EROAD

**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-lTw9WTFkZFg

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/

| Investor enquires please contact: | For Media enquiries please contact: |
|---|---|
| Matt Gregorowski<br>Citadel-MAGNUS<br>+61 422 534 755<br>mgregorowski@citadelmagnus.com | Hugo Shanahan<br>Hugo@shanahan.nz |

**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 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).

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

For the 12 months ended 31 March 2023 (FY23)

**24 May 2023**

# Important Information

The information in this presentation is of a general nature and does not constitute financial product advice, investment advice or any recommendation. Nothing in this presentation constitutes legal, financial, tax or other advice.

This presentation may contain projections or forward-looking statements regarding a variety of items. Such projections or forward-looking statements are based on current expectations, estimates and assumptions and are subject to a number of risks, uncertainties and assumptions.

All number relate to the 12 months ended 31 March 2023 (FY23) and comparisons relate to the 12 months ended 31 March 2022 (FY22), unless otherwise stated. All dollar amounts are in NZD, unless otherwise stated.

There is no assurance that results contemplated in any projections or forward-looking statements in this presentation will be realised. Actual results may differ materially from those projected in this presentation. No person is under any obligation to update this presentation at any time after its release to you or to provide you with further information about EROAD.

While reasonable care has been taken in compiling this presentation, EROAD or its subsidiaries, directors, employees, agents or advisers (to the maximum extent permitted by law) do not give any warranty or representation (express or implied) as to the accuracy, completeness or reliability of the information contained in it or take any responsibility for it. The information in this presentation has not been and will not be independently verified or audited.

**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 32 of this presentation.

# Agenda



1. **FY23 Result Overview**
   - Operational Overview & Key Metrics
   - Geographic
   - Financial
   - Hardware Replacement & Integration
2. **EROAD Strategy**
   - Key Market Opportunities
   - Strategy
   - Cost Out
3. **Outlook & Guidance**

**MARK HEINE, CEO**

**MARGARET WARRINGTON, CFO**

# Key Highlights

## FY23 RESULTS IN LINE WITH GUIDANCE GIVEN IN MAY 2022, WITH CASH BURN IMPROVING IN H2 FY23



**Reported revenue $174.9m**
+52.2% vs pcp

**Normalised Revenue[1] $165.3m**
Slightly above guidance range of $159-164m

**Reported EBIT $1.7m**

**Normalised EBIT[1,2] $(4.5)m**
Midpoint of guidance range of $(6)–(3)m

**$20m Cost-out**
$10m (annualised) completed in FY23, additional $10m (annualised) targeted in FY24

### FY23 Results In Line With Guidance

### Strategic Discipline Pays Off

**Future contracted income $219.6m**
Increased 16% in FY23

**Asset retention 94.8%**
Improvement on FY22 93.4%

**AMRR $153.7m**
+14.2% vs pcp

**Unit net adds 18,452**
Growth of 8.8% YoY

**FCF[3] $(29.9)m**
Cash burn reduced from $4.2m/mth in H1 FY23 to $1.8m/mth in H2 FY23

**R&D $37.2m**
23% of normalised revenue

1. Normalised for $9.6m for accounting adjustment related to contingent consideration . 2. Normalised for integration costs of $3.4m. 3. Free Cash Flow to the firm normalised for Coretex acquisition payments and excludes financing costs


EROAD
01
FY23
Result Overview

# Operational Overview

## CREDIBLE RESULTS AND CAPABLE OF DELIVERING ON STRATEGY

### Refreshed strategy

- Outputs of November review: right-size the cost base; move to generate positive FCF; better capitalise on growth opportunities in key markets
- Strategic review announced at March investor day, with Goldman Sachs appointed, is ongoing and aims to evaluate a number of options: aim to accelerate North America strategy via partnership options

### Financial headroom to execute on strategy

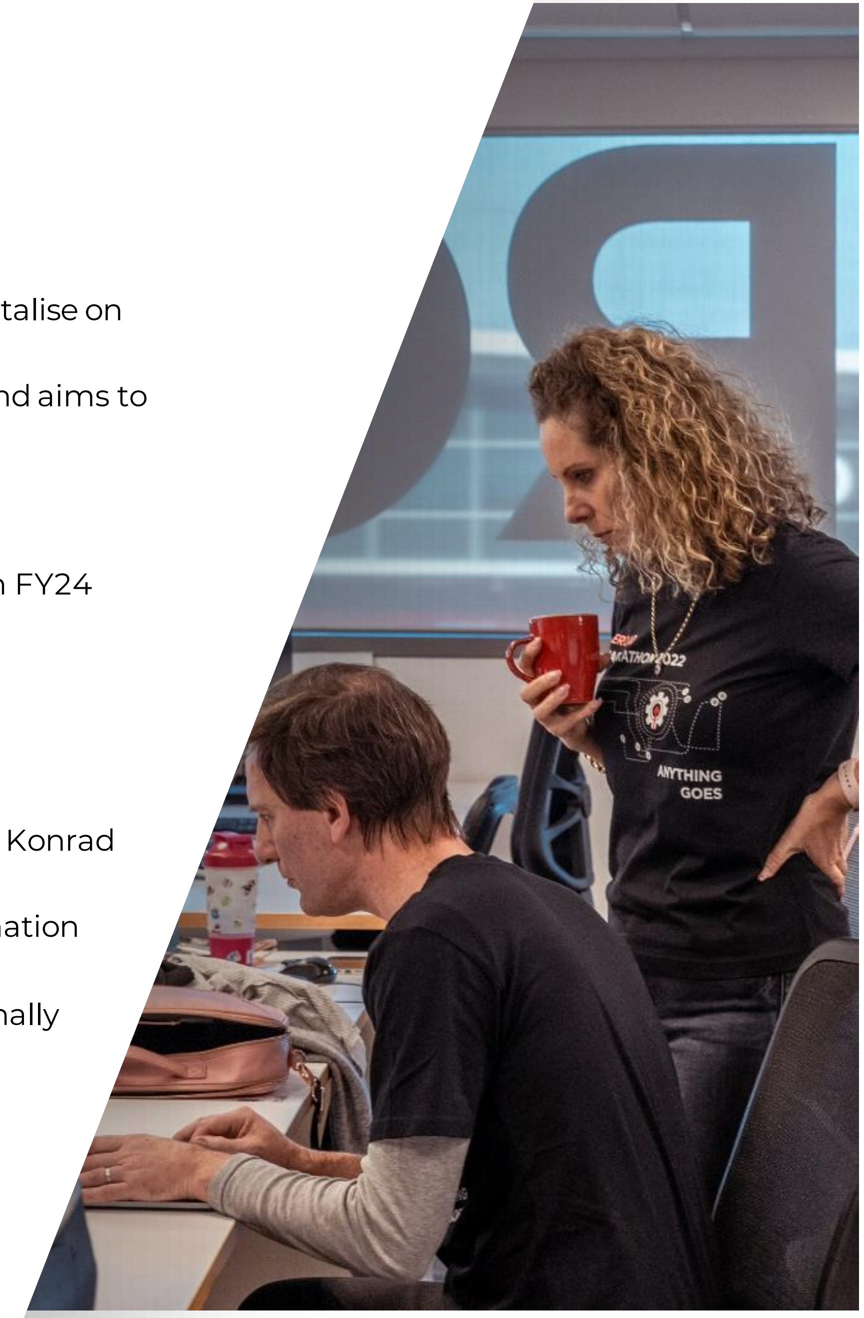
- Cost savings of $10m (annualised) achieved in FY23 with additional $10m (annualised) targeted in FY24
- Normalised cash burn reduced to $1.8m/month in H2 FY23 (from $4.2m in H1 FY23)
- Liquidity of $27.5m available via credit facility headroom and cash to execute on strategy

### Refreshed management team

- CEO Mark Heine, CFO Margaret Warrington, President NA and CIO Akinyemi Koyi, and EGM ANZ Konrad Stempniak
- COO Aaron Latimer is returning to EROAD; CPO Shelley Prentice started in April; Chief Transformation Officer Steen Andersen started in February, New CTO joining Q1 FY24
- Chief Sustainability Officer Craig Marris & Chief Data Science Officer Dean Marris promoted internally

### Key enterprise accounts won or retained

- Won Sysco in North America (over 9,000 connections)
- Won Fonterra in New Zealand taking full product suite (cameras, Ehubo, and satellite)
- Renewed ABC in North America (6,000 connections)



# Key Metrics

## FOCUSED EXECUTION DELIVERS GOOD RESULTS AGAINST REFRESHED STRATEGY

| Goal | Metric | FY22 | FY23 | Strategy | FY26 Targets |
|---|---|---|---|---|---|
| SaaS Quality | AMRR* | $134.6 | **$153.7** | Grow customer base in-line with market growth | **11% – 13% CAGR** |
| | Churn | 7% | **5%** | Maintain historical churn rate | **5% – 7%** |
| | Average Lease Duration Remaining (years) | 1.4 | **1.3** | Rebalance toward longer-dated enterprise contracts | **1.5 – 2.0** |
| Investment | R&D as % of revenue | 28% | **23%** | Focus on projects with near-term ROI | **13% – 15%** |
| Return | Free Cash Flow Margin | -39% | **-18%** | Improve cash efficiency and drive NA growth | **9%+** |

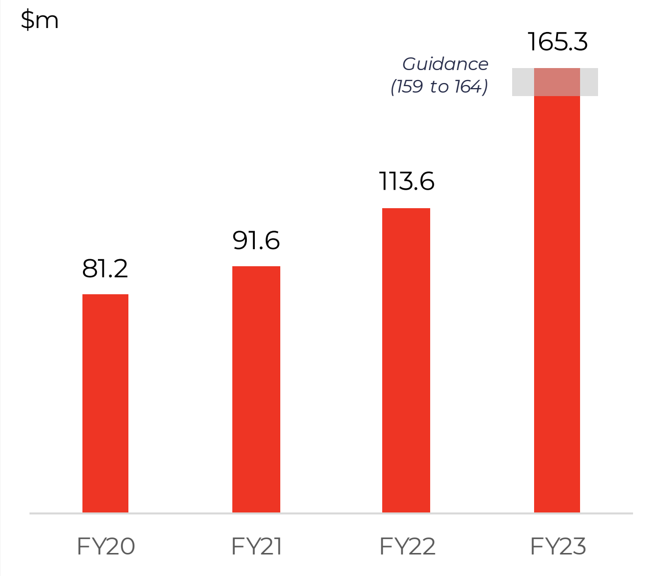
* Annualised monthly recurring revenue includes positive FX impact of $8.6m

# Revenue & EBIT

## FINANCIAL RESULTS HAVE DELIVERED ABOVE GUIDANCE, FULFILLING OUR COMMITMENT TO DELIVERING ON OUR PROMISES

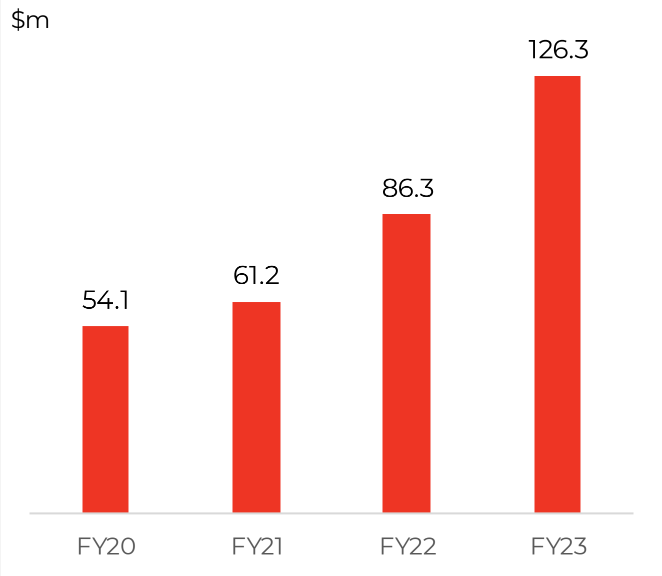


### Normalised Revenue[1]



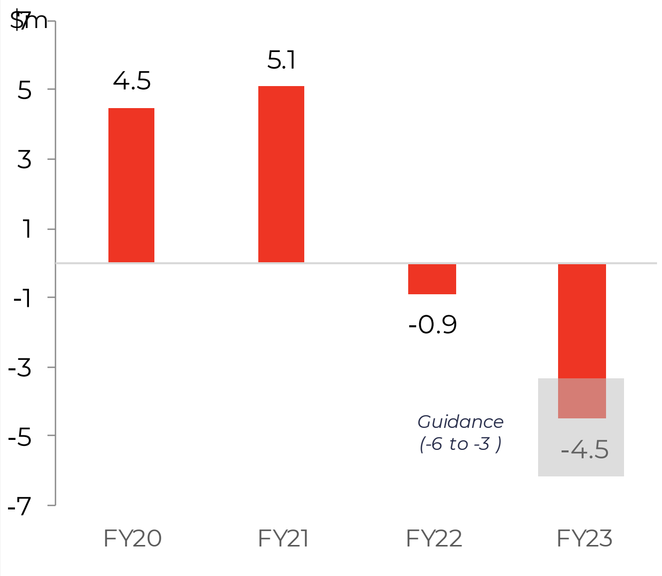

Normalised revenue of $165.3m was slightly above FY23 guidance range ($159-164m)

### Operating Costs[2]




The cost-out program achieved $10m of annualised cost savings in FY23, albeit with Personnel costs rising given the inclusion of Coretex expenses.

### Normalised EBIT[3]




Normalised EBIT of $(4.5)m was at the midpoint of the FY23 guidance range ($(6)-(3)m)

[1] Revenue normalised for $9.6m in FY23 and $1.3m in FY22, respectively, relating to accounting adjustment for contingent consideration
[2] Operating costs normalised for transaction and integration costs of $3.4 in FY23 and $7.6m in FY22, respectively
[3] EBIT normalised for contingent consideration of $9.6m in FY23 and $1.3m in FY22 respectively, and integration costs of $3.4m in FY23 and $7.6 m in FY22 respectively

# New Zealand

## CASH GENERATIVE MARKET WITH A FOCUS ON MULTI-PRODUCT ADOPTION



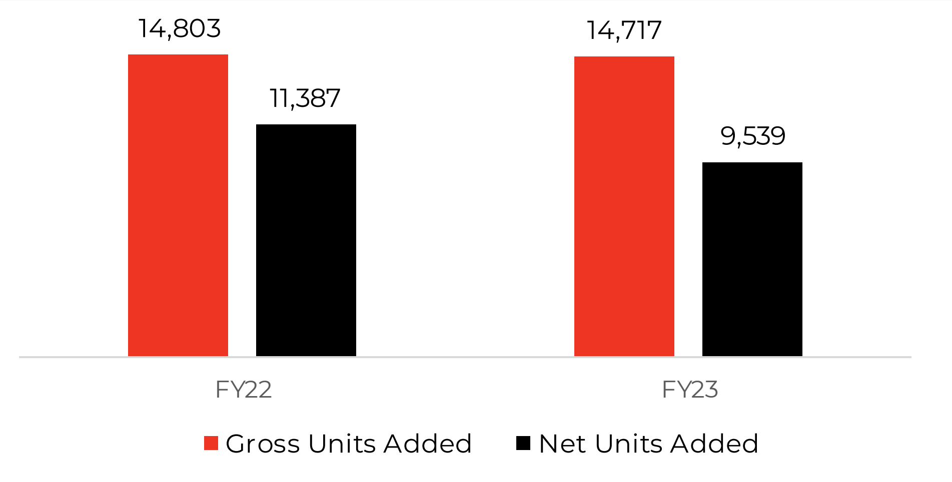
**Net unit adds 9,539**
Growth of 8.9% YoY

**1,556 Customers added services**
(13,387 subscriptions)

**EBITDA NZ$53.7m**
Growth of 18.8% YoY

**Asset Retention Rate 95.9%**
(FY22: 97.3%)

**Monthly SaaS ARPU NZ$55.70**
Decline of 1.3% YoY reflecting Coretex's higher weighting to purchased hardware model




### FY23 NZ Developments

- 1,092 customers renewed their plans with EROAD, representing a total of 28,631 units renewed for another term
- Enterprise customers Bidfood (735), Higgins (496) renewed their contracts
- Won Fonterra with a whole-of-fleet solution (total of 500+ units), with 50 units installed in FY23

# Australia

## OPPORTUNITIES TO LEVERAGE TRANS TASMAN FLEETS REMAINS A FOCUS



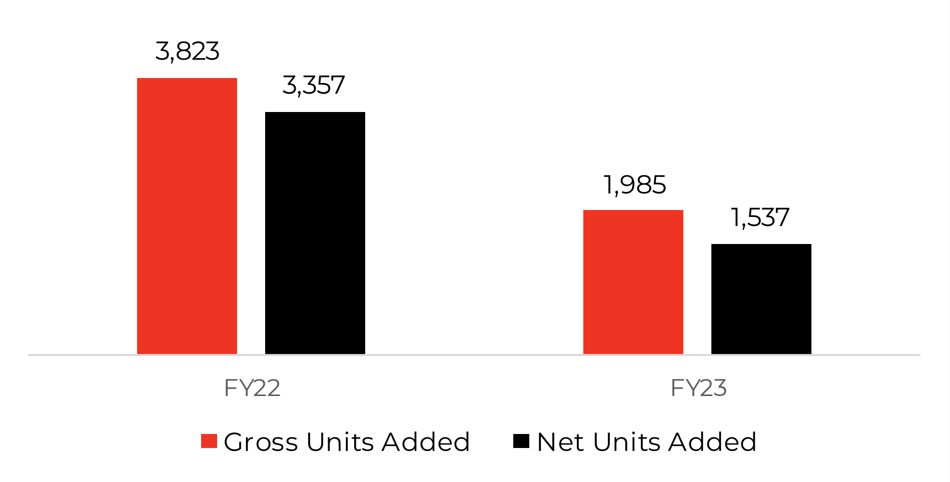
**Unit net adds 1,537**
Growth of 10.9% YoY

**290 Customers added services**
(1,699 subscriptions)

**EBITDA NZ$2.2m**
Growth from $0.1m in FY22

**Asset Retention Rate 97.0%**
(FY22: 88.4%)

**Monthly SaaS ARPU A$42.27**
Growth of 15.2% YoY
[FY22 was A$36.69]




### FY23 AU Developments

- 51 customers renewed their plans with EROAD, representing a total of 1,166 units renewed for another term
- Enterprise customer Jim Pearson Transport renewed their contract representing 600+ units
- Accelerated amortisation recognised following notice of termination from a 1,500 unit customer

# North America

## SOLID GROWTH WITH MOMENTUM BUILDING IN OUR ENTERPRISE FOCUS

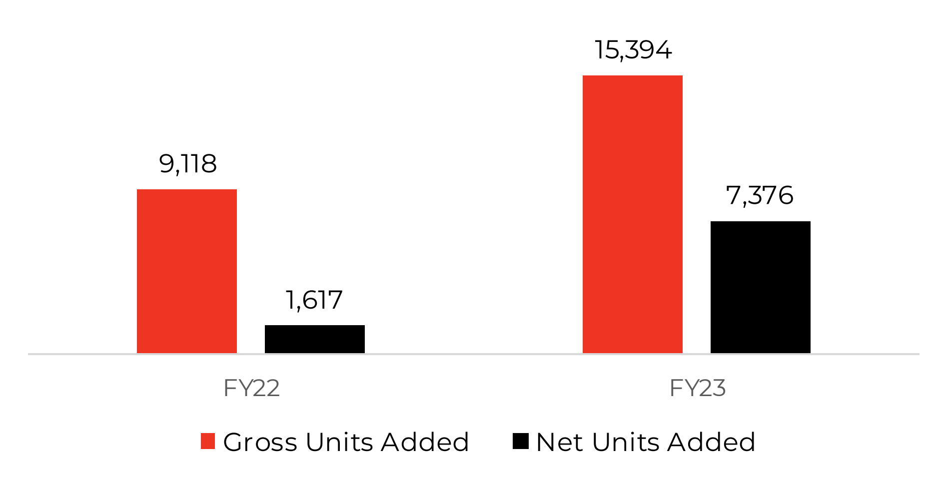
**Net unit adds 7,376**
Growth of 8.4% YoY

**404 Customers added services**
(2,625 subscriptions)

**EBITDA NZ$18.1m**
Growth of 93% YoY following acquisition of Coretex in FY22

**Asset Retention Rate 93.2%**
(FY22: 84.2%)

**Monthly SaaS ARPU US$36.65**
Decline of 6.1% YoY reflecting Coretex's higher weighting to purchased hardware model



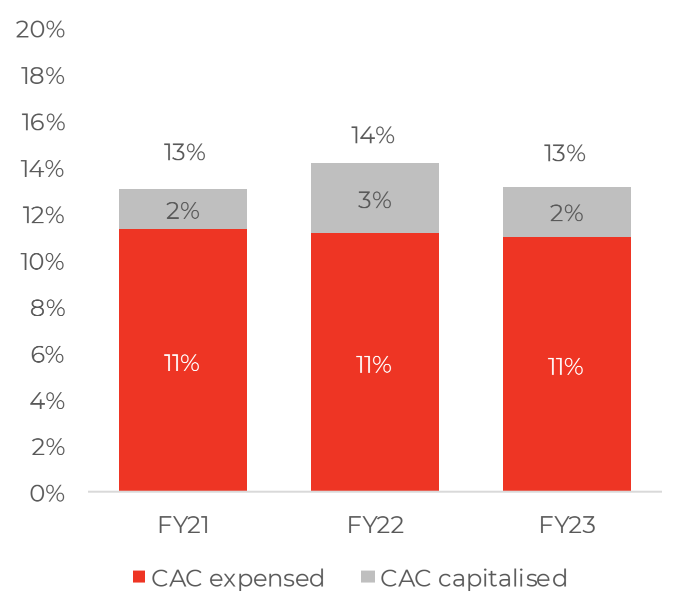

### FY23 NA Developments

- 110 customers renewed their plans with EROAD, representing a total of 7,185 units renewed for another term
- Major enterprise customer ABC renewed their contract representing 6,000+ units
- Won Sysco (total of 9,000+ units), with 1,038 number of units installed in FY23
- Churn includes fleet resizes for channel customers who own their hardware on evergreen contracts (approx. 2k units)
- The SMB customer base represents a majority of the churn with only one enterprise customer lost (approx. 900 units)

# Operational Efficiency

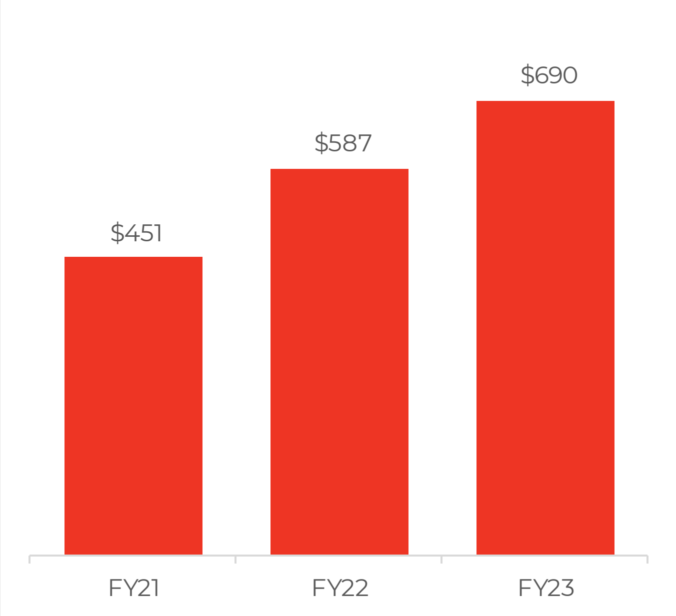
## MANAGEMENT FOCUS ON GAINING EFFICIENCY ACROSS ALL COST MEASURES

### Cost to acquire customers as a % of revenue



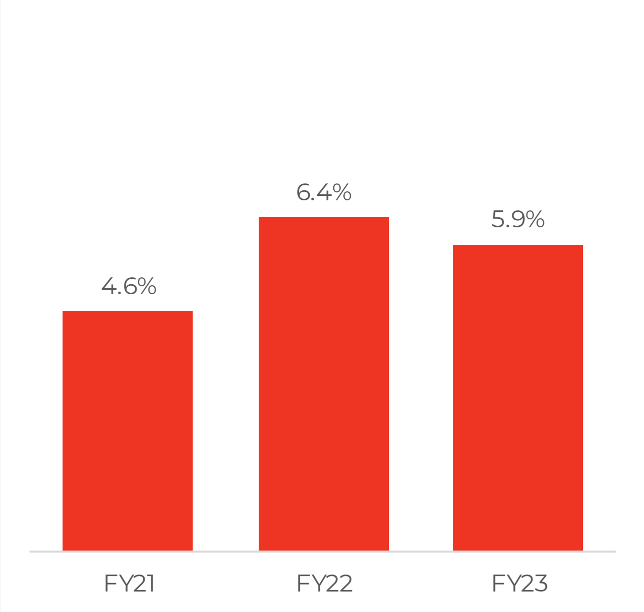

Our underlying costs increase in line with revenues following the acquisition of Coretex.

### Customer acquisition cost (CAC) per unit




Higher cost per unit in FY23 reflects the lag between the costs spent to acquire a customer and the recognition of a new unit added following installation. This is particularly pronounced with large enterprise wins.

### Cost to support & service as a % of revenue

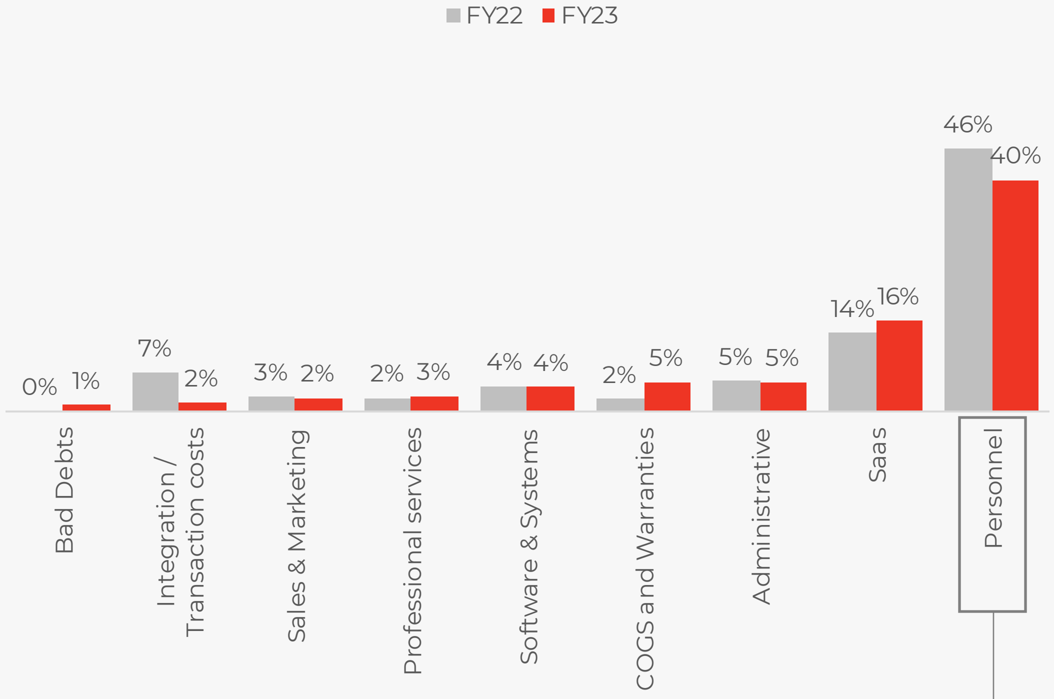



The decline over the prior year reflects savings from driving efficiencies and the cost-out program.

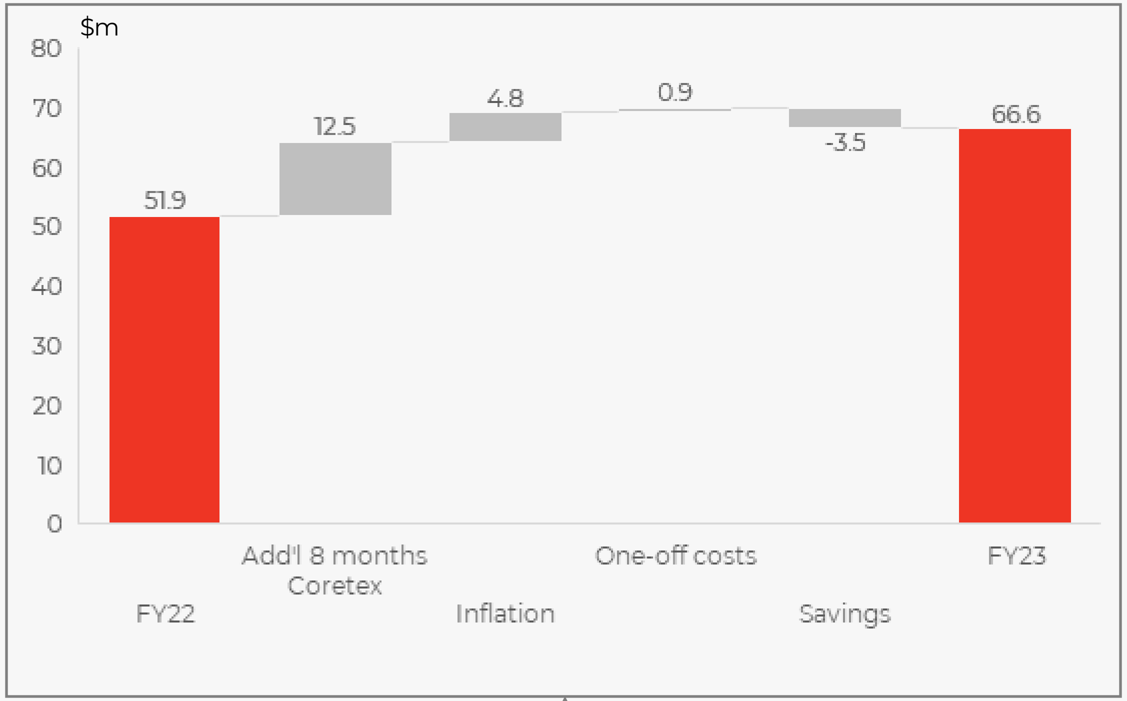
# Operating Costs

## COST-OUT PROGRAM HAS HELPED TO RE-ALIGN COST BASE FOR IMPROVED PROFITABILITY

### Operating cost as a % of normalised revenue[1]




### Cost-out program estimated impact on Personnel costs




**COGS** increased due to the higher proportion of hardware sales following acquisition of Coretex

**Personnel Costs** driven by Coretex (pcp includes only four months), partially offset by cost-out. Annualised cost-out for FTE estimated to be $9.6m

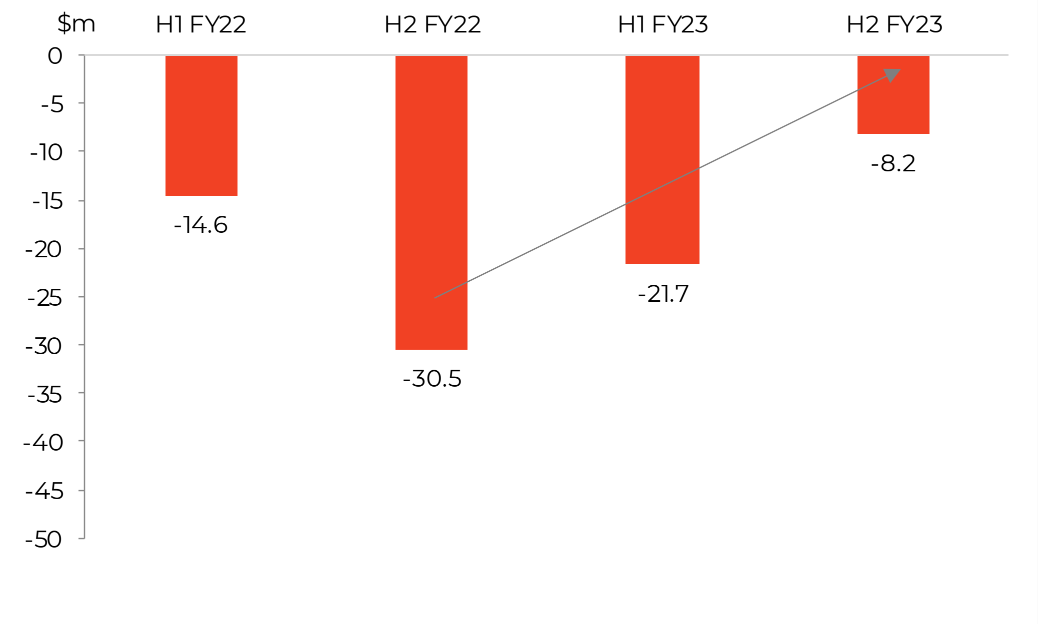
**Full impact of FY23 savings should allow EROAD to grow revenue while holding operating costs at current levels**

[1] Revenue normalised for $9.6m in FY23 and $1.3m in FY22, respectively, relating to accounting adjustment for contingent consideration

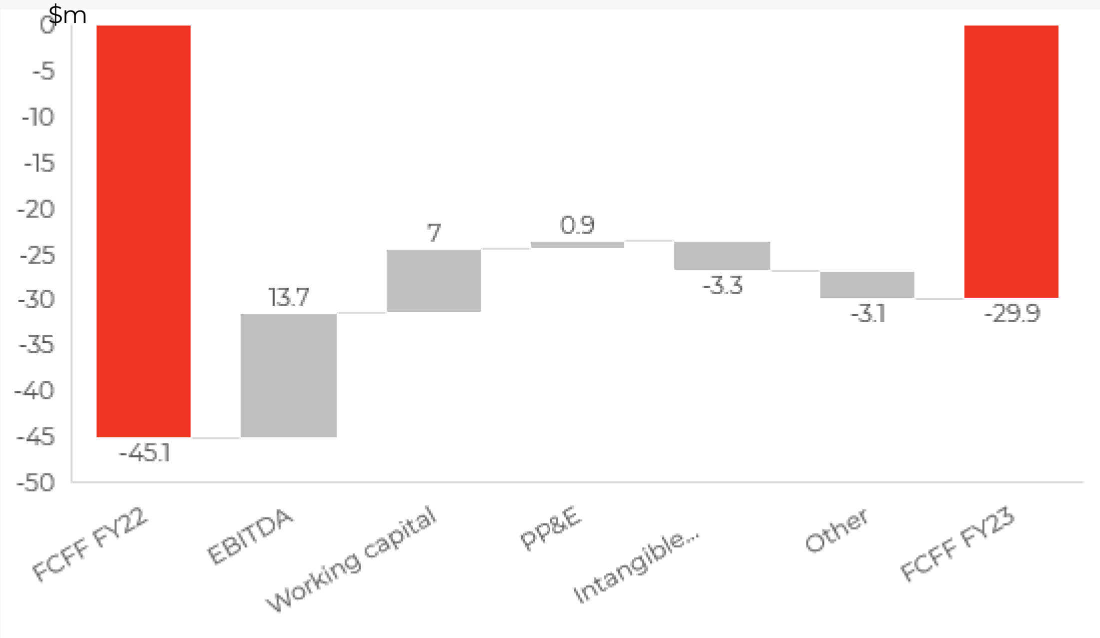
# Cash Flow Bridge

## CASH FLOWS IMPROVED SIGNIFICANTLY OVER THE COURSE OF FY23 & CONTINUE IN RIGHT DIRECTION

### Cost-out program driving improvement in free cash flow to the firm[1]




### Free cash flow to the firm[1] FY22 to FY23




**EBITDA** increased due to full year of Coretex results, organic growth of 18k units, and operating cost savings ($3.5m impact in the period). The full impact of FY23's cost-out program will impact FY24 and is expected to be partially offset by inflationary impacts and investment in North America.

**R&D** increased due to temporarily higher spending related to integration of the Coretex and EROAD platforms. R&D is budgeted to reduce from $37.2m in FY23 to ~$30m in FY24 as integration is completed and efficiencies created.

**PP&E** remained flat as investment in inventory in the prior year was utilised for new units in the current year. It is expected that as EROAD grows and the 3G replacement program accelerates, inventory (assets under construction) will decrease over FY24.

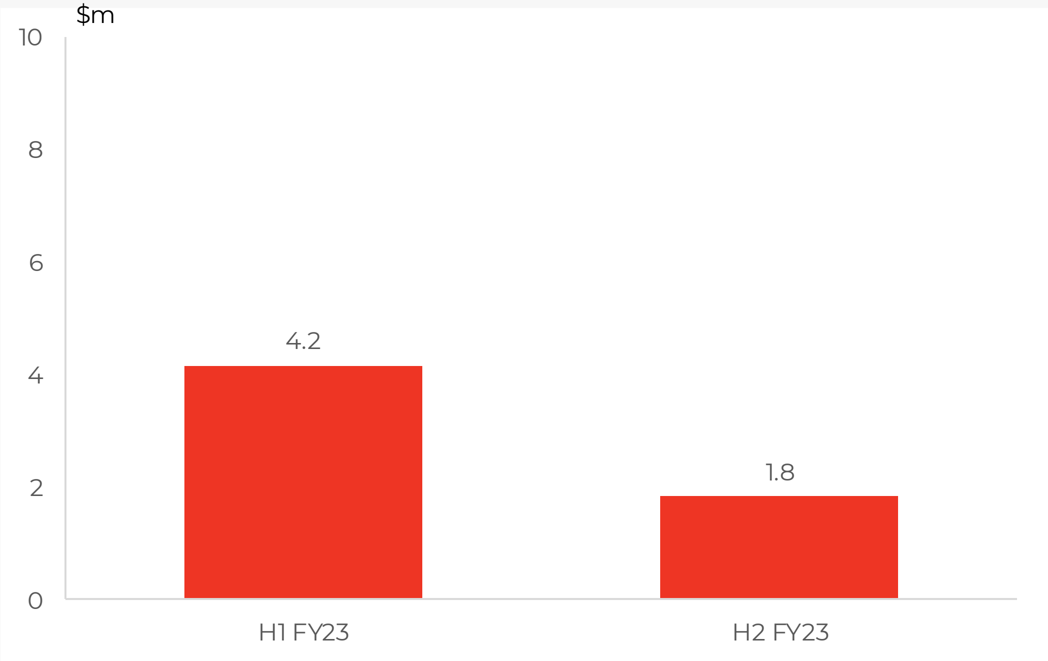
[1] Normalised for Coretex acquisition payments

# Debt

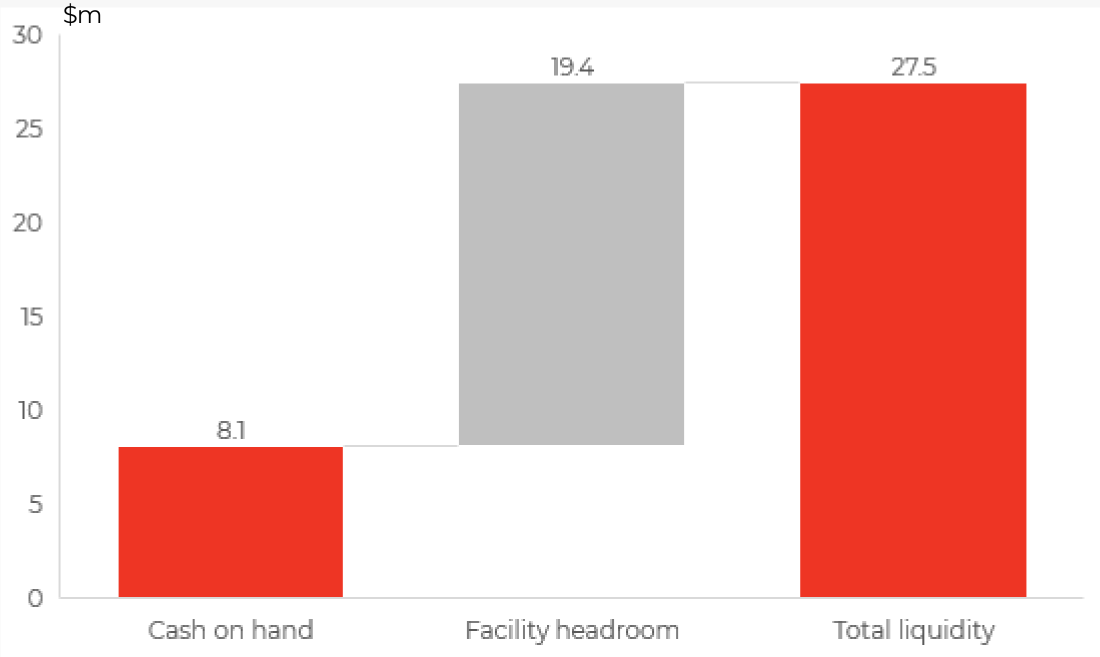
## REDUCING CASH BURN STRENGTHENS FUNDING CAPACITY AND STRATEGIC PLANS CAN BE EXECUTED WITHIN $90M DEBT FACILITY



### Normalised[1] monthly cash burn has improved




### Sufficient liquidity to fund strategic plan




**Consistent cash burn improvement** and total liquidity of $27.5m allow EROAD to fund strategic goals within its existing capital structure.

