
# EROAD (NZX: ERD ASX: ERD) Financial Results

For the six months ended 30 September 2022 (H1FY23)

25 November 2022

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## Coretex

The Coretex merger completed on 30 November 2021. All comparisons to H1 FY22 exclude Coretex.

## 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 are not subject to audit or review. Definitions can be found in the Glossary on page 40 of this presentation.

# Progress of strategic initiatives and strategy review focused on profitable growth

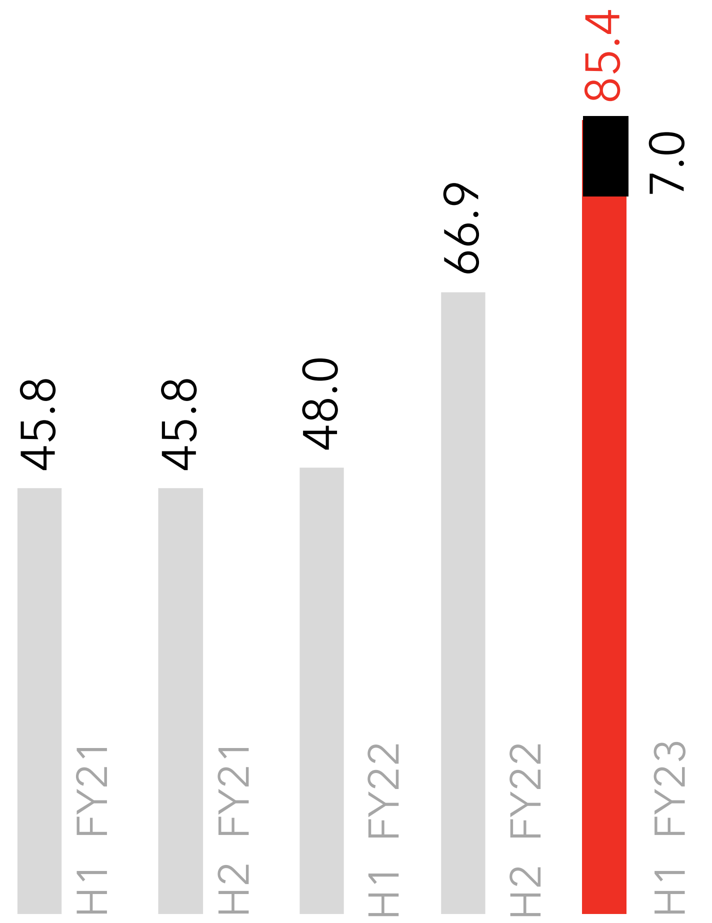
- Rationalisation of product suite underway which
  - increases the efficiency and velocity of EROAD's engineering teams
  - reduces R&D spend across platforms
- Cost cutting programme underway
  - benefit will be realised during H2 FY23 and beyond
  - further initiatives underway will continue to provide further opportunity for cost-out from FY24
- Operating cash flow improving
  - decreased integration and personnel costs
  - forecasted higher revenue
- New Zealand continues to deliver consistent strong growth with new and existing customers
- Proven the product market fit with the Coretex products by winning business against some of the strongest competitors in North America
- Pipeline of opportunities remains robust with 22 enterprise customers at the pilot stage across all the markets, representing some 32,300 contracted units
- Strategic review focused on profitable growth, with a broader range of commercial models being unlocked from the Coretex merger

# Operational Update

Mark Heine
Chief Executive Officer

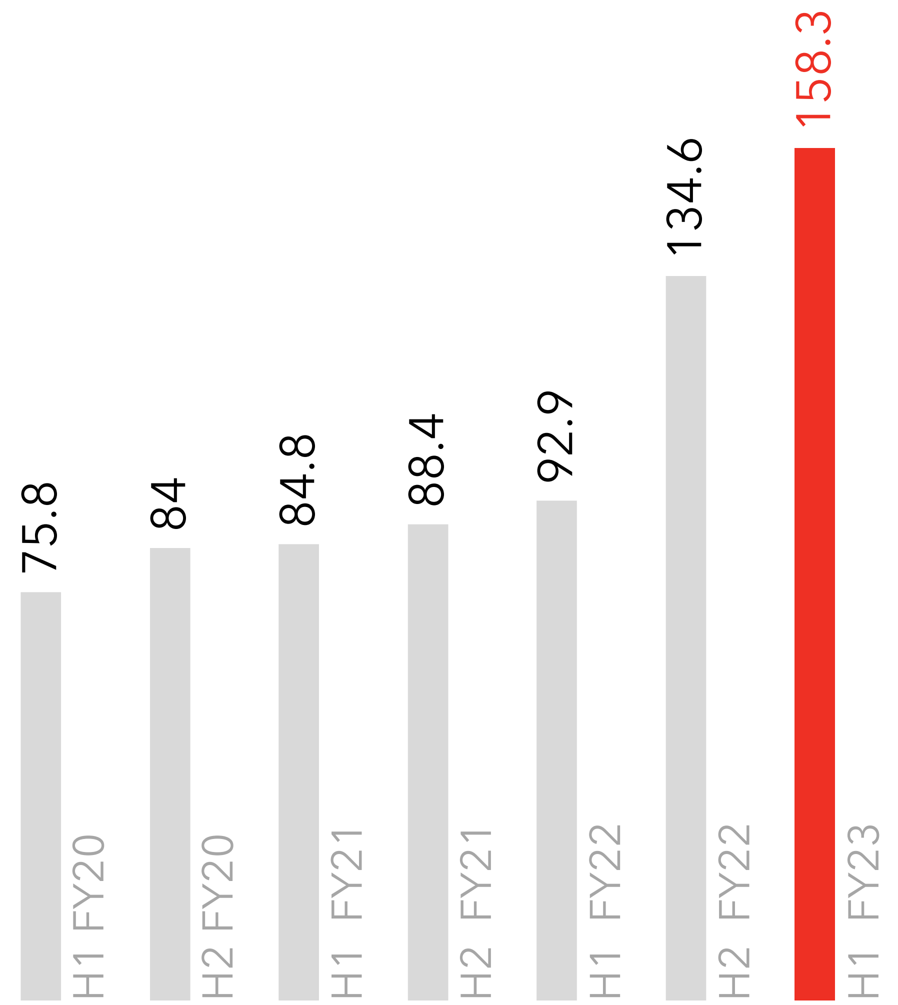
# Continued growth in Recurring Revenue

Revenue ($m)



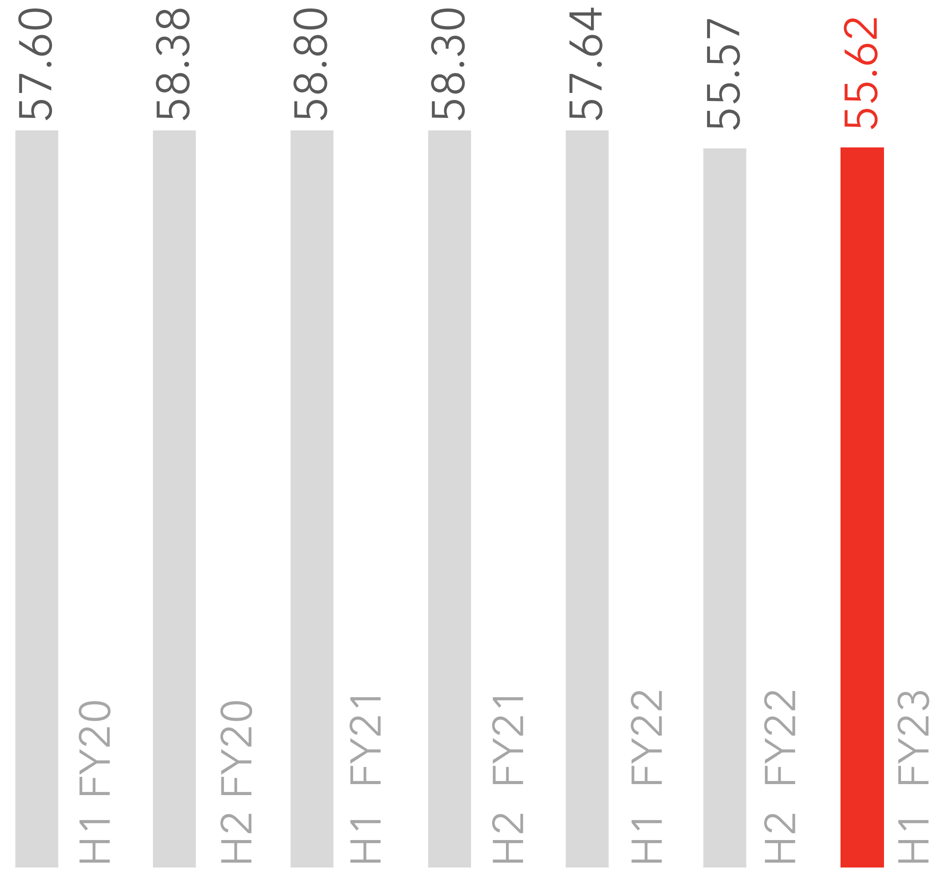

Revenue increased to $85.4m in H1 FY23 reflecting contribution from Coretex , $7.0m non-cash acquisition accounting and growth across all markets.

Annualised Monthly Recurring Revenue (AMRR) ($m)




AMRR, which provides a 12 month forward view of revenue, is up $23.7m (18%) from FY22 reflecting a stronger USD ($13.6m) and additional contracted units and sales of add-on products and services ($10.1m or 8%)

Average Revenue Per Unit (ARPU) ($)

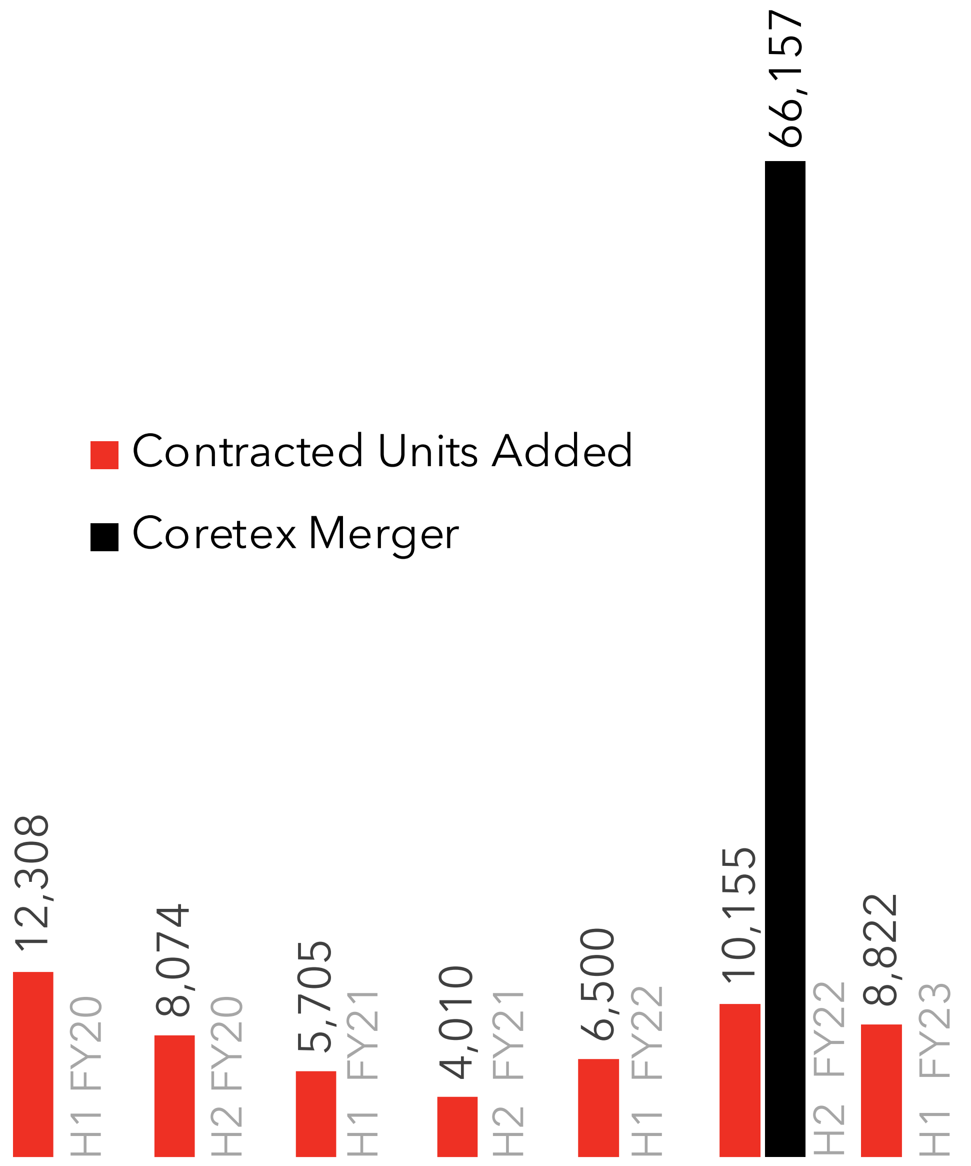



ARPU up from $55.57 in H2 FY22 to $55.62 on H1 FY22, reflecting a $2.34 FX benefit per unit and Coretex's up-front sales model.

