

EROAD

Investor Briefing
Year ended 31 March 2018



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EROAD

Annual Results

Friday 18th May

Annual Report

Friday 18th May

Annual Meeting

Thursday 2nd August

Business Update



Highlights

EROAD Group Performance

Total Contracted
Units Growth

29,559

+61.5%

Revenue

+57%

\$51.5 m

Future Contracted
Income

+55%

\$92.8 m



EROAD

EBITDA

+113%

\$15.0 m



Strong unit sales growth resulting in improved revenue, EBITDA and net profit for FY18

	Actual	Last Year	%change
Revenue (\$000's)	51,524	32,764	57%
EBITDA (\$000's)	15,010	7,056	113%
EBITDA margin	29%	22%	8%
Net Profit/(Loss) After Tax (\$000's)	210	(5,274)	N/A
Total Contracted Units*	77,600	48,041	62%
Future Contracted Income (FCI) (\$000's)	92,756	59,943	55%
Retention Rate	98%	99%	-1%

**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 installation.*

Achievements and key events

AUSTRALIA & NEW ZEALAND

ACHIEVED
4 RECORD
SALES
QUARTERS

**INTRODUCED
CHARGING FOR
NEW FEATURES**

*Such as **Inspect** and
Speed on Box*

EROAD COLLECTS

81%

**of all Heavy Vehicle
eRUC in New Zealand**

\$1.9b

**In RUC
collected since
services
commenced**

ELECTRONIC RUC HIT

50%

**of all Heavy Vehicle
RUC in New Zealand**



In FY18, EROAD launched a number of new products and features in NZ

- This includes SafeDriver product suite, including speed on a box (customer testimonial on the attached link: <https://vimeo.com/238500599/1be6b332c8>) and [Driver Login Monitor](#) and [Fleet Utilisation Dashboard](#).
- Vehicle Inspect - We added Defect Management to vehicle inspections, so you can find everything that's failed in seconds, not hours.
- Giving drivers more
 - See existing defects when inspecting a vehicle
 - Real-time status of previously reported defects
- Inspect and Depot work hand in hand
 - Capture defects with configurable templates
 - Real-time display on the Defect Board, ready for you to take action
 - Available on iOS and Android
- The launch provided automatic upgrades for major enterprise customers and incremental revenue for other customers.

EROAD helps empower drivers to coach themselves



GREEN IS GOOD

Your displayed speed will show green as long as you're within the posted speed limit...



AMBER IS A REMINDER

...when you exceed the posted speed limit, your display turns amber...



RED IS A WARNING

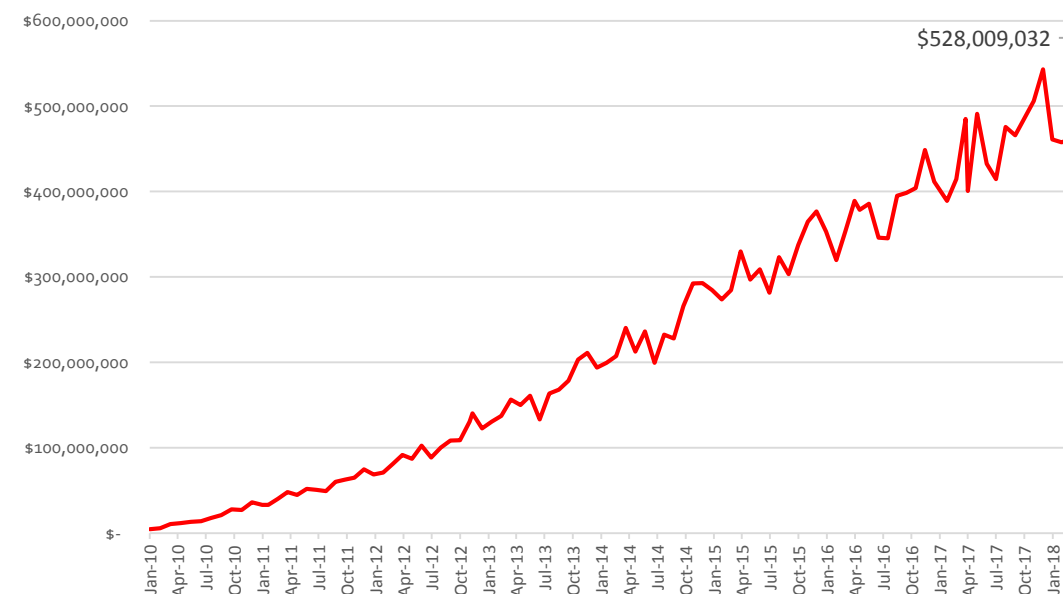
...when the display turns red, that's immediate feedback that helps keep drivers safe and your business moving forward.





- Total Contracted units increased to **59,843**
- Annualised RUC Collection had increased to **\$558 million** vs \$445 million in FY17
- Collected over **\$1.9 billion** of RUC since 2010
- Grew share of heavy vehicle RUC collected, growing from **38%** in March 2017 to **42%** in March 2018
- Continued to secure and expand our relationships with some of New Zealand's largest fleet operators including Downer, Waste Management, Fulton Hogan, all where Health and Safety are critical
- Continued to expand in commercial light vehicle fleets, an addressable opportunity of over **500,000** vehicles in New Zealand
- Maintained rentals at over **90%** of total units
- Strong pipeline of contracts and demand from both heavy and light fleets to support strong growth in FY19

