# EROAD

# Safer and more sustainable roads

**EROAD (NZX: ERD ASX: ERD) FINANCIAL RESULTS**

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2021 (H1 FY22)

**26 NOVEMBER 2021**



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# AGENDA

# Significant progress accelerating growth strategies in continued challenging macro-economic conditions

**$48.0m**

**REVENUE**

up $2.2m from H1 FY21 (which included non-recurring revenue of $1.6m)

**$12.6m**

**REPORTED EBITDA**

includes $2.0m of transaction and integration costs

**$92.9m**

**AMRR**

compared to $88.4m at FY21 and FCI increased $7.2m from FY21 to $149.1m

**6,500**

**CONTRACTED UNITS**

added since FY21 despite COVID-19

**$57.64**

**MONTHLY SAAS ARPU**

reflecting a $0.66c improvement from FY21 from selling additional products and services, offset by $1.23c FX impact

**94.1%**

**ASSET RETENTION RATE**

(H1 FY21: 95.3%)

**28%**

**REVENUE SPENT ON R&D**

accelerating our technology roadmap

**PHILIPS CONNECT AND SEEING MACHINES**

strategic partnerships expanding addressable markets

**TRANSFORMATIONAL ACQUISITION OF CORETEX**

to accelerate key growth metrics by two years

# Focusing on what is important to our stakeholders

CONTINUED PROGRESS AGAINST OUR MATERIALITY MATRIX MEASURES

**OVER 10%**

**REDUCTION IN SPEEDING FREQUENCY**

by 31% of vehicles once they installed Clarity Dashcam

**538**

**CUSTOMERS RENEWED THEIR EROAD PLAN**

(representing 16,481 units) reflecting the quality of EROAD's product and service offering

**>99.9%**

**INDUSTRY LEADING UPTIME**

demonstrating the integrity and reliability of EROAD's infrastructure

**COVID-19**

**SUPPORTED CUSTOMERS**

during lock-downs in New Zealand and Australia

**TOITŪ CARBONREDUCE**

**PROGRAMME OF WORK UNDERWAY**

to benchmark EROAD's GHG emissions. Led by our ESG Steering Group which meets regularly to discuss and advance EROAD's sustainability goals

**ROAD TO SUSTAINABILITY**

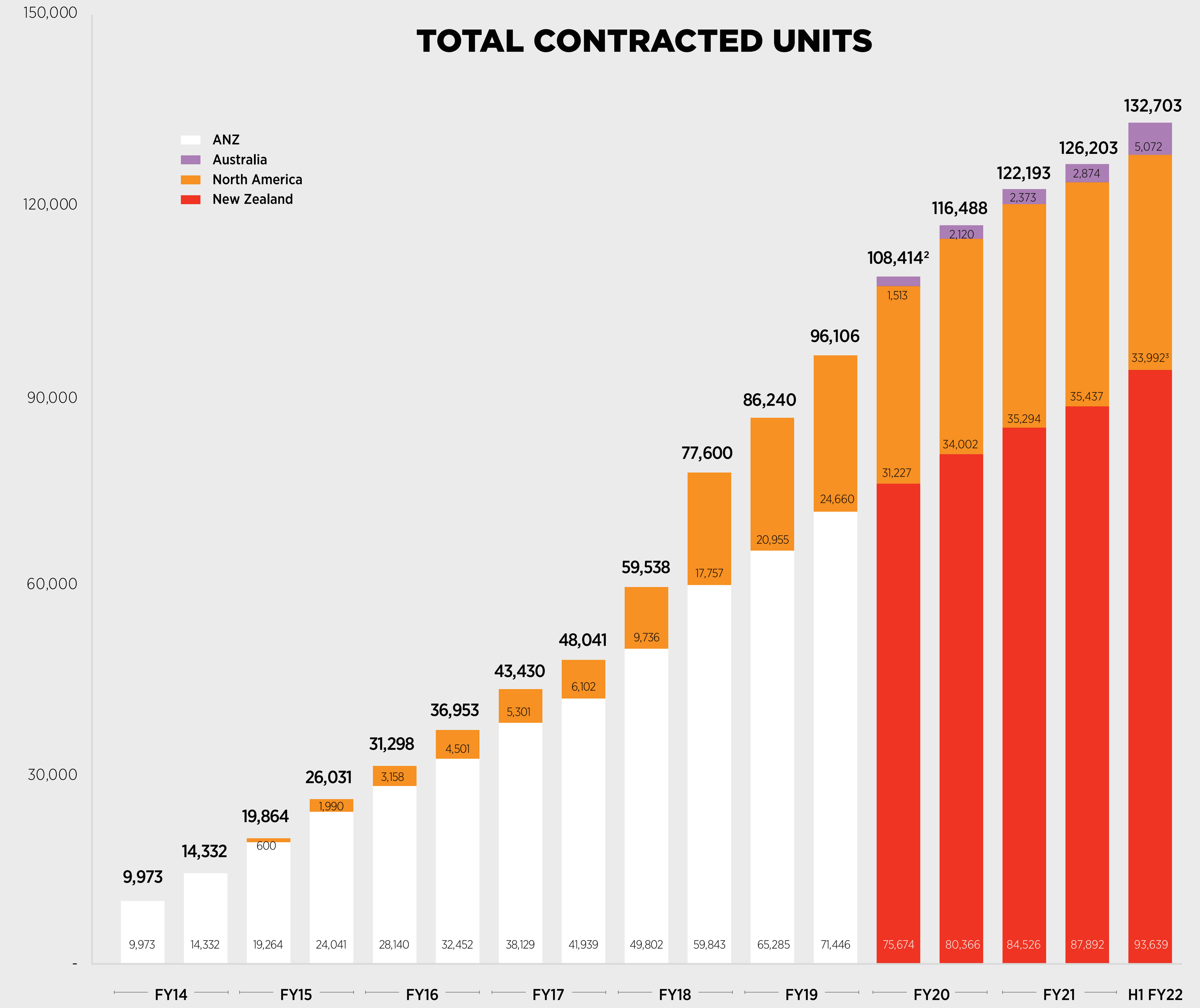
**INAUGURAL REPORT[1]**

findings help EROAD's sustainability efforts within the industry

[1]Published by EROAD **Download here**

# OPERATIONAL UPDATE

**Steven Newman**
Chief Executive Officer




[2] North America units for FY19 are restated for data cleansing adjustments identified as part of the new business systems implementation

[3] As disclosed in the Q1 Quarterly Operational Update, a recently acquired North American enterprise customer has aligned its in-cab technology away from EROAD to that of its parent. This has resulted in the return of 1,751 units.

# 5% growth in H1 FY22 despite challenging macro-economic conditions

- Contracted units continued to grow in New Zealand and Australia, despite lock-downs in both regions in Q2
- North America contracted units fell 1,445 units reflecting:
  - 1,751 units representing the loss (as previously disclosed) of an enterprise customer who has aligned its technology with that of its acquirer
  - only 306 net additional units added (gross sales: 1,993) in H1 FY22 which was below expectations given the high level of returns due to lagging COVID-19 related impacts
- Delayed conversion of pipelines into FY23 in North America and Australia as customers wait for the platform and products available through the Coretex acquisition

# Growth through Retention and Account Upgrades despite uncertainty for our customers


**94.1%**[4]
**ASSET RETENTION RATE**

**538**[5]
**CUSTOMERS RENEWED THEIR EROAD PLAN**
(16,481 contracted units)

**$149.1m**
**FUTURE CONTRACTED INCOME**
(up from $141.9m at FY21 reflecting a high level of renewals)

**472**[6]
**CUSTOMERS UPGRADED THEIR EROAD PLAN**
(4,944 units)

**296**[7]
**CUSTOMERS ADDED ADDITIONAL PRODUCTS AND SERVICES TO THEIR PLAN**
(7,341 subscriptions)

[4] 95.5% excluding the loss of a North America Enterprise customer (1,751 units) [5] defined as a customer who re-signed a new contract, contracted unit numbers as at end of old contract
[6] Upgraded from Ehubo1 to Ehubo2, or upgraded type of plan (connected, advance, safedriver, starter and premium) [7] Existing EROAD customers that added a dashcam, logbook or bookit subscription to their plan

# Growth through account expansion

## EROAD CLARITY DASHCAM

Dual facing dashcam. Integration of dashcam with Ehubo data and other key driver and vehicle statistics supports advanced driver coaching and accident exoneration in MyEROAD Replay


**3,087**

**ADDED**
(**26** WHICH WERE NEW EROAD CUSTOMERS)

H1 FY22: 4,141; FY21: 1,054

## EROAD CLARITY SOLO

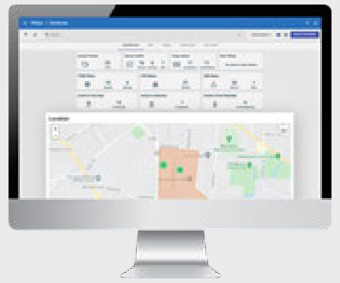
Stand alone dashcam with telematics included. It can be installed as its own unit or alongside telematics from another provider.


**Oct 2021**

**LAUNCHED**

## PHILLIPS CONNECT

Advanced trailer and asset monitoring

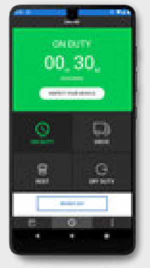


**666**

**SOLUTIONS SOLD**
SINCE ENTERED PARTNERSHIP IN JUNE 2021

## EROAD DAY LOGBOOK

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



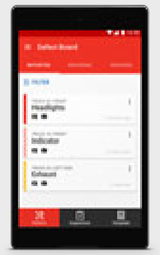
**966**

**DRIVERS SUBSCRIPTIONS ADDED**
(**71** WHICH ARE STANDALONE)

H1 FY22: 7,621; FY21: 6,655

## EROAD INSPECT

Makes vehicle inspections easy, capturing defects with your mobile device, and providing transparent and traceable inspection information



**1,665**

**DRIVERS SUBSCRIPTIONS ADDED**
OVER **27** CUSTOMERS

H1 FY22: 12,155; FY21: 10,490

## EROAD WHERE

Affordable asset tracking

**2,650**

**ADDITIONAL TAGS SOLD TO**
OVER **83** CUSTOMERS

H1 FY22: 9,100; FY21: 6,450

New Zealand market

North America market

Australia market

Increases addressable market

Improved ARPU

Retention tool

# New Zealand remains a significant growth opportunity

**↑7%**
**GROWTH IN UNITS**
(H1 FY22: 93,639 H2 FY21: 87,892)

**97.3%**
**ASSET RETENTION RATE**
(H1 FY21: 95.7%)

**360**
**CUSTOMERS RENEWED THEIR PLAN**
(12,068 units)

**$56.78**
**NZ MONTHLY SAAS ARPU**
(H2 FY21: $56.18 H1 FY21: $55.36)

**$22.0m**
**EBITDA**
(H2 FY21: $20.3m  H1 FY21: 18.5m)

**180**
**CUSTOMERS ADDED PRODUCTS AND SERVICES TO THEIR PLAN**
(4,876 subscriptions)

## CHALLENGING MACRO-ECONOMIC ENVIROMENT

- COVID-19 lock-down restrictions in Q2 pushed some sales into H2 and caused some supply chain issues

## CONTINUED EXECUTION OF STRATEGY

- Grew contracted units by 5,747 to 93,639 reflecting the roll-out of the Ventia contract (941 units) and growth with both existing customers and new customers
- 329 customers  upgraded their EROAD plan (1,740 units) and 180 customers added products and services to their plan (4,876 subscriptions)

## GROWTH OPPORTUNITY

- Expect EROAD growth similar levels to prior FY21 (added 9,000+ connected vehicles p.a)
- Coretex will add 7,628[8] contracted units in New Zealand

[8] As at 30 September 2021

# North America increasing the addressable market

**33,992**[9]

**UNITS**

(H2 FY21: 35,437)

**86.5%**

**ASSET RETENTION RATE**

(H1 FY21: 94.3%)

**172**

**CUSTOMERS RENEWED THEIR PLAN**

(4,231 units)

**US$44.42**

**MONTHLY SAAS ARPU**[10]

(H1 FY21: US$43.07)

**$2.9m**

**EBITDA**

(H1 FY21: $5.9m)

**86**

**CUSTOMERS ADDED PRODUCTS AND SERVICES TO THEIR PLAN**

(1,873 subscriptions)

## CHALLENGING MACRO-ECONOMIC ENVIROMENT

- Lagging COVID-19 related impacts of driver shortages, loss of underlying contracts and broader macro-economic concerns