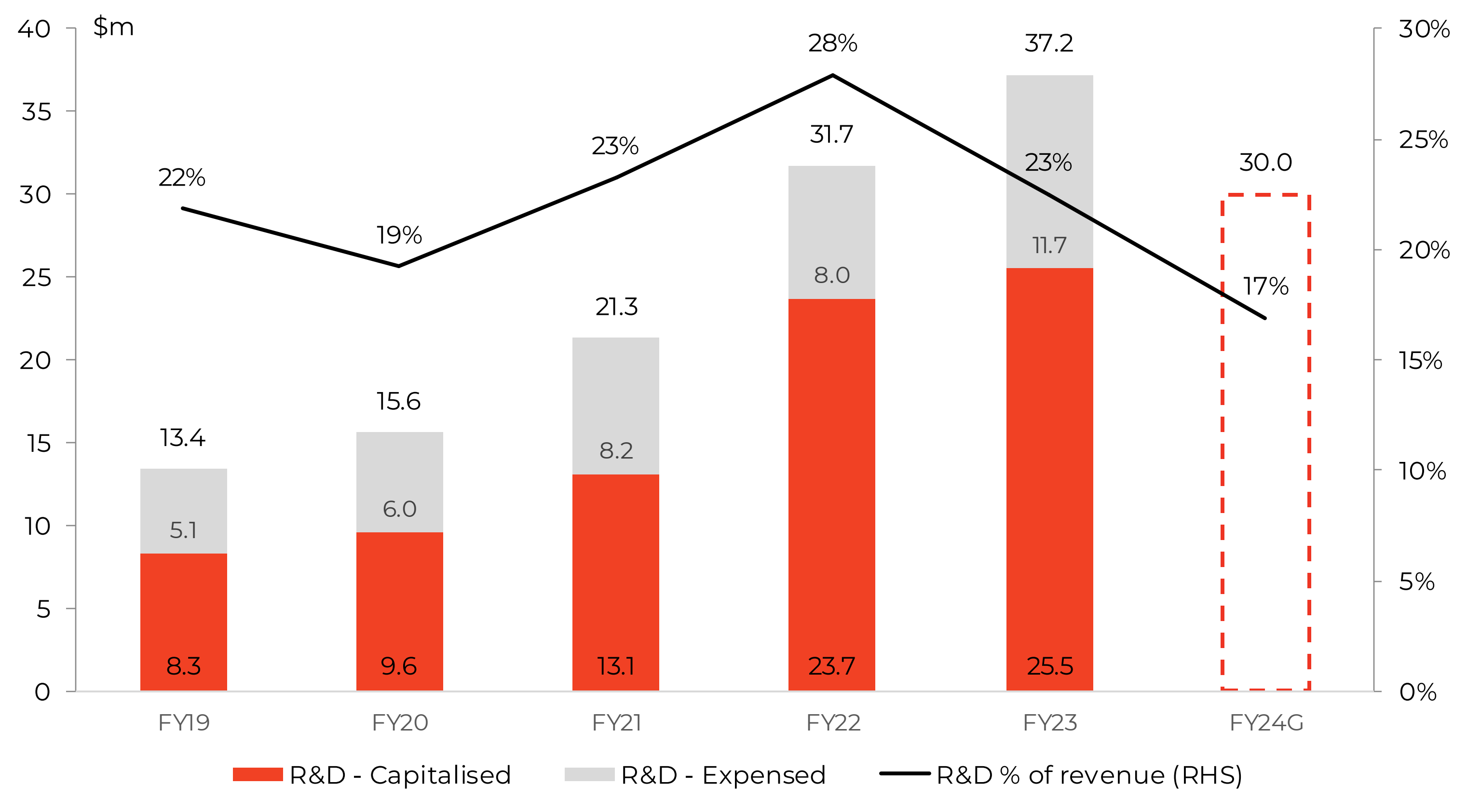
**EROAD remains compliant with all debt covenants** for its $90m syndicated credit facility.

(1) Normalised for $8.5m contingent consideration related to the Coretex transaction, paid in December 2022.

# R&D

## R&D % OF REVENUE IMPROVES AS RE-FOCUSING INITIATIVES DRIVE EFFICIENCY

### Research & Development decreasing as % of revenue on strategic shift




### Commentary

- Total R&D spend of $37.2m in FY23 is inclusive of a full year of Coretex's results and temporarily elevated integration spend.
- Integration related R&D work was $8.1m in FY23, of which $7.7m was capitalised.
- R&D of $30m in FY24 equates to 17% of the mid-point of FY24 revenue guidance ($175-180m).

# 3G Hardware Replacement

## UNIT REPLACEMENT PROGRAM PROGRESSING TO PLAN, WITH 37% OF ALL UNITS IN ANZ ALREADY 4G COMPATIBLE

### Upgrades to ANZ network

- With One New Zealand (formerly Vodafone New Zealand) turning off its 3G service in August 2024, EROAD is accelerating the swap-out of older model products over a 2-3 year period.
- Telstra Australia will be turning off its 3G network in June 2024.
- Requires $25-$30m total investment of which $5-$7m is COGS and program operating costs; current inventory includes ~$6m of finished goods and componentry to facilitate replacement hardware.
- ~$7-$9m of hardware cash flows would have been incurred through normal unit exchange program over the 2-3 year period with the remainder related to bringing future renewal events forward.

### FY23 Progress and FY24 Expectations

- As at 8 May, 37% of all units in ANZ were 4G compatible.

| NZ$m | FY24 | FY25 | FY26 |
|---|---|---|---|
| Expected investment (Hardware + Program costs) | $11–$13m | $8–$10m | $5–$7m |

**Accelerated replacement program costs are one off and relate specifically to the 3G Network shutdown**

# Integration Progress

## INTEGRATION WITH CORETEX REALIGNED TO STRATEGIC PRIORITIES & PROGRESSING WELL

### Background

- Following the acquisition of Coretex in December 2021, integration was planned within 12-18 months initially focused on promoting the Coretex 360 platform and CoreHub hardware solution as EROAD's next generation product in NA to drive sales momentum

### Progress update

- We have created a comprehensive integration platform that enables us to sync data and product features across both platforms, including telematic data
- This new integration platform enables us to share the best of capabilities across existing EROAD and Coretex customers. This approach enables us to advance toward a single set of products, features and user experience
- Due to realignment of strategic priorities, some of the integration streams are now planned to complete outside of the initial 18 month window
- Focus has remained on the areas of integration which allow us to seize opportunities presented by the customer and market

| INTEGRATION STREAM | PROGRESS |
|---|---|
| **Personnel** | Complete |
| **Locations & Assets** | Complete |
| **Integrated product platform** | Complete |
| **Sales Backoffice / Systems** | Complete |
| **Data ingestion engine** | On track |
| **Brand Retirement** | On track |
| **Operational Backoffice / Systems** | Paused |

# 02
# Strategy Update

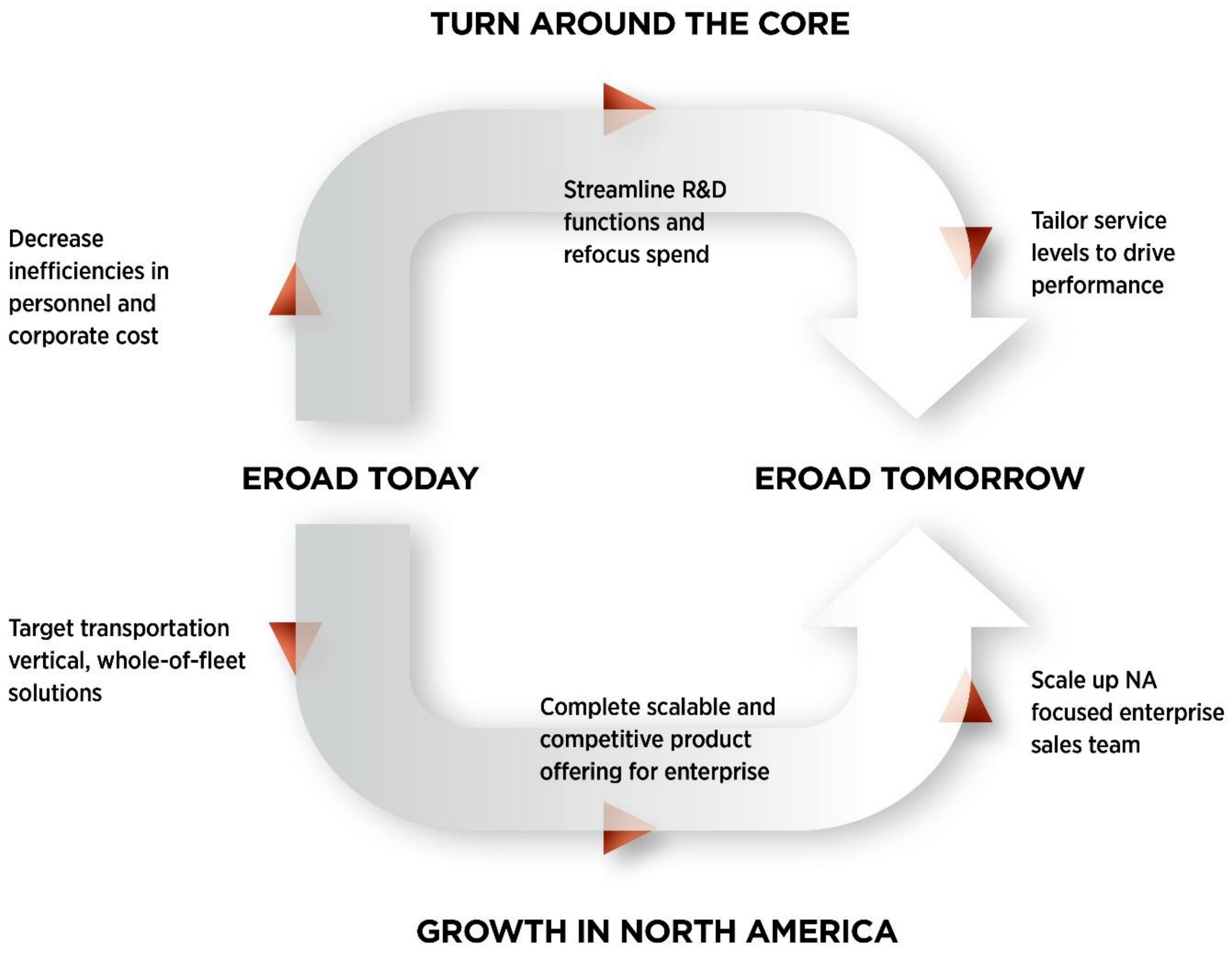
# Repositioning To Generate Cash & Drive Growth

## RIGHT-SIZING THE FOUNDATIONS TODAY ALLOWS EROAD TO SCALE EFFICIENTLY, RESPOND TO MARKET DRIVERS QUICKER AND BE MORE AGILE TO CUSTOMER NEEDS

### PLATFORM TODAY

Multiple solutions supporting range of offerings, custom builds for large fleets

Development of software & hardware, with long time to market (1yr+)




### PLATFORM TOMORROW

Scalable platforms centred around verticals supporting fast customisation

More focus on software development for scalability, quicker time to market (<8 months)

# Strategy Timeframe

## OPTIMISING BUSINESS OPERATIONS UNDERWAY, AFTER WHICH RESOURCES CAN BE DEPLOYED TO ACHIEVE SCALEABLE GROWTH

**Turnaround the core**

**Future Growth**

| | | | |
|---|---|---|---|
| **Approach** | **Corporate overhead reduction** | **Efficiency in ANZ / Growth in NA** | **Growth in NA Verticals** |
| **Timing** | FY23 | FY24 | ~3-5 years |
| **Value focus** | • Headcount reduction<br>• Overhead expense reduction | • Customer service segmentation<br>• Accelerated replacement program execution<br>• Product stabilisation and simplification<br>• Rollout Sysco and retain North American enterprise customers<br>• Ongoing cost-out | • Growth in large enterprise customer base<br>• Capitalise on sales and product improvements made<br>• Rationalisation of cost base<br>• Economies of scale on development, other functions |
| **Annualised savings** | • $10m completed | • $10m targeted | |

# Cost-out Program

## ALREADY HALFWAY THROUGH COST-OUT PROGRAM, WITH TARGETED PLANS FOR THE REMAINING $10M



### FY23: Completed $10m (annualised) cost-out

- **Right-sized personnel**
  - Reduced actual and planned positions (approximately 75 FTE)
- **Reduced sub-contractor spend**
  - 40% reduction in run-rate spend
- **Property footprint reduction**
  - Closed Portland, OR office and consolidated Albany, NZ site
- **Optimised mobile data usage**
  - Negotiated alternative cellular pricing for our camera product
  - Negotiated data plan more in-line with our merged consumption pattern
- **De-prioritised business systems investment**
  - Removed low-priority business systems

### FY24: Targeted $10m (annualised) cost-out

- **Product simplification**
  - Consolidate product suite and eliminate duplication
- **Corporate efficiency**
  - Streamlining processes and systems
  - Focus on return on investment
- **Supplier renegotiation**
  - Merger has created opportunities to negotiate joint contracts
  - Contract manufacturing cost reductions
- **Expense rationalisation**
  - Discretionary travel, computer subs, and other expenses

EROAD

03

# Trading Update & Outlook

# Outlook & Guidance

## COMMITTED TO DELIVERING A PATH TO SUSTAINABLE, PROFITABLE GROWTH

### North America strategic partnership update

- EROAD has undertaken a review to identify partnership options to contribute a combination of additional market access, expertise and capital to gain further growth in the North American market.
- The review is currently ongoing as the company evaluates a number of options. We will provide further updates to the market when appropriate.

### Guidance

- FY24 revenue guidance announced:
    - Revenue growth of between 6 – 9%
    - Cost-out program to continue
    - EBIT of $0m to $5m normalised for accelerated 3G replacement program

### Free Cash Flow neutral by FY25, positive by FY26

- Implementation of refreshed strategy will provide pathway to sustainable, profitable growth.

| FY24 Guidance | |
|---|---|
| Revenue | $175m – $180m |
| Normalised EBIT | $0m to $5m |
| R&D spend | $30m |


# 04

# Appendix

EROAD

# Statement of Income

| NZ$m | FY23 | FY22 | Change ($) |
|---|---|---|---|
| Revenue | 174.9 | 114.9 | 60.0 |
| Operating expenses | (129.7) | (93.9) | (35.8) |
| **Earnings before interest, taxation, depreciation and amortisation** | **45.2** | **21.0** | **24.2** |
| Depreciation of property, plant and equipment | (17.2) | (10.4) | (6.8) |
| Amortisation of intangible assets | (17.9) | (11.0) | (6.9) |
| Amortisation of contract and customer aquisition assets | (8.4) | (6.8) | (1.6) |
| **Earnings/(loss) before interest and taxation** | **1.7** | **(7.2)** | **8.9** |
| Net financing costs | (6.8) | (3.2) | (3.6) |
| **Profit/(loss) before tax** | **(5.1)** | **(10.4)** | **5.3** |
| Income tax benefit/(expense) | 2.1 | 0.8 | 1.3 |
| **Profit(loss) after tax for the period attributable to the shareholders** | **(3.0)** | **(9.6)** | **6.6** |
| Items that are or may be reclassified subsequently to profit or loss | **2.7** | **(0.3)** | 3.0 |
| **Total comprehensive income / (loss) for the period** | **(0.3)** | **(9.9)** | **9.6** |

**Revenue** increased $60m primarily due to the inclusion of a full year of Coretex revenue versus only four months in the prior year.

Strength of the USD has resulted in increased revenue of approximately $7.5m.

The change in the commercial model through the Coretex acquisition resulted in revenue of $6.3m of outright hardware sales with no term being recognised in the year (rather than spread over 3 years if sold under the EROAD rental model).

**EBITDA** increased $24.2m on the benefit of cost reductions in the second half of this financial year with operating expenses increasing year on year tracking lower than revenue growth.

**D&A** increased $15.3m on the additional units and intangibles from the acquisition of Coretex depreciated for a full 12 months as well as unit growth during FY23. Amortisation expense in FY23 includes accelerated amortisation of $0.9m to reflect the impact of an enterprise customer churn

**Interest** increased $3.6m in line with increased borrowing in the period as well as movements in the interest rates and the recognition of $0.8m for the discount unwind of the cash contingent consideration in the period.

# Cash Flow Statement

| NZ$m | FY23 | FY22 | Change ($) |
|---|---|---|---|
| Cash received from customers | 165.2 | 109.4 | 55.8 |
| Payments to suppliers and employees | (128.9) | (92.2) | (36.7) |
| Investment in contract fulfilment assets | (7.6) | (5.7) | (1.9) |
| Net interest | (4.6) | (2.8) | (1.8) |
| Income taxes paid | 0 | (0.1) | 0.1 |
| **Cash flows from operating activities** | **24.1** | **8.6** | **15.5** |
| Property, plant & equipment | (27.5) | (28.4) | 0.9 |
| Investment in intangible assets | (28.2) | (24.9) | (3.3) |
| Contract fulfilment and customer acquisition assets | (2.9) | (3.2) | 0.3 |
| Investment in Coretex, net of cash acquired | (8.5) | (72.4) | 63.9 |
| **Cash flows from investing activities** | **(67.1)** | **(128.9)** | **61.8** |
| Bank loans | 38.5 | (2.9) | 41.4 |
| Payment of lease liability | (1.3) | (1.6) | 0.3 |
| Issue of equity | 0 | 85.0 | (85.0) |
| Cost of raising capital | 0 | (3.4) | 3.4 |
| **Cash flows from financing activities** | **37.2** | **77.1** | **(39.9)** |
| **Net increase (decrease) in cash held** | (5.8) | (43.2) | 37.4 |
| Cash at the beginning of the financial period | 13.9 | 57.1 | (43.2) |
| Effects of exchange rate changes on cash | 0 | 0 | 0 |
| **Closing cash and cash equivalents** | **8.1** | **13.9** | **(5.8)** |

**Operating CF** increased $15.5m primarily due to the inclusion of a full year of Coretex results versus only four months in the prior year and organic growth.

**Investing CF** decreased $61.8m on the acquisition of Coretex in the prior year comparable period.

Investment in intangible assets reflects the 12 months of integration activity versus only four months in the prior year.

**Financing CF** decreased $39.9m on the equity raise to partially fund the acquisition of Coretex in the prior year offset by increased borrowings.

# Balance Sheet

| NZ$m | FY23 | FY22 | Change ($) |
|---|---|---|---|
| Cash | 8.1 | 13.9 | (5.8) |
| Restricted bank accounts | 11.6 | 14.7 | (3.1) |
| Costs to acquire and contract fulfilment costs | 7.6 | 5.7 | 1.9 |
| Other | 34.4 | 27.2 | 7.2 |
| **Total current assets** | **61.7** | **61.5** | **0.2** |
| Property, plant and equipment | 77.8 | 61.7 | 16.1 |
| Intangible assets | 242.1 | 231.4 | 10.7 |
| Costs to acquire and contract fulfillments costs | 5.8 | 5.2 | 0.6 |
| Other | 15.4 | 10.3 | 5.1 |
| **Total non-current assets** | **341.1** | **308.6** | **32.5** |
| **Total assets** | **402.8** | **370.1** | **32.7** |
| Payable to transport agencies | 11.9 | 15.0 | (3.1) |
| Contract liabilities | 19.4 | 11.9 | 7.5 |
| Borrowings | 70.6 | 32.1 | 38.5 |
| Other liabilities | 52.1 | 63.4 | (11.3) |
| **Total liabilities** | **154** | **122.4** | **31.6** |
| **Net assets** | **248.8** | **247.7** | **1.1** |

**PP&E** increased $16.1m partially due to responding to global supply chain uncertainties over the past 12-18 months that have driven growing inventory levels to ensure security of stock, as well as the ongoing growth from new hardware leasing.

Inventory balance at 31 March 2023 was $27.8m.

**Contract fulfillment & customer acquisition assets** increased $2.5m reflecting growth and renewals

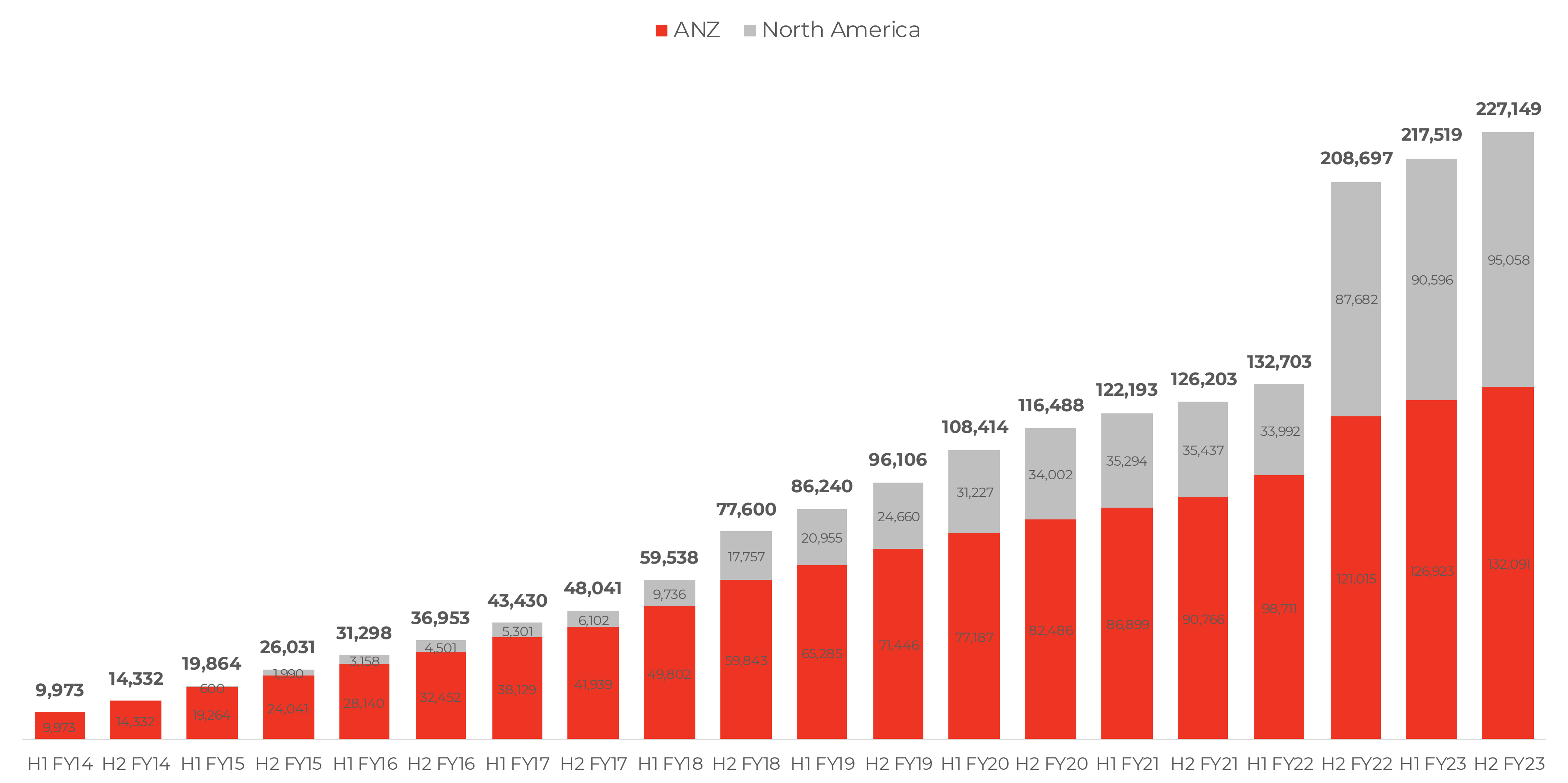
**Borrowings** increased by $22.9m since H1 FY23 largely due to contingent consideration cash settlement of $8.5m paid on 23 December 2022, and the remaining balance reflects cash burn requirements for inventory purchasing and other operating expenses

**Other liabilities** at year-end FY22 included the contingent consideration in relation to the acquisition of Coretex which was settled on 23 December 2022.

# ARPU Trend

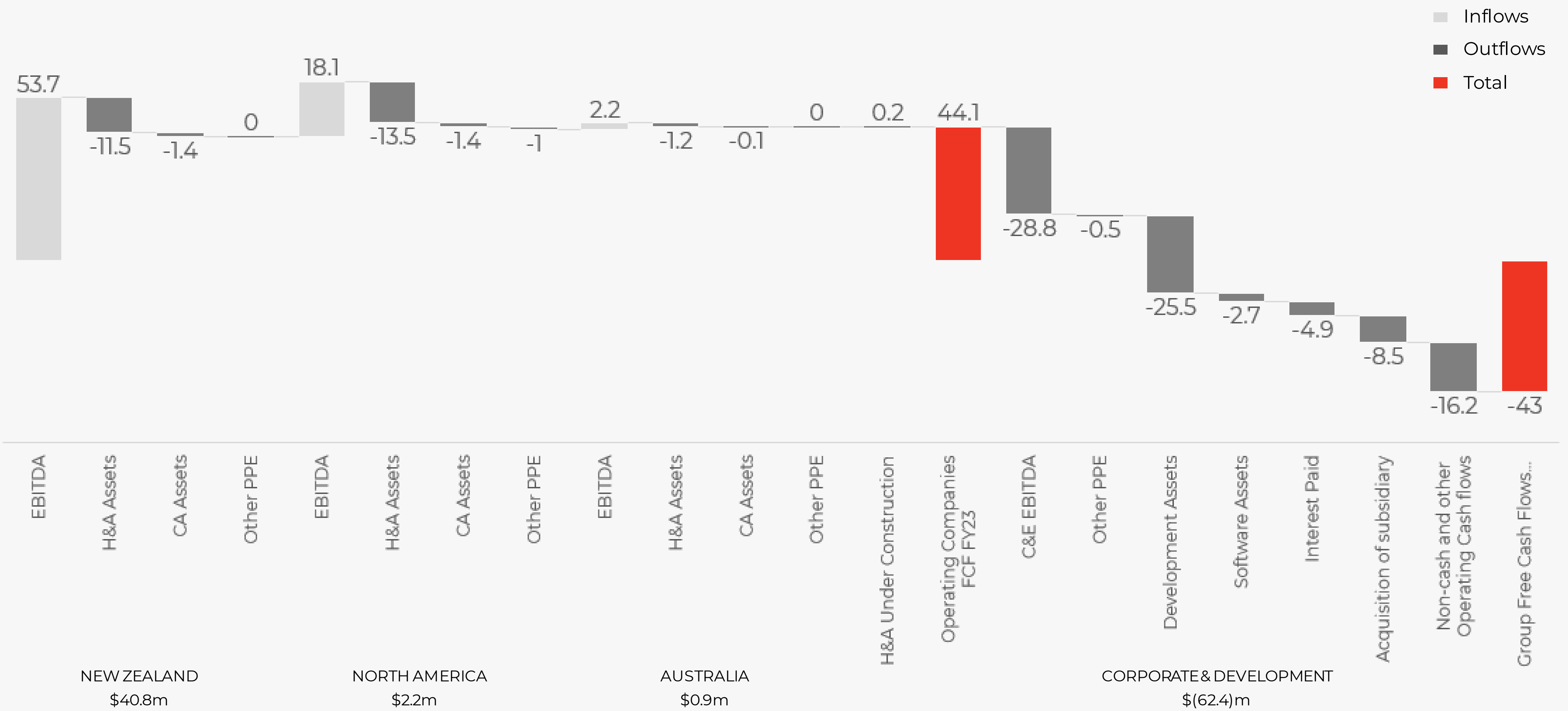
| NZ$m | NZ$ | | Local $ | |
|---|---|---|---|---|
| | FY22 | FY23 | FY22 | FY23 |
| North American ARPU | NZ$56.38 | NZ$58.77 | US$39.02 | US$36.65 |
| New Zealand ARPU | NZ$56.45 | NZ$55.70 | NZ$56.45 | NZ$55.70 |
| Australian ARPU | NZ$38.99 | NZ$46.35 | A$36.69 | A$42.27 |

# Unit Count



ANZ
North America
9,973
9,973
14,332
14,332
19,864
600
19,264
26,031
1,990
24,041
31,298
3,158
28,140
36,953
4,501
32,452
43,430
5,301
38,129
48,041
6,102
41,939
59,538
9,736
49,802
77,600
17,757
59,843
86,240
20,955
65,285
96,106
24,660
71,446
108,414
31,227
77,187
116,488
34,002
82,486
122,193
35,294
86,899
126,203
35,437
90,766
132,703
33,992
98,711
208,697
87,682
121,015
217,519
90,596
126,923
227,149
95,058
132,091
H1 FY14
H2 FY14
H1 FY15
H2 FY15
H1 FY16
H2 FY16
H1 FY17
H2 FY17
H1 FY18
H2 FY18
H1 FY19
H2 FY19
H1 FY20
H2 FY20
H1 FY21
H2 FY21
H1 FY22
H2 FY22
H1 FY23
H2 FY23

# Free Cash Flow By Region




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

# 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.

**CHURN**
The inverse of the asset retention rate.

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

**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 (CALENDAR YEAR)**
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.

**ELECTRONIC LOGGIING DEVICE (ELD)**
An electronic solution that synchronises with a vehicle engine to automatically record driving time and hours of service records

**ENTERPRISE**
A customer where the $AMRR is more than $100k in NZD for the Financial year reported

**FREE CASH FLOW**
A non-GAAP measure representing operating cash flow and investing cash flow reported in the Statement of Cash Flows.

**FREE CASH FLOW TO THE FIRM**
A non-GAAP measure representing operating cash flow and investing cash flow net of interest paid and received. For the purposes of this presentation, payments for the acquisition of Coretex have been excluded.

**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 FY23 Financial Statements.

**FY (FINANCIAL YEAR)**
Financial year ended 31 March.

**H1 (HALF ONE)**
For the six months ended 30 September.

**H2 (HALF TWO)**
For the six months ended 31 March.

**LEASE DURATION**
Future contracted income as a proportion of reported revenue.

**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 FY23 Financial Statements, by the TCU balance at the end of each month during the year.

**NORMALISED EBITDA**
Excludes one-off items including acquisition accounting revenue ($9.6m) and integration costs ($3.4m). FY22 normalisations include acquisition accounting revenue ($1.3m), due diligence costs ($2.0m), transaction costs ($1.6m), and integration costs ($4.0m).

**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 FY23 ($9.6m).

**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 and Coretex 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).

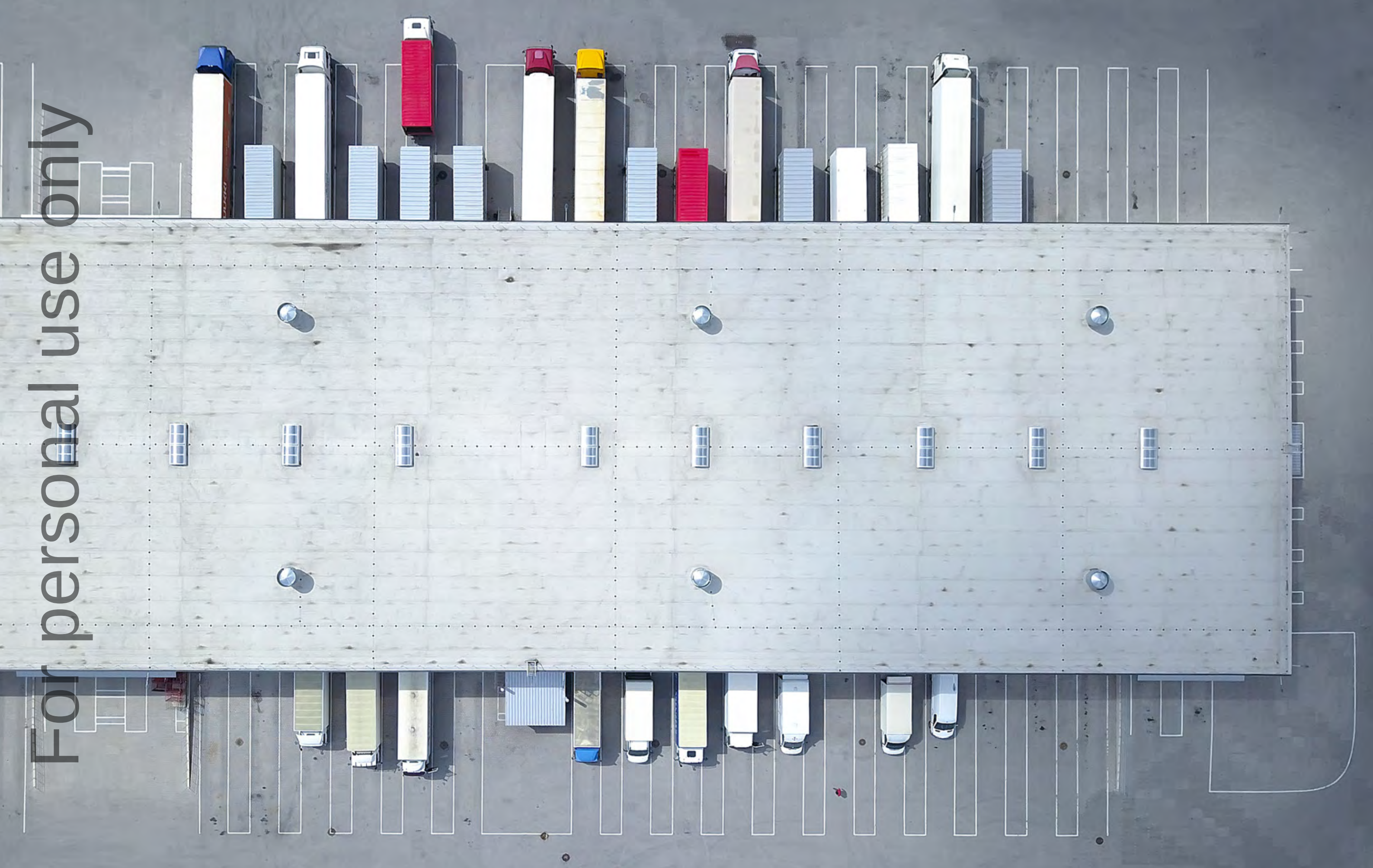
**360**
A web-based platform that allows customers to access data collected by CoreHub and the associated reports.

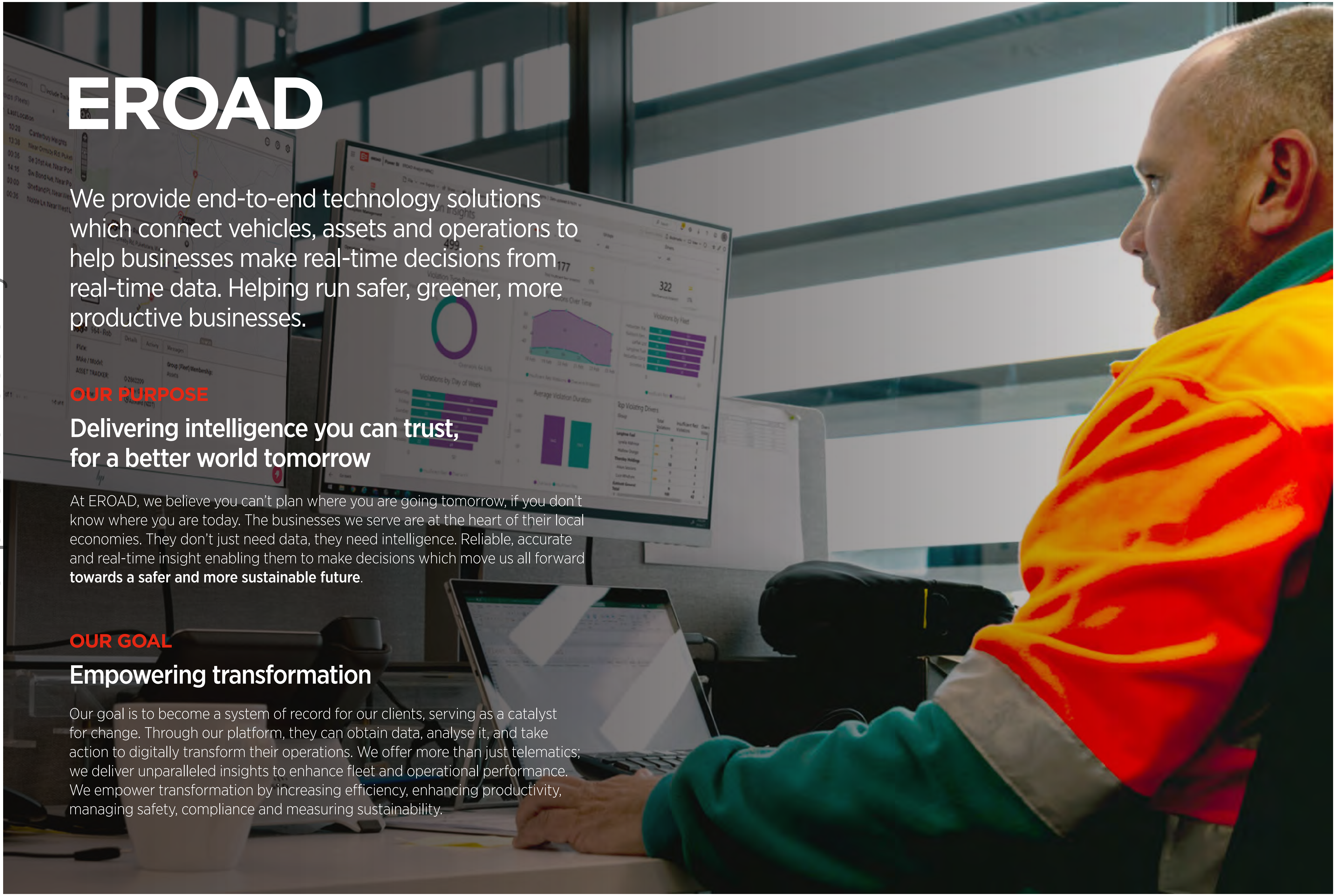
EROAD acknowledges the Indigenous Nations, First Peoples, Tangata Whenua and Custodians of the lands and waterways on which our offices reside in New Zealand, Australia and the United States of America. We express gratitude and appreciation to these peoples for sharing their culture and traditions and stewarding these lands. We recognise and pay respect to their elders, past, present and emerging.