EROAD ANNUALISED HT RUC COLLECTION



Achievements and key events

NORTH AMERICA

ACHIEVED

2 RECORD
SALES
QUARTERS

#3

RANKED ELD

out of 26 by
ELDratings.com

**ELD Legal
Challenge**

REJECTED

*ELD mandate effective
from December 2017*



EROAD's ELD

received unqualified
independent
verification from

PIT GROUP

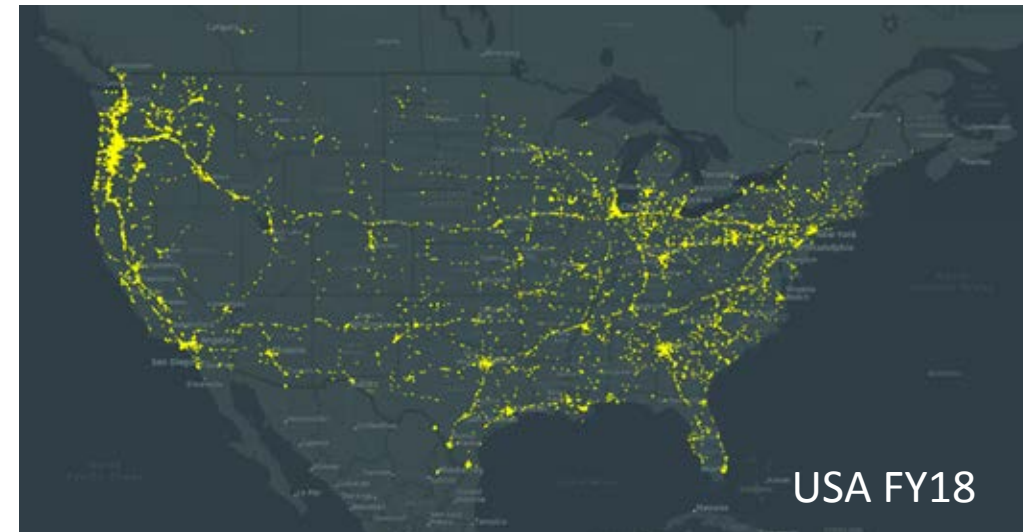
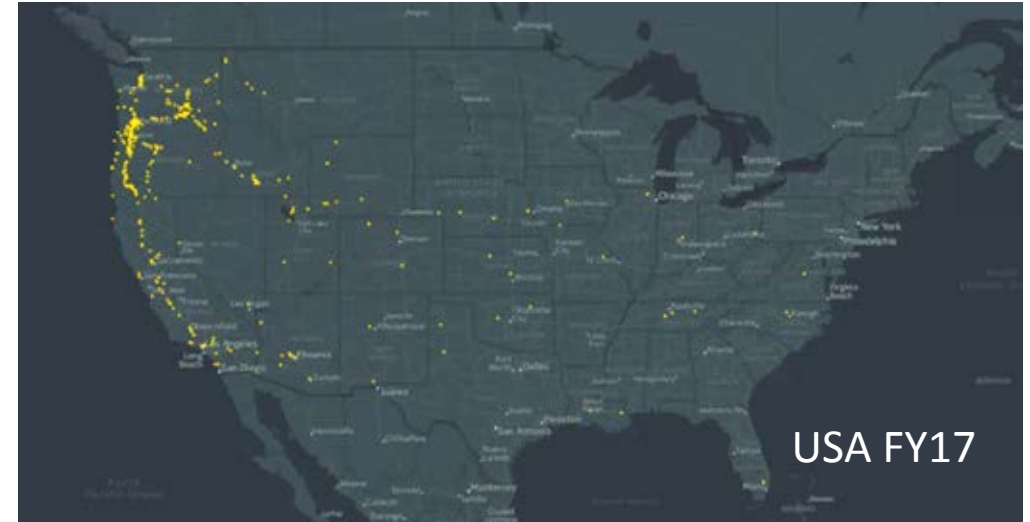


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North America

Market Summary

- Unit growth up **191%** or **11,655** units as adoption of the ELD mandate on December 18, 2017.
- Total Contracted units increased to **17,757**
- ELDratings.com number 3 ranking, highest customer satisfaction rating at 5/5
- Drivers for customer adoption of EROAD include:
 1. EROAD's reputation with regulators and trucking associations
 2. Ease of use and ability to train driver's quickly
 3. Confidence in the up time and accuracy of EROAD's offerings
- Hardware rentals at **83%** of unit sales for the year
- EROAD's focus on growth in the US continues, with EROAD increasing sales and market presence, appointing FNZC to assist with a strategic review of options to boost growth.
- Federal funding continues to be utilised by US states to evaluate road user charges to address States' road funding deficits arising from the use of fuel tax for road funding. WMT trial in California now completed, i95 corridor multi state trial to commence in 2018.



North America

The ELD landscape has evolved



PRE DEADLINE

- Late adopters
- Price key rather than value
- Compliance focused users
- Focused on being compliant by deadline

DEADLINE (Dec '17)

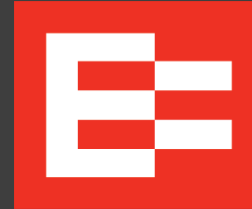
- Final rule compliance date:
 - *18 December 2017 (excluding AOBRDs)*
- Enforcement deadline:
 - *1 April 2018 (excluding AOBRDs)*

POST DEADLINE

- Buyers remorse
- In cab vs tablet functionality, complexity, compliance
- Return to value focus
- Value selling over price and simple compliance
- Intra-state adoption
- AOBRD users must transition to ELD by 18 December 2019

Achievements and key events

CORPORATE AND R&D



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Outsourced Manufacturing

*From May 2018 Ehubos
will be manufactured in
Asia by global contract
manufacturer*

CONTINUED PRODUCT ENHANCEMENT

> 500

**Improvements
launched**

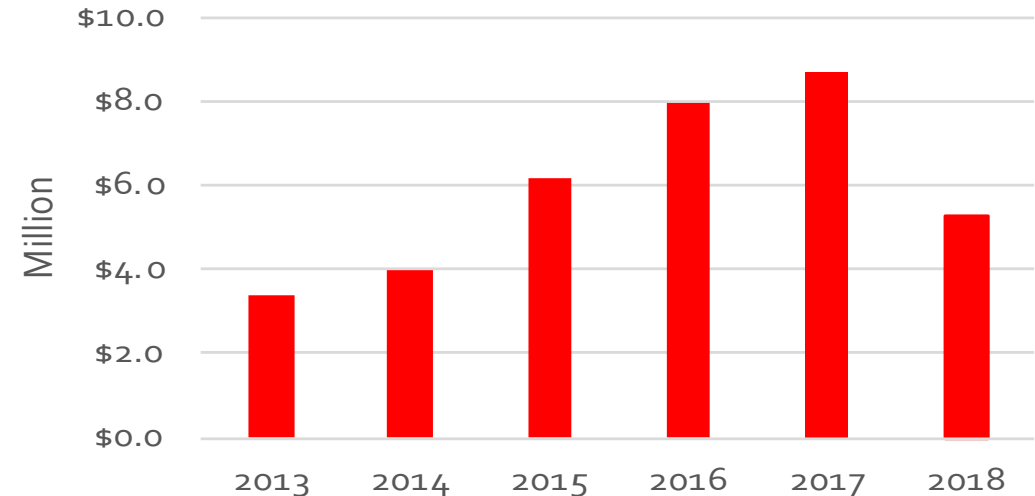
NEW MULTI-OPTION CREDIT FACILITY SECURED

*Put in place
July 2017 and
revised in
December 2017*

Research and Development

- **USA**
 - **Stage 1 McLeod integration**
 - **Inspect on the Ehubo 2 + Inspect Defect Board**
 - **ELD functionality for pre-2000 vehicles**
 - **Continued ELD enhancements and functionality**
 - **Hours of Service reporting and APIs**
 - **California WMT pilot**
- **APAC**
 - **Action Centre for RUC management**
 - **Inspect mobile application + Inspect Defect Board**
 - **Light vehicle safety awards**
 - **Speed on the box**
 - **Driver login monitor**
- **Analytics**
 - **Driver Login Monitor - A tool for fleet managers to check if their drivers are logging in to the Ehubo**
 - **Utilisation Dashboard - A tool to determine if vehicles are being under utilised**
 - **Oregon State University - A Framework to Evaluate Causes and Effects of Truck Driver at Fault Crashes in Oregon**
- **Expensed a further \$4.5 million of R&D directly to the Income Statement (FY17 \$4.0 million)**
- **Received Callaghan R&D growth funding of \$0.9 million**

R&D Capitalised



New debt facilities put in place to ensure capacity to fund unit growth

- During HY18, EROAD secured a new credit facility with the BNZ totalling \$33.4 million, which was first drawn in July 2017
- In December 2017, EROAD signed an amended and restated credit facility to further extend its facilities by approximately \$16 million (\$14 million of growth facility and \$2 million of overdraft), to support expected increases in the sales pipeline
- The subsequent facility is used primarily to provide growth funding for the financing of new units leased to customers in New Zealand, Australia and North America and is drawn down in accordance with the execution of new rental contracts
- The subsequent facility has a revised expiry date of 1 April 2019
- Covenants and funding rates are in line with the previous agreement, however margins have increased by 25 bps across all facilities – an umbrella limit of \$35 million also applies