1,019 customers added products or services to their plan (7,755 units) and 447 customers upgraded their plan (3,231 units).

# Contracted unit growth across all markets

## Contracted Units Added



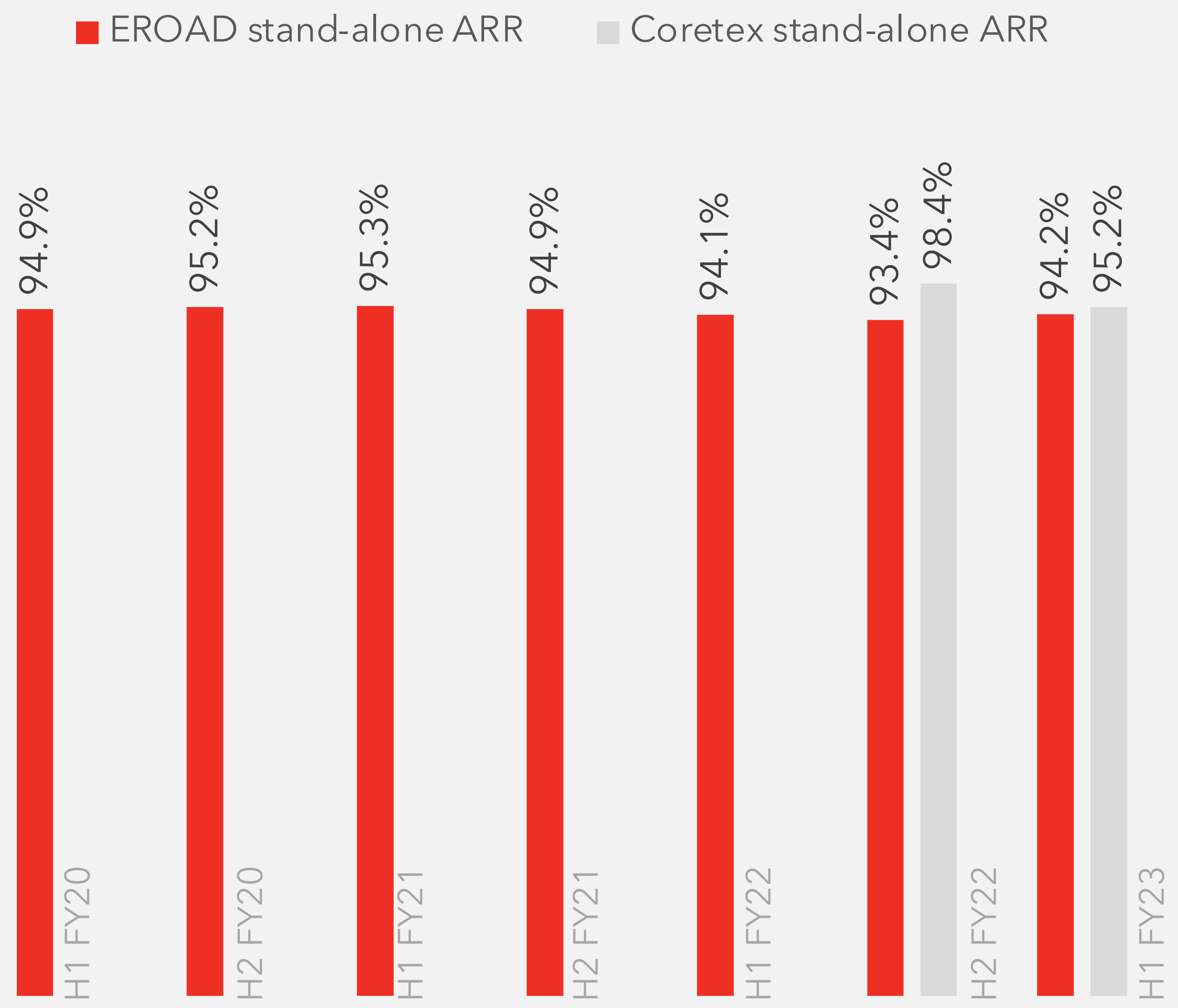

8,822 connected units added in H1 FY23.

- Continued steady strong growth in New Zealand
- North America experienced higher gross sales, offset by continued churn in small-to-medium Ehubo customers

## Contracted Units

| | 31 March 2022 | 30 Sept 2022 | Added in H1 FY23 |
|---|---|---|---|
| North America | 87,682 | 90,596 | +2,914 (+3%) |
| New Zealand | 106,916 | 112,280 | +5,364 (+5%) |
| Australia | 14,099 | 14,643 | +544 (+4%) |
| Total Contracted Units | 208,697 | 217,519 | +8,822 (+4%) |

# Continued High Asset Retention Rate




94.2%

EROAD stand-alone ARR

95.2%

Coretex 10-month ARR

- Asset Retention Rate is a 12 month metric so continue to report as stand-alone.
- EROAD stand-alone Asset Retention remains relatively stable at 94.2%.
- Coretex down slightly from 98.4% to 95.2% reflecting H2 FY22 was a 4 month retention rate, and H1 FY23 a 10 month retention rate.
- 918 customers renewed their contract over H1 FY23 (21,336 units) including ABC Supply for over 6,000 subscriptions.

# Growth through account expansion

## Selling Contracted Units to new and existing customers

| | |
|---|---|
| Ehubo (all versions) | +5,316 in H1 FY23 (H1 FY23: 135,453; FY22: 130,137) |
| CoreHub (all versions) | +2,234 in H1 FY23 (H1 FY23: 72,075; FY22: 69,841) |
| Clarity Solo | + 405 in H1 FY23 (H1 FY23: 723; FY22: 318) |

## Add on SaaS subscriptions (over and above EROAD subscription plan)

| | | | |
|---|---|---|---|
| Clarity Connect Dashcam | +1,524 in H1 FY23 (H1 FY23: 8,118; FY22: 6,594) | EROAD Analyst | 275 subscriptions in H1 FY23 (H1 FY23: 1,769 subscriptions; FY22: 1,494 subscriptions) |
| Logbook | + 1,288 in H1 FY23 (H1 FY23: 9,834; FY22: 8,546) | Philips Connect | +748 in H1 FY23 (H1 FY23: 2,302; FY22: 1,554) |
| Inspect | + 1,372 In H1 FY23 (H1 FY23: 14,681; FY22: 13,309) | Where and Mini Tags | + 3,090 in H1 FY23 (H1 FY23: 14,490; FY22: 11,400) |
| Enterprise Data Connector | + 5 enterprise accounts (H1 FY23: 12 : FY22: 7) | | |

+ 2,914

NA Contracted Units (+3%)

(H1 FY23: 90,596; FY22: 87,682)

US$36.18*

Monthly SaaS ARPU

(FY22: US$39.02)

176

NA Customers added products and services to their plan

(representing 704 units)

87.5%

EROAD Stand-alone NA Asset Retention Rate

(FY22: 84.2%)

95.9%

Coretex 10 month NA Asset Retention Rate



# North America

Beginning to demonstrate product market fit of CoreHub with improved gross sales and winning major Enterprise customer

- Contracted units increased by 2,914 since year-end reflecting (among other things):
  - gross sales of 7,572 contracted units (75% Corehub subscriptions), reflecting growth with existing customers
  - churn of 3,299 mainly reflecting small-to-medium Ehubo customers
- Five year agreement to supply CoreHub and SaaS solutions for over 9,000 trucks to Sysco with further growth opportunity. Roll-out solutions over the next 12 months.
- One of our largest enterprise customers, ABC Supply, renewed in August for over 6,000 subscriptions through to at least 2024.
- Expanding customer accounts through sale of additional products and services:
  - 156 Clarity Solo cameras sold, in addition to 386 Clarity Connected Dashcams (not included in unit numbers)
  - 748 Philips Connect solutions sold into market over H1 FY23

*In NZ$ North American ARPU fell from NZ$62.77 in H1 FY22 and NZ$56.38 in FY22 to NZ$57.25 in H1 FY23

+5,364

NZ Contracted Units (+5%)

(H1 FY23: 112,280; FY22: 106,916)

$55.50

NZ Monthly SaaS ARPU

(FY22: $56.45)

704

NZ customers added products and services to their plan

(representing 6,242 units)

96.5%

EROAD Stand-alone NZ Asset Retention Rate

(FY22: 97.3%)

88.5%

Coretex 10 month NZ Asset Retention Rate



# New Zealand

New Zealand continues to grow with new and existing customers

- Grew contracted units by 5,364 in H1 FY23 reflecting growth in both existing (approx 76%) and new customers (approx 24%)
- 804 customers renewed their plan (representing some 14,242 units)
- 704 customers added products and services to their plan (6,242 subscriptions)
  - Enterprise data connector increased revenue contribution with 5 Enterprise accounts adding a subscription in H1 FY23
  - H&S focus for customers supporting strong camera sales with 43 Clarity Solo cameras sold in H1 FY23, in addition to 1,104 Clarity Connected Dashcams (not included in unit numbers)
  - Sold 1,288 Logbook and 1,372 Inspect subscriptions throughout the year

+544

AU Contracted Units (+4%)

(H1 FY23: 14,643; FY22: 14,099)

AU$42.02*

AU Monthly SaaS ARPU

(FY22: $36.69)

139

AU customers added products and services to their plan

(809 units)

92.2%

AU EROAD Stand-alone Asset Retention Rate

(FY22: 88.4%)

97.5%

AU Coretex 10 month Asset Retention Rate



# Australia

Continued expansion of Enterprise account, in addition to focus on camera and asset tracking sales to small-to-medium customers

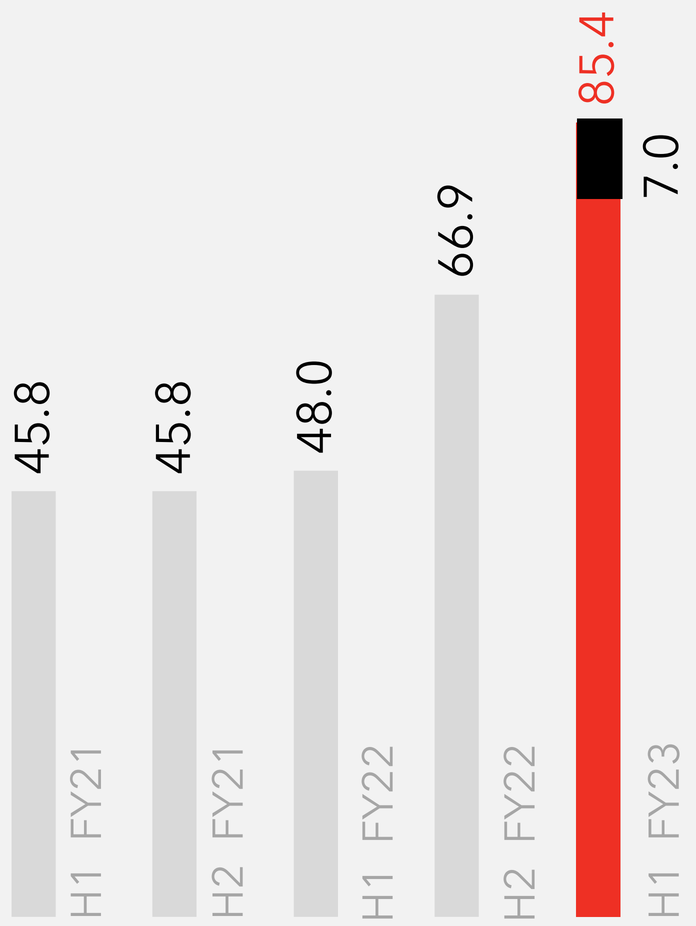
- Added 544 contracted units in H1 FY23, which includes 190 unit growth in Enterprise customer and 354 unit growth in small-to-medium customers
- Sold 43 Clarity Solo Dashcams in H1 FY23, in addition to 34 Clarity Dashcams (not included in unit numbers)
- Roll-out of customer service model to Coretex customers with focus on a number of Enterprise renewals in H2 FY23

*In NZ$ Australian ARPU increased fromNZ$31.72 in H1 FY22 and NZ$38.99 in FY22 to NZ$46.51 in H1 FY23

