

# EROAD

(NZX: ERD ASX: ERD)

**CAPITAL RAISE INVESTOR PRESENTATION  
17 SEPTEMBER 2020**

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Certain statements made in this Presentation are 'forward-looking statements'. These forward-looking statements are not historical facts but rather are based on EROAD's current expectations, estimates, beliefs, assumptions and projections about EROAD, the industries in which it operates, the outcome and effects of the Offer and use of proceeds. These forward-looking statements include statements about EROAD's expectations about the performance of its businesses, statements about the future performance of EROAD and statements about the use of proceeds from the Offer. Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of EROAD, its directors and management, are difficult to predict and may involve significant elements of subjective judgment and assumptions as to future events which may not be correct and could cause actual results to differ materially from those expressed in the forward-looking statements. EROAD cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect EROAD's views only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

The forward-looking statements made in this Presentation relate only to events as of the date on which the statements are made. EROAD will not release publicly any revisions or updates to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

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Investors should note that past performance, including past share price performance of EROAD and pro forma historical information in this Presentation, is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future EROAD performance including future share price performance. The pro forma historical information is not represented as being indicative of EROAD's views on its future financial condition and/or performance.

# DISCLAIMER

## (CONTINUED)

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An investment in EROAD shares is subject to known and unknown risks, some of which are beyond the control of EROAD. EROAD does not guarantee any particular rate of return or the performance of EROAD.

### **FINANCIAL DATA**

All currency amounts are in New Zealand dollars unless stated otherwise. EROAD has a 31 March financial year end and all numbers refer to 31 March 2020 unless stated otherwise. Figures in charts and tables may not sum to 100% or the relevant total due to rounding.

Investors should be aware that this Presentation contains certain financial information and measures that are “non-GAAP financial information” under the New Zealand Financial Markets Authority Guidance Note on disclosing non-GAAP financial information, “non-IFRS financial information” under Regulatory Guide 230: ‘Disclosing non-IFRS financial information’ published by ASIC and “non-GAAP financial measures” within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-GAAP financial information, non-IFRS financial information and non-GAAP financial measures are Annualised Monthly Recurring Revenue (AMRR), Costs to Acquire Customers (CAC), Costs to Service & Support (CTS), EBITDA, EBITDA margin, Free Cash Flow, Future Contracted Income (FCI) and Monthly SaaS Average Revenue per unit (ARPU).

The disclosure of such non-GAAP financial measures in the manner included in this Presentation would not be permissible in a registration statement under the U.S. Securities Act. The non-GAAP financial information, non-IFRS financial information and non-GAAP financial measures do not have standardised meanings prescribed under NZ IFRS, AAS or IFRS and, therefore, such financial information and financial measures may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with the applicable NZ IFRS, AAS or IFRS. Although EROAD believes the non-GAAP and non-IFRS financial information and financial measures provide useful information to users in measuring the financial performance and conditions of EROAD, investors are cautioned not to place undue reliance on any non-GAAP or non-IFRS financial information or financial measures included in this Presentation.

This presentation contains pro forma historical financial information. In particular, EROAD has prepared a pro forma Net Debt and cash position of EROAD as at 31 March 2020 as if the Offer had been completed on that date. The pro forma historical financial information provided in this presentation is for illustrative purposes only and should not be relied upon as, and is not represented as, being indicative of EROAD’s future financial condition.

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This Presentation has been authorised for release to NZX and ASX by EROAD’s Board of Directors.

# EXECUTIVE SUMMARY

## **EROAD Limited (“EROAD”) develops and markets technology solutions for the transportation and logistics industry**

- Steven Newman joined EROAD in 2007 and listed EROAD on the NZX in 2014
- Provides regulatory compliance and telematics software to heavy and light vehicle fleets in New Zealand, North America and Australia
- Develops technology solutions to manage vehicle fleets, support regulatory compliance, improve driver safety and reduce costs of operating a fleet of vehicles and assets
- Operates in the global telematics industry, which is estimated to grow to US \$750b by 2030<sup>1</sup>
- Achieved 100k connected vehicles in 9 years and is targeting 250,000 connected vehicles

## **A proven SaaS business model experiencing continuing global revenue growth**

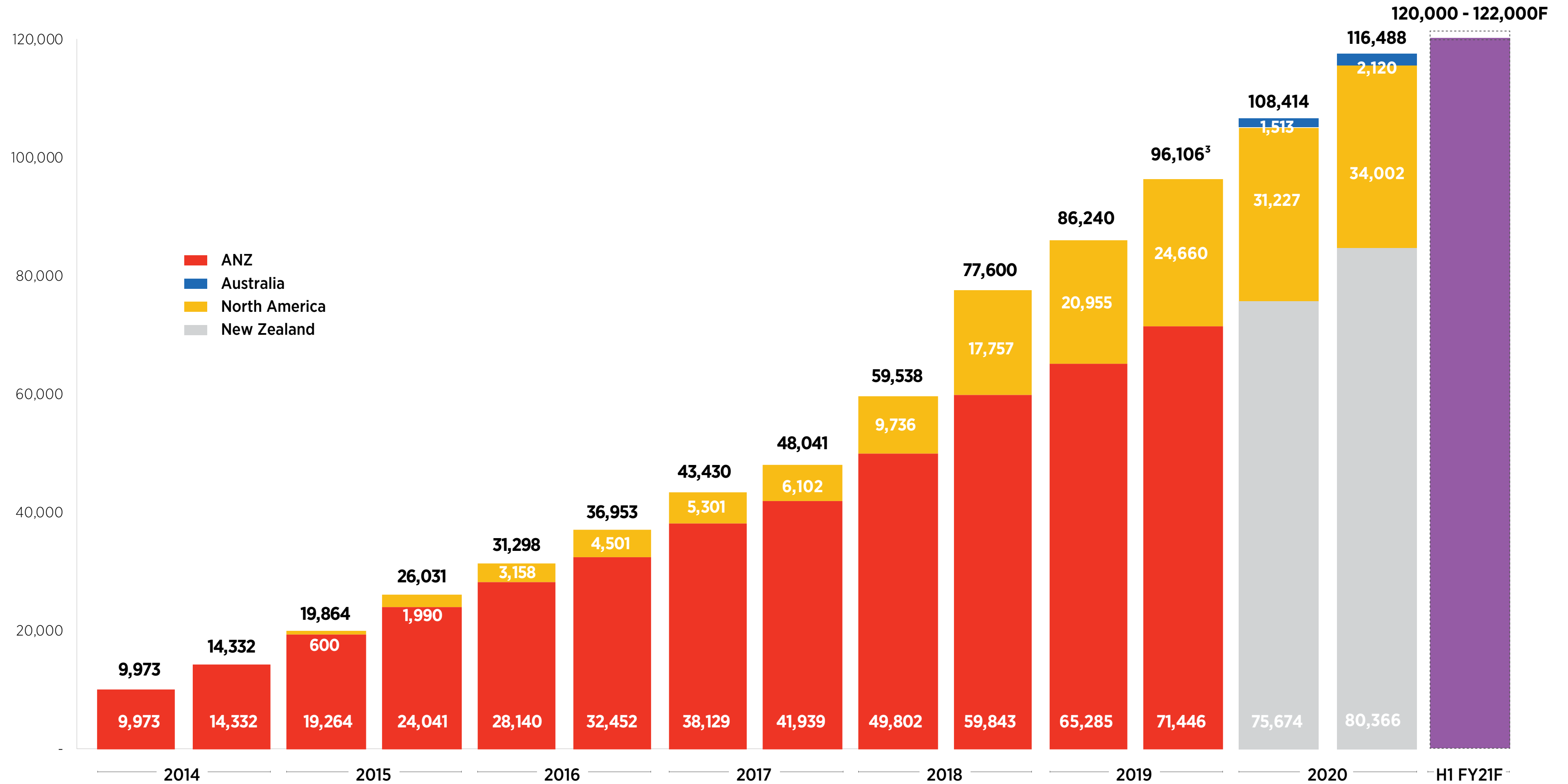
- For H1 FY21, anticipating Revenue of between \$43.5m – \$44.5m, and EBITDA between \$12.0m - \$14.2m in H1 FY21, ending the period with between 120k-122k contracted units
- Achieved profitability in FY20 with Profit Before Tax of \$1.4m (FY19 -\$5.1m)
- Growing ARPU and asset retention rate of ~95%
- Annualised Monthly Recurring Revenue (AMRR) of \$84m<sup>2</sup> in FY20, up 26% from FY19
- Revenue growth is being driven by increase in total contracted units from both new and existing customers as well as increasing ARPU across customer base from up sell activity
- Platform business with a track record of consistent revenue growth. Strong unit economics with profitability achieved in FY20. Further investment in product and sales & marketing should accelerate global growth, increase competitive advantage and support long term margin expansion
- For FY21, remain confident in continued growth in contracted units and ARPU, albeit at lower rates than FY20 due to the impact of COVID-19
- Once uncertainty resolves, EROAD should benefit as businesses embrace telematics to reduce costs and improve the efficiencies of their businesses

## **Listing on the ASX, capital raising to fund growth and partial sell-down**

- NZ\$42m Placement at an offer price of NZ\$3.90 per share (A\$3.59 per share) and NZ\$8m Share Purchase Plan (see slide 33 for details) to support the Company to deliver its growth aspirations by accelerating investment in the platform via product development and sales and marketing. Additional funding will be used to improve balance sheet flexibility and support future growth initiatives, notwithstanding any impacts and the general uncertainty of COVID-19
- NMC Trustees (Steven Newman) to sell up to approximately 1.4m shares, representing up to 10% of NMC’s shareholding in EROAD
- Listing on the ASX to access a greater pool of institutional and retail investors and to help fund the Company’s future growth opportunities

<sup>1</sup>Source: McKinsey April 2018 <sup>2</sup>Restated by \$2m from \$86m due to a SaaS revenue washup of \$0.17m included in full in March which related in part to earlier periods

# GROWING TOTAL CONTRACTED UNITS



<sup>3</sup>North American units for FY19 are restated for data cleansing adjustments identified as part of the new business systems implementation

# RECURRING SAAS REVENUE MODEL

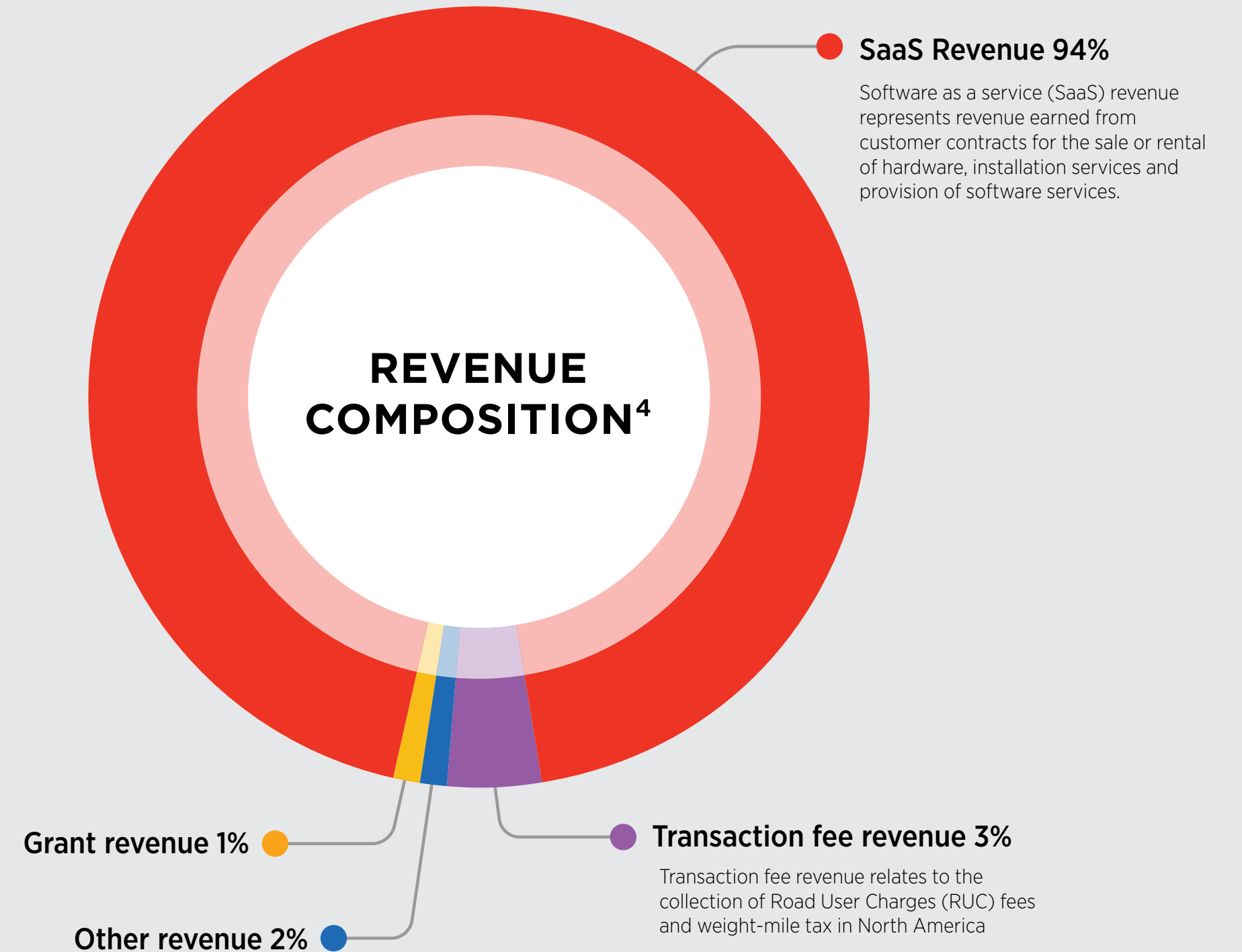
EROAD generates SaaS revenue through:

- sale and rental of hardware
- the licensing of its software on a monthly subscription basis; and
- the installation of its Ehubo hardware device.

- EROAD has a SaaS based revenue model (94% of FY20 revenue).
- EROAD typically bundles the hardware/software together under a user contract with a typical length of 36 months.

- In FY20, EROAD generated monthly SaaS ARPU of \$NZ58, an asset retention rate of ~95% and ended the year with 116k connected units.
- EROAD invested 19% of revenue in R&D in FY20 to enhance its product offering, grow ARPU and maintain customer retention and win new small to medium business and enterprise customers.

## EROAD DRIVEN BY RECURRING SAAS REVENUE



<sup>4</sup>For the year ended 31 March 2020 (FY20)

# THE RIGHT TEAM FOR GROWTH

Over the last 2 years:

- Board has been going through a period of renewal with Susan Paterson and Barry Einsig appointed.
- Strengthened Executive Team in place: Key hires in Finance, Marketing, Operations, People & Culture and Product.
- Deep capability building in key areas, including R&D, M&A, Sales and Customer Success.
- Continued focus on strengthening capability and culture

## OUR BOARD



**GRAHAM STUART<sup>5,6</sup>**  
Chairman,  
Independent Director



**BARRY EINSIG<sup>6</sup>**  
Independent Director



**TONY GIBSON<sup>5,6</sup>**  
Independent Director,  
Chairman of  
Remuneration, Talent and  
Nomination Committee



**SUSAN PATERSON<sup>5,6</sup>**  
Independent Director,  
Chair of the Finance, Risk  
and Audit Committee



**STEVEN NEWMAN**  
Executive Director / CEO

## EXECUTIVE TEAM



**STEVEN NEWMAN**  
Executive Director / CEO



**ALEX BALL**  
Chief Financial Officer



**MATT DALTON**  
EVP Operations



**NORM ELLIS**  
President - North America



**MARK HEINE**  
EVP General Counsel  
and Company Secretary



**MIKE SWEET**  
Chief People Officer



**GENEVIEVE TEARLE**  
Chief Marketing Officer  
and General Manager  
EROAD Where



**SARAH THOMPSON**  
Chief Product Officer



**TONY WARWOOD**  
Executive General  
Manager  
Australia & New Zealand

Note: Recruiting is underway for a Chief Technology Officer, to replace Jarred Clayton

For full bios, refer to EROAD's FY20 Annual Report on pages 63-64 for the Board and pages 61-62 for the Executive Team

<sup>5</sup>Member of Finance, Risk and Audit Committee. <sup>6</sup>Member of Remuneration, Talent and Nomination Committee.





