- Platform integration launched
- Performance against key metrics



# GROWTH MOMENTUM – NEW ZEALAND

SOLID GROWTH & PROFITABLE BUSINESS WITH A FOCUS ON MULTI-PRODUCT ADOPTION

**Net unit adds 9,539**

Growth of 8.9% YoY

**EBITDA NZ\$53.7m**

Growth of 18.8% YoY

## FY23 RESULTS

### FY23 Highlights

- 1,556 customers added services (13,387 subscriptions)
- 1,092 customers renewed their contracts (28,631 units)
- Fonterra win; whole-of-fleet solutions (500+ units)

**95.9%**

Asset Retention rate

**4.8**

Avg Customer tenure (years)

**6%**

CPI uplift implemented  
July 1

**33%**

New Revenue from  
New Customers



**67%**

New Revenue from  
Existing Customers





# FLEET DAY

INDUSTRY THOUGHT LEADERSHIP IN NZ

Focused on road safety, sustainability and fleet efficiency.

**800+**

Attendees

**50+**

Exhibitors

**20+**

Speakers

**100%**

of surveyed attendees  
would recommend



# GROWTH MOMENTUM – NORTH AMERICA

SOLID GROWTH; WITH MOMENTUM BUILDING IN THE WORLD'S LARGEST MARKET

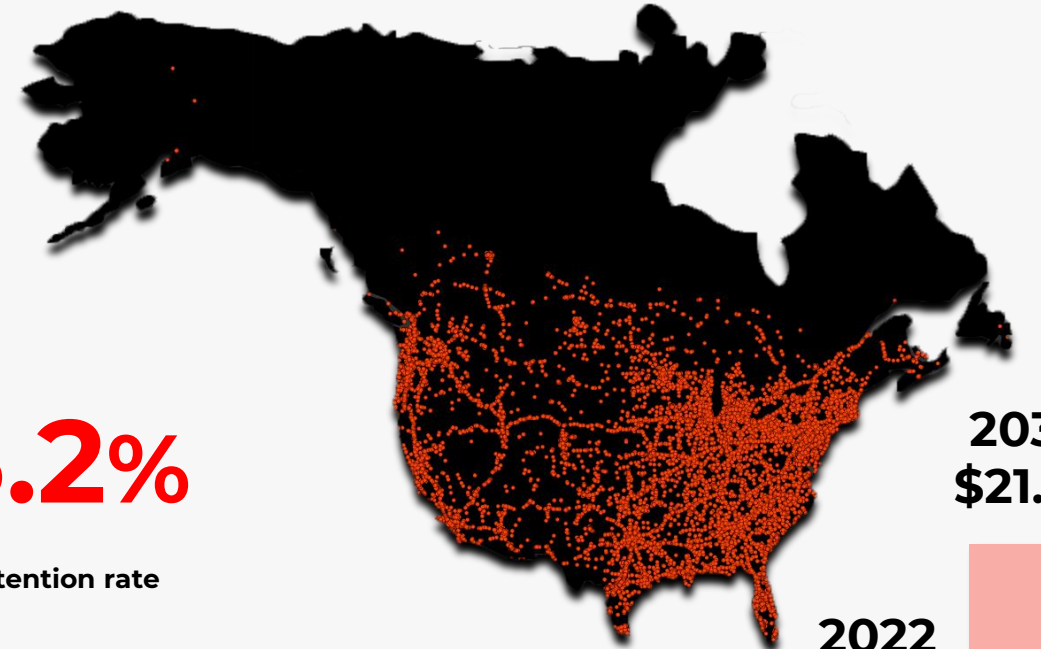
**Net unit adds 7,376**

Growth of 8.4% YoY

**EBITDA NZ\$18.1m**

Growth of 93% YoY following acquisition of Coretex in FY22

## FY23 RESULTS



### FY23 Highlights

- Gross unit sales of 15,394 (69% growth)
- 404 customers added services (2,625 subscriptions)
- 110 customers renewed their contracts (7,185 units)
- Won Sysco (9,000+ units): 1,038 units installed

**93.2%**

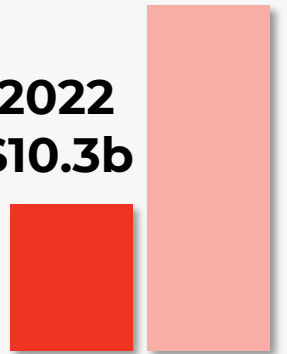
Asset Retention rate

**3.9**

Avg Customer tenure (years)