# H1 FY23 Financial Results

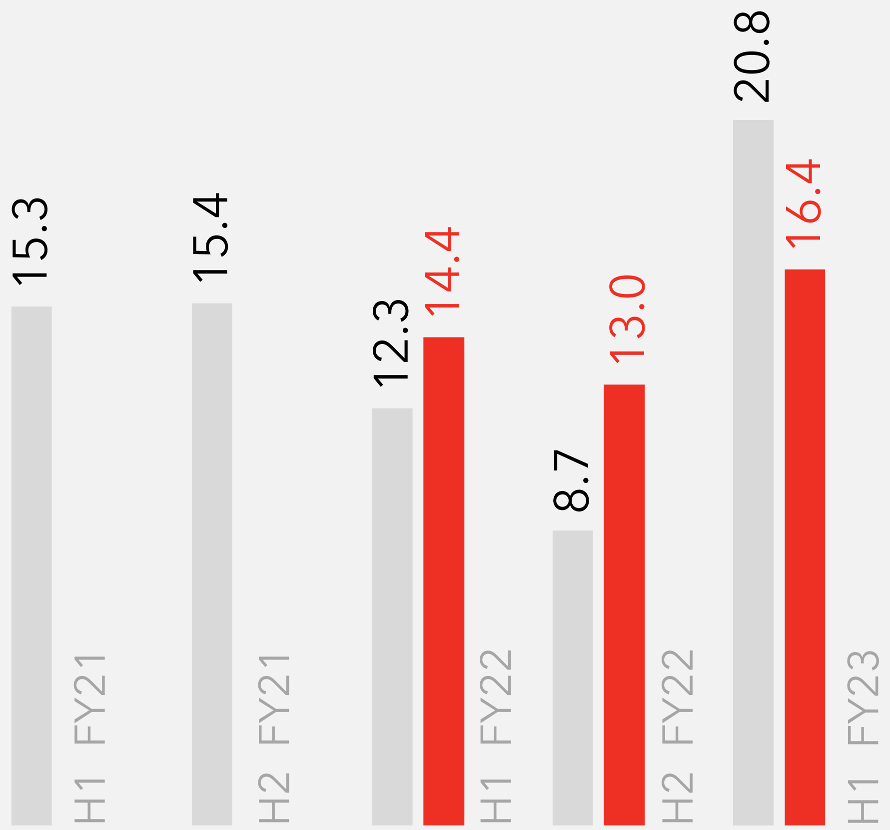
Margaret Warrington
Acting Chief Financial Officer

## Revenue ($m)



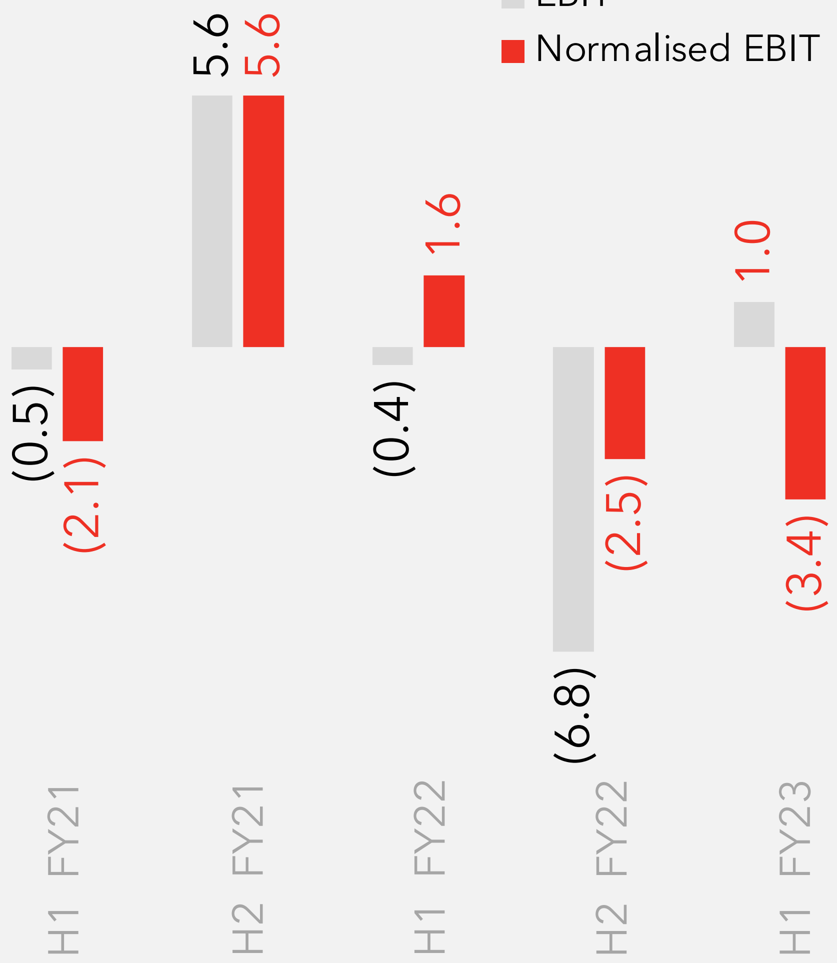

Revenue up $18.5m from H2 FY22 reflecting acquisition accounting adjustments ($7m), an additional 2 months contribution from Coretex and organic growth.

## EBITDA ($m)



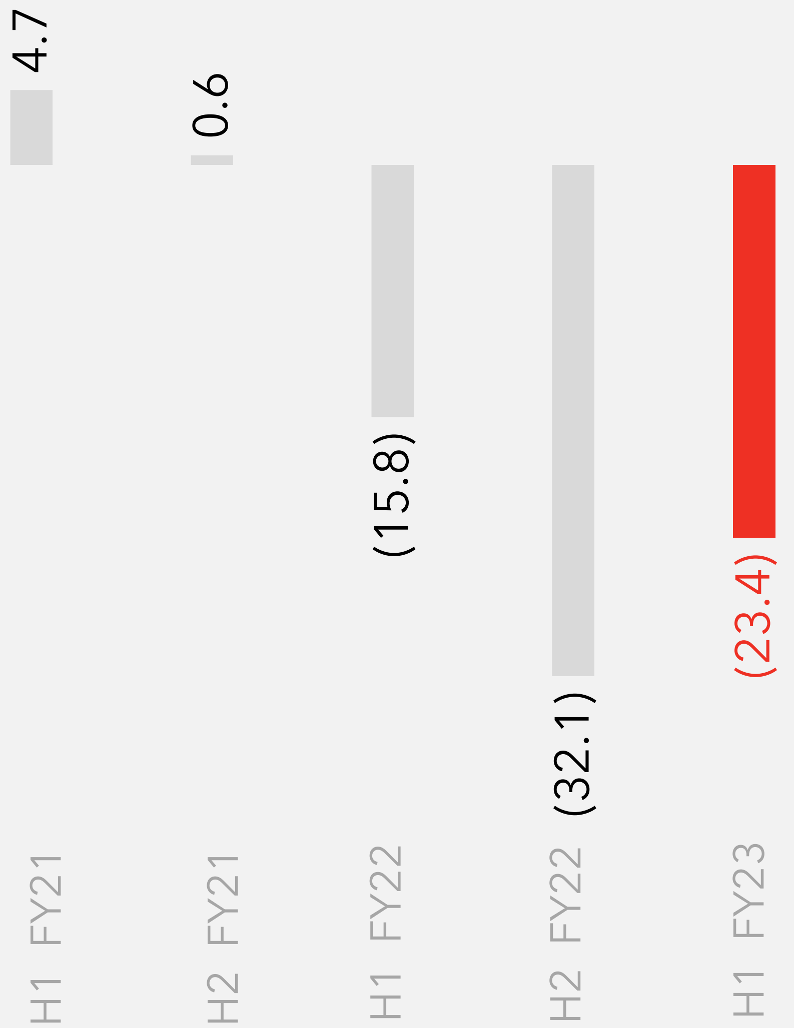

Normalised EBITDA margin of 19%. Normalised for Non-cash acquisition accounting adjustments ($7m) and integration costs in H1 FY23 and transaction and integration costs in H1 FY22.

## EBIT ($m)




EBIT improved from a loss of $6.8m in H2 FY22 to a profit of $1.0m. Normalised for acquisition and integration costs in both periods, EBIT loss is $3.4m in H1 FY23.

## Free Cash Flows ($m)




Free Cash Flow (excluding merger) reflects investing in inventory ahead of winning Enterprise customers and one-off spending such as integration.

# EBITDA reflects growth across all regions

| ($m) | H1 FY23 | H2 FY22 | H1 FY22 | Movement H1 FY23 vs H2 FY22 |
|---|---|---|---|---|
| New Zealand | 25.0 | 23.2 | 22.0 | 1.8 |
| Australia | 0.9 | 0.7 | (0.6) | 0.2 |
| North America | 12.7 | 6.5 | 2.9 | 6.2 |
| Corporate & Development | (17.6) | (21.7) | (12.2) | 4.1 |
| Elimination of inter-segment EBITDA | (0.2) | - | 0.2 | (0.2) |
| **EBITDA** | **20.8** | **8.7** | **12.3** | **12.1** |
| **EBITDA Margin** | **24%** | **13%** | **26%** | |
| **Normalised EBITDA*** | **16.4** | **13.0** | **14.4** | **3.4** |
| **Normalised EBITDA Margin*** | **19%** | **19%** | **30%** | **-** |

4 month contribution from Coretex in H2 FY22 and 6 month contribution in H1 FY23

## New Zealand

EBITDA growth reflects continued strong growth into existing customer fleets, along with attracting new customers and continued high asset retention

## North America

North America EBITDA grew $6.2m from H2 FY22 reflecting the additional 2 months of Coretex , growth in units and the strength of the USD (c$1m).

## Australia

EBITDA continues to grow following the completion of the large enterprise roll out in FY22 and the incremental growth in both current enterprise customers and steady growth in small-to-medium customers.

## Corporate

Corporate EBITDA loss decreased to $17.6m due to the acquisition accounting revenue of $7.0m in H1 FY23.

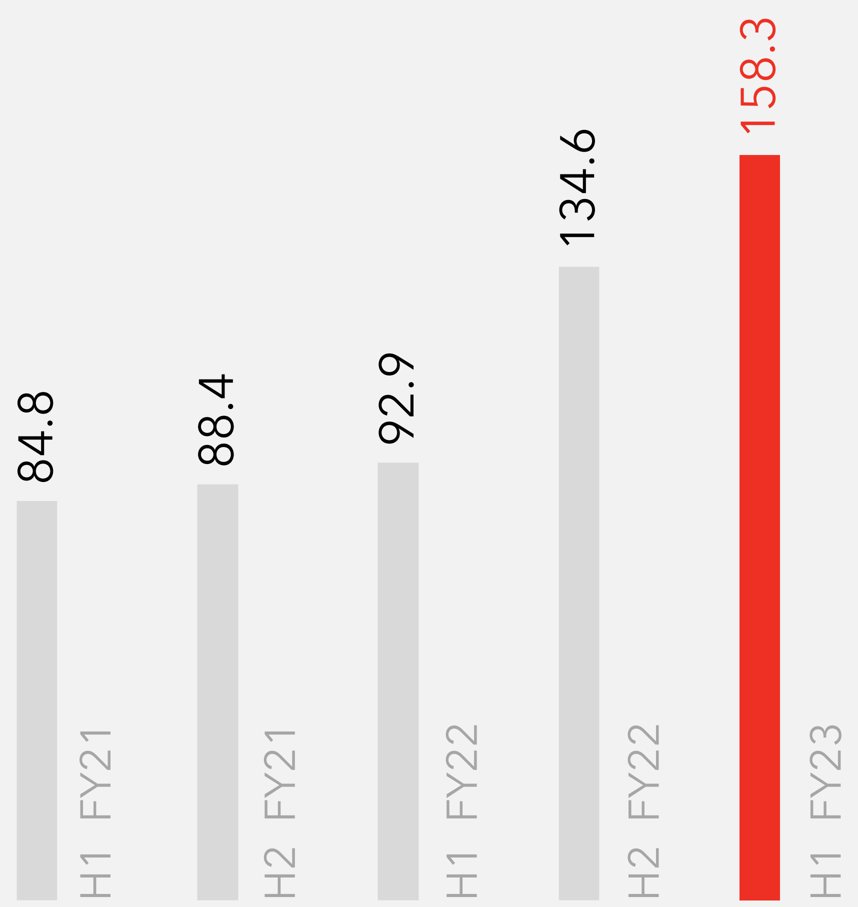
Normalised** Corporate EBITDA loss increased from $17.7m (H2 FY22) to $22m (H1 FY23) reflecting additional two months of Coretex and growth in remuneration rates (responding to market labour inflation pressures).