**COMPANY  
BACKGROUND**

# EROAD'S PURPOSE IS SAFER, MORE PRODUCTIVE ROADS

## SAFER

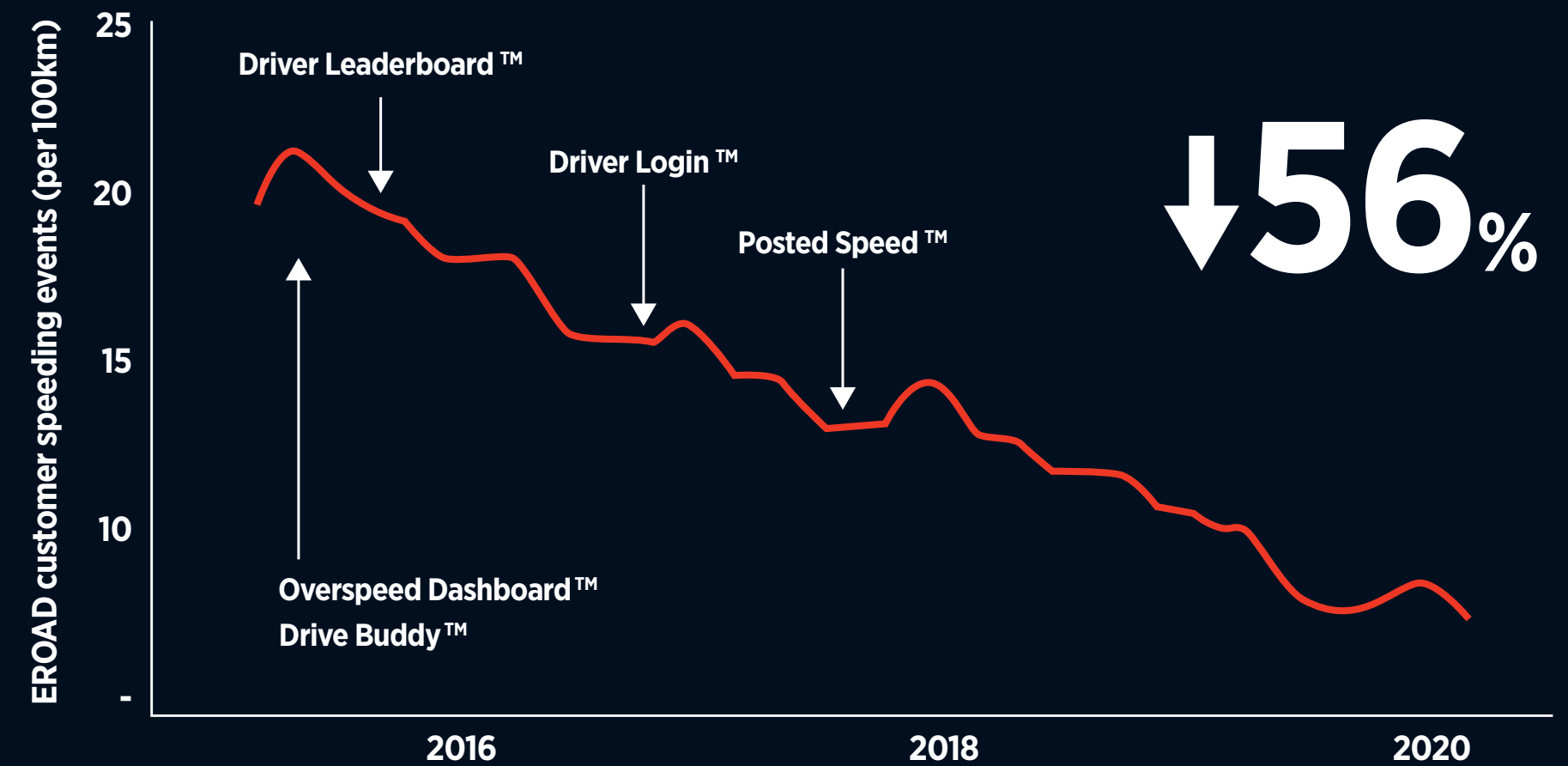
- EROAD solutions have had a direct impact on reducing speed by customers, a significant contributor to accidents and serious injuries
- Vehicle service and maintenance monitoring helps our customers ensure their vehicles are safe
- Our driver management services improve driving behaviour

## IMPROVED PRODUCTIVITY

- Provide tools to help our customers achieve greater fuel efficiency and therefore reduce emissions
- EROAD solutions reduce compliance costs and improve fleet productivity
- Road network usage analytics informs infrastructure planning

## EROAD CUSTOMERS REDUCED FREQUENCY OF SPEEDING BY 56% SINCE 2015

(8.3B KILOMETERS TRAVELLED)



*The above graph shows the reduction in over speed events over time as product enhancements have been added.*

# REGULATORY TELEMATICS

EVERY COUNTRY IS LOOKING TO SOLVE THE SAME TRANSPORTATION ISSUES



**HOW DO WE PAY FOR  
AND MAINTAIN  
ROADING  
INFRASTRUCTURE?**



**HOW DO WE  
IMPROVE  
HEALTH AND SAFETY  
ON ROADS?**



**HOW DO WE ENSURE  
VEHICLES ARE  
FIT FOR USE?**



**HOW DO WE  
BEST MANAGE  
DRIVER FATIGUE?**

# TO DO GREAT REGULATORY TELEMATICS YOU NEED A GREAT PLATFORM



## SECURE, RELIABLE, ACCURATE

Highly reliable network, paired with advanced ping rates – ensuring visibility for every trip



## SIMPLIFIED COMPLIANCE

Easy to adopt and use



## INDUSTRY-LEADING SERVICE UPTIME

Platform available therefore reducing business delays for customers



## PROACTIVE CUSTOMER SERVICE

Responsive, knowledgeable and friendly customer service team

### DASHCAM

(Launch Q4 FY21)



### EHUBO2

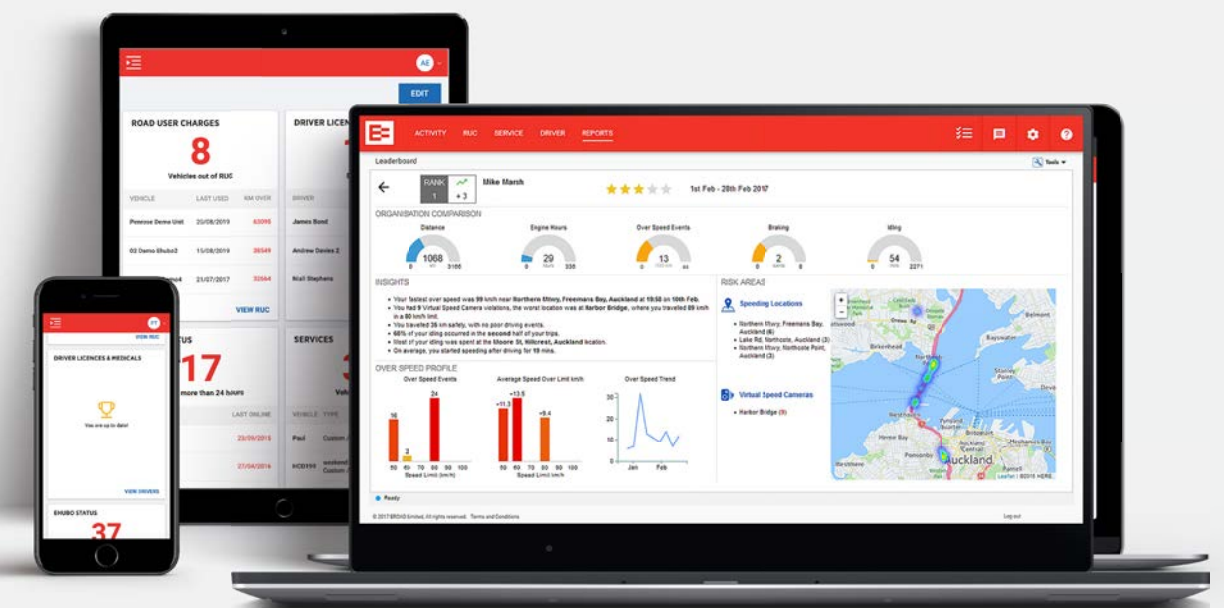


### IN-VEHICLE HARDWARE

### DRIVER'S LOGBOOK



### MyEROAD



# PLATFORM OVERVIEW

## MyEROAD

USED BY DISPATCH OPERATORS, FLEET MANAGERS, SAFETY OFFICERS AND OPERATIONS



MyEROAD provides customers with a range of real time reports and analytical reports for managing their fleets and drivers efficiently and safely.

MyEROAD integrates into back office – logistics and business insights.

MyEROAD platform provides fleet operators with the following tools and services:

### REGULATORY COMPLIANCE

Software varies across jurisdictions in line with differing legislative requirements for compliance

### DRIVER MANAGEMENT & ROAD SAFETY

Monitor driver fatigue and behaviour

### FLEET MANAGEMENT

Maps, tracking and utilisation analytics.

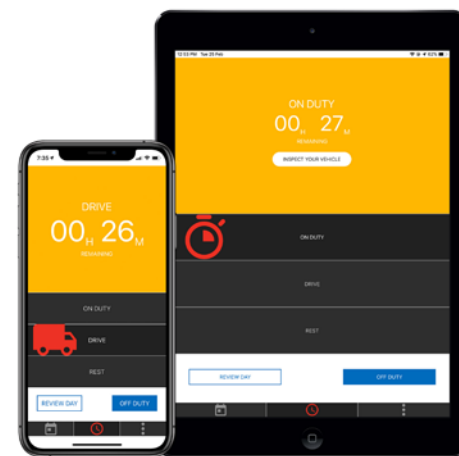
# PLATFORM OVERVIEW

## EHUBO

IN CAB DRIVER INTERFACE

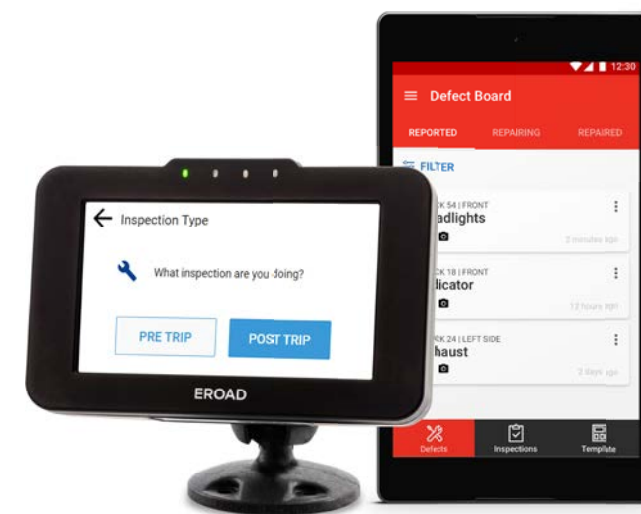


## LOGBOOK



- A unified in-Cab Driver Experience
- Compliance as easy as cruise control
- Ongoing driver coaching & gamification

## INSPECT



Allows drivers to carry out pre and post trip vehicle inspections – and record any defects to be fixed, or maintenance to be completed.

EROAD's main hardware product is a dashboard mounted device (Ehubo) connected to a cloud based data and analytics platform (MyEROAD)

Ehubo is a regulatory approved device that uses GPS and other onboard sensors to measure time, distance, location, and other vehicle operational data

The Ehubo continually transmits data via secure cellular networks to MyEROAD

# WHY OUR CUSTOMERS CHOOSE US



## PROACTIVE CUSTOMER SERVICE

~ **95** %

ASSET RETENTION RATE



## DIFFERENTIATED SOLUTIONS



## RELIABLE AND ACCURATE

**99.99** %<sup>8</sup>

UPTIME

**# 2 / 33**<sup>9</sup>

ON ELD RATINGS

“EROAD is one of the most dependable, durable, and accurate systems in the business. It’s easy to use, affordably priced, and has been independently tested for ELD mandate compliance by the PIT Group research firm.”



## EASY TO USE

<sup>8</sup>For 12 months ended 30 August 2020 <sup>9</sup>ELD Ratings supplies ratings of 33 of the top tier ELD solution providers out of 313 that supply a solution that is self certified with the FMCSA

# EROAD CUSTOMERS

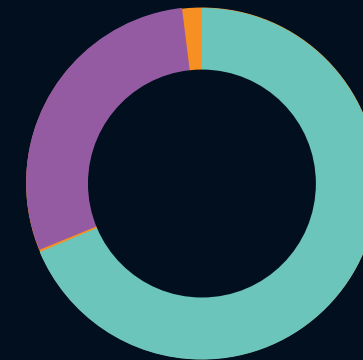
Customer base is diverse across region, business size and industry

EROAD markets and sells its products in New Zealand, North America and Australia

- Market leader in New Zealand, with a broad customer base of both heavy and light vehicle fleets across most industries
- Established presence in North America, concentrated in heavy transport across targeted industries and regions
- Growing presence in Australia as EROAD builds its brand and leverages Trans Tasman opportunities

Our strategy is focused on increasing Enterprise customers in North America and Australia

**CONTRACTED UNITS**  
*by region*



**69%**  
New Zealand

**29%**  
North America

**2%**  
Australia

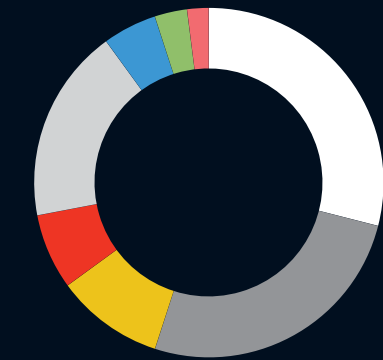
**CONTRACTED UNITS**  
*by business size*



