



## EROAD's result reflects continued growth and investment

**30 May 2017** EROAD Limited reported a sound full year result reflecting continued investment and strong growth of installed in-vehicle units by 30%, lifting revenue to \$33 million.

### Financial Highlights

- Revenue of \$33 million up by 25% on last year
- Total Contracted Units were 48,041, up by 30% on last year
- Customer Retention Rate remains very strong at 99%
- Future Contracted Income reached \$59 million, up by 22% on last year
- Net Loss Before Tax was \$5.3 million

### Operational Highlights

- Launched Electronic Logging Device (ELD) in the US on time
- Launched EROAD Inspect in NZ, enabling drivers to record vehicle inspections electronically
- Delivered successful California road charge pilot
- Strengthened executive team with appointment of a COO, CFO and US President
- Now collecting 38% of all New Zealand's road user charges for heavy vehicles, which equates to more than \$400m per annum being paid to the New Zealand government
- Ranked on the Deloitte Technology Fast 500 Asia Pacific for the fifth consecutive year
- Finalist for three New Zealand High Tech awards

### Strategic Highlights

- Health & Safety compliance, alongside transition to electronic road user charges (eRUC) proves to be key driver of demand in New Zealand, including among light vehicle fleets
- Appointment of experienced leadership to US business, and investment in US expert transport advice enabled EROAD to design marketing and sales capability to target customers most ready for EROAD's services, an initial addressable market of close to 1 million vehicles across the US
- Being able to deploy both Ehubo and Ehubo2 in-vehicle units, as well as an integrated service of eRUC, Health & Safety compliance, and improved fleet management, saw us secure contracts with some of New Zealand's largest fleets (Downer, Fulton Hogan, Waste Management) with the majority of the units (over 6,000) to be installed in FY18

### Full-year to 31 March 2017

EROAD (NZX:ERD) today reports sound growth over the last financial year underpinned by continued strong growth in the New Zealand market, supporting increased investment in its US business as it prepares for the Electronic Logging Device (ELD) sales opportunity.

Chairman Michael Bushby said the board was pleased with the company's strong performance in New Zealand and Australia, and in progress in readying the US business for faster growth.

"We have continued to grow well in New Zealand while delivering our largest ever R&D project (ELD) to the US market and also building our sales and marketing capability to address the US wide opportunity. We



remain focussed on continuing to broaden our New Zealand business where considerable potential remains," he said.

"The continued strong performance of our New Zealand business gives us the confidence to continue to invest in our global opportunities, particularly in the US. The opportunities for continued growth both in New Zealand and the US remain considerable."

Total Contracted Units rose to 48,041, representing a 30% increase compared to last year. The EROAD team grew to 229 team members. Customer retention remained very high at 99%, with no major customer losses. EROAD customers continued to favour renting units over buying them, with 92% of customers renting EROAD's hardware rather than purchasing hardware outright. This has the effect of locking in significant revenue, net profit and cash flow for future years, and saw Future Contracted Income (FCI) reach \$59 million in FY17, up from \$48 million last year.

Chief Executive Officer Steven Newman said, "We have further built on our leadership position in the New Zealand market, and invested heavily, via R&D and sales and marketing, to prepare for sales of ELDs across the US."

Mr Newman said EROAD's loss for the year was predominantly the result of investment in new team members, independent expert advice and analysis and branding for the US market as well as a change in accounting estimate in relation to amortisation of intangible assets. The total amortisation charge (non-cash) for the year of \$4m was \$1.4m higher as a result of the change in estimate. Earnings per share of \$(0.09), FY16 \$(0.02), was affected by the same factors.

He said that EROAD was delighted to have been a finalist in three categories of the 2017 NZ Hi-Tech awards: Best Technology Solution for the Public Sector, Most Innovative Hardware Product, and Innovative Hi-Tech Service.

### **New Zealand and Australia (Established Market)**

The company's Established Market, incorporating New Zealand and Australia, underpinned another year of strong performance with revenues of \$29 million, an increase of 20% compared to FY16, and Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) of \$15m<sup>1</sup>, an increase of 19% compared to FY16. EROAD now collects 38% of New Zealand Heavy Vehicle RUC, up from 34% a year ago.

Mr Newman said the launch of its global in-vehicle unit Ehubo2, alongside the Ehubo, gave the company greater flexibility in offers to fleets, opening up parts of the market previously difficult to access. During the year, EROAD sold 4,700 Ehubo2s and 4,800 Ehubo1s leading to a total of near 42,000 units installed in vehicles in New Zealand and Australia.

The year included three record sales months in New Zealand as heavy vehicles continue to switch from paper-based RUC to eRUC services, including large enterprise customers. In addition, a growing number of light vehicle fleets were seeking EROAD's services to help meet health and safety compliance requirements. EROAD appointed global health and safety expert Chris Evans as Health and Safety Stakeholder Manager to support the company's best practice in health and safety, as well as improving health and safety compliance services for customers.

Mr Newman said that EROAD continued to expand its range of services, features and innovations to support customers.

---

<sup>1</sup> See page 28 of attached Full Year Results Presentation for reconciliation of EBITDA by reportable segment



“Our technology platform is an important part of the New Zealand transport services ecosystem, enabling innovation, reducing cost and improving a range of outcomes,” he said. A good example is The Safe Driving Rewards Programme, a collaboration in New Zealand between insurer NZI / Lumley and EROAD, which won Innovation of the Year at the New Zealand Insurance Industry Awards. The programme has saved customers more than \$232,000 in waived insurance excesses thanks to good driver behaviour.