## CONTINUED EXECUTION OF STRATEGY

- 306 net additional units added (gross sales: 1,993) was below expectations reflecting returns from mid-market customers seen thought the high level of renewals through the period due to the 3G upgrade programme (nearly 80% of units now on 4G technology)
- Loss of 1,751 units (as previously disclosed) of an enterprise customer who has aligned its technology with that of its acquirer

## GROWTH OPPORTUNITY

- Some delay with two enterprise prospects in pilot and the solid mix of mid-market pilots launched or beginning as customers wait to pilot next generation platform
- Expected to promote Coretex 360 platform and Corehub hardware solution in North America as EROAD's next generation platform/product within weeks
- Successfully increased addressable market through Philips connect partnership and the launch of dashcam Clarity and Clarity Solo
- Coretex will add 50,946 units[11] and an advanced short-to-medium term Enterprise pipeline

[9] As disclosed in the Q1 Operating Update, after its acquisition a North America customer aligned its in-cab technology to that of its parent [10] In NZ$ ARPU fell from NZ$67.30 in H1 FY21 to NZ$62.77
[11] As at 30 September 2021

# Building the brand in Australia

**2,198**

**UNITS ADDED IN H1 FY22**

(H1 FY22: 5,072 H2 FY21: 2,874)

**$(0.6)m**

**EBITDA**

(H1 FY21: $(0.4)m)

**AU$29.86**

**MONTHLY SAAS ARPU[12]**

(FY20: AU$35.86)

**60%**

**OF VENTIA ROLL-OUT COMPLETE[13]**

[12] In NZ$ ARPU fell from NZ$35.12in H1 FY21 to NZ$31.72 in H1 FY22 reflecting the mix of solutions sold
[13] As at 30 September 2021

## CHALLENGING MACRO-ECONOMIC ENVIROMENT

- COVID-19 lock-down restrictions in Q2 caused delay in installations due to access to worksites and supply chain issues

## CONTINUED EXECUTION OF STRATEGY

- Largest Australian Enterprise customer the Ventia AU roll-out was almost 60% completed In H1 (1,129 AU units[13] already rolled out) and is expected to complete in Q4 FY22
- Excluding Ventia, continued momentum in winning small-to-medium customers in Australia adding 1,069 units (H2 FY21: added 501 units, H1 FY21: added 253 units)
- National Sales Manager and Product marketing manager added to leadership team to support Enterprise and market development activities
- Increased brand marketing spend with a focused approach on digital marketing, targeting funnels and remarketing

## GROWTH OPPORTUNITY

- Some delay in crystallisation of short-medium term enterprise pipeline of some 15-20k with longer sales lead-times given COVID-19 restrictions and customers waiting for Coretex platform and products
- Coretex will add 7,879 units[13] improving EROAD's market position. Coretex's sales momentum is expected to increase with the launch of Electronic Work Diary (EWD) and a new construction product currently in trail with an Enterprise customer

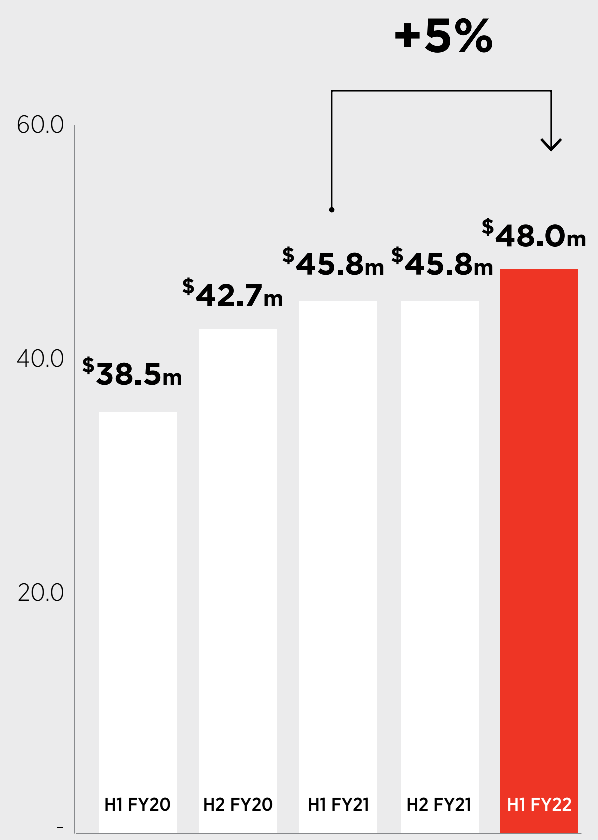
# H1 FY22 FINANCIAL RESULTS

**Alex Ball**
Chief Financial Officer

# Solid financial performance reflecting acceleration of growth strategies

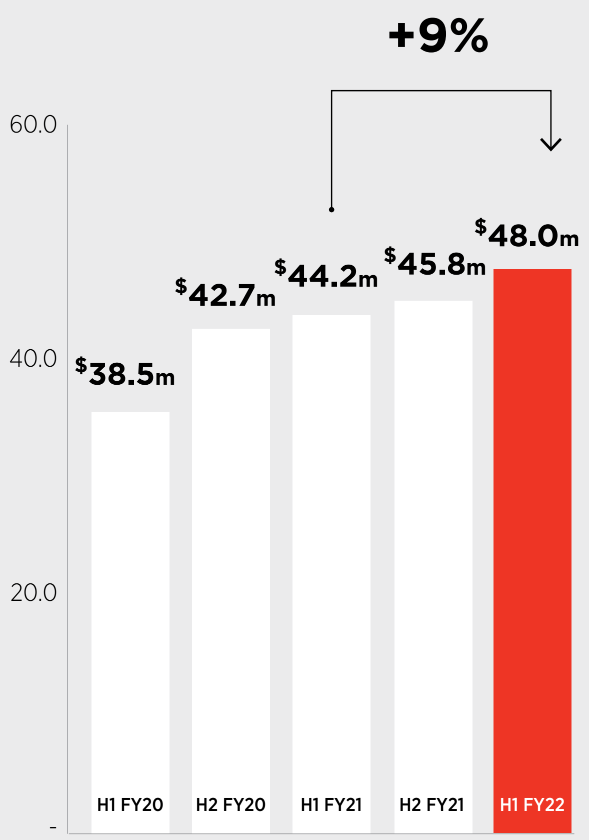
## REVENUE

### REPORTED




**Reported Revenue**
up $2.2m from H1 FY21

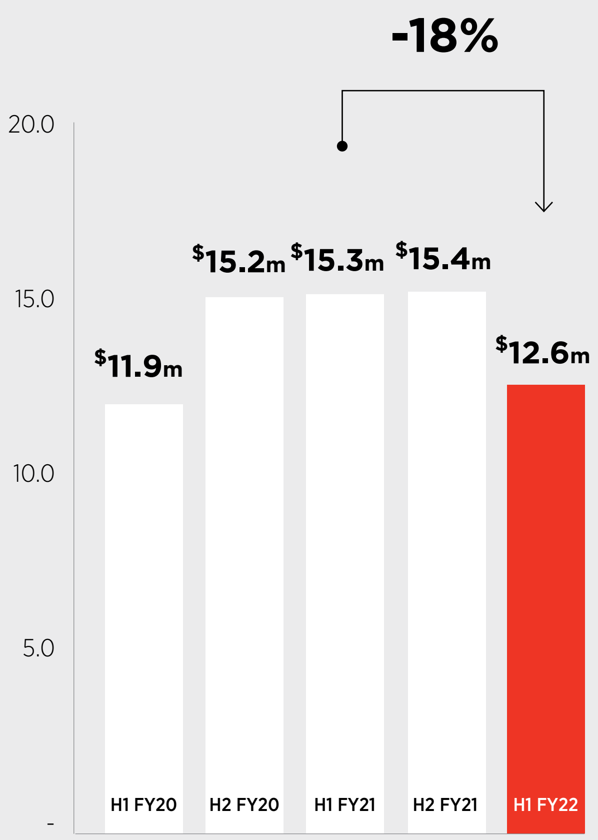
### NORMALISED[14]




**Normalised Revenue**
Normalised for a one-off ($1.6m) COVID-19 grant in H1 FY21

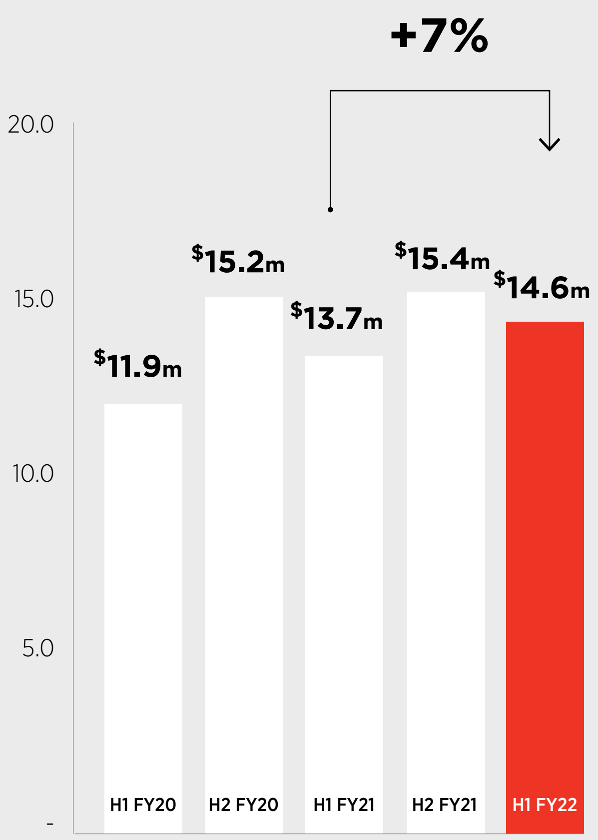
## EBITDA

### REPORTED




**Reported EBITDA margin**
of 26%

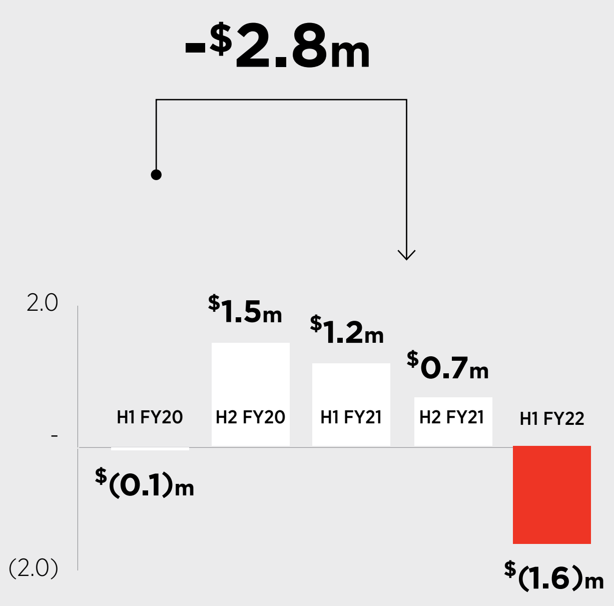
### NORMALISED[14]



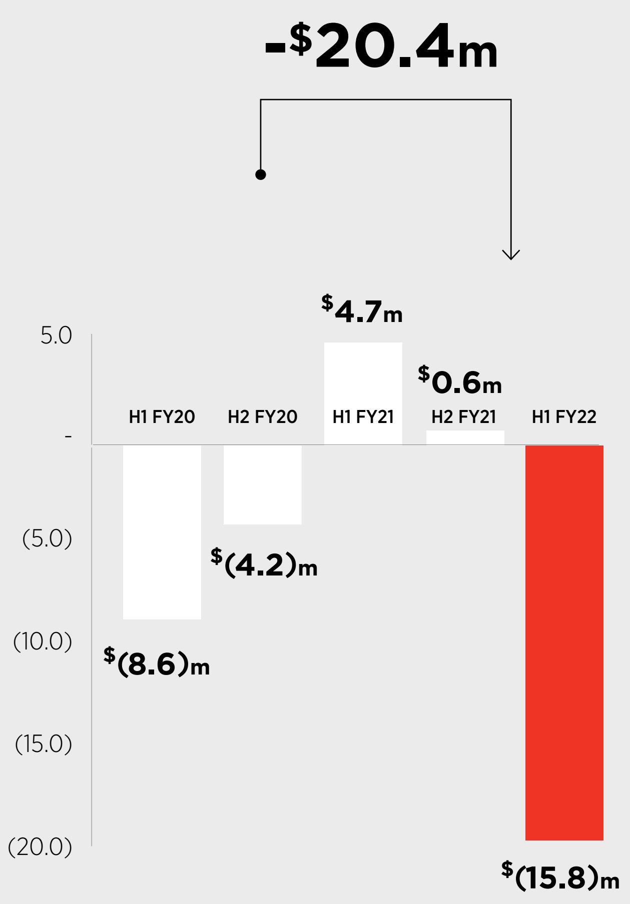

**Normalised EBITDA**
Normalised for one-off ($1.6m) COVID-19 grant in H1 FY21 and ($2.0m) transaction and integration costs in H1 FY22