**63%**  
Small to Medium

**37%**  
Enterprise<sup>11</sup>

**CONTRACTED UNITS**  
*by industry<sup>10</sup>*



**29%**  
Construction & Civil Engineering

**26%**  
Freight & Road Transport

**10%**  
Agriculture/Forestry

**7%**  
Services & Trade

**5%**  
Wholesale distribution

**3%**  
Government

**2%**  
Utilities

**18%**  
Other

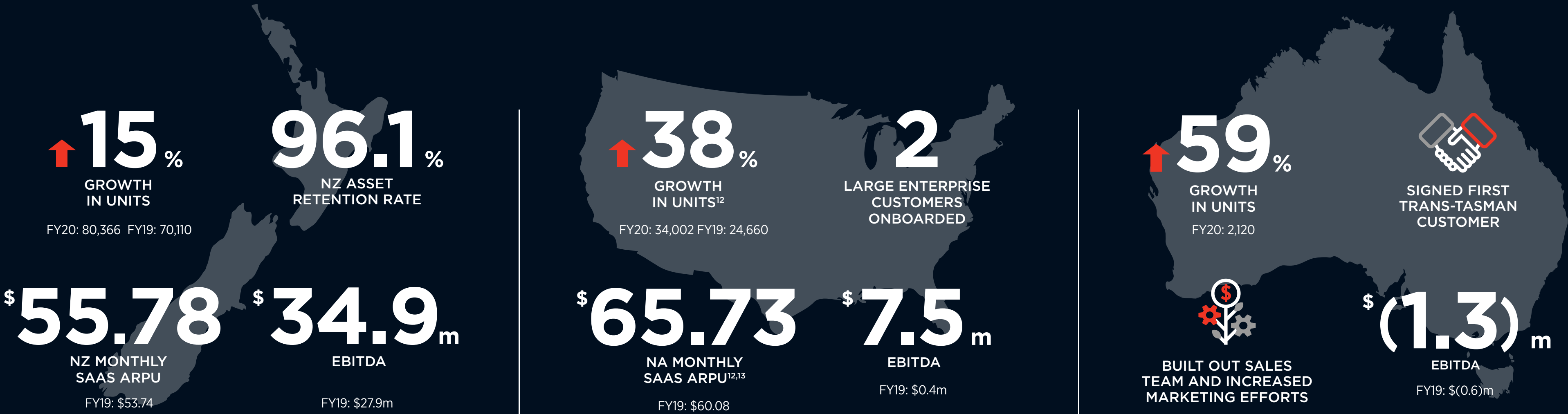
<sup>10</sup> As at 2 September 2020 <sup>11</sup>Enterprise is defined as fleet sizes > 150 for New Zealand and Australia > 500 for North America





**OPERATING PERFORMANCE  
AND FY21 OUTLOOK**

# DELIVERY OF STRATEGY ACROSS OUR MARKETS IN FY20



<sup>12</sup> North American units for FY19 are restated for data cleansing adjustments identified as part of the new business systems implementation

<sup>13</sup> Stronger USD v NZD contributed \$4.26 of the increase from the prior year

# FY21 OUTLOOK

Remain confident of continued growth in contracted units and ARPU in FY21, albeit at lower levels than delivered in FY20

EROAD expects unit growth across all markets, despite longer sales lead-times due to COVID-19

Expect EBITDA to be impacted by COVID-19 debtor collectability as well as continued investment in future growth and improvements in operating leverage

Once uncertainty resolves, EROAD should benefit as businesses embrace telematics to reduce costs and improve the efficiencies of their businesses

MEASURE	ESTIMATED RANGE FOR H1 FY21		
	LOW	HIGH	
<b>Total contracted units</b>	120k	122k	Continue to experience longer sales lead-times due to COVID-19, particularly in North American and Australian markets as well as Enterprise customers
<b>Revenue</b>	NZ\$43.5m	NZ\$44.5m	Growth in contracted units and ARPU, partly offset by FX movements. H2 FY20 Revenue was \$42.7m
<b>EBITDA</b>	NZ\$12.0m	NZ\$14.2m	Impacted by COVID-19 related increase in doubtful debt provision and FX movements. Increased R&D operating expenditure as extend and scale platform to deliver future growth as well as ongoing spend on initiatives to deliver further longer-term improvements in operating leverage. H2 FY20 EBITDA was \$15.2m

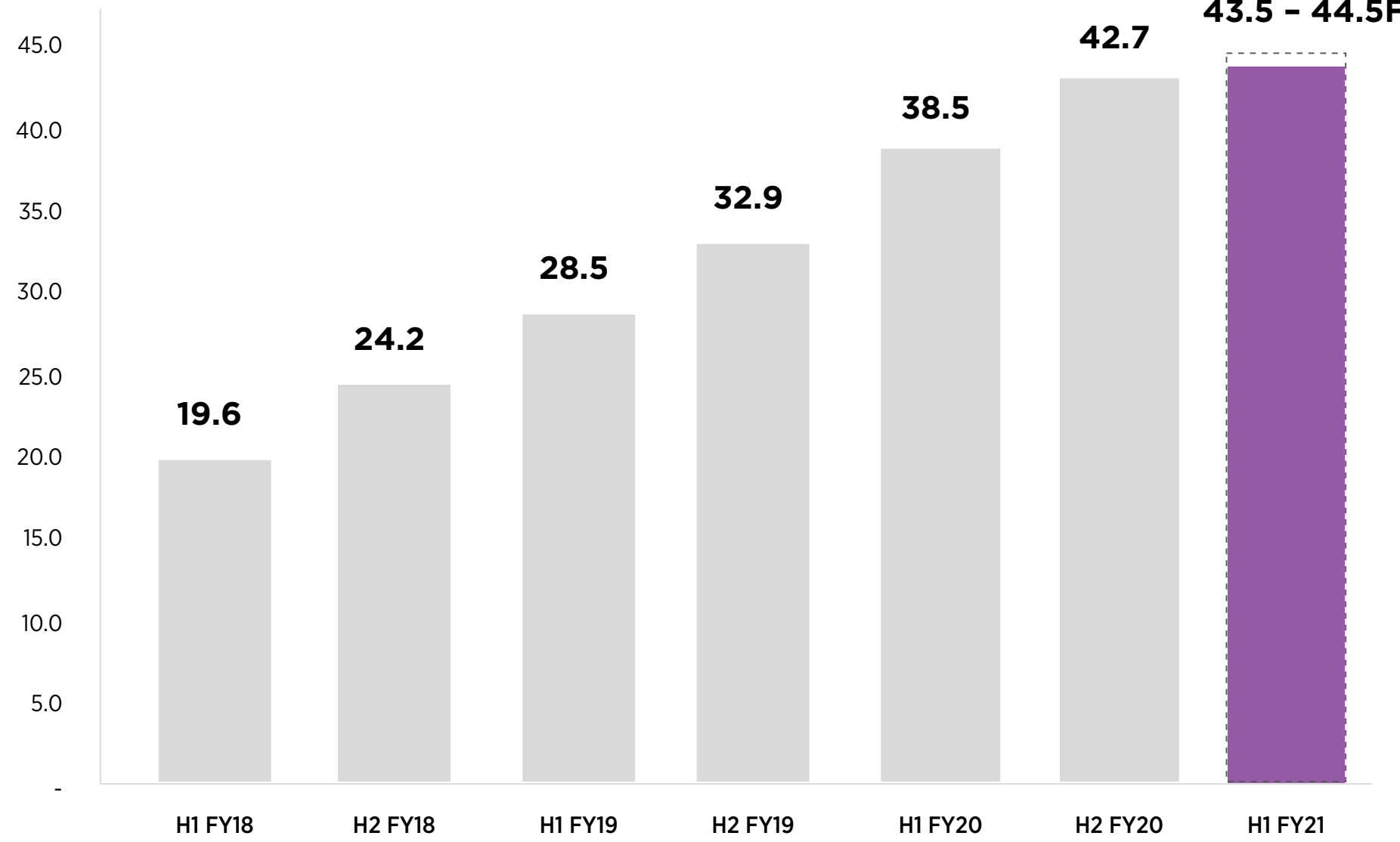
## ADJUSTMENTS FOR NON-RECURRING ITEMS

COVID-19 related increase in doubtful debt provision <sup>14</sup>	NZ\$2.5m	NZ\$1.3m
Impact of movement in USD/NZD	NZ\$0.4m	NZ\$0.4m
Adjusted EBITDA	NZ\$14.9m	NZ\$15.9m

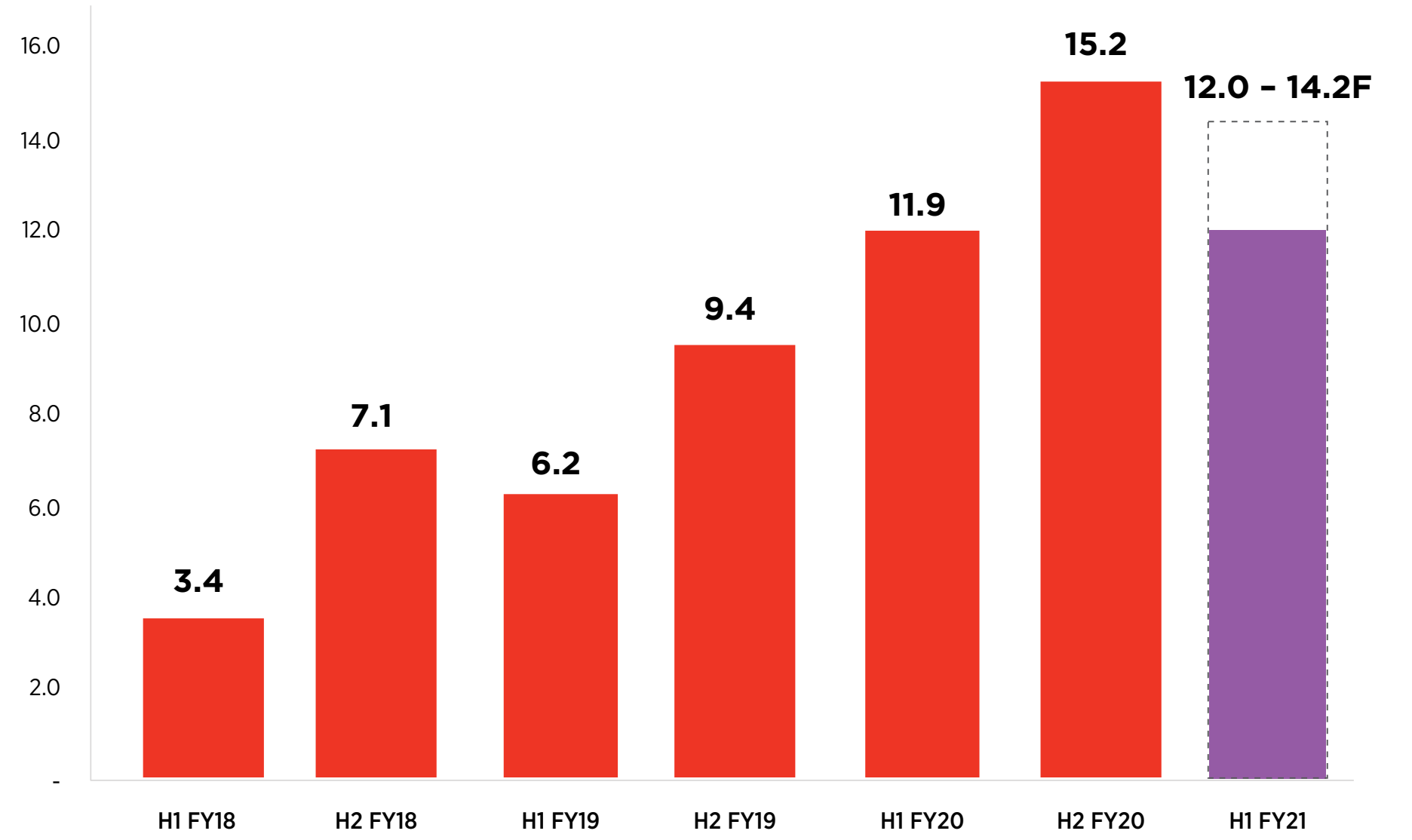
<sup>14</sup> To be reassessed as part of the half year result review process by EROAD's external auditor

# HALF YEAR TRACK RECORD

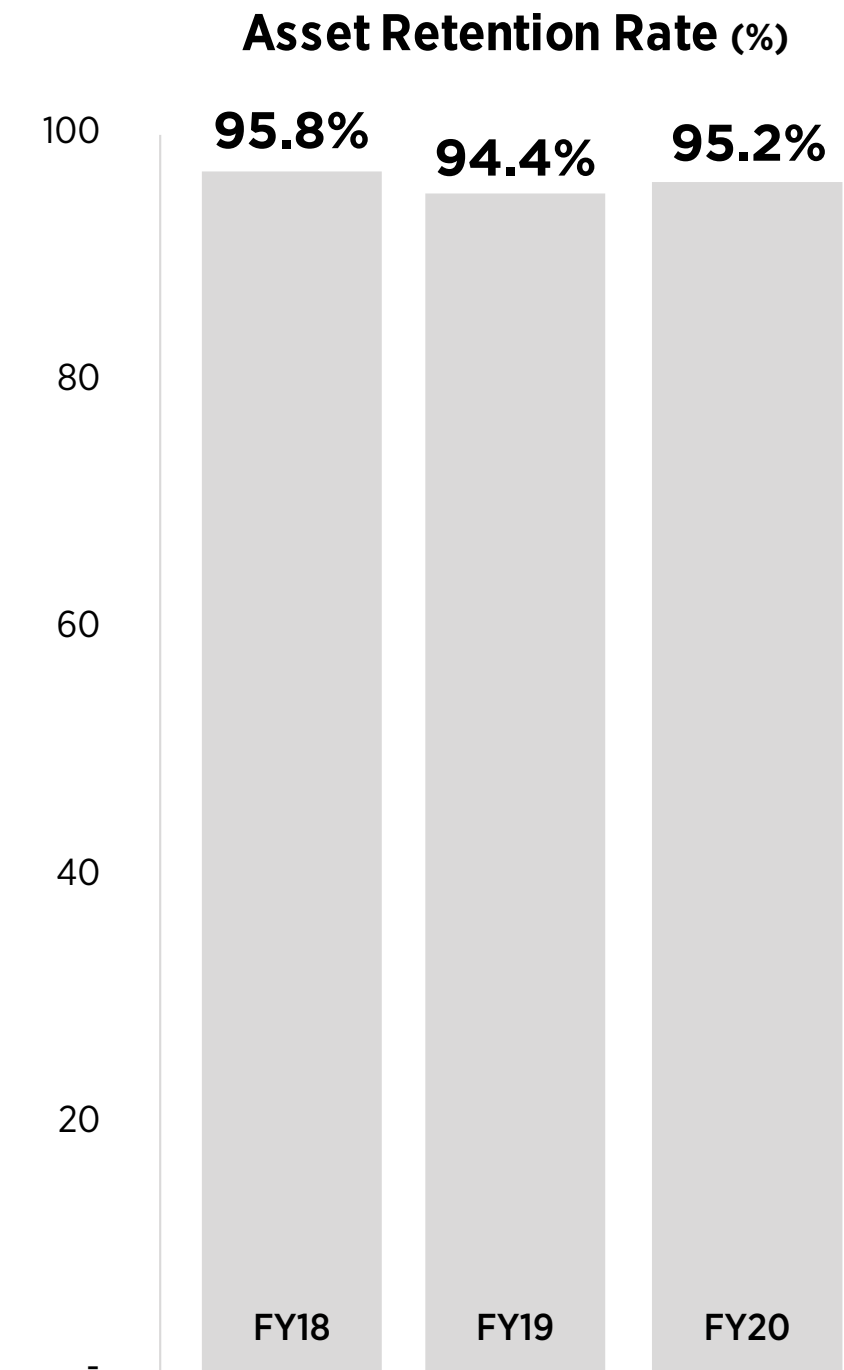
Revenue (\$m)



EBITDA (\$m)