**2030  
\$21.7b**

**2022  
\$10.3b**



**TAM**

Total telematics revenue pool NA<sup>1</sup>

**51%**

New Revenue from New Customers



**49%**

New Revenue from Existing Customers



# SYSCO | PIVOTING TO ENTERPRISE

## ACCELERATED ROADMAP & STRENGTHENED SOLUTION ALLOWING FASTER PIVOT TOWARDS ENTERPRISE SALES

- Major North American food service operator with 15,000 delivery vehicles
- 5-year agreement for fully-integrated CoreHub SaaS solutions to over 9,000 trucks
- 18-month procurement process; upcoming 12-month planned rollout
- Growth potential beyond existing contract

“EROAD is more than just a technology provider. The team really took the time to **understand our challenges as well as our dedication to corporate social responsibility and sustainability.**

As a result, they presented a solution that not only addressed those challenges and unique needs but is **completely transforming our approach to fleet management.**

They’re helping us create an entirely new digital experience, and we’re excited to see all of the **benefits that will come from working with EROAD.**”

**Daniel T. Purefoy, Chief Supply Chain  
Operations Officer, Sysco Corporation**



# GROWTH MOMENTUM - AUSTRALIA

## OPPORTUNITIES TO LEVERAGE TRANS-TASMAN FLEETS

**Net unit adds 1,537**  
Growth of 10.9% YoY

**EBITDA NZ\$2.2m**  
Up from \$0.1m in FY22

### FY23 RESULTS

#### FY23 Highlights

- 290 customers added services (1,699 subscriptions)
- 51 customers renewed their contracts (1,166 units)
- Jim Pearson Transport renewed (600+ units)

**19%**

New Revenue from  
New Customers



**81%**

New Revenue from  
Existing Customers

**97%**

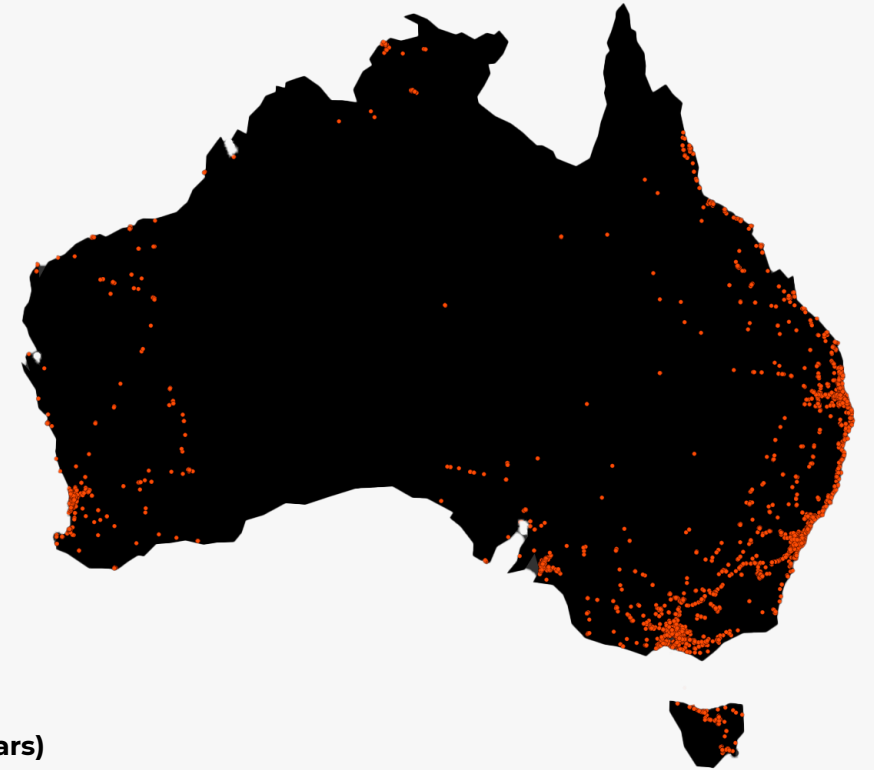
Asset Retention rate

**3.5**

Avg Customer tenure (years)