**ASX & NZX: ERD**
**investors@eroad.com | eroadglobal.com/investors**

EROAD

# EROAD Annual Report 2023





# EROAD

We provide end-to-end technology solutions which connect vehicles, assets and operations to help businesses make real-time decisions from real-time data. Helping run safer, greener, more productive businesses.

## OUR PURPOSE

### Delivering intelligence you can trust, for a better world tomorrow

At EROAD, we believe you can't plan where you are going tomorrow, if you don't know where you are today. The businesses we serve are at the heart of their local economies. They don't just need data, they need intelligence. Reliable, accurate and real-time insight enabling them to make decisions which move us all forward **towards a safer and more sustainable future**.

## OUR GOAL

### Empowering transformation

Our goal is to become a system of record for our clients, serving as a catalyst for change. Through our platform, they can obtain data, analyse it, and take action to digitally transform their operations. We offer more than just telematics; we deliver unparalleled insights to enhance fleet and operational performance. We empower transformation by increasing efficiency, enhancing productivity, managing safety, compliance and measuring sustainability.

# Contents



EROAD acknowledges the Indigenous Nations, First Peoples, Tangata Whenua and Custodians of the lands and waterways on which our offices reside in New Zealand, Australia and the United States of America. We express gratitude and appreciation to these peoples for sharing their culture and traditions and stewarding these lands. We recognise and pay respect to their elders, past, present and emerging.

## 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 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).

## About this Report

The 2023 Annual Report describes EROAD's strategy, financial performance and includes the Corporate Governance Statement and the Remuneration Report. EROAD's FY23 Sustainability Report will be published in June 2023 which will provide information on EROAD's approach and performance in relation to its most material social and environmental issues.

All numbers relate to the 12 months ended 31 March 2023 (FY23) and comparisons relate to the 12 months ended 31 March 2022 (FY22), unless stated otherwise. All dollar amounts are in NZD, unless otherwise stated. This report covers the 12 months ended 31 March 2023 and is dated 24 May 2023.

This report has been approved by the Board and is signed on behalf of EROAD Limited by Graham Stuart, Chairman and Susan Paterson, Chair of the Finance Risk and Audit Committee.

**Graham Stuart**
Chairman

**Susan Paterson**
Chair of the Finance, Risk and Audit Committee

# FY23 Highlights

**REPORTED REVENUE**

$174.9m

normalised for one off contingent consideration accounting impacts $165.3
(FY22: $114.9M)

**REPORTED EBITDA**

$45.2m

FY23: $39.0m normalised for integration costs and contingent consideration accounting
(FY22: $21M)

**AMRR**

$153.7m

reflecting growth of 14.2%, including a positive FX impact of $8.6m
(FY22: $134.6M)

**CONTRACTED UNITS**

227,149

representing net growth of 18,452 units globally
(FY22: 208,697)

**FREE CASH FLOW MARGIN**

(18)%

normalised for Coretex consideration in FY22 and FY23
(FY22: (39)%)

**ASSET RETENTION RATE**

94.8%

reflecting high asset retention rates in all regions
(FY22: 93.4%)

**R&D AS A % OF REVENUE**

23%

reflecting the benefit from the growth in revenue with a full year of both companies
(FY22: 28%)

**MONTHLY SAAS ARPU**

$56.34

reflecting expansion of SaaS products and ancillary hardware within our customer base along with a positive FX impact of $2.11
(FY22: $55.57)

“After a challenging year, EROAD has delivered results in line with guidance. I believe EROAD is building the right platform for future growth. Management utilised FY23 to align our business model with a new strategic direction. This plan, which is built around turning around our core and improving our US offering, allows us to right-size the cost base, generate positive Free Cash Flow, and capitalise on significant growth opportunities in our key markets.

**Mark Heine, CEO**

# Letter from the Chair

EROAD's results this year reflect the success of a strategic shift. After going off the rails in FY22, this past year needed to be a period of rebuilding and refocus for EROAD. Last May, we provided the market with guidance that FY23 Revenue would be in the range of $150m to $170m and Normalised EBIT would end between a break even result and a loss of $5m. It is pleasing to report that Normalised Revenue for the year was $165.3m and Normalised EBIT was a loss of $4.5m, both key measures reflecting improvement on FY22 results and within the guidance ranges we provided to the market 12 months ago.

In June 2022, we appointed Mark Heine as Chief Executive Officer. Under Mark's strong leadership EROAD has rebuilt the foundations for profitable growth. He has also made significant changes to EROAD's senior leadership team since taking on his role. The pending appointment of a Chief Technology Officer will be the final addition to the six new appointments he has made to his direct report team, contributing to the overall revitalisation of the company's leadership structure under Mark's guidance.

During the third quarter we undertook an in-depth strategic review supported by McKinsey & Company. The outcome of this review was a programme that focuses on three key sets of initiatives:

1. Product rationalisation
2. North American growth, and
3. Cost reduction

The targets for each of these initiatives, agreed with management, provide a pathway to positive Free Cash Flow by FY26. Our FY23 results are already testament to the successful implementation of this plan.

Throughout all this change, the underlying business has continued to grow. Our key revenue measure of Annualised Monthly Recurring Revenue (AMRR) reflects growth of 14.2% for the year.

Planning is also well developed, and execution underway, to manage the implications arising from the planned shutdown of the 3G cellular network in New Zealand and Australia from June 2024. This involves replacing the remaining 60% of our installed 3G devices in operation across ANZ. It requires significant capital expenditure and the dedication of staff resources to manage a complex logistical challenge.

While the Board believes EROAD can undertake this unit replacement programme and still pursue a North American growth strategy, there will be trade-offs. For this reason, we have appointed Goldman Sachs to help identify partnership opportunities to contribute some combination of market access, expertise and capital to drive further growth in the North American market.

We take immense pride in the exceptional performance of our people, who have persevered through another challenging year of considerable change and uncertainty. Their exceptional work ethic, dedication and unwavering commitment to our shared goals have paved the way for sustained growth.





### A New Purpose for EROAD: Delivering Intelligence You Can Trust, For a Better World Tomorrow

Over the last quarter of the year, EROAD undertook a comprehensive process involving a wide range of stakeholders to define a new purpose for the company. We are pleased to announce that we have adopted the new purpose of "Delivering Intelligence You Can Trust, For a Better World Tomorrow". This build on our previous purpose of "Creating Safer and More Sustainable Roads". It also better reflects a unified EROAD, following our merger with Coretex, and aligns with our public tagline of "Empowering Transformation". We are confident that this bold and aspirational purpose will resonate with our team and all our stakeholders, and it reinforces our commitment to deliver innovative solutions for a better future.

Building on last year's inaugural Sustainability Report, we are pleased to announce that this year's Sustainability Report (to be released in June) will include coverage of our sustainability performance, including detailed information on our efforts to reduce our carbon footprint, help our customers do the same, and promote diversity and inclusion within our workforce. Looking ahead, we are committed to preparing for climate-related disclosures in FY24, and we will continue to actively engage with our stakeholders and industry to ensure that we are meeting expectations for sustainability leadership and transparency.

EROAD values transparency and accountability to our stakeholders, and we are proud to announce that we continue to voluntarily comply with the Australian "Say on Pay" regime. In doing so, we have published a comprehensive remuneration report and will put a vote for adoption at the same time as our FY23 ASM. This is in line with our ongoing commitment to best practice governance and our shareholders' interests.

### Continuous Board Renewal

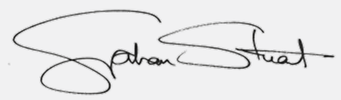
During FY23, Tony Gibson advised the EROAD Board that he will not stand for re-election as an Independent Director at the upcoming 2023 Annual Shareholders' Meeting, in line with EROAD's program of Director rotation. Mr Gibson has been a valued member of the Board since 2009 and served in several capacities, including Chair prior to the company's NZX listing and Chair of the Remuneration, Talent, and Nomination Committee as well as being a member of the Finance, Audit and Risk Committee. Tony's experience and insight were instrumental in shaping the direction of EROAD from its early stages, and we thank him for his contribution over the years.

By necessity the business has changed profoundly over this past 12 months, the Board cannot be immune to these changes, to remain effective we must also be committed to reviewing our composition to ensure that we have the right capabilities that can deliver sustainable long-term value to our shareholders. As part of this, we have commenced a search for an additional Director to ideally bring further North American experience and perspective to the Board, and we expect to make an appointment within the next six months.

### Looking Ahead

The goals for the business over the coming year have been detailed at our Sydney Investor Day in March, where we demonstrated how our refreshed strategy provides a pathway to sustainable, profitable growth. Our focus on durable growth will drive EROAD to become Free Cash Flow neutral by FY25, and Free Cash Flow positive by FY26.

Our solutions continue to deliver strong return on investment for our customers, and with our refreshed strategy we are confident in our ability to navigate through any economic uncertainties. We have the technology and talented people in place to execute against our strategic priorities and deliver on our purpose of delivering intelligence you can trust, for a better world tomorrow. Thank you for your continued support of EROAD and we look forward to seeing you at the upcoming ASM.



**Graham Stuart**
*Chairman*

# Letter from the Chief Executive Officer

FY23 presented a range of challenges and opportunities for EROAD and was a pivotal year of transition. Although the fundamentals of EROAD are strong, over the last few years EROAD had lost its way on its customer focus and cost base. This has now changed. When I presented last year's results, I made a commitment to our shareholders. We would demonstrate we are credible and capable of delivering what we promise. Our pursuit of this commitment is evidenced by us meeting our guidance for our FY23 results, coupled with a clear path to growth and Free Cash Flow positive by FY26. As we commence another financial year, I am proud to say that we are well on the way to achieving significant and transformative change, driven by the dedication and talent of our exceptional team at EROAD.





## A Clear Strategic Direction

EROAD ended FY23 with a renewed strategic approach of being customer-led. We have also developed a new strategy to capitalise on key opportunities ahead of us and have begun implementation. In the second half of the financial year, the management team, with McKinsey & Company, led a strategic business model review. This process yielded four key opportunities for optimisation. In the final quarter of FY23, EROAD commenced executing against this strategy.

1. We are shifting to a segmented customer service model to reduce our cost to serve and provide better customer service.
2. We have refined our R&D program to ensure faster speed to market while ensuring our platform is robust and scalable.
3. We are developing a differentiated product offering in North America to target enterprise customers.
4. Finally, we are laser focused on removing costs from our business and improving unit economics.

To effectively reposition EROAD's business model to simultaneously drive growth and generate cash, our strategy has two key limbs. Firstly, we must turn around the core business. This is to ensure we can accelerate our shift to be Free Cash Flow positive by FY26 and, to this end, we have realised over $10m (annualised) in savings in FY23 and are targeting a further $10m (annualised) in FY24.

Our second limb is to grow in North America. To achieve this, we are targeting transportation customers, investing in scalable and competitive product offerings, particularly productivity and sustainability functionality, and scaling up our enterprise team.

## Strong Leadership Team

Our strategy is complemented by a strong and experienced leadership team. As well as elevating talent from within our business to key positions, I have added several talented individuals with experience in technology and industry. Our new Chief Transformation Officer Steen Andersen brings 25 years of experience across SaaS businesses. Shelley Prentice, who recently commenced as Chief People Officer, joins us from a strong background in transportation. Returning to EROAD, our Chief Operating Officer Aaron Latimer can blend his knowledge of our operating model with his history in the technology sector. Lastly, a new Chief Technology Officer, joining in Q1, will bring telematic experience.

## Laser Focused Execution

To help return confidence to our shareholders, the EROAD team have been laser focused on execution in FY23. I am proud to report that our financial results have met market guidance, demonstrating our commitment to delivering on our promises. Key highlights from our FY23 financial results include:

- Revenue increased from $114.9m in FY22 to $174.9m for FY23 (52%). Normalised revenue of $165.3m was above the company's guidance ($159m to $164m). 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 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.
- Growth in contracted units increased by 9% year on year by adding a net number of 18,452 units in FY23 (total of 227,149 units);
- Asset Retention Rate remaining high at 94.8%; and
- R&D costs reducing from 28% of revenue in FY22 to 23% of revenue in FY23, with a total spend of $37.2m in FY23.

Reflecting the full year of combined Coretex and EROAD, our operating expenditure increased from $93.9m in FY22 to $129.7m in FY23. We have made great strides in reducing our cash burn from $4.2m/month in H1 FY23 to $1.8m/month in H2 FY23 (normalised for the Coretex contingent consideration payment), which is a testament to our efforts to manage costs and improve efficiency. We have maintained our liquidity position, with $27.5m available via credit facility headroom and cash enabling us to execute on our strategy.

## Our Markets

With the merger with Coretex, the expanded EROAD team has the capability and solutions to deliver increased benefits to our existing and prospective customers.

In North America we achieved a growth in AMRR of 14% (in local currency), demonstrating the value that our solutions bring to the market. In addition, we are proud to have won contracts with a key enterprise customer, Sysco, which further cements our position as a leading provider of telematics solutions in North America. Another major enterprise customer, ABC, has renewed their contract with EROAD, demonstrating their confidence in our ability to provide high-quality and innovative solutions.

In New Zealand, Fonterra signed up to our full product suite, including telematics, eRUC, dual-facing dashcams, roll-over alert technology, and satellite communications, to equip more than 500 milk tankers. EROAD is also addressing the upcoming closure of One New Zealand's (formerly Vodafone New Zealand) 3G service in August 2024.

To ensure smooth transition, we are accelerating the swap-out of older model products over a 2-3 year period. As of 8 May 2023, 37% of our ANZ customer base was utilising 4G enabled devices. While there is much work to be done, the EROAD team is ready and committed to meeting this challenge head on.

## Integration Progress

As part of our strategic direction and realignment of priorities, we have made the decision to extend the timeline for some of the Coretex integration streams beyond the initial 18-month window.

This decision was made with a focus on ensuring that we prioritise areas of integration that will allow us to seize opportunities presented by our customers and the market. Despite the extended timeline, we have made significant progress towards our integration goals, including the creation of a comprehensive platform that enables us to sync data and product features across both EROAD and Coretex platforms. This approach enables us to advance toward a single set of products, features and user experience.

## Growth Opportunities

EROAD's growth potential remains strong, and we are confident we can deliver. In the short term, we will pursue growth from targeted opportunities where we have already demonstrated success. The first being our continued alignment towards servicing key enterprise customers. In FY23 we have proven our ability to successfully execute this strategy by winning Sysco in North America over larger established telematic vendors. 90% of EROAD's enterprise customers already subscribe to two or more of our product categories. With penetration of telematics growing by 10% CAGR through to 2030, we are confident we will see continued multi-product adoption across our full customer cohort.

The total addressable revenue market for telematics across EROAD's regions is already over $10bn, and forecast to grow to $21bn by 2030. North America represents the largest opportunity, responsible for 94%. As we focus on building up product functionality applicable to whole-of-fleet and capability to service enterprise customers, our growth in this region over the longer term will be significant.

In the longer term, our strategic shift to operate at scale positions us well to translate our momentum into profitable growth segments. Our current investment in an integrated platform will enable us to address the market shift towards demand for bespoke workflow solutions. We are also focused on providing better insights for our customers, including total supply chain visibility. To this end, we have appointed Dean Marris into the role of Chief Data Science Officer. Furthermore, our developing sustainability product category, and the appointment of our new Chief Sustainability Officer Craig Marris, ensures we are ready for the impending regulatory market changes as customers shift towards Net Zero goals.

## Confident Outlook

As we move forward into FY24, we acknowledge that there is much work to be done. However, our team is resolute and well-prepared to tackle the challenges ahead. We have detailed plans in place, and our teams are already fully engaged in the implementation process.

It is anticipated Revenue will be between $175m to $180m reflecting the continued growth across all our markets. EBIT is expected to be neutral to $5m (normalised for accelerated depreciation planned as part of our 4G upgrade program). Additionally, we plan to deliver another $10m (annualised) in savings through cost-cutting initiatives in FY24. We believe we are on track to be Free Cash Flow neutral by FY25 and positive by FY26.

Our focus on operational efficiency and disciplined execution will continue to be a key driver of success. I look forward to regularly updating you on EROAD's ongoing positive progress in delivering on our strategy of sustainable, profitable growth.

**Mark Heine**
*Chief Executive Officer*

# Strategic direction

## Renewing our focus on customer

EROAD has adopted a customer-led approach as a fundamental part of its business strategy to prioritise and meet the evolving needs of its customers. Recognising the significance of customer satisfaction and loyalty in driving long-term success, EROAD places great emphasis on understanding its customers' pain points, challenges, and aspirations.

## FY23: Planning a pathway to durable growth

EROAD has utilised FY23 to align its business model with a new strategic direction, and is entering FY24 with a well-defined plan to establish itself as a sustainable SaaS provider with consistent revenue growth, bolstered by stable positive cash flows within the next two years.

After completing the Coretex acquisition at the end of FY22, it became clear that EROAD's business model was no longer suitable for the merged business or the current market conditions. Whilst many external factors were contributing, pre-existing weaknesses became more pronounced in the larger business, necessitating a clear plan for sustainable cash generation. EROAD engaged McKinsey & Company to work with management on a strategic review, completed in November 2022. This led to the implementation of two key pillars: improving the core business for efficiency and expanding in North America, the largest addressable market. This strategy allows EROAD to efficiently scale, respond to market drivers, and meet customer needs with agility.

For the remainder of the fiscal year, the EROAD management team have been planning, and executing, the strategic changes necessary for the company to enjoy its next phase of Free Cash Flow positive and durable growth.

### FY23 HIGHLIGHT

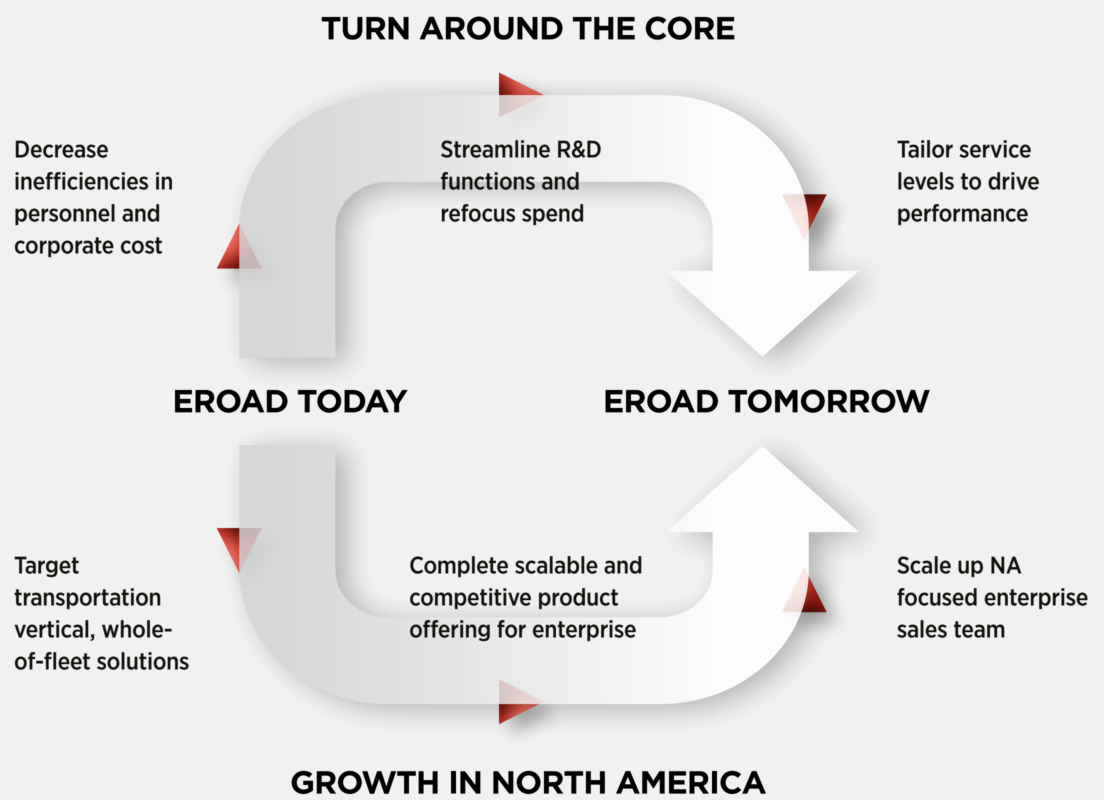
$10m

**Cost reduction (annualised) achieved in FY23, with a further annualised $10m reduction targeted in FY24**

The completed cost-out program in FY23 included:

- reduced actual and planned FTE across all regions and functions (approximately 75)
- 40% reduction in sub-contractor spend
- consolidated property footprint
- optimised data usage contracts
- removal of low priority business systems

## Our roadmap



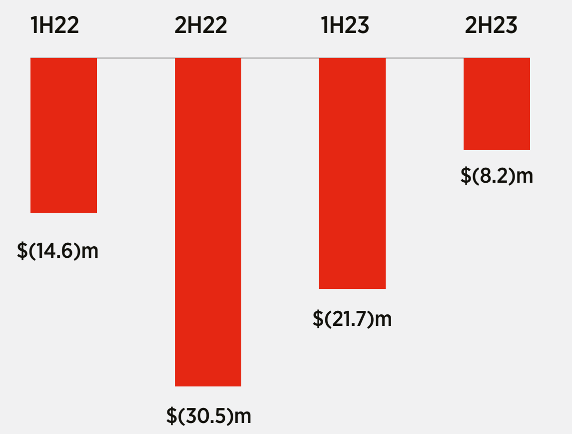

## Paving the way towards Free Cash Flow positive

In FY23, management focused on implementing strategies aimed at stabilising Free Cash Flow by FY25 and achieving positive Free Cash Flow by FY26.

During the past 18 months, there has been a notable improvement in EROAD's Free Cash Flow, primarily due to the expansion of operating cash flow and a more controlled growth in investment.

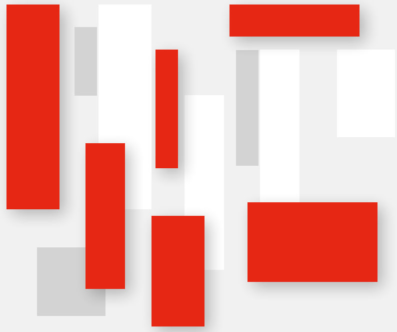
Continuous enhancements in managing cash burn, along with the current liquidity position, enable EROAD to finance its strategic roadmap while staying within a $90m debt facility.

### IMPROVEMENT IN FREE CASH FLOW



# Strategic direction

## From broad & disconnected to unified & scalable



### EROAD TODAY: MULTIPLE PLATFORMS

**Range of discrete solutions**

**Customisations costly as required across many solutions**

**Limited ingestion of data from non-EROAD products**

**Large R&D spend in maintenance alone**

In response to the challenges posed by the merger, EROAD faced the complexity of managing multiple platforms. However, significant progress has been made in integrating these platforms, and EROAD is actively transitioning from offering diverse solutions with differing features towards unified platforms that are scalable, efficient, and provide enhanced value to customers. This transition not only streamlines operations but also reduces the need for R&D expenditures over time.

Simultaneously, EROAD is intensifying its focus on scalable software development, enabling the company to introduce new products to the market at an accelerated pace. By investing in scalable software solutions, EROAD aims to enhance its agility and responsiveness, ensuring that innovative offerings can be swiftly brought to market to meet evolving customer demands.

As a result of these efforts, EROAD is determined to provide its customers with unified platforms that offer faster customisations and improved value. This strategic shift allows EROAD to optimise resources, simplify operations, and enhance its ability to deliver tailored solutions that cater to the specific needs of its customer base.

### EROAD TOMORROW: SINGLE UNIFYING PLATFORM

**Customisations are unconstrained**

**Scalable solutions achieved faster & cheaper**

**Integrated platform allows cluster solutions**

**More accessible data ingestion through integrated platform**

## From focusing on trucks, to focusing on operators

In recent years, it has become evident that EROAD's strength lies in serving large enterprise customers with complex supply chain operations that require more than just basic telematics features. The transportation and supply chain industries in our markets face numerous challenges, and enterprise customers need capable technology partners to navigate their evolutionary transitions. EROAD is well-positioned to collaborate with these customers and capitalise on these opportunities by serving as their system of record. While historically more focused on trucks, we are now shifting our attention to operators.

Currently, EROAD's products in North America provide a strongly differentiated and competitive safety solution. We will continue to invest in these products to bring increased value to our customers. The current solution investment focus is around regulatory, productivity, and sustainability feature sets.

### FY23 HIGHLIGHT

Successful at winning new enterprise customers...

9,000+

**units awarded with Sysco contract signed in North America**

... and renewing existing enterprise contracts

23,472

**units renewed for enterprise customers contracts in FY23**

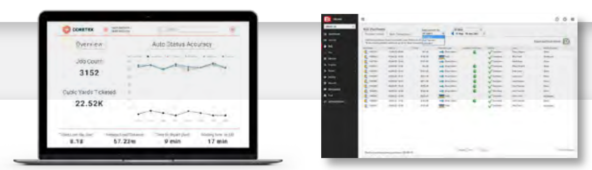
# What we do

## EROAD's unified solution

EROAD provides a connected network across vehicles, assets and operations. Enabling customers to turn raw data from various sources into actionable insights.

Our software platform integrates data from proprietary hardware, IoT devices, sensors, and cameras into a single interface, providing customers across all industries with an essential system of record that improves safety outcomes and saves time and money. EROAD's solutions are designed to deliver value across four distinct outcomes, with many customers benefiting from multiple aspects of the product suite.

### COMPLIANCE & ASSURANCE

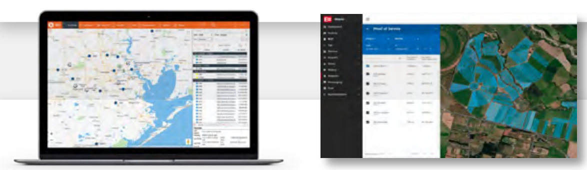


- **RUC and fuel tax compliance**
  - Electronic, automated RUC purchases and claims
  - Fuel tax reporting and IRP1 registration
- **Industry-specific solutions**
  - **Cold chain assurance**
  - **Construction assurance**
  - **Waste and recycling assurance**

### HEALTH & SAFETY

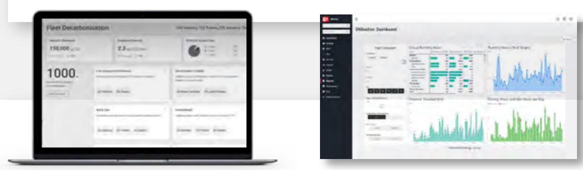
- **Driver behaviour monitoring and feedback**
- **Electronic logbook**
- **Vehicle inspections**
- **Speed monitoring**
- **Incident detection, alerting and replay**

### PRODUCTIVITY



- **GPS tracking and geofencing**
- **Fleet maintenance**
- **Fuel management and idling reports**
- **Vehicle inspections**

### SUSTAINABILITY



- **Fuel management and idling reports**
- **Fleet utilisation**
- **Decarbonisation assessment & insights**[1]

POWERED BY[2]

**IoT hubs**

**Trackers and sensors**

**Dashcams**

1. Launching 2023.
2. Proprietary and 3rd party hardware

# What we do

## Advancing action with data

33.7+ bn

**Data points in FY23**

205+ m

**API Calls in FY23**

352+ k

**Triggered events captured on video in FY23**

Customers generate vast amounts of data on a daily basis, and it can be overwhelming to manage and extract meaningful insights from it. However, not all data is equal.

To be effective, data must meet certain criteria: it must be high-fidelity, meaning it accurately represents what it is intended to measure; it must be of high-quality, free from errors or inaccuracies; it must be consistently and easily accessible, available when needed and in a user-friendly format; and it must be enriched, with relevant context or additional information to give it meaning.

At EROAD, our end-to-end solution is designed to meet all of these requirements, providing our customers with a powerful tool to generate useful data as well as the platform which synthesises it into valuable insights and actions.

> Whether it is for insurance purposes, speeding alerts, idle times, route optimisation or staff recognition with the leaderboard. There is so much you can do. EROAD can save your business so much on the bottom line, just by having the view of what your fleet and your drivers are doing. There are many options on the market, but EROAD is the tried, proven and trusted one.
>
> **Damon Bryant, Alexander Group NZ**

## Integrated multi-product suite


## EROAD's Cloud Platform

# Trusted intelligence

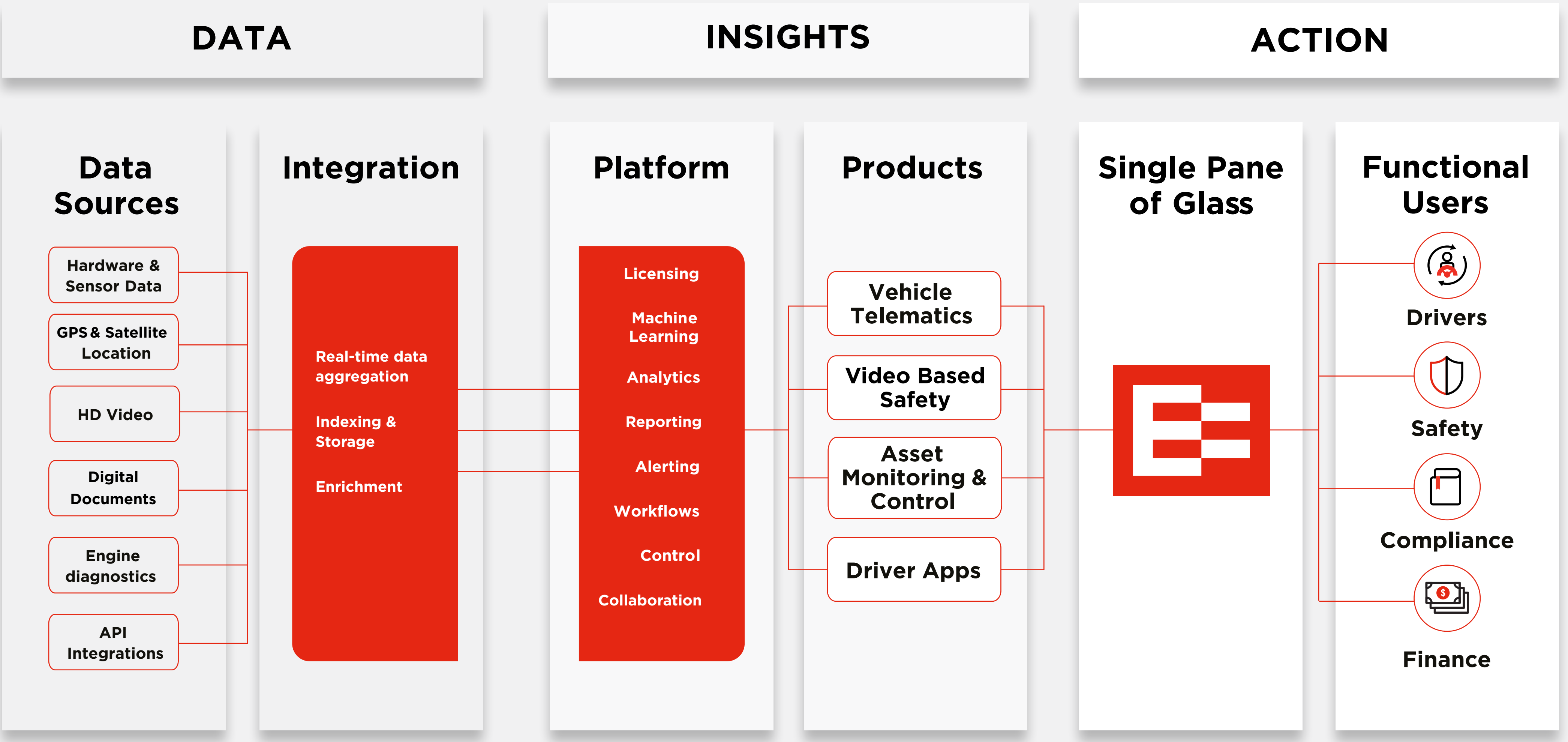
## Transforming operations: Complex data made simple

> MyEROAD is the first thing I open every day. I look to see where my trucks are, what time they arrived at each of the depots and my geofences, and make a plan for the day on servicing. It's actually my dashboard for the day, so it's a really important tool.
>
> **Tristan Bernie, Aramex NZ**

EROAD's customers generate billions of data points every year. But our customers are not data scientists. They're operators, and they need simple, intuitive interfaces to act on this data. We translate their data into ways they can save money, save time and operate in a safer and more sustainable way.

At EROAD, we begin by giving our customers access to the data generated by their physical operations. This data is brought into our system in real-time and is then enriched and analysed using machine learning techniques. Our software platform includes recording and alerting engines that help us identify insights that are most relevant to our customers, which we then surface through our intuitive applications.

By focusing on creating user-friendly applications, we empower frontline workers with the tools they need to improve their job performance. Through customer feedback, we have learned that integrating multiple solutions into a single system is more powerful than using separate, siloed systems from different vendors. This approach not only reduces the total cost of ownership but also ensures that all necessary data is available in a single location, enabling better decision-making.




**All Vehicles. All Assets. One Platform.**

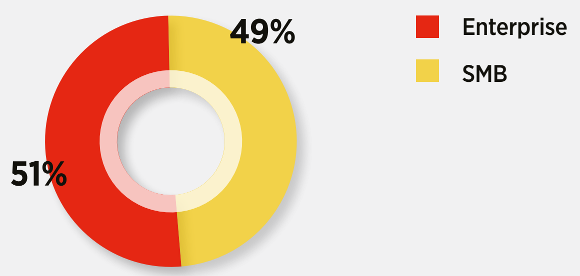
# Operating model

## Success for EROAD continues due to...

### ...more diverse customer mix

Enterprise customers enable us to scale and develop custom solutions or platform upgrades, which in turn provide opportunities for expanding our offerings to all customers. Meanwhile, the SMB customers provide a steady and reliable revenue stream for EROAD.

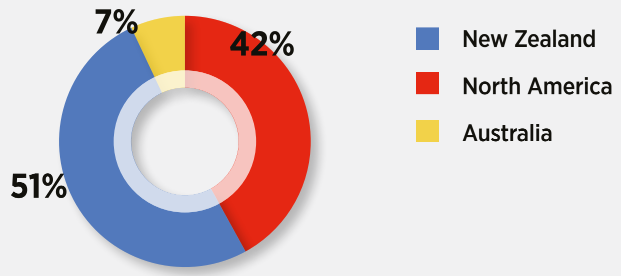
**Units by Customer size**




### ...multi-national growth

EROAD's expanding footprint in North America helps growth continue whilst reducing our reliance on the maturing New Zealand market.

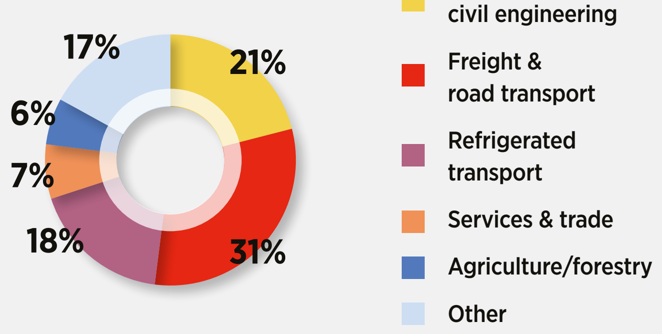
**Units by Market**




### ...more diversified industries

EROAD serves a diverse range of industries that reflect the critical infrastructure at the core of our communities, making it more than just a transport service provider.

**Units by Industry**



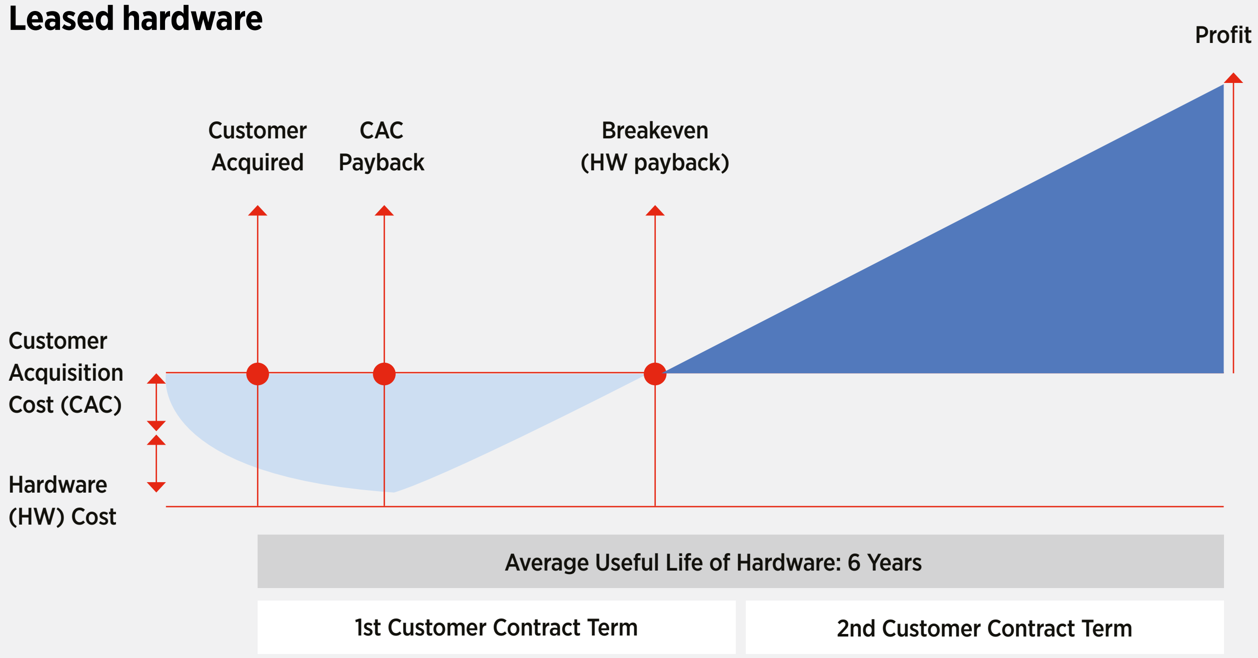

## ...more profitable sales model

EROAD uses a subscription billing model across all the regions it services. This model provides customers with access to its integrated platform for a monthly fee over a contractual term. The minimum term length is usually 36 months, but it can be extended up to twice that length for larger customers. To enable data generation, EROAD provides the hardware or sensors required for connecting vehicles and assets. In many cases, EROAD leases this hardware, in a bundle with the SaaS, over the same contract term, which increases the monthly charges to the customer. However, in some instances, customers can purchase the hardware outright at the start of the term.

EROAD's recurring revenue model is driven by unit economics, and we aim to achieve customer profitability within the first term. All costs, including the cost to acquire, the cost of the hardware, and operating costs incurred during that period, are paid back during the first 36 month contract term. Profitability is maximised over the second term and any further terms, provided the customer is retained. If the customer continues to renew their contract, EROAD may replace the hardware, and a shorter payback period on the hardware may commence again. However, the acquisition costs do not reoccur.

Like all subscription billing models, extending the life of a customer across multiple terms is key to profitability. To date, we have had significant success with EROAD maintaining an asset retention rate above 90% historically and 94.8% in FY23.