# ENTERPRISE VALUE FROM EXISTING CUSTOMER BASE



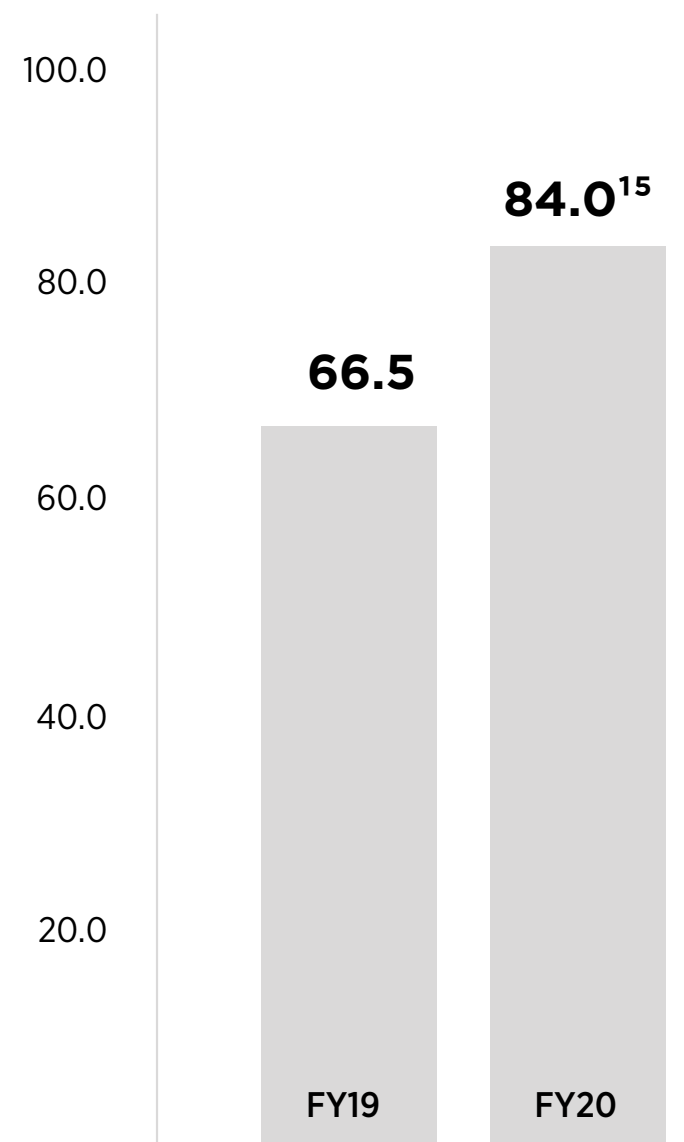
**Monthly SaaS ARPU** has been trending upwards reflecting:

- Plan and hardware upgrades
  - Above average pricing for new sales, including NA enterprise accounts
  - Stronger USD vs NZD contributed \$1.23 of the uplift between FY19 and FY20
- In FY21 the weaker USD vs NZD is expected to partly offset underlying ARPU growth

**Asset Retention Rate** is stable and remains a focus.

# LEADING GROWTH INDICATORS

**Annualised Monthly Recurring Revenue (\$m)**



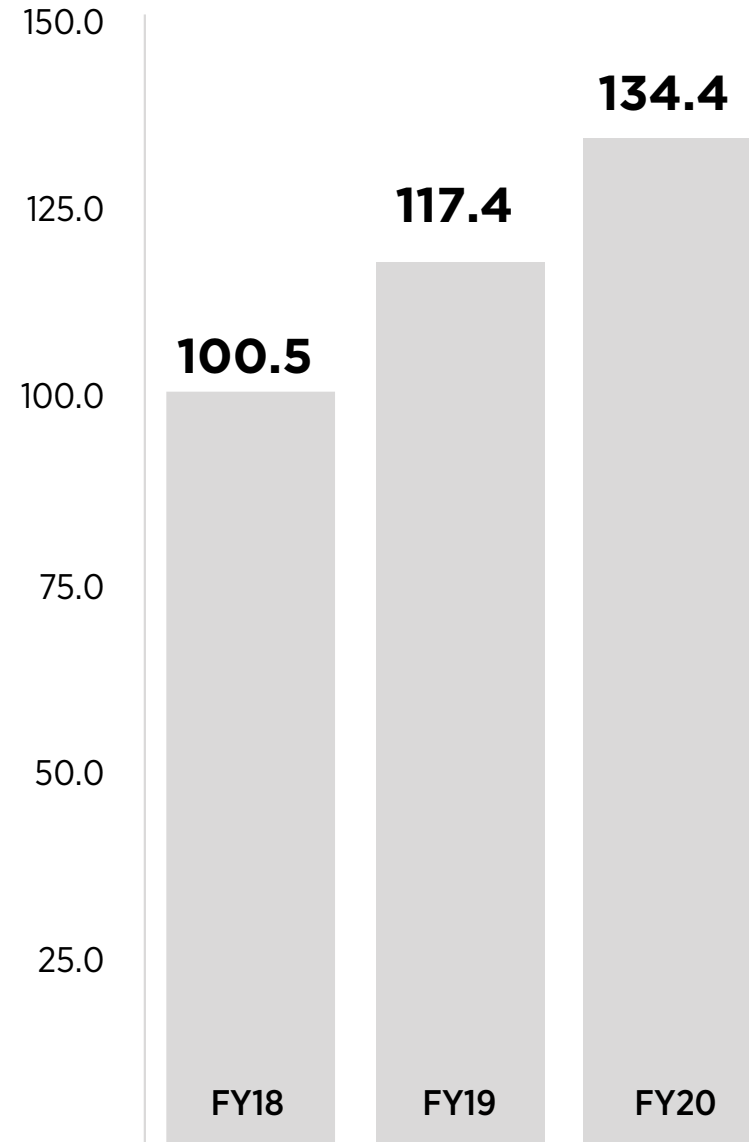
**AMRR** increase reflects growth in recurring revenues from new units and SaaS ARPU.

AMRR has only been reported since FY19 following adoption of IFRS 15 & 16

For AMRR, approximately 34% of recurring revenues was in USD for March 2020. Accordingly, we may see growth levels in H1 FY21 largely offset by the FX movement in NZD/USD from \$0.59 at 31 March 2020.

<sup>15</sup>Restated by \$2m from \$86m due to a SaaS revenue washup of \$0.17m included in full in March which related in part to earlier periods

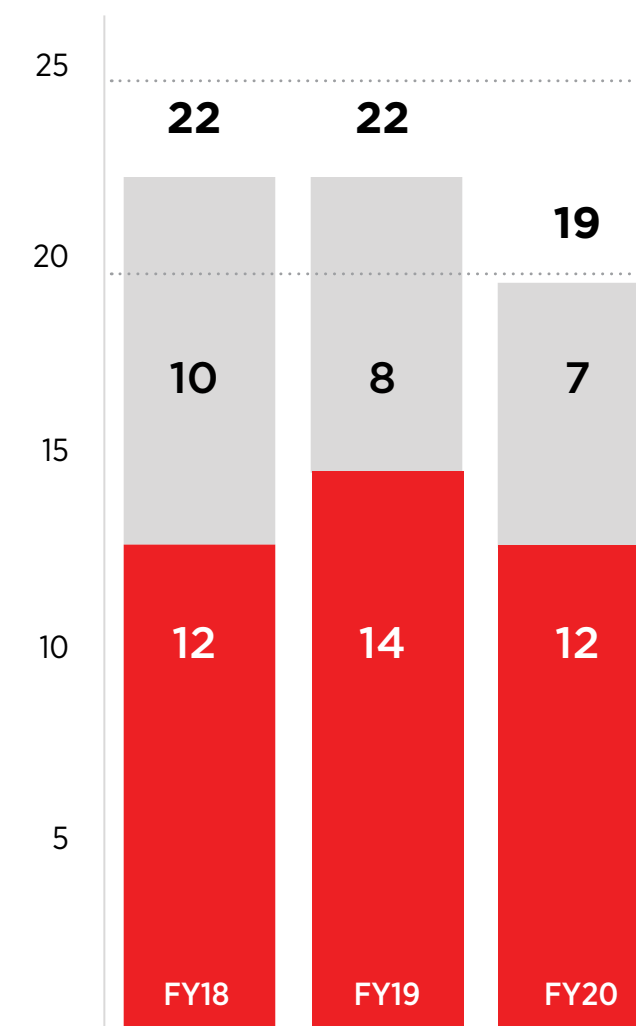
**Future Contracted Income (\$m)**



**FCI** increased with new incremental contracted units added and renewals, partially offset by recognition of revenues for new and existing contracts.

FCI is also expected to be adversely impacted by FX movements, lower levels of new FCI being added due to both slower levels of new units sales and lower levels of renewals as a result of COVID-19, and timing of contract renewals. This may result in new FCI added during the period being more than offset by the reduction in opening FCI through the recognition of revenue and revaluation of FX amounts..

**Research and Development as % of Revenue**



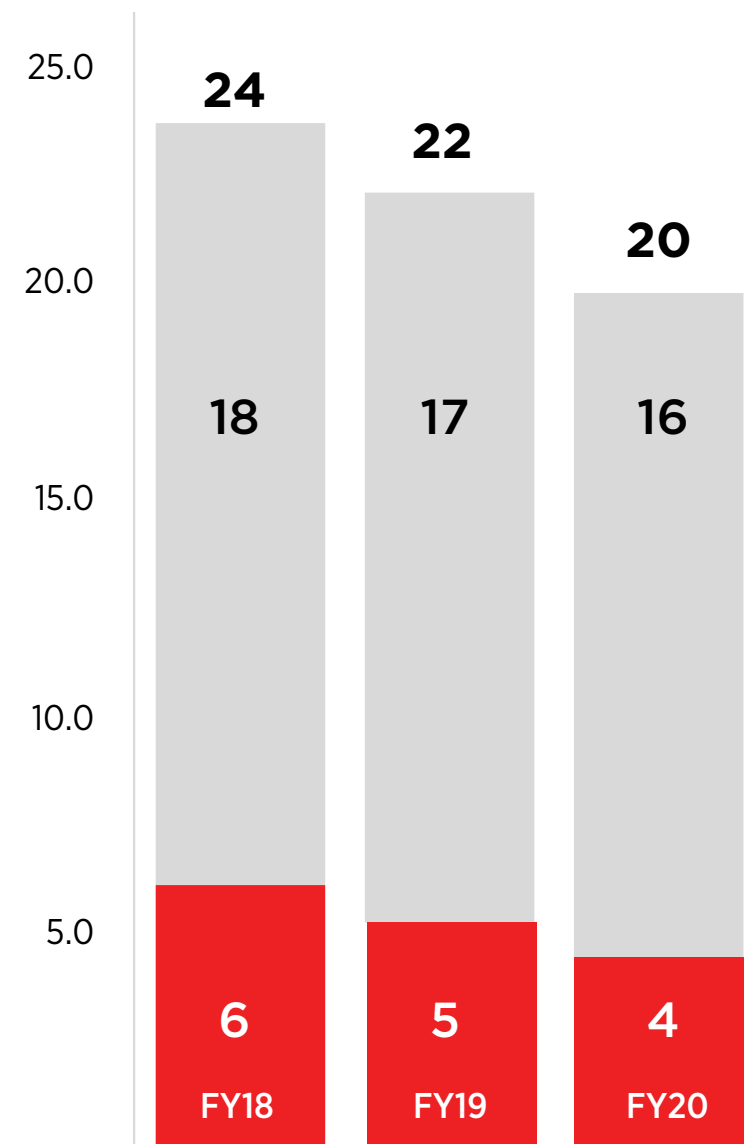
■ R&D Capitalised    ■ R&D Expensed

**R&D as % of Revenue** has been in range of 18-22% in recent years. For the next two years EROAD expects to spend 24-27% as it accelerates its investment for growth.

Medium term growth comes from R&D investment.

# PROFITABILITY INDICATORS

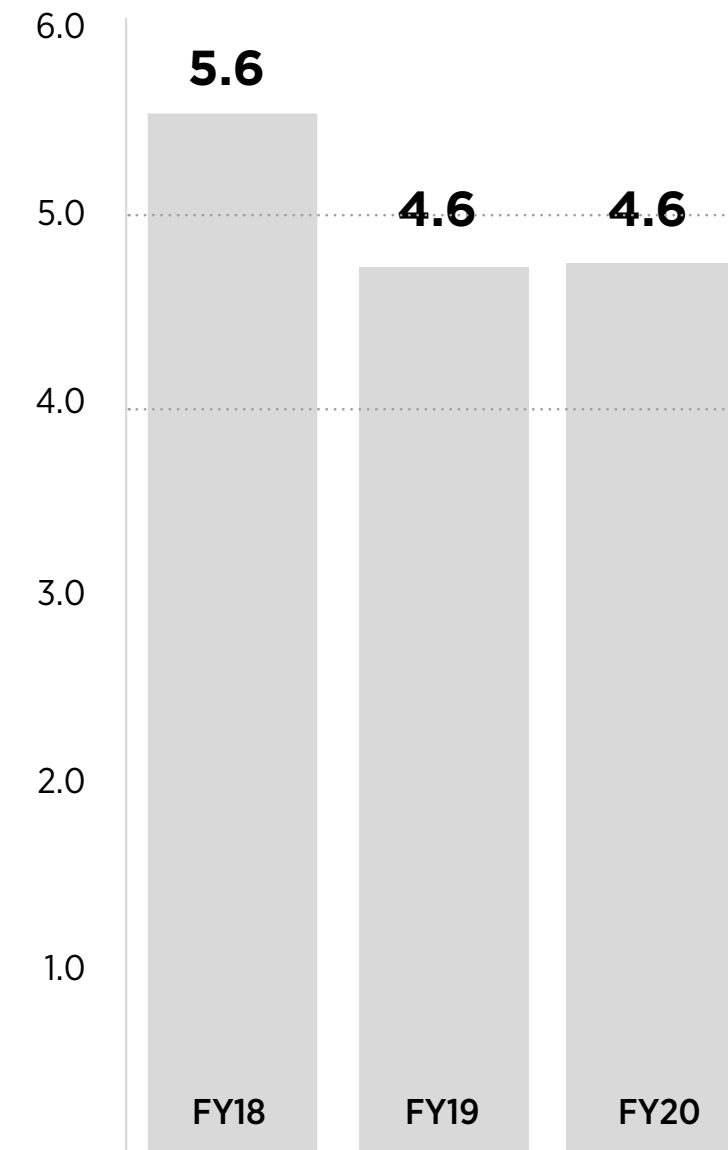
**Cost to Acquire Customers as a % of Revenue**



■ CAC Capitalised ■ CAC Expensed

**CAC as a % of Revenue** is expected to trend down over time as revenue grows, reductions will be partly offset by investment in CAC ahead of revenues in Australia.

