



EROAD delivers strong result, while investing for future growth

19 June 2020

Transport technology services company EROAD (ERD.NZX) today released its financial results for the 2020 financial year. All numbers relate to the year ended 31 March 2020 and comparisons relate to the year ended 31 March 2019.

Key highlights:

- Revenue increased 32% to \$81.2m with strong contributions from the New Zealand and North American markets
- EBITDA margin increased from 25% to 33%, reflecting improved operating leverage
- EROAD reported profit before tax of \$1.4m, up from a loss of \$5.1m in the prior year
- Growth of 21% in Total Contracted Units and 6% in Average SaaS Monthly Revenue per Unit demonstrate continued execution against strategy
- Asset retention rate of 95%
- EROAD remains in a strong financial position and continues to focus on anticipated organic and inorganic growth

EROAD is pleased to have delivered another period of strong growth in all key metrics, while also advancing its strategy to invest for the future.

Revenue increased by 32% to \$81.2m, up from \$61.4m in the prior financial year. Average SaaS Monthly Revenue per Unit (ARPU) increased to \$58.38 per month from \$55.08 and Future Contracted Income increased by 14% to \$134.4m from \$117.4m.

Chief Executive, Steven Newman said: "EROAD delivered an EBITDA margin of 33% and a Profit before tax of \$1.4m demonstrating our increasing scale and improving operating leverage. The quality of our products, the continued investment in research development and the quality of our customer service is reflected in strong growth in contracted units of 21%, loyal customers with a 95% asset retention rate and a rise in Average SaaS Monthly Revenue per Unit of 6%".

New Zealand

The New Zealand business delivered a strong performance, demonstrating continuing growth potential. Revenue increased by 21% to \$53.4m from \$44.2m and EBITDA increased by 25% to \$34.9m from \$27.9m in the comparable period. The New Zealand business ended the year with 80,366 units, adding 10,256 contracted units during the year, to achieve an annual growth rate of 15% through expansion into existing customer fleets, combined with a solid underlying new customer run rate.

North America

Strong enterprise sales growth in the North American market resulted in a significant increase in revenue of 62% to \$24.8m from \$15.3m and delivered an EBITDA increase to \$7.5m from \$0.4m. The North American business added 9,342 contracted units, to deliver a growth rate of 38%, reflecting the on-boarding of two enterprise customers in the first half of the year. Work is underway to improve the small-to-medium businesses run-rate, with a number of planned product and service launches expected to help build the growth momentum in this segment over the next year.



Australia

The Australian business is a relatively new market for EROAD. While the company is continuing to build brand presence, a promising enterprise pipeline is already evident. During the year the Australian business added 784 contracted units, reflecting growth in the small-to-medium business segment, to deliver growth of 59%. This growth rate is expected to accelerate in FY21 through the Enterprise customer segment. Revenue remained relatively flat at \$0.7m from \$0.6m, while EBITDA was \$(1.3)m, as EROAD continued to invest in sales and marketing activity in this new market to support future growth.

Continuing to invest in Research and Development

EROAD invested \$15.6m or 19% of revenue in research and development, in line with expectations. As a result, the company launched seven new SaaS products and enhancements including the innovative asset tracking system EROAD Where. The company also invested \$6.9m to implement new business systems that have enabled it to scale up to deliver future growth while also ensuring that EROAD's operating efficiency can support its growth ambitions.

Operating effectively during COVID-19 Crisis

EROAD's global business continuity plan has ensured the company has been able to operate effectively throughout the period of disruption caused by COVID-19. During this time, EROAD's employees, products and services have continued to support the supply chain and business activities of our customers. Many of EROAD's customers provide essential services that kept the New Zealand, North American and Australian economies running, despite the operating restrictions implemented to stop the spread of COVID-19.

EROAD remains well positioned

Despite economic uncertainty across all our markets, EROAD remains well positioned for FY21 reflecting its strong customer value proposition, future contracted income and diverse customer base across regions, business size and industry. While uncertainty results in longer sales lead-times EROAD remains confident in continued unit growth across all three markets, albeit it is likely to be lower than delivered in FY20 and previously anticipated for FY21. EROAD continues to monitor economic conditions and their impact on debtor collectability and asset retention rates. EROAD will continue to focus on growing Monthly SaaS Average Revenue per Unit and investing to improve operating leverage.

EROAD's Board remains confident and ambitious about the company's future prospects. EROAD's cashflow, combined with the recently announced refinancing will be deployed to support organic growth opportunities. EROAD remains committed to seeking growth opportunities to deliver its long-term strategy. Any medium to large opportunities, including acquisitions, will be equity funded.

In October 2019 EROAD announced it was considering seeking an ASX Foreign Exempt Listing, in addition to its NZX listing, to facilitate greater access to capital, and provide alignment with the company's business operations and investor base. The Board is still evaluating this opportunity, in light of the evolving COVID-19 situation, and will provide an update during the second quarter of this financial year.



EROAD Chairman Graham Stuart said: “We are living in unprecedented times, and a great many things have changed throughout the world. However, our passion and energy for solving our customers’ problems and the growth opportunities that presents, remain the same. With the investment we continue to make in our markets, services and people, we are well placed to support sustained future growth.”

Conference Call details:

EROAD’s Chief Executive Officer, Steven Newman and Chief Financial Officer, Alex Ball will give a presentation on the company's financial and operational performance for FY20 via a teleconference commencing at 10.30am NZST today.

Participants can register for the conference call by navigating to <https://s1.conf.com/diamondpass/10007583-invite.html> and will receive dial in details upon registration.

An audio replay and transcript of the conference call will be available once it has been uploaded to the EROAD website. Those will be found under ‘presentations’ on Eroad.co.nz/investors.
Ends

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Non-GAAP Measures

EROAD has used non-GAAP measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. Non-GAAP measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by EROAD in accordance with NZ IFRS. The Non-GAAP measures EROAD have used are Annualised Monthly Recurring Revenue (AMRR), Costs to Acquire Customers (CAC), Costs to Service & Support (CTS), EBITDA, EBITDA margin, Free Cash Flow and Future Contracted Income (FCI) The definitions of these can be found on pages 135 and 136 of the Annual Report. All numbers relate to the twelve months ended 31 March 2020 and comparisons relate to the twelve months ended 31 March 2019. All dollar amounts are in NZD.