**6%**

CPI uplift implemented  
July 1





# ENGAGED CULTURE

HIGHLY ENGAGED TEAM WITH SIGNIFICANT CAPABILITY IN THEIR RESPECTIVE FIELDS



**MARK HEINE**  
CEO



**MARGARET WARRINGTON**  
CFO



**AKINYEMI KOYI**  
PRESIDENT NA, CHIEF  
INNOVATION OFFICER



**KONRAD STEMPIAK**  
EXECUTIVE GENERAL  
MANAGER ANZ



**STEEN ANDERSEN**  
CHIEF  
TRANSFORMATION  
OFFICER



**AARON LATIMER**  
CHIEF OPERATING  
OFFICER



**SHELLEY PRENTICE**  
CHIEF PEOPLE  
OFFICER

**GLOBAL EXECUTIVE TEAM**



**DEAN MARRIS**  
CHIEF DATA  
SCIENCE OFFICER,  
EVP CONSTRUCTION



**JEREMY WILTON**  
VP PRODUCT AND  
ENGINEERING



**TIM MOLE**  
DIRECTOR OF  
TECHNOLOGY



**CRAIG MARRIS**  
CHIEF SUSTAINABILITY  
OFFICER,  
EVP MIXED FLEETS

# PLATFORM INTEGRATION

INTEGRATED PLATFORM PROVIDES BEST OF BOTH SIDES THROUGH SINGLE INTERFACE

Launched our integration platform. 3 early benefits:

## IFTA (NA)

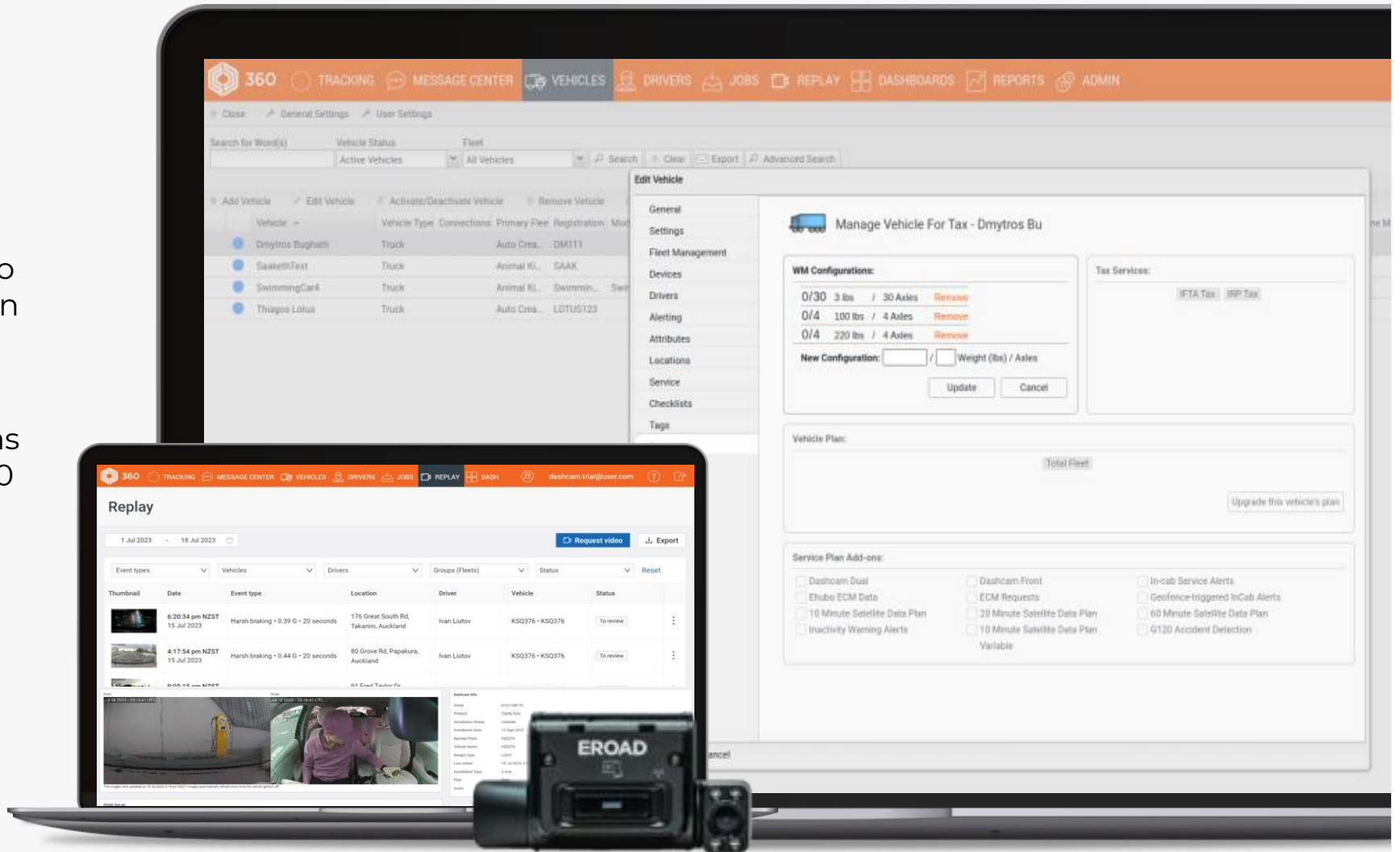
- Sell EROAD tax functionality to Core360 platform customers in NA