**Cost to Service and Support as a % of Revenue**



**CTS** remains within 4-5% of revenue range. CTS will improve over time as scale and leverage increases.



**GROWTH STRATEGY**



# MARKET DRIVERS FOR TELEMATICS GROWTH

## GLOBAL TRENDS FOR TELEMATICS

- Transportation and logistics companies face significant change and increasingly require telematics solutions that give visibility, data and insights to manage vehicles and assets in a safe, compliant and efficient manner
- As the cost to track reduces, companies want to track and manage all their mobile and remote assets, beyond trucks, trailers and cars
- During recessions, adoption of telematics continues to increase as businesses look to reduce fleet related costs and improve supply chain
- Government supported/mandated regulatory telematics solutions are forecasted to be a significant growth driver forcing telematics adoption over the next five plus years
- Many global Enterprise businesses want a global solution that works across all the countries where they operate but which also addresses their localised needs

## TRENDS WITHIN OUR MARKETS

### North America

- Almost 100% adoption of telematics in interstate vehicles over 10,000 pounds, following the Federal 2017 -19 ELD mandate
- Expect many Small to Medium Businesses to upgrade to more than an ELD only solution when their 36-month contracts are renewed
- Expect a significant number of vehicles to upgrade hardware, following AT&T 3G network shut down in Feb 2022
- Many insurers requiring video telematics by transportation operators to get acceptable premiums
- 2020-2021 multi-state mileage-based user fee truck pilot to begin October 2021

### Australia

- Chain of Responsibility obligations were expanded in Oct 2018. Expect further significant regulatory change over next 5 years with Electronic Work Diary (EWD), National ERUC pilot and from the review of the Heavy Vehicle National Law
- Video telematics is seen as an important added service to improve health and safety outcomes
- Increasingly, Enterprise businesses operating across Australia and New Zealand see it as one market, requiring one solution

### New Zealand

- Health & Safety remain drivers of telematics adoption
- Many enterprise businesses are requiring their sub-contractors to use their technology solutions to manage Health & Safety obligations
- Video telematics is seen as an important added service to improve health and safety outcomes

## EROAD

- EROAD is targeting a segment of c. 11,000 fleets (sized between 50 - 3,000 vehicles) or approximately 2.62m vehicles. This segment is one where EROAD considers its value proposition resonates well and it has a strong product market fit
- EROAD Go and Dashcam launches in North America increase the addressable market available to EROAD

- EROAD has customer relationships with the New Zealand side of approximately 300 Trans-Tasman fleets. EROAD considers a significant opportunity is to convert the Australian side of the fleet over to EROAD
- In the short to medium term EROAD has an Enterprise pipeline with opportunities for up to 15-20k connected units
- Further acceleration of product delivery will improve product market fit and allow EROAD to penetrate the Enterprise segment

- EROAD has consistently added 9,000+ additional contracted units per year over the past 4 years. We would expect similar growth to continue into the future

# STRATEGIC PRIORITIES ACROSS OUR MARKETS

## STILL SIGNIFICANT GROWTH OPPORTUNITIES IN **NEW ZEALAND**



- Growth through retention and account expansion
- Continue expansion into existing and safety minded fleets
- Leverage network into new opportunities

## **NORTH AMERICA** IS A LARGE MARKET WITH MANY OPPORTUNITIES



- Pursue Enterprise opportunities
- Build sustainable runrate business in small and medium business space
- Growth through retention and account expansion
- Consider strategic inorganic growth opportunities

## BUILDING BRAND IN **AUSTRALIA**



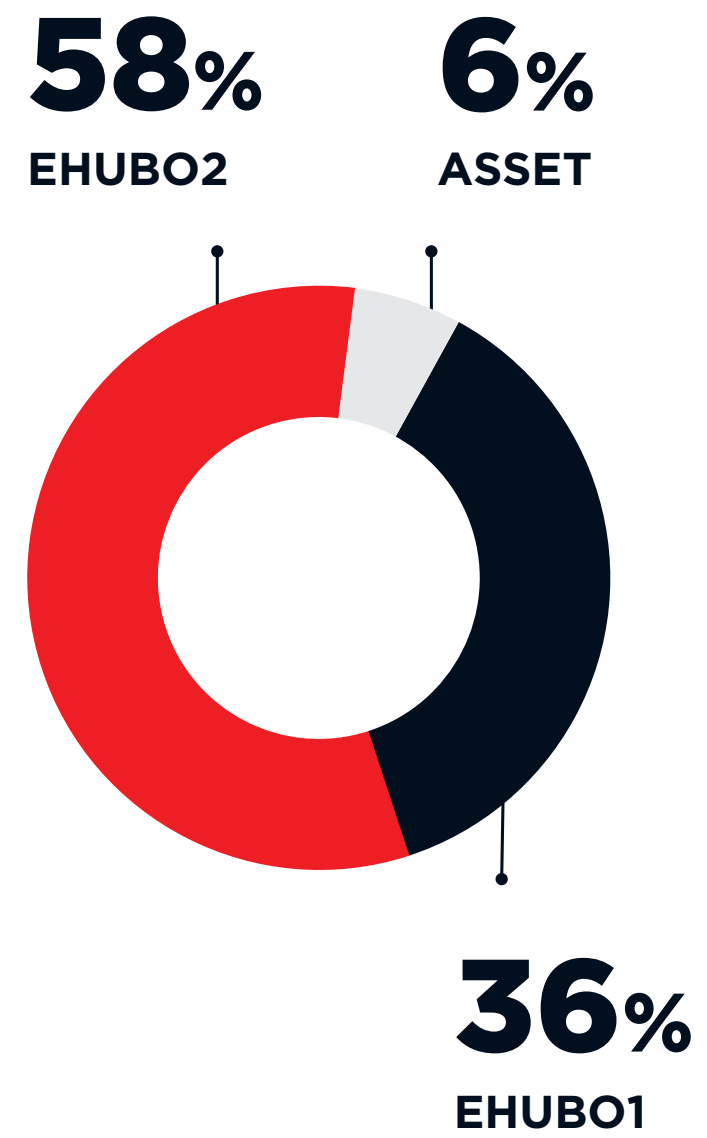
- Pursue Enterprise opportunities
- Build sustainable runrate business in small and medium business space
- Consider strategic inorganic growth opportunities

**SUPPORTED AND ACCELERATED THROUGH SAAS PRODUCT DEVELOPMENT AND ENHANCED SALES AND MARKETING DELIVERY**

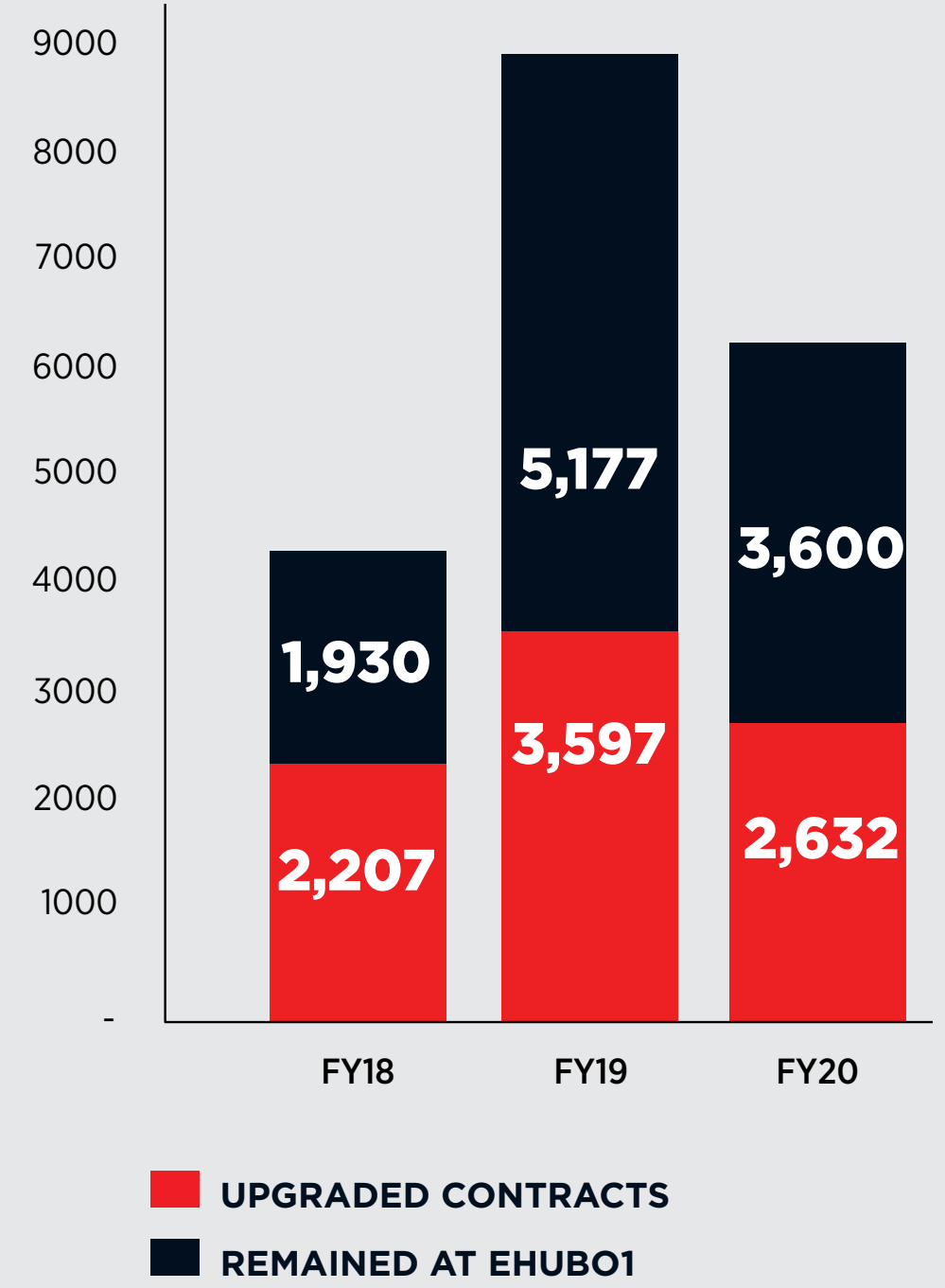
# GROWTH THROUGH RETENTION AND ACCOUNT EXPANSION

- Contract renewals provide an opportunity to upgrade customers plans
- Customer service and new innovative SaaS products that solve our customer's problems are key to retention and improving ARPU

## NEW ZEALAND CONTRACTED UNITS BY HARDWARE



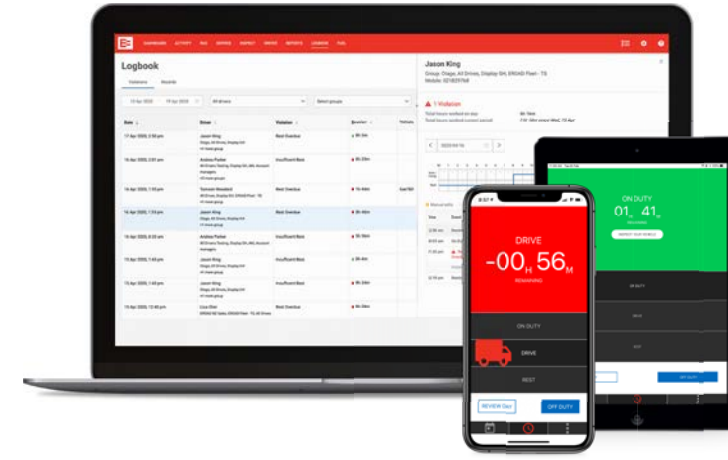
## TRACK RECORD OF EHUBO1 CONTRACT RENEWAL UPGRADES



# NEW PRODUCTS PROVIDE ADDITIONAL REVENUE STREAMS

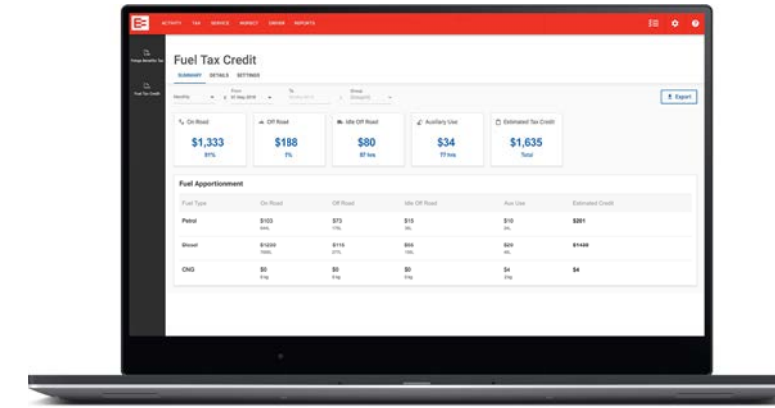
- Account expansion through add ons to customers
- Attract new customers
- Expect these revenue streams to grow over time

## LOGBOOK LAUNCHED Q1 FY21



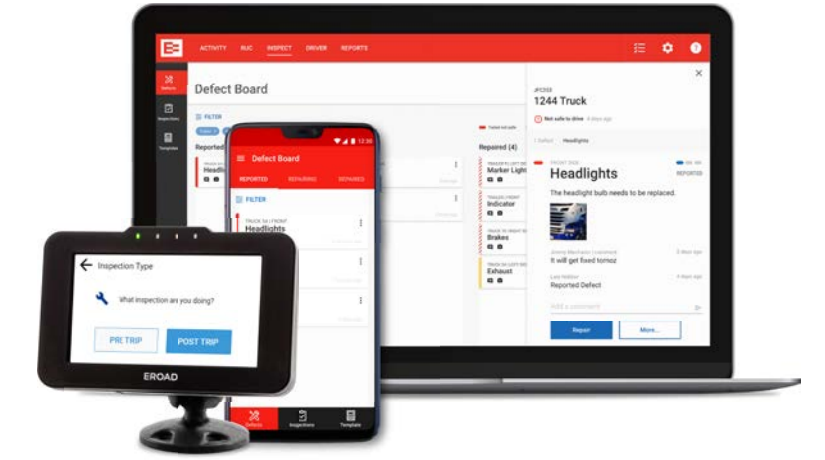
Simplifies fatigue management by enabling drivers to capture work and rest hours via a smartphone or tablet.

## FUEL TAX CREDITS



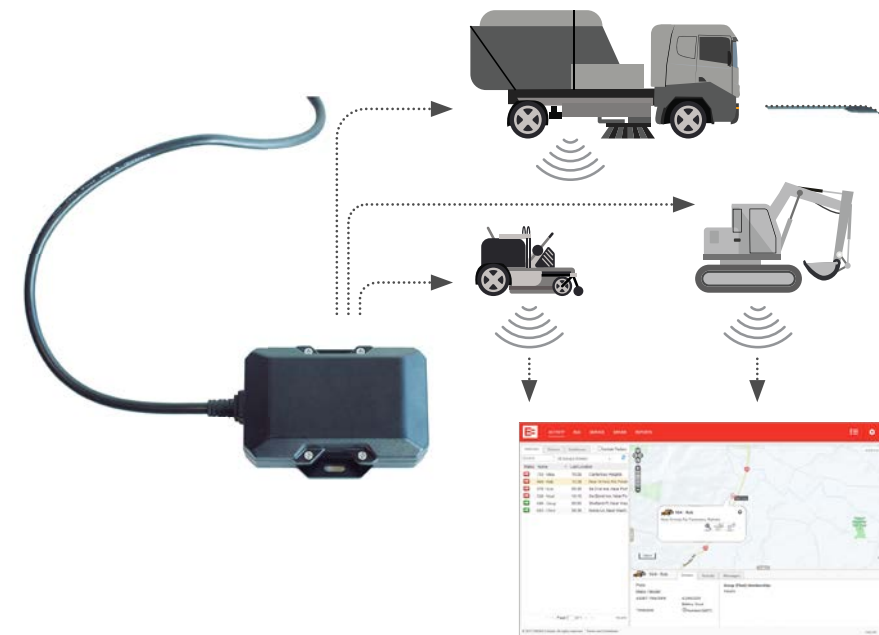
Takes the hassle out of FTC calculations and claims and allows businesses to unlock FTC entitlements.