*H1 FY23 Normalised for acquisition accounting adjustments (revenue: $7m) and integration costs ($2.6m). H1 FY22 normalisation was due diligence costs ($2.0m). H2 FY22 normalisation include due diligence and transaction costs ($1.6m), Integration costs ($4.0m) and acquisition accounting revenue ($1.3m)
** Normalised for $7.0m acquisition accounting revenue in H1 FY23 and integration costs

# Monitoring performance

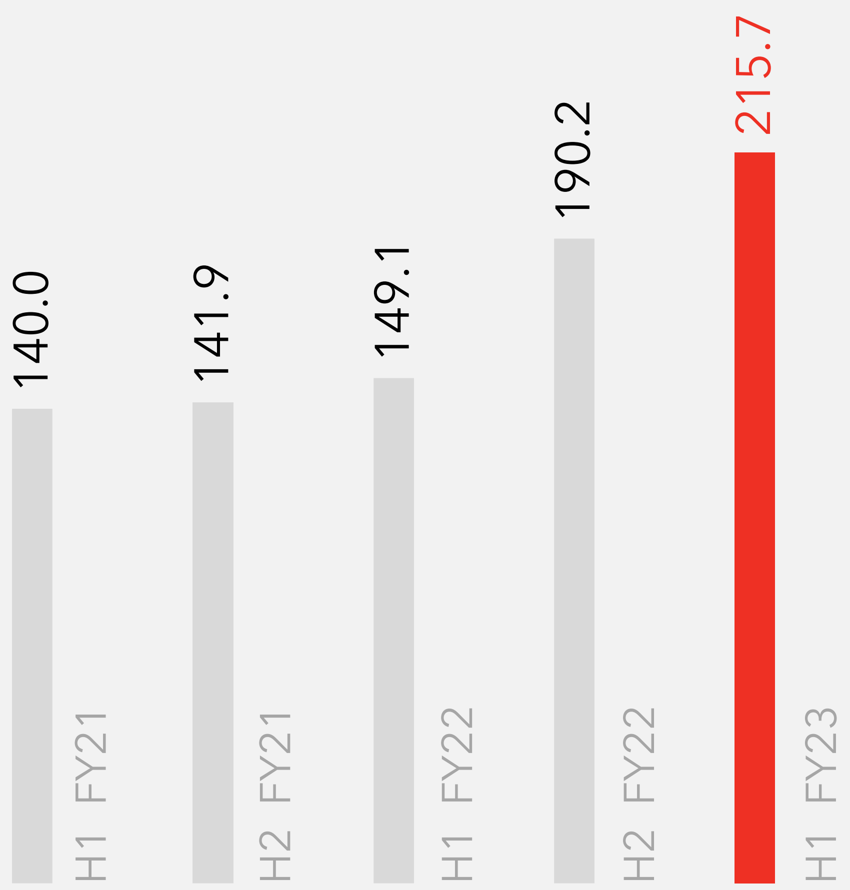
## Leading growth indicators

### Annualised Monthly Recurring Revenue ($m)



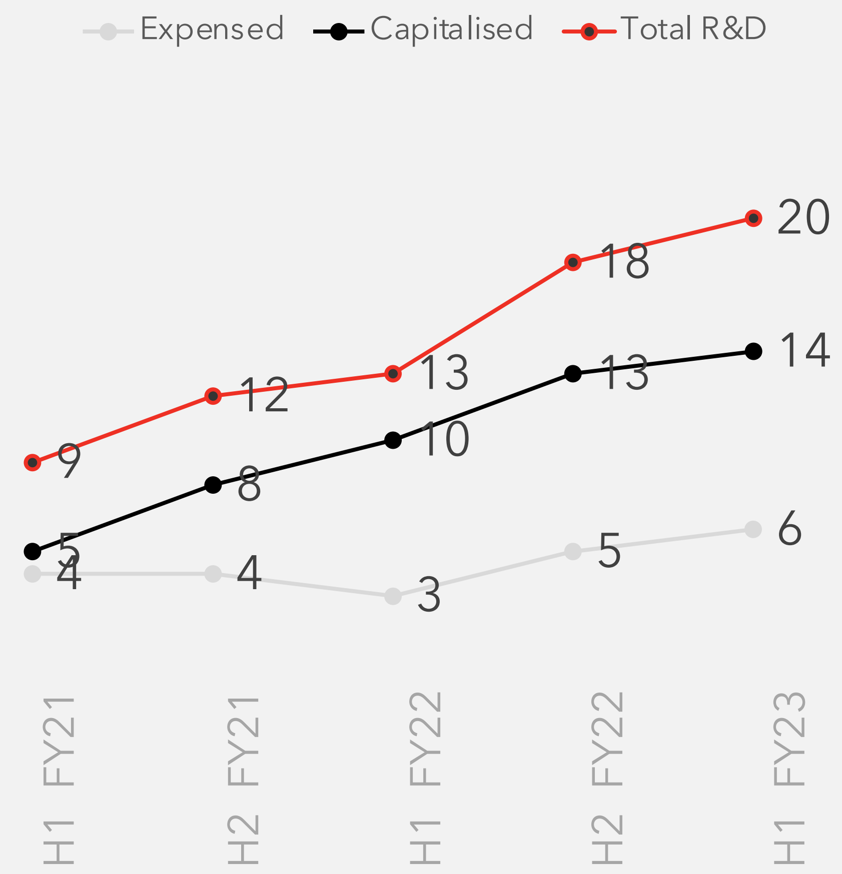

AMRR provides a 12-month forward view of revenue, is up $23.7m (18%) from FY22 reflecting stronger USD ($13.6m) and additional contracted units and improved ARPU ($10.1m or 8%).

### Future Contracted Income ($m)




FCI increased $25.5m with $14.2m reflecting the change in value associated with the stronger USD and the remainder driven by contract renewals within our customer base.

### Research and Development ($m)



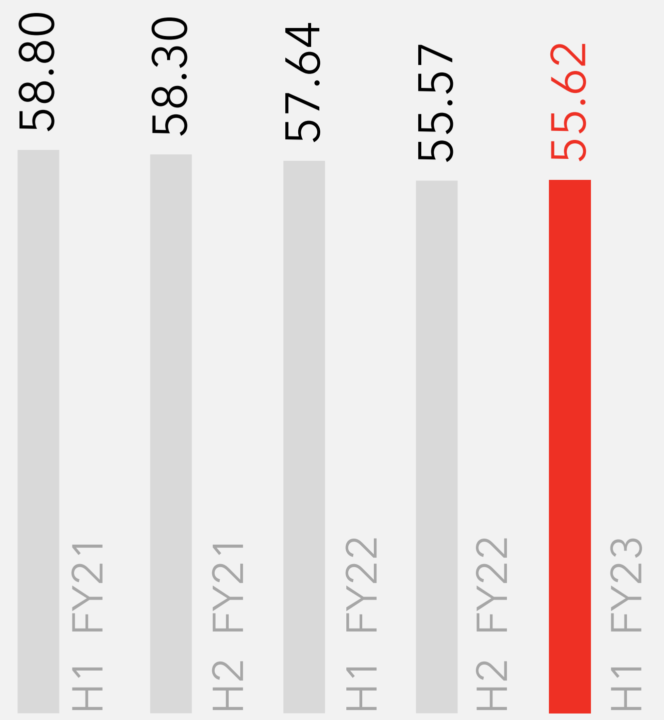

Total R&D spend of $20.4m included $4.6m integration spend.

Continue to expect FY23 total R&D of $38m.

# Monitoring performance

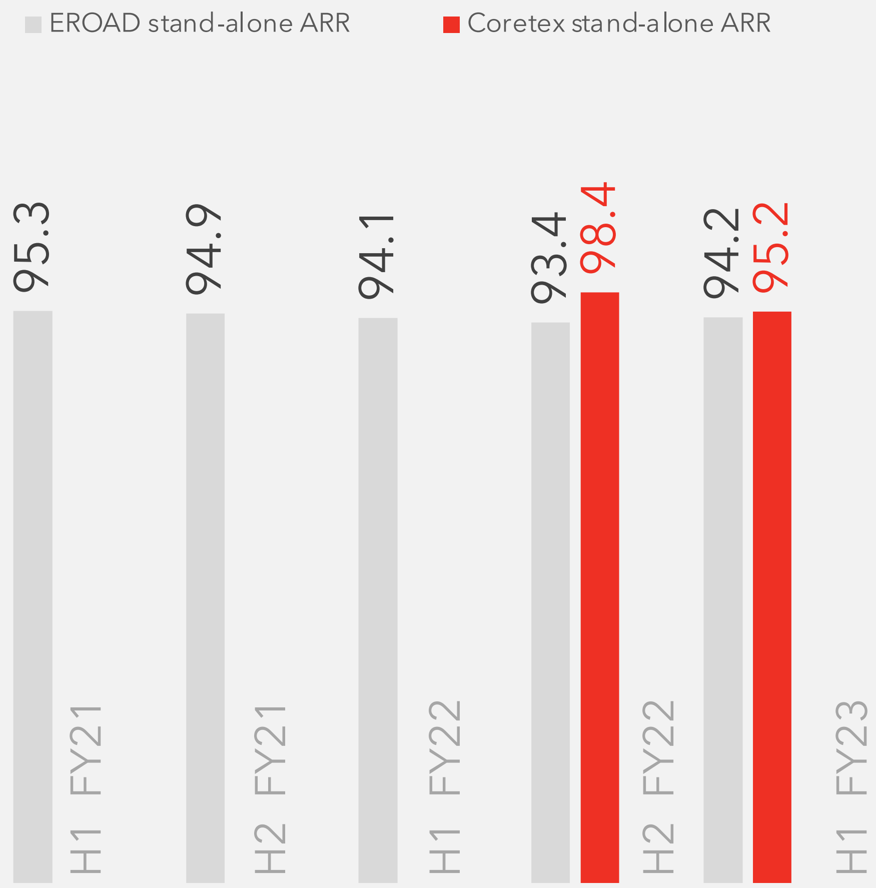
## Enterprise value from existing customer base

### Average Revenue Per Unit (ARPU) ($)




Monthly SaaS ARPU down from H2 FY22 reflecting the full period including Coretex's lower ARPU (due to historical revenue model of selling hardware upfront) offset by selling additional ancillary products and a $2.34 positive FX impact due to the strength of the USD.

### EROAD stand alone Asset Retention Rate (%)

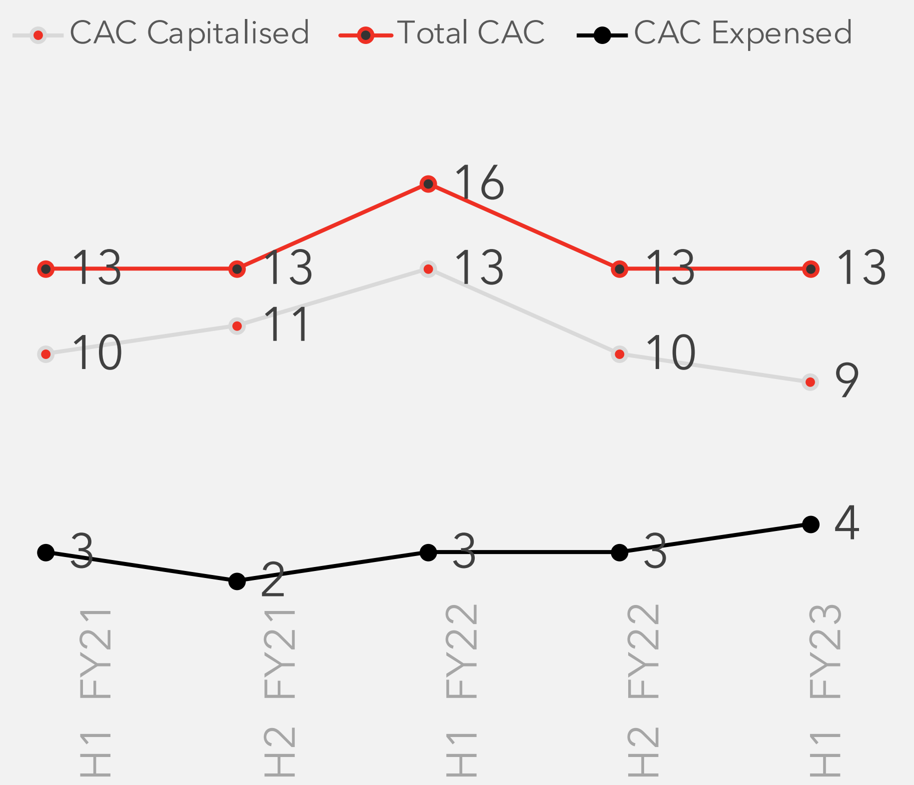



EROAD's Asset Retention Rate has remained relatively stable over time. Significant renewal programmes, in particular in FY22 in North America with the 3G upgrade programme saw significant fleet reduction due to lagging COVID-19 impacts. Coretex asset retention reflects a 4 month and 10 month period respectively.

# Monitoring performance

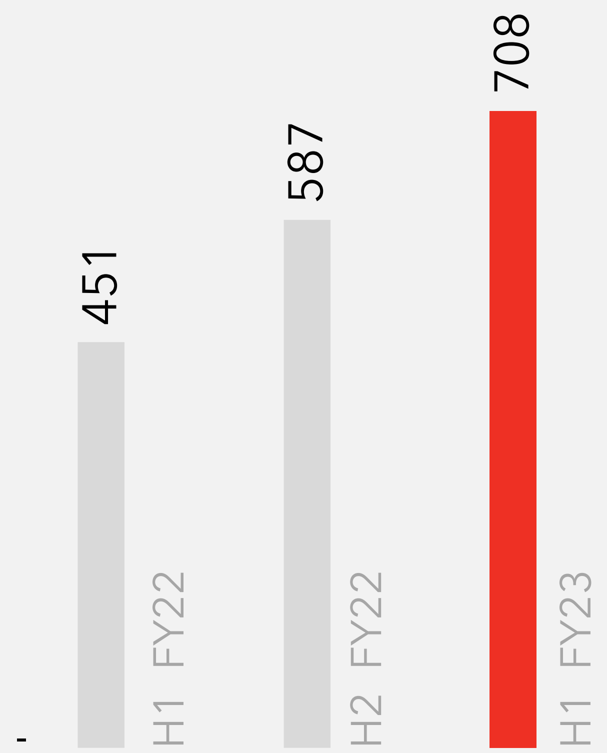
## Profitability

### Cost to Acquire Customers as % of Revenue



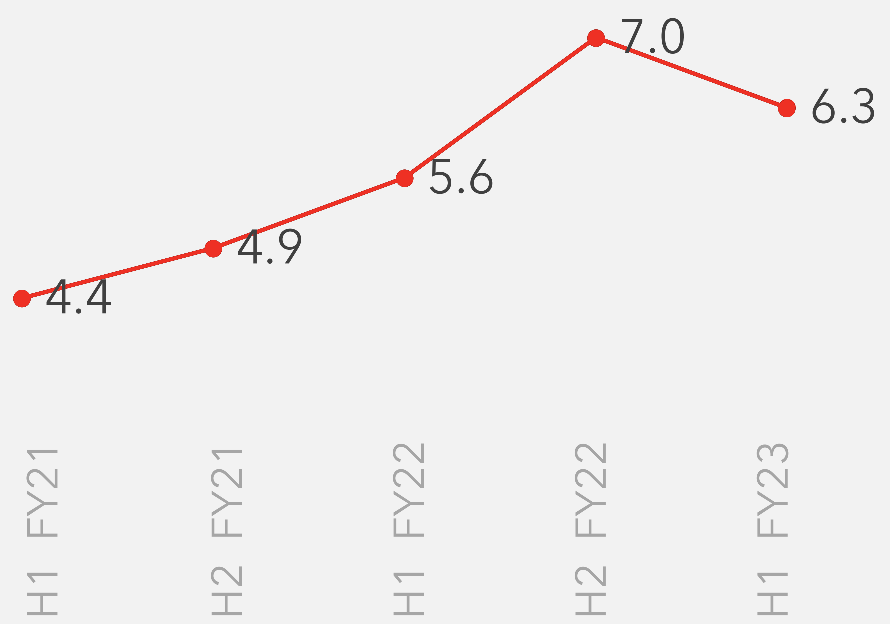

CAC would be expected to trend downwards over time as revenue grows, reductions will be partly offset by investment in development markets ahead of revenues.