## Clarity Dashcam (Global)

- Clarity Dashcam compatible as companion or solo for Core360 platform customers

## CoreHub RUC certified (NZ)

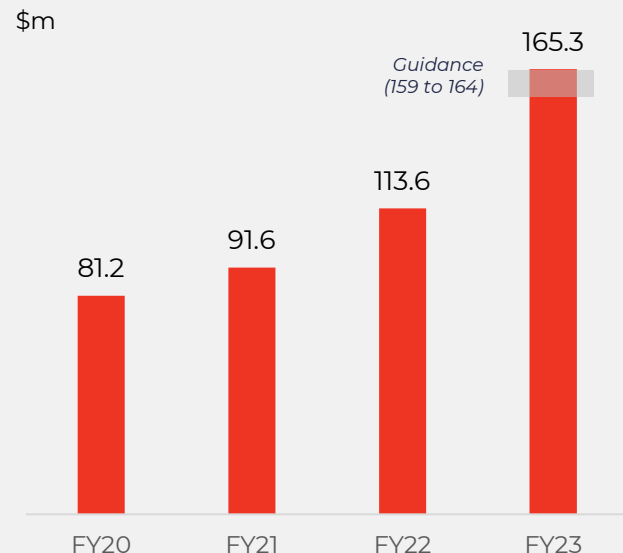
- Leverage our CoreHub technology in NZ



# FY23 GUIDANCE ACHIEVED

REVENUE GROWTH ACROSS ALL MARKETS AND PROGRESSING COST OUT PROGRAM

## Normalised Revenue<sup>1</sup>

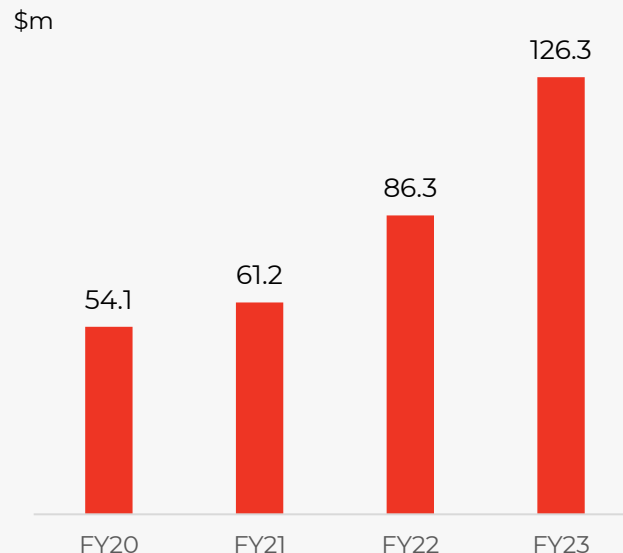


**Future contracted income**

**\$219.6m** (up 16%)

**Unit net adds 18,452** (up 8.8%)

## Operating Costs<sup>2</sup>

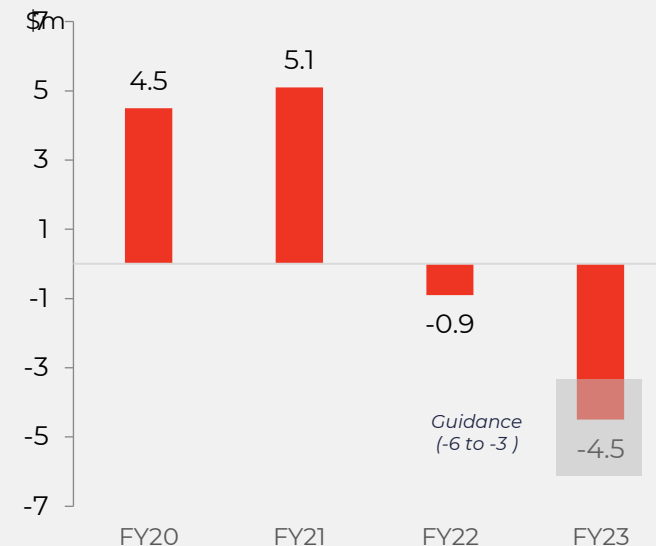


**\$20m Cost-out**

\$10m (annualised) completed in FY23  
\$10m (annualised) targeted for FY24

**\$27.5m of available liquidity  
at the end of March 2023**

## Normalised EBIT<sup>3</sup>



**FCF<sup>3</sup> \$(29.9)m**

Cash burn reduced from \$4.2m per month in H1 to \$1.8m per month in H2

**R&D \$37.2m** (23% of normalised revenue)

<sup>1</sup> Revenue normalised for \$9.6m in FY23 and \$1.3m in FY22, respectively, relating to accounting adjustment for contingent consideration

<sup>2</sup> Operating costs normalised for transaction and integration costs of \$3.4 in FY23 and \$7.6m in FY22, respectively

<sup>3</sup> EBIT normalised for contingent consideration of \$9.6m in FY23 and \$1.3m in FY22 respectively, and integration costs of \$3.4m in FY23 and \$7.6m in FY22 respectively

# FOCUS FOR FY24 – EXECUTION OF STRATEGY


2 KEY LIMBS TO OUR STRATEGY: TURN AROUND THE CORE | BUILDING ON FY23 COST EFFICIENCY PROGRAM

WE ARE HERE



Turnaround the core

Future Growth

| Approach           | Corporate overhead reduction  |  | Efficiency in ANZ / Growth in NA  | Growth in NA Verticals |
|--------------------|---|--|---|------------------------|
| Timing             | FY23  |  | FY24  | ~3-5 years             |