NEW DEBT FACILITIES

- **Term Debt:** \$9.5 million amortising over 30 months, repaid quarterly
- **Second Term Debt Facility representing Capped Committed Cash Advance Facility¹:** approximately \$12.5 million, amortising over 33 months
- **Committed Cash Advance Facility¹:** \$21 million to fund unit growth, amortising over 36 months
- **Overdraft Facility:** \$5 million (increased from \$3 million)

NEW MULTI-OPTION CREDIT FACILITY SECURED

*Put in place
July 2017
Revised in
December 2017*

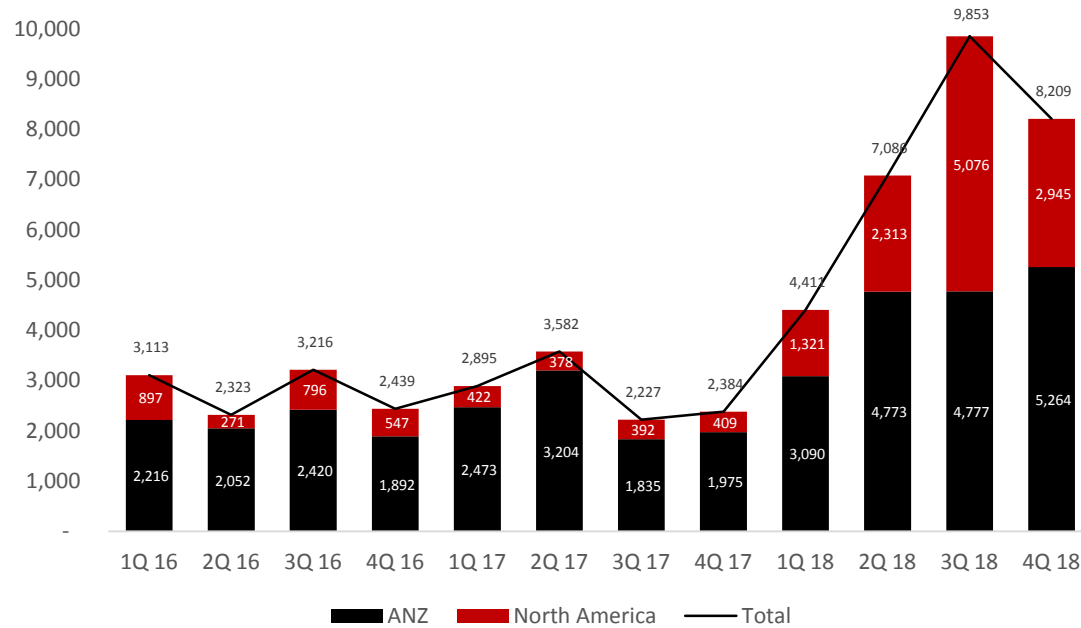
¹ Facilities are in local currencies and to local market rates

Performance

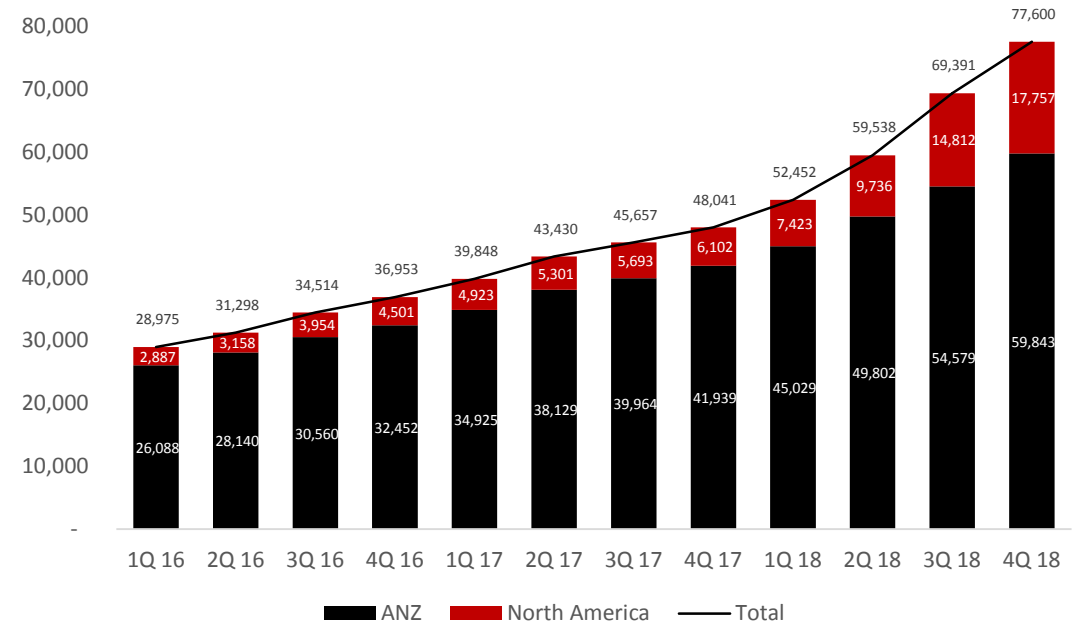


Unit Sales – 61.5% Growth

**NET NEW CONTRACTED UNITS
(UNIT SALES PER QUARTER, NORTH AMERICA AND ANZ)**



**TOTAL CONTRACTED UNITS
(NORTH AMERICA AND ANZ)**



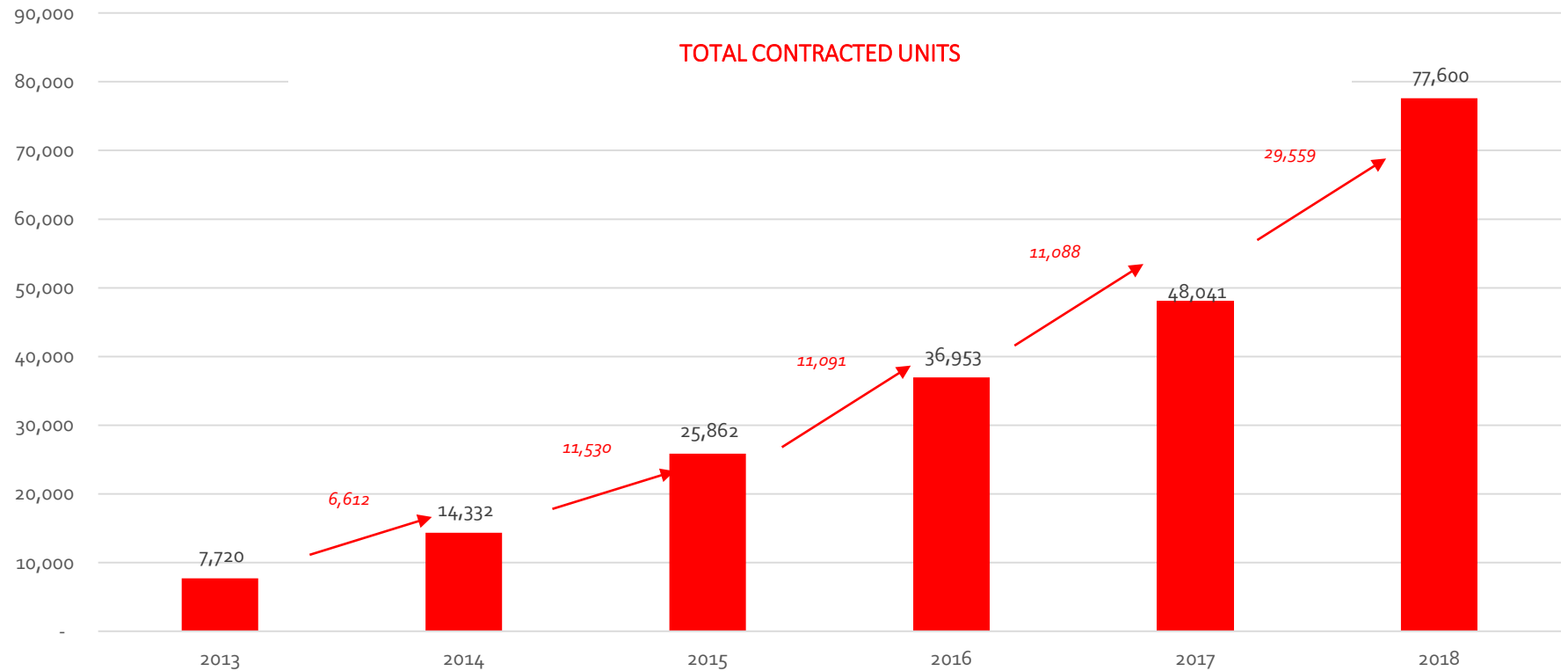
- Unit Growth in ANZ for FY18 17,904 units up 42.7% and compares to FY17 growth of 9,487 units
- Unit Growth in NA for FY18 11,655 units up 191.0% and compares to FY17 growth of 1,601 units
- Average monthly recurring revenue per unit for FY18 is approximately \$53 per unit, driven by factors including: customers upgrading to EHUBO2 (second generation units); customers upgrading service plans; continued penetration into lighter vehicles; and increasing number of contracts up for renewal