**Normalised EBITDA margin**
of 30%

## PROFIT/(LOSS) BEFORE TAX




## FREE CASH FLOWS




**Free Cash Flow** down $20.4m reflecting additional money spend on R&D, assets to support growth such as hardware and transaction and integration costs together totaling $23.3m

[14] Please refer to the glossary on page 41 for definition

# Statement of Income (NZ$m)

| YEAR ENDED | H1 FY22 | H2 FY21 | H1 FY21 | Movement H1 FY22 vs H1 FY21 |
|---|---|---|---|---|
| Revenue | 48.0 | 45.8 | 45.8 | 2.2 |
| Expenses | (35.4) | (30.4) | (30.5) | (4.9) |
| **Earnings before interest, taxation, depreciation and amortisation** | **12.6** | **15.4** | **15.3** | **(2.7)** |
| Depreciation of Property, Plant & Equipment | (5.0) | (5.0) | (4.6) | (0.4) |
| Amortisation of Intangible Assets | (4.8) | (5.1) | (4.8) | 0.0 |
| Amortisation of Contract and Customer Acquisition Assets | (3.3) | (3.3) | (3.5) | 0.2 |
| **Earnings before interest and taxation** | **(0.5)** | **2.0** | **2.4** | **(2.9)** |
| **Net Financing Costs** | **(1.1)** | **(1.3)** | **(1.2)** | **0.1** |
| **Profit/(loss) before tax** | **(1.6)** | **0.7** | **1.2** | **(2.8)** |
| Income tax (expense) benefit | (1.3) | 0.3 | (0.2) | (1.1) |
| **Profit/(loss) after tax for the year attributable to the shareholders** | **(2.9)** | **1.0** | **1.0** | **(3.9)** |
| Other comprehensive income | 0.4 | 0.2 | (0.7) | 1.1 |
| **Total comprehensive income/(loss) for the year** | **(2.5)** | **1.2** | **0.3** | **(2.8)** |

- Revenue increased 5% to $48.0m, reflecting growth in contracted units offset by the reduction in other revenue. H1 FY21 benefited from the forgiveness of a COVID-19 government support loan in North America of $1.6m, normalised for this revenue grew 9%
- Operating expenditure increased 16% reflecting $2.0m integration and transaction costs and increased R&D. EROAD is also experiencing some cost pressures in remuneration and recruitment given the competitive labour market.
- Some timing related costs associated with annual leave expected to reduce as markets open up from lock downs
- EBIT reduced from $2.4m to a loss of $0.5m reflecting increased spending related to the Coretex acquisition

# EBITDA down reflecting integration and transaction costs for Coretex acquisition

| ($m) | H1 FY22 | H2 FY21 | H1 FY21 | Movement H1 FY22 vs H1 FY21 |
|---|---|---|---|---|
| New Zealand | 22.0 | 20.3 | 18.5 | 3.5 |
| Australia | (0.6) | (0.5) | (0.4) | (0.2) |
| North America | 2.9 | 4.1 | 5.9 | (3.0) |
| Corporate & Development | (11.9) | (8.6) | (8.9) | (3.0) |
| Elimination of inter-segment EBITDA | 0.2 | 0.3 | 0.2 | - |
| **Reported EBITDA** | **12.6** | **15.4** | **15.3** | **(2.7)** |
| **Reported EBITDA Margin** | **26%** | **34%** | **33%** | **-7%** |
| **Normalised EBITDA**[15] | **14.6** | | **13.7** | |
| **Normalised EBITDA Margin**[15] | **30%** | | **30%** | |

[15] $1.6m one off grant revenue benefiting H1 FY21 and $2.0m of integration and transaction costs impacting H1 FY22

## NEW ZEALAND

Continued growth into existing customer fleets, attracting new customers and continued high asset retention resulted in a 19% increase in EBITDA to $22.0m

## NORTH AMERICA

North American EBITDA fell $3.0m reflecting the one off COVID loan forgiveness in H1 FY21 ($1.6m) and increased staff costs related to the 3G upgrade programme. It also reflects lower travel and marketing in H1 FY21 due to COVID-19 ($0.5m) and the strengthening of the NZD against USD ($0.3m)

## AUSTRALIA

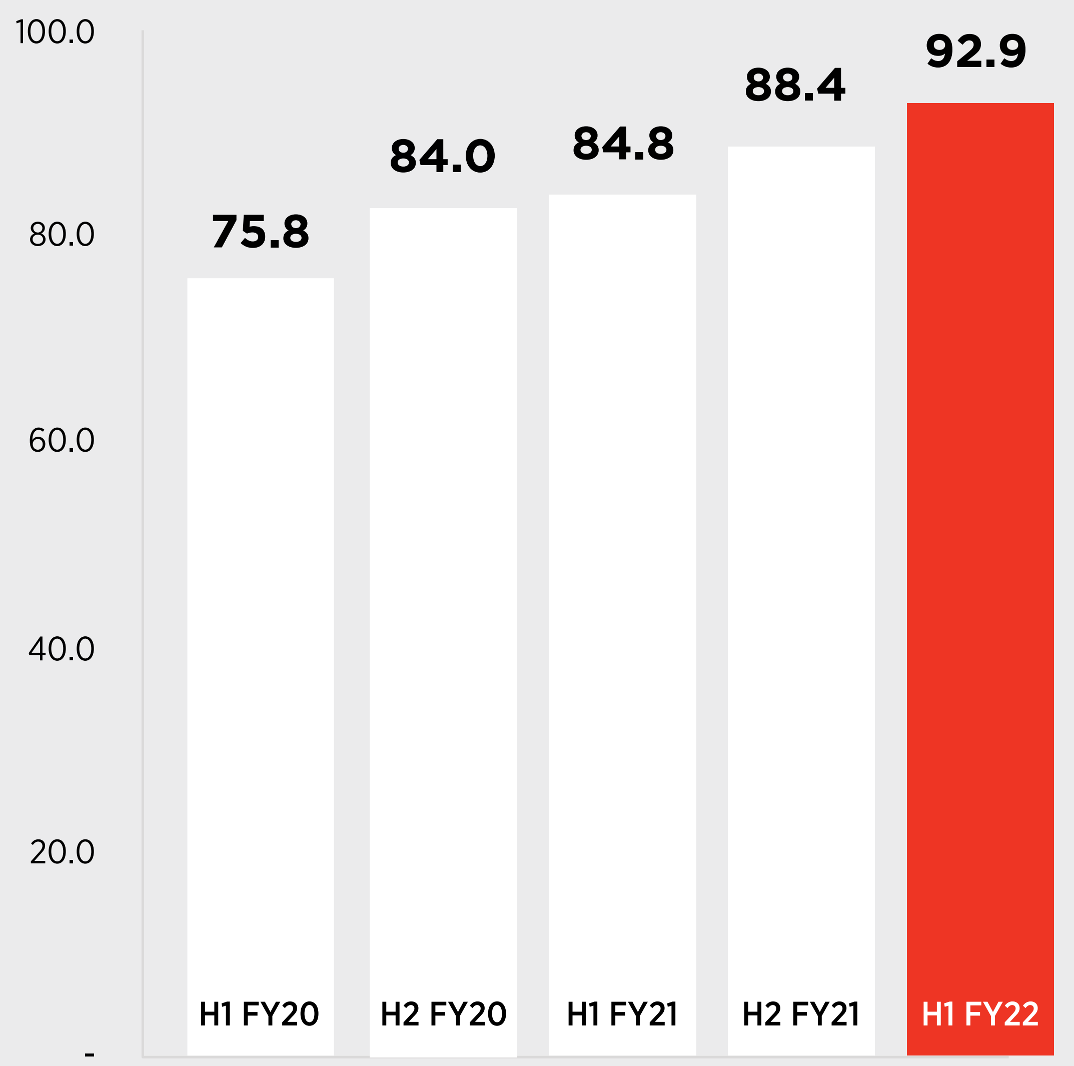
Continuing SaaS revenue growth (up 55% from H1 FY22) offset by increased investment in staff to support growth resulted in EBITDA of $(0.6)m

## CORPORATE

Corporate EBITDA fell $3.0m reflecting integration and transaction costs ($2.0m) and employment costs including labour market pressures and timing of annual leave

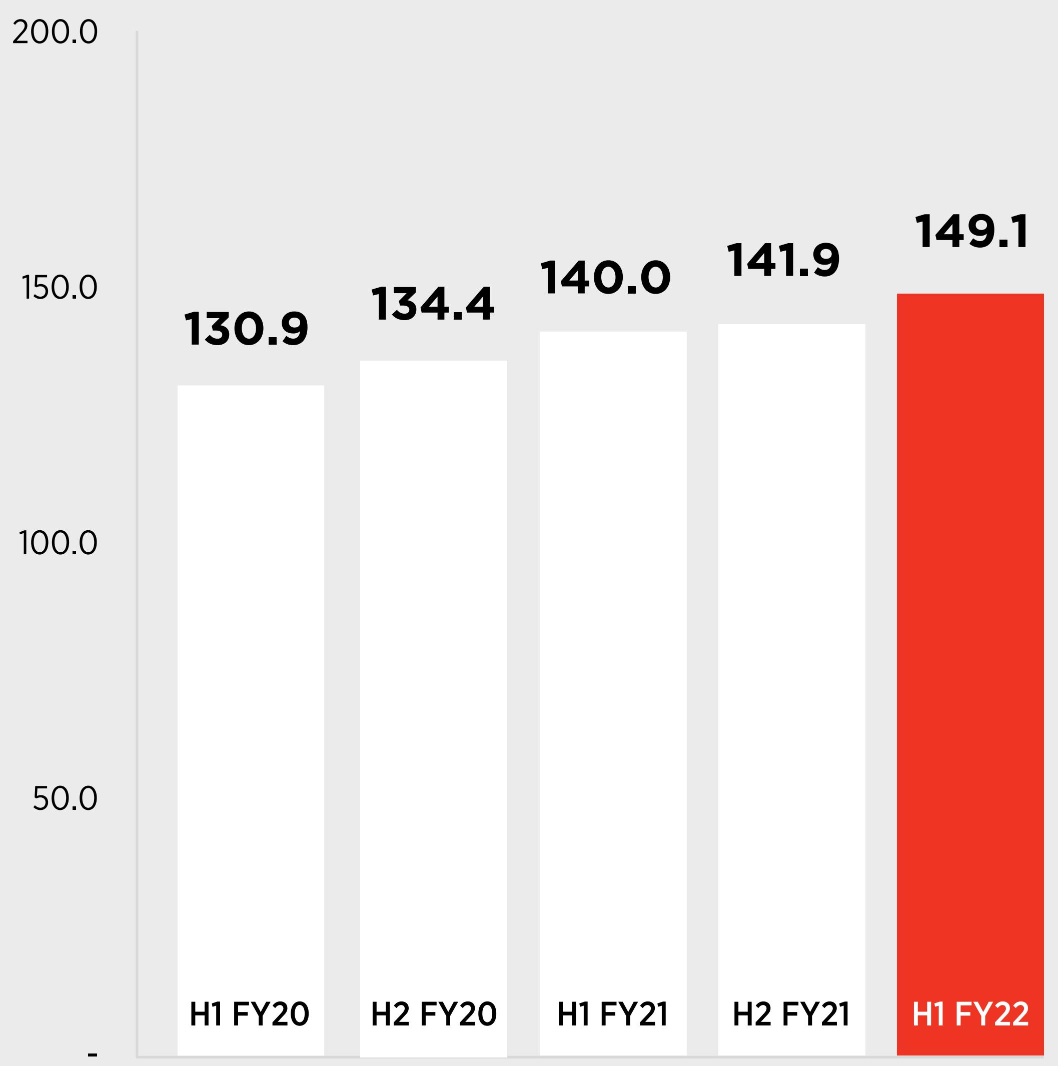
# Monitoring Performance LEADING GROWTH INDICATORS