| Value focus        | <ul style="list-style-type: none"> <li>Headcount reduction</li> <li>Overhead expense reduction</li> </ul>   |  | <ul style="list-style-type: none"> <li>Accelerated 3G replacement program</li> <li>Ongoing cost-out for SaaS costs</li> <li>Supplier negotiations</li> <li>Overhead expense reduction</li> <li>Customer self service portal launched</li> </ul> |                        |
| Annualised savings | <ul style="list-style-type: none"> <li>\$10m completed</li> </ul>  |  | <ul style="list-style-type: none"> <li>\$10m targeted</li> <li>~\$7.5m (annualised) delivered year-to-date</li> </ul>   |                        |

# FOCUS FOR FY24 – EXECUTION OF STRATEGY

2 KEY LIMBS TO OUR STRATEGY: FUTURE GROWTH | STRENGTHENING FOR SCALE

WE ARE HERE



Turnaround the core

Future Growth

Approach

Corporate overhead reduction

Efficiency in ANZ / Growth in NA

Growth in NA Verticals

Timing

FY23

FY24

~3-5 years

Value focus

- Customer service segmentation
- Product stabilisation and simplification
- Rollout Sysco and retain North American enterprise customers
- Strategic Partner Review Process

- Growth in large enterprise customer base
- Capitalise on sales and product improvements made
- Rationalisation of cost base
- Economies of scale on development, other functions

# Q1 TRADING UPDATE

POSITIVE MOMENTUM INTO FY24 THANKS TO DISCIPLINED EXECUTION

## Pricing

Implemented 6% CPI increase across most customers in ANZ and started Global pricing review

**6%**  
CPI increase  
(ANZ)

## Enterprise Customer Growth

**FY24 HAS STARTED STRONG WITH SUCCESS ACROSS KEY ENTERPRISE CUSTOMERS**

**5,300**

Anticipated New Units

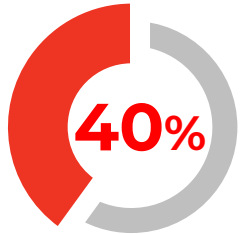
**5,250**

Anticipated Renewed Units

**4,596**

Installed Units

- Sysco delivered key new functionality + c. 4K installs in Q1 (NA)
- Fonterra install complete 450 in Q1 (NZ)
- Go Bus x 1950 upgraded units + 1000 new units | 60 mth (NZ)