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Unit Sales – 61.5% Growth

Total Contracted Units* (TCU)



**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 installation.*

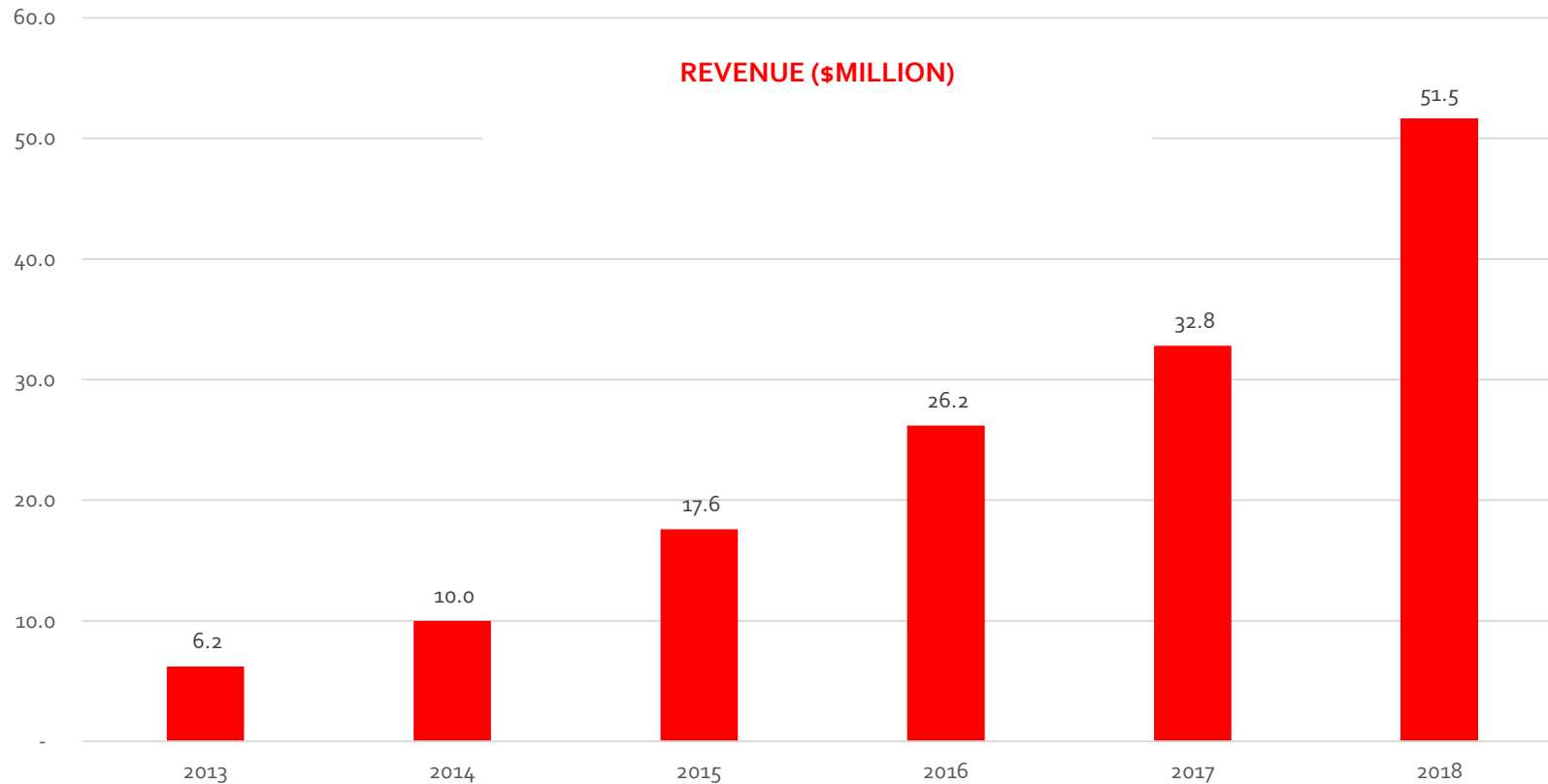


Revenue growth

Driven by unit sales

From FY17 to FY18, revenue increased by \$18.7m (57%), predominantly driven by:

- Increases in total contracted units and recognition of a full year of revenue for units sold partway through the prior period
- Increase in Finance leases \$5.0 million



Recurring revenue per unit

Mix shift to lighter vehicles resulted in small decline



Recurring revenue¹ per unit fell from \$55 to \$53 over the prior year driven by:

DOWNWARD DRIVERS

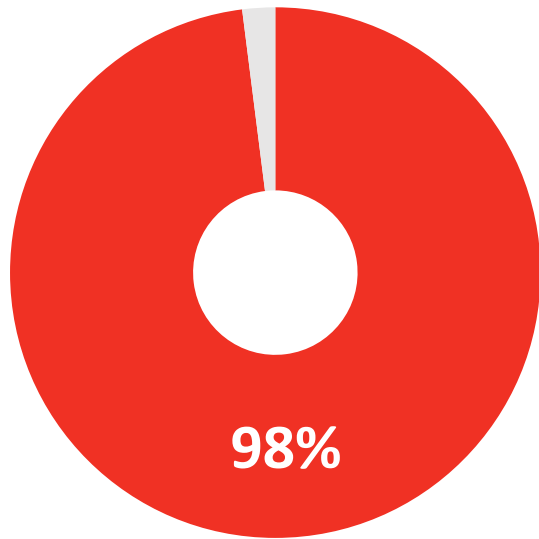
- Continued penetration into lighter vehicles
- Lower RUC transaction fees for lighter vehicles
- Increasing number of contracts up for renewal
- Large enterprise customer and partner contracts
- Increased number of Finance Leases

UPWARD DRIVERS

- Customers upgrading service plans
- Customers upgrading to Ehubo2 from Ehubo1
- North America is an Ehubo2 only market
- Customers subscribing to the newly launched features –Inspect and Speed on box

