



24 April 2017

Media statement

EROAD delivers steady unit growth and signals result

Transport technology services company EROAD today released its quarterly update on unit sales numbers showing steady growth, but says it is likely to post, for its full financial year, a loss larger than the prior year. The loss is primarily due to the investment in the US and a decision to change the accounting estimate relating to amortisation of development costs.

Unit sales growth

Unit sales continue to grow steadily, strongly in New Zealand and Australia and more modestly in the US, as anticipated:

	Total at Mar-16	Total at Mar-17	Units added in year	% <i>Growth in year</i>
Total Contracted Units*	36,953	48,041	11,088	30%
Established Market (Australia/New Zealand)	32,452	41,939	9,487	29%
Commercial Market (US)	4,501	6,102	1,601	36%

*Total Contracted Units is a non GAAP-measure used by EROAD which represents the total units subject to a customer contract and includes both Units on Depot and units pending instalment.

Total Contracted Units grew by 11,088 units for the year to 31 March 2017 (last year 11,091), broadly in line with expectations. EROAD's sales pipeline for FY18 is very healthy in both the New Zealand/Australia and US markets with more than 6,168 unit commitments already received from customers to be delivered across FY18.

Expected result for the year

The company now anticipates it will report a net loss before tax for the year of between \$5.5 million and \$6.5 million. Changes to accounting estimates will contribute



approximately \$1.5 million to the loss, with significant investment in the US positioning for the ELD market opportunities contributing the majority of the balance. Earnings before interest income and expense, taxation, depreciation, amortisation "EBITDA", is expected to be between \$6.0 million to \$7.0 million for the year. The difference between EBITDA and the projected net loss primarily arises because the positive operating cash contribution from our New Zealand business, exceeds the US loss, and non-cash amortisation and depreciation expenses for the year.

EROAD's intangible asset amortisation method and profile is reviewed annually. The Board has agreed with recommended changes to the profile and method of amortisation of intangibles, which better align to EROAD's business model. The change will see EROAD amortise development costs on a straight line basis. The change from an upfront amortisation charge per unit, to a monthly straight line charge better reflects the leasing and subscription nature of our business. These changes in method are non-cash expenses that would have an impact on the full year result, but not on cashflow.

Subject to audit clearance, this will result in higher amortisation charges to the P&L in FY17, and subsequent years.

In the US, sales growth continued to be modest, as anticipated, as the business built its sales and marketing capability and engaged in extensive market research in advance of going to market with our in-cab, hardware-based Electronic Logging Device (ELD). As previously announced, in early March 2017, EROAD's device was the first on the US government register to offer permanent in-cab hardware as part of a comprehensive solution for ELD. The investment in preparing to capture opportunities from the ELD market in FY18 has contributed the majority of the larger loss in FY17 of approximately \$5 million. The US recorded orders of 377 units in the month of March. This shows early signs of interest in our ELD offerings.

EROAD will report its full year result on 30 May 2017.



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About EROAD

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

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