### Cost to Acquire per Unit




Cost to Acquire increased due to marketing spend and staff investment. CAC is also impacted by the stronger USD given the profile of the sales activity across regions.

### Cost to Service and Support as % of Revenue




Underlying costs of CTS have grown reflecting labour rate pressure and a stronger USD.

The impact of this has been offset by corresponding growth in revenue. Initiatives continue with a focus on automating low value customer interactions and providing tiered service levels.

Operating costs up $6.1m from H2 FY22 reflecting the inclusion of the Coretex costs for the full 6 months (H2 FY22: 4 months)

Personnel expenses up $4.5m from H2 FY22 due to both Coretex being included for the full period and remuneration growth as labour markets in all regions have inflationary pressure.

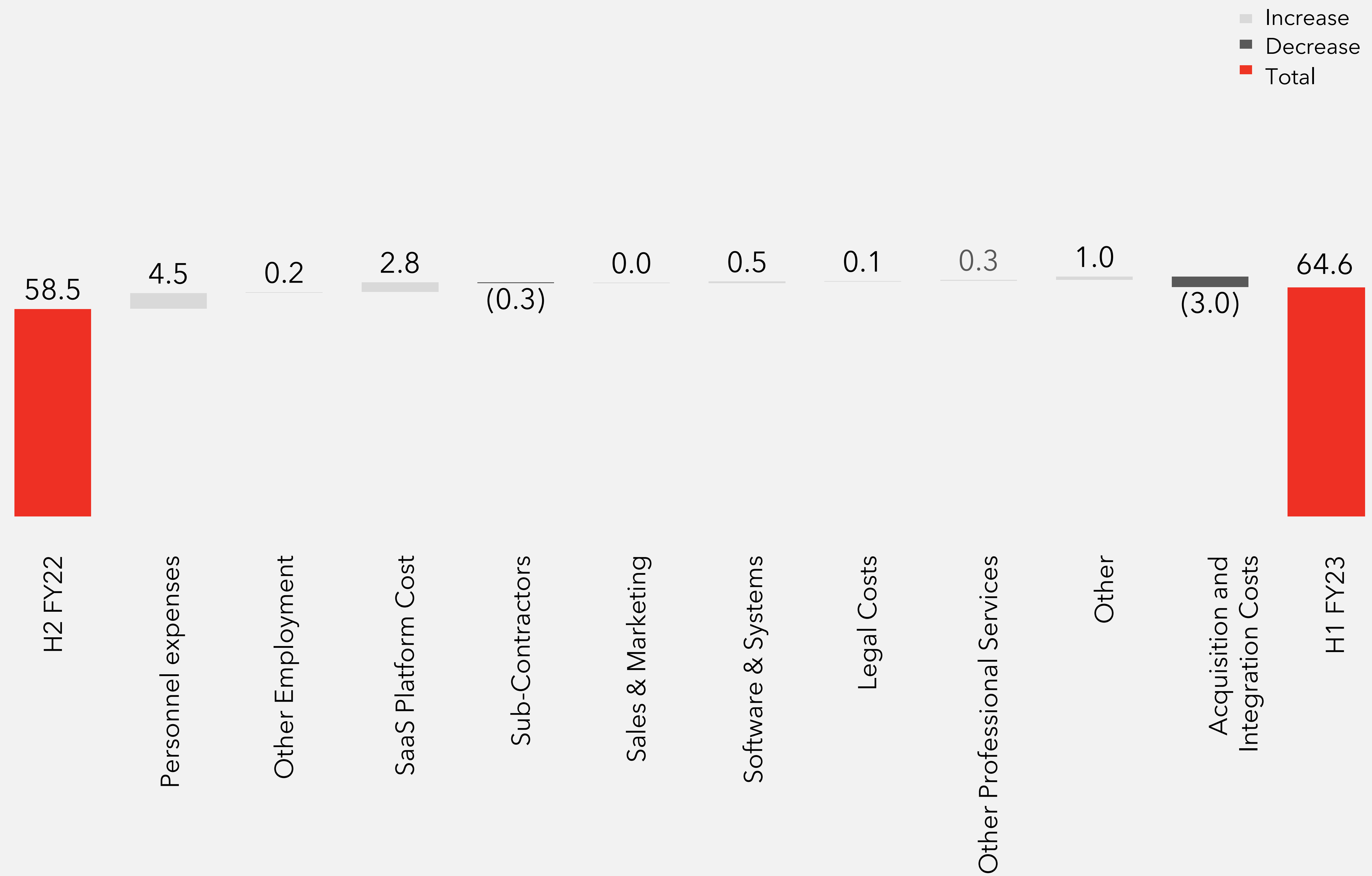
- Reduced FTE during the period
- The stronger USD increases our personnel costs by approximately $1.2m for H1 FY23

SaaS platform cost increase is driven by the inclusion of Coretex for 6 months along with growth in our unit base and ancillary products such as dashcams.

Software and systems increased costs is predominantly driven by the stronger USD.

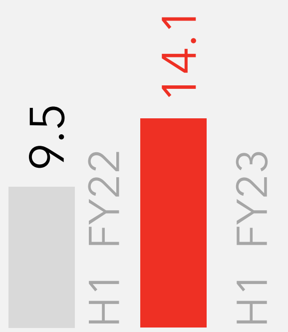
Other costs include increased travel with global borders reopening and increased travel within North America as the sales team target pipeline opportunities and attend relevant industry conferences. The strong USD and air travel price increases have impacted overall growth.

# Operating Expenses ($m)

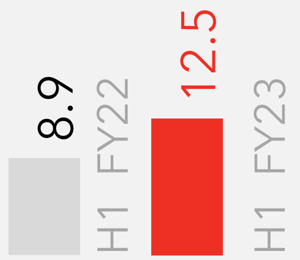


# Additions to Property, Plant And Equipment

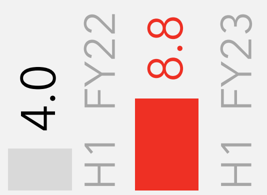
Total PPE Additions ($m)




Hardware Assets Additions ($m)

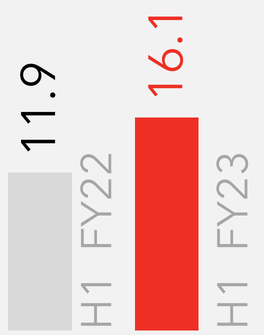



Hardware Asset Additions Excluding Inventory Management ($m)

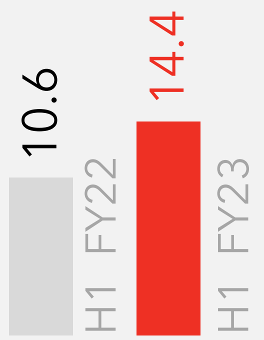



# Additions to Intangible Assets

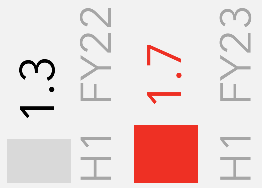
Total Intangible Assets Additions ($m)




Development Assets Additions ($m)




Software Asset Additions ($m)




## Property Plant & Equipment

PPE increased by $14.1m reflecting:

- Growth in hardware assets through growth in contracted units, ancillary hardware and the 3G upgrade programme
- investment in inventory to respond to global supply chain pressures and pipeline demands of $3.6m. A further $3.1m has been invested and is recognised within prepayments.

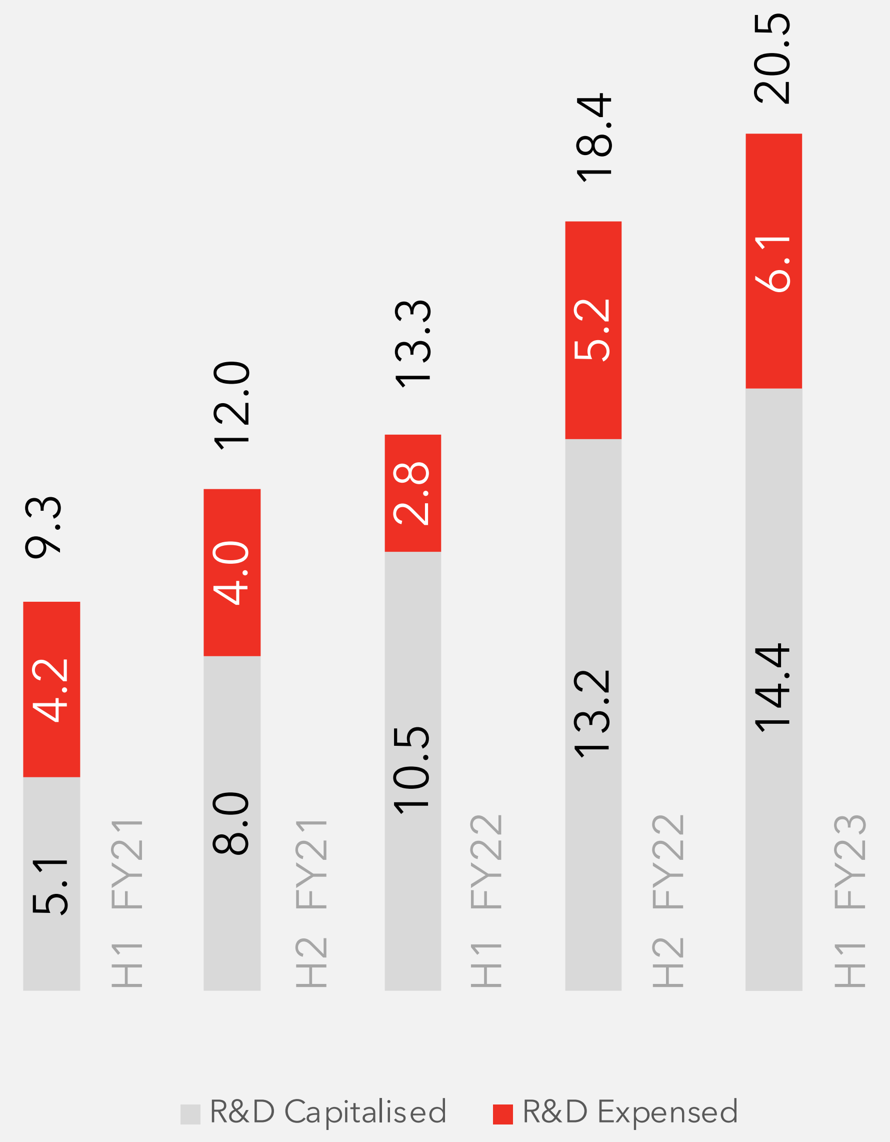
## Intangible Assets

- Intangible additions primarily reflects new product development and enhancement of current platforms and products.
- Capital integration development for customer facing products was $4.2m for H1 FY23.
- Approximately half of the software additions are the integration of Coretex and EROAD back-office systems that support sales and customer contract management. The remainder reflects incremental systems improvement and the development of customer self service functionality.