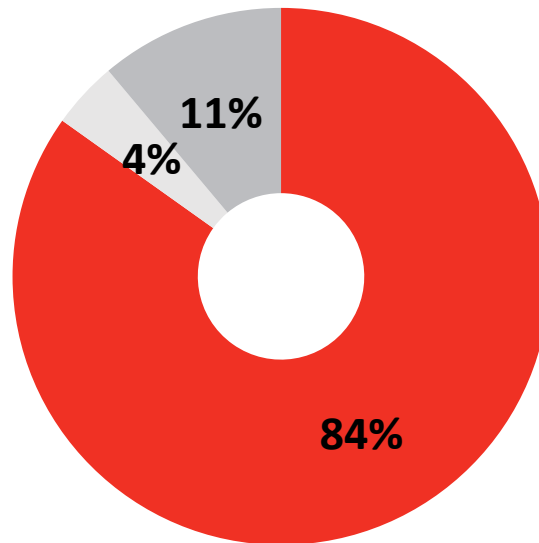
¹ For a full description of recurring revenue see the Appendix to this presentation

HIGH CUSTOMER RETENTION RATE



Retention rate remains high at **98%**

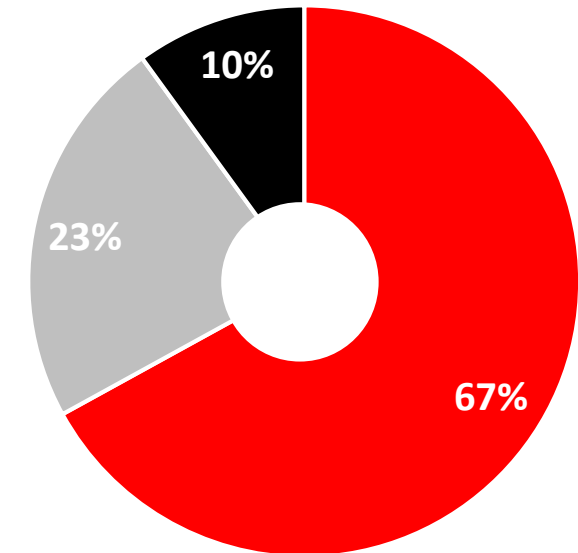
POSITIVE PRODUCT MIX



Product mix shifted toward Ehubos (**70%** last year) due to:

- North America (which is an Ehubo2 market) continuing to grow
- Large enterprise customers seeking the full range of Health and Safety features only available on Ehubo2

RENTAL VERSUS SALES (NEW SALES FY18)

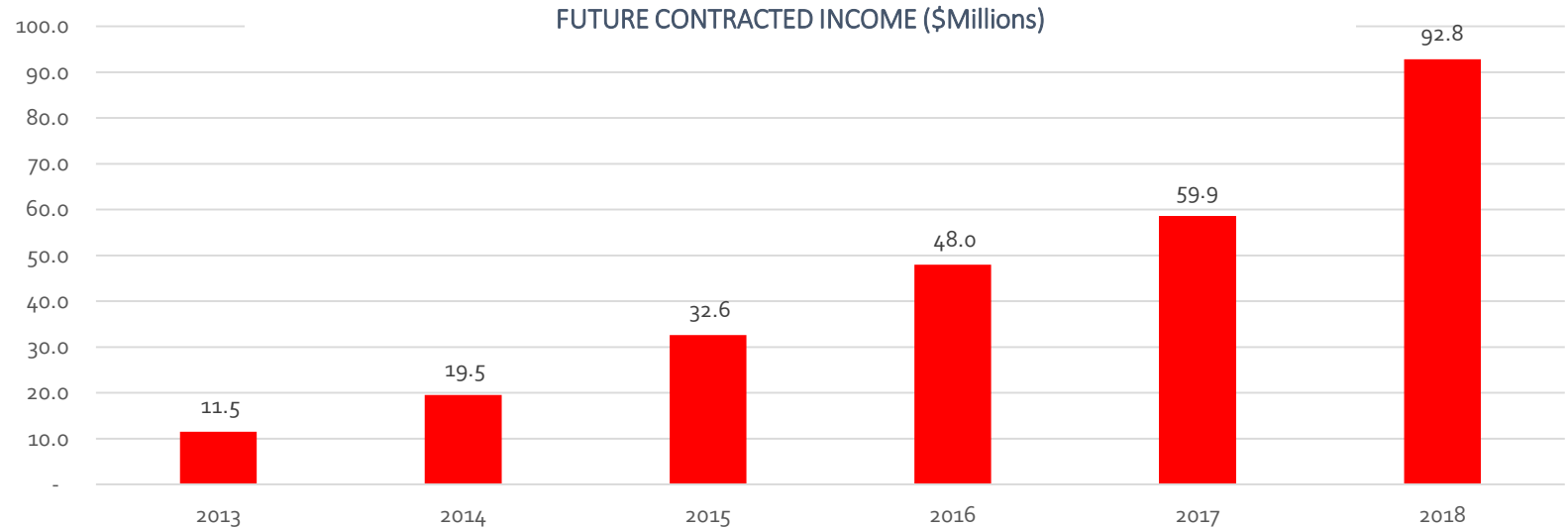


Rented units continue to be the dominant model for our customers with just 10% of units sold outright

Future Contracted Income (NZ\$m)

**FCI grew to
\$92.8 m
(55%)**

driven by high number of contracts for renewal, a high renewal rate and strong sales growth



Future Contracted Income is a non-GAAP measure which represents future hardware and SaaS cash inflows relating to income under non-cancellable long-term rental agreements. Note that this definition has changed from the previous period in order to include the future cash flows from finance leases, where the revenue has been recognised in advance of cash flows.

EBITDA grew to \$15.0 m

driven by high number of new contracts, a high renewal rate and strong sales growth

EBITDA

('000)	FY18	FY17	Movement
ANZ	24.2	17.1	7.1
North America	(1.4)	(3.9)	2.5
Corporate & Development	(5.3)	(5.9)	0.6
Elimination of inter-segment EBITDA	(2.5)	(0.2)	(2.3)
EBITDA	15.0	7.1	7.9
<i>EBITDA MARGIN</i>	29%	22%	7%

KEY POINTS

ANZ

1. Continued strong growth in both heavy and light vehicle fleets
2. Small reduction in monthly recurring revenue per unit
3. Retention remained strong
4. Grew penetration in larger fleets

North America

1. Strong growth in unit sales of back of ELD mandate
2. Maintained monthly recurring revenue per unit
3. Invested in sales and support staff
4. Reviewing strategic options

Corporate & Development

1. Reduced combined spend on R&D by approximately \$2.8m
2. One off costs for reorganization and professional fees \$1.9m
3. Released over 500 features and enhancements
4. Moved manufacturing to contract manufacturing reducing cost per unit

Total Assets grew to \$112.8 m

Primarily driven by increased working capital, high number of new contracts and capital raise

	Fy18 \$m	FY17 \$m	Movement \$m
Cash	21.9	0.9	21.0
Restricted bank account	9.2	9.2	(0.0)
Other (incl. Trade receivables)	15.2	8.6	6.6
Current Assets	46.3	18.7	27.6
Plant and Equipment (incl. leased assets)	28.3	23.8	4.5
Intangibles	29.9	28.7	1.2
Other	8.3	1.9	6.4
Fixed Assets	66.5	54.4	12.1
Total Assets	112.8	73.1	39.7
Payable to NZTA	9.1	9.2	(0.1)
Deferred Revenue	3.5	4.4	(0.9)
Borrowings	26.4	7.0	19.4
Other liabilities	6.6	6.9	(0.3)
Total Liabilities	45.6	27.5	18.1
Net Assets	67.2	45.5	21.7
Net Debt (net of cash)	4.5	6.1	(1.6)

KEY POINTS

- **Cash** – proceeds from capital raise has increased cash by \$20.8 million after fees, increased borrowings allowed funding of leased assets and utilisation of cash for operations.
- **Trade receivables** – increased significantly due to increased number of rental contracts it was also impacted by some teething problems, associated with growth and billing systems leading to some identified improvements with collections, these are being addressed with improved systems and resourcing.
- **Intangibles** – the increase in Development & Software capitalised of \$6.6 million offset in large part by amortisation of \$5.6 million.
- **Other assets** – primarily relates to finance lease receivables increases of \$3.4 million and deferred tax \$1.8 million.
- **Deferred Revenue** - down as a result of reduced use of external financing company, replaced by bank debt facility.



