



EROAD's annual result reflects continued growth

26 May 2016 EROAD Limited reported a solid full year result continuing strong growth, including revenue growth of 49% to \$26.2 million.

Financial Highlights

- Revenue at \$26.2 million up by 49% on last year
- Total Contracted Units were 36,953 up by 43% on last year
- Customer Retention Rate remains strong at 97%
- Future Contracted Income reached \$48 million, up by 47% on last year
- Net Profit Before Tax was a loss of \$1.3 million
- EROAD's Established Market (NZ & Australia) delivered Net Profit Before Tax of \$6.3m, up by 47% on last year

Operational Highlights

- Launch of Electronic Logbook in the US
- Received NZ Transport Agency approval of Ehubo2 as an Electronic Distance Recorder (EDR)
- Selected as sole heavy transport technology provider for the California Road Charge Pilot
- Grew R&D team by 25 team members from last year, a 44% increase, to resource for the significant US Electronic Logging Device (ELD) opportunity
- Now collected more than \$1billion in RUC in New Zealand since launch
- Ranked on the Deloitte Technology Fast 500 Asia Pacific for the fourth consecutive year

Strategic Highlights

- Health and Safety at Work Act enhances EROAD's access to New Zealand's 500,000 light vehicle market
- Finalisation of the ELD regulations provides EROAD access to over 3 million trucks across the US
- NZTA approval of Ehubo2 enables EROAD to implement its 2 product strategy in New Zealand

Full-year to 31 March 2016

EROAD (NZX:ERD) today reports strong growth over last year underpinned by continued growth in the New Zealand market, which supports increased investment in its US business to prepare for the Electronic Logging Device (ELD) market opportunity.

Chairman Michael Bushby said the board was pleased with the company's continued progress towards a leadership position in the provision of road user charging and compliance services to the global heavy transport sector.

"We have continued to grow strongly in New Zealand while laying the groundwork for our next level of preparedness in the US in response to the new ELD regime which represents a substantial opportunity. We are equally focused on investing to get our US business model ready to address very considerable opportunities in that market, and on deepening and strengthening our New Zealand business where considerable potential remains," he said.



Total Contracted Units rose to 36,953, representing a 43% increase compared to last year. The EROAD team grew to 196 team members. Customer retention remained high at 97%. EROAD customers continued to favour renting units over buying them, with 92% of customers renting EROAD's hardware rather than purchasing hardware outright. This has the effect of locking in significant revenue, net profit and cash flow for future years, and saw Future Contracted Income (FCI) reach \$48 million in FY16, a 47% growth on last year.

Chief Executive Officer Steven Newman said, "Our continued customer focus enabled us to extend our leadership position in the New Zealand market, and continue to build on our beachhead in Oregon as we prepare for sales of Electronic Logging Devices (ELDs), which hold the key not only to a new, significant US-wide market, but also to more rapid uptake of our electronic Weight-Mile Tax (WMT) and International Fuel Tax Agreement (IFTA) services in the Northwest and across the US."

Mr Newman said EROAD's loss for the year, compared to an anticipated modest profit, was the result of foreign currency movements, higher research and development investment expensed rather than capitalised, and higher investment in the US business as the company prepares to meet the US-wide ELD opportunity. Earnings per share of \$(0.02), FY15 \$(0.02), was impacted by the movement to loss for the year.

New Zealand and Australia (Established Market)

The company's Established Market, incorporating New Zealand and Australia, underpinned another year of strong performance with revenues of \$24 million, an increase of 40% compared to FY15, and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of \$12.5m, an increase of 53% compared to FY15. EROAD now collects 34% of New Zealand Heavy Vehicle RUC, up from 29% a year ago.

Mr Newman said a highlight of the year was NZ Transport Agency's approval of Ehubo2, EROAD's second-generation in-vehicle device, as an Electronic Distance Recorder (EDR). Two of the three approved EDRs in the New Zealand market are EROAD devices. Ehubo1 is now installed in over 30,000 New Zealand vehicles.