## ANNUALISED MONTHLY RECURRING REVENUE ($m)



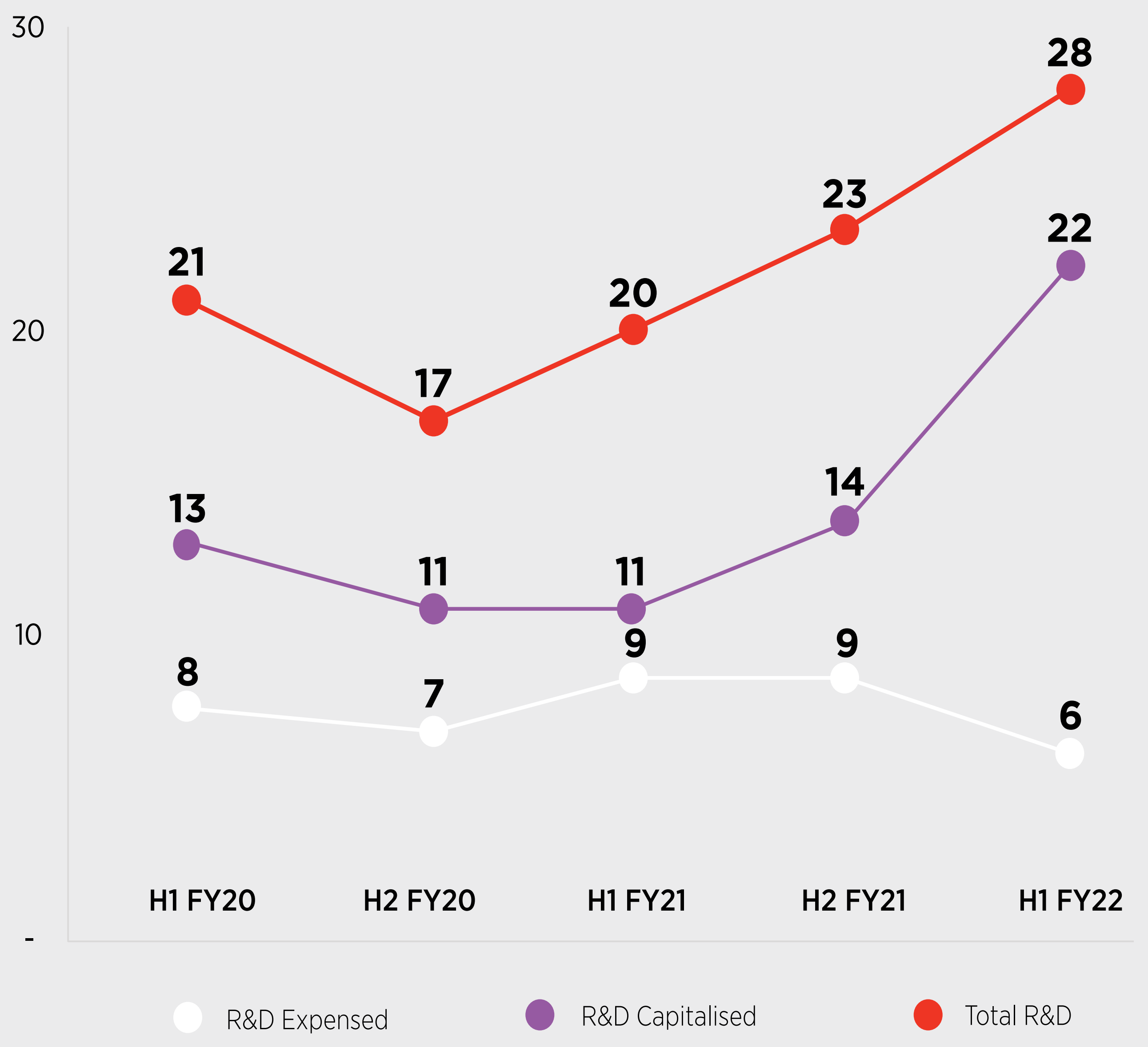

**AMRR** increase reflects growth in recurring revenues from new units and SaaS ARPU, supported by a positive FX impact of $0.4m in H1 FY22

## FUTURE CONTRACTED INCOME ($m)




**FCI** increased reflecting a considerable number of renewals that occurred during the period including the continuing 3G to 4G roll-out in North America

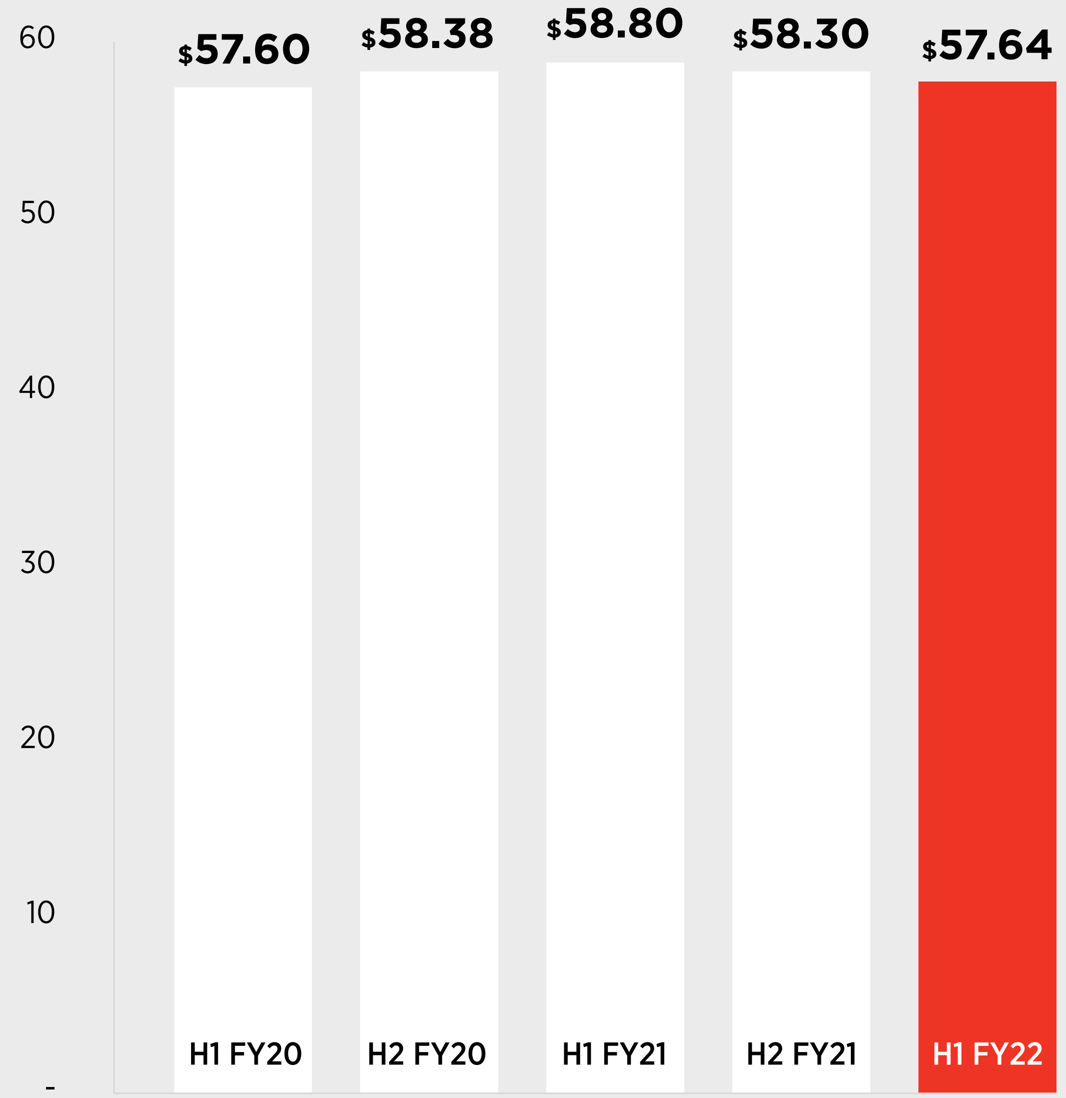
## RESEARCH AND DEVELOPMENT AS % OF REVENUE




**R&D as % of Revenue** of 28% with R&D spend focused on opening up the addressable market for Enterprise customers

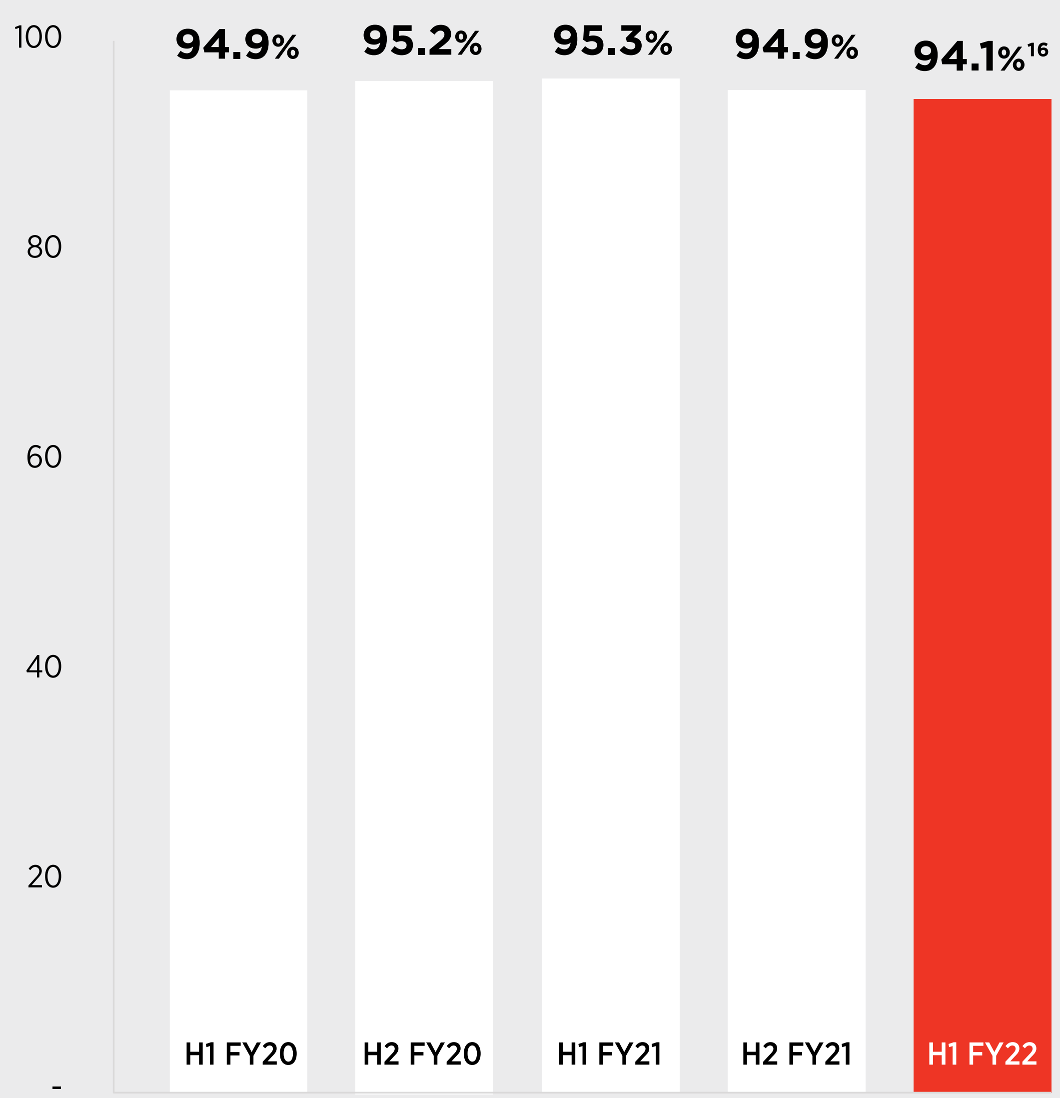
# Monitoring Performance ENTERPRISE VALUE FROM EXISTING CUSTOMER BASE

## ARPU




**Monthly SaaS ARPU** down from FY21 reflecting $0.66 improvement from selling additional products and services, offset by a $1.23 FX impact.