Operating Cash covered R&D spend in HY18

driven by cashflows from growth and reduced spend

Net cash inflow from operating activities	12 mths 31 Mar 18	6 mths 31 Mar 18	6 mths 30 Sep 17	12 mths 31 Mar 17
	2,006,594	1,961,612	44,982	6,628,278
add back interest cost	1,259,442	817,998	441,444	200,775
R&D and other intangibles spending	(6,833,083)	(2,567,283)	(4,265,800)	(9,385,454)
Funding Surplus/(Shortfall) for Operations and R&D	<u>(3,567,047)</u>	<u>212,327</u>	<u>(3,779,374)</u>	<u>(2,556,401)</u>
Source of Funding for Operations and R&D				
Funded by opening cash	(934,486)	-	(934,486)	(2,556,401)
Funded by debt	(2,844,888)	-	(2,844,888)	-
Funded by surplus	212,327	212,327	-	-
Total Funding	<u>(3,567,047)</u>	<u>212,327</u>	<u>(3,779,374)</u>	<u>(2,556,401)</u>
Cost of acquiring Assets for Lease and other Fixed Assets	(14,519,691)	(7,553,156)	(6,966,535)	(10,488,345)
deduct interest cost	(1,259,442)	(817,998)	(441,444)	(200,775)
Funding by opening cash	-	-	-	9,494,927
Funding by Debt	16,609,167	9,312,875	7,296,292	993,418
Funding Surplus/Shortfall	<u>830,034</u>	<u>941,721</u>	<u>(111,687)</u>	<u>(9,695,702)</u>
Issue of Equity	20,828,054	20,828,054	-	-
Closing Cash (net of overdrafts)	<u>21,870,415</u>	<u>21,982,102</u>	<u>(111,687)</u>	<u>934,486</u>

KEY POINTS

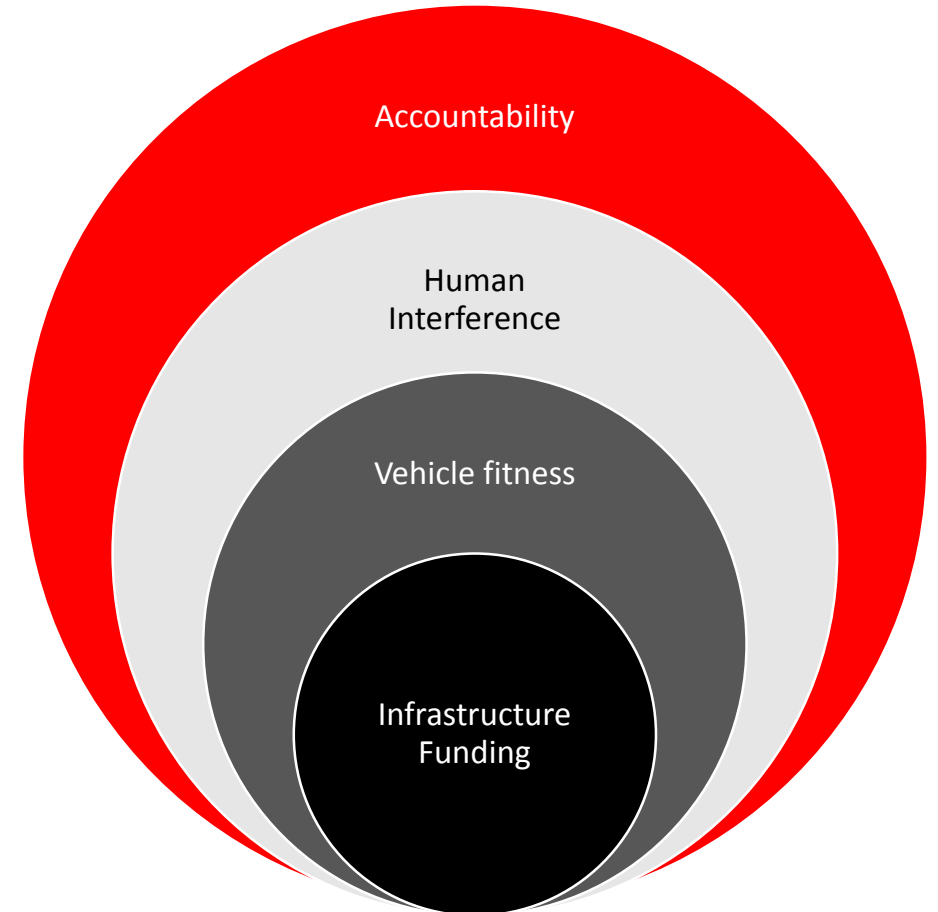
- **Cash** – proceeds from capital raise has increased cash by \$20.8 million after fees, increased borrowings allowed funding of leased assets and utilisation of cash for operations.
- **Cash utilisation** – In the last six months the cash from operations has been sufficient to fund our R&D and systems spend, a turnaround from prior years. This despite a significant increase in working capital particularly for funding Ehubo inventory and Trade receivables increased significantly due to the impact of some teething problems, associated with growth and billing systems leading to some identified improvements with collections, these are being addressed with improved systems and resourcing.

Outlook



- **Strong and profitable ANZ business with plenty of growth potential in the broader telematics industry.**
- **Growth in the ANZ business has been driven by increased penetration in light vehicle fleets and continued focus on health and safety.**
- **Credible beachhead in North America providing strategic options for future growth and development in this highly attractive market.**
- **Graduating from start up mode, generating cashflows capable of sustaining organic growth.**
- **While EROAD is the world leader in weight mile tax collection technology, it is also now a strong player in telematics. Moving from data capture to insight.**