**Illustrative unit economics of EROAD's recurring revenue model: Leased hardware**



# Where we play

## EROAD markets at a glance

Our success in scaling and growing across all three regions is evident by the fact there are more similarities than differences. In FY23, a total of 1,253 customers across all regions renewed their plans, which included 36,382 units. Additionally, 2,250 customers added an additional 17,711 subscriptions to their existing plans. These figures demonstrate the value and satisfaction that our solution brings to customers across all regions.

### North America

95,058
UNITS (FY22: 87,682)

$18.1m
EBITDA (FY22: $9.4M)

110
CUSTOMERS RENEWED PLANS

404
CUSTOMERS UPGRADED PLANS

93.2%
RETENTION RATE (FY22: 84.2%)

$36.65
MONTHLY SAAS ARPU USD (FY22: $39.02)

### Australia

15,636
UNITS (FY22: 14,099)

$2.2m
EBITDA (FY22: $0.1M)

51
CUSTOMERS RENEWED PLANS

290
CUSTOMERS UPGRADED PLANS

97.0%
RETENTION RATE (FY22: 88.4%)

$42.27
MONTHLY SAAS ARPU AUD (FY22: $36.69)

### New Zealand

116,455
UNITS (FY22: 106,916)

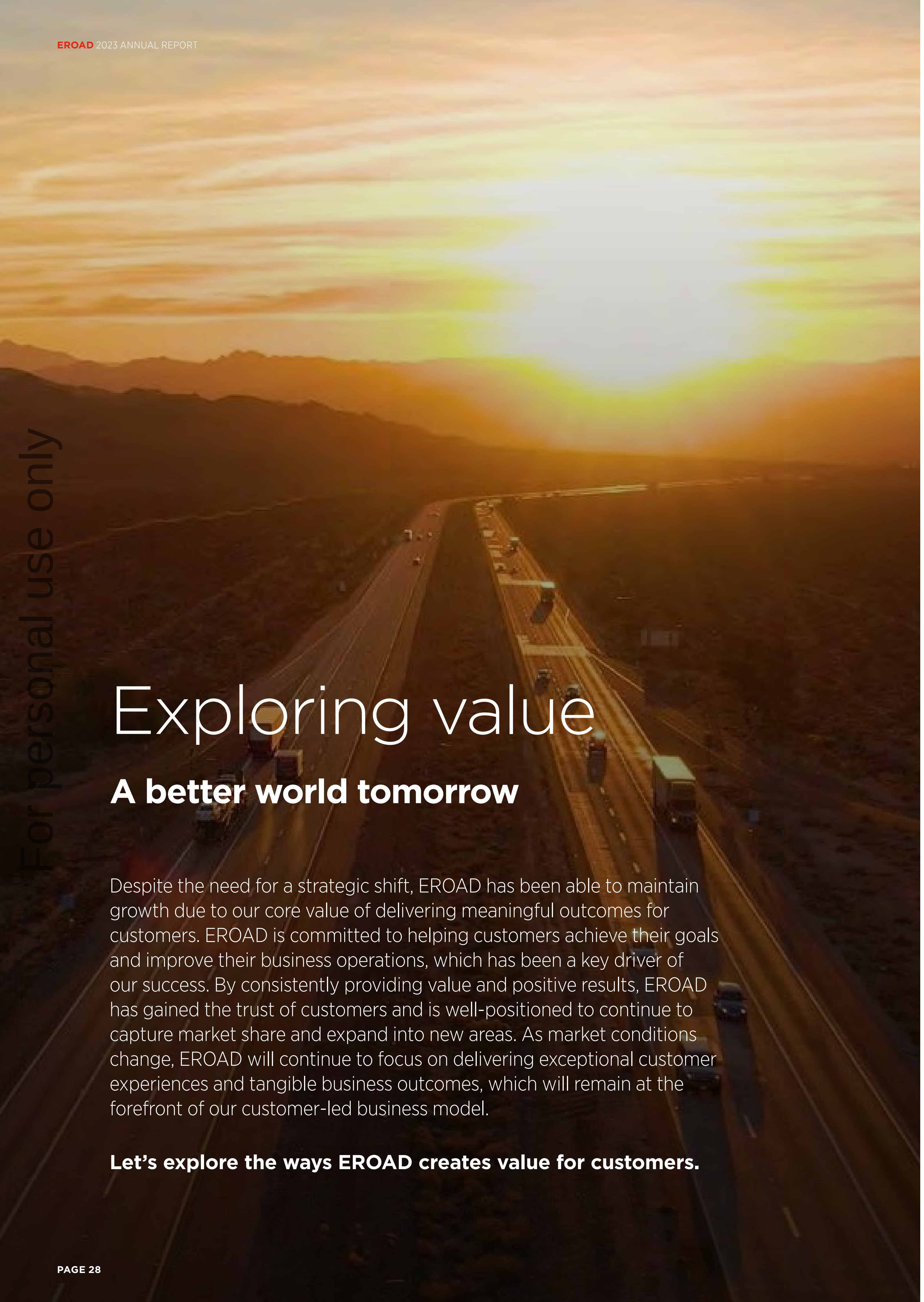
$53.7m
EBITDA (FY22: $45.2M)

1,092
CUSTOMERS RENEWED PLANS

1,556
CUSTOMERS UPGRADED PLANS

95.9%
RETENTION RATE (FY22: 97.3%)

$55.70
MONTHLY SAAS ARPU NZD (FY22: $56.45)



# Exploring value

## A better world tomorrow

Despite the need for a strategic shift, EROAD has been able to maintain growth due to our core value of delivering meaningful outcomes for customers. EROAD is committed to helping customers achieve their goals and improve their business operations, which has been a key driver of our success. By consistently providing value and positive results, EROAD has gained the trust of customers and is well-positioned to continue to capture market share and expand into new areas. As market conditions change, EROAD will continue to focus on delivering exceptional customer experiences and tangible business outcomes, which will remain at the forefront of our customer-led business model.

**Let's explore the ways EROAD creates value for customers.**



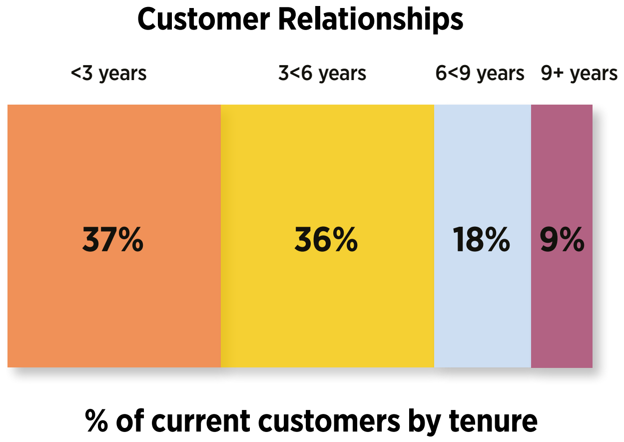


## Empowering customer momentum

Retaining customers is critical for any business model that relies on recurring revenue. At EROAD, we prioritise a partnership approach with our customers, resulting in a significant portion of our customer base remaining with us for an extended period.

63% of all current customers have been with EROAD for more than 3 years.

This not only benefits our profitability, but we also believe that establishing long-term partnerships creates a mutually advantageous relationship for both EROAD and our customers. By working closely with our customers over an extended period, we ensure that they receive the best value from our products. This approach allows us to receive feedback and make necessary improvements to better meet our customers' needs. Additionally, our customers can benefit from this partnership through multi-product adoption and customer expansion, driving growth for both EROAD and our customers.




## Growth powered by customer expansion

At EROAD, we understand that our success is tightly intertwined with the success of our customers.

As our customers expand and evolve, we are committed to growing with them and adapting our products and services to meet their changing needs.

This allows us to maintain strong, long-lasting relationships with our customers, and it also provides us with valuable insights into emerging trends and opportunities. Notably, fleet and asset expansion among our enterprise customers has been a significant driver of our recurring revenue growth at EROAD.

Detailed here are two individual examples where EROAD has benefited from significant revenue growth powered by customers' fleet expansion.

19%

**CAGR Customer Revenue Growth (FY19)**
**EROAD Customer | Construction Supplier (USA)**
**1500+ fleet**

28%

**CAGR Customer Revenue Growth (FY19)**
**EROAD Customer | Food services transport (USA)**
**1000+ fleet**

# Exploring value

## Growth powered by multi-product adoption

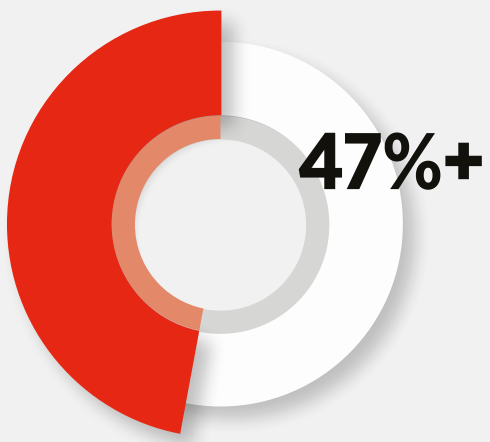
By offering a suite of complementary products and services, EROAD has been able to provide more value to our customers while also generating more revenue per customer from multi-product adoption. 90% of enterprise customers utilise products across two or more categories, demonstrating the value of our integrated suite.

EROAD's product development rationale continues to be based on securing customer value and connections through vehicle telematics initially and expanding across related categories over the life of the customer. Through this approach, EROAD has established strong, long-term relationships with our customers, who appreciate the convenience and efficiency of working with a single provider for multiple products and services.

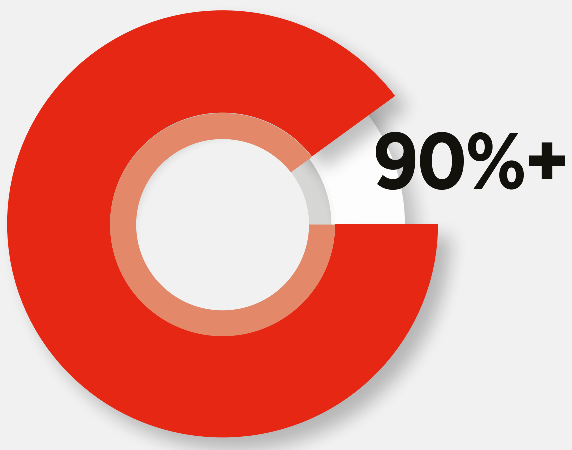
Whilst half of the total customer base subscribe only to vehicle telematics, this signals excellent opportunity for EROAD to continue to achieve subscription and ARPU growth, from existing customers.

**4 Product Categories**

- Vehicle Telematics
- Video Based Safety
- Asset Monitoring & Control
- Driver Apps




**of all customers subscribe to 2+ product categories**

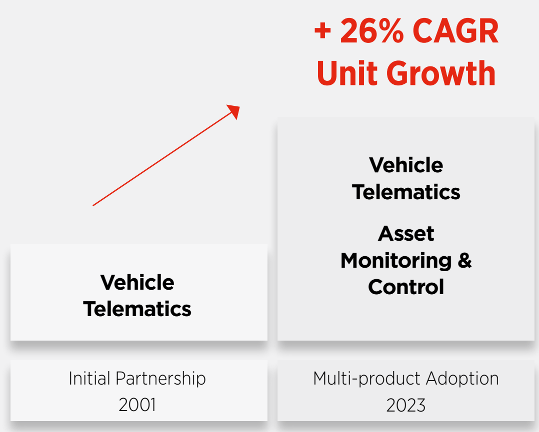


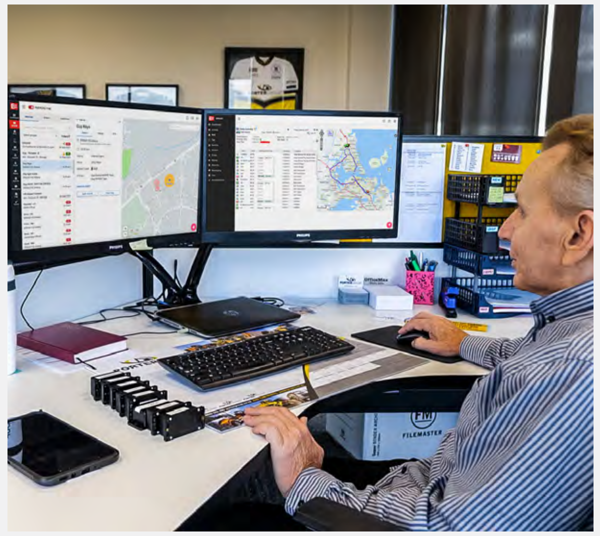

**of enterprise customers subscribe to 2+ product categories**

### Jim Pearson Transport (AU)
### Refrigerated transport
### 600+ fleet

Jim Pearson Transport has been using EROAD telematics (formerly known as SmartTrack, a legacy Coretex brand) in their prime mover trucks for over two decades. Aron Robinson, Contracts Manager at Jim Pearson's, says the company has chosen to continue with EROAD due to the product and service provided.

At the time, SmartTrack was the only telematics solution in Australia that offered live vehicle tracking, giving Jim Pearson a competitive advantage. "EROAD was instrumental in helping us attract business partners, in the early 2000's most competitors had to 'ping' their trucks for a location. SmartTrack offered live tracking and helped us secure new business as we moved into the telematics world." Since the very start of the relationship, Jim Pearson Transport have grown significantly in size, expanding their fleet, and the need for EROAD's products.

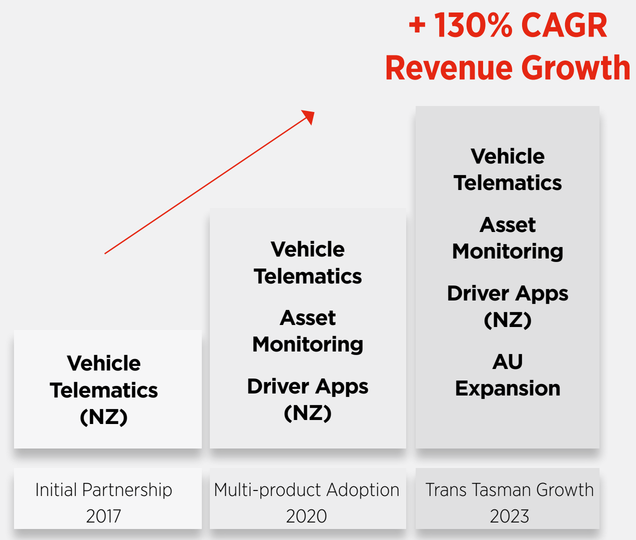


### Porter Group Hire (ANZ)
### Heavy Equipment suppliers
### 270+ fleet

Even though Porter Group were convinced EROAD was a good product from the outset of the initial partnership, its strength and potential exceeded their expectations: Group Asset Manager Ken Reilly states, "The more we used EROAD, the more we learned, the more excited we became and the more buy-in grew – from the workshop management to the haulage and hire management and now even senior management."

Over the six years they have been with EROAD, there have been many areas of growth. "We see the value of EROAD's progression and how being part of that journey will help the Porter Group grow." From starting with Vehicle Telematics in 2017, the group has enhanced their solution with Driver Apps and Asset Monitoring. In 2023, EROAD expanded its partnership with the Porter Group into their Australian business.




# Exploring value

## CASE STUDY
## Delivering whole-of-fleet intelligence

Fonterra, NZ

Fonterra is a co-operative owned and supplied by about 9,000 farming families in Aotearoa New Zealand. Through the spirit of co-operation and a can-do attitude, Fonterra's farmers and employees share the goodness of their milk through innovative consumer, foodservice and ingredients brands.



EROAD was delighted to partner with iconic NZ company Fonterra in FY23. The partnership consists of a 5 year contract to install solutions from all 4 of EROAD's product categories across their fleet of 500+ milk tankers. The whole-of-fleet solution was the unique differentiator for Fonterra, edging out the incumbent fleet management software provider which the company had used for 13 years.

+100m km

**Fonterra vehicles travel upwards of 100 million kilometers every year**

+16.5b

**Fonterra collect 16.5 billion litres of milk per year**

Fonterra has chosen to partner with EROAD, due to their innovation across a number of products (telematics, eRUC, dashcams etc). Their ability to harmonise these products into an overall telematics solution, that meets our business requirements, will assist us in maintaining our market-leading commitment to health and safety. It is great to be working with another New Zealand-based team developing products here in Aotearoa.

**Malcolm Bailey, Fonterra NZ**

From Cape Reinga to Bluff, and almost everywhere in between, Fonterra's milk collection operation spans the entire country. Through its fleet of 500+ milk collection tankers and 1600+ tanker operators, Fonterra completes an average of one farm collection every 15 seconds and collects around 16.5 billion litres of milk per year.

As well as electronic RUC and in-vehicle driver monitoring hardware, the safety-focused organisation is also installing EROAD's high-definition dual-facing dashcams to gather vital evidence that can help exonerate innocent drivers in the event of an incident.

Fonterra will also mitigate the risk of roll-over events in its liquid tankers with EROAD's specialised hardware. EROAD's Collision and Rollover Alert solution utilises vehicle roll-over alert technology and satellite communications to ensure emergency services can be dispatched as quickly as possible, if the worst should happen – including when the vehicle is outside cellular range.

Paul Phipps, GM National Transport & Logistics at Fonterra says, "safety doesn't happen by accident, so with us picking up milk from our shareholders all over rural New Zealand we choose to partner with an industry leader who delivers Emergency and Automated Alerts through a 24/7 Satellite Solution for when we leave areas with cellular coverage. This becomes a great mechanism in supporting our strategy of sending our valued employees home the way they come to work each and every day."

EROAD's innovative solutions will help Fonterra to improve its market-leading commitment to health and safety, and we look forward to a long partnership.

# Exploring value

## CASE STUDY

## Empowering real improvements in safety outcomes

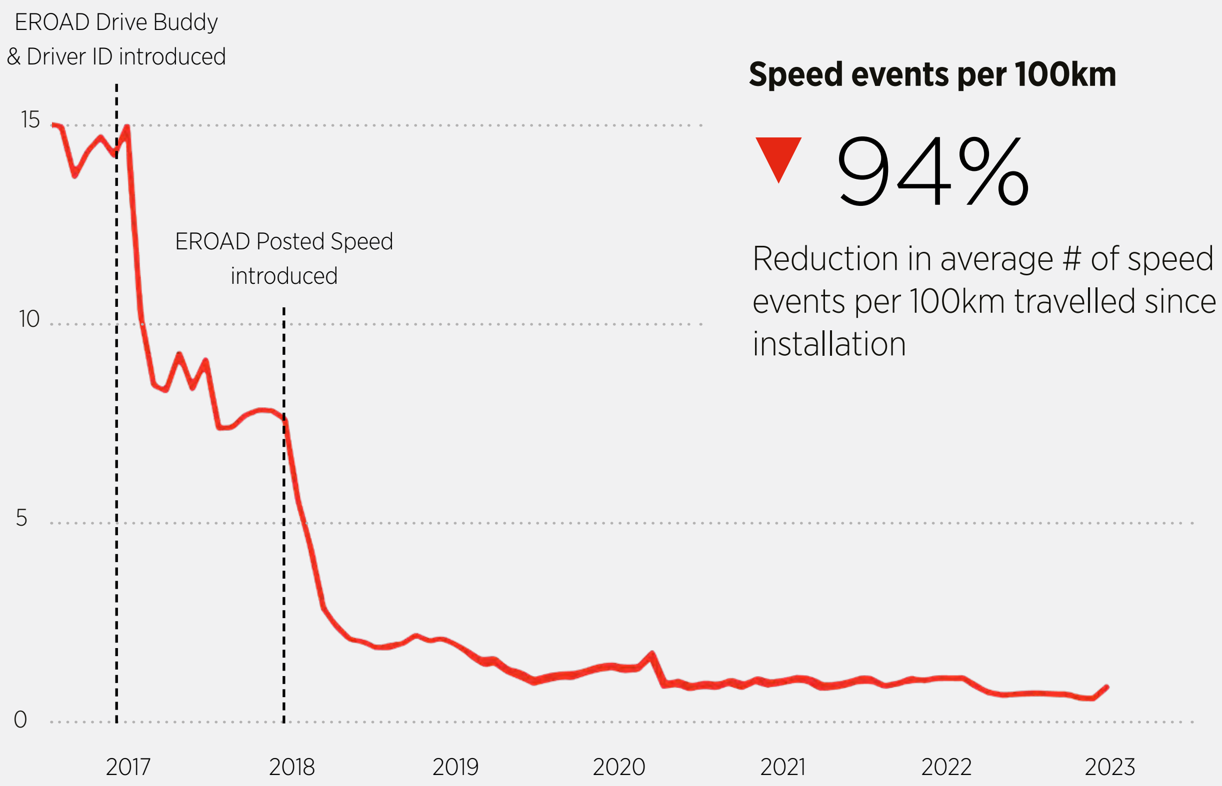
### Downer, NZ

Downer is one of the biggest civil companies in New Zealand and the largest provider of services to asset owners across 120 locations. Their fleet of 6,000 vehicles and assets travel in excess of over 120 million kilometers every year. Downer recognise driving as one of the top critical risks its people face every day.

In recognition of this, in 2022 Downer launched an internal initiative called Downer Drive, providing a roadmap to driving safely and sustainably. In support of this initiative they applied and worked towards achieving ACC (Accident Compensation Corporation) Fleet Saver accreditation.

+120m km

**Downer vehicles travel upwards of 120 million kilometers every year**




**Speed events per 100km**

▼ 94%

Reduction in average # of speed events per 100km travelled since installation





The aim of the accreditation is to recognise fleet operators that demonstrate and continuously improve on-road and workplace safety practices. Rewarding their real safety improvements with a reduction in the ACC portion of licencing fees.

After completion of an ACC audit in June 2022, Downer obtained the highest accreditation, achieving ACC Fleet Saver Gold.

Downer have many initiatives and processes which contribute to their successful health and safety program, EROAD is one of them. Since 2016, Downer has been able to utilise EROAD's data and features to better report on and improve its health and safety-focused culture.

"We've always had a strong culture around health and safety, but with EROAD on board our improved ability to track and report means we are much better equipped to proactively manage, lead, and reward the right behaviours, and to address any issues faster," says National Fleet Manager Josh Hedley.

Since first partnering with EROAD, Downer's events per km (EPK) has improved by over 94%. "I think in the health and safety space, Downer would be a leader in terms of the improvements we've seen in driver behaviour and also the ability to track who's driving vehicles and an awareness of what's going on. EROAD is integral to our business and how we manage the fleet and the health and safety of our people, they're more than just a telematics provider," says Josh.

> In 2022 Downer New Zealand achieved the Gold level of the ACC Fleet Saver Programme. We are very proud to have achieved this level at our first audit. Downer's use of EROAD in all of our fleet was instrumental in Downer not only achieving this accreditation, but also in improving the safety of our people. EROAD is critical in assisting us to monitor our fleet, to improve driver behaviour to reduce risk, and to inform the development of our safety programmes. This year we have extended this to Sustainability and have used EROAD to drive our Idling Reduction programme to reduce emissions and save on fuel.
>
> **Barry Bignell,**
> **Executive General Manager, Zero Harm**

# Exploring value

## Empowering real returns on investment

Each category within EROAD's product suite offers substantial opportunities for customers to receive immediate value and achieve rapid ROI. As inflationary pressures persist, we are witnessing an increase in customer adoption, as the benefits of installing EROAD's solutions across their entire fleet become increasingly valuable.

### Real and rapid return on investment

#### Tax Claims

EROAD's solutions offer customers the chance to recoup expenses incurred through tax savings related to road user charges or excise tax, off-road claims, or fringe benefits, in all three regions, regardless of regulatory differences. These savings can be substantial and are made possible by EROAD's certification as a recognised tax collection device.

#### Fuel Savings

EROAD provides its customers with in depth and actionable intelligence on their fleet usage and idle time, which presents enormous opportunities to cut fuel costs by decreasing consumption.

#### Insurance Claims

By utilising EROAD's platform, many customers are eligible for upfront reductions in insurance premiums. Additionally, EROAD's real-time Video Based Safety clips have proven valuable in disproving fraudulent insurance claims and substantiating legitimate ones.

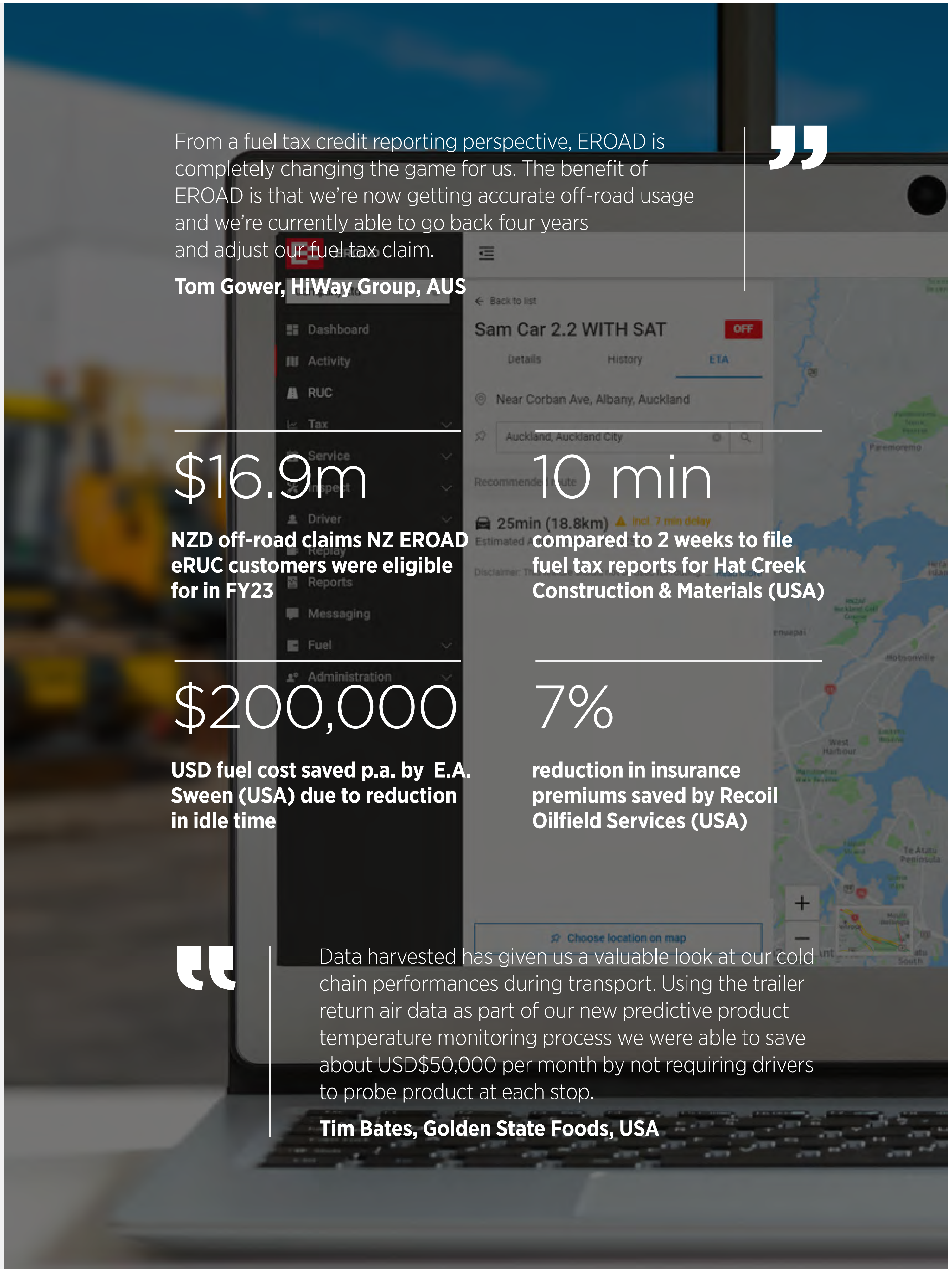
### Efficiency improvements saving money

#### Resource & Administration Time

EROAD's products are specifically designed to lessen the administrative burden of managing the performance of a customer's fleet and assets. This includes minimising reporting time, claim preparation time, fuel reconciliation, workflow, routing, maintenance, and driver management.

#### Asset Utilisation

By utilising EROAD's integrated platform and having complete visibility of their entire fleet, customers can optimise their assets in a variety of ways. This includes decreasing pre-cool time, eliminating idle time for trailers, improving servicing and maintenance management, reducing daily stop times, mapping and comparing asset movements, and identifying instances of under-utilisation.




> From a fuel tax credit reporting perspective, EROAD is completely changing the game for us. The benefit of EROAD is that we're now getting accurate off-road usage and we're currently able to go back four years and adjust our fuel tax claim.
>
> **Tom Gower, HiWay Group, AUS**

**$16.9m**

**NZD off-road claims NZ EROAD eRUC customers were eligible for in FY23**

**10 min**

**compared to 2 weeks to file fuel tax reports for Hat Creek Construction & Materials (USA)**

**$200,000**

**USD fuel cost saved p.a. by E.A. Sween (USA) due to reduction in idle time**

**7%**

**reduction in insurance premiums saved by Recoil Oilfield Services (USA)**

> Data harvested has given us a valuable look at our cold chain performances during transport. Using the trailer return air data as part of our new predictive product temperature monitoring process we were able to save about USD$50,000 per month by not requiring drivers to probe product at each stop.
>
> **Tim Bates, Golden State Foods, USA**

# Exploring value

## CASE STUDY

## Empowering visibility of total operations

### Quality Custom Distribution, USA

In 2012, QCD selected Coretex – which was acquired by EROAD in 2021 – to replace the costly and unreliable process of manual temperature monitoring of its reefer trailers. QCD has since deployed EROAD's reefer fleet management solution in hundreds of trailers, allowing the automated, continuous monitoring of air temperature from warehouse to restaurant.

7,500

**restaurants serviced nationally**

1.5m

**deliveries per year**

Quality Custom Distribution (QCD) is a leader in the quick service restaurant freight industry. Established in 2006 as a division of Golden State Foods (GSF), QCD completes more than 30,000 refrigerated transport deliveries a week from 24 distribution centres strategically located throughout the United States. QCD leverages more than five decades of GSF distribution expertise, providing high-quality, custom distribution services at a competitive price.

Trusted by top industry brands, including Starbucks, Chipotle and Chick-fil-A, the company services more than 7,500 restaurants nationally – totaling more than 1.5 million deliveries per year. QCD has a longstanding commitment to innovation and incorporates state-of-the-art technology in every aspect of its operations – from warehouse management systems to its single-platform fleet monitoring solution.

Throughout this ongoing partnership, EROAD has advanced its capabilities for remote reefer control, two-way communication, hours of service compliance, geofencing and a host of management applications.

QCD was also instrumental in piloting CoreTemp: a simulated product temperature monitoring system that uses artificial intelligence and advanced algorithms to eliminate the need for manual temperature probes.

Together, QCD and EROAD determined the precise specifications to ensure freshness for a variety of perishable food categories and variable packing data sets.

"The algorithm works flawlessly," says Larkin Williams, General Manager for QCD. "Everyone wants to make sure they know that the core temperature of their products is compliant. Being able to build on air temperature reading by receiving actual product temperature will allow us to communicate to our customer that they are receiving the highest quality of product every time."

CoreTemp provides real-time compliance to QCD and its customers. Moreover, the elimination of manual temperature probes has resulted in significant cost savings for QCD, says Tim Bates, Corporate Quality Systems Director.

Following the successful pilot program, QCD implemented the EROAD solution for all of its delivery routes. "I think CoreTemp has helped elevate our game," Bates says. "We've got a lot of powerful information that we never had in years past."





# Exploring value

## Empowering a road to sustainability

EROAD recognises we have a duty to drive forward real sustainability improvements. For both our business and our customers. Transport has the highest reliance on fossil fuels of any sector and accounted for 37% of CO2 emissions from end-use sectors globally in 2021.

To adopt a greater pace of change, EROAD has made two significant commitments to furthering our internal sustainability initiatives. We have appointed a Chief Sustainability Officer, Craig Marris. EROAD has also achieved certification under the Toitū carbon-reduce programme.

Alongside our internal initiatives, we continue to expand our product suite to empower customers to measure and improve their own sustainability efforts.

To understand more detail regarding EROAD's sustainability journey, please read our FY23 Sustainability Report.*

29k tCO2e

**Total EROAD emissions for FY23**

▼ 15%

**EROAD reduction target for electricity emissions by 2025**

▼ 4%

**EROAD reduction target for fuel emissions by 2025**

* Available June 2023

# Future Growth

## Large & fast growing market

As we scale, EROAD is prioritising efficient growth. Our subscription-based business model, with strong long-term unit economics, is a solid foundation for future profitability. We have a well-defined plan to be Free Cash Flow positive by FY26 within a $90m debt facility. This strategic move puts us in a strong position to capitalise on predicted growth opportunities.

Across the three regions EROAD operates in, the conservative estimate of the telematics revenue pool is valued at $10.9 billion. If the market continues to grow at the expected compound annual growth rate (CAGR) of 10 per cent, it could be worth as much as $22.8 billion by the year 2030.

Our customer base is diversified across various end markets, and we are not solely focused on the trucking industry. With our current and future product offerings, we are targeting significant and rapidly growing markets.

**2030**
$22.8b

**2022**
$10.9b

**Total telematics revenue pool for geographies EROAD serves (NZD)**

> As we focus on building up product functionality applicable to whole-of-fleet and capability to service enterprise customers, our growth in North America will be significant. In the longer term, our strategic shift to operate at scale positions us well to translate our momentum into profitable growth segments.
>
> **Mark Heine, CEO, EROAD**

## Key market drivers producing future tailwinds

EROAD's product roadmap is aligned to key market trends for the telematics and transport industries. By strategically shifting towards operating at scale, EROAD is well-positioned to leverage its momentum and achieve sustainable long-term growth.

| | KEY TRENDS | EROAD FOCUS |
|---|---|---|
| TELEMATICS INDUSTRY TRENDS | **1** Demand for advanced workflow-based solutions | **Demand for bespoke/custom workflow solutions** |
| | **2** OEM offering built-in telematics<br>**3** Tighter integration across supply chain | **IOT platform/Data aggregator**<br>Need for cohesive and standardised integration across multiple data sources |
| BROADER TRANSPORT INDUSTRY TRENDS | **4** Commoditisation of base offering stack<br>**5** Fleet consolidation | **Whole-of-fleet**<br>As base telematics are further commoditised and fleets consolidated, EROAD will compete with whole-of-fleet solutions (including APIs, aggregation and enrichment) |
| | **6** Transition to EV fleets<br>**7** Focus on sustainability and ESG (excl. electrification)<br>**8** Future regulatory requirements | **Sustainability focus**<br>Regulatory landscapes across all markets changing, impacting both reporting requirements and tax. Provides tailwind for telematics fleet management. |

# Our Leadership

## The Management Team

**MARK HEINE**
**Chief Executive Officer**

Mark began his tenure as CEO in June 2022. With a deep knowledge of EROAD's business coupled with his well established legal expertise, Mark is best placed to lead EROAD. Mark joined EROAD in 2015 after establishing himself as a well regarded lawyer in NZ and Australia. He has experience across a range of legal areas including corporate, commercial, M&A, litigation, privacy, IP and antitrust. Mark has also been employed as a barrister in New Zealand and holds current practicing certificates for New Zealand and Australia. He holds an LLB and BA from the University of Otago.

**MARGARET WARRINGTON**
**Chief Finance Officer**

Margaret joined EROAD in September 2020 and was formally appointed as CFO in November 2022, having served as acting CFO since May. With more than 12 years' experience in senior finance and commercial positions across multiple sectors in New Zealand, Margaret is a highly experienced finance professional. Her previous roles include Head of Finance at Summerset Group, CFO at Statistics New Zealand and acting CFO at the Inland Revenue Department. As CFO, Margaret heads EROAD's global corporate division and she brings a fresh and relatable approach to corporate finance. Margaret is a qualified Chartered Accountant and holds a Bachelor of Commerce and a Diploma in Teaching from the University of Wellington.

**AARON LATIMER**
**Chief Operating Officer**

Aaron recently re-joined EROAD as Chief Operating Officer after 18 months as VP of Operations at Syft Technologies. Having previously served as EROAD's Global Supply Chain Manager, Aaron brings extensive knowledge of the business and significant supply chain management expertise. His background in manufacturing, operations management, strategy, logistics, and business process improvements make Aaron a great addition to the Executive Team. Aaron is based in New Zealand and holds a Bachelor of Commerce from the University of Canterbury.

**STEEN ANDERSEN**
**Chief Transformation Officer**

Steen joined EROAD as Chief Transformation Officer in February 2023, leading the transformation office. Steen brings extensive experience in business development, strategic planning, product management, customer operations and enterprise resource. He has held senior positions including Chief Customer Service Officer, Chief Delivery Officer and VP of Sales and Professional Services. Based in North America, Steen holds a Master of Science in Economics and Business Administration from Aarhus University.

**SHELLEY PRENTICE**
**Chief People Officer**

With a wealth of global HR experience, Shelley heads the People and Capability function at EROAD. In April 2023, she joined the team after serving as a senior executive at Piritahi, where she led Operational Excellence on behalf of Kāinga Ora. With over two decades experience in various senior and executive roles spanning multiple sectors, Shelley is deeply committed to driving transformative change. She believes in strategically developing culture, capability and optimisation of work practices that empower high-performance and sustainable growth. Shelley holds a Bachelor of Human Resource Management and a Bachelor of Hospitality Management from Auckland University of Technology.

**AKINYEMI KOYI**
**President North America & Chief Innovation Officer**

Akinyemi Koyi (AK) has more than 20 years of experience as a leader and innovator in the technology sector. Working in a variety of industries, Akinyemi has built, managed and nurtured highly skilled, successful teams while overseeing complex engineering projects. He joined EROAD in 2021 when EROAD acquired Coretex, a telematics company where Akinyemi was Chief Operating Officer and Chief Technology Officer. Akinyemi brings to EROAD a dedication to innovation, a people-focused leadership style and a commitment to creating technology solutions that make our customers safer and more successful.

# Our Leadership

## The Management Team

**KONRAD STEMPNIAK**
**Executive General Manager ANZ**

Konrad joined EROAD as General Manager - Australia in February 2021, before his promotion to EGM Australia/New Zealand in January 2023. He is an accomplished executive leader with experience 10+ years experience in strategic operations, technical sales and building high performing teams. Based in Sydney, Konrad holds an MBA from the Australian Graduate School of Management at the University of NSW (with excellence), a Bachelor of Arts/Bachelor of Education and recently completed the Australian Institute of Company Director course with AICD. Konrad loves to support community initiatives and is a volunteer surf life saver.

**CRAIG MARRIS**
**Chief Sustainability Officer & EVP Mixed Fleets**

Craig was the Executive Vice President Mixed Fleets in North America and is a one of the Co-founders of Coretex and launched the North American Operations in 2006. Craig has been instrumental in establishing the distributor network, launching the compliance solution in 2009, and led the direct sales growth for Coretex. This new role allows Craig to capitalise on his keen interest in climate change data science and apply this to help fleets navigate their transitions effectively to more sustainable operations. Craig has a double degree in Marketing and Economics from Otago University and is a recent graduate from the Harvard Business School of Analytics, graduating with distinction.

**DEAN MARRIS**
**Chief Data Science Officer & EVP Construction**

As one of the co-founders of Coretex, Dean joined the EROAD team following the acquisition in 2021. With a strong automotive background, Dean brings a wealth of knowledge in this area. He was the President and founding member of International Telematics in New Zealand before his role as EVP of Sales and Distribution in North America for Coretex. Dean holds a Bachelor of Commerce with a double major in Marketing and Economics and is recent graduate from the Harvard Business School of Analytics and Data Science graduating with distinction. With established skills in telematics, coupled with significant business and analytics knowledge and experience, Dean is a key member of EROAD's North American leadership team.