## ASSET RETENTION RATE

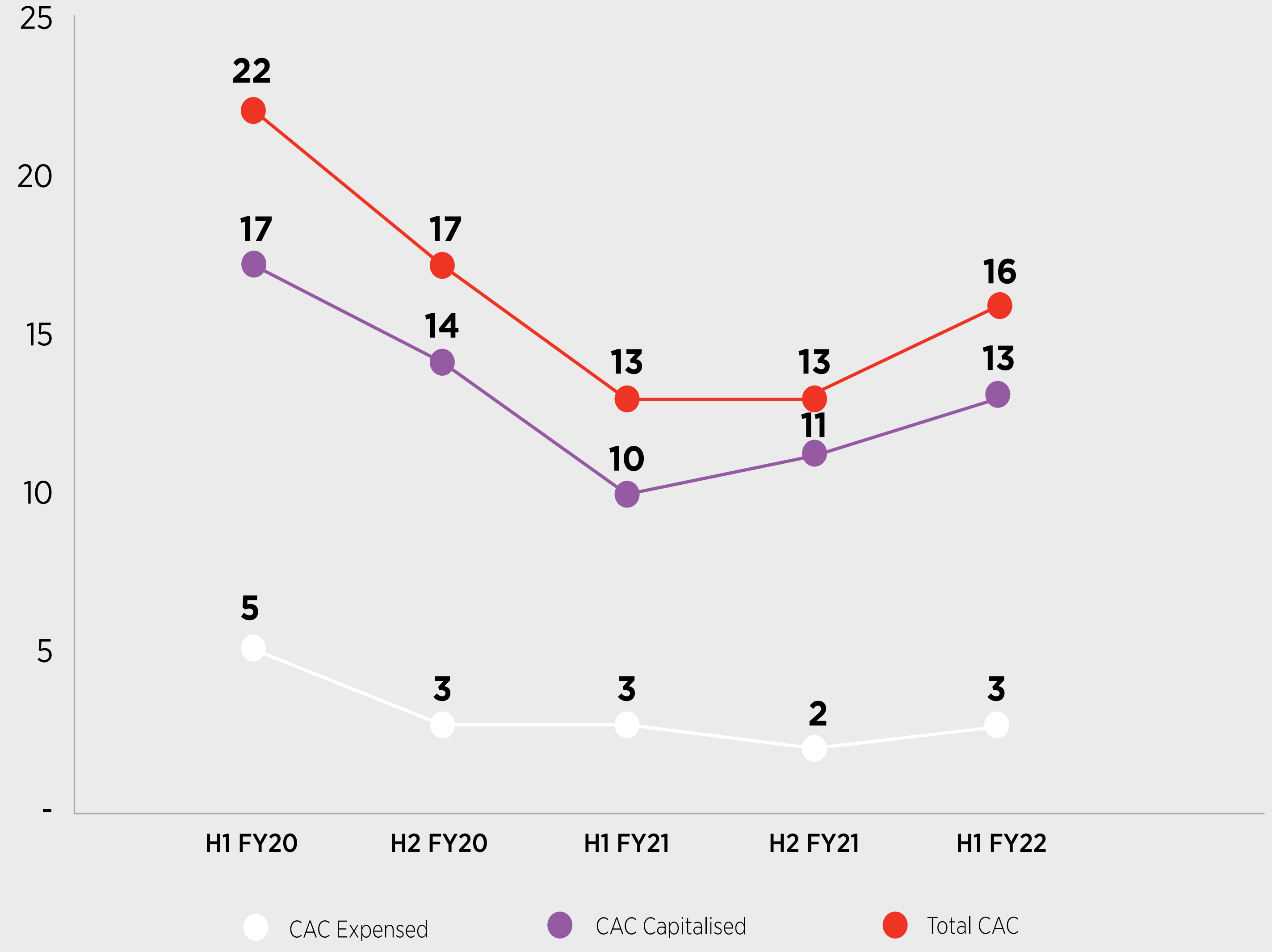



**Asset Retention Rate** has remained relatively stable over time. Significant renewal programmes, in particular North America with the 3G upgrade programme which saw significant fleet reduction due to lagging COVID-19 impacts.

[16] Asset Retention Rate of 95.5% excluding the loss of large Enterprise customer

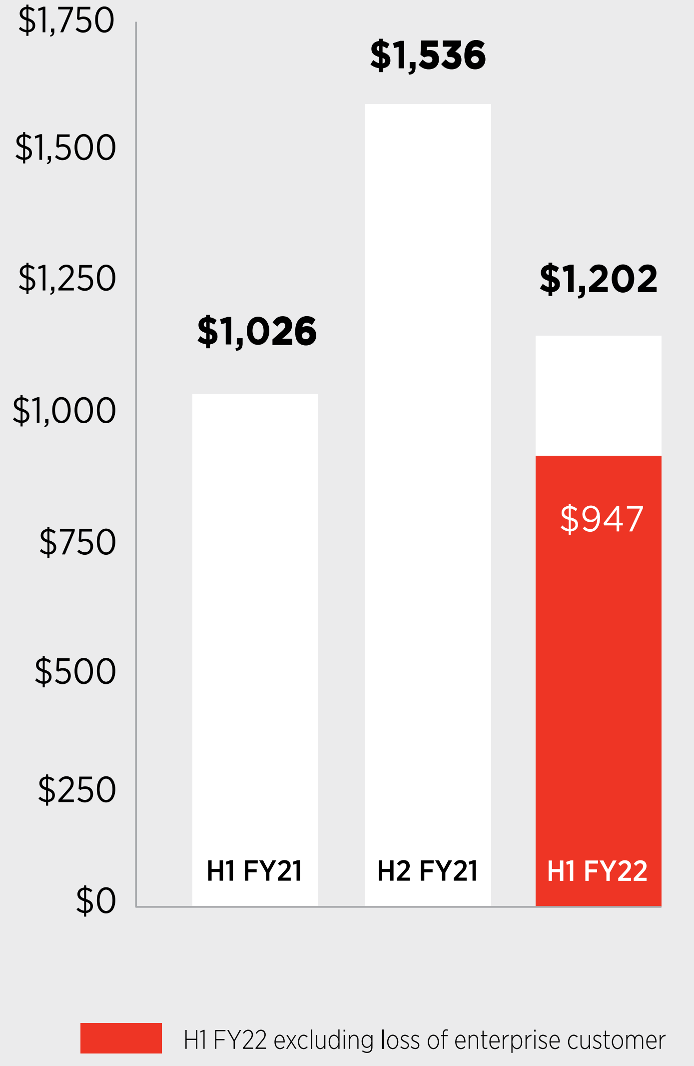
# Monitoring Performance PROFITABILITY

## COST TO ACQUIRE CUSTOMERS (CAC) AS % OF REVENUE



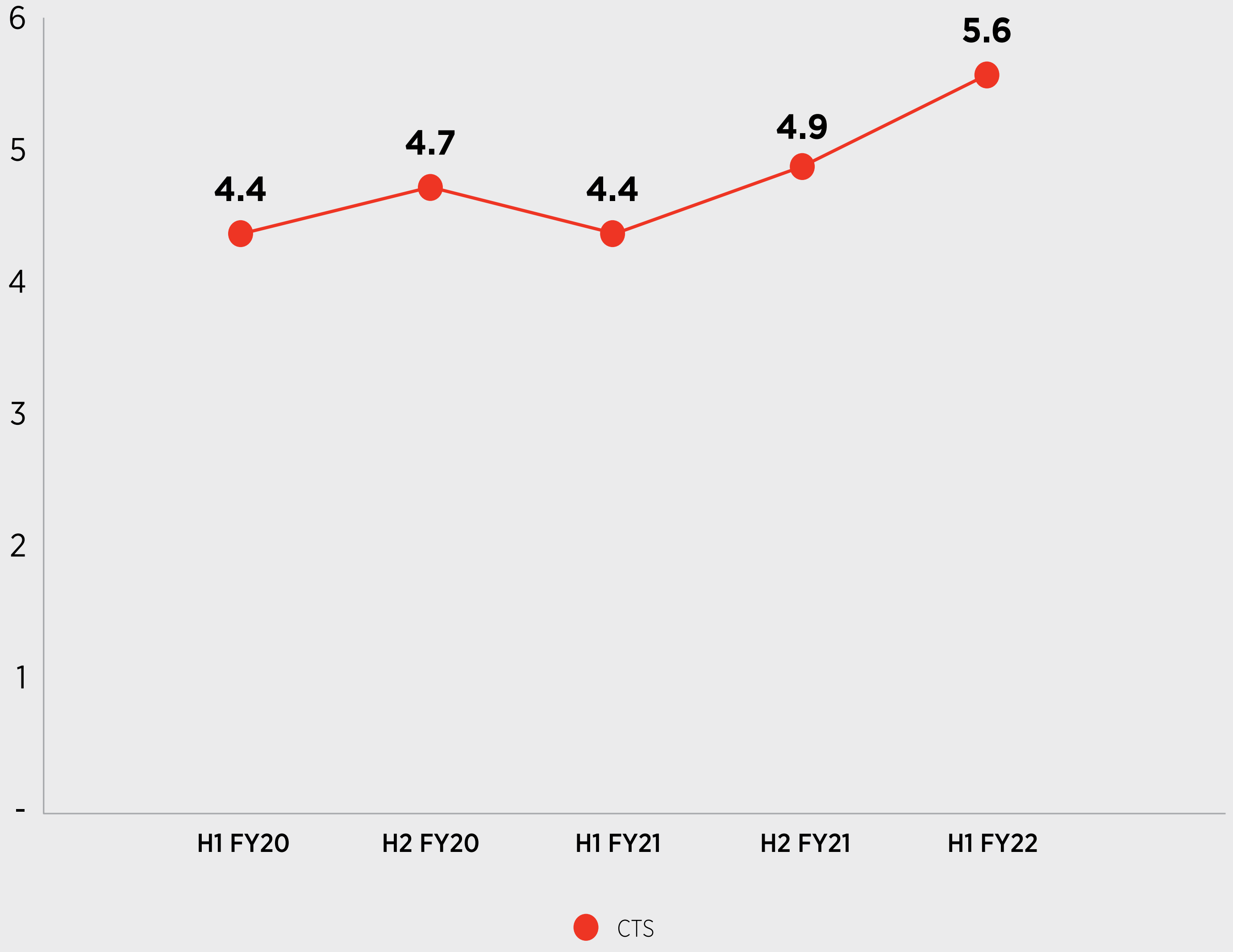

CAC would be expected to trend downwards over time as revenue grows, reductions will be partly offset by investment in development markets ahead of revenues.

## COST TO ACQUIRE PER UNIT




**The cost to acquire per unit** has increased reflecting the loss of a North America enterprise customer (1,751 units). When adjusted for this, cost to acquire fell due to the strong sales in New Zealand and Australia.

## COST TO SERVICE AND SUPPORT (CTS) AS % OF REVENUE

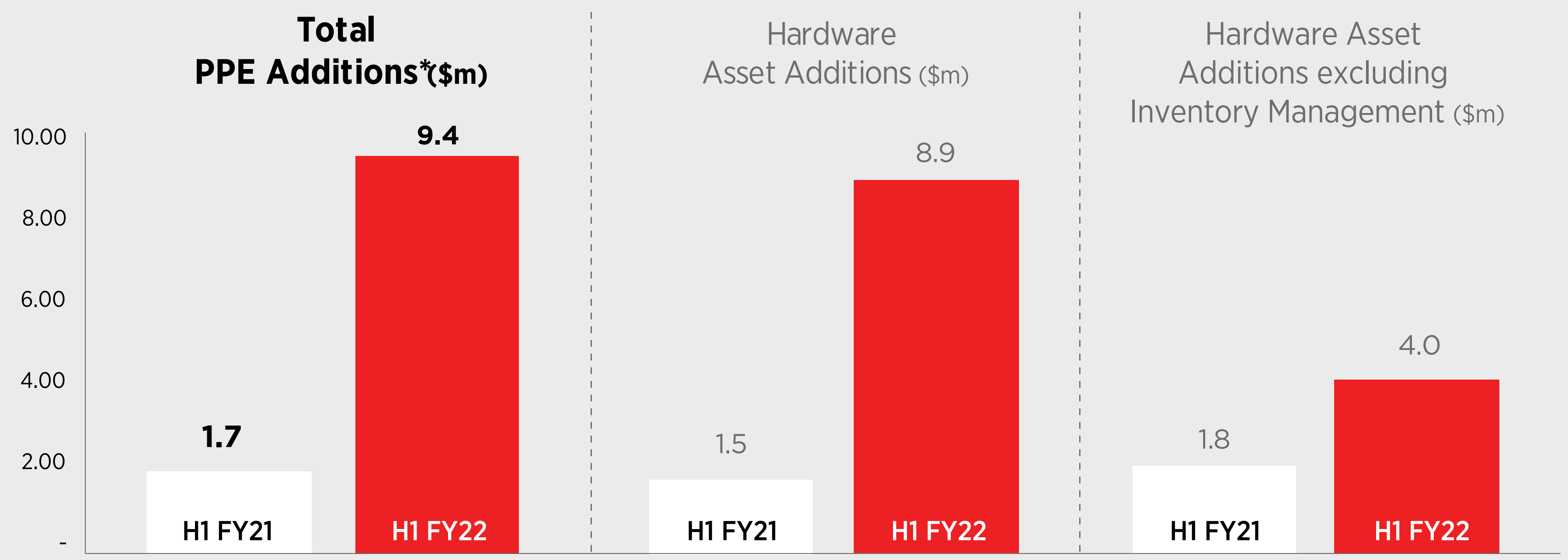



**CTS** has increased, reflecting investment in billing improvements and automated customer support.
CTS will improve over time as scale and leverage increases.