Global Transportation Challenges



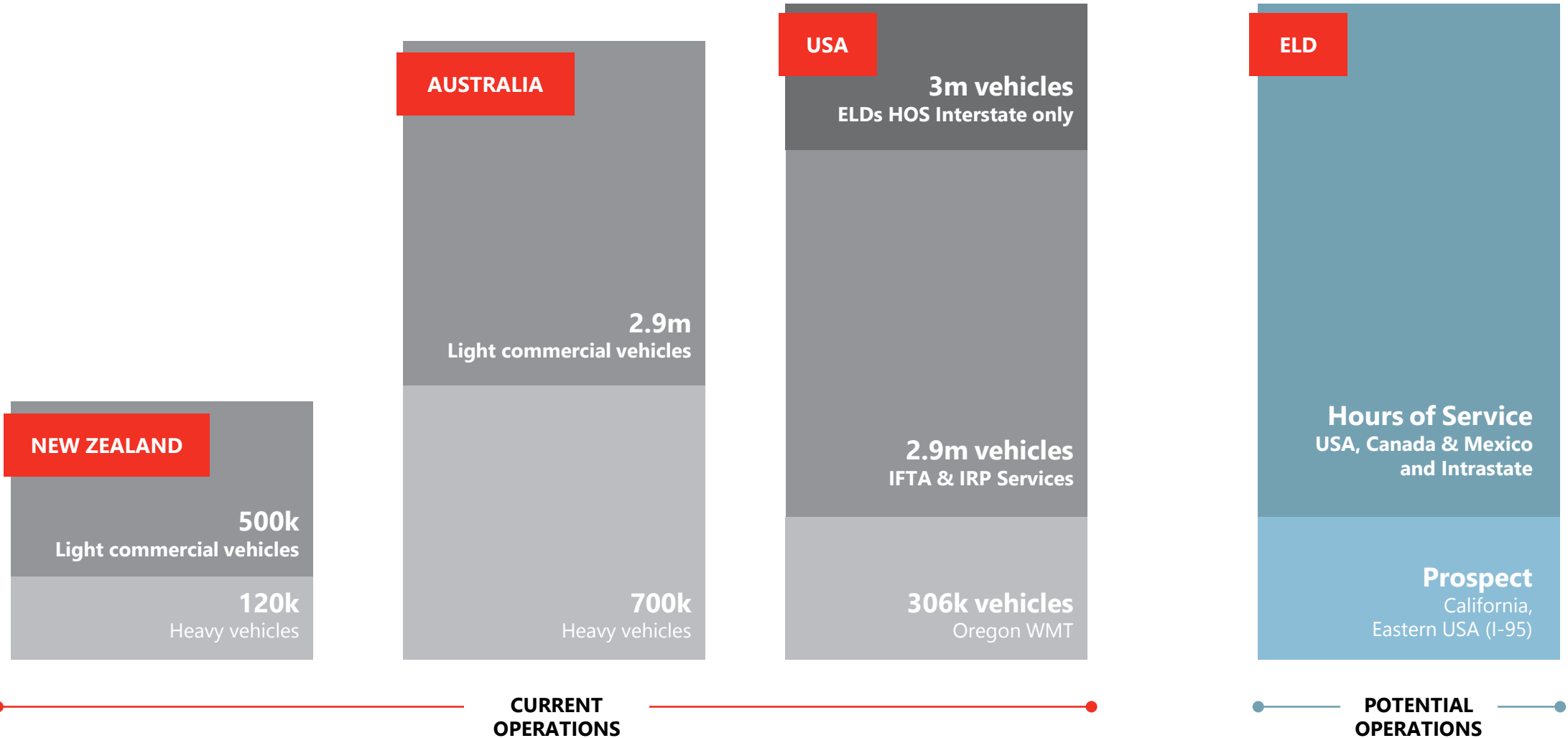


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Opportunity

LARGE TOTAL ADDRESSABLE MARKET IS AVAILABLE

Australia & New Zealand > Oregon > Northwest > North America





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Opportunity

EROAD is well established in ANZ

- In New Zealand EROAD now collects 42% of all heavy vehicle RUC with strong growth also being achieved in the light commercial vehicle segment
- EROAD's Australian business (operationally managed from New Zealand) provides commercial services primarily to trans-tasman customers

EROAD's focus has widened to North America as ELD, WMT and IFTA have opened large new opportunities

FY18 Total ANZ Units

**59,843 vs
41,939**

FY 18 Total North
American Units

**17,757 vs
6,102**



Opportunity

New Zealand

Continued strong growth driven by:

- Continued focus on health and safety
- Continued expansion in light vehicle fleets
- Improved systems and processes

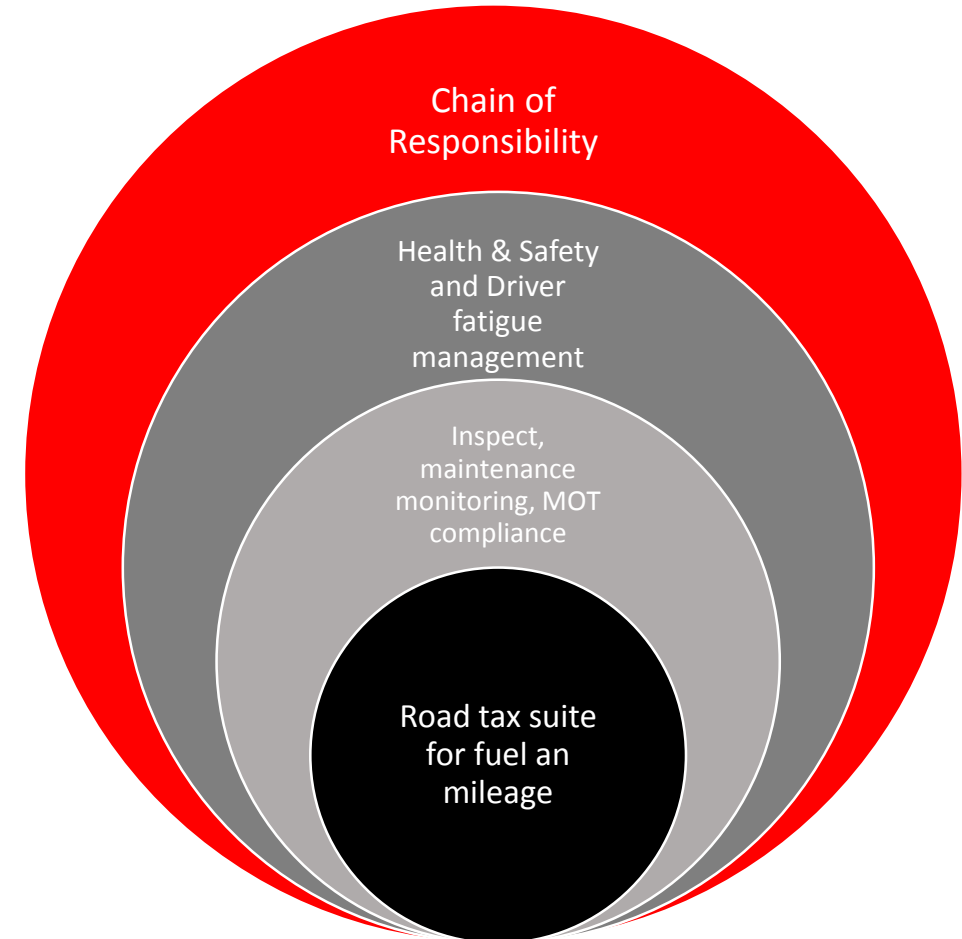
Australia

- Growth in Trans tasman fleet adoption
- Regulatory requirements such as chain of responsibility, driving adoption in Australia.

USA

- ELD market to further develop
 - Compliance enforcement
 - Buyer's remorse
 - AOB RD transition
 - Intra state adoption of ELD's
- Change in mindset from base ELD functionality to value adding solutions
- WMT pilot programs e.g. I-95

EROAD Regulatory Solutions





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Opportunity

I-95 Corridor



14 states + D.C.

