



Market Release

24 May 2023

Strategic discipline pays off: FY23 results in line with guidance as management executes new plan

Transportation technology services company EROAD Limited (NZX/ASX: ERD), with its purpose of 'delivering intelligence you can trust, for a better world tomorrow', today released its financial results for the 12 months ended 31 March 2023.

All numbers are stated in New Zealand dollars (NZ\$) and relate to the 12 months ended 31 March 2023 (FY23), comparisons relate to the 12 months ended 31 March 2022 (FY22), unless stated otherwise. FY23 includes a full 12-month contribution from Coretex, while FY22 figures include a four-month contribution from Coretex.

Financial Highlights

- **Normalised revenue of \$165.3m was above guidance** (\$159m to \$164m). Reported Revenue increased from \$114.9m in FY22 to \$174.9m for FY23 (52% increase). This reflects a full 12-month contribution from Coretex and is normalised for a one-off acquisition accounting adjustment of \$9.6m relating to the Coretex merger. Growth in revenue was delivered across all markets.
- **EBIT improved** from a loss of \$7.2m in FY22 to a profit of \$1.7m, reflecting the recognition of one-off acquisition revenue and integration costs. Normalised for those one-off items, EBIT is a loss of \$4.5m at the midpoint of the company's guidance (loss between \$3m and \$6m).
- **Annualised Monthly Recurring Revenue increased** by \$19.1m (14.2%). From \$134.6m in FY22 to \$153.7m in FY23, reflecting growth across all markets and a FX benefit of \$8.6m.
- **Free Cash Flow improved** from an outflow of \$45.1m in FY22 to an outflow of \$29.9m in FY23. This included a clear improvement throughout the year, with the 1H23 FCF outflow of \$21.7m effectively halving to \$8.2m in 2H23. Available liquidity (debt facility headroom + cash) was \$27.5m at the end of March 2023.

Operational Highlights

- **Asset Retention remains high** at 94.8% in FY23 (NZ 96%; AU 97%; NA 93%).
- **Key client wins during the year** included Sysco in North America (over 9k connections), Fonterra in New Zealand (taking the full product suite including cameras, Ehubo, and satellite), and the renewal of ABC in North America (6k connections).
- **Following a strategic review which commenced in November 2022**, management is targeting positive FCF by FY26 by right sizing the cost base and better capitalising on significant growth opportunities in its key markets. EROAD achieved \$10m (annualised) of cost out in FY23.

Outlook & Guidance

- **FY24 Revenue guidance** of \$175m to \$180m (growth of between 6-9%)
- **FY24 EBIT guidance** of \$0m to \$5m (normalised for accelerated 3G replacement program)
- **Cost-out program to continue** with an additional \$10m (annualised) targeted for FY24
- **FY24 R&D spend** guidance of \$30m
- **Looking ahead**, EROAD reaffirms its expectation to be Free Cash Flow neutral by FY25 and Free Cash Flow positive by FY26, while staying within a \$90m debt facility.
- **Goldman Sachs review is ongoing**: EROAD has undertaken a review to help identify partnership options to contribute some combination of market access, expertise and capital to drive further growth in the North American market.

“Our dedication to strategic discipline and execution in FY23 has paid off,” said Mark Heine, Chief Executive Officer. “I am proud to report that our financial results have met the market guidance we provided 12 months ago, demonstrating our commitment to delivering on our promises. I continue to believe EROAD is building the right foundations for future growth. As a result of our strategic business model review, we are shifting to a segmented customer service model, refining R&D priorities, right-sizing the cost base while growing revenues and focusing on differentiating to win Enterprise clients in North America. We have a highly motivated, refreshed and talented team and we can successfully execute this strategic approach within our current funding headroom.”

EROAD Chair Graham Stuart said: “After a difficult year the Board remains firmly focused on surfacing shareholder value, with this effort spearheaded by an in-depth strategic review aimed at assessing where EROAD could do business better. While this process involved some tough decisions, we were pleased to see the results of this become apparent during the second half of FY23. We believe the steps taken over the past year have put EROAD firmly on the path to sustainable earnings growth and Free Cash Flow positive by FY26.”

ENDS

Authorised for release to the NZX and ASX by EROAD’s Board of Directors.

Webinar details

EROAD’s Chief Executive Officer, Mark Heine, and Chief Financial Officer, Margaret Warrington, will give a presentation on the company's financial and operational performance for FY23 via a teleconference commencing on Wednesday 24 May 2023 at 12:00pm NZT.

Register in advance for this webinar:

When: Wednesday 24 May 2023

Time: 12:00pm NZT

Topic: EROAD FY23 Results Announcement

Link: https://us02web.zoom.us/webinar/register/WN_UidXXi6jTI-ITw9WTFkZFg

After registering, you will receive a confirmation email containing information about joining the webinar. A replay of this conference call will be available once it has been uploaded to the EROAD website under ‘presentations’ on <https://www.eroadglobal.com/global/investors/>

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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, Normalised EBITDA, EBITDA margin, Normalised EBITDA margin, Normalised Revenue, Free Cash Flow and Future Contracted Income (FCI).