To date, upgrades have occurred as part of renewal process. From August, mid contract upgrades commence at volume

Of all units across ANZ are 4G compatible

**FY23 TRENDS HAVE CONTINUED INTO FY24, WITH VERY POSITIVE PROGRESS ON CASH & DEBT**

**\$1.5m**

Cash burn per month for Q1

A 16% reduction vs \$1.8m per month cash burn for H2 FY23

**\$0**

Draw down on debt in Q1

**\$7.5m**

Cost savings (annualised) identified

Identified and being implemented. Remaining \$2.5m target being scoped

## 3G Hardware Upgrade

## Financial Discipline

# FOCUS FOR FY24 – OUTLOOK

EXECUTION AGAINST STRATEGIC PLAN DELIVERING  
RETURN TO PROFITABILITY

## Guidance reiterated

- On track for FY24 guidance:
  - Revenue growth of between 6 – 9%
  - Cost-out program to continue
  - EBIT of \$0m to \$5m normalised for accelerated 3G replacement program

## Free Cash Flow neutral by FY25, positive by FY26

- Implementation of refreshed strategy will provide pathway to sustainable, profitable growth

### FY24 Guidance

|                 |                 |
|-----------------|-----------------|
| Revenue         | \$175m – \$180m |
| Normalised EBIT | \$0m to \$5m    |
| R&D spend       | \$30m           |

# FINANCIALS – KEY METRICS AND TARGETS

GOOD PROGRESS WAS MADE IN FY23, WHICH HAS CONTINUED INTO FY24

| Goal         | Metric                                   | FY22    | FY23           | Strategy   | FY26 Targets          |
|--------------|--|---------|----------------|--|-----------------------|
| SaaS Quality | AMRR*                                    | \$134.6 | <b>\$153.7</b> | Grow customer base in-line with market growth      | <b>11% – 13% CAGR</b> |
|              | Churn                                    | 7%      | <b>5%</b>      | Maintain historical churn rate                     | <b>5% – 7%</b>        |
|              | Average Lease Duration Remaining (years) | 1.4     | <b>1.3</b>     | Rebalance toward longer-dated enterprise contracts | <b>1.5 – 2.0</b>      |
| Investment   | R&D as % of revenue                      | 28%     | <b>23%</b>     | Focus on projects with near-term ROI               | <b>13% – 15%</b>      |
| Return       | Free Cash Flow Margin                    | -39%    | <b>-18%</b>    | Improve cash efficiency and drive NA growth        | <b>9%+</b>            |

\* Annualised monthly recurring revenue includes positive FX impact of \$8.6m





EROAD

# 04 RESOLUTIONS

RESOLUTIONS

# Resolution #1

## RE-ELECTION OF BARRY EINSIG



EROAD

That Barry Einsig, having retired in accordance with NZX Listing Rule 2.7.1, be re-elected as a Director of EROAD



### **BARRY EINSIG – INDEPENDENT DIRECTOR**

- Adviser to companies on Transportation, Business, Technology and ESG
- Previously advised Singapore's Ministry of Transportation on their Highly Automated Vehicle Program and created technology used in Public Safety Networks
- Based in Pennsylvania



RESOLUTIONS

# Resolution #2

## AUDITOR RENUMERATION

**That the Directors be authorised to fix the fees and expenses of KPMG as the auditor of EROAD.**



**EROAD**



RESOLUTIONS

# Resolution #3

## NON-BINDING SAY ON PAY VOTE

That EROAD's  
Remuneration Report for  
the year ended 31 March  
2023, as set out in the FY23  
Annual Report, be adopted