Mr Newman said a strong end to the year saw EROAD win three major enterprise accounts, Fulton Hogan, Waste Management and Downer, with 6,100 units to be installed in these fleets during FY18, assuring a strong start to further unit growth in FY18.

Mr Newman said that EROAD enjoyed modest sales growth in Australia, mainly from New Zealand customers with operations across the Tasman and Australian operators looking for high quality secure telematics.

### **Oregon and North America (Commercial Market)**

Mr Newman said FY2017 had been a year of continued growth in the US, but also of preparation to more fully compete in a market where a compliant ELD was key to an integrated offering like EROAD’s.

“The R&D team worked hard to deliver the first comprehensive, fixed in-cab, compliant Electronic Logging Device (ELD) solution in March 2017 on time to enable a go-to-market offer in the US in the new financial year (FY18)”, he said.

As well as appointing senior leadership for the US business, EROAD also received the results of independent expert analysis, including from a ‘Big 4’ firm, to help test and guide US strategy and business planning, said Mr Newman. “This helped refine both direct and indirect sales channels to target our selected target customers.”

EROAD became a Corporate Partner of the American Trucking Associations (ATA), the USA’s largest national trade association for the transportation industry. EROAD participated in the California Road Charge Pilot, the largest road user charging pilot in the US, established by the California Department of Transportation to evaluate a move to road user charging. At the conclusion of the pilot on 31 March 2017 44% of the participating vehicles elected to retain EROAD’s services at the conclusion of the pilot.

Mr Newman said that EROAD’s US business, after growing more quickly than New Zealand in its initial stages, was now at a similar place to its New Zealand business at a comparable stage, with 6,102 units in vehicles and Future Contracted Income of \$8.7 million.

“We are continuing to receive a positive response from the US market, and have built a stronger platform to target sales and growth in FY18,” said Mr Newman.

### **Outlook for FY18**

Mr Newman said that while R&D needs in the 2018 financial year would begin reducing, the company planned further investment in EROAD’s back office systems and processes to support growth and improved management and financial information, as well as development to enable connectivity with US customers’ transport management systems.

He said the New Zealand business had a strong sales pipeline for the year ahead with a number of large enterprise customers coming on board at the end of FY17 for units to be installed into fleets in FY18.



"In New Zealand, we expect to have our largest ever year, having started the year with over 6,000 units committed to be installed in FY18, as well as increasing demand from a wide range of vehicle fleets seeking to meet their health and safety requirements," he said.

"In the US we have worked very hard to launch our ELD and build our sales and marketing capability, supported by our US transport advisors and led by our new US President, Norm Ellis. Our team is excited to have the opportunity to sell our enhanced suite of services led by the newly launched ELD. We are starting to see improving sales, but we recognise that, as occurred in New Zealand, it takes time to build sales momentum. We have an ambitious long term vision to achieve a very valuable, sustainable business," said Mr Newman.

Mr Newman said the company had undertaken a review of existing debt funding relationships and evaluation of the most appropriate and cost effective funding for anticipated growth. EROAD expects to have the necessary funding facilities in place by June 2017, having received an offer for funding of a debt facility to consolidate previous debt and to provide growth funding which will be drawn down in accordance with the execution of new contracts and will amortise in line with the life of the rental contracts. The costs of this facility are broadly in line with the existing facility.

Mr Newman, on behalf of the Board and EROAD staff, would like to thank EROAD's recently retired Independent Director Sean Keane, for his significant contribution to both EROAD and the Board since his joining in 2013.

### **Dividend**

Consistent with its Dividend Policy, EROAD does not intend to pay a final dividend for the year ended 31 March 2017.

### **Financial statements**

Attached to this release are audited financial statements. The Annual Report incorporating these financial statements will be issued in June 2017. The financial statements for the year ended 31 March 2017 and the comparative financial information for the year ended 31 March 2016 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

### **About EROAD**

EROAD modernises road charging and tax compliance and health and safety compliance for road transport by replacing paper-based systems with easy-to-use electronic systems that also improve fleet management. The company is headquartered in Auckland, New Zealand, and listed on the New Zealand Exchange (NZX). Its US business is based in Portland, Oregon, serving customers with vehicles operating in every US mainland state, growing outward in concentration from the Northwest. In 2009 EROAD introduced the world's first nationwide electronic road user charging (eRUC) system in New Zealand and, in 2017, more than 50% of heavy transport RUC is expected to be collected electronically, representing a rapid transition to e-commerce on a voluntary, industry-led basis, due to the cost-savings and benefits to customers. EROAD is also a leading provider of health and safety compliance services, including vehicle management and driver behaviour and performance measures.

Contact: Steven Newman CEO on +64 9 9274713.

### **Attachments**

Financial statements

Full Year Results Presentation FY17



<b>EROAD Limited</b>		
Results for announcement to the market		
Reporting Period	12 months to 31 March 2017	
Previous Reporting Period	12 months to 31 March 2016	
	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$32,764	25%
Profit from ordinary activities after tax attributable to shareholders	NZ\$(5,274)	(380)%
Net profit attributable to shareholders	NZ\$(5,274)	(380)%
Final Dividend	Gross amount per share	Imputed amount per share
	No dividend is proposed	No dividend is proposed
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
Audit	The financial statements attached to this announcement are audited.	
Comments	Refer to accompanying pages for commentary.	
Net tangible assets per security	31 March 2017	31 March 2016
	\$0.28	\$0.46