**JEREMY WILTON**
**Vice President Product and Engineering**

Jeremy joined EROAD in October 2020, spearheading product research and development for hardware devices. With 20+ years of experience in crafting and implementing product strategies for hardware and software organisations across APAC and North America, Jeremy brings invaluable expertise to his role having worked for several Forbes 2000 Global technology companies. Holding a BSc in Computer Science, he combines technical acumen with a proven track record of commercial success, driving EROAD's innovation in the transportation industry.

**TIM MOLE**
**Director of Technology**

Tim is an experienced senior leader in data, analytics and engineering with more than 29 years' experience. He joined EROAD in December 2021 as Director of Analytics and Insight before moving into the Director of Technology role. Throughout his career, Tim has held management roles at Xero, Humm Group and Intergen. Tim holds a Bachelor of Science (BSc) in Computer Science and Operations Research from University of Canterbury. Alongside Jeremy Wilton, Tim oversees the product, development and engineering team until EROAD appoints a permanent Chief Technology Officer.

# Our Leadership

## The Board

### GRAHAM STUART

**Chairman, Independent Director, Auckland**

Appointed: January 2018,
Chairman from August 2018

**Board Committees: Finance, Risk and Audit, Remuneration, Talent and Nomination**

Graham brings extensive leadership and governance experience. He has previously served as CEO of Sealord Group and CFO then Director of Strategy and Growth at Fonterra. More than half his executive career was spent as Chief Financial Officer or equivalent and he has business experience across Asia, Europe, the UK and Latin America. In addition to his impressive executive resume, Graham brings significant board experience in NZ, Europe, Australia, and Latin America and currently serves on four listed company boards. Graham holds a Master's degree in Science and a Bachelor of Commerce in Finance.

### BARRY EINSIG

**Independent Director, Pennsylvania**

Appointed: January 2020

**Board Committees: Remuneration, Talent and Nomination, Technology**

Located in Pennsylvania, Barry brings considerable knowledge of the North American transport market as well as global automated and connected vehicle expertise. He is currently a Vice President at Econolite and has held other senior leadership positions within the transport industry. Barry was an advisor to the Singapore Ministry of Transportation on their Highly Automated Vehicle Programme. In addition, he has reviewed work undertaken by the Transportation Research Board and has created patent-approved technology used in Public Safety Networks. Barry holds a Bachelor of Science (Environmental Biology).

### TONY GIBSON

**Independent Director, Auckland**

Appointed: October 2009

**Board Committees: Remuneration, Talent and Nomination (Chairman) and Finance, Risk and Audit**

Tony joined the EROAD Board in October 2009 and brings more than 30 years' experience in shipping, logistics, technology and governance. He is one of New Zealand's most experienced transport professionals and is the current Managing Director and CEO of VINZ (Vehicle Inspection New Zealand). Tony previously served as the Chief Executive of Ports of Auckland and in 2008 he was appointed to the Road User Review Group by the Minister of Transport. Tony has worked in various senior management positions across Africa, Asia and Europe and is currently a director for Marsden Maritime Holdings and North Tugz.

### SARA GIFFORD

**Independent Director, Massachusetts**

Appointed: April 2022

**Board Committees: Remuneration, Talent and Nomination, Technology**

Based in Boston, Sara has extensive leadership experience in software companies and is well versed in logistics, transportation, product implementation, and sales. She has significant business experience across North America, Europe, Southeast Asia, Australia, and NZ. Sara served as the Chief Solutions Officer and executive board member of Quintiq and is a director of North American company Spiro. Sara is also the co-founder and director of Activote, a non-partisan application enabling voting in North America. Sara holds a Bachelor of Science in Computer Engineering and a Master's of Science in Software Engineering.

### SUSAN PATERSON

**Independent Director, Auckland**

Appointed: March 2019

**Board Committees: Finance, Risk and Audit (Chair) and Remuneration, Talent and Nomination**

Susan is a highly sought-after professional director with more than 25 years Board/Chair experience in NZX/ASX listed companies, private companies, government entities and not-for-profits. With a pharmaceutical and management background and an MBA (London Business School), she has worked in a range of consulting and management positions throughout New Zealand and internationally. Susan is an appointed Officer of New Zealand Order of Merit (services to governance) and was awarded Chartered Fellow status by the Council of the Institute of Directors.

### SELWYN PELLETT

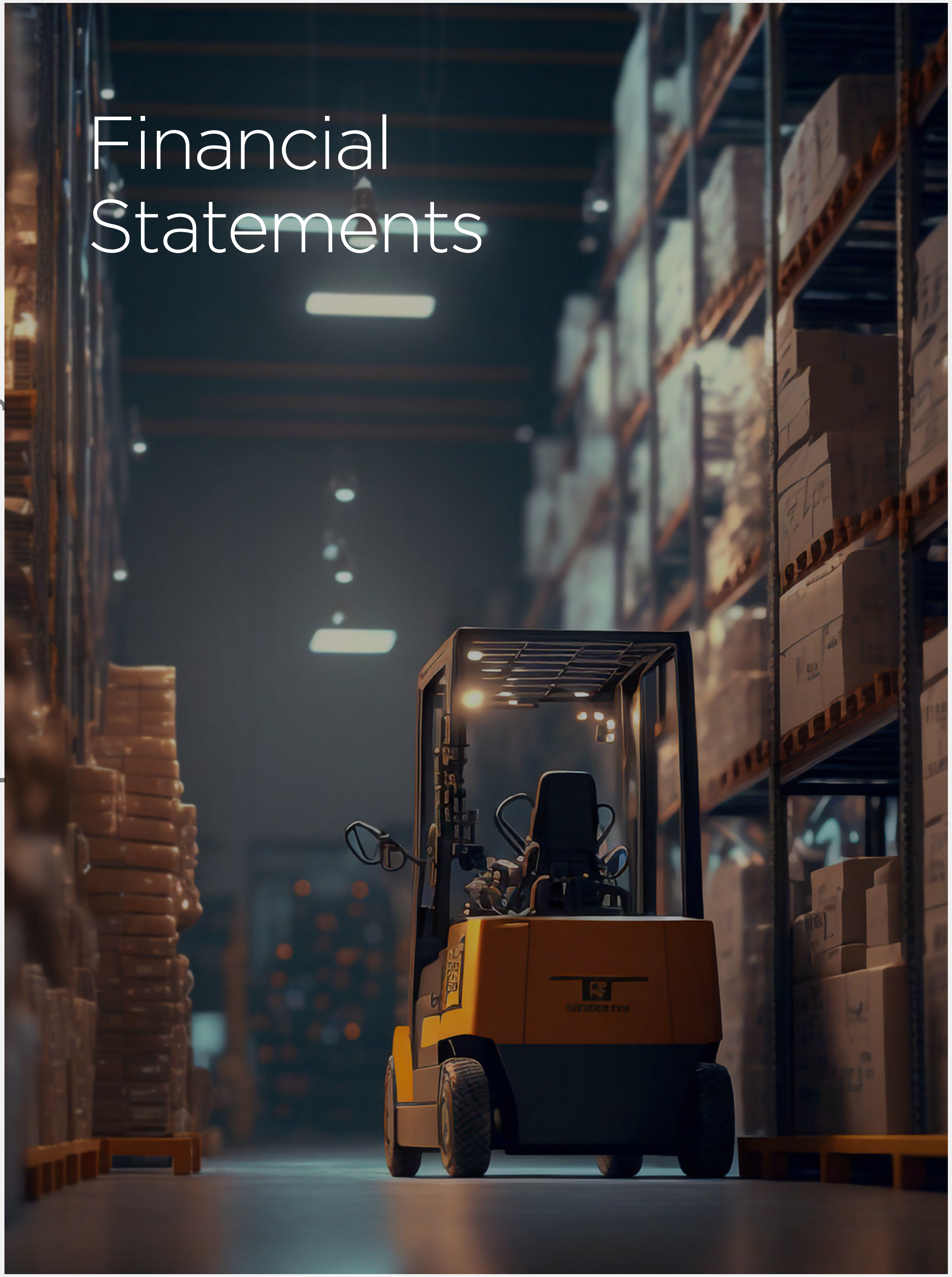
**Non-Executive Director, Auckland**

Appointed: December 2021

**Board Committees: Technology**

Selwyn is an acclaimed technology entrepreneur with more than 40 years' experience in electronics supply chains, enterprise level network security and telematics in Asia, Australia, NZ, North America and Europe. He has extensive experience in international sales, marketing, strategic planning and supply chain management, spanning small start-ups to multibillion-dollar corporations. Selwyn was the founder and CEO of Coretex Limited before the merger with EROAD, and the previous co-founder, CEO and Chairman of Endace Ltd. Selwyn's leadership, vision and significant contribution to New Zealand's technology sector was recognised by the New Zealand Hi Tech Association who named him as a 'Flying Kiwi' in 2009.

# Financial Statements



## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2023

| | Notes | 2023 $M's | 2022 $M's |
|---|---|---|---|
| Revenue | 2 | 174.9 | 114.9 |
| Operating expenses | 5 | (129.7) | (93.9) |
| **Earnings before interest, taxation, depreciation and amortisation** | | **45.2** | **21.0** |
| Depreciation of property, plant and equipment | 10 | (17.2) | (10.4) |
| Amortisation of intangible assets | 11 | (17.9) | (11.0) |
| Amortisation of contract and customer acquisition assets | 3 | (8.4) | (6.8) |
| **Earnings/(loss) before interest and taxation** | | **1.7** | **(7.2)** |
| Finance expense | | (7.1) | (3.3) |
| Finance income | | 0.3 | 0.1 |
| **Net financing costs** | 14 | **(6.8)** | **(3.2)** |
| **Loss before tax** | | **(5.1)** | **(10.4)** |
| Income tax benefit | 20 | 2.1 | 0.8 |
| **Loss after tax for the period attributable to the shareholders** | | **(3.0)** | **(9.6)** |
| **Other comprehensive income** | | | |
| Items that are or may be reclassified subsequently to profit or loss | | 2.7 | (0.3) |
| **Total comprehensive loss for the period** | | **(0.3)** | **(9.9)** |
| Loss per share - Basic (cents) | 15 | (2.69) | (10.07) |
| Loss per share - Diluted (cents) | 15 | (2.68) | (9.98) |

*The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Financial Position

As at 31 March 2023

| | Notes | 2023<br>$M's | Restated 2022<br>$M's |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 8.1 | 13.9 |
| Restricted bank accounts | 7 | 11.6 | 14.7 |
| Trade and other receivables | 8 | 34.4 | 27.2 |
| Contract fulfilment costs | 3 | 5.3 | 3.6 |
| Costs to obtain contracts | 3 | 2.3 | 2.1 |
| **Total Current Assets** | | **61.7** | **61.5** |
| | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 77.8 | 61.7 |
| Intangible assets | 11 | 242.1 | 231.4 |
| Derivative financial asset | 18 | 0.2 | - |
| Contract fulfilment costs | 3 | 4.0 | 3.3 |
| Costs to obtain contracts | 3 | 1.8 | 1.9 |
| Deferred tax assets | 21 | 15.2 | 10.3 |
| **Total Non-Current Assets** | | **341.1** | **308.6** |
| | | | |
| **Total Assets** | | **402.8** | **370.1** |

## Consolidated Statement of Financial Position (continued)

As at 31 March 2023

| | Notes | 2023<br>$M's | Restated 2022<br>$M's |
|---|---|---|---|
| **Current liabilities** | | | |
| Borrowings | 13 | 1.4 | - |
| Trade payables and accruals | 9 | 23.0 | 37.3 |
| Payables to transport agencies | 7 | 11.9 | 15.0 |
| Contract liabilities | 4 | 7.4 | 5.7 |
| Lease liabilities | 12 | 1.7 | 1.4 |
| Employee entitlements | | 3.7 | 4.6 |
| **Total Current Liabilities** | | **49.1** | **64.0** |
| | | | |
| **Non-current liabilities** | | | |
| Borrowings | 13 | 69.2 | 32.1 |
| Contract liabilities | 4 | 12.0 | 6.2 |
| Lease liabilities | 12 | 5.8 | 4.3 |
| Derivative financial liabilities | | - | 0.2 |
| Deferred tax liabilities | 21 | 17.9 | 15.6 |
| **Total Non-Current Liabilities** | | **104.9** | **58.4** |
| | | | |
| **Total Liabilities** | | **154.0** | **122.4** |
| | | | |
| **Net Assets** | | **248.8** | **247.7** |
| | | | |
| **Equity** | | | |
| Share Capital | 15 | 305.7 | 293.3 |
| Share capital premium/discount | | (19.9) | (6.5) |
| Other reserves | | (1.0) | (3.7) |
| Accumulated losses | | (36.0) | (35.4) |
| **Total Shareholders' Equity** | | **248.8** | **247.7** |

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

Chairman, 24 May 23

Chair of the Finance, Risk and Audit Committee, 24 May 23

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

| Consolidated | Notes | Share Capital $M's | Share Premium / Discount $M's | Accumulated losses $M's | Translation Reserve $M's | Hedging Reserve $M's | Total $M's |
|---|---|---|---|---|---|---|---|
| **Balance as at 1 April 2021** | | 131.7 | - | (26.2) | (3.4) | - | 102.1 |
| Loss for the year | | - | - | (9.6) | - | - | (9.6) |
| Other comprehensive loss | | - | - | - | (0.1) | (0.2) | (0.3) |
| **Total comprehensive loss** | | **-** | **-** | **(9.6)** | **(0.1)** | **(0.2)** | **(9.9)** |
| **Transactions with owners of the Company** | | | | | | | |
| Equity settled share-based payments | 16 | 1.3 | - | 0.4 | - | - | 1.7 |
| Share capital issued | | 80.4 | - | - | - | - | 80.4 |
| Issue of ordinary shares related to business combination | | 79.9 | (6.5) | - | - | - | 73.4 |
| **Balance as at 31 March 2022** | | **293.3** | **(6.5)** | **(35.4)** | **(3.5)** | **(0.2)** | **247.7** |
| **Balance as at 1 April 2022** | | 293.3 | (6.5) | (35.4) | (3.5) | (0.2) | 247.7 |
| Loss for the year | | - | - | (3.0) | - | - | (3.0) |
| Other comprehensive income | | - | - | - | 2.3 | 0.4 | 2.7 |
| **Total comprehensive income** | | **-** | **-** | **(3.0)** | **2.3** | **0.4** | **(0.3)** |
| **Transactions with owners of the Company** | | | | | | | |
| Equity settled share-based payments | 16 | 1.4 | - | (1.3) | - | - | 0.1 |
| Share capital issued relating to business combination | 15 | 11.0 | (9.7) | - | - | - | 1.3 |
| Contingent shares forfeited reclassification | | - | (3.7) | 3.7 | - | - | - |
| **Balance at 31 March 2023** | | **305.7** | **(19.9)** | **(36.0)** | **(1.2)** | **0.2** | **248.8** |

*The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Cash Flows

For the year ended 31 March 2023

| | Notes | 2023 $M's | Restated 2022 $M's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash received from customers | | 165.2 | 109.4 |
| Payments to suppliers and employees | | (128.9) | (92.2) |
| Payments for contract fulfilment assets | 3 | (7.6) | (5.7) |
| Interest received | | 0.3 | 0.1 |
| Interest paid | | (4.9) | (2.9) |
| Income taxes paid | | - | (0.1) |
| **Net cash inflow from operating activities** | | **24.1** | **8.6** |
| **Cash flows from investing activities** | | | |
| Payments for investment in property, plant & equipment | 10 | (27.5) | (28.4) |
| Payments for investment in intangible assets | 11 | (28.2) | (24.9) |
| Payments for investment in cost to obtain contracts | 3 | (2.9) | (3.2) |
| Payments for investment in subsidiary (including contingent consideration), net of cash acquired | 23 | (8.5) | (72.4) |
| **Net cash outflow from investing activities** | | **(67.1)** | **(128.9)** |
| **Cash flows from financing activities** | | | |
| Receipts from bank loans | | 52.7 | 32.1 |
| Repayments of bank loans | | (14.2) | (35.0) |
| Payment of lease liability | | (1.3) | (1.6) |
| Receipts from issue of equity | | - | 85.0 |
| Payments for costs of raising equity | | - | (3.4) |
| **Net cash inflow from financing activities** | | **37.2** | **77.1** |
| **Net decrease in cash held** | | **(5.8)** | **(43.2)** |
| **Cash at beginning of the financial period** | | **13.9** | **57.1** |
| **Closing cash and cash equivalents** | | **8.1** | **13.9** |

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## Reconciliation of Operating Cash Flows with Reported Profit After Tax

For the year ended 31 March 2023

| | Notes | 2023 $M's | Restated 2022 $M's |
|---|---|---|---|
| **Reconciliation of operating cash flows with reported profit after tax** | | | |
| Loss after tax for the year attributable to the shareholders | | (3.0) | (9.6) |
| **Add/(less) non-cash items** | | | |
| Tax asset recognised | | (3.9) | (1.1) |
| Depreciation and amortisation | | 43.5 | 28.2 |
| Other non-cash expenses/(income) | | 0.5 | 0.8 |
| Contingent consideration and revaluation | | (9.6) | - |
| Unwinding of interest expense for discounted contract liabilities and contingent consideration | | 1.7 | 0.6 |
| Contract liability discounting gain | | (1.8) | - |
| | | **30.4** | **28.5** |
| **Movements in other working capital items** | | | |
| Increase in trade and other receivables | | (6.1) | (10.4) |
| Increase in current tax payables | | 2.1 | - |
| Increase in contract liabilities | | 7.9 | 5.3 |
| Increase in contract fulfillment cost | | (7.6) | (5.7) |
| Increase in trade payables, interest payable and accruals | | 0.4 | 0.5 |
| | | **(3.3)** | **(10.3)** |
| **Net cash from operating activities** | | **24.1** | **8.6** |

For personal use only

## Notes to the consolidated financial statements

For the year ended 31 March 2023

### REPORTING ENTITY

The consolidated financial statements for the year ended 31 March 2023 are for EROAD Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"). The Group provides electronic on-board units and software as a service to the transport industry.

EROAD Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013. The Company is listed on the New Zealand Stock Exchange (NZX) Main Board and the Australian Stock Exchange (ASX).

### BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as appropriate for profit-oriented entities and other New Zealand accounting standards, and authoritative notices that are applicable to entities that apply NZ IFRS. These financial statements also comply with International Financial Reporting Standards and the requirements of the Financial Markets Conduct Act 2013.

The financial statements are presented in New Zealand dollars ($) which is the Group's presentation currency, and all values are rounded to million dollars to one decimal place ($M's) except where stated. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and its New Zealand subsidiaries is New Zealand dollars. The functional currency of the Company's Australian and North American subsidiaries are Australian dollars and United States dollars respectively.

All amounts are shown exclusive of goods and services tax (GST) except for trade receivables and trade payables, and except where the amount of GST incurred is not recoverable. When this occurs, GST is recognised as part of the cost of the asset or as an expense as applicable.

The financial statements are prepared on the historical cost basis, except for certain financial instruments which are carried at fair value.

### BASIS OF CONSOLIDATION

Subsidiaries are fully consolidated at the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group transactions and balances arising within the Group are eliminated in full.

### ACCOUNTING POLICIES

Accounting policies that summarise the measurement basis used and that are relevant to the understanding of the financial statements are provided throughout the accompanying notes. "

The accounting policies adopted have been applied consistently throughout the periods presented in these consolidated financial statements, except as mentioned below.

**NZ IAS 1 amendment**

The Group has early adopted the amendments to NZ IAS 1 with regards to the classification requirement of liabilities as current or non-current in the current year. The impact of adoption on these consolidated financial statements has been outlined in the table below.

| | NZ IAS 1 (OLD) | IMPACT | NZ IAS 1 (NEW) |
|---|---|---|---|
| | $M's | $M's | $M's |
| **31 MARCH 2023** | | | |
| Current borrowings | 40.6 | (39.2) | 1.4 |
| Non-current borrowings | 30.0 | 39.2 | 69.2 |
| **31 MARCH 2022** | | | |
| Current borrowings | 2.1 | (2.1) | - |
| Non-current borrowings | 30.0 | 2.1 | 32.1 |
| **31 MARCH 2021** | | | |
| Current borrowings | 6.4 | (1.4) | 5.0 |
| Non-current borrowings | 28.6 | 1.4 | 30.0 |

The Group adopted all mandatory new and amended NZ IFRS Standards and Interpretations and there has been no material impact on the Group's financial statements.

There are no other new standards, amendments or interpretations that have been issued and are not yet effective, that are expected to have a significant impact on the Group.

## COMPARATIVE INFORMATION

The statement of cash flow presentation has been amended to reclassify the contract fulfilment assets from investing activities to operating activities cash flows. The impact of this reclassification on the comparative period is shown below.
The reclassification better reflects the Group's operation.

| | 2022 REPORTED | RECLASS | 2022 RECLASSIFIED |
|---|---|---|---|
| | $M's | $M's | $M's |
| Cash flows from operating activities | 14.3 | (5.7) | 8.6 |
| Cash flows from investing activities | (134.6) | 5.7 | (128.9) |

The prior year statement of financial position has been restated for the finalisation of provisional values in relation to the acquisition of Coretex. Refer to note 23 for further details on the change.

Apart from the changes noted above and the change as a result of early adoption of NZ IAS 1 amendments Classification of Liabilities as Current or Non-current, there have been no other changes to comparative figures.

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In applying the Group's accounting policies, management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Group. Actual results may differ from the judgements, estimates and assumptions.

The significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined within the financial statement notes to which they relate. These are:

- Taxation - recognition and utilisation of tax losses
- Intangible assets - assumptions used in the impairment tests; capitalisation of development costs
- Property, plant and equipment - determining residual values and useful lives

## GOING CONCERN

As at balance the Group's current assets exceeded its current liabilities by $12.6 million (2022 restated: net current liabilities of $2.5m). The directors have carefully considered the ability of the Group to continue to operate as a going concern for at least the next 12 months from the date the financial statements are authorised for issue. It is the conclusion of the directors that the Group will continue to operate as a going concern and the financial statements have been prepared on that basis.

In reaching their conclusion the directors have considered the following factors:

- Cash reserves as at 31 March 2023 of $8.1M and bank borrowing facility of $90M of which $19.4M was undrawn as at 31 March 2023 after including borrowing costs of $0.5M. Along with cost saving initiatives of the group, this provides sufficient level of headroom to help support the business for at least the next 12 months from the date of issuance of these financial statements;
- The Future Contracted Income of $219.6M provides certainty of forecast revenue; and
- The directors have made due enquiry into the appropriateness of the assumptions underlying the budgetary forecasts.

## PERFORMANCE

This section focuses on the Group's financial performance. This section includes the following notes:



### NOTE 1 SEGMENT REPORTING

EROAD operating segments are based on geographic location for operating companies and corporate and development costs. These operating segments equate to the Group's strategic divisions and are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"). The CEO is considered to be the chief operating decision maker ("CODM").

The four segments/strategic divisions offer different services and are managed separately because they require different technology, services and marketing strategies. For each strategic division, the CODM reviews internal management reports.

The following summary describes the operations in each of the Group's segments.

- *Corporate & Development:* Corporate head office costs and R&D activities for development of new and existing products and services
- *North America:* Operating companies serving customers in North America
- *Australia:* Operating companies serving customers in Australia
- *New Zealand:* Operating companies serving customers in New Zealand

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise income tax, derivative financial instruments, finance income and expenses.

Inter-segment pricing is determined on an arm's length basis.

### NOTE 1 SEGMENT REPORTING *(CONTINUED)*

***Reportable segment information***

Key information related to each reportable segment as provided to the CODM is set out below.

| | Corporate & Development | | North America | | New Zealand | | Australia | |
|---|---|---|---|---|---|---|---|---|
| | 2023 $M's | 2022 $M's | 2023 $M's | 2022 $M's | 2023 $M's | 2022 $M's | 2023 $M's | 2022 $M's |
| **Revenue** | | | | | | | | |
| Software as a Service (Saas) revenue | - | 0.3 | 65.3 | 35.0 | 75.8 | 65.3 | 8.3 | 3.5 |
| Hardware revenue | 0.6 | - | 5.4 | 2.4 | 0.2 | - | 0.7 | 0.1 |
| Transaction fee revenue | - | - | - | - | 3.7 | 3.0 | - | - |
| Other revenue [1] | 61.7 | 32.1 | 1.9 | 2.9 | 4.0 | 1.5 | 0.3 | 0.3 |
| **Total revenue** | **62.3** | **32.4** | **72.6** | **40.3** | **83.7** | **69.8** | **9.3** | **3.9** |
| Earnings before interest, taxation, depreciation & amortisation | (28.5) | (33.9) | 18.1 | 9.4 | 53.7 | 45.2 | 2.2 | 0.1 |
| **Other segment information** | | | | | | | | |
| Total assets | 277.3 | 256.9 | 100.4 | 80.8 | 69.5 | 64.8 | 15.4 | 13.3 |
| Depreciation of property, plant & equipment | (2.1) | (1.5) | (7.8) | (3.8) | (6.9) | (5.2) | (0.6) | (0.3) |
| Amortisation of intangible assets | (10.2) | (8.8) | (5.1) | (1.7) | (0.9) | (0.3) | (1.7) | (0.2) |
| Amortisation of contract and customer acquisition assets | - | - | (2.3) | (1.5) | (5.4) | (5.0) | (0.6) | (0.3) |

[1] Revenue from Corporate & Development Markets includes R&D Grant Income of $1.6M (31 March 2022: $1.3M) and reassessment of contingent consideration of $9.6m (31 March 2022: $1.3M).

For personal use only

## NOTE 1 SEGMENT REPORTING *(CONTINUED)*

***Reconciliation of information on reportable segments***

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| **Revenue** | | |
| Total revenue for reportable segments | 227.9 | 146.4 |
| Elimination of inter-segment revenue | (53.0) | (31.5) |
| **Consolidated Revenue** | **174.9** | **114.9** |
| **EBITDA** | | |
| Total EBITDA for reportable segments | 45.5 | 20.8 |
| Elimination of inter-segment EBITDA | (0.3) | 0.2 |
| **Consolidated EBITDA** | **45.2** | **21.0** |
| **Depreciation** | | |
| Total depreciation for reportable segments | (17.4) | (10.8) |
| Elimination of inter-segment depreciation | 0.2 | 0.4 |
| **Consolidated Depreciation** | **(17.2)** | **(10.4)** |
| **Amortisation of intangible assets** | | |
| Total amortisation for reportable segments | (17.9) | (11.0) |
| Elimination of inter-segment amortisation | - | - |
| **Consolidated Amortisation** | **(17.9)** | **(11.0)** |
| **Total assets** | | |
| Total assets for reportable segments | 462.6 | 415.8 |
| Elimination of inter-segment balances | (59.8) | (45.7) |
| **Consolidated Total Assets** | **402.8** | **370.1** |

***Allocation of goodwill, property plant and equipment and other intangible assets***

Included within Total Assets are Development Assets of $100.4M (31 March 2022: $88.3m) which for the purpose of the segment note have been allocated to the Corporate & Development Market based on the ownership of intellectual property. The amortisation for these assets are also presented in the Corporate & Development segment. The Group's cash generating units (CGUs) are North America, New Zealand and Australia. For impairment testing purposes management allocate the Development Assets to the CGU based on the specific CGU that the Development Asset relates to, or if the Development Asset is developed for use globally across all CGU's, the asset is allocated to CGU's based on the proportionate share of the Group's Contracted Units. Property plant and equipment and other finite intangible assets are also included and tested as part of impairment testing of respective CGU's.

Also included in the total assets is the intangible assets acquired through the acquisition of the Coretex subsidiaries and resulting goodwill. The allocation of these to cash-generating units has been done based on valuation expert advice as part of acquisition accounting in the prior year.

## NOTE 1 SEGMENT REPORTING *(CONTINUED)*

The allocation of the Development Assets, goodwill and other intangibles to CGU's within the following reportable segments for the purpose of impairment testing was as follows:

| | Development Assets | Goodwill | Brand | Customer relationships |
|---|---|---|---|---|
| | $M's | $M's | $M's | $M's |
| **31 MARCH 2023** | | | | |
| North America | 46.3 | 88.8 | 2.4 | 20.7 |
| New Zealand | 48.3 | 5.7 | - | 1.1 |
| Australia | 5.8 | 13.6 | - | 3.5 |
| | **100.4** | **108.1** | **2.4** | **25.3** |
| **31 MARCH 2022 Restated** | | | | |
| North America | 43.3 | 88.8 | 3.1 | 21.9 |
| New Zealand | 39.8 | 5.7 | - | 1.2 |
| Australia | 5.2 | 13.6 | - | 4.9 |
| | **88.3** | **108.1** | **3.1** | **28.0** |

***Geographic information***

The geographic information below analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the following information revenue has been based on the geographic location of customers and assets were based on the geographic location of the assets. These allocations are not aligned with the Group's reportable segments.

| | 2023 | Restated 2022 |
|---|---|---|
| | $M's | $M's |
| **Revenue** | | |
| New Zealand | 94.0 | 72.1 |
| All foreign countries: | | |
| USA | 71.6 | 39.0 |
| Australia | 9.3 | 3.8 |
| **Total revenue** | **174.9** | **114.9** |
| **Non-current assets** | | |
| New Zealand | 230.4 | 206.5 |
| All foreign countries: | | |
| USA | 84.6 | 79.9 |
| Australia | 10.7 | 11.9 |
| **Total non-current assets** | **325.7** | **298.3** |

Non-current assets exclude financial instruments and deferred tax assets.

## NOTE 1 SEGMENT REPORTING *(CONTINUED)*

| | 2023 | Restated 2022 |
|---|---|---|
| | $M's | $M's |
| **Reconciliation of geographical non-current assets to total non-current assets** | | |
| Geographical non-current assets | 325.7 | 298.3 |
| Deferred tax assets | 15.2 | 10.3 |
| Derivative financial instruments | 0.2 | - |
| **Total non-current assets** | **341.1** | **308.6** |

## NOTE 2 REVENUE

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| **Revenue from contracts with customers** | | |
| Software as a service (Saas) revenue | 149.4 | 104.1 |
| Hardware revenue (subscription basis) | 6.9 | 2.5 |
| **Other** | | |
| Transaction fee revenue | 3.7 | 3.0 |
| Other revenue and income | 13.3 | 4.0 |
| Grant income | 1.6 | 1.3 |
| **Total Revenues** | **174.9** | **114.9** |

Set out above is the disaggregation of the Group's revenue. The disaggregation reflects the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

**Revenue recognition**
Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or a service to a customer.

The Group provides electronic on-board units to its customers, which comprise the provision of hardware and the rendering of services.

For the majority of the Group's customers the supply of electronic on-board units (leased or purchased outright), installation of the units and providing services are not distinct and have one single performance obligation (linked to the service contract). Consequently, the Group does not recognise revenue separately for these goods and services but recognises this revenue together as the provision of software as a service (SAAS) revenue.

Each of the Group's main sources of revenue are described in detail below:

***Software as a service revenue***
Software as a service (SaaS) revenue represents revenue earned from customer contracts for the sale or rental of hardware, installation services, training and support services and provision of software services.

As noted above, the Group has determined that for the majority of customers the supply and installation of units and the services are not distinct and treated as one single performance obligation. That is, EROAD's customers do not have the right to direct the use of EROAD's assets (such as the Ehubo, Corehub and TMU units) as EROAD continues to have the right and ability to change how the asset operates during the customer's contract period. These contracts are therefore accounted for as service contracts. The Group generates revenue through the sale of hardware assets, rental of hardware assets, installation of hardware assets and provision of software services as part of contracts with customers as part of a bundled package. These hardware units enable customers to access the software platform offered by the Group. The transaction involving hardware and accessories do not convey a distinct good or service. The sale does not transfer control to the customer as the Group





## NOTE 2 REVENUE *(CONTINUED)*

provides a significant service of integrating the software service to produce a combined output. The sale of the hardware, accessories and software service are referred to as Software as a Service (SaaS) revenue, which is recognised on a straight line basis over the contract period to reflect the fulfilment of the performance obligations as they arise. There are no variable consideration terms within the contracts.

The Group offers installation services as part of a number of promises to transfer goods and services within each contract. Installation services do not convey a distinct good or service and therefore are not a separate performance obligation as the installation is a set-up activity that does not provide the customer a direct benefit other than access to the software services. As a result, the installation service is considered as part of the single performance obligation referred to as software as a service (SAAS) revenue, which includes the software service and hardware sale or rental for which the customer simultaneously receives and consumes the benefit of the service.

A contract liability is recognised where consideration is received in advance of the completion of associated performance obligations. The contract liability is derecognised over time evenly over the period of the contract as the customer derives the benefit evenly from the services provided over the contract period. The majority of contracts are for 3 years and can be for a term of up to 5 years. As a result there is a financing component which the Group recognise as a finance cost when consideration is received in advance.

***Hardware revenue (subscription)***
Hardware revenue purchased with a subscription is recognized over the first months subscription. Hardware revenue reflects hardware sales where a subscription must be separately purchased to utilise the hardware and obtain access to services. The hardware together with the monthly subscription is considered a single performance obligation. A receivable is recognised by the Group when the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

The installation revenue associated with uncontracted hardware units is included in the hardware revenue line and recognised when the installation is completed.

The services revenue associated with the uncontracted hardware units is included in the software as a service revenue line and is recognised when the performance obligation is completed.

***Transaction fees***
Transaction fee revenue relates to the collection of Road User Charges (RUC) fees. The Group acts as an agent for transport authorities in the market that is operates in. Where fees are collected on their behalf, the Group charges a commission. The revenue recognised is the net amount of the commission fee earned by the Group.

***Grant income***
Government grants are recognised at fair value in the statement of comprehensive income over the same periods as the costs for which the grants are intended to compensate. No unfulfilled conditions or contingencies exist related to the government grants.

***Other revenue and income***
Included in other income and revenue is $9.6M related to the reassessment of contingent consideration as outlined in Note 23.

***Future contracted income***
The Group reports the Non-GAAP measure, Future Contracted Income. The definition of Future Contracted Income includes all future hardware and SaaS cash inflows relating to income under non-cancellable long-term agreements. The disclosure below aligns with the Future Contracted Income reported by the Group.

For personal use only

## NOTE 2 REVENUE *(CONTINUED)*

***Transaction price allocated to the remaining performance obligations***

The below table represents the revenue allocated to performance obligations that are unsatisfied or partially unsatisfied at the period end. The revenue amounts yet to be recognised under non-cancellable contract agreements at 31 March 2023 are expected to be recognised by EROAD based on the time bands disclosed below.

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| **Software as a Service (SaaS) revenue** | | |
| No later than one year | 88.1 | 83.6 |
| Later than one year, no later than five years | 131.5 | 106.6 |
| **Total price allocated to remaining performance obligations** | **219.6** | **190.2** |

## NOTE 3 CONTRACT FULFILMENT AND COSTS TO OBTAIN CONTRACTS

**Capitalised contract fulfilment costs**

The Group capitalises incremental costs of fulfilling customer contracts, typically distribution and installation costs. Contract fulfilment costs are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years. Customers who do not sign up to a term have contract fulfilment costs expensed up-front.

**Capitalised contract acquisition costs**

The Group has applied a policy of capitalising only costs that are incremental in obtaining contracts with customers, typically sales commissions. Contract acquisition costs are amortised evenly over the period of the contract. The majority of contracts are for 3 years and can be for a term of up to 5 years. Customers who do not sign up to a term have contract acquisition costs expensed up-front.

The following table provides information about contract fulfilment and costs to obtain contracts with customers:

| | Contract fulfilment | | Costs to obtain contracts | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | $M's | $M's | $M's | $M's |
| Opening net book value | 6.9 | 5.4 | 4.0 | 3.5 |
| Additions | 7.8 | 5.7 | 3.1 | 3.1 |
| Amortisation | (5.4) | (4.2) | (3.0) | (2.6) |
| **Closing net book value** | **9.3** | **6.9** | **4.1** | **4.0** |
| Current | 5.3 | 3.6 | 2.3 | 2.1 |
| Non-current | 4.0 | 3.3 | 1.8 | 1.9 |

## NOTE 4 CONTRACT LIABILITIES

The Group enters into contracts with customers for the provision of software services over a contracted period. As stated in the accounting policies, this revenue is recognised over time as the customer simultaneously receives and consumes the benefit of the service. The Group has determined that the benefit of the services provided is consumed evenly over the period of the contract, and thus the performance obligations are satisfied evenly over the period. Where the Group receives a portion of the transaction price of a contract in advance, this is recognised as a contract liability and released over the contract period as the Group satisfies its performance obligations.

## NOTE 4 CONTRACT LIABILITIES *(CONTINUED)*

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| Opening balance | 11.9 | 6.6 |
| Amounts deferred during the period | 16.9 | 10.4 |
| Amount recognised in the statement of comprehensive income | (9.4) | (5.1) |
| | **19.4** | **11.9** |
| Current | 7.4 | 5.7 |
| Non-current | 12.0 | 6.2 |

## NOTE 5 EXPENSES

| | Notes | 2023 | 2022 |
|---|---|---|---|
| | | $M's | $M's |
| Personnel expenses - net of capitalised employee remuneration | 6 | 57.5 | 45.2 |
| Administrative and other operating expenses | | 41.1 | 24.3 |
| SaaS platform costs | | 26.0 | 15.3 |
| Directors fees | | 0.8 | 0.5 |
| Acquisition-related expenses | | - | 3.6 |
| Integration-related expenses | | 3.4 | 4.0 |
| Auditor's remuneration - KPMG | | 0.5 | 0.6 |
| Other assurance services - KPMG | | 0.1 | 0.1 |
| Tax compliance and advisory services - KPMG | | 0.3 | 0.3 |
| **Total operating expenses** | | **129.7** | **93.9** |

Other assurance services include half year review and procedures over RDTI claim and NZTA reasonable assurance. During the year the costs expensed for Research and Development (including integration) was $37.2M (31 March 2022: $8.0M).

The integration related expenses include internal staff time.

## NOTE 6 PERSONNEL EXPENSES

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| Salaries and wages - excluding capitalised commission costs | 74.1 | 53.7 |
| Annual leave | (1.1) | 0.8 |
| Performance bonus | 1.4 | 0.8 |
| Share-based payments | 0.1 | 2.0 |
| Salaries and wages capitalised to development and software assets | (17.0) | (12.1) |
| | **57.5** | **45.2** |

## WORKING CAPITAL

This section provides information about the primary elements of the Group's working capital. This section includes the following notes:



### NOTE 7 CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND PAYABLES TO TRANSPORT AGENCIES

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| Cash and cash equivalents | 8.1 | 13.9 |
| Restricted bank accounts | 11.6 | 14.7 |
| | **19.7** | **28.6** |

Cash and cash equivalents exclude restricted bank accounts. Restricted bank accounts are presented separately from cash and cash equivalents on the face of the Statement of Financial Position and movements in restricted bank accounts are excluded from the Statement of Cash Flows. The restricted bank accounts relate to Road Users tax collected from clients due for payment to the appropriate government agency.

| | | |
|---|---|---|
| Payables to transport agencies | (11.9) | (15.0) |

### NOTE 8 TRADE AND OTHER RECEIVABLES

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| Trade receivables | 22.5 | 19.4 |
| Allowance for expected credit losses on trade receivables | (3.5) | (3.2) |
| | **19.0** | **16.2** |
| Prepayments and other receivables | 15.4 | 11.0 |
| | **34.4** | **27.2** |

In addition to the movement in the expected credit losses, the Group has written off $1.7M (2022: $0.8M) of bad debts to the statement of comprehensive income.

