



## Market Announcement

### Business update and major North American customer signed

**1 March 2019**

Integrated technology and services provider EROAD Limited (NZX:ERD) releases this market update on global performance and announces that one of the largest privately owned fleets in North America has become EROAD's largest U.S. based customer.

#### ***North America***

EROAD has today entered into a master supply agreement in the United States for approx. 4,900 EROAD EHUBO 2 units.

This agreement does not specify any minimum unit commitment. Given the fleet size and diverse geographical locations, it is anticipated that the majority of these units will be installed during FY20.

The decision to switch to the user-friendly, accurate and reliable EHUBO 2 was made after a successful pilot programme. The customer's full fleet operates out of hundreds of branches located within most States, forming one of the largest privately-owned fleets in the USA.

Whilst this is EROAD's first U.S. based enterprise customer, it will not materially impact EROAD's performance for FY19.

EROAD is now the highest rating in-cab Electronic Logging Device (ELD) following this week's upgrading from the independent [www.eldratings.com](http://www.eldratings.com) and we remain the only independently certified ELD device in the market. EROAD's business in North America was built on a solid foundation of small to medium (SME) customers, and this rating will provide additional confidence to both SME and enterprise customers that EROAD has a best-in-class product.

#### ***Australia***

The relaunch into Australia, which commenced on 1 October 2018, is progressing to plan and the business is encouraged by strong levels of early interest in EROAD's offering.

As previously signalled, the business is carrying a higher level of operating expenses as a result of the Australian market relaunch. These costs are anticipated to be approx. 2% of FY19 revenue and are a required part of the entry strategy prior to unit and revenue generation moving forward.

#### ***New Zealand***

The New Zealand business continues to be robust and new unit growth is tracking in line with expectations. The light vehicle and asset tracking markets continue to grow as companies expand their health and safety programmes and recognise the commercial benefits of telematics.

New Zealand sales have grown solidly both with new SME fleets and with additional units in existing customers. This has been aided with new products launched earlier in FY19, the ETrack Wired asset tracker and Proof of Service. Further growth in EROAD's largest market is underpinned by a well qualified sales pipeline.



### ***Corporate and R&D***

In the second half of FY19 EROAD invested in growing its R&D team to support a growing product portfolio, to enable continued innovation and product development in existing markets. R&D investment was also required to expand the product offering for EROAD's market re-launch into the Australian market. As a result, a higher level of R&D continues to be expensed rather than capitalised in the second half of FY19. The percentage of total R&D that is capitalised is expected to increase over FY20.

EROAD has proactively invested on leadership, product development and scalable operational systems, in order to underwrite and accelerate medium term revenue growth. Part of this investment was the establishment of a repeatable product design and delivery model, capable of commercialising regulatory products across its markets. The anticipated additional expenditure during FY19 is less than 2% of FY19 revenue. As most of this platform for growth has already been established, EROAD expects costs as a percentage of revenue to start to decline in FY20.

As indicated in EROAD's latest half year report, a level of provisioning for legal costs will be recognised in the second half of FY19. This is due to EROAD (along with at least one other ELD vendor) recently commencing proceedings against a non-practising patent entity in respect of the entity's patents purportedly relating to ELD technology.

### ***FY19 Outlook***

FY19 has been a year of transition for EROAD as the business geared up for the next stage of growth. EROAD considers there is a stronger than previously anticipated growth opportunity across its offshore markets which is why it has invested in talent and systems to enable this next level of growth and service an increasing customer base.

During FY19, the business has continued to experience strong revenue growth and improved underlying profitability in its key markets. The North American business will grow by over 30% this year and is now operating cash flow positive on a monthly basis. As EROAD nears the end of FY19, the business is larger, more robust and better positioned for future growth than it was a year earlier.

ENDS

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### ***About EROAD***

EROAD's focus is on making our roads safer and more sustainable, through offering easy-to-use, accurate and reliable technology solutions to answer complex transportation problems. Since 2000, EROAD has pioneered innovative commercial and regulatory services for motor carriers in New Zealand, Australia, and the USA. Road transport operators can manage fleets and vehicles and meet regulatory compliance commitments on a single platform that meets the highest standards of security and accuracy. These regulatory telematic services benefit both our customers by improving return on investment, and communities and the wider public through safer driving practices and valuable data analytics across the road network to help improve the planning, maintenance and management of our roads.



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