## EROAD INSPECT



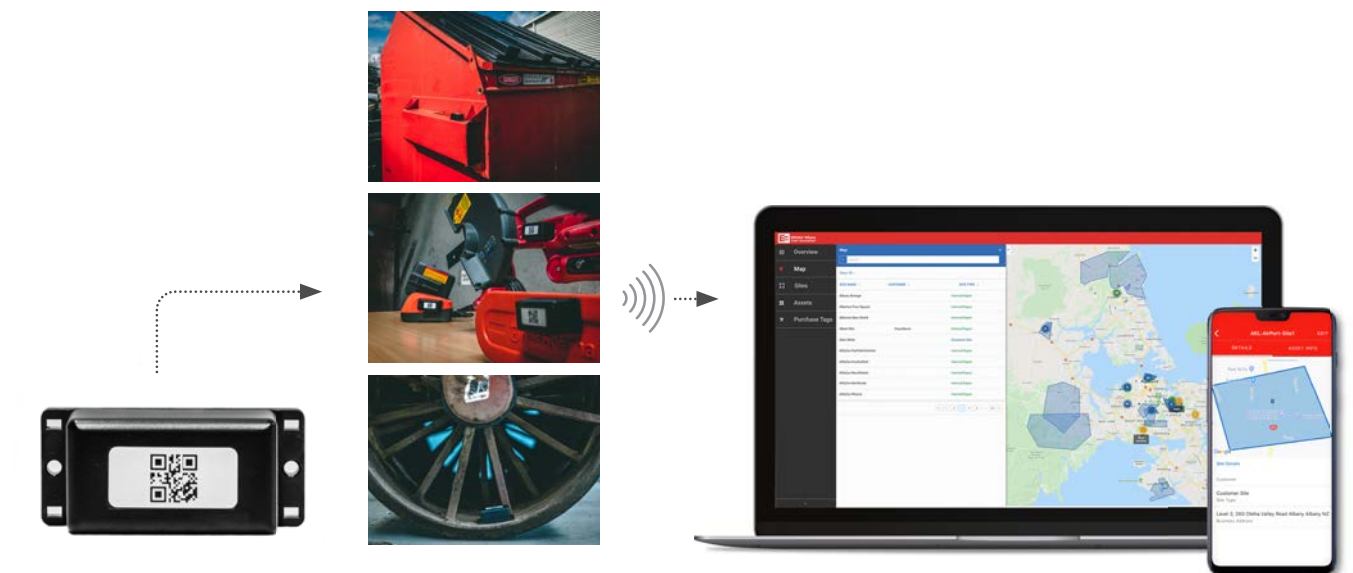
EROAD Inspect lets customers carry out pre and post trip vehicle inspections – and record any defects to be fixed, or maintenance to be completed.

## ETRAK WIRE



Connects to customer plant's power system and provides accurate reporting on engine hours and location.

## EROAD WHERE LAUNCHED Q3 FY20



An affordable asset tracking solution for movable assets which can be tracked through our unique mesh network anywhere in New Zealand.

# FOCUSED ON PLATFORM EXPANSION

## MAJOR LAUNCHES IN FY21



### DASHCAM

#### Launch

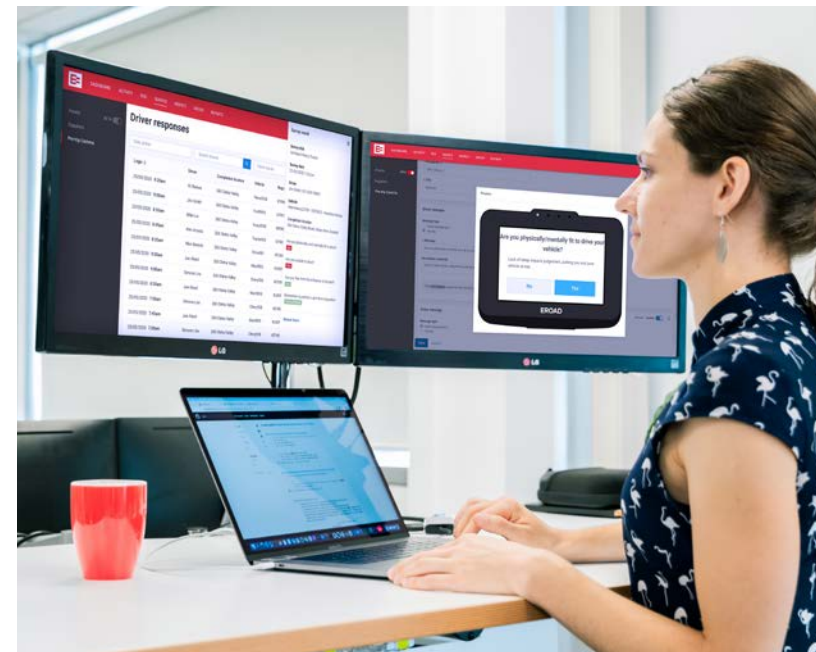
H2 FY21 across all three markets

#### Benefit to customers

Lower insurance premiums in North America and further helps meet Health & Safety obligations in NZ and AU

#### Benefit to EROAD

Further opens addressable market in North America across all segments, opportunity to grow ARPU and retention tool in all markets



### MYEROAD FLEET MAINTENANCE

#### Launch

Q2/Q3 and Q4 FY21 in New Zealand and Australia

#### Benefit to customers

Intends to allow fleets to be proactive about maintenance and optimise costs. Brings together the whole ecosystem around vehicle servicing

#### Benefit to EROAD

Mainly retention tool



### EROAD GO

#### Launch

H2 FY21 in North America

#### Benefit to customers

Gives customers the ability to improve communications between dispatch and the driver, tracking proof of delivery and integrate into customer transportation management systems (generally required for fleet sizes over 100 trucks)

#### Benefit to EROAD

Opens up addressable market

Extending the platform to focus on winning medium and enterprise customers in North America and Australia

Increasing scalability of the platform to enable EROAD to target larger Enterprise fleets

Developing Integration & Data Analytics capability to provide customers innovative solutions enabling greater insights, benchmarking and targeted action

Increased, focused and effective sales and marketing is critical to maximise the return on investment from investing in these products and capability

# R&D INVESTMENT

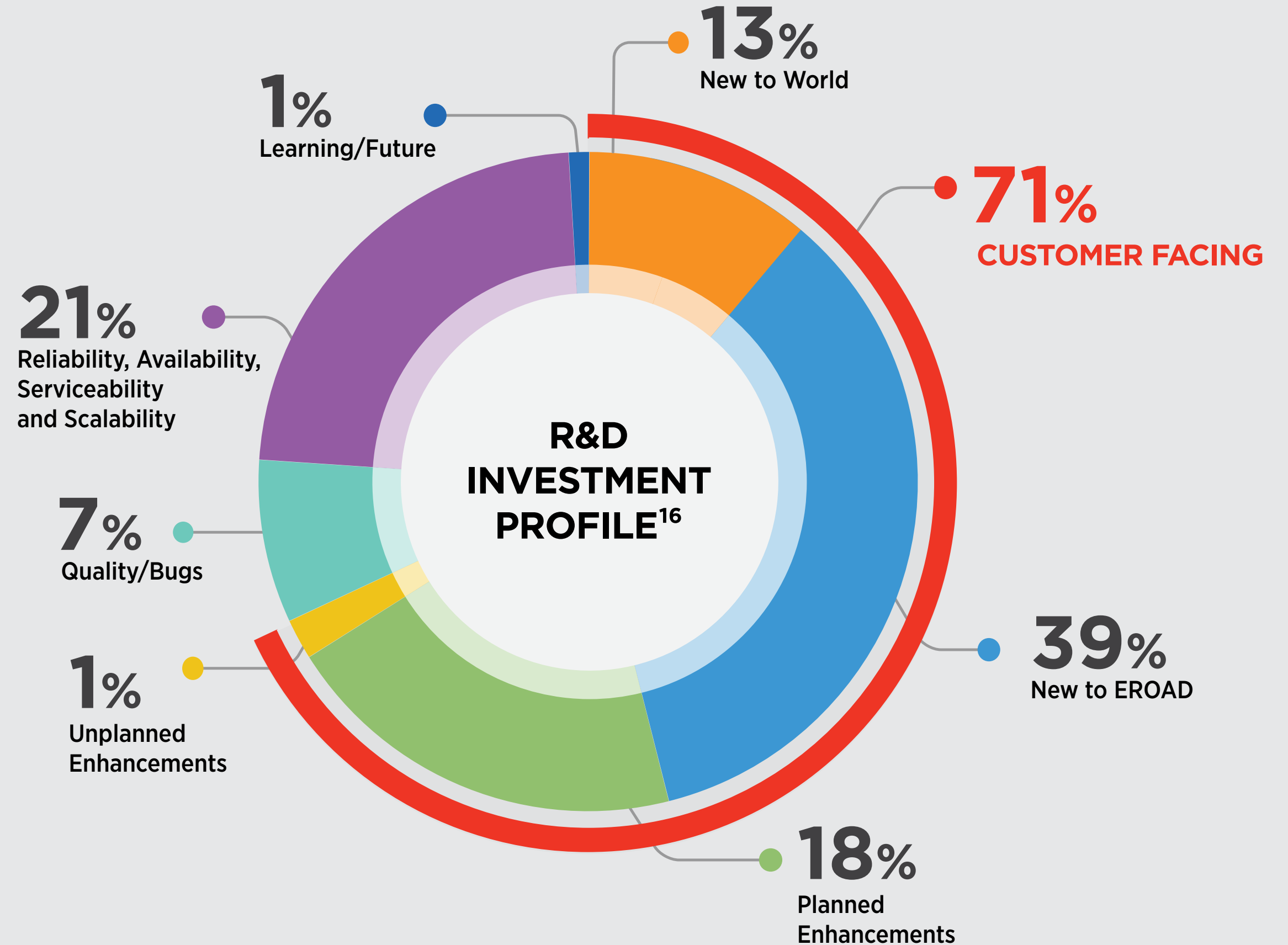
R&D is critical in developing new products and services to retain customers, open up the addressable market, grow connected vehicles and grow average SaaS monthly revenue per unit.

Target ~60% of R&D spend on customer facing elements

Executed seven launches in FY20 as a result of previous R&D investment

In recent years spent 18-22% of revenue on R&D. For the next two years EROAD expects to spend 24-27% as it accelerates its investment for growth

Focused on product development that opens up the addressable market for Enterprise customers



<sup>16</sup>For the twelve months ended 31 March 2020. Analysis excludes internal system development and individual customisation

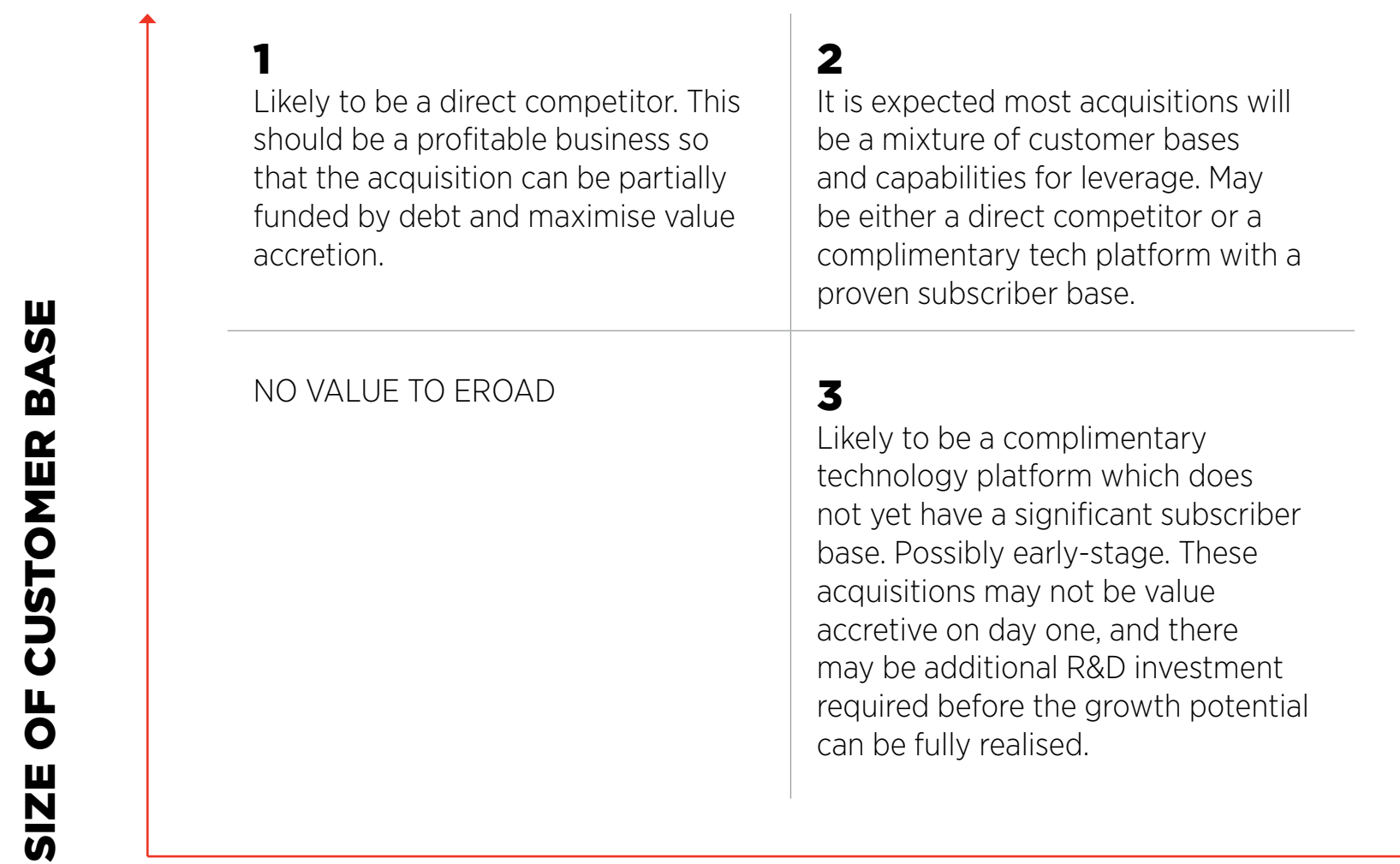
# STRATEGIC INORGANIC GROWTH OPPORTUNITIES

Our growth will not be solely organic.

Inorganic opportunities will increasingly present themselves in a consolidating industry.

EROAD needs to successfully and repeatedly evaluate, execute and integrate acquisitions that give direct access to an existing customer base, and/or provide team and product capabilities.

Will look for product capabilities to differentiate EROAD further and open up the large addressable market.



KEY VALUE DRIVERS	1	2	3
A clear customer retention plan	Y	Y	N
Cost synergies	Y	N	N
Revenue synergies of complimentary tech	N	Y	Y
Strategic leverage of joint offering or in-market team	N	Y	Y



**OFFER**



# OFFER OVERVIEW

## EROAD TO UNDERTAKE CAPITAL RAISE TO ACCELERATE EXECUTION OF GROWTH STRATEGIES

### STRATEGIC RATIONALE

EROAD has a significant growth and revenue opportunity as penetration of telematics continues in New Zealand, North America and Australia. Contract renewal and launches of new products and services provides opportunity to improve Monthly Average Revenue per Unit (ARPU). The capital raise will ensure EROAD is best positioned to take advantage of these opportunities, notwithstanding any impacts and the general uncertainty of COVID-19.

### DUAL LISTING ON THE ASX

EROAD has completed an application with the Australian Stock Exchange (ASX) to list as a Foreign Exempt Listing to facilitate greater access to capital, and provide alignment between the company's business operations and investor base. EROAD intends to retain its NZX listing.

### CAPITAL RAISE

Target NZ\$50m capital raising of:

- NZ\$42m placement at an offer price of NZ\$3.90 per share (A\$3.59 per share)
- NZ\$8m share purchase plan ("SPP") (final amount subject to applications, over subscriptions and scaling). The price for the SPP will be the lower of the price paid by investors in the placement or a 2.5% discount to the five day volume weighted average price of EROAD shares traded on the NZX during the five trading days up to, and including, the SPP's closing date.

Up to 1.4m shares (up to 10%) to be sold by NMC Trustees Limited (Chief Executive Steven Newman holds an indirect interest in the EROAD shares held by NMC Trustees). Steven remains fully committed to EROAD and NMC Trustees is expected to remain the largest shareholder post sell-down.