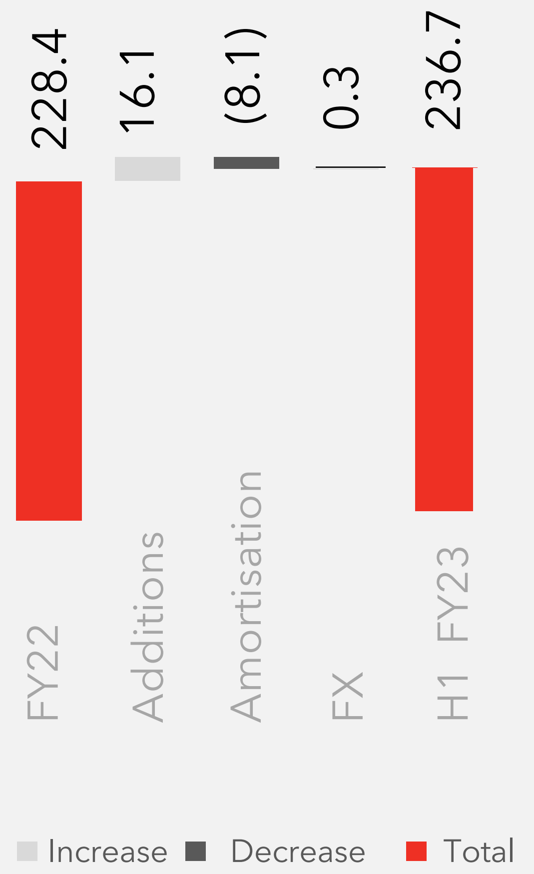
# Increased Investment in R&D

## To support integration and product delivery in FY23 and FY24

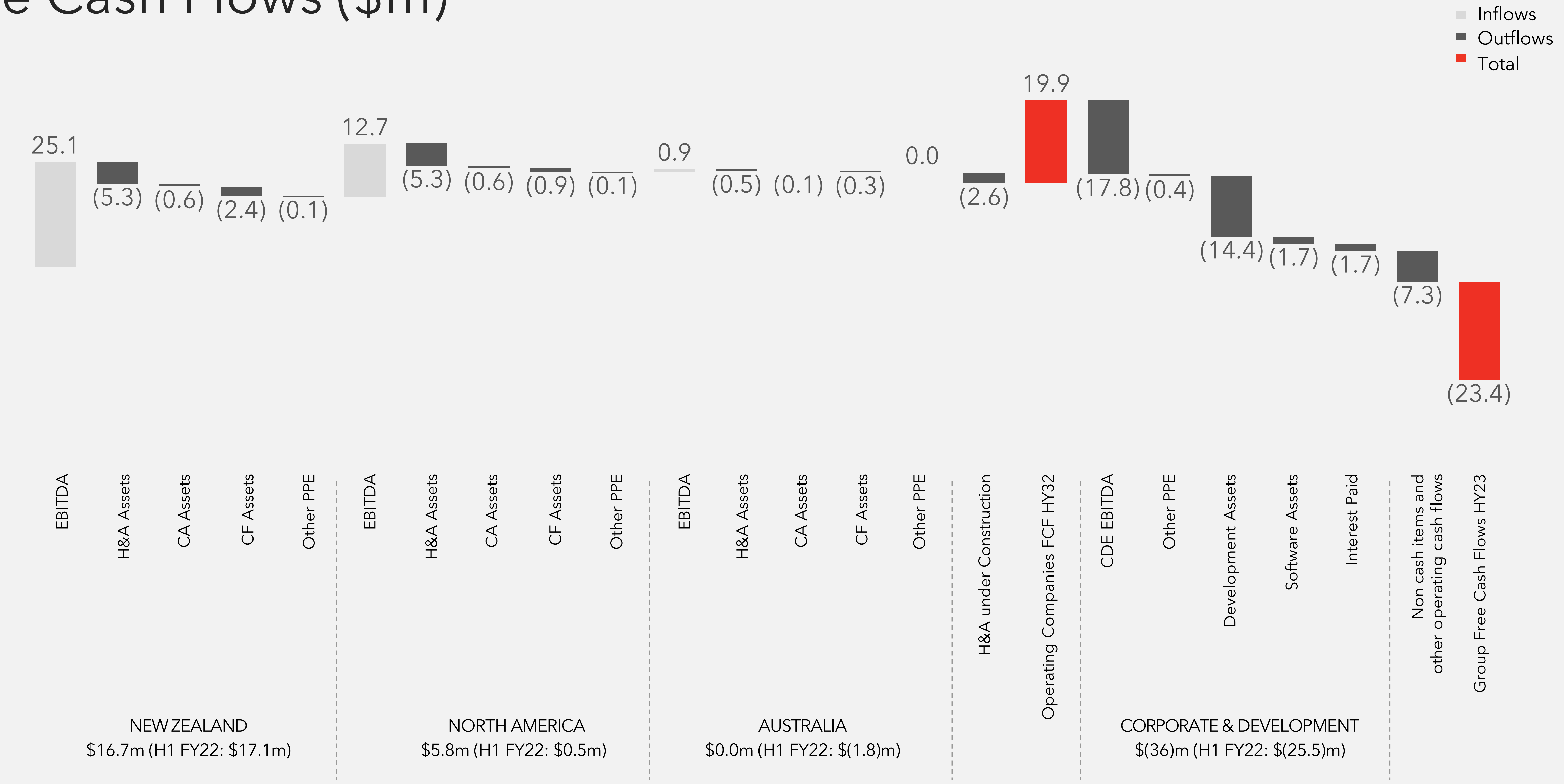
Research and Development ($m)




Movement in Intangibles ($m)



# Free Cash Flows ($m)




H&A Assets - Hardware & Accessory Assets • CA Assets - Customer Acquisition Assets • CF Assets - Contract Fulfilment Assets • CE EBITDA – Corporate and Elimination EBITDA • H&A under Construction - Hardware & Accessories +/_ Inventories

# Operating cash flow continues to be impacted by one-offs and macro-economic conditions

Integration costs

- Key product and platform integration along with back-office systems of $5.5m impacted H1 FY23, along with approximately $0.5m of other external integration expenditure.
- Further investment in H2 FY23 will occur as integration of the product suite is completed.
- The remainder of the back-office business systems are expected to be integrated during FY24.

Inventory levels

- Increased inventory levels to de-risk supply chain issues that impact lead times, pricing and security of supply. This has resulted in EROAD purchasing componentry to assure supply and meet requirements of large enterprise customer roll outs.

Research and development

- EROAD continues to invest in new products that meet our customers' future needs and increase ARPU.

# EROAD beginning to make real change to drive operating leverage going forward

In H1 FY23 a number of actions were taken to reduce operating costs or increase margins for H2 FY23 and beyond.

- Ended the leases in Portland and additional site in Albany
- Reduced contractor spend and lowered headcount (Net reduction of c40 roles)
- Reviewed and amended data plans with supplier supporting customer facing products
- Re-negotiating supplier pricing
- Increased New Zealand RUC and installation charges, moved out-of-contract 1-9 unit customers to retail pricing

Further initiatives underway to reduce costs include:

- Reducing number of platforms products operate on
- Focus our R&D spending on most value enhancing for customers and reduce investment cycles
- Some simplification of product range to reduce administration burden

One-off operating costs of integration ($2.6m in H1 FY23) and personnel costs ($0.4m) will not occur from FY24.

# Growth Opportunity and Outlook

Mark Heine
Chief Executive Officer

# Progressing key product and platform integration to enable enhanced SaaS products

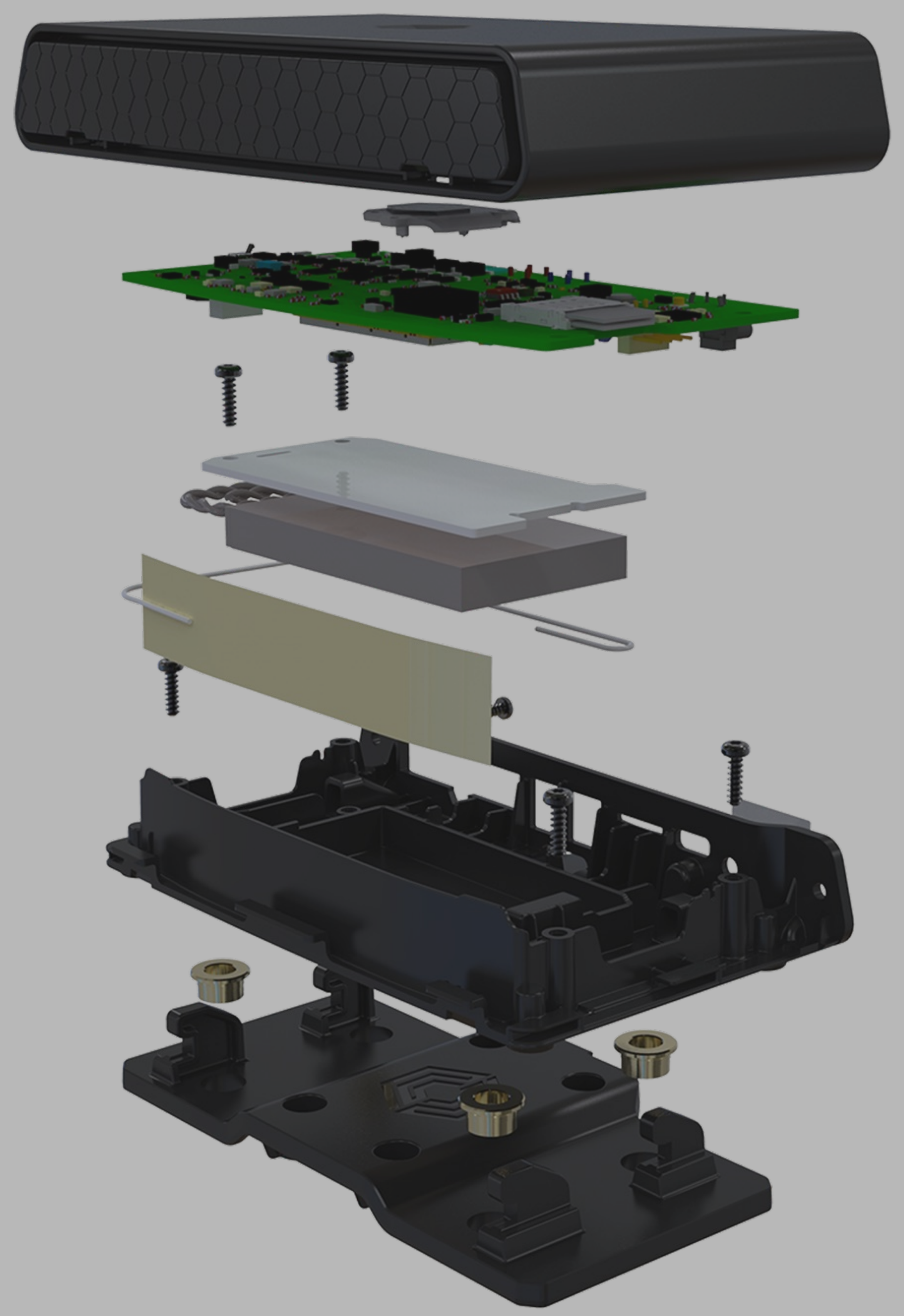
The integrated EROAD and Coretex platform will go live by year-end.

Integration of key products underway:

- Clarity dashcam to be integrated and sold to Coretex customers
- EROAD North America Tax features into the Coretex platform
- Technical work to support Corehub certification as a RUC device in New Zealand

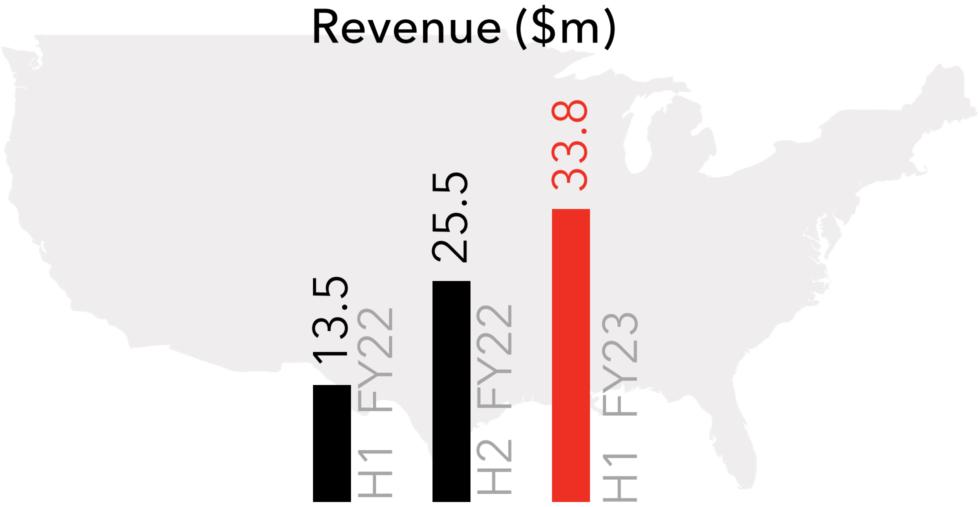
In addition to the key product integration, focus for H2 FY23 is:

- alignment of fleet management functionality and user experience, including the use of a common map provider
- move to a single driver facing platform with common codebase features, as well as look and feel
- continue to mature the ability for teams to cross sell hardware across both platforms
- begin work to move to a single telematics device ingestion engine to reduce SaaS overhead costs and improve performance in medium term



# Building Revenue growth momentum in North America

## Growth not at pre-COVID levels, but demonstrating CoreHub and 360 product market fit winning in a competitive landscape




North America enterprise sales pipeline remains large, with seeing business decisions taking longer in current economic climate increasing sales lead times.