"The Ehubo2 helps improve safety outcomes with a touchscreen colour display that delivers paperless RUC, real-time in-cab driver feedback and EROAD's driver messaging service," said Mr Newman. "Ehubo2 underwent a rigorous product testing and validation process in New Zealand, Australia and the USA, covering in excess of 200 million kilometres. In keeping with our commitments to privacy and accuracy of all customer data, Ehubo2 is the only Electronic Distance Recorder in the world to meet international security standards including FIPS (Federal Information Processing Standards) 140-2 Level 3."

Mr Newman said Ehubo2 is integral to the company's continued growth plans in New Zealand, providing access to the lighter vehicle markets, where fleet operators are seeking to ensure they meet the new health and safety reforms that came in to effect on 4 April 2016. Further, Ehubo2, with its additional services, is in demand from existing Ehubo1 customers wishing to upgrade. At year end EROAD had an order book of over 1,000 units from existing customers seeking to upgrade to Ehubo2.

"Customers upgrading to Ehubo2 give EROAD the opportunity to re-deploy those Ehubo1s into fleets that we have historically not been able to access, which is exciting for the sales team," he said.

Other new products and services launched in New Zealand this year included driver behaviour safety features Drive Buddy, Driver Leaderboard and Driver Insight, and Safe Driving Rewards Programme, a collaboration with NZI and Lumley to provide user-based insurance to the heavy vehicle sector.

Mr Newman said that EROAD enjoyed modest sales growth in Australia, mainly from New Zealand customers with operations across the Tasman and Australian operators looking for high quality secure telematics.



Oregon and North America (Commercial Market)

Mr Newman said that the company had adjusted sales expectations in the short term in the US driven by customer uncertainty arising from ELD, and in order to prioritise preparation for the nationwide ELD sales opportunity. This includes recently commissioning independent expert US advice on sales and business development to advance our market execution strategy.

“While ELD represents a major expansion of our addressable market right across the US, it continues to impact WMT sales in Oregon in the short term because operators are delaying purchase decisions,” he said. “Understandably, customers want to buy one system that meets all their needs, including the new ELD requirements. Looking further out, this puts EROAD in a very strong position, with our ELD offered on the same proven, secure platform as WMT, IFTA and other services. These uncertainties around purchase decisions are impacting US sales numbers in the short term.”

“Even so, our US business is ahead of where our New Zealand business was at a comparable stage, now with 4,501 units in vehicles, a growth rate of 126%, and Future Contracted Income of \$8.2 million. We are selling around 14 units per customer in the US, compared to 2-3 units per customer in New Zealand at the same stage of market development. The quality of our customers in the US is consistent with the quality of our service offering, with our customers focussed on improving health and safety, tax compliance and ease of use for their drivers” said Mr Newman.

Mr Newman said EROAD’s US launch of its Federal Motor Carrier Safety Administration-compliant Electronic Logbook service offered operators an innovative electronic HOS (hours of service) solution to improve compliance, reduce paperwork and importantly begin a seamless transition to a compliant ELD in the future. EROAD’s research and development effort is focused on a best-in-class ELD solution.

Another significant step for EROAD was its selection by the California Department of Transportation (Caltrans) for the California Road Charge Pilot. EROAD is the sole technology provider for the pilot’s heavy vehicle category.

“This is the United States’ largest road charge pilot to date, scheduled to run for nine months from July 2016, to investigate road charging options for possible replacement of California’s fuel tax, with many other States watching with interest,” said Mr Newman.

Outlook for FY17

Mr Newman said that, looking forward, EROAD would continue to execute its growth plans, while at the same time remaining cost conscious as the business grows, to ensure sustainable growth.

“In New Zealand, an opportunity exists to offer additional benefits to customers with our Ehubo2. We also anticipate demand from a wider range of vehicle fleets will continue to grow as health and safety requirements prompt companies to improve audit, monitoring and management systems,” he said.

“In the US we look forward to completing the market execution strategy and re-alignment of the business to address the nationwide ELD opportunity. This will include the recruitment of a senior, US-based leader for the business, and the development of EROAD’s indirect sales channel. We look forward to launching our compliant ELD solution, and being among the first movers in this very significant market space,” said Mr Newman.