Along the Corridor

2nd

Largest Economy in the World

\$4.7 Trillion
40% of US GDP

37%

Of America's population:
110 Million people

46

Major Seaports
\$172 Billion Imports
34% of U.S. total

Q & A



Appendix



Appendix – Statement of Income



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PERIOD END	FY2018	FY2017	FY2016	FY2015	FY2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Continuing operations					
Revenue	51,524	32,764	26,164	17,550	9,964
Expenses	(36,514)	(25,708)	(20,477)	(12,511)	(5,935)
Earnings before interest, taxation, depreciation and amortisation	15,010	7,056	5,687	5,039	4,029
Depreciation	(9,946)	(8,086)	(5,812)	(3,561)	(2,320)
Amortisation	(5,594)	(3,992)	(1,676)	(1,140)	(648)
Earnings before interest and taxation	(530)	(5,022)	(1,801)	338	1,061
Finance income	245	100	736	844	80
Finance expense	(1,259)	(336)	(245)	(86)	(122)
Net financing costs	(1,014)	(236)	491	758	(42)
Non-operatings costs				(2,023)	
Profit/(loss) before tax	(1,544)	(5,258)	(1,310)	(927)	1,019
Income tax (expense)/benefit	1,754	(16)	211	(294)	1,922
Profit/(loss) from continuing operations	210	(5,274)	(1,099)	(1,221)	2,941
Profit/(loss) after tax for the year attributable to the shareholders	210	(5,274)	(1,099)	(1,221)	2,941

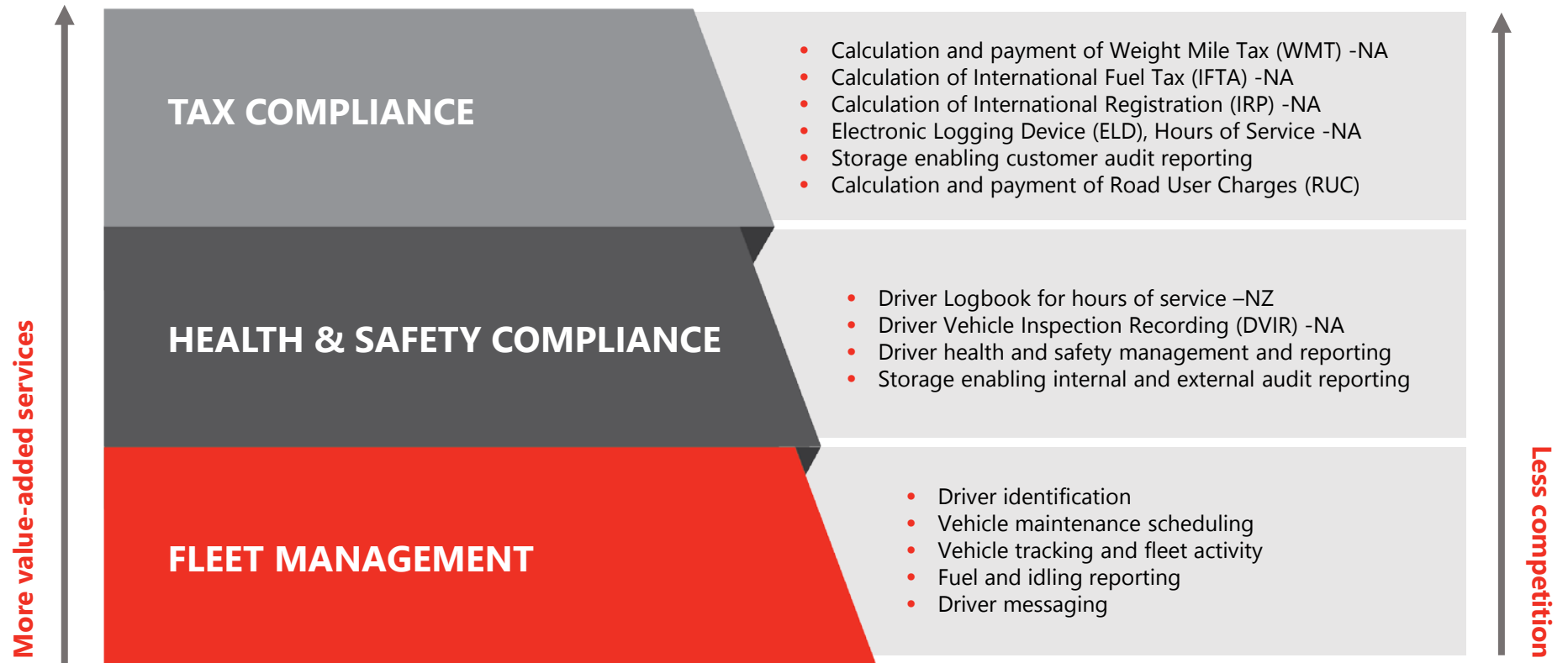


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Value proposition

EROAD differentiates via value adding compliance products

- EROAD's unique selling proposition comes from its tax compliance and health & safety solutions differentiating it from its fleet management focused peers
- Whilst growth in the ANZ business has historically been driven by EROAD's tax compliance solutions, health & safety compliance services (such as driver behaviour) are now as strong a driver of EROAD's sales in ANZ



1. Automatic On Board Recording Device (AOBRD)

AOBRDs are electronic devices that can be used to automatically record drivers' hours of service

2. Depot

EROAD's web-based platform that allows customers to manage (and pay) their RUC, WMT and fleet management services

3. Electronic Logging Device (ELD)

An electronic solution that synchronises with a vehicle engine to automatically record driving time and hours of service records.

4. Ehubo1 and Ehubo2

EROAD's first and second generation electronic distance recorder which replaces mechanical hubo-dometers. Ehubo is a trade mark registered in New Zealand

5. Driver Vehicle Inspection Report (DVIR)

A report created by a driver identifying defects and safety risks to a commercial vehicle

6. Heavy Vehicle

A truck, or a truck and trailer, weighing over:3.5 tonnes in New Zealand (required to pay RUC); 12 tonnes in Oregon (required to pay WMT); or4.5 tonnes in Australia

7. International Fuel Tax Agreement (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 licence to operate across multiple jurisdictions

8. International Registration Plan (IRP)

An agreement between all states (excluding Alaska, Hawaii and Washington D.C.) of the United States, and the Canadian provinces, for the registration of inter-jurisdictional vehicles. Registration fees are paid to a fleet's base jurisdiction, which then distributes them to other jurisdictions based on the miles travelled in each member jurisdiction

9. Units on Depot

The number of EROAD devices installed in vehicles and subject to a service contract with a customer

10. Units Pending Installation

The number of EROAD devices subject to a service contract with a customer but pending Installation

11. Total Contracted Units (TCU)

TCU is made up of Units on Depot plus Units Pending Installation

12. Future Contracted income (FCI)

A non-GAAP measure which represents future hardware and SaaS cash inflows relating to income under non-cancellable long-term rental agreements. Note that this definition has changed from the previous period in order to include the future cash flows from finance leases, where the revenue has been recognised in advance of cash flows.

13. Recurring Revenue

The revenue EROAD expects to receive in future months from existing Total Contracted Units from monthly charging of services, monthly hardware rentals and current monthly rates of transaction fees.

14. Retention Rate

The number of Units on Depot at the beginning of the 12 month period and retained on Depot at the end of the 12 month period, as a percentage of Units on Depot at the beginning of the 12 month period.

15. Road User Charges (RUC)

The number of Units on Depot at the beginning of the 12 month period and retained on Depot at the end of the 12 month period, as a percentage of Units on Depot at the beginning of the 12 month period.

16. 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 of the vehicle and the number of miles driven in Oregon, USA.

THANK YOU

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