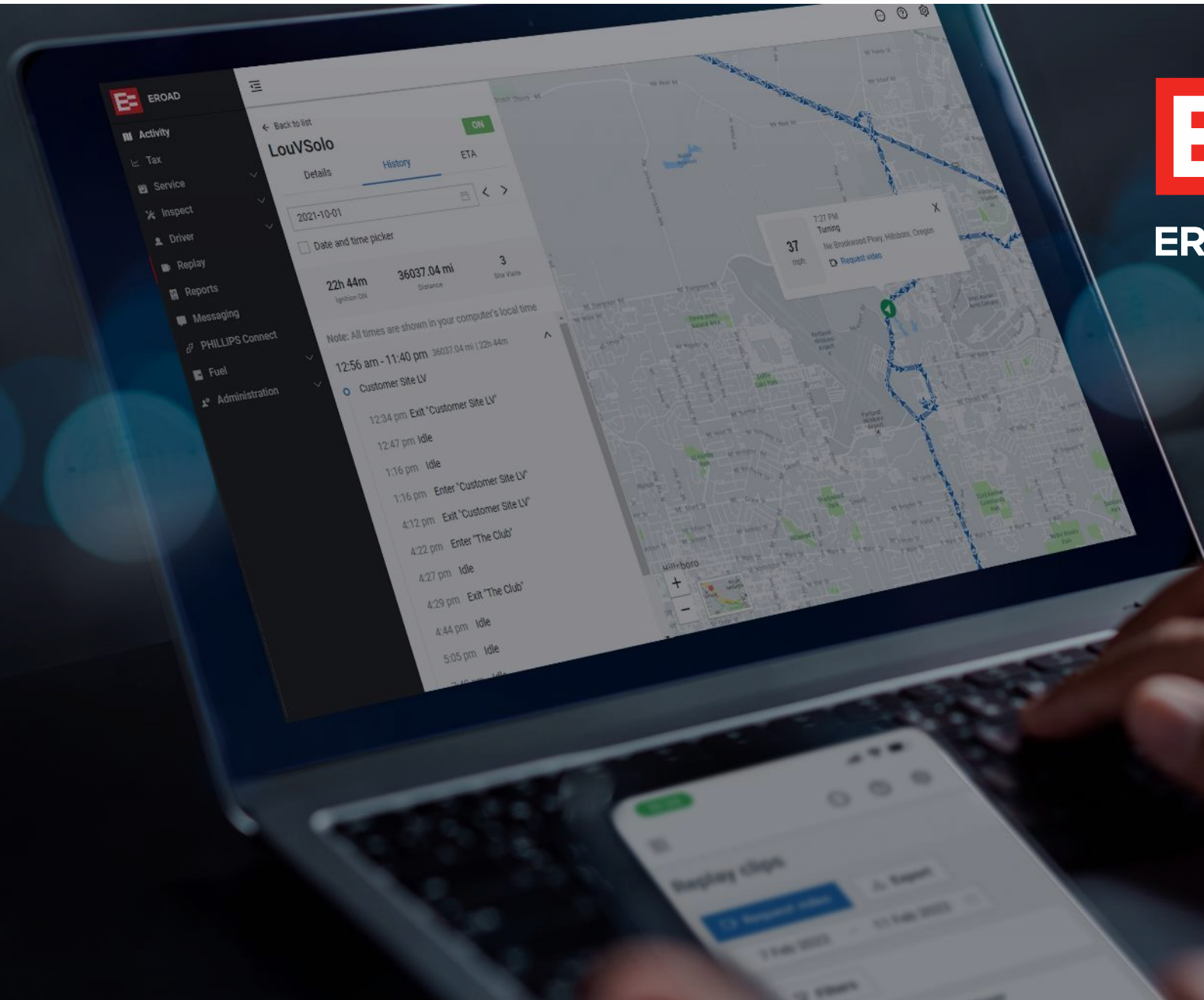


EROAD





# 04 Q&A



**EROAD**

# Glossary

## **ANNUALISED MONTHLY RECURRING REVENUE (AMRR)**

A non-GAAP measure representing monthly Recurring Revenue for the last month of the period, multiplied by 12. It provides a 12 month forward view of revenue, assuming unit numbers, pricing and foreign exchange remain unchanged during the year.

## **ASSET RETENTION RATE**

The number of Total Contracted Units at the beginning of the 12 month period and retained as Total Contracted Units at the end of the 12 month period, as a percentage of Total Contracted Units at the beginning of the 12 month period.

## **CHURN**

The inverse of the asset retention rate.

## **COREHUB**

EROAD's next generation telematics hardware that collects rich data, meets electronic logging device certification.