### USE OF PROCEEDS

Proceeds from the capital raising will support the Company to deliver its growth aspirations by accelerating investment in the platform via product development and sales and marketing (NZ\$22m). Additional funding NZ\$28m will be used to improve balance sheet flexibility and support future growth initiatives.

### FUNDING AND LIQUIDITY

On a pro forma basis as at 31 March 2020, EROAD would have had available liquidity of NZ\$74.8m, comprising of cash and cash equivalents of NZ\$50.9m and undrawn debt facilities of NZ\$23.9m. Total borrowings would have been NZ\$35.8m, resulting in Net debt of NZ\$-15.1m.<sup>17</sup>

<sup>17</sup>On 8 September 2020, EROAD announced a \$6m increase in its available debt facilities following Kiwibank joining the syndicated debt facility. This further undrawn facility is in addition to the \$23.9m included above.

# KEY DATES

<b>INSTITUTIONAL PLACEMENT</b>	<b>DATE</b>	<b>SHARE PURCHASE PLAN</b>	<b>DATE</b>
Placement bookbuild	<b>Thursday, 17 September 2020</b>	Record Date	<b>Wednesday, 16 September 2020 (5.00pm, NZ time)</b>
Announcement of results of Placement and trading halt lifted	<b>Friday, 18 September 2020</b>	Expected despatch of SPP offer document and application form	<b>Wednesday, 23 September 2020</b>
ASX settlement	<b>Wednesday, 23 September 2020</b>	SPP opens	<b>Wednesday, 23 September 2020</b>
NZX settlement	<b>Thursday, 24 September 2020</b>	SPP closes	<b>Friday, 2 October 2020 (5.00pm, NZ time)</b>
Allotment and commencement of trading of new shares on NZX and ASX	<b>Thursday, 24 September 2020</b>	Announcement of results of SPP	<b>Tuesday, 6 October 2020</b>
		Allotment and commencement of trading of shares on NZX	<b>Friday, 9 October 2020</b>
		Commencement of trading of shares on ASX	<b>Monday, 12 October 2020</b>

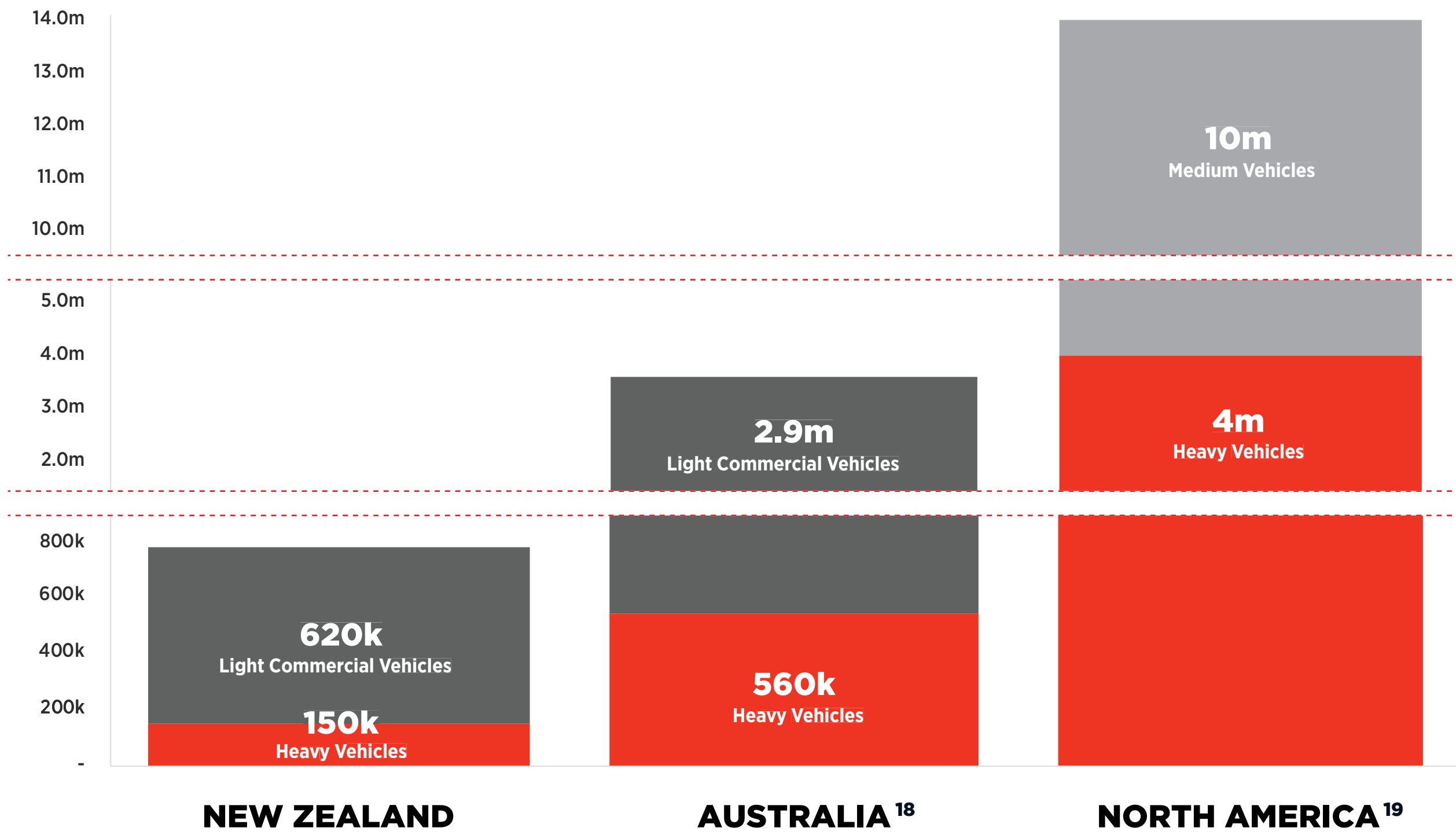


**APPENDIX**

# SIGNIFICANT GROWTH AND REVENUE OPPORTUNITY REMAINS

AS PENETRATION OF TELEMATICS CONTINUES IN MARKETS

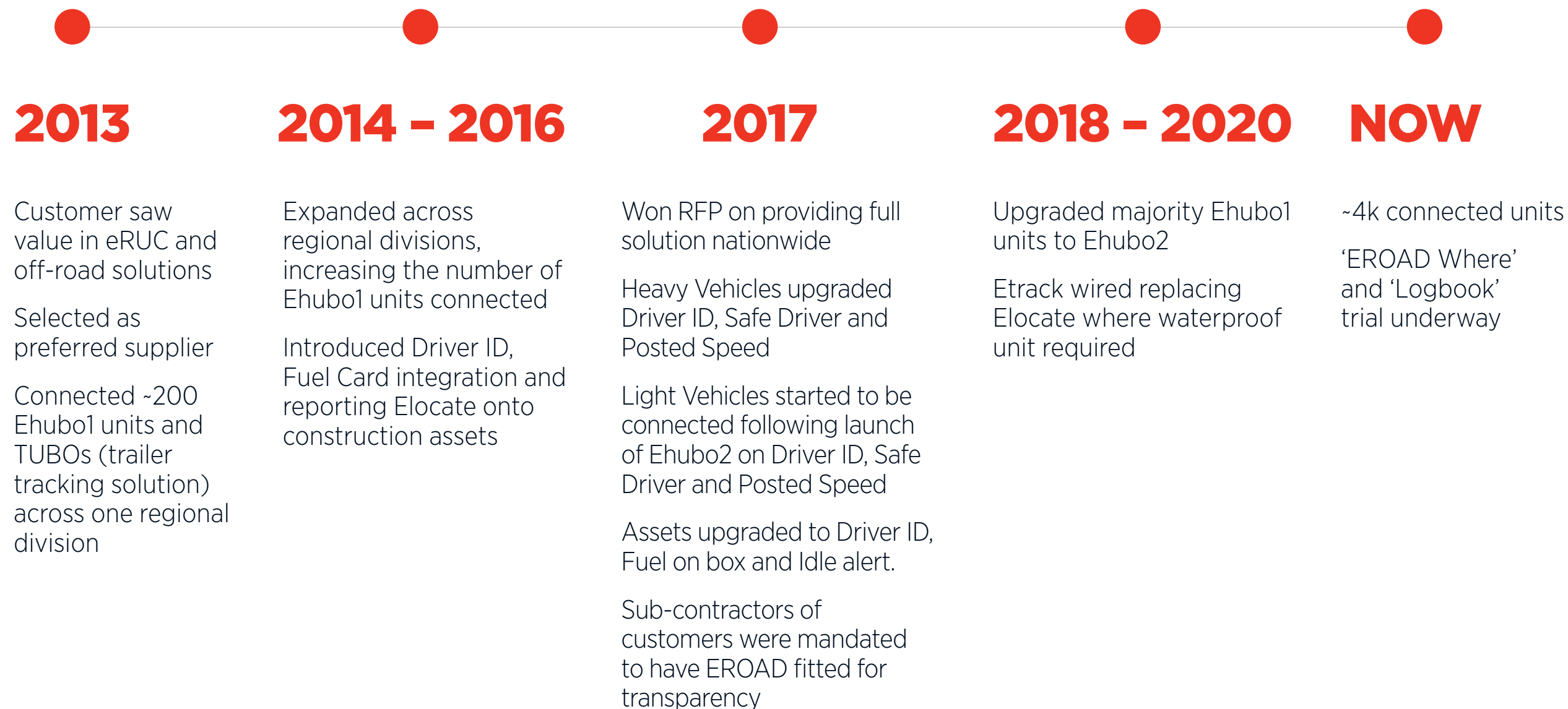
## EROAD IS OPERATING IN A **LARGE AND GROWING** TOTAL ADDRESSABLE MARKET (TAM) IN TELEMATICS



<sup>18</sup> Source: Hermitage Partners 2018 <sup>19</sup> 2019 Berg Report, 2016 market figures with assumed rate of growth of 5%

# BUILDING OUR CUSTOMERS' TELEMATICS JOURNEY, TOGETHER

## EXAMPLE OF A LARGE ENTERPRISE'S EROAD JOURNEY



## A COMPELLING ROI CASE

RUC SAVINGS OF

~\$ **24.67** PER MONTH PER HEAVY VEHICLE

FUEL SAVINGS OF APPROX.

~\$ **114,000** PER ANNUM

REDUCTION IN OVERSPEED EVENTS

~ **92%** PER 100KM SINCE EROAD INSTALLATION OF EHUBO2

SAVING

~ **6** FTE WITH ERUC

# EROAD'S TRACK RECORD

## FINANCIAL PERFORMANCE TRENDS

	FY20	FY19	FY18
<b>INCOME STATEMENT</b>			
Revenue	\$81.2m	\$61.4m	\$43.8m
EBITDA	\$27.1m	\$15.6m	\$10.5m
EBITDA margin	33%	25%	24%
Profit/(Loss) before tax	\$1.4m	\$(5.1)m	\$(5.9)m
Total comprehensive Profit/(loss) before tax	\$(0.3)m	\$(6.0)m	\$(3.7)m
<b>BALANCE SHEET</b>			
Total Current Assets	\$34.0m	\$43.9m	\$46.6m
Total Non-Current Assets	\$91.8m	\$79.3m	\$64.5m
Total Liabilities	\$74.5m	\$71.9m	\$54.4m
<b>CASH FLOW</b>			
Net cash inflow from operating activities	\$23.1m	\$14.2m	\$5.2m
Net cash outflow from investing activities	\$(35.9)m	\$(27.3)m	\$(23.8)m
Free Cash Flow	\$(12.8)m	\$(13.1)m	\$(18.6)m
<b>PERFORMANCE METRICS</b>			
Total Contracted Units	116,488	96,390	77,600
Asset Retention Rate	95.2%	94.4%	95.8%
Monthly SaaS Average Revenue Per Unit	\$58.4	\$55.1	\$54.3
Annualised Monthly Recurring Revenue	\$84.0m	\$66.5m	n/a
Future contracted Income (FCI)	\$134.4m	\$117.4m	\$100.5m
R&D as a % of Revenue	19%	22%	22%
Cost to Acquire Customers as a % of Revenue	20%	22%	24%
Cost to Service and Support as a % of Revenue	4.6%	4.6%	5.6%

# STATEMENT OF INCOME (NZ\$m)

<b>YEAR ENDED</b>	<b>FY20</b>	<b>FY19</b>	<b>Movement</b>
Revenue	81.2	61.4	19.8
Expenses	(54.1)	(45.8)	(8.3)
<b>Earnings before interest, taxation, depreciation and amortisation</b>	<b>27.1</b>	<b>15.6</b>	<b>11.5</b>
Depreciation of Property, Plant & Equipment	(8.6)	(6.6)	(2.0)
Amortisation of Intangible Assets	(7.5)	(6.5)	(1.0)
Amortisation of Contract and Customer Acquisition Assets	(6.5)	(4.8)	(1.7)
<b>Earnings before interest and taxation</b>	<b>4.5</b>	<b>(2.3)</b>	<b>6.8</b>
<b>Net Financing Costs</b>	<b>(3.1)</b>	<b>(2.8)</b>	<b>(0.3)</b>
<b>Profit/(loss) before tax</b>	<b>1.4</b>	<b>(5.1)</b>	<b>6.5</b>
Income tax (expense) benefit	(0.4)	0.2	(0.6)
<b>Profit/(loss) after tax for the year attributable to the shareholders</b>	<b>1.0</b>	<b>(4.9)</b>	<b>5.9</b>
Other comprehensive income	(1.3)	(1.1)	(0.2)
<b>Total comprehensive income/(loss) for the year</b>	<b>(0.3)</b>	<b>(6.0)</b>	<b>5.7</b>

- Revenue increased 32% from \$61.4m to \$81.2m and EBITDA grew \$11.5m or 73% to \$27.1m reflecting strong growth in New Zealand and North America.
- Operating expenses grew by \$8.3m or 18% on the prior year figure. Of this amount \$5.1m related to staff costs, and also included approximately \$2.0m of non-recurring legal costs associated with a patent dispute.
- Total Depreciation & Amortisation of \$22.6m increased by \$4.7m on the previous year.
- Profit before tax of \$1.4m, a \$6.5m improvement on the \$5.1m loss in the previous year. This represents strong Revenue and EBITDA growth and partly offset by higher depreciation, amortisation and finance costs.

# BALANCE SHEET (NZ\$m)

AS AT PERIOD END	FY20	FY19	Movement
Cash	3.4	16.1	(12.7)
Restricted Bank Account	14.0	12.7	1.3
Costs to Acquire and Contract Fulfilment Costs	5.9	4.6	1.3
Other	10.7	10.5	0.2
<b>Total Current Assets</b>	<b>34.0</b>	<b>43.9</b>	<b>(9.9)</b>
Property, Plant and Equipment	37.4	33.9	3.5
Intangible Assets	42.1	33.1	9.0
Costs to Acquire and Contract Fulfilment Costs	4.8	4.8	-
Other	7.5	7.5	-
<b>Total Non-Current Assets</b>	<b>91.8</b>	<b>79.3</b>	<b>12.5</b>
<b>TOTAL ASSETS</b>	<b>125.8</b>	<b>123.2</b>	<b>2.6</b>
Payables to Transport Agencies	13.9	12.5	1.4
Contract Liabilities	8.2	10.0	(1.8)
Borrowings	35.8	34.7	1.1
Other Liabilities	16.6	14.7	1.9
<b>Total Liabilities</b>	<b>74.5</b>	<b>71.9</b>	<b>2.6</b>
<b>NET ASSETS</b>	<b>51.3</b>	<b>51.3</b>	<b>-</b>

- Cash reduced by \$12.7m during the year to fund an increase in Research & Development activities as well as investment of \$6.9m in new generation business systems.
- Property, Plant and Equipment increased by \$3.5m due to investment in hardware assets (excluding inventory movements) which increased due to higher new unit volumes and a stronger USD.
- Contract fulfilment and customer acquisition assets increased by a net \$1.3m due to growth in contracted units.
- Intangible assets increased by \$9.0m with software additions \$5.5m higher than in the prior year as a result of the investment in new generation business systems and processes.