# Operating Expenses

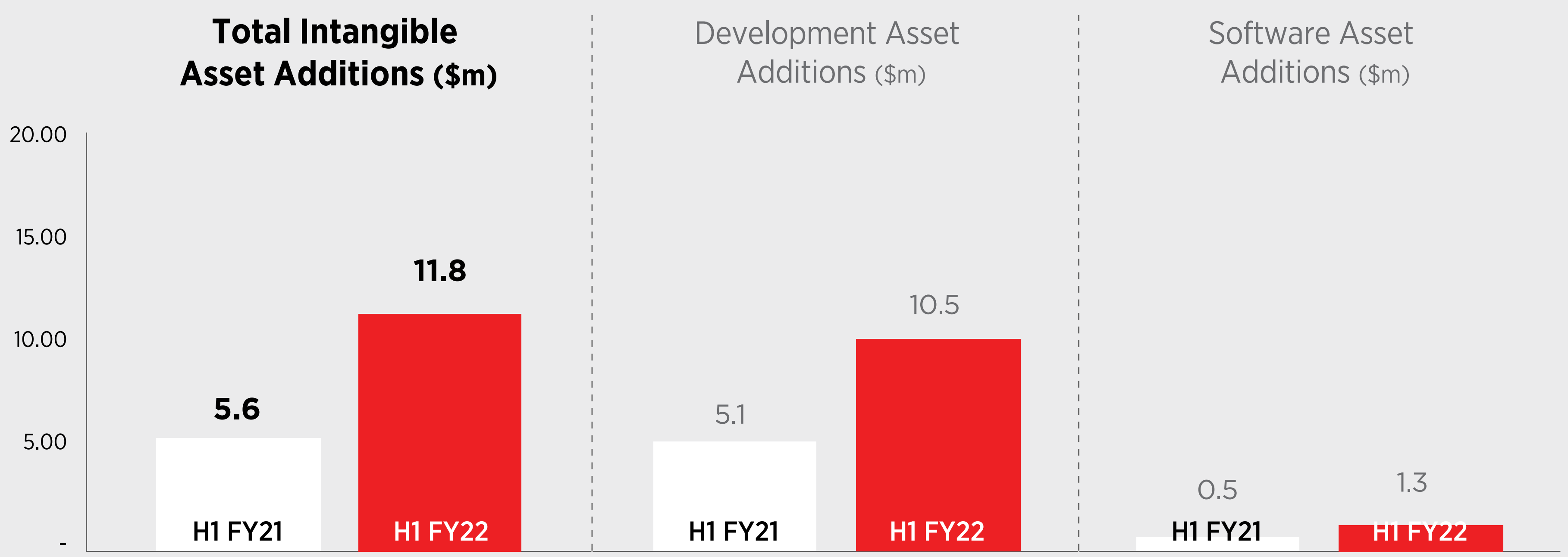

**Operating expenses** were impacted by $2.0m transaction and integration costs, a higher number of employees with increased pressure on employment costs given competition for talent and a build up of annual leave balances, likely to reverse in H2.

# ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT




*Excluding Additions to Right of Use Assets

# ADDITIONS TO INTANGIBLE ASSETS




## PROPERTY PLANT & EQUIPMENT

- PPE spend up $7.7m due to hardware purchases to support a combination of new units, release of dashcam hardware and increased inventory levels in response to global supply chain shortages

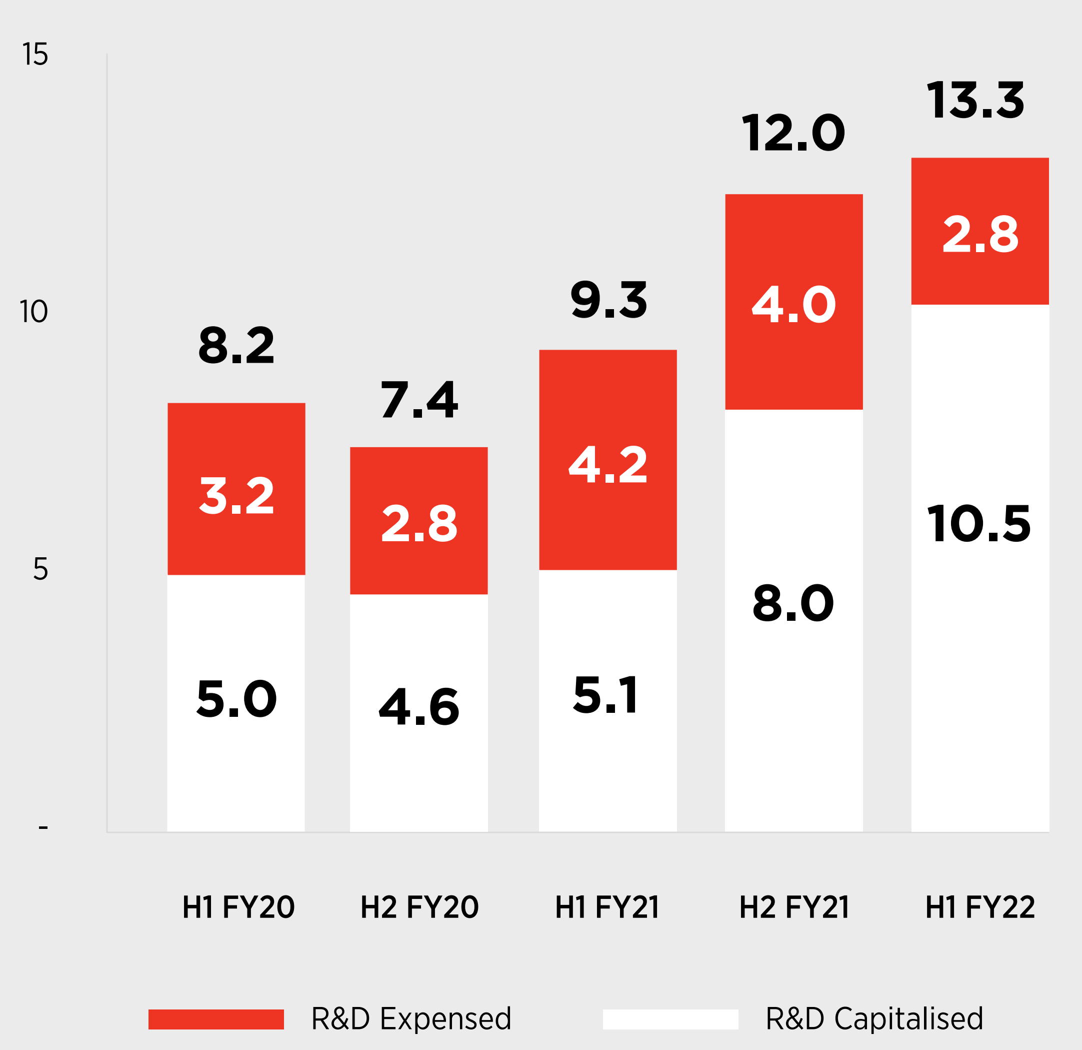
## INTANGIBLE ASSETS

- Total intangible additions for both development and software were $11.8m
- Total R&D spend of $13.3m has increased $4.0m representing 28% of revenue.
- Higher levels of investment in R&D includes increased development, the use of outsourced support, along with some labour pressures given skill shortages and border closures.
- Of the total R&D spend, $10.5m was capitalised as development