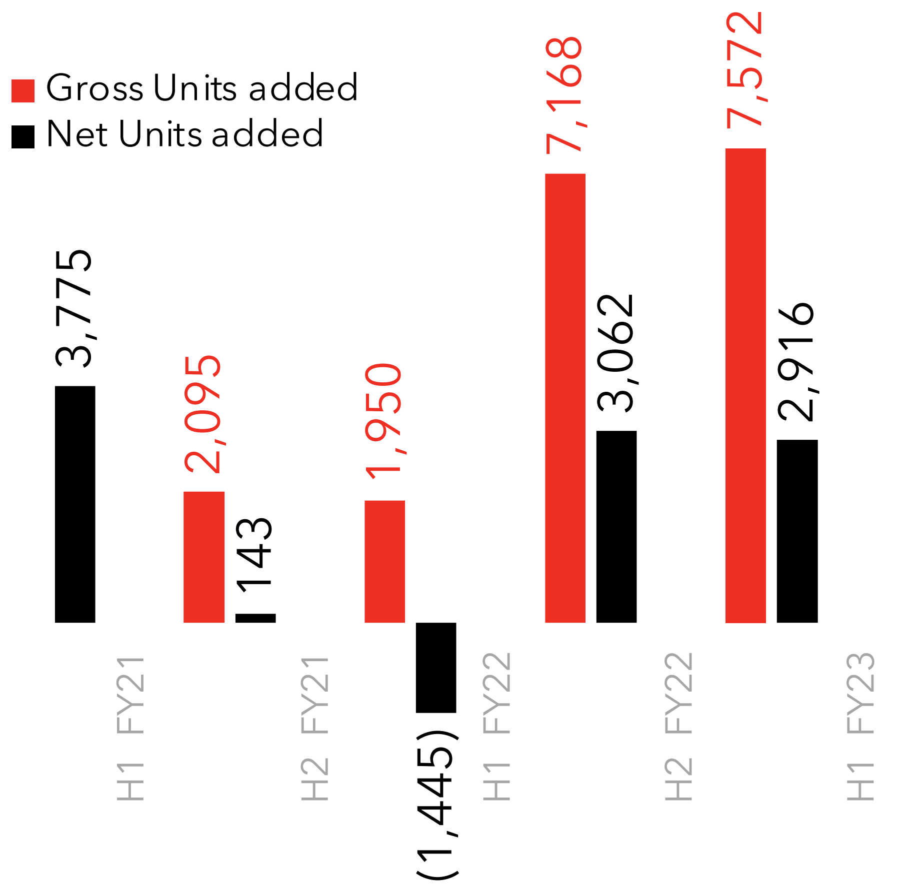
Entering into a renewal phase for a number of large Enterprise accounts. Focus on next 6 months will be on retaining and growing existing Enterprise accounts.

Significant growth opportunity within the Professional trucking and Refrigerated transport. Increased demand from customers for sustainability solutions.

Currently 13 pilots for Enterprise customers underway representing potential opportunities of over 25,000 units.

Proving product market fit of Coretex products

Organic growth in contracted units

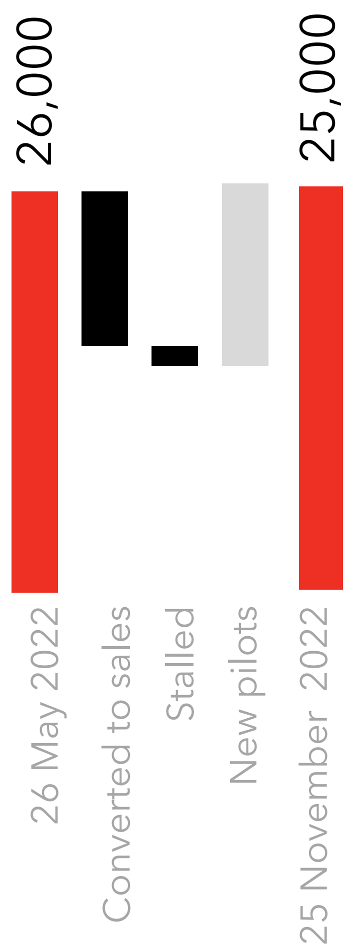



Gross sales for H1 FY23 of 7,572 (77% of which Corehub) more than 3x levels seen in H1 FY21.

Continued churn from Ehubo small-to-medium customers.

Proving capability to convert pilots to sales

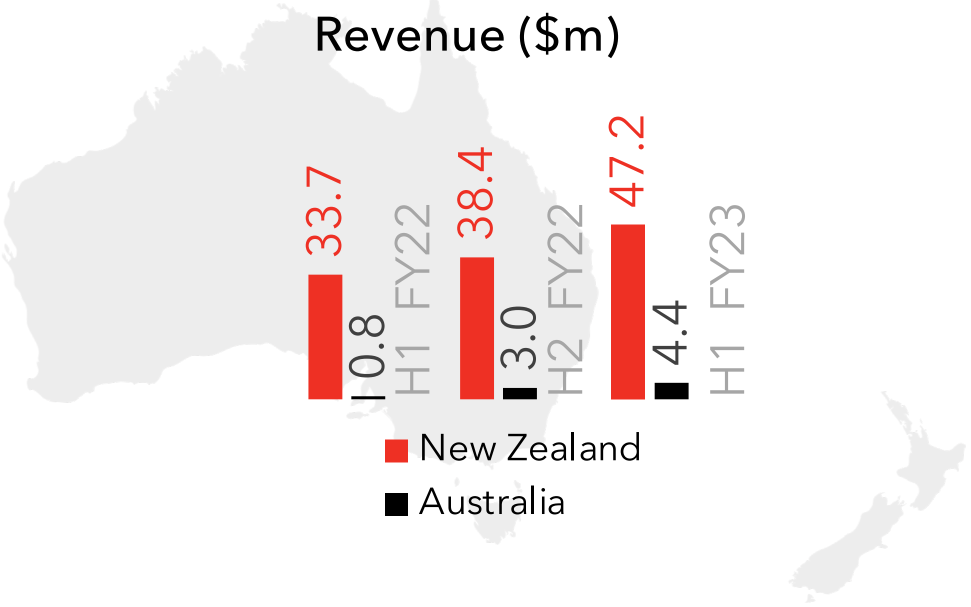
Estimated contracted units of pilot opportunity




Since FY results in May, converted 3 pilots to sales and added 10 new pilots with no pilots lost.

# Continued Revenue growth momentum in New Zealand and Australia

## Continue to deliver strong growth in New Zealand with Australia remaining substantial growth opportunity in medium term




New Zealand continues to deliver consistent strong growth expanding relationships with current customers and adding new customers.

Continue to expect unit growth similar to pre FY21 levels (>9,000 Connected vehicles per annum) with focus on increased sales of Clarity Dashcam.

Significant growth opportunity to provide ESG solutions to customers to help them de-carbonise and convert to EV fleets.

Five enterprise fleet pilots currently underway (over c5,000 units).

Australia's growth reflected growth in an Enterprise customer and strong dashcam sales. Focus has and remains on the renewal of a number of large Enterprise accounts.

Australia remains a substantial growth opportunity in medium term.

Focus on dashcam and EROAD Where sales until launch of the integrated platform to drive growth momentum.

4 ongoing Enterprise customer pilots (c2,300 units, 50 clarity solo cameras and c2,000 minitags).

# Focus on helping our customers de-carbonise through fuel efficiency, fleet utilisation and reducing waste in fleet operations

Net Zero delivery team has been established. Focus expanded to include all of EROAD's markets following feedback from North American customers.

## Heavy Fleet Decarbonisation Insights

Working with Energy Efficiency & Conservation Authority (EECA) to develop Heavy Fleet Decarbonisation tool which will use the EROAD dataset to generate actionable insights.

EECA are funding up to 46% of the R&D. Project on track with first funding grant received from EECA. Launch expected during 2023 and will be adapted for North America and Australia.

## Heavy Vehicle EV trails

EROAD is supporting two heavy EV trials active in New Zealand which are being funded by EECA.

# Focus on building a shared culture to deliver on purpose and strategy


With any major merger and leadership change it takes a dedicated focus on people, communication and change management to maintain engagement.

Focus on building a shared culture, which builds on the strengths of EROAD and Coretex cultures with several key initiatives underway:

- following COVID, focused on getting our teams back in the office
- change management workshops
- enhanced two-way communication channels

With today's competitive labour market, we are focusing on our employee value proposition.

To deliver we must empower and continue building on the capability of our leaders.


# FY23 Outlook

Continue to expect FY23 Normalised Revenue of between $154m - $164m* subject to FX movements.

22 enterprise customers at the pilot stage across all the markets, representing some 32,300 contracted units.

The key focus for the second half of FY23 will also be the retention of EROAD's large North American and Australian Enterprise customers.

Will begin to see benefit of cost cutting initiatives in H2 FY23, helping to offset headwinds in operating costs.

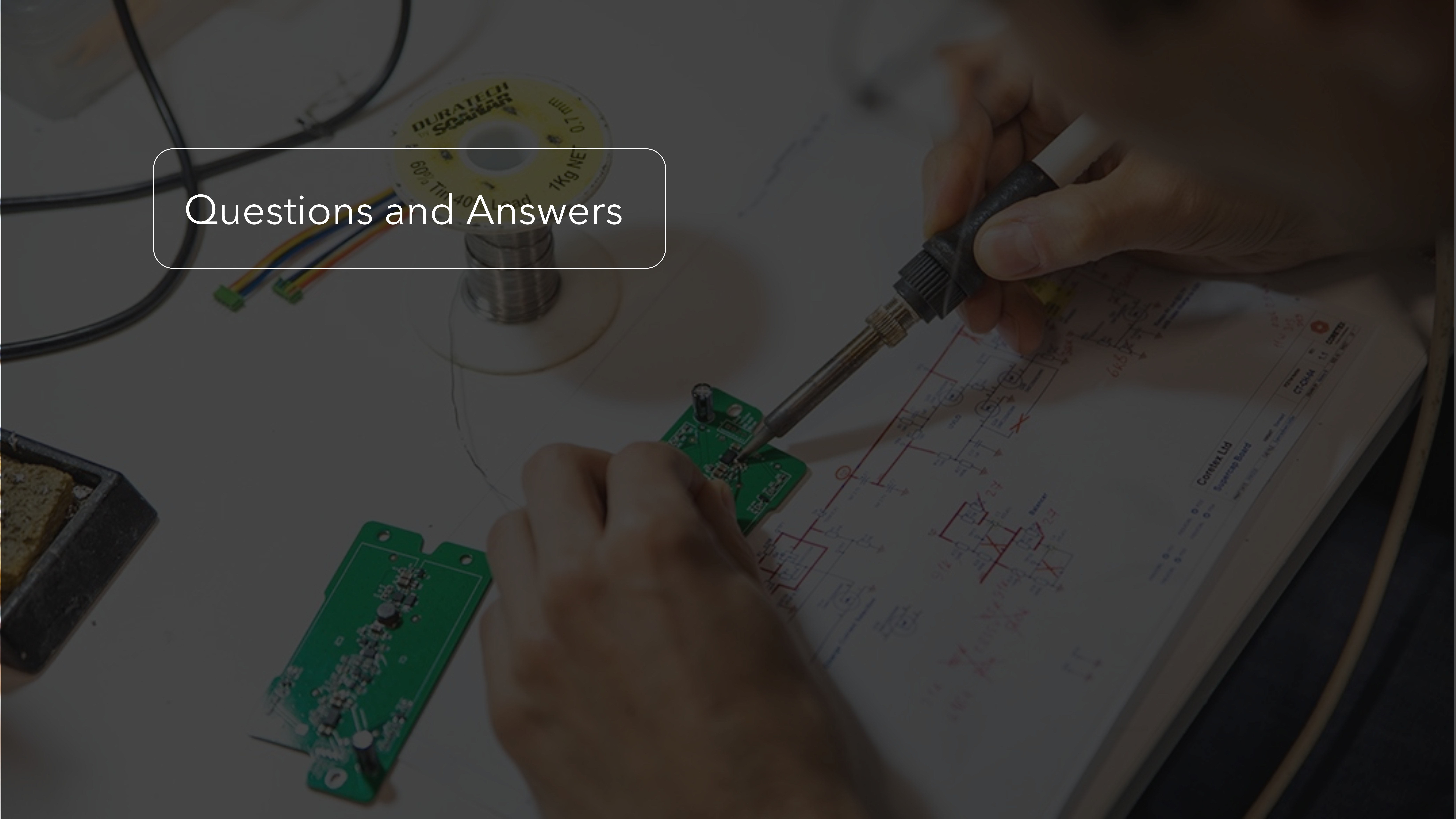
Remain on track for FY23 Normalised EBIT of between $-5m and breakeven.