Trade receivables are amounts due from customers for products sold and services provided. Trade receivables are recognised initially at their transaction price and subsequently measured at the amount to be collected. Due to the short term nature of these debtors, their carrying value is assumed to approximate fair value.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. The Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. That is, to measure the expected credit losses, trade receivables have been grouped based on customer industry risk characteristics and the days past due. The expected loss rates are based on recent payment profiles, historical customer behaviour, age of debt and individual customer circumstances.

### NOTE 9 TRADE PAYABLES AND ACCRUALS

| | 2023 | Restated 2022 |
|---|---|---|
| | $M's | $M's |
| Trade payables | 7.6 | 11.6 |
| Tax payable | 2.6 | 0.8 |
| Sundry accruals | 12.8 | 6.4 |
| Contingent consideration liability | - | 18.5 |
| | **23.0** | **37.3** |

Trade payables are carried at amortised cost. Due to their short-term nature, they are not discounted.

The contingent consideration liability payable in relation to the acquisition of Coretex Limited and its subsidiaries was settled on 23 December 2022. Refer to note 23 for further details.

For personal use only

## LONG-TERM ASSETS

This section provides information about the investment the Group has made in long-term assets to operate the business. This section includes the following notes:



### NOTE 10 PROPERTY, PLANT AND EQUIPMENT

| | Right of use assets | Hardware assets | Plant and equipment | Leasehold improvements | Motor vehicles | Office equipment | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **YEAR ENDED 31 MARCH 2023** | | | | | | | | |
| Opening net book amount | 4.5 | 54.1 | 0.1 | 1.2 | 0.3 | 0.6 | 0.9 | 61.7 |
| Additions | 3.1 | 31.4 | 0.1 | 0.7 | 0.1 | 0.2 | 0.6 | 36.2 |
| Disposals | - | (7.9) | - | (0.6) | (0.5) | - | - | (9.0) |
| Depreciation charge | (1.9) | (14.0) | (0.1) | (0.3) | (0.1) | (0.2) | (0.6) | (17.2) |
| Depreciation recovered | - | 2.4 | - | 0.6 | 0.4 | - | - | 3.4 |
| Effect of movement in exchange rates | - | 2.7 | - | - | - | - | - | 2.7 |
| **Closing net book amount** | **5.7** | **68.7** | **0.1** | **1.6** | **0.2** | **0.6** | **0.9** | **77.8** |
| **AT 31 MARCH 2023** | | | | | | | | |
| Cost | 9.8 | 106.1 | 0.8 | 3.1 | 0.8 | 2.0 | 4.9 | 127.5 |
| Accumulated depreciation | (4.1) | (37.4) | (0.7) | (1.5) | (0.6) | (1.4) | (4.0) | (49.7) |
| **Net book amount** | **5.7** | **68.7** | **0.1** | **1.6** | **0.2** | **0.6** | **0.9** | **77.8** |



### NOTE 10 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

| | Right of use assets | Hardware assets | Plant and equipment | Leasehold improvements | Motor vehicles | Office equipment | Computers | Total |
|---|---|---|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **YEAR ENDED 31 MARCH 2022** | | | | | | | | |
| Opening net book amount | 4.1 | 28.0 | 0.2 | 1.3 | 0.4 | 0.3 | 0.4 | 34.7 |
| Acquisition through business combinations | 1.3 | 7.5 | - | 0.2 | - | 0.1 | 0.1 | 9.2 |
| Additions | 0.4 | 24.1 | - | - | - | 0.3 | 0.8 | 25.6 |
| Disposals | - | - | - | - | (0.1) | - | - | (0.1) |
| Depreciation charge | (1.3) | (8.1) | (0.1) | (0.3) | (0.1) | (0.1) | (0.4) | (10.4) |
| Depreciation recovered | - | 3.3 | - | - | 0.1 | - | - | 3.4 |
| Effect of movement in exchange rates | - | (0.7) | - | - | - | - | - | (0.7) |
| **Closing net book amount** | **4.5** | **54.1** | **0.1** | **1.2** | **0.3** | **0.6** | **0.9** | **61.7** |
| Cost | 8.5 | 76.3 | 0.7 | 2.9 | 1.1 | 1.8 | 4.3 | 95.6 |
| Accumulated depreciation | (4.0) | (22.2) | (0.6) | (1.7) | (0.8) | (1.2) | (3.4) | (33.9) |
| **Net book amount** | **4.5** | **54.1** | **0.1** | **1.2** | **0.3** | **0.6** | **0.9** | **61.7** |

Included in the Hardware Assets is equipment under construction to be leased or sold of $27.8M (2022: $23.8M). Due to the majority of the equipment under construction being ultimately sold under contract and forming part of hardware assets on the Group's fixed asset register it has been accordingly classified under hardware assets.

Items of plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes the purchase consideration, and those costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Where an item of plant and equipment is disposed of, the gain or loss recognised in the statement of comprehensive income is calculated as the difference between the net sales price and the carrying amount of the asset.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset or the site on which it is located, less any lease incentives received.

**Subsequent costs**

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense in the period they are incurred.

**Impairment**

Property plant and equipment is tested for impairment when there are indicators of impairment. It is not possible to identify separately identifiable cash flows for property, plant and equipment as hardware assets are sold together with various SaaS services as a package. Property plant and equipment is allocated to the Group's CGU's as described in note 1 for the purposes of impairment testing.

For personal use only

## NOTE 10 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

**Depreciation**

Depreciation begins when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The following rates have been used on a straight line basis:

| | |
|---|---|
| Leasehold improvements | 3 to 9 years |
| Hardware assets | 3 to 6 years |
| Plant and equipment | 3 to 11 years |
| Computer/Office equipment | 1 to 5 years |
| Motor vehicles | 3 to 5 years |
| Right of use assets | 3 to 9 years |

The above rates reflect the estimated useful lives of the respected categories. Consideration was given to how long assets can be deployed and any expected network changes. Leasehold improvements are depreciated over the contracted lease term.

## NOTE 11 INTANGIBLE ASSETS

| | Development | Software | Goodwill | Brand | Customer relationships | Patents, trademarks and other rights | Total |
|---|---|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **YEAR ENDED 31 MARCH 2023** | | | | | | | |
| Restated opening net book amount | 88.3 | 3.9 | 108.1 | 3.1 | 28.0 | - | 231.4 |
| Additions | 25.5 | 2.6 | - | - | - | 0.1 | 28.2 |
| Disposals | - | - | - | - | - | - | - |
| Effect of movement in foreign exchange rate | 0.2 | - | - | - | 0.2 | - | 0.4 |
| Amortisation charge | (13.6) | (0.7) | - | (0.7) | (2.9) | - | (17.9) |
| **Closing net book amount** | **100.4** | **5.8** | **108.1** | **2.4** | **25.3** | **0.1** | **242.1** |
| **AT 31 MARCH 2023** | | | | | | | |
| Cost | 154.6 | 12.1 | 108.1 | 3.3 | 28.8 | 0.1 | 307.0 |
| Accumulated amortisation | (54.2) | (6.3) | - | (0.9) | (3.5) | - | (64.9) |
| **Net book amount** | **100.4** | **5.8** | **108.1** | **2.4** | **25.3** | **0.1** | **242.1** |



## NOTE 11 INTANGIBLE ASSETS *(CONTINUED)*

| | Development | Software | Goodwill | Brand | Customer relationships | Patents, trademarks and other rights | Total |
|---|---|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **RESTATED YEAR ENDED 31 MARCH 2022** | | | | | | | |
| Opening net book amount | 36.9 | 3.7 | - | - | - | - | 40.6 |
| Restated business combination acquisition | 37.2 | - | 108.1 | 3.3 | 28.7 | - | 177.3 |
| Additions | 23.7 | 1.2 | - | - | - | - | 24.9 |
| Disposals | - | (0.1) | - | - | - | - | (0.1) |
| Effect of movement in foreign exchange rate | (0.2) | - | - | - | (0.1) | - | (0.3) |
| Amortisation charge | (9.3) | (0.9) | - | (0.2) | (0.6) | - | (11.0) |
| **Restated closing net book amount** | **88.3** | **3.9** | **108.1** | **3.1** | **28.0** | **-** | **231.4** |
| Cost | 128.9 | 9.5 | 108.1 | 3.3 | 28.6 | - | 278.4 |
| Accumulated amortisation | (40.6) | (5.6) | - | (0.2) | (0.6) | - | (47.0) |
| **Restated net book amount** | **88.3** | **3.9** | **108.1** | **3.1** | **28.0** | **-** | **231.4** |

The useful lives of the Group's Intangible Assets are assessed to be finite except for goodwill. Assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications that the assets may be impaired.

**Research and Development**

Expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in the statement of comprehensive income when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the statement of comprehensive income when incurred. There is judgement involved in relation to whether a project meets the capitalisation criteria, and whether the expenditure can be directly attributable to the respective project.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

**Other intangible assets**

Other intangible assets, including customer relationships, brand, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

**Subsequent expenditure**

Subsequent expenditure is capitalised when it increases the future economic benefits embodied in the specific asset to which relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the statement of comprehensive income when incurred.

## NOTE 11 INTANGIBLE ASSETS *(CONTINUED)*

**Amortisation**

| | |
|---|---|
| Patents | 10 to 20 years |
| Development Hardware & Platform | 7 to 15 years |
| Development Products | 5 to 10 years |
| Software | 5 to 7 years |
| Customer relationships | 15 years |
| Brand | 5 years |

**Impairment**

The acquisition of Coretex during the previous financial year, meant goodwill was recognised for the excess between the fair value consideration paid and the fair value of the net assets acquired. Net assets acquired included finite life intangibles assets such as customer relationships, brands, software and development assets. The goodwill and finite life intangibles were then allocated to the cash generating units of the business with the assistance of external specialists. When goodwill is acquired in a business combination, under the accounting standards, NZ IAS 36 requires an impairment test to be completed annually (for cash-generating units in which goodwill has been allocated) irrespective of whether there is any indication of impairment. An impairment test is also required when there is an indicator of impairment identified each reporting period. Refer to note 1 for the allocation of goodwill, property plant and equipment and other finite life intangible assets to cash generating units (CGUs). The CGU's are considered the lowest level for which there are separately identifiable cashflows. Corporate costs attributable to the CGUs are allocated to the respective CGUs as part of impairment testing. Unallocated corporate costs and assets are also tested for impairment using a top down approach.

**Impairment testing of CGU's**

To complete the annual impairment testing management assessed the recoverable amount of each of the cash-generating units ("CGU") of which goodwill, property plant and equipment (refer note 10) and finite life intangible assets have been allocated by reference to its value in use ("VIU") determined using a discounted cash flows model. The recoverable amounts of the CGU were estimated based on the following significant assumptions:

| | Amount the VIU exceeds the carrying value | Connected unit CAGR | ARPU CAGR | WACC |
|---|---|---|---|---|
| | $M's | | | |
| New Zealand | 166.0 | 4.0% | (0.70)% | 12.25% |
| North America | 34.3 | 17.11% | (2.50)% | 12.25% |
| Australia | 7.7 | 25.07% | (1.90)% | 12.25% |

The inputs used for the growth in connected units and ARPU in the CGUs reflect past experience and the forecast performance of the group.

- Terminal growth rate of 1.5% applied to 2028 and thereafter

Sensitivity analysis was undertaken which concluded that New Zealand results are not particularly sensitive to changes in the underlying assumptions. Australia and North America are sensitive to the achievement of forecast unit growth, ARPU and changes in the discount rate.



## NOTE 11 INTANGIBLE ASSETS *(CONTINUED)*

The Group applied judgment in determining reasonably possible changes in the key assumptions in the value in use models. Results of the sensitivity analysis as follows:

| | Input required for the VIU to equate to the carrying value | | |
|---|---|---|---|
| | Connected unit CAGR | ARPU CAGR | WACC |
| New Zealand | Not sensitive | Not sensitive | Not sensitive |
| North America | 15.01% | (3.86)% | 13.73% |
| Australia | 21.99% | (3.59)% | 13.78% |

The Group concluded that the recoverable amount of each of the CGU were higher than their respective carrying values and therefore no impairment was considered necessary at 31 March 2023.

## NOTE 12 LEASES AS LESSEE

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| **Maturity analysis - contractual undiscounted cash flows** | | |
| Less than one year | 2.0 | 2.1 |
| One to five years | 5.5 | 3.8 |
| More than five years | 1.3 | - |
| **Total undiscounted lease liabilities** | **8.8** | **5.9** |
| Current | 1.7 | 1.4 |
| Non-current | 5.8 | 4.3 |
| **Lease liabilities included in the statement of financial position** | **7.5** | **5.7** |

***Amounts recognised in Statement of Comprehensive Income***

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| Interest expense on lease liabilities | 0.3 | 0.3 |
| Depreciation on right of use assets | 1.9 | 1.3 |

***Amounts recognised in Statement of Cash Flows***

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| Total cash outflow for leases | (1.3) | (1.6) |

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

## NOTE 12 LEASES AS LESSEE *(CONTINUED)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee;
- the exercise priced under a purchase option that the Group is reasonably certain to exercise;
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.





## DEBT AND EQUITY

This section outlines the Group's capital structure and the related financing costs. This section includes the following notes:



## NOTE 13 BORROWINGS

| | 2023<br>$M's | Restated 2022<br>$M's |
|---|---|---|
| **Current borrowings** | | |
| Bank overdraft | 1.4 | - |
| | **1.4** | **-** |
| **Non-current borrowings** | | |
| Term loans | 30.0 | 30.0 |
| Revolving credit facility | 39.7 | 0.7 |
| Capex facility | - | 2.0 |
| Capitalised borrowings costs | (0.5) | (0.6) |
| | **69.2** | **32.1** |

**Terms and debt repayment schedule**

| | Nominal Interest | Year of Maturity | 2023<br>Face Value<br>$M's | 2023<br>Carrying amount<br>$M's | 2022<br>Face Value<br>$M's | 2022<br>Carrying amount<br>$M's |
|---|---|---|---|---|---|---|
| Term Loans | 6.02% | 2025 | 30.0 | 30.0 | 30.0 | 30.0 |
| Capex facility/bank overdraft | 6.02% | 2025 | 1.4 | 1.4 | 2.0 | 2.0 |
| Revolving credit facility | 6.02% | 2025 | 39.7 | 39.7 | 0.7 | 0.7 |
| Capitalised borrowing costs | | | - | (0.5) | - | (0.6) |
| | | | **71.1** | **70.6** | **32.7** | **32.1** |

*The above nominal interest rate represents the weighted average rate of the entire facility.*

The Group has a syndicated debt facility with the Bank of New Zealand (BNZ) and the Australia and New Zealand Banking Group (ANZ). At 31 March 2023, EROAD had the following facilities in place:

$30.0M (NZD) Term Loan Facility A – to refinance debt from the prior financial year. The Term Loan has a term of 36 months from the March 2022 refinance date, with the facility having a maturity date in March 2025. The interest rate is variable with reference to a base rate (BKBM bid rate) for the selected interest period plus a margin of 2.95%. EROAD may select an interest period of 1,2,3 or 6 months. This is an interest only term facility with full repayment on the termination date.

## NOTE 13 BORROWINGS *(CONTINUED)*

$55.0M (NZD) Revolving Credit Facility B – for general corporate purposes. The Revolving Credit Facility has a term of 36 months from the March 2022 refinance date with a periodic roll over feature at the end of each interest period (90 days) that is subject to continued compliance with the terms of the loan agreement, with the facility having a maturity date in March 2025. Funds may be drawn in NZ Dollars, AU Dollars, or US Dollars. The interest rate is variable with reference to the base rate (BKBM bid rate for NZ Dollar drawings, BBSY bid rate for AU Dollar drawings, and US Federal Open Market Committee short-term interest rate target for US Dollar drawings) for the selected interest period plus a margin of 1.5%. EROAD may select an interest period of 1,2,3 or 6 months. In addition, a Commitment Fee of 1.45% per annum is payable on the committed balance of the facility quarterly in arrears. The full outstanding balance is payable on the termination date.

$5.0M Capex /overdraft facility– In the current year the CAPEX facility has been replaced by an overdraft facility. This is an on demand facility with the interest rate to be agreed between the lender and borrower at the time of borrowing plus a margin of 1.5%. In addition, a Commitment Fee of 1.45% per annum is payable on the committed balance of the facility quarterly in arrears. The full outstanding balance is payable on the termination date.

EROAD's operating covenants to support the above facilities include Interest Cover Ratio, Leverage Ratio and Obligor Assets to Group Assets. EROAD was compliant with all covenants during the period and at 31 March 2023.

The security package for the Multi-Option Credit Facility Agreement includes an all obligations cross-guarantee granted by EROAD Financial Services Limited, EROAD Australia Pty Limited, EROAD Inc, Coretex Limited, Imarda Pty Limited, Coretex Australia Pty Limited, Coretex NZ Limited, and Coretex USA Inc in favour of the BNZ (in its capacity of Security Trustee for the banking syndicate). In respect of the obligations of EROAD Limited, and a General Security Agreements granted by EROAD Limited, EROAD Financial Services Limited, EROAD Inc, EROAD Australia Pty Limited, Coretex Limited, Imarda Pty Limited, Coretex Australia Pty Limited, Coretex NZ Limited, and Coretex USA Inc in favour of the BNZ (in its capacity of Security Trustee for the banking syndicate).

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

## NOTE 14 FINANCE INCOME AND FINANCE EXPENSES

| | 2023<br>$M's | 2022<br>$M's |
|---|---|---|
| **Finance expenses** | | |
| Interest expense | (4.6) | (2.4) |
| Interest expense - lease liabilities | (0.3) | (0.3) |
| Interest expense - contract liabilities | (0.9) | (0.2) |
| Unwinding of interest for contingent consideration | (0.8) | (0.4) |
| Foreign exchange losses | (0.5) | - |
| **Total finance expenses** | **(7.1)** | **(3.3)** |
| **Finance income** | | |
| Interest income | 0.3 | 0.1 |

## NOTE 15 EQUITY

**Paid up capital**

All issued shares are fully paid up and have equal voting rights and share equally in dividends and surplus on winding up.

| | Number of ordinary shares | Issue price $ | Issued Capital $ |
|---|---|---|---|
| **1 APRIL 2022** | **110,338,787** | | **293.3** |
| Shares issued to employees | 456,625 | 3.13 | 1.4 |
| Shares issued in December 2022 relating to settlement of the contingent consideration | 1,833,000 | 6.00 | 11.0 |
| **31 MARCH 2023** | **112,628,412** | | **305.7** |

At 31 March 2023 there was 112,628,412 authorised and issued ordinary shares (31 March 2022: 110,338,787). 386,166 (31 March 2022: 417,306) shares are held in trust for employees in relation to the long-term incentive plan and are accounted for as treasury stock.

The calculation of both basic and diluted loss/profit per share at 31 March 2023 was based on the loss attributable to ordinary shareholders of $3.0M (2022: loss of $9.6M). The weighted number of ordinary shares on 31 March 2023 was 110,798,841 (2022: 95,572,631) for basic earnings per share and 111,108,924 for diluted earnings per share (2022: 96,462,064).

**Share capital premium/discount**

This account is for the difference between the issued share price and the trading share price (or fair value share price) on date of issue and includes contingent consideration portion classified as equity related to the acquisition of Coretex.

| | 2023<br>$M's |
|---|---|
| Opening balance - 1 April 2022 | 6.5 |
| Contingent Shares issued | 9.7 |
| Contingent shares forfeited | 3.7 |
| | **19.9** |

Other components of equity include:

- *Translation reserve* - comprises foreign currency translation differences arising from the translation of financial statements of the Group's foreign subsidiaries into New Zealand dollars.
- *Hedging reserve* - the hedging reserve is used to record gains or losses on instruments used as cash flow hedges. The amounts are recognised in profit and loss when the hedged transaction affects profit and loss.
- *Retained earnings* - includes all current and prior period retained profits and losses and share-based employee remuneration.

## NOTE 16 SHARE-BASED PAYMENTS

At 31 March 2023, the Group had the following share-based payment arrangements.

***FY20 Performance Share Rights***

Under the FY20 long term Incentive (LTI), 56,949 performance share rights (PSRs) remain outstanding as at 31 March 2023. PSRs were issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of EROAD Limited ordinary shares, although under the terms of the plan an additional number of shares will be issued on conversion of fully vested PSRs to reflect dividends paid to EROAD Limited shares prior to exercise. On becoming exercisable, each PSR entitles the holder to one fully paid ordinary EROAD Limited share, subject to adjustment in accordance with the plan rules and the performance hurdles, ranking equally with all other EROAD Limited ordinary shares.

For the FY20 LTI plan, the award is linked to growth in EROAD's total contracted units (TCUs) between 1 April 2019 and 31 March 2022. Participants bear the tax liability of the LTI plan. The Board retains discretion over the final outcome of PSR payments, to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.

***FY22 Performance Share Rights***

Under the FY22 Long Term Incentive (LTI) plan, 145,671 performance share rights (PSRs) were issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of EROAD Limited ordinary shares, although under the terms of the plan an additional number of shares will be issued on conversion of fully vested PSRs to reflect dividends paid to EROAD Limited shares prior to exercise.  On becoming exercisable, each PSR entitles the holder to one fully paid ordinary EROAD Limited share, subject to adjustment in accordance with the plan rules and the performance hurdles, ranking equally with all other EROAD Limited ordinary shares.

For the FY22 LTI plan, the award is linked to the participant completing remaining employed for two years following the completion date.

***FY23 Performance Share Rights***

Under the FY23 Long Term Incentive (LTI) plan, 467,651 performance share rights (PSRs) were issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of EROAD Limited ordinary shares, although under the terms of the plan an additional number of shares will be issued on conversion of fully vested PSRs to reflect dividends paid to EROAD Limited shareholders prior to exercise. On becoming exercisable, each PSR entitles the holder to one fully paid ordinary EROAD Limited share, subject to adjustment in accordance with the plan rules and the performance hurdles, ranking equally with all other EROAD Limited ordinary shares.

The FY23 LTI Plan had a vesting date of 31 March 2023 and ultimately vested on 06 April 2023. 290,672 PSRs vested with the remaining balance having lapsed due to performance criteria not being met.

***FY23 Performance Share Rights***

Under the FY23 Long Term Incentive (LTI) plan, 403,691 performance share rights (PSRs) were issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of EROAD Limited ordinary shares, although under the terms of the plan an additional number of shares will be issued on conversion of fully vested PSRs to reflect dividends paid to EROAD Limited shareholders prior to exercise. On becoming exercisable, each PSR entitles the holder to one fully paid ordinary EROAD Limited share, subject to adjustment in accordance with the plan rules and the performance hurdles, ranking equally with all other EROAD Limited ordinary shares.

For the FY23 LTI plan, the award is linked to the participant remaining employed by EROAD on the vesting date of 30th May 2024.





## NOTE 16 SHARE-BASED PAYMENTS *(CONTINUED)*

***FY23 Performance Share Rights***

Under the FY23 Long Term Incentive (LTI) plan, 70,000 performance share rights (PSRs) were issued (for nil consideration) to participants which convert to shares (for nil consideration) if targets are met. PSRs do not entitle the holder to receive dividends or other distributions, or vote in respect of EROAD Limited ordinary shares, although under the terms of the plan an additional number of shares will be issued on conversion of fully vested PSRs to reflect dividends paid to EROAD Limited shareholders prior to exercise. On becoming exercisable, each PSR entitles the holder to one fully paid ordinary EROAD Limited share, subject to adjustment in accordance with the plan rules and the performance hurdles, ranking equally with all other EROAD Limited ordinary shares.

## NOTE 16 SHARE-BASED PAYMENTS *(CONTINUED)*

For the FY23 LTI plan, the award is linked to the participant remaining employed by Eroad on the vesting date of 30th September 2023.

| Grant date/employees entitled | Shares granted | | | | Vesting conditions |
|---|---|---|---|---|---|
| **Shares granted to key management personnel** | | | | | |
| | OCT 21 | JUL 22 | OCT 22 | DEC 22 | |
| FY23 Performance Share Rights | - | 52,119 | 88,983 | - | • 1 year service from grant date |
| **Performance Shares Rights granted to other employees** | | | | | |
| FY22 Performance Share Rights | 145,671 | - | - | - | • The award is linked to remaining employed for 2 years following the completion date |
| FY23 Performance Share Rights | - | 326,549 | - | - | • 1 year service from grant date |
| FY23 Performance Share Rights | - | - | 70,000 | - | • The award is linked to the participant remaining employed by EROAD on the vesting date of 30 September 2023 |
| FY23 Performance Share Rights | - | - | - | 403,691 | • Participants bear the tax liability of the PSR plan. The Board retains discretion over the final outcome of PSR payments, to allow appropriate adjustments where unanticipated circumstances may impact performance over the measurement period.<br>• The award is linked to the participant remaining employed by EROAD on the vesting date of 30 May 2024 |
| | **145,671** | **378,668** | **158,983** | **403,691** | |

The number of shares granted and forfeited during the period were as follows:

| EROAD Performance Share Rights | 2023 | 2022 |
|---|---|---|
| Outstanding at 1 April | 673,488 | 596,186 |
| Granted during the period | - | 150,808 |
| Forfeited during the period | (215,414) | (73,506) |
| Vested during the period | (401,125) | - |
| **Outstanding at 31 March** | **56,949** | **673,488** |

| EROAD Performance Share Rights - granted Oct 21 | 2023 | 2022 |
|---|---|---|
| Outstanding at 1 April | 145,674 | - |
| Granted during the period | - | 145,674 |
| Forfeited during the period | (18,333) | - |
| Vested during the period | - | - |
| **Outstanding at 31 March** | **127,338** | **145,674** |

## NOTE 16 SHARE-BASED PAYMENTS *(CONTINUED)*

| EROAD Performance Share Rights - granted Jun 22 | 2023 | 2022 |
|---|---|---|
| Outstanding at 1 April | - | - |
| Granted during the period | 467,651 | - |
| Forfeited during the period | (176,979) | - |
| Vested during the period | - | - |
| **Outstanding at 31 March** | **290,672** | **-** |

| EROAD Performance Share Rights - granted Oct 22 | 2023 | 2022 |
|---|---|---|
| Outstanding at 1 April | - | - |
| Granted during the period | 70,000 | - |
| Forfeited during the period | (10,500) | - |
| Vested during the period | - | - |
| **Outstanding at 31 March** | **59,500** | **-** |

| EROAD Performance Share Rights - granted Dec 22 | 2023 | 2022 |
|---|---|---|
| Outstanding at 1 April | - | - |
| Granted during the period | 403,691 | - |
| Forfeited during the period | - | - |
| Vested during the period | - | - |
| **Outstanding at 31 March** | **403,691** | **-** |

During the year-ended 31 March 2023 an amount of $0.1M (2022: $2M) was recognised as an expense within the statement of comprehensive income in relation to share-based payments for all share plans.



## FINANCIAL RISK MANAGEMENT

This section outlines the key risk management activities undertaken to manage the Group's exposure to financial risk. This section includes the following notes:



## NOTE 17 FINANCIAL RISK MANAGEMENT

As a result of the Group's operations and sources of finance, it is exposed to credit risk, liquidity risk and market risks which include foreign currency risk, commodity price risk and interest rate risk. These risks are described below. The principles under which these risks are managed are set out in policy documents approved by the Board. The policy documents identify the risks and set out the Group's objectives, policies and processes to measure, manage and report the risks. The policies are reviewed periodically to reflect changes in financial markets and the Group's businesses.

**Categories of financial instruments**

***Financial assets***
All financial assets of the Group are classified at amortised cost except for hedging instruments that are recognised at fair value.

***Financial liabilities***
All financial liabilities of the Group are classified at amortised cost except for hedging instruments that are recognised at fair value.

The Group holds the following financial assets and liabilities, the table below shows their carrying amount and measurement basis.

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Amortised cost | Other amortised cost | FVTPL | Fair Value hedging instruments | Amortised cost | Other amortised cost | FVTPL | Fair Value hedging instruments |
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **Financial assets** | | | | | | | | |
| Cash and cash equivalents | 8.1 | - | - | - | 13.9 | - | - | - |
| Restricted bank account | 11.6 | - | - | - | 14.7 | - | - | - |
| Trade receivables | 22.5 | - | - | - | 19.4 | - | - | - |
| Derivative financial assets | - | - | - | 0.2 | - | - | - | - |
| | **42.2** | **-** | **-** | **0.2** | **48.0** | **-** | **-** | **-** |
| **Financial liabilities** | | | | | | | | |
| Borrowings | - | 70.6 | - | - | - | 32.1 | - | - |
| Employee Entitlements | - | 3.7 | - | - | - | 4.6 | - | - |
| Lease liabilities | - | 7.5 | - | - | - | 5.7 | - | - |
| Trade and other payables | - | 23.0 | - | - | - | 18.8 | - | - |
| Payables to transport agencies | - | 11.9 | - | - | - | 15.0 | - | - |
| Interest rate swaps - cash flow hedge | - | - | - | - | - | - | - | 0.2 |
| Contingent consideration liability | - | - | - | - | - | - | 18.5 | - |
| | **-** | **116.7** | **-** | **-** | **-** | **76.2** | **18.5** | **0.2** |

## NOTE 17 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

### (a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group's trade receivables from customers in the normal course of business and bank balances. The Group manages its exposure to credit risk.

The Group's cash balances is held with a number of banks with the level of exposure to credit risk considered minimal with low levels of cash held. Trade receivables balances are monitored on an ongoing basis. The Group's exposure to credit risk for trade receivables is influenced mainly by the individual characteristics of each customer. The creditworthiness of a customer or counterparty is determined by a number of qualitative and quantitative factors. Qualitative factors include external credit ratings (where available), payment history and strategic importance of customer or counterparty. Quantitative factors include transaction size, net assets of customer or counterparty, and ratio analysis on liquidity, cash flow and profitability. It is the Group's policy that all customers who wish to trade on terms are subject to credit verification on an ongoing basis with the intention of minimising bad debts. The nature of the Group's trade receivables is represented by regular turnover of product and billing of customers based on the Group's contractual payment terms. In North America, the Group requires that customers under a certain fleet size to purchase the hardware with an upfront payment regardless of credit verification.

The carrying amount of the Group's financial assets represents the maximum credit exposure as summarised below.

The aging of the Group's trade receivables at the reporting date was as follows:

| | Gross | Allowance for doubtful debts | Gross | Allowance for doubtful debts |
|---|---|---|---|---|
| | 2023 | 2023 | 2022 | 2022 |
| | $M's | $M's | $M's | $M's |
| Not past due | 7.5 | 0.2 | 8.0 | 0.1 |
| Past due 1-30 days | 6.3 | 0.3 | 5.5 | 0.1 |
| Past due 31-60 days | 2.2 | 0.1 | 1.0 | 0.1 |
| Past due over 61 days | 6.5 | 2.9 | 4.9 | 2.9 |
| | **22.5** | **3.5** | **19.4** | **3.2** |

### b) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Changes in interest rates expose the Group to changes in the fair value of borrowings subject to fixed interest rates (fair value risk), and changes in future interest payments on borrowings subject to floating interest rates (cash flow risk).

The Group is exposed to movements in interest rates on its interest-bearing borrowings.

The Group enters into interest rate swap agreements in order to provide an effective cash flow hedge against the variability in floating interest rates. See note 18 for details of interest rate swap agreements.

To comply with the Group's risk management policy, the hedge ratio is based on the interest rate swap notional amount to hedge the same notional amount of bank loans. This results in a hedge ratio of 1:1. This is the same as used for actual risk management purposes, and such a ratio is appropriate for the purposes of hedge accounting as it does not result in an imbalance that would create hedge ineffectiveness.



## NOTE 17 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

In these hedge relationships the main sources of ineffectiveness are:

- a significant change in the credit risk of either party to the hedging relationship;
- where the hedge instrument has been transacted on a date different to the rate set date of the bank loan, interest rates could differ; and
- differences in repricing dates between the swaps and the borrowings.
- Other than these sources, due to the alignment of the hedged risk in the hedged item and hedged instrument, hedge ineffectiveness is not expected to arise.

***Foreign exchange risk***

Foreign exchange risk is the risk that the value of the Group's assets, liabilities and financial performance will fluctuate due to changes in foreign currency rates. The Group is exposed to currency risk on sales transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollar (USD) and Australian Dollar (AUD). The Group is also exposed to currency risk on expense transactions that are denominated in a currency other than the respective functional currencies of Group entities, primarily the US Dollar (USD), Australian Dollar and Euro (EUR). The Group, may on occasion, enter into forward exchange contracts and foreign currency options to hedge the exposure to foreign currency fluctuations on sales receipts and inventory purchases.

The Group reports in New Zealand dollars. Movements in foreign currency exchange rates affect reported financial results, financial position and cash flows. Where practical, the Group attempts to reduce this risk by matching revenues and expenditures, as well as assets and liabilities, by country and by currency. The Group at times will enter into forward exchange contracts and foreign currency options to manage foreign exchange risk on the forecasted foreign currency transactions (namely being the forecasted profits of the foreign currency subsidiaries). Refer to Note 18 for details on foreign currency option agreements.

Foreign exchange rates applied against the New Zealand Dollar, at 31 March are as follows:

| | 2023 | 2022 |
|---|---|---|
| | $M's | $M's |
| AUD 1 | 0.94 | 0.93 |
| USD 1 | 0.63 | 0.69 |

The Group's exposure to foreign currency risk at the reporting date was as follows (all amounts are denominated in New Zealand dollars):

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | AUD | USD | AUD | USD |
| | $M's | $M's | $M's | $M's |
| Cash and cash equivalents | 1.1 | 2.7 | 0.7 | 5.8 |
| Trade receivables | 3.1 | 10.6 | 1.3 | 10.3 |
| Lease liabilities | 0.2 | 3.2 | - | 0.5 |

## NOTE 17 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

***Summarised sensitivity analysis***

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate and foreign currency risk:

| | Foreign Currency Risk | | | | Interest Risk | | | |
|---|---|---|---|---|---|---|---|---|
| | -10% | | 10% | | -10BPS | | +10BPS | |
| | Profit | Equity | Profit | Equity | Profit | Equity | Profit | Equity |
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **2023** | | | | | | | | |
| Cash and cash equivalents | (0.3) | (0.3) | 0.3 | 0.3 | (0.1) | (0.1) | 0.1 | 0.1 |
| Trade receivables | (1.0) | (1.0) | 1.0 | 1.0 | - | - | - | - |
| Lease liabilities | (0.2) | (0.2) | 0.2 | 0.2 | 0.1 | 0.1 | (0.1) | (0.1) |
| **Total increase/ (decrease)** | **(1.5)** | **(1.5)** | **1.5** | **1.5** | **-** | **-** | **-** | **-** |

| | -10% | | 10% | | -10BPS | | +10BPS | |
|---|---|---|---|---|---|---|---|---|
| | Profit | Equity | Profit | Equity | Profit | Equity | Profit | Equity |
| | $M's | $M's | $M's | $M's | $M's | $M's | $M's | $M's |
| **2022** | | | | | | | | |
| Cash and cash equivalents | (0.5) | (0.5) | 0.5 | 0.5 | (0.1) | (0.1) | 0.1 | 0.1 |
| Trade receivables | (0.8) | (0.8) | 0.8 | 0.8 | - | - | - | - |
| Lease liabilities | - | - | - | - | 0.1 | 0.1 | (0.1) | 0.1 |
| Interest rate swap | - | - | - | - | - | (0.1) | - | 0.3 |
| **Total increase/ (decrease)** | **(1.3)** | **(1.3)** | **1.3** | **1.3** | **-** | **(0.1)** | **-** | **0.5** |

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they become due and payable. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they become due and payable, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table details the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, as at the reporting date. Refer to Note 13 for the maturity profile of the Group's borrowings. Also refer to note 12 for the maturity profile of Group's Leases.

## NOTE 17 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

| | Notes | 1 year or less | 1 to 5 years | Over 5 years | Total contractual cash flows | Carrying amount of liabilities |
|---|---|---|---|---|---|---|
| | | $M's | $M's | $M's | $M's | $M's |
| **31 March 2023** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Borrowings | 13 | 1.4 | 69.7 | - | 71.1 | 70.6 |
| Employee Entitlements | | 3.7 | - | - | 3.7 | 3.7 |
| Trade and other payables | 9 | 20.4 | - | - | 20.4 | 20.4 |
| Payable to transport agencies | 7 | 11.9 | - | - | 11.9 | 11.9 |
| | | **37.4** | **69.7** | **-** | **107.1** | **106.6** |
| **Derivative financial liabilities** | | | | | | |
| Interest rate swaps | | - | - | - | - | - |
| **Total financial liabilities and derivatives** | | **-** | **-** | **-** | **-** | **-** |

| | Notes | 1 year or less | 1 to 5 years | Over 5 years | Total contractual cash flows | Carrying amount of liabilities |
|---|---|---|---|---|---|---|
| | | $M's | $M's | $M's | $M's | $M's |
| **Restated 31 March 2022** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Borrowings | 13 | - | 32.7 | - | 32.7 | 32.1 |
| Employee Entitlements | | 4.6 | - | - | 4.6 | 4.6 |
| Trade and other payables | 9 | 36.5 | - | - | 36.5 | 36.5 |
| Payable to transport agencies | 7 | 15.0 | - | - | 15.0 | 15.0 |
| | | **56.1** | **32.7** | **-** | **88.8** | **88.2** |
| **Derivative financial liabilities** | | | | | | |
| Interest rate swaps | | 0.2 | - | - | 0.2 | - |
| **Total financial liabilities and derivatives** | | **0.2** | **-** | **-** | **0.2** | **-** |

## NOTE 18 HEDGE ACCOUNTING

Derivatives are measured at fair value.

**Interest rate swaps**
The Group uses interest rate swaps to manage its risk associated with interest rate fluctuations. Interest rate swaps are initially recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair values of the interest rate swaps are determined based on cash flows discounted to present value using current market interest rates.

***Cash flow hedges***
At 31 March 2023, the Group had no interest rate swaps in place.

The notional principal amounts and the period of expiry of the cash flow hedge interest rate swap contracts are as follows:

| | Nominal amount of the hedging instrument | Carrying amount - derivative assets/ (liabilities) | Change in value used for calculating hedge ineffectiveness | Hedging (gain) or loss recognised in other comprehensive income | Hedging (gain) or loss recognised in income statement |
|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's |
| **2022** | | | | | |
| **Cash flow hedging** | | | | | |
| Maturity: 12 months | 10.0 | (0.2) | - | 0.2 | - |
| **Total** | **10.0** | **(0.2)** | **-** | **0.2** | **-** |

There was no hedge ineffectiveness recognised in profit or loss during the year (31 March 2022: nil).

**Foreign currency options**
The Group uses forward exchange contracts and foreign currency options to manage its risk associated with exchange rate fluctuations. These are initially recognised at fair value on the date a contract is entered into and are subsequently measured at fair value on each reporting date. The fair values of the forward exchange contracts and foreign currency options is determined using quoted forward exchange rates at the reporting date and present value calculations.

***Cash flow hedges***
The Group has entered into foreign currency collar options to manage its foreign currency risk in relation to its overseas subsidiaries profits. These foreign currency collar options qualify for cash flow hedge accounting. When foreign currency collar options meet the criteria for cash flow hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to reserves are transferred out of reserves and included in the measurement of the hedged transaction when the forecast transaction occurs. When foreign currency collar options do not meet the criteria for cash flow hedge accounting, all movements in fair value of the hedging instrument are recognised in the income statement.