Dividend

Consistent with its Dividend Policy, EROAD does not intend to pay a final dividend for the year ended 31 March 2016.

Summary financial statements

Attached to this release are unaudited summary financial statements. The audit is in progress at present. The summary financial statements for the year ended 31 March 2016 and the comparative financial information for the year ended 31 March 2015 have been prepared under the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

About EROAD

EROAD is a leading transport technology and services company, headquartered in Auckland, New Zealand, with a US office in Portland, Oregon. EROAD's in-vehicle technology and global services platform provides transport operators with automated solutions to manage and pay road user charges, to meet regulatory and compliance obligations, and to provide a range of commercial services. EROAD's goal is to offer flexible and powerful solutions based on our innovative technology to assist in the creation of a transport sector that is responsive to the evolving needs of business, government and the wider community.

EROAD was founded in 2000 and is listed on the NZX Main Board (NZX) under the ticker code ERD. EROAD designs and manufactures in-vehicle hardware, operates secure payment and merchant gateways and offers web-based value-added services. The EROAD team are experts in their field, highly qualified, and very experienced in technology and security, SaaS and cloud infrastructure, the transport industry and the public sector.

EROAD generates recurring revenue from charging customers for its services and also receives revenue from hardware sales of Ehubos as well as other sources. EROAD is a vertically integrated technology company which allows the company to provide a better customer experience by integrating the complete user experience from hardware to software and services. This arrangement promotes strong customer relationships and ensures more stable revenues.

For a detailed description of EROAD's business, and terms including Total Contracted Units, Future Contracted Income and Customer Retention Rate, which are non GAAP measures used by EROAD to manage the business, please refer to our website, <http://www.eroadglobal.com/global/investors/>.

Contact: Steven Newman CEO on +64 9 9274713.

Attachment

Summary financial statements.



EROAD LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Group	
	31 March 2016	31 March 2015
	\$	\$
	Unaudited	Audited
Continuing operations		
Revenue	26,164,570	17,550,323
Expenses	(20,477,298)	(12,511,682)
Earnings before interest, taxation, depreciation, amortisation and costs of listing	5,687,272	5,038,641
Depreciation	(5,812,543)	(3,560,474)
Amortisation	(1,676,471)	(1,140,251)
Earnings before interest, taxation, and costs of listing	(1,801,742)	337,916
Finance income	735,836	843,662
Finance expense	(244,959)	(86,020)
Net financing costs	490,877	757,642
Profit/(loss) before tax expense and costs of listing	(1,310,865)	1,095,558
Costs of listing	-	(2,022,675)
Profit/(loss) before tax	(1,310,865)	(927,117)
Income tax (expense)/benefit	211,351	(293,563)
Profit/(loss) from continuing operations	(1,099,514)	(1,220,680)
Profit/(loss) after tax for the year attributable to the shareholders	(1,099,514)	(1,220,680)
Other comprehensive income	(47,986)	(61,715)
Total comprehensive income/(loss) for the year	(1,147,500)	(1,282,395)
Earnings per share - Basic & Diluted (cents)	(1.84)	(2.24)



EROAD LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Group	
	31 March 2016	31 March 2015
	\$	\$
	Unaudited	Audited
CURRENT ASSETS		
Cash and cash equivalents	13,377,680	34,117,652
Trade and other receivables	5,112,645	3,828,751
Finance lease receivable	294,678	127,810
Loan to shareholders and directors	279,996	-
Current tax receivable	456,881	168,718
Total Current Assets	19,521,880	38,242,931
NON-CURRENT ASSETS		
Property, plant and equipment	21,361,280	15,138,577
Intangible assets	23,268,959	15,816,083
Finance lease receivable	730,599	182,556
Loan to shareholders and directors	-	279,996
Deferred tax assets	1,952,706	1,649,754
Total Non-Current Assets	47,313,544	33,066,966
TOTAL ASSETS	66,835,424	71,309,897
CURRENT LIABILITIES		
Borrowings	1,002,305	-
Trade payables and accruals	3,261,460	1,865,388
Payable to NZTA	5,558,453	9,567,274
Deferred revenue	3,378,928	4,082,183
Employee entitlements	920,078	718,867
Total Current Liabilities	14,121,224	16,233,712
NON-CURRENT LIABILITIES		
Deferred revenue	1,995,719	3,313,209
Total Non-Current Liabilities	1,995,719	3,313,209
TOTAL LIABILITIES	16,116,943	19,546,921
NET ASSETS	50,718,481	51,762,976
EQUITY		
Share capital	58,819,932	58,819,932
Translation reserve	(109,701)	(61,715)
Retained earnings	(7,991,750)	(6,995,241)
TOTAL SHAREHOLDERS' EQUITY	50,718,481	51,762,976