# CASH FLOW STATEMENT (NZ\$m)

YEAR ENDED	FY20	FY19	Movement
<b>Cash flows from operating activities</b>			
Other operating cash flows	25.8	17.0	8.8
Interest paid	(2.7)	(2.8)	0.1
<b>Net cash inflow from operating activities</b>	<b>23.1</b>	14.2	8.9
<b>Cash flows from investing activities</b>			
Property, Plant and Equipment (including hardware assets)	(11.6)	(10.9)	(0.7)
Intangible Assets	(16.5)	(9.7)	(6.8)
Contract Fulfillment and Customer Acquisition Assets	(7.8)	(6.7)	(1.1)
<b>Net cash outflow from investing activities</b>	<b>(35.9)</b>	(27.3)	(8.6)
<b>Cash flows from financing activities</b>			
Bank loans	1.2	8.2	(7.0)
Other financings cash flows	(1.1)	(0.9)	0.2
<b>Net cash outflow from financing activities</b>	<b>0.1</b>	7.3	(7.2)
<b>Net increase/(decrease) in cash held</b>	<b>(12.7)</b>	(5.8)	(6.9)
<b>Cash at beginning of the financial period</b>	<b>16.1</b>	21.9	(5.8)
<b>Closing cash and cash equivalents</b>	<b>3.4</b>	16.1	(12.7)

- Operating cash flow increased strongly to \$23.1m from \$14.2m reflecting an increased contribution from New Zealand and North America.
- Investing cash flows increased to \$(35.9)m from \$(27.3)m, reflecting growth in contracted units, continued investment in Development Assets and a \$6.9m investment in new generation business systems.
- As a result, Free cash flow for the year ended 31 March 2020 improved by \$0.3m on the prior year to \$(12.8)m. However, free cash flow excluding amounts spent on investing in the new generation of business systems was \$(5.9)m, an improvement of \$5.7m on the prior year figure of \$(11.6)m.
- Financing cash inflows reduced from \$7.3m to \$0.1m as a net effect of amounts drawn down to fund up front hardware and installation costs from new sales, less scheduled loan repayments.

## KEY RISKS

This section describes the key risks that EROAD has identified in connection with the capital raise. EROAD considers it important that these key risks, and their potential effect on the future operating and financial performance of EROAD, and EROAD's share price, are specifically highlighted to investors in the context of the capital raise. Like any investment, there are risks associated with an investment in EROAD shares. This section does not (and does not purport to) identify all of the risks related to the future operating and financial performance of EROAD, an investment in EROAD shares, the capital raise, or general market, industry, regulatory or legal risks. Some risks may be unknown and other risks, currently considered to be immaterial, could turn out to be material. This Presentation should be read in conjunction with EROAD's other periodic and continuous disclosure announcements released to NZX and ASX.

Investors should be aware that COVID-19, its effect on the global economy and the actions taken in response by the New Zealand and other governments, including restrictions on international and domestic movement, and the effects on the domestic and global economy, have had an adverse effect on EROAD and its financial performance. It is not currently clear when and to what extent these effects might abate. It is also likely that there will be further adverse impacts as COVID-19 continues to affect the world. EROAD will continue to respond to the challenges facing it based on the best information available to it at the time, but there is no certainty as to the severity or likelihood of such impacts arising, nor whether any response by EROAD will be effective or can be taken. In light of the COVID-19 pandemic, extra care should be taken when assessing the risks associated with investment. The rapidly changing COVID-19 situation is bringing unprecedented challenges to global financial markets, and the economy as a whole. Capital markets have seen equity securities suffer from spikes in volatility.

Before deciding whether to invest in EROAD shares, you must make your own assessment of the risks associated with the investment, including the inherent risks from investing in shares and the uncertainties due to the impact of COVID-19 noted above, and consider whether such an investment is suitable for you having regard to all other publicly available information, your personal circumstances and following consultation with your financial and other professional advisers.

# KEY RISKS (CONTINUED)

## RISKS RELATING TO COVID-19

- The ongoing spread of COVID-19, its effect on the global economy and the actions taken in response by the New Zealand and other governments has had an impact on EROAD. Those impacts are expected to continue in FY2021 and potentially beyond that period.
- As a result of the COVID-19 pandemic, all three of EROAD's markets (New Zealand, Australia, and North America) are in some form of lockdown. Following the lockdowns being initiated EROAD was an essential service in each of its three markets and remained operational under its communicable illness business continuity plan. Despite being an essential service, EROAD still experienced a loss in customer demand for new or current units and services, aside from those customers who themselves were essential services. Accordingly, each of EROAD's markets were impacted differently due to the different lockdown conditions, as well as the differing proportion of essential services customers in its total customer base.
- In each of EROAD's markets, outside of the medical implications of the COVID-19 outbreak, the way of life will change for a significant period of time: a range of companies will fail, likely including some of EROAD's customers; unemployment will rise; debt and equity funding will potentially be harder to source; social issues will increase; those companies that trade through will scale back growth plans; and companies will concentrate on saving costs as top line revenues either stall or deteriorate. Some of the impacts of COVID-19 that EROAD has experienced to date include: a slow-down in activity; deferred decision making by customers, which has had the effect of pushing out sales; restrictions on staff movement, particularly in North America and Australia, which has caused the cancellation of trade shows (limiting EROAD's ability to promote products to potential customers); and disruptions across international supply chains.
- Although EROAD identified the expected impacts on its operating businesses as part of its FY2020 financial results and annual report released to NZX on 19 June 2020, as well as its market update released to NZX on 30 July 2020, given the ongoing uncertainty over the duration and impact of COVID-19 EROAD is not able to identify all of the potential adverse impacts on its operations. It is possible that a prolonged slowdown in sales activity, supply chain disruption or increase in bad debts may have a material adverse effect on EROAD's growth, operating performance, and financial performance.
- Some of the methods EROAD is using to mitigate the impact of COVID-19 include the use of remote selling tools and utilising selling teams while physical access to customers is limited within locked-down markets, the use of EROAD's global service centre to refurbish existing products for re-supply to the market (reducing some element of reliance on new product delivery from suppliers), and operational cost optimisation reviews and deferred expenditure to mitigate the impact of reduced revenue.
- EROAD has increased its doubtful debt provisioning in light of COVID-19, which will be reassessed as part of the H1 FY21 result review process by EROAD's auditor.

# KEY RISKS

## (CONTINUED)

### PRODUCT DEVELOPMENT RISKS

- The development and delivery of new products and upgrading existing products is a key driver of sales in all three of EROAD's markets. However, as is the nature of product development, there is always a risk that development of a new product will not be successful, or may take longer or be more expensive than anticipated. A failure to execute on product development could have a material adverse impact on EROAD's growth and financial performance.
- Customer needs may change at a rapid pace due to the dynamic nature of the market. Such changes may result in products developed by EROAD no longer being attractive to customers or fit for their intended use. EROAD is seeking to ensure a greater alignment between in-market teams and product and engineering to minimise this risk.
- Product backlog and constrained resourcing could limit EROAD's ability to focus on innovation and the creation of disruptive products. This could result in competitors releasing disruptive products, increasing customer churn. Slow product delivery may also cause customers to move to competitors with broader or more advanced functionality. In order to address realisation of product delivery, EROAD is placing an increased focus on leveraging intellectual property developed by third party service providers and licensing and integrating this into EROAD's product offering.
- The development of new products may also take longer than expected, or be more expensive than anticipated, due to increased churn in staffing, or inability to recruit staff across various roles (engineering, strategy, product and business development), as technology businesses globally increase investments and product development and the pool of available talent reduces.
- The current inability to conduct in-market research due to travel restrictions and lockdowns in place in response to the COVID-19 pandemic may have an adverse impact on EROAD's development of new products. It is unclear how long these disruptions will continue.
- To mitigate product development risks, EROAD plans to use the capital raise to fund key strategic initiatives, including accelerating the delivery of the product roadmap. EROAD is also utilising alternative product development delivery processes, including partnering and outsourcing, as well as increasing the use of an agile delivery framework to increase product development velocity. EROAD is also implementing a stronger focus on project and programme management across key product delivery workstreams and a holistic business focus around defined product launch dates.

# KEY RISKS

## (CONTINUED)

### **PRODUCT AND SYSTEM RELIABILITY RISKS**

- An increasing focus on enterprise customers while maintaining a strong and reliable small and medium business product offering is another key driver of EROAD's growth. A failure to maintain reliable products and systems may have a material adverse impact on EROAD's reputation and sales, particularly with the increased focus on enterprise size accounts. The focus on larger customers accounts may also lead to increased scalability concerns with the EROAD platform. To mitigate these risks, EROAD is placing a greater focus on managing both enterprise, and small and medium, businesses across EROAD's entire business.
- Product quality and reliability concerns may arise as EROAD creates new products and expands its existing products to cater to a more diverse customer base. The recent launch of its business system upgrade may result in deployment issues, including bugs, reliability and data quality issues which may impact on customer interactions and EROAD's reputation. In addition, these business system upgrades may not deliver the scalability and efficiency upside anticipated once deployed, particularly as EROAD brings on a larger and more diverse customer base. Failure to maintain reliable product and systems may lead to material adverse effects, including decreased reputation with customers, lower sales or the diversion of resources into remedial work.
- To mitigate product and system reliability risks, EROAD has increased investment in platform scalability and the ability for enterprise accounts to use the EROAD system and reporting appropriately. EROAD also intends to make further ongoing investment into business systems to support larger enterprise customers and will increasingly leverage third party platform service providers' products and expertise which offer increased scalability and improved functionality.

### **COMPETITION RISKS**

- The telematics industry in which EROAD operates is highly competitive, particularly in North America. It includes companies with significantly greater financial, research and development, marketing and sales resources than EROAD. In addition, consolidation of existing telematics vendors, creating more well-resourced competitors which have greater scale and financial resources, may occur and further exacerbate the competitive landscape for EROAD. In particular, EROAD may miss out on first mover advantage with OEM vehicle manufacturers on telematics and setting industry standards due to the larger scale and resources of competitors.
- Large global telematics operators may expand into new markets, including New Zealand, which may decrease EROAD's potential sales opportunities or increase customer churn. The capital raising will provide increased funds to allow EROAD to better compete with well-resourced competitors within the telematics industry.

# KEY RISKS

## (CONTINUED)

### **SALES RISKS**

- There is a risk that EROAD's current or future products do not align with potential customers' needs across different markets and industry types. Growth in new markets may be slower than anticipated, or more costly, due to the inability to identify appropriate customers, form relationships with appropriate industry groups, aggressive competitor response, poor brand awareness and product market fit, or unexpected costs. Growth in EROAD's North American market may also be affected by an inability to scale up EROAD's sales force to target and acquire a sufficiently high volume of enterprise scale customers as anticipated.
- EROAD's sales and marketing team is an important part of EROAD's success in attracting and maintaining customers. Losing highly successful sales staff to competitors, or the inability to attract new sales staff may have a negative impact on new customer sales or increase customer churn. EROAD is increasing its focus on staff engagement, retention and leadership programs to try to retain and attract the highly skilled staff needed to carry out EROAD's strategic goals.
- EROAD is placing a greater focus in the North American market on enterprise level business development capability and coordinated marketing execution. EROAD is also reorganising its sales activities in Australia and New Zealand to increase Australia based marketing resources and activity to support a staged expansion into Australia based on product functionality and sale trends. However, a failure to execute on sales and marketing initiatives may have a material negative impact on EROAD's financial performance and growth.

### **ACQUISITION RISK**

- The Offer is designed to position EROAD to access growth opportunities. However, current market conditions exacerbate the risks in respect of executing on growth opportunities, including conducting due diligence, managing regulatory consents, reaching agreement on valuations and integrating growth opportunities into the existing business. Growth opportunities may also be more challenging to execute within normal time frames and normal budgets in the current environment.

### **OPERATING LEVERAGE RISK**

- There is a risk that EROAD may not be able to deliver continuing increases in operating leverage in the short term, for example improvement year on year on EBITDA margin, as EROAD undertakes the investment cycle necessary to deliver significant growth in its markets in the medium to longer term.

# FOREIGN SELLING RESTRICTIONS

This document does not constitute an offer of New Shares of EROAD in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside New Zealand except to the extent permitted below.

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The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

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This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the EROAD’s shares, (ii) an “institutional investor” (as defined in the SFA) or (iii) an “accredited investor” (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

# FOREIGN SELLING RESTRICTIONS

## UNITED KINGDOM

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to “qualified investors” (within the meaning of Article 2(e) of the Prospectus Regulation (2017/1129/EU), replacing section 86(7) of the FSMA). This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

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In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together “relevant persons”). The investment to which this document relates is available only to relevant persons. Any person who is not a relevant person should not act or rely on this document.

## UNITED STATES

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The New Shares will only be offered and sold in the United States to:

- institutional accredited investors (as defined in Rule 501(a)(1), (2), (3) and (7) under the US Securities Act); and
- dealers or other professional fiduciaries organized or incorporated in the United States that are acting for a discretionary or similar account (other than an estate or trust) held for the benefit or account of persons that are not US persons and for which they exercise investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the US Securities Act.



# GLOSSARY

- **ANNUALISED MONTHLY RECURRING REVENUE (AMRR)** is 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.
- **COSTS TO ACQUIRE CUSTOMERS (CAC)** is a non-GAAP measure of costs to acquire customers. Total CAC represents all costs 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)** Is 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 reported in Note 4 Expenses of the FY20 Financial Statements.
- **EBITDA** is a non-GAAP measure representing Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA). Refer Consolidated Statement of Comprehensive Income in Financial Statements.
- **EBITDA MARGIN** is a non-GAAP measure representing EBITDA divided by Revenue.
- **EHUBO, EHUBO2 and EHUBO 2.2** EROAD's first and second generation electronic distance recorder which replaces mechanical hubo-dometers. 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** means a fleet of more than 500 vehicles in North America and more than 150 vehicles in Australia or New Zealand.
- **FREE CASH FLOW** is a non-GAAP measure representing operating cash flow and investing cash flow reported in the Statement of Cash Flows.
- **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 3 of the FY20 Financial Statements.
- **FY** Financial year ended 31 March.
- **H1** For the six months ended 30 September
- **H2** For the six months ended 31 March
- **INTERNATIONAL FUEL TAX AGREEMENTS (IFTA)** A cooperative agreement between all states (excluding Alaska and Hawaii) of the United States, and the Canadian provinces, designed to make it simpler for inter-jurisdictional carriers to report and pay fuel excise taxes, requiring only one fuel license to operate across multiple jurisdictions.
- **MONTHLY SAAS AVERAGE REVENUE PER UNIT (ARPU)** is a non-GAAP measure that is calculated by dividing the total SaaS revenue for the year reported in Note 3 of the FY20 Financial Statements, by the total of the TCU balances at the end of each month during the year.
- **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 the Total Units subject to a customer contract and includes both Units on Depot and Units pending installment.
- **UNIT** An EROAD device.
- **WEIGHT-MILE TAX (WMT)** A mileage-based tax imposed on Heavy Vehicles according to a combination of the number of axles and/ or combined weight.