## **COSTS TO ACQUIRE CUSTOMERS (CAC)**

A non-GAAP measure of costs to acquire customers. Total CAC represents all sales & marketing related costs. CAC capitalised includes incremental sales commissions for new sales, upgrades and renewals which are capitalised and amortised over the life of the contract. All other CAC related costs are expensed when incurred and included within CAC expensed.

## **COSTS TO SERVICE & SUPPORT (CTS)**

A non-GAAP measure of costs to support and service customers. Total CTS represents all customer success and product support costs. These costs are included in Administrative and other Operating Expenses.

## **CY (CALENDAR YEAR)**

12 months ended 31 December

## **EBITDA**

A non-GAAP measure representing Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA). Refer Consolidated Statement of Comprehensive Income in Financial Statements.

## **EBITDA MARGIN**

A non-GAAP measure representing EBITDA divided by Revenue.

## **EHUBO, EHUBO2 and EHUBO 2.2**

EROAD's first and second generation telematics hardware. EHUBO is a trade mark registered in New Zealand, Australia and the United States.

## **ELECTRONIC LOGGING DEVICE (ELD)**

An electronic solution that synchronises with a vehicle engine to automatically record driving time and hours of service records

## **ENTERPRISE**

A customer where the \$AMRR is more than \$100k in NZD for the Financial year reported

## **FREE CASH FLOW (FCF)**

A non-GAAP measure representing operating cash flow and investing cash flow reported in the Statement of Cash Flows.

## **FREE CASH FLOW TO THE FIRM**

A non-GAAP measure representing operating cash flow and investing cash flow net of interest paid and received. For the purposes of this presentation, payments for the acquisition of Coretex have been excluded.

## **FUTURE CONTRACTED INCOME (FCI)**

A non-GAAP measure which represents contracted Software as a Service (SaaS) income to be recognised as revenue in future periods. Refer Revenue Note 2 of the FY23 Financial Statements.

## **FY (FINANCIAL YEAR)**

Financial year ended 31 March.

## **H1 (HALF ONE)**

For the six months ended 30 September.

## **H2 (HALF TWO)**

For the six months ended 31 March.

## **LEASE DURATION**

Future contracted income as a proportion of reported revenue.

## **MONTHLY SAAS AVERAGE REVENUE PER UNIT (ARPU)**

A non-GAAP measure that is calculated by dividing the total SaaS revenue for the year reported in Note 2 of the FY23 Financial Statements, by the TCU balance at the end of each month during the year.

## **NBIO**

Non-Binding Indicative Offer

## **NORMALISED EBITDA**

Excludes one-off items including acquisition accounting revenue (\$9.6m) and integration costs (\$3.4m). FY22 normalisations include acquisition accounting revenue (\$1.3m), due diligence costs (\$2.0m), transaction costs (\$1.6m), and integration costs (\$4.0m).

## **NORMALISED EBITDA MARGIN**

Excludes one-off items, consistent with the definition provided for Normalised EBITDA

## **NORMALISED REVENUE**

Excludes the one-off acquisition accounting revenue in FY23 (\$9.6m).

## **ROAD USER CHARGES (RUC)**

In New Zealand, RUC is applicable to Heavy Vehicles and all vehicles powered by a fuel not taxed at source. The charges are paid into a fund called the National Land Transport Fund, which is controlled by NZTA, and go towards the cost of repairing the roads.

## **SAAS**

Software as a Service, a method of software delivery in which software is accessed online via a subscription rather than bought and installed on individual computers.

## **SAAS REVENUE**

Software as a service (SaaS) revenue represents revenue earned from customer contracts for the sale or rental of hardware, installation services and provision of software services.

## **TOTAL CONTRACTED UNITS**

Represents EROAD and Coretex branded units subject to a customer contract both on Depot and pending instalment and Coretex branded units currently billed.

## **UNIT**

A communication device fitted in-cab or on a trailer. Where there is more than one unit fitted in-cab or on a trailer, it is counted as one unit (excluding Philips Connect).

## **360**

A web-based platform that allows customers to access data collected by CoreHub and the associated reports.



EROAD acknowledges the Indigenous Nations, First Peoples, Tangata Whenua and Custodians of the lands and waterways on which our offices reside in New Zealand, Australia and the United States of America. We express gratitude and appreciation to these peoples for sharing their culture and traditions and stewarding these lands. We recognise and pay respect to their elders, past, present and emerging.

**ASX & NZX: ERD**  
**investors@eroad.com | eroadglobal.com/investors**



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