EROAD LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

Group	Share Capital	Retained Earnings	Translation Reserve	Total
	\$	\$	\$	\$
	Unaudited	Unaudited	Unaudited	Unaudited
Balance at 1 April 2014	17,471,968	(5,923,268)	-	11,548,700
Profit after tax for the period	-	(1,220,680)	-	(1,220,680)
Equity settled share-based payments	-	148,707	-	148,707
Other comprehensive income	-	-	(61,715)	(61,715)
Total comprehensive loss for the period, net of tax	-	(1,071,973)	(61,715)	(1,133,688)
Share capital issued	41,347,964	-	-	41,347,964
Balance at 31 March 2015	58,819,932	(6,995,241)	(61,715)	51,762,976
Balance as at 1 April 2015	58,819,932	(6,995,241)	(61,715)	51,762,976
Profit after tax for the period	-	(1,099,514)	-	(1,099,514)
Equity settled share-based payments	-	103,005	-	103,005
Other comprehensive income	-	-	(47,986)	(47,986)
	-	(996,509)	(47,986)	(1,044,495)
Balance at 31 March 2016	58,819,932	(7,991,750)	(109,701)	50,718,481



EROAD LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Group	
	31 March 2016	31 March 2015
	\$	\$
	Unaudited	Audited
Cash flows from operating activities		
Cash received from customers	22,145,020	13,477,547
Payments to suppliers and employees	(18,916,597)	(11,673,877)
Net interest received/ (paid)	490,877	757,642
Net tax paid	(288,163)	(123,936)
Net cash inflow from operating activities before listing costs and NZTA collections	3,431,137	2,437,376
Payments made to suppliers in listing on NZX	-	(2,022,675)
Net cash received from customers / (paid to) NZTA	(4,008,821)	2,938,065
Net cash inflow from operating activities	(577,684)	3,352,766
Cash flows from investing activities		
Payments for purchase of property, plant & equipment	(12,035,246)	(9,375,573)
Payments for purchase of intangible assets	(9,129,347)	(6,982,060)
Investment in subsidiary	-	-
Net cash outflow from investing activities	(21,164,593)	(16,357,633)
Cash flows from financing activities		
Loan from / (repayment) bank	1,002,305	(3,101,274)
Net proceeds from equity raising	-	41,067,968
Net cash outflow from financing activities	1,002,305	37,966,694
Net increase/(decrease) in cash held	(20,739,972)	24,961,827
Cash at beginning of the financial period	34,117,652	9,155,825
Closing cash and cash equivalents (net of overdrafts)	13,377,680	34,117,652



EROAD Limited		
Results for announcement to the market		
Reporting Period	12 Months to 31 March 2016	
Previous Reporting Period	12 Months to 31 March 2015	
	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ\$26,165	49%
Profit from ordinary activities after tax attributable to security holders	NZ\$(1,100)	10%
Net profit attributable to security holders	NZ\$(1,100)	10%
Dividend	Amount per security	Imputed amount per security
	No dividend is proposed	No dividend is proposed
Record Date	Not Applicable	
Dividend Payment Date	Not Applicable	
Audit	The summary financial statements attached to this announcement are unaudited. The audit is in progress at present.	
Comments	Refer to accompanying pages for commentary.	
Net tangible assets per security	31 March 2016	31 March 2015
	\$0.46	\$0.60