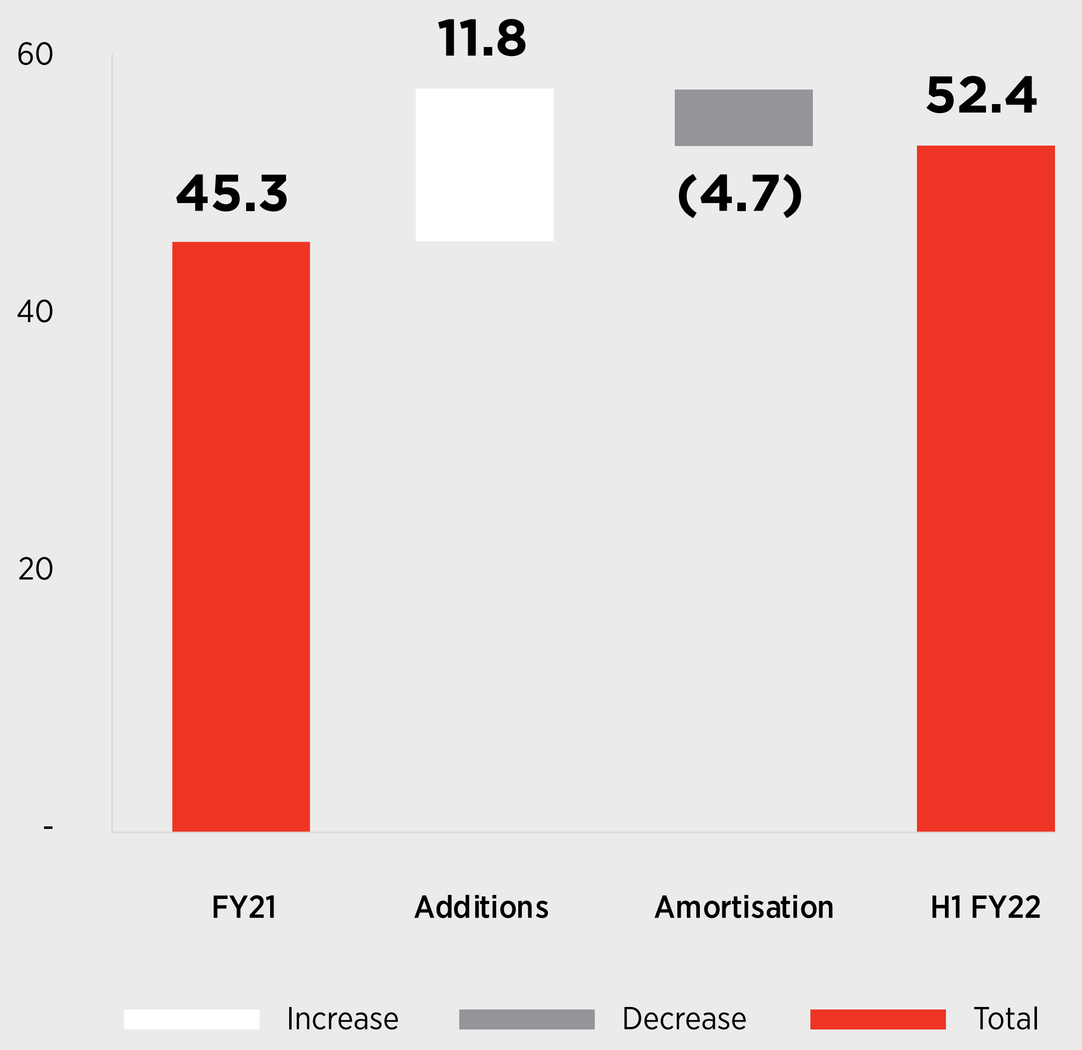
# Increased investment in R&D

TO SUPPORT NEW PRODUCT DELIVERY IN FY23 AND FY24

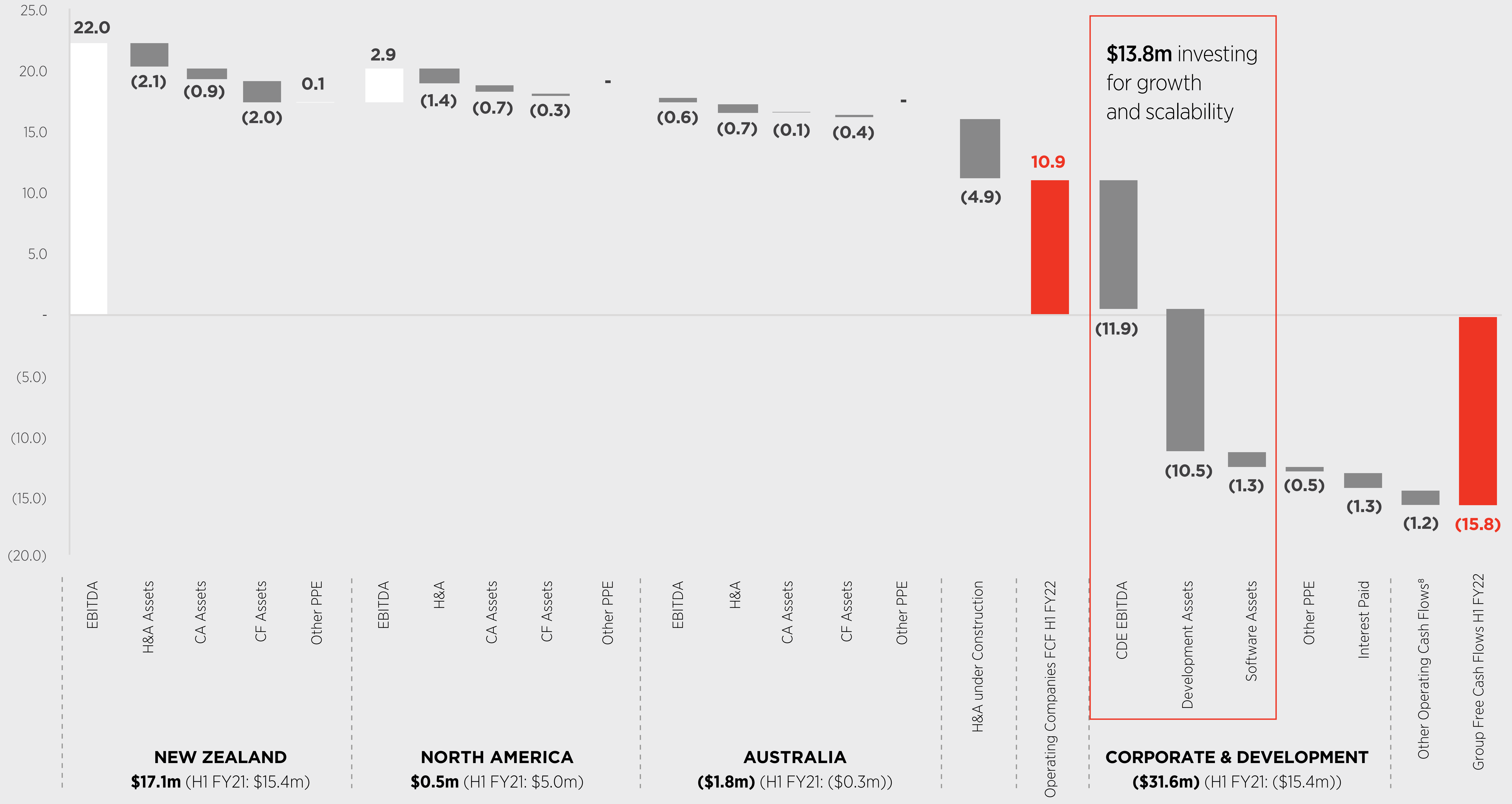
## RESEARCH AND DEVELOPMENT ($m)




## MOVEMENT IN INTANGIBLES ($m)



# Free Cash Flow Analysis by Segment




**H&A Assets** - Hardware & Accessory Assets • **CA Assets** - Customer Acquisition Assets • **CF Assets** - Contract Fulfilment Assets • **CDE EBITDA** - Corporate, Development and Elimination EBITDA • **H&A under Construction** - Hardware & Accessories under Construction

# Cash flow statement (NZ$m)

| Year ended | H1 FY22 | H2 FY21 | H1 FY21 | Movement H1 FY22 vs H1 FY21 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Other operating cash flows | 11.0 | 15.3 | 15.3 | (4.3) |
| Net interest paid | (1.2) | (1.5) | (1.0) | (0.2) |
| **Net cash inflow from operating activities** | **9.8** | **13.8** | **14.3** | **(4.5)** |
| **Cash flows from investing activities** | | | | |
| Property, Plant and Equipment (including hardware assets) | (9.5) | (3.0) | (1.7) | (7.8) |
| Intangible Assets | (11.8) | (7.4) | (5.7) | (6.1) |
| Contract fulfillment and Customer Acquisition Assets | (4.3) | (2.7) | (2.3) | (2.0) |
| **Net cash outflow from investing activities** | **(25.6)** | **(13.1)** | **(9.7)** | **(15.9)** |
| **Cash flows from financing activities** | | | | |
| Bank loans | (2.4) | (2.6) | 1.8 | (4.2) |
| Issue of Equity | 84.7 | 10.9 | 42.0 | 42.7 |
| Cost of raising capital | (3.5) | (0.1) | (2.0) | (1.5) |
| Other financings cash flows | (0.8) | (0.8) | (0.8) | 0.0 |
| **Net cash inflow/(outflow) from financing activities** | **78.0** | **7.4** | **41.0** | **37.0** |
| Net increase/(decrease) in cash held | 62.2 | 8.1 | 45.6 | 16.6 |
| Cash at beginning of the financial period | 57.1 | 49.0 | 3.4 | 53.7 |
| **Closing cash and cash equivalents** | **119.3** | **57.1** | **49.0** | **70.3** |

- Operating cash flows have reduced by $4.5m reflecting the increased spending related to the Coretex acquisition along with an increase in receivables and prepayments
- Investing cash out flows grew from $9.7m (H1 FY21) to $25.6m reflecting the increased investment in intangibles (research and development) and growth in units along with inventory levels (in response to global supply chain pressures)
- Financing cash flows were $78.0m for the period as a result of the issue of equity of $84.7m in July (placement and share purchase plan)

# Balance sheet (NZ$m)

| AS AT PERIOD END | H1 FY22 | FY21 | Movement |
|---|---|---|---|
| Cash | 119.3 | 57.1 | 62.2 |
| Restricted Bank Account | 13.5 | 10.5 | 3.0 |
| Costs to Acquire and Contract Fulfilment Costs | 5.3 | 5.5 | (0.2) |
| Other | 12.7 | 8.2 | 4.5 |
| **Total Current Assets** | **150.8** | **81.3** | **69.5** |
| Property, Plant and Equipment | 40.2 | 34.7 | 5.5 |
| Intangible Assets | 52.4 | 45.3 | 7.1 |
| Costs to Acquire and Contract Fulfilment Costs | 4.7 | 3.4 | 1.3 |
| Other | 6.1 | 7.3 | (1.2) |
| **Total Non-Current Assets** | **103.4** | **90.7** | **12.7** |
| **TOTAL ASSETS** | **254.2** | **172.0** | **82.2** |
| Payables to Transport Agencies | 13.4 | 10.5 | 2.9 |
| Contract Liabilities | 7.1 | 6.6 | 0.5 |
| Borrowings | 32.7 | 35.0 | (2.3) |
| Other Liabilities | 18.4 | 15.3 | 3.1 |
| **Total Liabilities** | **71.6** | **67.4** | **4.2** |
| **NET ASSETS** | **182.6** | **104.6** | **78.0** |

- Cash has increased by $62.2m as a result of the capital raise during July
- PPE has increased primarily as a result of investment in inventory given the current global supply chain pressures and delays
- The increase in other assets within current assets category is as a result of the combination of an increase in our receivables balance and prepayments
- Contract Fulfilment and Customer Acquisition Assets increased by $1.1m reflecting growth and a strong period of renewals
- Intangibles increase relates to the ongoing capitalisation of R&D development
- Borrowings from long term bank loans have reduced due to scheduled repayments

# GROWTH OPPORTUNITY AND OUTLOOK

**Steven Newman**
Chief Executive Officer

# We choose to grow and have significantly accelerated our growth strategy

## ORGANIC GROWTH

Executed 11 launches of new products or enhancements in H1 FY22

- launched Clarity Solo in October increasing the addressable market
- Integration of Philips Connect and Seeing Machines increasing the addressable market
- launched EROAD Analyst, EROAD Messaging and EROAD Where mini-tags as well as a number of other enhancements improving the customer value proposition

Acceleration of R&D spend focused on winning Enterprise customers. The Coretex acquisition allows EROAD to stop developing its own next generation platform and accelerate other aspects of its technology and product roadmap

Focused workstreams on managing risk around the global supply chains

Increased solution-based selling focused on winning Enterprise customers in all markets. Coretex's enterprise grade solutions will increase ability to win enterprise customers

## ACQUISITION

Coretex acquisition expected to complete 1 December 2021 accelerates growth metrics by 2 years

Focus on integration over next 12 to 18 months, although will continue to look for further inorganic opportunities in a consolidating industry

## STRATEGIC PARTNERSHIPS

Entering into partnerships with quality partners enables EROAD to fill product gaps more effectively

Entered strategic partnership with Philips Connect in June 2021 and with Seeing Machines in August 2021

# Expanding EROAD's Video telematics portfolio

- With low video telematics penetration across all markets, focus on expanding and improving video telematics portfolio
- Only c30% penetration of North America Class 8 vehicle market (4.4m vehicles and growing at 15% p.a)
- Sold some 4,141 Clarity dashcam units since sales begun in March 2021 increasing ARPU with a number of pilots underway
- Launched Clarity Solo new stand-alone dashcam product (with no in-cab requirement for a pre-installed Ehubo) late October
  - Expands addressable market to fleets with a competitors telematics solution and reach beyond class 8 into light duty
  - Improved functionality with technology that associates all video and telematics to a specific driver and a more agile search system
- The Coretex Corevision camera is an entry-level dual dashcam which widens EROAD's video telematics portfolio servicing different market needs

**4,141**

**CLARITY DASHCAM UNITS SOLD**

since sales begun in March 2021

**OVER 10%**

**REDUCTION IN SPEEDING FREQUENCY**

by 31% of vehicles once they installed Clarity Dashcam


"

It would have appeared as a harsh braking incident, but with the dashcam you see a second jolt – it's clear that there was another point of impact.

**Frews Transport**
(Beta testing Clarity Solo)

HDT TOP PRODUCTS 2021

OVER **90%**

**REDUCTION IN FATIGUE RELATED DRIVING EVENTS**

with in-cab alerts reducing fatigue by >60% and 24/7 monitoring centre analysis and intervention decreasing the occurrence of fatigue by an additional 30%

SEEING MACHINES IS INDUSTRY LEADER IN VISION-BASED MONITORING TECHNOLOGY THAT ENABLE MACHINES TO SEE, UNDERSTAND AND ASSIST PEOPLE


# Strategic partnership with Seeing Machines increases addressable market

- Entered strategic partnership with Seeing Machines in August 2021
- Guardian technology utilises face and eye tracking algorithms to detect fatigue and distraction, allowing proactive intervention before a risky driving incident occurs
- Integrated their technology into MyEROAD, to provide customers with a single interface for managing video telematics
- Enables EROAD to target dashcam sales to fleets that have biometric requirements for all or a portion of their fleet. For example Hazemat or long-haul driving with dangerous loads
- Initial focus on New Zealand and Australia markets. In one month sold approximately 170[17] Clarity Dashcams and a number of pilots underway in response to partnership

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[17] As at 30 September 2021.

# Strategic partnership with Philips Connect increasing North America addressable market

- Entered Philips Connect strategic partnership in June 2021 and have added 666 Philips Connect Solutions in H1 FY22
- Phillips Connect solutions help customers locate assets, maximize productivity, and give their own customers a live view into their trailers, containers, and chassis
- Integration of Philips Connect into MyEROAD provides customers a single view of all of their assets including trailers and assets making deployment and management easier
- Increases addressable market by meeting the needs of North American medium and enterprise fleets and provides up-sell opportunities once a Philips Connect solution is sold
- Current focus on North America market, will look at moving into New Zealand and Australia over time


PHILIPS CONNECT DEVICES, SENSORS AND REPORTING BRINGS ADVANCED TRAILER AND ASSET MONITORING TO EROAD'S CUSTOMERS

## A SOLUTION FOR EVERY ASSET

**Trailers**

Gain total awareness into your trailer with data, insights and analysis of trailer health in real-time.

**Chassis**

Comprehensive monitoring of chassis sensors. Receive status updates and notifications about issues before they happen.

**Container**

Monitor location and status of containers and cargo with real-time alerts from a single hub.

**Other**

Monitor the location and status of small vehicles and heavy equipment with our high-performance tracking systems.