* Normalised for non-cash acquisition accounting revenue of $7m and integration costs

# Strategy review focused on profitable growth

- In the current economic climate, customer buying decisions are taking longer, which we expect will push out the timing to reach EROAD's $250m revenue target beyond FY25
- EROAD continues to have significant growth opportunities
    - beginning to see benefits of improved product market fit of Coretex products with higher gross sales in North America and good conversion of pilot opportunities to sales
    - customers are increasing demand for solutions focused on sustainability data and managing assets
- The strategy review looks to continue to deliver on progress made in H1 FY23 towards profitable growth
    - continue to build on programme of cost-out initiatives
    - more disciplined market strategy in North America focused on maximising benefit of improved market fit of Coretex products
    - further rationalisation of products and narrowing the focus of which products are brought to the market
    - forecasted higher revenue and continued cash return from outright sales
- Will conclude the strategy review before the end of FY23 and provide a more detailed update to the market

# Questions and Answers



# Appendix

# Statement of Income (NZ$m)

| Year ended | H1 FY23 | H2 FY22 | Restated H1 FY22 | Movement H1 FY23 vs H2 FY22 |
|---|---|---|---|---|
| Revenue | 85.4 | 66.9 | 48.0 | 18.5 |
| Operating expenses | (64.6) | (58.2) | (35.7) | (6.4) |
| **Earnings before interest, taxation, depreciation and amortisation** | **20.8** | **8.7** | **12.3** | **12.1** |
| Depreciation of property, plant & equipment | (8.0) | (5.4) | (5.0) | (2.6) |
| Amortisation of intangible assets | (8.1) | (6.6) | (4.4) | (1.5) |
| Amortisation of contract and customer acquisition assets | (3.7) | (3.5) | (3.3) | (0.2) |
| **Earnings before interest and taxation** | **1.0** | **(6.8)** | **(0.4)** | **7.8** |
| **Net financing costs** | **(3.7)** | **(2.1)** | **(1.1)** | **(1.6)** |
| **Profit/(loss) before tax** | **(2.7)** | **(8.9)** | **(1.5)** | **6.2** |
| Income tax (expense) benefit | 3.3 | 2.1 | (1.3) | 1.2 |
| **Profit/(loss) after tax for the year attributable to shareholders** | **0.6** | **(6.8)** | **(2.8)** | **7.4** |
| Other comprehensive income | 5.0 | (0.7) | 0.4 | 5.7 |
| **Total comprehensive (loss)/income for the period** | **5.6** | **(7.5)** | **(2.4)** | **13.1** |

- 4 month contribution from Coretex in H2 FY22 and 6 month contribution in H1 FY23. The additional 2 months results in growth in both revenue, operating expenses, depreciation and amortisation when comparing to the prior half year.
- Compared to H2 FY22, revenue increased 28%. and included one off acquisition accounting revenue of $7.0m (Other Revenue). Adjusted for this revenue growth was 17%.
- Software as a Service revenue grew 21% reflecting an additional two months of Coretex, underlying SaaS revenue growth and a strong US exchange rate.
- Non-recurring revenue relates to a variety of areas including the one-off acquisition accounting revenue noted above (H2 FY22 $1.3). The remainder of the non-recurring revenue reflects early termination fees and grant revenue.
- Operating cost growth is due to the inclusion of Coretex for the full period, integration costs ($2.6m) and growth in personnel costs driven by inflation and pressure in the labour market for specialist skill sets.
- Amortisation increases with the merger of Coretex intangibles and growth in R&D activity.
- EBIT improved from a loss of $6.8m in H2 FY22 to a profit of $1.0m. Normalised for acquisition and integration costs in both periods, EBIT loss improves 15% from $4.0m in H2 FY22 to $3.4m in H1 FY23.

# Balance Sheet (NZ$m)

| As at period end | H1 FY23 | FY22 | Movement |
|---|---|---|---|
| Cash | 4.4 | 13.9 | (9.5) |
| Restricted bank account | 10.2 | 14.7 | (4.5) |
| Costs to acquire and contract fulfilment costs | 6.8 | 5.7 | 1.1 |
| Other | 35.6 | 27.2 | 8.4 |
| **Total current assets** | **57.0** | **61.5** | **(4.5)** |
| Property, plant and equipment | 74.3 | 61.7 | 12.6 |
| Intangible assets | 236.7 | 228.4 | 8.3 |
| Costs to acquire and contract fulfilment costs | 6.0 | 5.2 | 0.8 |
| Other | 15.7 | 10.3 | 5.4 |
| **Total non-current assets** | **332.7** | **305.6** | **27.1** |
| **Total assets** | **389.7** | **367.1** | **22.6** |
| Payables to transport agencies | 10.4 | 15.0 | (4.6) |
| Contract liabilities | 18.8 | 11.9 | 6.9 |
| Borrowings | 47.5 | 32.1 | 15.4 |
| Other liabilities | 59.7 | 60.4 | -0.7 |
| **Total liabilities** | **136.4** | **119.4** | **17.0** |
| **Net assets** | **253.3** | **247.7** | **5.6** |

- Cash has decreased $9.5m and borrowings increased $15.4m during the 6 month period. Cash has been used for integration activity, funding growth in componentry and inventory held for manufacturing and sale (in part to address global supply chain pressures), R&D activity and ongoing growth.

- Property, plant and equipment (PPE) increased $12.6m, including equipment under construction (inventory) of $27.4m which has been held to ensure continuity of supply given global supply chain pressures and increased lead times.
- Contract Fulfilment and Customer Acquisition Assets increased by $1.9m (across both current and non-current portions) reflecting growth and renewals.
- Intangibles growth reflects investment in R&D including integration.
- Other liabilities includes an estimate for the contingent payable related to the Coretex acquisition.

# Cash Flow Statement (NZ$m)

| Year ended | H1 FY23 | H2 FY22 | H1 FY22 | Movement H1 FY23 vs H2 FY22 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Other operating cash flows | 13.6 | 6.2 | 11.0 | 7.4 |
| Net interest paid | (1.7) | (1.7) | (1.2) | - |
| **Net cash inflow from operating activities** | **11.9** | **4.5** | **9.8** | **7.4** |
| **Cash flows from investing activities** | | | | |
| Property, plant and equipment (including hardware assets) | (14.3) | (18.9) | (9.5) | 4.6 |
| Intangible assets | (16.1) | (13.1) | (11.8) | (3.0) |
| Contract fulfillment and customer acquisition assets | (4.9) | (4.6) | (4.3) | (0.3) |
| Payments for investment in subsidiary | - | (72.4) | - | 72.4 |
| **Net cash outflow from investing activities** | **(35.3)** | **(109.0)** | **(25.6)** | **73.7** |
| **Cash flows from financing activities** | | | | |
| Bank loans | 15.5 | (0.5) | (2.4) | 16.0 |
| Issue of equity | - | 0.3 | 84.7 | (0.3) |
| Cost of raising capital | - | 0.1 | (3.5) | (0.1) |
| Other financings cash flows | (1.2) | (0.8) | (0.8) | (0.4) |
| **Net cash inflow/(outflow) from financing activities** | **14.3** | **(0.9)** | **78.0** | **15.2** |
| Net increase/(decrease) in cash held | (9.1) | (105.4) | 62.2 | 96.3 |
| Cash at beginning of the financial period | 13.9 | 119.3 | 57.1 | (105.4) |
| Effects of exchange rate changes on cash and cash equivalent | (0.4) | | | (0.4) |
| **Closing cash and cash equivalents** | **4.4** | **13.9** | **119.3** | **(9.5)** |

- Operating cash flows increased $6.7m from H2 FY22 reflecting an additional 2 months of Coretex contribution, growth in contracted units, outright sales of some products and successful collection of a large outstanding debtor in North America. Operating cashflows included external integration costs of approximately $0.5m.
- Investing cash of $35.3m reflects the purchase of hardware (to support customer demand and increased inventory to address supply chain risk) and research and development including integration of $5.5m.
- Financing cash flows were $14.3m as a result of the drawings on our debt facility. At 30 September 2022 the headroom in the facility is $41.8m.

* FY21 has been restated (cloud related adjustments)

# Reconciliation of Profit to Movement in Cash

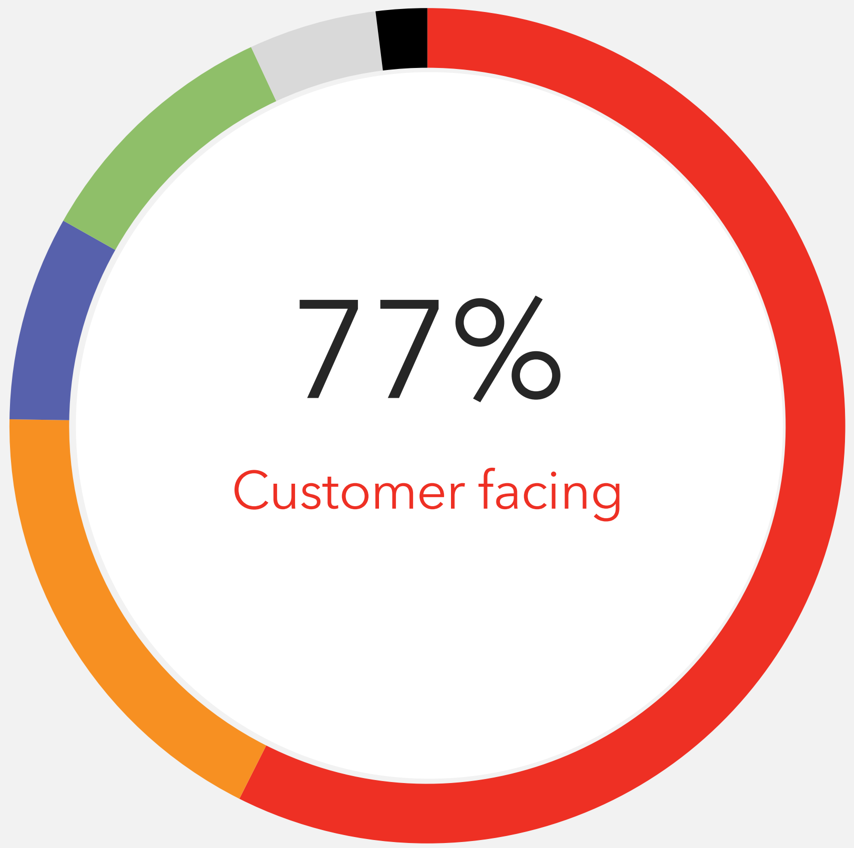
| YEAR ENDED | H1 FY23 | RESTATED H1 FY22 |
|---|---|---|
| **Profit/(Loss) after tax for the year attributable to the shareholders** | **0.6** | **(2.8)** |
| Add/(less) non-cash items | | |
| Tax asset recognised | (3.3) | 1.2 |
| Depreciation and amortisation | 19.8 | 12.7 |
| Other non-cash expenses/(income) | 0.9 | (0.8) |
| Contingent consideration | (6.3) | - |
| **Add/(less) movements in other working capital items:** | | |
| Decrease/(increase) in trade and other receivables | (6.3) | (4.2) |
| Increase/(decrease) in contract liabilities | 5.9 | 0.5 |
| Increase/(decrease) in tax payables | - | - |
| Increase /(decrease) in trade payables, interest payable and accruals | 0.6 | 3.2 |
| **Net cash from operating activities** | **11.9** | **9.8** |

# Average Revenue per Unit (ARPU)

| | NZ$ | | Local$ | |
|---|---|---|---|---|
| | **H1 FY23** | **H1 FY22** | **H1 FY23** | **H1 FY22** |
| New Zealand ARPU | NZ$55.50 | NZ$56.78 | NZ$55.50 | NZ$56.78 |
| North America ARPU | NZ$57.25 | NZ$62.77 | US$36.18 | US$44.42 |
| Australian ARPU | NZ$46.51 | NZ$31.72 | AU$42.02 | AU$29.86 |

# 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
- In H1 FY23 spend $20.4m on R&D for FY23 targeting $38m*
- Increased focus on product development on the high value add products for customers (maximising return on investment)




58%
New to EROAD

18%
Planned enhancements

8%
Quality /bugs

10%
Reliability, availability, serviceability and scalability

5%
Learning /future

2%
Unplanned enhancements

* Includes operating expenditure and capital expenditure

# Glossary

**ANNUALISED MONTHLY RECURRING REVENUE (AMRR)**
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.

**COREHUB**
EROAD's next generation telematics hardware that collects rich data, meets electronic logging device certification, and integrates with cameras.

**COSTS TO ACQUIRE CUSTOMERS (CAC)**
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)**
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.

**CY**
12 months ended 31 December

**EBITDA**
A non-GAAP measure representing Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA). Refer Consolidated Statement of Comprehensive Income in Financial Statements.

**EBITDA MARGIN**
A non-GAAP measure representing EBITDA divided by Revenue.

**EHUBO, EHUBO2 and EHUBO 2.2**
EROAD's first and second generation telematics hardware. EHUBO is a trade mark registered in New Zealand, Australia and the United States.

**ENTERPRISE**
A fleet of more than 500 vehicles in North America and more than 150 vehicles in Australia or New Zealand.

**FREE CASH FLOW**
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 2 of the H1 FY23 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)**
A non-GAAP measure that is calculated by dividing the total SaaS revenue for the year reported in Note 2 of the H1 FY23 Financial Statements, by the TCU balance at the end of each month during the year.

**NORMALISED EBITDA**
Excludes one-off items: H1 FY23 Normalised for acquisition accounting adjustments (revenue: $7m) and integration costs ($2.6m). H1 FY22 normalisation was due diligence costs ($2.0m). H2 FY22 normalisation include due diligence and transaction costs ($1.6m), Integration costs ($4.0 m) and acquisition accounting revenue ($1.3m

**NORMALISED EBITDA MARGIN**
Excludes one-off items, consistent with the definition provided for Normalised EBITDA

**NORMALISED REVENUE**
Excludes the one-off acquisition accounting revenue in H1 FY23 ($7m).

**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 EROAD branded units subject to a customer contract both on Depot and pending instalment and Coretex branded units currently billed

**UNIT**
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 (excluding Philips Connect).

**360**
A web-based platform that allows customers to access data collected by CoreHub and the associated reports.

EROAD

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