# The Transformational Acquisition of Coretex

COMPLETION IN EFFECT ON 1 DECEMBER 2021

CORETEX

**Building a safer, greener and more productive world**

**Products that optimise safety and fuel consumption, reduce wastage and contamination**

**Increased ability to win Enterprise accounts**

**Accelerates technology and product roadmaps**

**Lifting market position adding 66,453[18] units in North America, Australia and New Zealand**

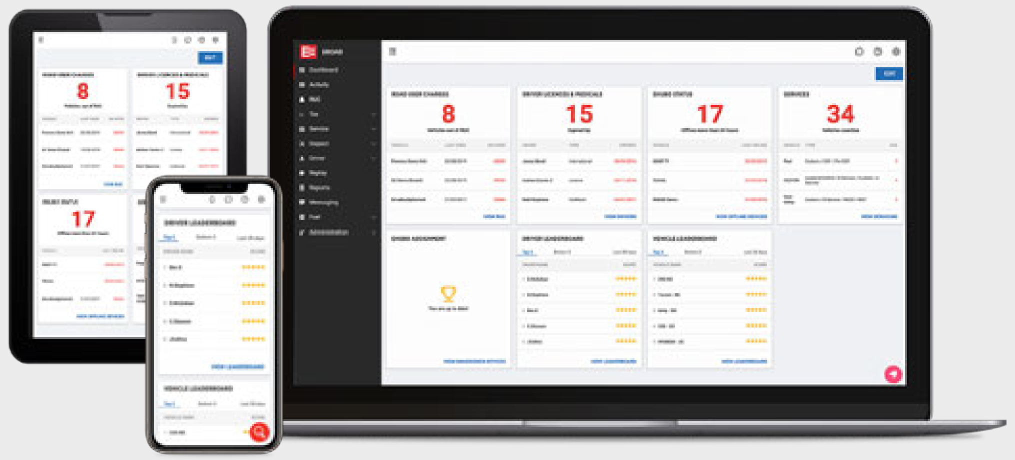
**Increased growth velocity towards 250,000 units**

**Increased Addressable Market**

- Refrigerated transport
- Construction
- Less than a truckload (LTL)
- Waste & Recycling

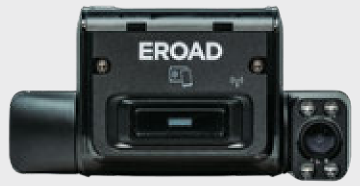
[18] As at 30 September 2021

# EROAD's broadly adopted regulatory telematics solutions combined with Coretex's extensive vertical telematics expertise and products creates an advanced market fit



**IN-VEHICLE HARDWARE SOLUTIONS**

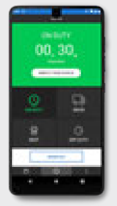
**ALL VEHICLES**
**ALL ASSETS**
**ONE PLATFORM**
for end to end visibility




Camera options


Ehubo2

Driver's tablet



Driver's logbook


IOT sensors and tag

IOT Hub (Corehub)

**Coretex brings with it next generation hardware**

- Easy to use, install and maintain
- Enterprise API for integrations
- Custom Driver Forms & Checklists
- Data Insights platform

**Significantly enhanced Back Office Capability**

# Coretex's operating update for H1 FY22

| | 30 September 2021 | 31 March 2021 |
|---|---|---|
| **Total Contracted Units** | **66,453** | **64,177** |
| New Zealand | 7,628 | 8,676 |
| North America | 50,946 | 47,625 |
| Australia | 7,879 | 7,876 |
| **Group Asset Retention Rate** | **85.1%[19]** | **85.7%[20]** |

- Contracted units grew by 4% reflecting growth in North America
    - increased units in North America by 3,321 with an additional 4,144 of closed sales not yet shipped
    - stable units in Australia with growth anticipated with the launch of Electronic Work Diary (EWD) and new construction product being piloted
- Following approval from shareholders, Overseas Investment Authority and the Commence Commission Completion acquisition will complete 1 December 2021

[19] Excluding fleet reduction H1 FY22 asset retention rate of 93.8% [20] Excluding fleet reduction FY21 Asset Retention Rate would have been 94.7%

# Successful integration of Coretex key to maximising synergies

EROAD CORETEX

June 2021 | September 2021 | December 2021 | March 2022 | June 2022 | September 2022

**Integration Planning** (June 2021 – 1 December Settlement)

| | | | | |
|---|---|---|---|---|
| **Major Theme** | **Stabilise & Minimise Risk** | **Strategy Refresh Quick Wins** | **Enterprise Customer Focus** | **Platform Consolidation**<br>**Unification of Systems, Structures & Brand** |
| **Product, Development and Engineering** | North American Focus via Coretex Platform | | Early Integration Options NA /AU Acceleration Options - Partnerships | Multiple Verticals Architecture Alignment |
| **People** | Organise, Stabilise, Motivate, Excite | Leadership Development Align T's & C's | Culture, Ways of Working, Acceleration | Optimise Structures and Teams to Accelerate |
| **Systems & Processes** | Interface existing systems Stabilise & Secure Environment | | Analyse & Choose Internal Systems & Processes for scale | Consolidate internal systems and processes for scale |

**1 December Settlement**

# FY22 outlook

## EROAD STAND-ALONE GUIDANCE

On 21 October EROAD announced it expects stand-alone FY22 revenue growth of 10-13% and Normalised EBITDA margin (prior to integration and transaction costs) to be at or around the levels of FY21

Good growth in both Australia and New Zealand, with some anticipated growth deferred to either later in FY22 or into early FY23 due to COVID-19 lock-down restrictions delaying piloting activity, installation roll-outs and lengthening sales lead-times

North America continues to experience ongoing impacts of COVID-19 and its associated economic challenges

The Coretex acquisition is expected to complete with effect from 1 December, therefore it is now appropriate for EROAD to withdraw its FY22 stand-alone guidance as it is no longer relevant for the combined entities

# QUESTIONS & ANSWERS

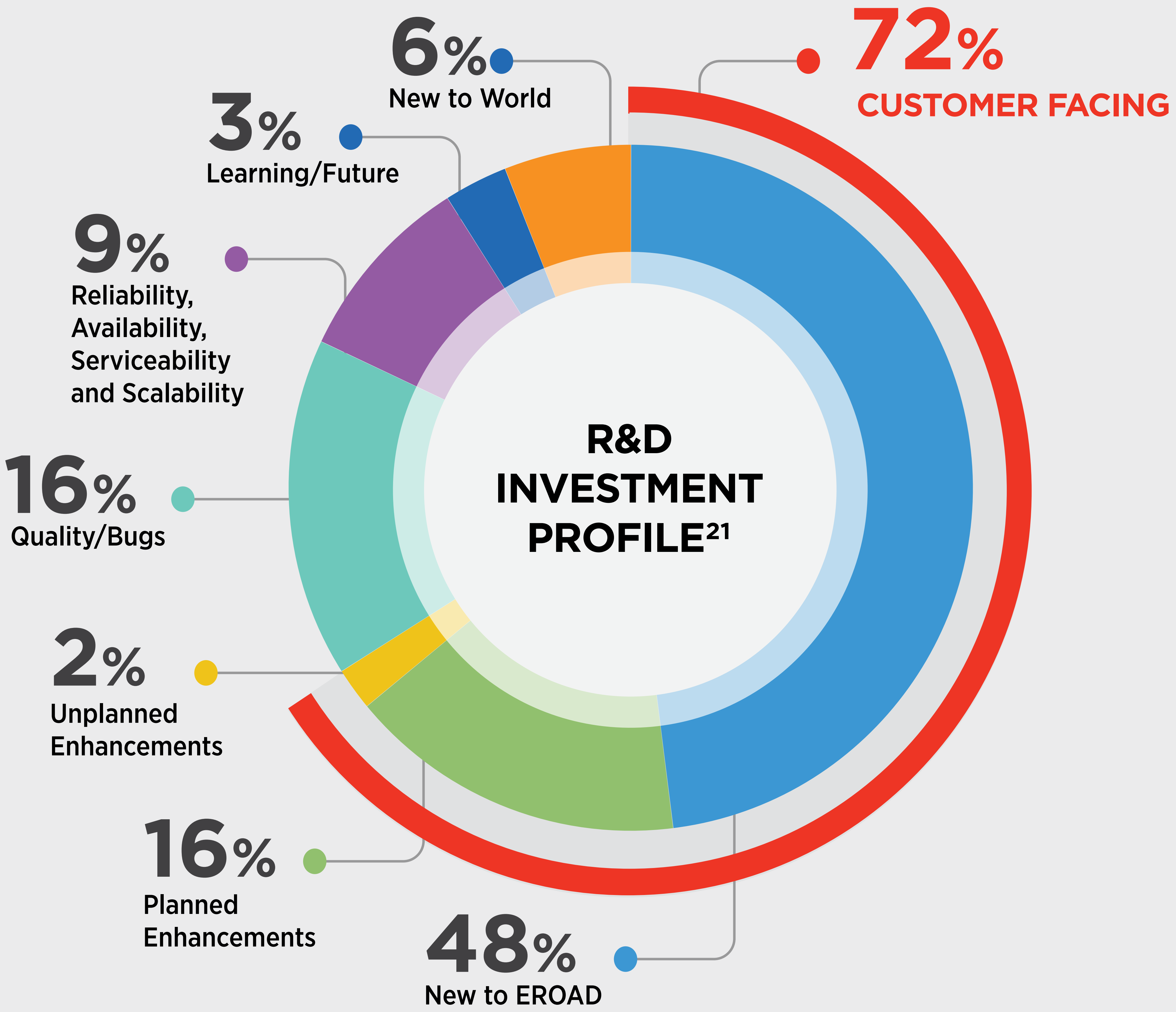
# APPENDIX

# Reconciliation of Profit to movement in cash

| YEAR ENDED | H1 FY22 | H1 FY21 |
|---|---|---|
| **Profit/(Loss) after tax for the year attributable to the shareholders** | **(2.9)** | **1.0** |
| **Add/(less) non-cash items** | | |
| Tax asset recognised | 1.2 | (0.3) |
| Depreciation and amortisation | 13.1 | 12.9 |
| Other non-cash expenses/(income) | (0.8) | (0.5) |
| **Add/(less) movements in other working capital items:** | | |
| Decrease/(increase) in trade and other receivables | (4.5) | 1.6 |
| Increase/(decrease) in current tax receivables | - | - |
| Increase/(decrease) in current tax payables | - | 0.4 |
| Increase/(decrease) in contract liabilities | 0.5 | (1.0) |
| Increase /(decrease) in trade payables, interest payable and accruals | 3.2 | 0.2 |
| **Net Cash from operating activities** | **9.8** | **14.3** |

# ARPU reconciliation of local currency to NZ$

| | NZ$ | | Local$ | |
|---|---|---|---|---|
| | **H1 FY22** | **H1 FY21** | **H1 FY22** | **H1 FY21** |
| New Zealand ARPU | NZ$56.78 | NZ$55.36 | NZ$56.78 | NZ$55.36 |
| North America ARPU | NZ$62.77 | NZ$67.30 | US$44.42 | US$43.07 |
| Australian ARPU | NZ$31.72 | NZ$35.12 | AU$29.86 | AU$32.79 |




[21] For the six months ended 30 September 2021. Analysis excludes internal system development and individual customisation

# 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 11 key launches or enhancements over H1 FY22 as a result of previous R&D investment
- In recent years spent 18-22% of revenue on R&D. Spent 23% in FY21. For FY22 and FY23 expect to spend 24-27% as continue to accelerate investment for growth
- Focused on product development that opens up the addressable market for enterprise customers

# 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 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 H1 FY22 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 FY21 Financial Statements.
- **FY** Financial year ended 31 March.
- **H1** For the six months ended 30 September
- **H2** For the six months ended 31 March
- **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 2 of the H1 FY22 Financial Statements, by the TCU balance at the end of each month during the year
- **NORMALISED EBITDA** excludes one-off items including the COVID-19 grant in H1 FY21 ($1.6m) and the transaction and integration costs in H1 FY22 ($2.0m).
- **NORMALISED EBITDA MARGIN** excludes one-off items including the COVID-19 grant in H1 FY21 ($1.6m) from Revenue and EBITDA and the transaction and integration costs in H1 FY22 ($2.0m) from EBITDA.
- **NORMALISED REVENUE** excludes the one-off COVID-19 grant in H1 FY21
- **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 total units subject to a customer contract and includes both Units on Depot and Units pending instalment.
- **UNIT** is 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.

EROAD

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