Under the foreign currency collar option agreements that qualify for cash flow hedge accounting, the Group has a right to buy at a cap and sell at a floor on the same notional amount of USD with the same expiration date.

At 31 March 2023, the Group had foreign currency collar option agreements in place with a total notional principal amount of $9.8M USD (31 March 2022 nil). The Group applies a hedge ratio of 1:1. These foreign currency collar options limit the Group's exposure to foreign currency exposure within a certain range.

The fair value of these agreements at 31 March 2023 is a $0.2M net asset, comprised of $0.3M of swap liabilities and $0.5M of swap assets (31 March 2022: nil). Of this, a liability of $0.3M is current (31 March 2022: nil). The agreements cover notional amounts for terms of up to 1 year.

## NOTE 18 HEDGE ACCOUNTING *(CONTINUED)*

The notional principal amounts and the period of expiry of the cash flow hedge foreign currency collar option contracts are as follows:

| | Maturity (months) | Weighted average rate | Nominal amount of the hedging instrument | Derivative assets | Derivative liabilities |
|---|---|---|---|---|---|
| | | | $M's USD | $M's | $M's |
| **2023 Cash flow hedging** | | | | | |
| NZD:USD foreign currency collar options | 1-12 | 0.6124 | 9.8 | 0.2 | - |
| **Total** | | | | **0.2** | **-** |

There was no hedge ineffectiveness recognised in profit or loss during the year (31 March 2022: nil).

## NOTE 19 FAIR VALUE MEASUREMENT

The carrying amounts of the Groups financial assets and liabilities approximate their fair value due to their short maturity periods or variable rate nature, with the exception of interest rate and foreign exchange derivatives and the contingent consideration. All of the Group's derivatives are in designated hedge relationships and are measured and recognised at fair value. Refer to the Note 18 Hedge accounting for detail on how fair value is determined for the Group's derivatives. The contingent consideration liability is also measured and recognised at fair value. The valuation technique applied for valuing the contingent consideration liability is described below.

The fair value hierarchy described below is used to provide an indication of the level of estimation or judgment required in determining fair value.

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) other than quoted prices included within Level 1.

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTE 19 FAIR VALUE MEASUREMENT *(CONTINUED)*

**Financial assets**

| | | Carrying amount $M's | Fair value $M's |
|---|---|---|---|
| **31-MAR-23** | | | |
| Foreign currency options - cash flow hedge | Level 2 | 0.2 | 0.2 |
| | | **0.2** | **0.2** |

| | | Carrying amount $M's | Fair value $M's |
|---|---|---|---|
| **31-MAR-22** | | - | - |
| Foreign currency options - cash flow hedge | Level 2 | - | - |
| | | **-** | **-** |

**Financial liabilities**

| | | Carrying amount $M's | Fair value $M's |
|---|---|---|---|
| **31-MAR-23** | | | |
| Interest rate swaps - cash flow hedge | Level 2 | - | - |
| | | **-** | **-** |

| | | Carrying amount $M's | Fair value $M's |
|---|---|---|---|
| **31-MAR-22** | | - | - |
| Interest rate swaps - cash flow hedge | Level 2 | 0.2 | 0.2 |
| Contingent consideration liability | Level 3 | 18.5 | 18.5 |
| | | **18.7** | **18.7** |





## NOTE 19 FAIR VALUE MEASUREMENT *(CONTINUED)*

| Type | Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|
| Contingent consideration | Discounted cash flows: The valuation model considers the present value of the expected future payments, discounted using a risk-adjusted discount rate for the cash contingent consideration. | - Expected cash flows (31 March 2022:$14.2m).<br>- Risk-adjusted discount rate (31 March 2022: 10.3%). | The estimated fair value would increase (decrease) if:<br>• the expected cash flows were higher (lower); or<br>• the risk-adjusted discount rate were lower (higher).<br>The estimated fair value would increase (decrease) if:<br>• The expected shares payable were higher (lower); or<br>• The quoted Company equity security price was higher (lower). |

**Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital employed, which the Group defines as reported EBIT (Earnings Before Interest and Tax) divided by capital employed.

For personal use only

## OTHER

This section contains additional notes and disclosures that aid in understanding the Group's position and performance but do not form part of the primary sections. This section includes the following notes:



## NOTE 20 INCOME TAX EXPENSE

| | 2023<br>$M's | 2022<br>$M's |
|---|---|---|
| **(a) Reconciliation of effective tax rate** | | |
| **Loss before income tax** | **(5.1)** | **(10.4)** |
| Income tax using the Company's domestic tax rate of 28% | (1.4) | (2.9) |
| Non-deductible expense/(non-assessable income) | (2.5) | 2.3 |
| Adjustment related to prior period | (0.9) | 0.5 |
| Utilisation of tax losses previously unrecognised | (0.2) | (1.3) |
| Current-year losses for which no deferred tax asset is recognised | 1.8 | 0.5 |
| Effect of different tax rates of subsidiaries operating overseas | (0.1) | - |
| Change in tax rates | 1.2 | - |
| **Income tax benefit** | **(2.1)** | **(0.9)** |
| **(b) Current tax expense** | | |
| Current year | 1.8 | - |
| | **1.8** | **-** |
| **(b) Deferred tax expense** | | |
| Current year | (4.2) | (1.4) |
| Adjustments in respect of prior periods | 0.3 | 0.5 |
| | **(3.9)** | **(0.9)** |
| **Income tax benefit** | **(2.1)** | **(0.9)** |

At 31 March 2023 there were no imputation credits available to shareholders (2022: Nil)

## NOTE 20 INCOME TAX EXPENSE *(CONTINUED)*

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## NOTE 21 DEFERRED TAX ASSETS AND LIABILITIES

| | 2023<br>$M's | Restated 2022<br>$M's |
|---|---|---|
| **Recognised deferred tax assets/(liabilities)** | | |
| Deferred tax assets are attributable to the following: | | |
| Tax loss carry forward | 18.4 | 13.0 |
| Property, plant and equipment | (5.5) | (3.9) |
| Intangibles | (26.6) | (23.9) |
| Provisions, accruals and other liabilities | 1.3 | 1.7 |
| Equity-settled share-based payments | 0.2 | 0.7 |
| Trade and other receivables including contract assets | 7.4 | 5.5 |
| Lease liability | 2.1 | 1.6 |
| **Total deferred tax (liability)/asset** | **(2.7)** | **(5.3)** |

The movement in temporary differences has been recognised in profit or loss. Deferred tax assets have been recognised at a rates between 26% to 30% to reflect the tax rates applicable for our foreign subsidiaries.

For personal use only

## NOTE 21 DEFERRED TAX ASSETS AND LIABILITIES *(CONTINUED)*

Movement in temporary differences during the year:

| Movements - Consolidated | Restated Balance 2022 | Recognised in Profit or Loss | Under/(Over) from prior periods | Currency Translations | Effective tax rate change | Balance 2023 |
|---|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's | $M's |
| Tax loss carry forward | 13.0 | 3.1 | 2.3 | - | - | 18.4 |
| Property, plant and equipment | (3.9) | (0.9) | (0.3) | (0.1) | (0.3) | (5.5) |
| Intangibles | (23.9) | 2.3 | (2.2) | (1.4) | (1.3) | (26.6) |
| Provision, accruals and other liabilities | 1.7 | (1.0) | 0.5 | - | 0.1 | 1.3 |
| Equity-settled share-based payments | 0.7 | (0.2) | (0.2) | - | - | 0.2 |
| Trade and other receivables including contracts assets | 5.5 | 0.6 | 0.8 | 0.2 | 0.3 | 7.4 |
| Lease liability | 1.6 | 0.2 | 0.1 | - | - | 2.1 |
| **Total** | **(5.3)** | **4.2** | **0.9** | **(1.3)** | **(1.2)** | **(2.7)** |

| Movements - Consolidated | Restated Balance 2021 | Recognised in Profit or Loss | Under/(Over) from prior periods | Acquired in Business combinations | Currency Translations | Restated Balance 2022 |
|---|---|---|---|---|---|---|
| | $M's | $M's | $M's | $M's | $M's | $M's |
| Tax loss carry forward | 11.5 | (2.0) | (0.2) | 3.7 | - | 13.0 |
| Property, plant and equipment | 0.6 | (0.2) | (4.0) | (0.3) | - | (3.9) |
| Intangibles | (5.9) | 0.5 | - | (18.6) | 0.1 | (23.9) |
| Provision, accruals and other liabilities | 1.1 | 1.0 | (0.6) | 0.3 | (0.1) | 1.7 |
| Equity-settled share-based payments | 0.4 | 0.3 | - | - | - | 0.7 |
| Trade and other receivables including contracts assets | (0.7) | 2.0 | 4.2 | - | - | 5.5 |
| Lease liability | 1.3 | (0.2) | 0.1 | 0.3 | 0.1 | 1.6 |
| **Total** | **8.3** | **1.4** | **(0.5)** | **(14.6)** | **0.1** | **(5.3)** |

During the year an exercise was performed to align prior period adjustments to the correct deferred tax categories, to ensure consistency with the balance sheet/nature of the deferred tax balances.

The New Zealand EROAD tax group consists of EROAD Limited, EROAD New Zealand Limited and EROAD Financial Services Limited. Losses incurred within this group are transferred within the group with no compensation being recognised. Deferred tax assets have been recognised in respect of these items as based on the expected profitability of the New Zealand tax group as it is considered that future taxable profit will be available for utilisation against the carried forward losses. Coretex New Zealand Limited are currently not part of the tax group however it will be considered for inclusion in the New Zealand tax group in the future.

Determining the extent to which losses will be utilised requires judgement. The Group has forecast expected utilisation of tax losses. Key assumptions included total contracted units, revenue and expense forecasts in line with Group budget and three-year forecast supported by a robust strategic and business planning process.

## NOTE 21 DEFERRED TAX ASSETS AND LIABILITIES *(CONTINUED)*

The results of the forecasting indicate that there will be sufficient profitability within the New Zealand tax group and Coretex New Zealand to utilise the existing tax losses. Losses incurred in recent years have been the result of a large investment creating the North American market. The Group expect to be able to report significant improvements in profitability over the next three years as the business reaches a sufficiently large subscriber base to self-fund operating and corporate costs. Due to the cumulative subscription nature of our business model as well as certain operating expenses that do not scale at the same rate of unit and revenue growth, the business is expected to be able to achieve its forecast growth in profitability.

As at 31 March 2023 the Group has tax losses of $90.2M (2022: $67.5M) that are available indefinitely for offsetting against future taxable profits of the entity in which they arose, subject to meeting the relevant tax rules. $25.5M (2022:$24.4M) of tax losses are unrecognised due to lack of certainty of recovery.

## NOTE 22 RELATED PARTY TRANSACTIONS

The subsidiaries of the Company are:

| Company | Country of Incorporation | Principal activity | Ownership interest 2023 | Ownership interest 2022 |
|---|---|---|---|---|
| EROAD Financial Services Ltd | New Zealand | Financing activities within group | 100% | 100% |
| EROAD LTI Trustee Limited | New Zealand | LTI Scheme Trustee | 100% | 100% |
| EROAD (Australia) Pty Limited | Australia | Transport Technology & SaaS | 100% | 100% |
| EROAD Inc | United States of America | Transport Technology & SaaS | 100% | 100% |
| Coretex NZ Limited | New Zealand | Transport Technology & SaaS | 100% | 100% |
| Coretex Australia Pty Limited | Australia | Transport Technology & SaaS | 100% | 100% |
| Coretex USA Inc | United States of America | Transport Technology & SaaS | 100% | 100% |
| Coretex Telematics Limited | Canada | Transport Technology & SaaS | 100% | 100% |
| Coretex Limited | New Zealand | Transport Technology & SaaS | 100% | 100% |
| Imarda Pty Limited | Australia | Not Trading | 100% | 100% |
| Imarda Asia Pte Limited | Singapore | Not Trading | 100% | 100% |
| Coretex Telematics Limited | British Columbia | Not Trading | 100% | 100% |
| International Telematics Corporation | United States of America | Not Trading | 100% | 100% |
| International Telematics Holdings Limited | New Zealand | Not Trading | 100% | 100% |

Other interests of the Company are:

| Company | Country of Incorporation | Principal activity | Ownership interest 2023 | Ownership interest 2022 |
|---|---|---|---|---|
| Beyond The Square Ventures Limited | New Zealand | Not Trading | 50% | 50% |

## NOTE 22 RELATED PARTY TRANSACTIONS *(CONTINUED)*

Key management personnel compensation comprised:

| | 2023 $M's | 2022 $M's |
|---|---|---|
| Short-term employee benefits | 2.3 | 3.4 |
| Share-based payments | 0.8 | 1.0 |
| | **3.1** | **4.4** |

**(a) Loans to key management personnel**
There have been no loans to management personnel.

**(b) Other transactions with key management personnel**
There were no other transactions with key management personnel during the period. From time to time, key management personnel of the Group may purchase goods from the Group.

**(c) Remuneration of Non-executive Directors**

| | 2023 $M's | 2022 $M's |
|---|---|---|
| Anthony Gibson | 0.11 | 0.11 |
| Graham Stuart (Chair) | 0.15 | 0.15 |
| Susan Paterson | 0.11 | 0.11 |
| Barry Einsig | 0.16 | 0.15 |
| Sara Gifford (appointed 31 March 2022) | 0.15 | - |
| Selwyn Pellett | 0.10 | - |
| | **0.78** | **0.52** |

No additional fees were paid to any Directors for consultancy work provided to the Company (2022: None paid).

**(d) Remuneration of Executive Directors**

| | 2023 $M's | 2022 $M's |
|---|---|---|
| Salary and bonus | - | 1.2 |
| Share-based payments | - | 0.3 |
| | **-** | **1.5** |

No additional fees were paid to an executive director for consultancy work provided to the Company (2022: $0.067M paid).

**(e) Transactions with related parties**

| | 2023 $M's | 2022 $M's |
|---|---|---|
| Streamline Business NZ Limited | 0.8 | 0.2 |
| Admin Army Limited (related party of Streamline Business NZ Limited) | 0.1 | - |
| Swaytech Limited | 0.1 | - |
| | **1.0** | **0.2** |

EROAD Group contracts with Swaytech Limited for marketing services and Streamline Business NZ Limited and Admin Army for outsourcing work, the companies have a common director with EROAD.

## NOTE 23 ACQUISITION OF SUBSIDIARY UPDATE

As reported in the 31 March 2022 financial statements, on 1 December 2021, the Group acquired 100% of the shares and voting interests in Coretex Limited, a telematics vertical specialist provider delivering enterprise grade solutions. Refer to the prior year financial statements for full details on the acquisition and the accounting applied at acquisition date.

On 1 December 2021, the consideration for the acquisition of all of the shares of Coretex Limited, was comprised of cash, shares in EROAD Limited and a contingent amount of both cash and shares. The acquisition date fair value of the total consideration transferred was $167.3 million made up of:

| | $M's |
|---|---|
| Cash | 74.4 |
| Equity instruments (13,317,000 ordinary shares) | 66.5 |
| Contingent consideration | 26.4 |
| **Total consideration paid or payable** | **167.3** |

**Identifiable assets acquired and liabilities assumed**
The following table summarises the fair values of assets acquired and liabilities assumed at the date of acquisition (using foreign exchange rates on the acquisition date):

| | $M's |
|---|---|
| Property, plant and equipment | 9.2 |
| Intangible assets | 69.2 |
| Deferred tax assets | 4.3 |
| Cash and cash equivalents | 2.0 |
| Trade and other receivables | 7.3 |
| Trade payables and accruals | (9.6) |
| Employment liabilities | (2.7) |
| Lease liability | (1.3) |
| Deferred tax liabilities | (16.2) |
| **Total identifiable net assets acquired** | **62.2** |

At acquisition date the fair values of both income taxes payable and the deferred tax liability related to North America were measured on a provisional basis. These provisional values have been finalised in this financial year with the change in the values and their impact on the acquisition goodwill noted below. There were no measurement period adjustments made or required to be made to any of the other acquisition fair values noted in the table above.

| | Provisional fair value | Adjustment made $M's | Revised fair value $M's |
|---|---|---|---|
| Trade payables and accruals | (9.6) | (0.2) | (9.8) |
| Deferred tax liabilities | (16.2) | (2.8) | (19.0) |
| Consideration transferred | 167.3 | - | 167.3 |
| Fair value of identifiable net assets | 62.2 | (3.0) | 59.2 |
| Goodwill | 105.1 | 3.0 | 108.1 |

**Contingent consideration**
As part of the acquisition the Group agreed to pay the selling shareholders in 12 months from transaction completion additional consideration of $14.5 million in cash and a maximum of 2,683,000 of ordinary shares based on the satisfaction of customer retention and platform suitability performance criteria. The contingent consideration was included in the transaction as both an incentive and protection to the respective parties to the transaction.

## NOTE 23 ACQUISITION OF SUBSIDIARY UPDATE *(CONTINUED)*

Assuming all criteria were met, the maximum contingent consideration payable was $14.5 million in cash and 2,683,000 shares.

Contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The Group included in its accounts, $26.4 million as contingent consideration, which represented its estimated fair value at the date of acquisition. At 31 March 2022, the contingent consideration estimate had decreased by $0.9 million due to remeasurement.

On 23 December 2022, the contingent consideration payable amount was agreed and settled with the vendors of Coretex. The contingent consideration settlement comprised of $8.5 million in cash and the issue of 1,833,000 EROAD shares.

The settlement of the contingent consideration on 23 December 2022 meant the extinguishment of the contingent consideration financial liability and recognition of $9.6 million of other income in the income statement of the Group. The settlement of shares in the transaction also meant the transfer of $9.8 million from the share premium reserve to share capital and a further $3.7 million from the share premium reserve to retained earnings for the shares recognised in equity no longer payable and not forming part of the final settlement.

## NOTE 24 CAPITAL COMMITMENTS

As at 31 March 2023 the Group had confirmed purchase orders open with its third party manufacturer of hardware units amounting to $18.4M (2022: $20.7M).

## NOTE 25 CONTINGENT LIABILITIES

As at 31 March 2023 there were no contingent liabilities (2022:$Nil).

## NOTE 26 NET TANGIBLE ASSETS PER SHARE

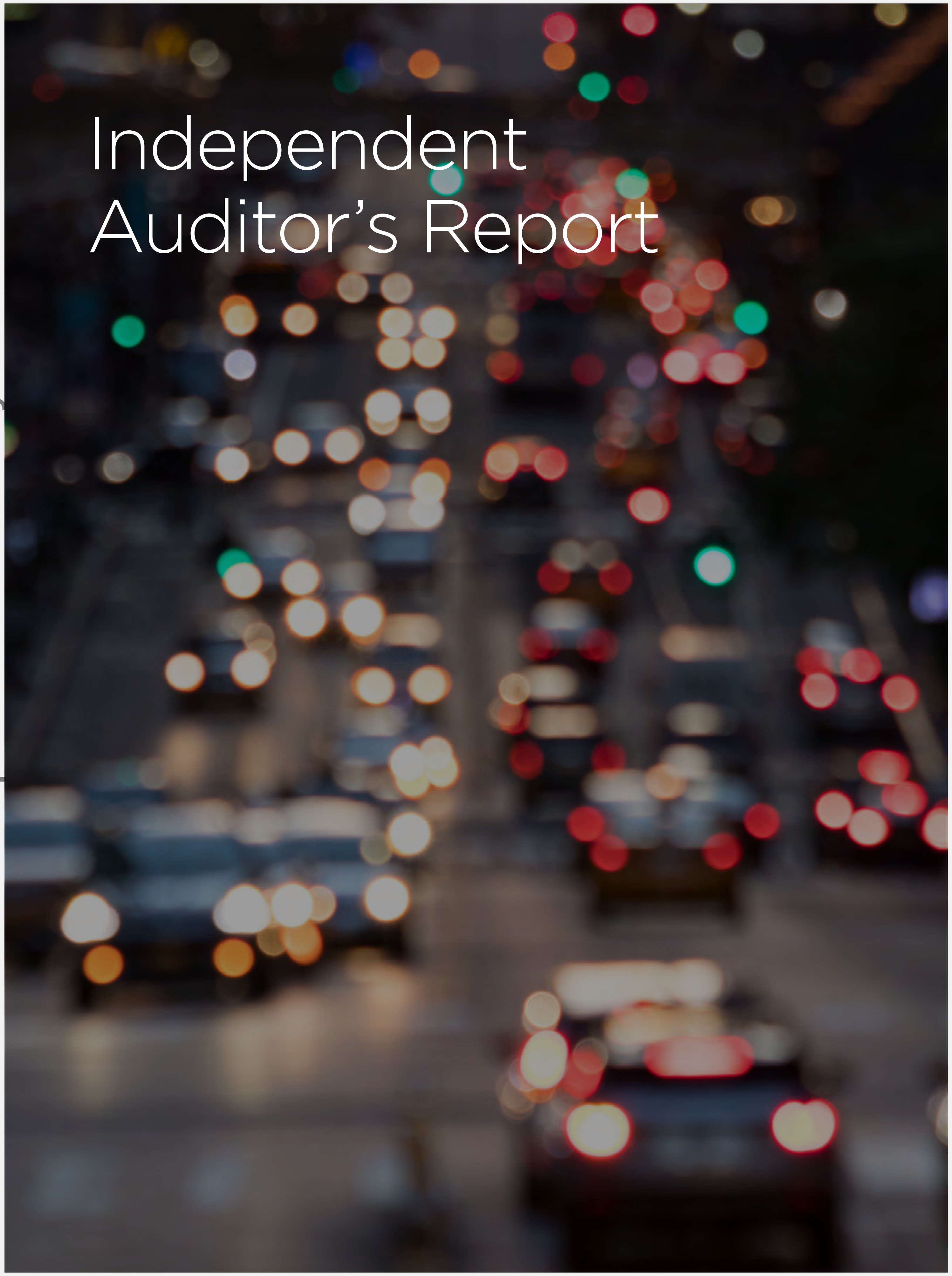
| | 2023 | Restated 2022 |
|---|---|---|
| | $M's | $M's |
| Net assets (equity) | 248.8 | 247.7 |
| Less Intangibles | (242.1) | (231.4) |
| **Total net tangible assets** | **6.7** | **16.3** |
| **Net tangible assets per share ($)** | **0.06** | **0.15** |

The non-GAAP measure above is disclosed for consistency with the information disclosed in EROAD's results announced under the NZX listing rules.

## 27 EVENTS SUBSEQUENT TO BALANCE DATE

There were no events occurring subsequent to balance date which require adjustment to or disclosure in the financial statements.

# Independent Auditor's Report







KPMG

# Independent Auditor's Report

To the shareholders of EROAD Limited

**Report on the audit of the consolidated financial statements**

## Opinion

In our opinion, the consolidated financial statements of EROAD Limited (the 'company') and its subsidiaries (the 'group') on pages 49 to 98 present fairly, in all material respects:

i. the Group's financial position as at 31 March 2023 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 31 March 2023;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the Group in relation to tax compliance, tax advisory and other assurance services. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

## Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $1.6 million determined with reference to a benchmark of Group's revenue. We chose the benchmark because, in our view, this is a key measure of the Group's performance.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| **Revenue recognition** | |
| Refer to Note 2 of the consolidated financial statements.<br><br>The Group's contracts are accounted for as a service contract and the associated revenues are recognised over the contract term.<br><br>We focused on this area because the accounting determination of whether or not the contract contains a lease is a significant judgement and the outcome has a significant impact on the recognition of profit and loss and the financial position. | We assessed the judgement in revenue recognition by performing the following procedures:<br><br>— Obtaining Group's customer contracts and trading terms and evaluating whether management's revenue recognition assessment is appropriate and in accordance with relevant financial reporting standards;<br><br>— Assessing whether the Group's customer contract terms and conditions meet the definition of service contracts to be recognised over time;<br><br>— Reviewing any changes or new contractual terms and conditions entered into with new customers during the period to identify any potential impact on performance obligations required to satisfy the contract;<br><br>— Testing the operating effectiveness of controls in relation to customer billings;<br><br>— Selecting a sample of customer contracts to compare the revenue recognised to the contractual terms;<br><br>— Checking a sample of customer invoices immediately prior to and after year end to ensure revenue is recognised in the correct period; and<br><br>— Challenging management's assumptions used to determine the recoverability of revenue and associated debtor balances.<br><br>We did not identify any matters that indicated that the reported revenue is materially misstated. |
| **Capitalisation of Development costs** | |
| Refer to Note 11 of the consolidated financial statements.<br><br>The Group has reported development assets of $100.4 million (2022: $88.3 million). The establishment of the development asset requires significant judgement as to whether a project meets the capitalisation criteria, and which expenditure is directly attributable to the development of such projects.<br><br>In assessing whether a project meets the capitalisation criteria we consider its technical and economic feasibility, intention and ability to develop, use or sell the asset. Roles of employees and the nature of overhead costs are considered in assessing whether they are directly attributable to a qualifying project. Projects that do not continue to meet the capitalisation criteria are written off.<br><br>We focused on this area due to the quantum of the development costs capitalised and judgement involved. | We assessed the judgements related to capitalised expenditure by performing the following procedures:<br><br>— Understanding the nature and background of the activities that are capitalised through inquiry of key management personnel;<br><br>— Selecting a sample of projects ensuring they meet the capitalisation criteria;<br><br>— Challenging whether costs capitalised during the year were directly attributable to development projects; and<br><br>— Selecting a sample of timesheets and recalculating the amount of internal costs capitalised based on the hours which staff spent developing the asset.<br><br>We did not identify any factors that were materially inconsistent with management's overall conclusions. |
| **Impairment of non-current assets** | |
| Refer to Note 11 of the consolidated financial statements.<br><br>The non-current assets are allocated to three cash generating units ('CGUs') representing the three core markets the Group develops and markets its products in (New Zealand, Australia and North America).<br><br>Goodwill has been allocated to each of these CGUs, and as a result the carrying value of each CGU must be tested for impairment annually.<br><br>The recoverable amounts of the CGUs, which have been determined based on their value in use, have been derived from discounted forecast cash flow models. These models use several key assumptions, including estimates of future contracted units and average rate per unit ('ARPU'), operating costs, terminal value growth rates and the weighted-average cost of capital (discount rate) relevant to each market.<br><br>The impairment testing of non-current assets is considered to be a key audit matter due to the complexity of the accounting requirements and the significant judgement required in determining the assumptions used to estimate the recoverability of these assets.<br><br>In addition to the above, the carrying amount of the Group's net assets as at 31 March 2023 of $248.8 million exceeds its market capitalisation | We assessed management's impairment testing of non-current assets by performing the following procedures:<br><br>— Identifying the level at which non-current assets should be tested for impairment and assessed the appropriateness of the CGUs determined by the Group;<br><br>— Enquiring of the executive management to corroborate an understanding of the Group's products, markets and strategic opportunities;<br><br>— Obtaining a value-in-use model for the CGUs and assessing the methodology, underlying cash flows and key assumptions made including:<br>- Using our corporate finance specialists to challenge the reasonableness of the weighted average cost of capital and terminal growth rates;<br>- Challenging management's future cash flow forecasts. This included comparing previous forecasts to actual results and other relevant supporting documentation to evidence the feasibility of the forecasts and to assess the reliability of historical forecasting;<br><br>— Challenging management's forecasts by performing sensitivity analysis of the forecast unit sales growth, ARPU, and discount rates; and<br><br>— Evaluating the estimate of the recoverable amount of the Group as a whole, including all corporate costs and related corporate assets.<br><br>We did not identify any factors that were materially inconsistent with management's overall conclusions. |

| The key audit matter | How the matter was addressed in our audit |
| --- | --- |
| of $70.0m and is considered an indicator of impairment. | |

## Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman's and Chief Executive's report, disclosures relating to corporate governance and other statutory disclosures. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have noting to report in this regard.

## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

## Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate , they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Aaron Woolsey.

For and on behalf of

KPMG

KPMG
Auckland

24 May 2023

# Corporate Governance Report

Dear Shareholders,

I am pleased to present the Corporate Governance Statement for the year ended 31 March 2023. In this Statement we describe how the Board goes about governing EROAD, key actions and work-streams undertaken during the year, our approach to the alignment of purpose, values, culture and strategy, and our engagement with stakeholders.

We have also set goals for FY24, reflecting matters that are a priority to the Board. These will be reflected in the work programme we undertake during the new financial year.

EROAD's Corporate Governance Statement for FY23 is made in accordance with the amended NZX Corporate Governance Code, dated 1 April 2023.

## Board focus in FY23

FY23 was a transformative year for EROAD. Considering the challenging economic conditions, the Board conducted a strategic review early in FY23 to identify where EROAD could enhance its business operations. Based on this review, the Board has implemented a number of changes, and we believe the Company is now well-positioned to achieve sustainable, profitable growth. With a revised strategy and refreshed leadership team, we remain committed to responsible governance to ensure we are able to deliver on EROAD's purpose.

## Revised company strategy

During FY23 we devoted significant effort to reviewing and revising EROAD's strategy to ensure clear alignment with our purpose. The Board and Executive Team remain steadfast in their commitment to restoring shareholder value, and we are confident that our revised strategy provides a well-defined roadmap for success.

We continue to focus on enhancing our product market fit and strengthening our enterprise capabilities in North America. In March 2023, we held an Investor Day where we disclosed EROAD's desire to explore strategic partnership opportunities to drive further growth in North America. Goldman Sachs have been enlisted to help us identify partners who can support us in accelerating our North American growth strategy. We are aiming to identify partnership opportunities that contribute a combination of capital, expertise and additional market access to drive EROAD's continued expansion. We look forward to updating you on the outcome of this initiative.

## Executive team

Mark Heine (formerly EROAD's General Counsel and Company Secretary) was appointed as Acting Chief Executive Officer, and, following a competitive process, was later offered the position in a permanent capacity. The Board is delighted to have Mark leading the EROAD team. His leadership has inspired confidence throughout the business and his knowledge and broader skillset will serve EROAD well as we enter our next phase of growth.

During the year the Board also appointed Margaret Warrington as permanent Chief Financial Officer following her service in an acting capacity after the departure of former CFO, Alex Ball. Having previously served the Company as Group Financial Controller, Margaret has a deep understanding of EROAD's commercial drivers and is committed to embedding a culture of profitable financial growth. Margaret has played an active role in driving EROAD's revised strategic direction and is well placed to lead EROAD's corporate initiatives going forward.

## Board succession plan

During FY23 the Board officially welcomed Sara Gifford to the EROAD Board. Based in North America, Sara brings an excellent understanding of the needs of enterprise customers. Sara also has extensive experience in technology development, logistics and general insights into the North American market.

In accordance with EROAD's program of director rotation, Tony Gibson advised the Board that he will not stand for re-election as an Independent Director at the upcoming FY23 Shareholders' Meeting. Tony has served on the Board since October 2009 and has held the role of Chairman prior to the Company listing on the NZX. Tony most recently chaired the Remuneration, Talent and Nomination Committee and was also a member of the Finance, Audit and Risk Committee. Tony's dedication and expertise has been invaluable to EROAD and we thank him for his significant contribution to the Company.

The Board is consistently reviewing its composition to ensure we have the right body to deliver sustainable shareholder value. A search for an additional director has commenced and we expect an appointment to be made within the next six months. Board diversity and member skillsets are our top priorities, and we look forward to bringing a new director onto the team.

## Compliance with the NZX Corporate Governance Code Recommendations

The Board believes it has complied with the NZX Corporate Governance Code, other than in respect of Recommendation 8.5 relating to the timing of the provision of our FY22 Notice of Meeting. Due to the inclusion of the non-binding special resolution enabling shareholders to vote on the adoption of EROAD's Remuneration Report in accordance with the Australian Corporations Act 2011, we were required to have our FY22 Notice of Meeting reviewed by NZ RegCo. The timing constraints around this meant that we were unable to issue our Notice of Meeting at least 20 business days before our FY22 Annual Shareholders' Meeting. The FY22 Notice was instead issued 18 business days prior.

## FY24 Goals

The goals for the Company in the coming year are clear; we must implement and deliver on our refreshed strategy to pave the way for profitable and sustainable growth. Identifying partnership opportunities to accelerate our North American growth strategy is a key initiative for the coming financial year, as is the appointment of an additional director. We are committed to achieving successful outcomes and we are confident we have the right people and technology in place to execute on our strategic priorities.

The Board believes our governance practices are robust and meet EROAD's current requirements. We have included a set of goals to be achieved in FY24 throughout this Statement and we look forward to reporting on our progress.

**Graham Stuart**
*Chairman*





The Board of EROAD Limited (EROAD, the Company) is committed to fulfilling our corporate governance obligations and responsibilities in the best interests of EROAD and our stakeholders by ensuring that the Company adheres to best practice governance principles and maintains the highest ethical standards. The Board regularly reviews and assesses EROAD's governance framework and processes to ensure we are operating in line with best practice.

This Statement provides an overview of EROAD's FY23 governance framework and processes. It is structured to follow the NZX Corporate Governance Code (NZX Code), dated April 2023, and discloses the Company's practices for each of the NZX Code's eight governance principles. The Board's view is that as at 31 March 2023, EROAD has complied with the Code, except in respect of Recommendation 8.5 relating to the timing of the provision of our FY22 Notice of Meeting.

The Company complies with the corporate governance requirements of the NZX Listing Rules (NZX Listing Rules) and with our obligations as a foreign-exempt issuer on the ASX (ASX Listing Rules). EROAD's corporate governance policies, practices and procedures can be found on our website at http://www.eroadglobal.com/global/investors/. The Investor website page is updated as necessary and is used in this Statement as a reference to the public website where the Company's set of governance documents are located. This Corporate Governance Statement was approved by the Board on 23 May 2023.

## EROAD's principal activities

The Company develops and sells end-to-end hardware enabled software as a service (SaaS) products for the management of vehicle fleets in New Zealand, Australia and North America. EROAD's product offerings are intended to:

a) support regulatory compliance including transportation taxes, road user charging, fuel and vehicle registration;
b) improve record keeping of both mobile assets (vehicles) and drivers (including fatigue related products);
c) help reduce vehicle operating costs and carbon emissions by improving fleet efficiency;
d) help improve and promote driver safety;
e) monitor refrigerated fleets and provide services to construction and waste fleets; and
f) track micro assets.

EROAD has undergone a period of significant growth following the merger with Coretex in 2021. The Company now offers a wider suite of products following the Coretex merger and has significantly increased its global addressable market.

### PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

Since the merger with Coretex, EROAD recognised the need to evolve and adapt, to better cater to the needs of customers and society as a whole. Consequently, we have embraced a new purpose that embodies our commitment to delivering dependable and trustworthy intelligence that empowers our clients to make informed decisions, that have a positive impact on the world. EROAD's new purpose is to deliver intelligence you can trust, for a better world tomorrow. Delivering on our purpose will position EROAD as an industry leader in the realm of data-driven decision-making and sustainability. We believe that this approach will differentiate us from competitors and enable us to better serve our customers and stakeholders.

EROAD's values are key to achieving our purpose and remain unchanged in FY23. The Company's s values are set out below and reflect our commitment to delivering the best outcomes for EROAD, our team, customers, shareholders, and wider stakeholder group.

- We do what's right;
- We play as a team;
- We learn & grow; and
- We get it done.

The Company's Code of Ethics provides guidance on the behaviours that enable directors, employees, independent contractors, and advisers of EROAD and our related companies ("EROADers") to align their conduct, actions, and decisions with EROAD's purpose and values.

Broadly, the behaviours will lead to all EROADers enjoying an open, transparent, positive and high-performing culture with the following attributes: full commitment across the Company to the success of EROAD's future; constructive relationships being developed and maintained in an open, professional and respectful manner; good career development opportunities being provided within EROAD; consultation on matters concerning EROADers and the business; and everyone incorporating EROAD's values into their work to collectively achieve EROAD's purpose. The Code of Ethics also addresses, amongst other things, confidentiality; conflicts of interest and corporate opportunities; receipt of gifts and personal benefits; expected conduct; whistleblowing; corruption; reporting concerns regarding breaches of the Code, other policies, and the law. Whilst there is no formal assessment for corruption per se, EROAD has a range of Codes and Policies that prohibit corrupt behaviours by employees. As part of our commitment to upholding ethical practices and maintaining the highest standards of corporate governance, our company provides comprehensive training on the Code of Ethics and other policies to all new employees via our online learning platform. We are also dedicated to ensuring that refresher training occurs at least every three years to foster a culture of transparency, accountability and integrity throughout our organisation. We continue to enhance our commitment to ethical business practice through our Code of Ethics refreshers and mandatory training programmes.

Several other policies and documents are regarded as being important in ensuring high ethical standards are maintained. This includes EROAD's Code of Conduct which sets out EROAD's purpose, values, and culture. Our Code of Conduct sets further standards and expectations for personal behaviour, workplace stress, responsibilities, privacy matters and so on.

EROAD's Market Disclosure Policy sets out the Company's commitment to the promotion of investor confidence by ensuring that the trading of EROAD shares takes place in an efficient, competitive and informed market. This is supported by EROAD's Securities Trading Policy. Our Securities Trading Policy clearly sets out when Directors and employees of EROAD may buy or sell the Company's shares, and the approvals that are required prior to trading. The underlying principle of the Policy is that EROAD is committed to ensuring our directors, officers, employees and advisers do not trade EROAD shares while in possession of inside information. An Interests Register is kept in accordance with the requirements of the Companies Act 1993 and the Financial Markets Conduct Act 2013 to ensure all relevant transactions and matters involving the Directors and Senior Managers are recorded. EROAD's Related Party Transactions Policy governs any proposed or actual related party transactions.

The Company's Whistle-blower Policy supplements the Code of Ethics and Code of Conduct provisions regarding reporting concerns by providing a clear pathway for resolving any serious issue that may arise. This is in accordance with the Protected Disclosures (Protection of Whistleblowers) Act 2022 (New Zealand), Corporations Act 2001 (Australia) and the Whistleblower Protection Act of 1989 (United States). EROADers can raise critical concerns with their manager or with any member of the Executive Team. Any major concern will be passed up to the Board where appropriate. In addition, EROAD provides an independent Whistle-blower service should eligible whistle-blowers not wish to raise a concern internally. This service is managed by Deloitte and includes the option to report a complaint via webform, email and/or toll-free phone lines in each main area of operations. The webform reporting option is a new offering for FY23 and is one which the Board felt was most appropriate given it allows for truly anonymous reporting to occur. Should any critical concern be raised, the Board and management will work with the appropriate parties to swiftly resolve the issue.

EROAD's Modern Slavery Statement will be published within our EROAD Sustainability Report and will be available on our investor website page from the date the FY23 Sustainability Report is published. Also contained within our Sustainability Report will be information about our Company's Sustainability Policy. Our approach to sustainability is integral to ensuring we remain ethical across our business operations. We are fully committed to our sustainability goals and work hard to advance wider sustainability initiatives.

Our in-house legal team provides advice and assistance to the business globally on how to comply with our various legal obligations. Engagement with external legal counsel is sought as and when required.

During the FY23 period, EROAD took additional steps to fortify our ethical practices by implementing a supplier due diligence process. This process ensures that our suppliers are aware of our ethical and wider sustainability values, and it also enables us to monitor their approach to conducting business with integrity.

In FY24 our goals are to continue to strengthen our supplier policies and procedures. We are delighted to have appointed a new Chief Operations Officer to lead this journey.

## PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

### Responsibilities of the Board and executive management

The business and affairs of EROAD are managed under the direction of the Board of Directors. The role of the Board is to approve the purpose, values and strategic direction of the Company, to guide and monitor EROAD's management in accordance with the purpose, values and strategic plans, and to oversee good governance practice. The Board Charter sets out internal Board procedures and protocols, including, amongst other things:

- appointment of a Chair;
- in consultation with the Chief Executive Officer (CEO), providing strategic direction and approving EROAD's strategies and objectives;
- advancing major strategies for achieving EROAD's objectives;
- setting a risk appetite for the management of risks;
- determining the overall policy framework within which the business of EROAD is conducted; and
- monitoring management's performance with respect to these matters.

The Board has a statutory obligation to reserve responsibility for certain matters and these are set out in the Charter.

The Board also deals with issues relating to the appointment or removal of the CEO, ensuring adequate resources are available to management to run the business, overseeing director appointments and reappointments, approving financial and business plans, and considering matters that are outside delegated authority levels. The Board uses Committees to address certain issues that require detailed consideration by members of the Board who have specialist knowledge and experience.

The Board regularly reviews and assesses our governance structures, policies, and procedures to ensure these are in line with best practice and legal requirements. The Board Charter was last updated in March 2023 to include Board protocols. The inclusion of Board protocols provides clear guidance on the role of the Board, how the Board should conduct its meetings, the Chair's role in leading the Board, and the role of individual directors.

Management of the day-to-day operations and responsibilities of EROAD together with delivery of the strategic direction and goals is delegated to the Executive Team under the leadership of the CEO. The Board holds management accountable for the performance of our delegated functions. In doing so the Board constructively challenges management's proposals and decisions and seeks to instill a culture of accountability throughout the Group. This is achieved by monitoring management's performance by receiving reports and plans, maintaining an active programme of engagement with senior management and through the Board's annual work programme.

The Board is conscious of its ethical obligations and in situations where there is a possibility of a perceived or actual conflict of interest, any interested director must abstain from participating in any related discussions, unless otherwise permitted by the Board. EROAD's Related Parties Transactions Policy provides further guidance on the Company's approach to Board conflicts.

If circumstances arise where a director needs to obtain independent advice, that director is, as a matter of practice, able to seek such advice at the expense of EROAD.

In FY23 the Board Charter was updated to encompass the Board protocols and acknowledge the establishment of EROAD's Technology Committee.

The focus for FY24 will be on strengthening the relationship between the Board and management to meet or exceed our strategic targets.

### Board composition

EROAD is committed to ensuring that the composition of the Board includes directors who collectively bring an appropriate mix of skills, commitment, experience, expertise, and diversity to Board decision-making. At 31 March 2023 EROAD had six directors, all of whom were non-executive directors. Selwyn Pellett is the only non-independent director, whose expertise, experience and knowledge of EROAD (and formerly Coretex) are critical to the Board's effective decision making and strategic planning.

A brief biography of each Board member, including experience, length of service, expertise, role, and the term of office is set out in the "The Board" section of this report. Disclosure on director shareholdings and other directorships is included on pages 144-145 of this report.

EROAD announced in FY23 that we were intending to appoint an additional director during the past financial year. We did not progress this goal in FY23 as the Board was focused on defining EROAD's strategy. Following this strategic work, it became important to reassess the skillset required on the Board to effectively execute on our strategy.

In FY24 the Board will be focused on the appointment of a new director to help further our North American growth strategy. As the Board has initiated the search process, diversity of knowledge, skills, and thought is our key consideration.

**Director nomination, appointment, retirement and re-election**

The Board takes an active role in appointing new directors and seeks advice from the Remuneration, Talent and Nominations Committee ("RTNC") that assists in the selection, appointment, and reappointment of Directors to the Board. The Committee is also responsible for overseeing EROAD's overall human resources strategy. The Committee's specific responsibilities are set out in our Charter, which is available on our Investor website page. The Appointment and Selection of New Directors Policy sets out the criteria and process that the Committee follows when selecting and appointing new directors and considering whether to recommend the reappointment of existing directors. The Appointment and Selection of New Directors Policy can be viewed at https://www.eroadglobal.com/global/investors/.

Where a candidate is recommended by the RTNC, the Board assesses that candidate against a range of criteria including background, experience, professional qualifications, personal qualities and expertise, the potential for the candidate's skills to augment the existing Board (board skills matrix) and the candidate's availability to commit to the Board's activities.

EROAD is also particularly committed to ensuring that we have a diverse organisation. Levels of both gender and cultural diversity across EROAD's workforce are higher than the IT industry average. We continually review the skills and experience we consider we require to provide the appropriate governance for the Company as it moves through its next phase of growth. Diversity is a key consideration in the appointment process.

As part of the skills assessment process, we recognised the need for an additional director. Our commitment to identifying suitable female candidates with this skillset through a rigorous, comprehensive search process led to the appointment of Sara Gifford to the Board in April 2022. At last year's annual meeting, Selwyn Pellett and Sara Gifford stood for election and Susan Paterson retired by rotation and being eligible, offered herself for re-election and was re-elected to the Board. At this year's annual meeting, Tony Gibson is retiring, and Barry Einsig will stand for re-election. In line with the NZX Code Recommendations, checks are made for any material adverse information before a candidate is recommended to the Board for election or re-election. Where appropriate, external consultants are engaged to assist in searching for candidates. The Board includes in the Notice of Meeting for annual meetings all material information that is considered relevant to a decision on whether to elect or re-elect a director.

All new and reappointed directors enter into a written agreement with EROAD, which sets out the terms of their appointment. New directors also complete a comprehensive induction programme that enables them to meet with the Chairman, the Finance, Audit and Risk Committee ("FRAC") Chairwoman and senior management to gain insight into EROAD's values and culture, our business operations, key risks and regulatory and legal framework. The program also includes site visits. Each director's induction program is tailored based on the director's existing skills, knowledge, and experience.

All directors are expected to maintain the skills required to discharge their obligations to the Company. On an ongoing basis, directors are provided with papers, presentations and briefings on matters which may affect EROAD's business or operations to assist the directors regarding understanding key developments in the industry in which EROAD operates. Directors are also encouraged to undertake continuing education and training relevant to the discharge of their obligations as directors of the Company. We are always working to broaden the expertise, skillset, and knowledge of the Board with a view to increasing diversity and broadening the geographic location of directors.

**Board skills**

At the Board level, diversity of thought allows EROAD to benefit from a range of different perspectives that collectively lead to healthier debates and better decision-making. The Board considers that Barry Einsig, Tony Gibson, and Selwyn Pellett all have transport industry specific experience. Graham Stuart and Susan Paterson bring listed company and finance / risk experience. Sara Gifford, Barry Einsig and Selwyn Pellett have extensive experience in technology solutions. Overall, the Board's skill set is as set out in the following table.

| BUSINESS CONTEXT | CAPABILITY | KEY ELEMENT | CURRENT BOARD |
|---|---|---|---|
| **A depth of industry experience and awareness of sector trends** | ***Executive industry experience*** | Modern executive telematic hardware experience<br>Hardware R&D | ●●○○ |
| | ***Product software*** | Fleet management or adjacent software development<br>Data-driven innovation and growth<br>Deep software development experience | ●●○○ |
| | ***Transport and supply chain*** | Strong insight into transport – systems, trends<br>Fleet management<br>Supply Chain Regulation Sustainability<br>Customer perspective | ●●●○○ |
| **Driving long-term value creation through serving customer needs** | ***Modern technologist*** | SaaS businesses<br>Data analytics / AI<br>Strong scale tech networks<br>Modern cloud expertise<br>Cybersecurity<br>Key trends in tech sector | ●●○○○ |
| | ***Tech go-to-market strategy and sales*** | Sales channel leadership experience – digital and enterprise selling<br>Customer-centric strategies identifying new growth opportunities<br>Building world-class sales capability<br>Go-to-market strategy<br>Driving revenue growth – beyond $1bn | ●●●○ |
| | ***Digital product marketing*** | Tech sector marketing<br>Building customer insight<br>Brand development | ●●●○ |
| | ***Key customer segment insight*** | New Zealand | ●●○○○○ |
| | | North America | ●●●○ |
| | | Australia | ●○○○ |

| BUSINESS CONTEXT | CAPABILITY | KEY ELEMENT | CURRENT BOARD |
|---|---|---|---|
| **Scaling experience to guide EROAD growth towards a $1b company** | ***Scale software Company*** | Scaling a technology or SaaS organisation – beyond $1b<br>Growth strategy development and execution<br>Capital market leadership | ●○○ |
| | ***Investment*** | Direct exposure to investments in technology companies that have successfully scaled<br>M&A / takeovers<br>Long-term value creation<br>Finance / investment community insight | ●○○○ |
| | ***Technology infrastructure*** | Scale IT infrastructure<br>Technology trends<br>Technology risk | ●●○○ |
| **Supporting financial and culture growth as scale and complexity builds** | ***Finance*** | Former CFO / CA / ARC Chair expertise Financial strategy (tech)<br>Financial reporting and regulations<br>Risk management | ●●○○ |
| | ***People and compensation*** | Corporate culture and diversity & inclusion<br>Executive compensation experience<br>Employee engagement<br>Performance and talent<br>H&S | ●●●●○ |
| **Driving best practice in governance and strategic leadership** | ***Listed governance*** | Scale public company governance experience - NZX, ASX, NASDAQ ESG<br>Shareholder engagement and partnering<br>Chair succession potential | ●●○○ |
| | ***Demographic diversity*** | Gender, ethnicity, age | ●●○○○ |

**Key** ● High capability ○ Moderate capability

The Board also believes that the tenure of each of its members is important as it seeks to balance independent, institutional knowledge gained through length of service and the importance of fresh perspectives in decision-making. The Board does not have a tenure policy, but it is of the view that the profile, represented by the length of service of each of our directors and as set out in the following table, is appropriately balanced such that Board succession and renewal planning is managed over the medium to longer term.

With the appointment of Sara Gifford on 1 April 2022 and Steven Newman's resignation on 8 April 2022 the Board's tenure changed from what it was at 31 March 2022. The current Board tenure information is set out in the following table.

| Director period of appointment as at 31 March 2023 | 0-3 years | 3-9 years | 9 years + |
|---|---|---|---|
| Number of directors | 3 | 2 | 1 |

On 21 March 2023, Tony Gibson announced he would not be seeking shareholder approval for re-election at the next Annual Shareholders' Meeting. This decision was made in accordance with EROAD's director rotation guidelines and our goal for FY24 is to appoint an additional director.

### Independence of Directors

The factors that are considered by the Board when assessing the independence of our directors are set out in the Board Charter read together with the NZX Code. The guidance provided in the NZX Code is also considered alongside the ASX Corporate Governance Principles and Recommendations. As set out in the Board Charter, read together with the NZX Code, factors that may impact a director's independence include:

1. Is currently, or was within the last three years, employed in an executive role by the issuer, or any of its subsidiaries;
2. Is currently deriving, or within the last 12 months derived a substantial portion of his, her or their annual revenue from the issuer;
3. Is currently or was within the last 12 months, in a senior role in a provider of material professional services (other than an external auditor) to the issuer or any of its subsidiaries;
4. Is currently, or was within the last three years, employed by the external auditor to the issuer, or any of its subsidiaries;
5. Currently has, or did have within the last three years, a material business relationship (e.g. as a supplier or customer) with the issuer or any of its subsidiaries;
6. Is a substantial product holder of the issuer, or a senior manger of, or person otherwise associated with, a substantial product holder of the issuer;
7. Is currently, or was within the last three years, in a material contractual relationship with the issuer or any of its subsidiaries, other than as a director;
8. Has close family ties or personal relationships (including close social or business connections) with anyone in the categories listed above;
9. Has been a director of the entity for a period of 12 years or more.

In each case, the materiality of the interest, position, association or relationship needs to be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgment to bear on issues before the Board, to act in the best interests of EROAD, and to represent the interests of our financial product holders generally. The Board reviews the independence of each Director considering interests that each director is required to disclose in relation to the factors set out above.

Based on these factors, as well as the guidance provided in the relevant Codes, EROAD considers that, as at 31 March 2023, Graham Stuart, Tony Gibson, Susan Paterson, Barry Einsig and Sara Gifford were Independent Directors. In FY23, Tony Gibson announced his retirement in accordance with the Board guidelines on director rotation. The Board does not have a specific tenure policy in place, but it believes that the length of service of each of its Directors has created a balanced profile that allows for effective Board succession and renewal planning over the medium to longer term. Despite his long tenure, Tony Gibson remained independent and objective in his decision-making and his contributions to the Board have been invaluable. With this retirement, the Board will continue to prioritise its ongoing efforts to ensure that its membership remains diverse, well-informed, and equipped to guide the Company towards achieving its strategic goals. To that end, the Board has commenced a search for a new director.

While the Board considers Selwyn Pellett to be non-independent director, primarily given his former position as CEO of Coretex (and associated relationships with Coretex-related subsidiaries), EROAD believes Selwyn's position on the Board is essential for execution on our technology strategy. There is a comprehensive conflict management framework in place to ensure that the director's actions do not compromise the interests of the Company or its shareholders. The framework includes measures such as disclosure requirements, recusal from decision-making processes and regular evaluations.

The Board considers that the CEO is sufficiently independent of the Chair.

### Board Performance

Performance evaluations for the Board, the Board's committees, individual directors, and executives are undertaken regularly. Where necessary, the Company provides resources to help develop and maintain directors' skills and knowledge.

The Board Charter requires the Board to undertake a regular performance evaluation of itself that:

- compares the performance of the Board with the requirements of our Charter;
- reviews the performance of the Board's committees and individual directors; and

- makes improvements to the Board Charter where considered appropriate.

As part of the Board review process, an independent third party is appointed to review the Board performance periodically. The FY22 review included, for the first time, an ESG component. Key areas of focus from the report include supporting the onboarding of a new CEO, execution of EROAD's strategic plan, including integration of Coretex, resetting the Board composition with a particular focus on increasing the number of North American appointments and ensuring Board materials are focused at the right strategic level. Self-assessments are undertaken by the Board biennially as an alternative to the independent evaluation.

In FY23, the Board was focused on conducting a strategic review and transforming the Company. As a result, a review of the Board's function by an external consultant was not completed during this period. However, The Board recognises the importance of conducting regular reviews of its performance and effectiveness and, therefore, a Board review by an external consultant will occur in FY24.

**Company Secretary**

During FY23, Mark Heine ceased his role as EROAD's Company Secretary following his appointment as Chief Executive Officer. Ksenija Chobanovich is EROAD's current Company Secretary. She was accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board from early FY23. Ms. Chobanovich had regular discussions with the Chairman to manage the flow of information between EROAD's Board, our committees, and senior executives. She was responsible for all aspects of legal compliance at EROAD together with the Company's relationship with regulators. Ms. Chobanovich's remuneration was tied to the same STI and LTI plan as EROAD's wider Executive and key Senior Leadership Team. These plans are further explained in our Remuneration Report.

EROAD has been a party to one employment related legal action in FY23. Ms. Chobanovich is not aware of any pending actions regarding anti-competitive behaviour and violations of anti-trust and monopoly legislation. EROAD has not identified any non-compliance with any laws and/or regulations, nor has the Company been subject to any significant fines or non-monetary sanctions for non-compliance with any laws and/or regulations in the social and economic area.

**Diversity and Inclusion**

EROAD and our Board are committed to a workplace culture that promotes and values diversity and inclusion. The Company pursues a broad programme of diversity by recognising, valuing, and considering our employees' different backgrounds, knowledge, skills, needs and experiences.

The Board recognises that diversity and inclusion lead to a better experience at work for EROAD's employees, makes teams more robust, leads to greater creativity and performance, contributes to more meaningful relationships with a broader range of customers and stakeholders, and, ultimately, increases value to shareholders. When there is a variety of thinking styles, backgrounds, experiences, perspectives and abilities, employees are more able to understand customers' needs and to respond effectively to them, thus best equipping EROAD for future growth.

EROAD encourages diversity and inclusion by:

- having a robust recruitment process in place to attract capable, motivated, engaged, creative and diverse candidates; and
- fostering a culture and environment of inclusion through various initiatives, policies, and development opportunities.

To deliver on our strategy, EROAD has designed a scalable and diverse organisation with the right skillset to grow and mature the Company's operations in new markets and geographies. This will be explained in more detail in the People section of the FY23 Sustainability Report. The Board has adopted a Diversity and Inclusion Policy in accordance with the NZX Code and the ASX Corporate Governance Principles and Recommendations. The policy is available at the Investor website page. To ensure continued focus and prioritisation, the policy requires the Board to set, review and report on measurable objectives for achieving and promoting diversity across EROAD's business. Implementation of actions to achieve the objectives is the responsibility of the CEO. Progress has been made in FY23 in achieving the objectives. One of the achievements is that the percentage of female employees exceeds the percentage of female employees in the technology sector generally. EROAD employees also cover a broad age range (currently 19 through to 73 years) and come from over 29 different countries. EROAD has migrated our employee data to Workday. This platform will empower us with further capability to capture and report on D&I information from a demographic-profile perspective. We are currently continuing to build out our objectives in this space.

Further, EROAD has maintained the following key goals regarding Diversity & Inclusion:

- **Culture & Values**

To deliver appropriate internal policies and programs supporting and promoting diversity and inclusion that are adopted at each level of EROAD's business..

EROAD delivers a diverse range of cultural celebrations and social events, with a broad range of people on relevant committees. This includes events such as: Cultural Day, Matariki Day, 4th of July, Diwali, and International Women's Day. Diversity and Inclusion also plays a role in talent planning designed to enable all employees the opportunity for career advancement. Further, EROAD undertakes regular review of employee remuneration and their approach to this, ensuring pay equity.

- **Inclusion**

To ensure a culture which promotes and values inclusion throughout EROAD.

Our flexible work arrangements, and parental leave policies all support inclusivity in the workplace. We operate across three main jurisdictions and successfully run hybrid company meetings and events to promote and foster inclusiveness and transparency throughout.

Inclusion also means ensuring key discussions are not limited to small groups and involve a wide selection of people to promote diversity of thought.

EROAD creates a safe environment which actively encourages EROADers to share their opinions. Leadership role modelling, regular cultural awareness and celebration opportunities, and wellness programmes are some of the mechanisms EROAD supports staff participation. Everyone has the freedom and opportunity to voice their opinions. Diverse groups contribute to business strategy and planning activity, and inter-departmental social and work project interactions connect people. Frameworks and managerial education are provided to promote inclusion such as flexible workplace practices.

- **Leadership and People Development**

Significant emphasis is given to developing our leaders and people across EROAD over the years. A new Leadership Program, which is designed specifically for our people leaders, was launched in early2023 to ensure a consistent leadership approach is applied across all teams, as well as giving a wide range of employees new opportunities to develop as leaders. This means there is a great pipeline of future leaders.

- **Recruitment**

Our goal is to ensure that our recruitment campaigns generate a diverse pool of talent with value on experiential and cognitive diversity and that all hiring decisions are based on merit.

To achieve this EROAD continues to advertise and promote on a broad range of recruitment advertising channels and we apply a diversity and inclusion lens to recruitment to maximise the appeal to a diverse candidate pool. We have a scholarship that gives priority to Māori and Pasifika candidates.

- **Communication**

EROAD's expectations around diversity and inclusion are communicated often and clearly, with a top-down approach. Diversity initiatives such as cultural events and flexible working are widely promoted. EROAD's careers site supports recruitment diversity. Inclusiveness is promoted at all levels.

- **Gender balance**

The table below shows the respective number of men and women on the Board, in executive management positions (as "Officers") and across the whole organisation, including both full time and part time employees, as at 31 March 2022 and 31 March 2023. Our Board currently has 33% female representation, which is above the minimum level of 30% recommended in the NZX Code. While we remain committed to maintaining and improving this level of female representation, we recognise that changes in board composition may occur over time due to a variety of factors. However, the Board is committed to actively promoting and supporting gender diversity at all levels of our organisation. 35% of EROAD staff are female, which is above average in our industry, and 32% of EROAD female employees are in leadership roles.

| 2022 | Women | Men | Gender diverse |
|---|---|---|---|
| Board | 1 (20%) | 4 (80%) | - |
| Officers | 3 (20%) | 12 (80%) | - |
| Other employees | 178 (35%) | 337 (65%) | - |

| 2023 | Women | Men | Gender diverse |
|---|---|---|---|
| Board | 2 (33%) | 4 (66%) | - |
| Officers | 3 (33%) | 6 (66%) | - |
| Other employees | 170 (35%) | 307 (63%) | 7 (1%) |

"Officers" are the CEO and senior executives reporting directly to the CEO.

## PRINCIPLE 3: BOARD COMMITTEES

The Board Committees include the Finance, Risk and Audit Committee, the Remuneration, Talent and Nomination Committee and, from FY23, the Technology Committee. These Board Committees support the Board by working with management and advisers on relevant issues at a suitably detailed level. Recommendations are reported to the Board. The Committees' Charters set out their objectives, procedures, composition, and responsibilities. Copies of these Charters are available at the Investor website page.

All Directors have a standing invitation to attend committee meetings where there is no conflict of interest.

### Finance, Risk and Audit Committee (FRAC)

The Finance, Risk and Audit Committee assists the Board in fulfilling our oversight responsibilities relating to EROAD's risk management and internal control framework, the integrity of our financial reporting and the auditing processes and activities. Four meetings of the Finance, Risk and Audit Committee were held during the year ended 31 March 2023.

Under the Finance, Risk and Audit Committee Charter, the Committee must be comprised of Non-executive Directors, all of whom must be independent. Further, the Chair of the Committee must be an Independent Director and cannot be the Chairman of the Board.

Employees only attend the Finance, Risk and Audit Committee meetings at the invitation of the Committee. In the year ended 31 March 2023, the CEO, the Chief Financial Officer (CFO) and General Counsel were invited to attend each of the four meetings of the Finance, Risk and Audit Committee.

The current members of the Finance, Risk and Audit Committee are Susan Paterson (Chair), Anthony Gibson and Graham Stuart. All members of the Finance, Risk and Audit Committee are Independent, Non-executive Directors.

### Qualifications and experience of committee members

**Susan Paterson:** Susan has held a number of roles where she was accountable for the financial performance of entities. She has spent the last 25 years either chairing or contributing to Audit Committees within both government and private company arenas. Susan regularly attends training courses on financial matters and best practice in Audit and Assurance. Susan holds an MBA from London Business School (focused on finance and strategy) and is a Chartered Fellow of the Institute of Directors. In 2015 Susan was appointed as an Officer of the New Zealand Order of Merit in recognition of her service to corporate governance.

**Anthony Gibson:** Tony has extensive governance and international executive experience and is the current CEO/Managing Director of VINZ (Vehicle Inspection New Zealand). Tony was the CEO of Ports of Auckland Limited for 11 years and prior to this role was Managing Director of Maersk Line New Zealand, Director of Maersk Logistics and Managing Director of P&O Nedlloyd for New Zealand and the Pacific Islands and held senior management roles in Europe, Asia and Africa. Tony has also been the chair of North Tugz, Nexus Logistics and Conlixx. In addition, Tony brings extensive transportation and logistic expertise to the Board, including being appointed by the Government in 2009 as a member on the Independent Review of the NZ Road User Charging System.

**Graham Stuart:** Graham has over 30 years of governance experience. In addition to his extensive service on company boards, Graham has had a highly successful executive career split between CEO and CFO roles. Graham has held roles that were highly strategic in nature, within dynamic environments and in high growth businesses. Graham has a strong professional background in accounting and finance as well as experience in technology and leadership. Graham is a qualified Chartered Accountant and holds a Master of Science (Management) and a Bachelor of Commerce (First Class Honours).

The Chairperson of the Committee reported to the Board on the Committee's proceedings following each meeting.

### Remuneration, Talent and Nomination Committee (RTNC)

The Remuneration, Talent and Nomination Committee oversees, amongst other things, the remuneration and benefits policies; the CEO's performance review and performance objectives; remuneration of EROAD's executives; succession planning and associated management development for the CEO and the executive team; and the effectiveness of the Diversity and Inclusion Policy. It also oversees the Director Appointment Process when a vacancy arises and the reappointment of sitting Directors.

The current members of the Remuneration, Talent and Nomination Committee are Tony Gibson (Chair), Graham Stuart, Susan Paterson, Sara Gifford, and Barry Einsig.

**Barry Einsig** Barry is currently a principal at CAVita, where he provides consulting services to cities, governments and companies on Smart Cities, transport mobility and connected/automated vehicle systems. His extensive global experience in the transport industry, coupled with his network of industry colleagues, is of real value to the Board in their recruitment and succession planning. With an executive level background in large publicly traded companies, Barry supports the RTNC's focus on remuneration and organisational matters.

**Sara Gifford:** Sara is based in Boston and brings extensive experience in fast-growing software companies, logistics, transportation, large scale product implementation, and sales. She has business experience in North America, Europe, Southeast Asia, Australia, and NZ. Sara served as the Chief Solutions Officer and executive board member of Quintiq and is a Director of North American company Spiro, a customer relationship management and sales enablement company, and is the co-founder and Director of Activote, a non-partisan application enabling voting in North America.

The Chairperson of the Committee reported to the Board on the Committee's proceedings following each meeting.

### Technology Committee (TC)

The Technology Committee assists the Board in its obligations to oversee EROAD's digital transformation. The Technology Committee assists with product management, technology and innovation strategies, technology execution plans, and necessary workforce development. The Technology Committee also oversees operations relating to hardware, product and platform innovation, as well as information security, cyber security, data privacy and third party technology risk management. Key product and ecosystem partners also form part of the Technology Committee's workstream. The members of EROAD's Technology Committee are Barry Einsig (Chair), Sara Gifford and Selwyn Pellett.

**Selwyn Pellett:** As an acclaimed technology entrepreneur with more than 40 years' experience in electronics supply chains, enterprise level network security and telematics, Selwyn is a valuable member of EROAD's Technology Committee. Selwyn has extensive experience in international sales, marketing, strategic planning and supply chain management, spanning small start-ups to multibillion-dollar corporations. Selwyn was the founder and CEO of Coretex Limited and is well positioned to assist the Committee in overseeing and managing the company's digital transformation strategy.

In FY23, EROAD carefully considered the roles, responsibilities and scope of activity for each of our Board Committees. Although the Board has overall responsibility for EROAD's strategic direction and risk management, the Board delegates authority to each Committee for a closer inspection of these as applicable. In FY23 EROAD created the Technology Committee to assist the Board in overseeing the company's digital transformation initiatives.

In FY24 the Board Committees will focus on key driving performance outcomes whilst balancing compliance objectives from a risk and safety perspective.

### Board processes

the Board held 6 meetings during the year ended 31 March 2023. In addition to the below scheduled Board meetings, the Board also had 9 calls during the year.

| | Board | | FRAC | | RTNC | | TC | |
|---|---|---|---|---|---|---|---|---|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| Graham Stuart | 7 | 7 | 4 | 4 | 3 | 3 | 1** | 1** |
| Anthony Gibson | 7 | 6 | 4 | 4 | 3 | 3 | 0 | 0 |
| Barry Einsig | 7 | 7 | 0 | 0 | 3 | 3 | 1 | 1 |
| Susan Paterson | 7 | 7 | 4 | 4 | 3 | 3 | 0 | 0 |
| Sara Gifford | 7 | 7 | 0 | 0 | 3 | 3 | 1 | 1 |
| Selwyn Pellett | 7 | 7 | 0 | 0 | 3* | 3* | 1 | 1 |

*Selwyn Pellett was invited to attend each of the 3 RTNC meetings during FY23. The Board determined no conflict of interest existed that would have precluded Selwyn from attending.

** Graham Stuart is not a member of the Technology Committee but did attend the first meeting on invitation.

**Takeover protocol**

The Board has a formal written protocol that sets out the procedure to be followed in the event that a takeover offer is received by EROAD. The Protocol summarises key aspects of takeover preparation, and sets out governance, conflict and communications protocols for takeover response. This Protocol provides that in the event of a takeover offer, the Board Takeover Committee would manage EROAD's response obligations and make a recommendation to the full board.

## PRINCIPLE 4: REPORTING & DISCLOSURE

**Making timely and balanced disclosure**

EROAD is committed to promoting shareholder confidence through open, timely and accurate market communication. The Company has procedures in place to ensure compliance with our disclosure obligations under the NZX Listing Rules and the ASX Listing Rules. The Board has a Disclosure Committee that comprises the CEO, CFO ("the Disclosure Officers") and one Independent Director. The Disclosure Committee is responsible for administering EROAD's compliance with our Market Disclosure Policy which includes our NZX and ASX continuous disclosure obligations. The Disclosure Officers will recommend to the Disclosure Committee whether a market disclosure should be made. The Disclosure Officers are ultimately responsible for all communications with NZX and ASX market regulators.

EROAD's Finance, Risk and Audit Committee Charter directs the oversight of the quality and integrity of external financial reporting including the accuracy, completeness, balance and timeliness of financial statements. The FRAC reviews interim and annual financial statements and makes recommendations to the Board concerning accounting policies, areas of judgement, compliance with financial reporting standards, NZX, ASX and legal requirements, and the results of the external audit. All matters required to be addressed and for which the Committee has responsibility were addressed during the period under review.

All interim and full-year financial statements are prepared in accordance with relevant financial standards.

**Non-financial reporting**

Our people, community engagement and the environment are at the heart of EROAD's culture. Our philosophy is set out in our Sustainability Policy and our achievements in the sustainability space are further outlined in our FY23 Sustainability Report which will be published next month.

EROAD is committed to an awareness of environmental, economic, and social sustainability factors. EROAD's General Counsel and CFO have an informal responsibility for economic, environmental, and social topics. The General Counsel and CFO inform the Board of any material factors that come to light and keep the Board up to date with current market trends and processes in this space. The Directors are committed to progressing ESG matters and consider these at every board meeting. Members of the Executive Team report directly to the Board on sustainability matters as and when they see fit. The Board also takes advice from the FRAC Committee, General Counsel, Net Zero Steering Group (now titled, 'Sustainability Committee'), and EROAD's Engineering Teams. The Board has delegated responsibility for the oversight of ESG matters and the management of climate-related risks and opportunities to FRAC and the Board receives reports on a series of performance. Recommendations based on the performance measures are incorporated into agreed actions to mitigate any identified risks. The Board delegates to management who follow EROAD's Health and Safety Policy, Delegation of Authority Roles, Roles & Responsibility Matrix, Treasury Policy, Risk Appetite Statement, Code of Ethics, Code of Conduct and Sustainability Policy. EROAD reports on our sustainability efforts on an annual basis in our Sustainability Report and from FY24, our report will include climate-related disclosures under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. Our Sustainability Report also includes our company emissions profile which is measured and managed by EROAD and is audited by Toitu Envirocare under the carbonreduce programme.

Further information on EROAD's non-financial reporting is available in the Risk section of this Statement.

As noted in the Remuneration Report, up to 60% of Executive Short-term Incentive targets are based on the achievement of strategic (non-financial) program targets from the annual company plan.

EROAD is pleased to provide further reporting on sustainability factors in our FY23 Sustainability Report. EROAD's commitment to health and safety, diversity and community benefits are outlined in our FY23 Sustainability Report. Our Sustainability Report also contains GRI referenced claims and the Company's annual Modern Slavery Statement which is made in accordance with Australian law.

In FY23 the Board and Management implemented our short-term internal emissions reduction targets and began to consider EROAD's climate-related risks and opportunities.

In FY24 the Board will enhance its oversight of climate-related risks and opportunities by implementing a comprehensive climate risk management framework

## PRINCIPLE 5: REMUNERATION

See the Remuneration Report on page 124 of this Annual Report which outlines our compliance with Principle 5.

## PRINCIPLE 6: RISK MANAGEMENT

**Risk management framework**

EROAD is committed to the identification, monitoring and management of material financial and non-financial risks associated with our business activities. The Board ultimately has responsibility for internal compliance and control. It recognises that a sound culture is fundamental to an effective risk management framework. The Company's purpose, values and Code of Ethics are important contributors to instilling effective risk management and awareness, and to support appropriate behaviours and judgements about risk taking within the parameters. EROAD's risk management framework provides for the oversight and management of financial and non- financial material business risks, as well as related internal systems. The framework is designed to:

- optimise the return to, and protect the interests of, stakeholders;
- safeguard EROAD's assets and maintain our reputation;
- improve EROAD's operating performance; and
- support EROAD's strategic objectives. EROAD's Risk Management Policy is available at the Investor website page.

EROAD's risk management strategy enhances strategic planning and prioritisation, as well as assists in the achievement of key objectives.

The strategy also strengthens EROAD's ability to be agile when responding to challenges that may be faced. The risk management framework requires senior executives and the wider leadership team to review risks against the risk limits and triggers in the risk appetite statement (Risk Appetite) and to update Risk Registers on a periodic basis. The registers identify all known risks, including those that are key to EROAD's strategy and business priorities. At each Board meeting, members of the Board are presented with a risk report, outlining key risks, whether these exceed the risk triggers, and mitigants to address the risks. Risk mitigation for high-risk projects must be addressed from inception and be supervised by the appropriate executive team members. The executive team reviews the Risk Register in setting EROAD's strategy and budgets. The Finance, Risk and Audit Committee periodically reviews EROAD's Risk Appetite, the top enterprise risks and other relevant aspects of the risk management framework. In addition, a review is undertaken, with the external auditors and management, of the policies and procedures in relation to material business risks. The Finance, Risk and Audit Committee, in conjunction with management, reports to the Board on the effectiveness of EROAD's management of our material business risks and whether the risk management framework is operating effectively in all material respects.

**Risk appetite**

During FY23 the EROAD Board and Executive continued to rely on the Risk Appetite to provide guidance to, and monitoring of employees, contractors, and suppliers. EROAD's Risk Appetite sets out the amount and type of risk that EROAD is willing to accept to meet our strategic objectives and create value for our customers and stakeholders. EROAD is strategically focused and risk aware but is not a risk-averse organisation. Risks are taken in alignment with EROAD's strategy, purpose and in accordance with EROAD's values. EROAD has no appetite for risks that do not align with these. In managing the Company's business risks, the Board approves and monitors policy and procedures in areas such as treasury management, financial performance, taxation and delegated authorities.

- Growth & Strategy
- Financial
- Customer Expectations
- People
- Regulatory & Governance

The Company regularly reports to the Board on any risks that exceed EROAD's Risk Appetite with mitigation plans and updates on how exceeded risks are managed and resolved.

During FY23, in conjunction with the renewed company strategy, EROAD reviewed and revised the Risk Appetite, giving particular attention to generating positive free cash flow, maintaining a strong sense of direction as a company and managing risk while remaining agile for sustainable growth. The Company's new Risk Appetite was introduced from April 2023 and the revised risk appetite categories and levels are as follows:

Risk Appetite categories: Strategy Execution, Financial, Customer Expectations, People, Regulatory and ESG.
Rick Appetite Levels:

| Risk Appetite Level | Strategy Execution | Financial | Customer Expectations | People | Regulatory and ESG |
|---|---|---|---|---|---|
| **Very high** | | | | | |
| **High** | • Partnerships | | • Innovation | • Learning / knowledge | |
| **Medium** | | | | • Capability | • Regulatory environment |
| **Low** | • Strategic execution<br>• Strategic risk | • Free cash flow<br>• Funding model | | • Key roles, single point of failure | |
| **Very low** | | • Working capital<br>• Supply chain and inventory | • Customer interactions<br>• Quality and resilience<br>• Product delivery<br>• Information and cyber security<br>• Privacy | | • Governance<br>• Environmental and Social |
| **No appetite** | | • Covenants | • Product compliance | • Health and Safety | • Legal & regulatory |

In FY24 EROAD has begun to implement the updated Risk Appetite throughout the Company and our goal is to ensure that it is comprehensively understood by all EROADers.

**Insurance**

EROAD has insurance policies in place covering areas where risk to our assets and business can be insured at a reasonable cost.

**Health and safety risk management**

The Board considers ensuring safety and wellbeing at EROAD to be one of our core roles. Our specific responsibilities are set out in the Board Charter. The Board is committed to ensuring that safety and wellbeing is a top priority for EROAD and is embedded into every aspect of EROAD's business. In line with this, EROAD has appointed a new Health and Safety Manager in FY23. EROAD's Safety and Wellbeing Policy is a management policy that provides for the oversight and management of health and safety risks on behalf of the Board.

EROAD's Safety and Wellbeing Management Framework outlines safety and wellbeing activities at EROAD and articulates safety and wellbeing responsibilities for the Board, the Executive Team and the people performing work for EROAD. The framework requires objectives and key results to be established and incorporated into business planning processes to enable the Safety and Wellbeing Policy's intent and related strategies and procedures to be achieved. The framework also requires the safety and wellbeing strategy to be reviewed every three years to ensure alignment with EROAD's values, the overall business strategy and the safety and wellbeing vision. EROAD's Health and Safety Manager has created a roadmap for FY24 outlining how EROAD will achieve our Health and Safety Goals and how our frameworks will be implemented.

At each Board meeting, members of the Board are provided with a safety and wellbeing report summarising EROAD's risk profile and management actions, the current safety and wellbeing focus, lead and lag indicators and updates from the Safety and Wellbeing staff committee.
In the year ended 31 March 2023, there have been no notifiable events to report to WorkSafe NZ. There has been one notifiable event reported to Worksafe Australia but there was no further follow up action. Following this notable event, EROAD made a number of improvements to its heath and safety processes and procedures.

In FY24 we will strive to enhance our health and safety performance by introducing robust processes and procedures that prioritise the well-being of our employees, contractors and wider stakeholders.

**PRINCIPLE 7: AUDITORS**

Oversight of the Company's external audit arrangements to safeguard the integrity of financial reporting is the responsibility of the Finance, Risk and Audit Committee. The External Auditor Independence Policy ensures that audit independence is maintained, both in fact and appearance. It covers:

- the selection and appointment process for the external auditor;
- rotation of external audit partners;
- policy to ensure external auditors' independence;
- provision of non-audit services; and
- reporting to the Finance, Risk and Audit Committee.

The policy is available at the Investor website page.

The role of the external auditor is to audit the financial statements of the Company in accordance with applicable auditing standards in New Zealand and to report on their findings to the Board and shareholders of the Company.

EROAD's external auditor is Aaron Woolsey from KPMG. Aaron became the engagement partner in 2020 following the completion of the audit for the 2020 financial year. Mr Woolsey has provided an independence attestation to the Board. He will attend the annual shareholder's meeting to answer questions from shareholders in relation to audits.

EROAD does not have an internal audit function. The Finance, Risk & Audit Committee pays particular attention to matters raised by the Company's auditor. It also requires the Executive Team to report periodically on areas identified as most sensitive to risk together with recommendations for improvements and changes to internal controls. Through the steps outlined under the Risk Management section, the Board ensures EROAD is reviewing, evaluating and continually improving the effectiveness of our risk management framework.

The Chief Financial Officer has a direct line of communication with the Chair of the Finance, Audit and Risk Committee and the external auditor.

**PRINCIPLE 8: SHAREHOLDER RIGHTS AND INTERESTS**

EROAD recognises the importance of providing our shareholders and the broader investment community with access to up to date, high-quality information to enable them to: monitor the Company's performance; participate in decisions required to be put to owners; and provide avenues for two-way communication between the Company, the Board and shareholders. The Shareholder Communication Policy sets out how EROAD engages with shareholders and other stakeholders to provide them with written communications, electronic communications and access to the Board, management and auditors. It is one of the corporate governance policies included at the Investor website page.

EROAD's website is an important information portal and is kept up to date with relevant information, including copies of shareholder reports, presentations and market announcements. Releases and reports are published to the website once they have been provided to and publicly released to both the NZX and ASX. The website also contains Board and management profiles together with information on EROAD's history, awards and a library of product information.

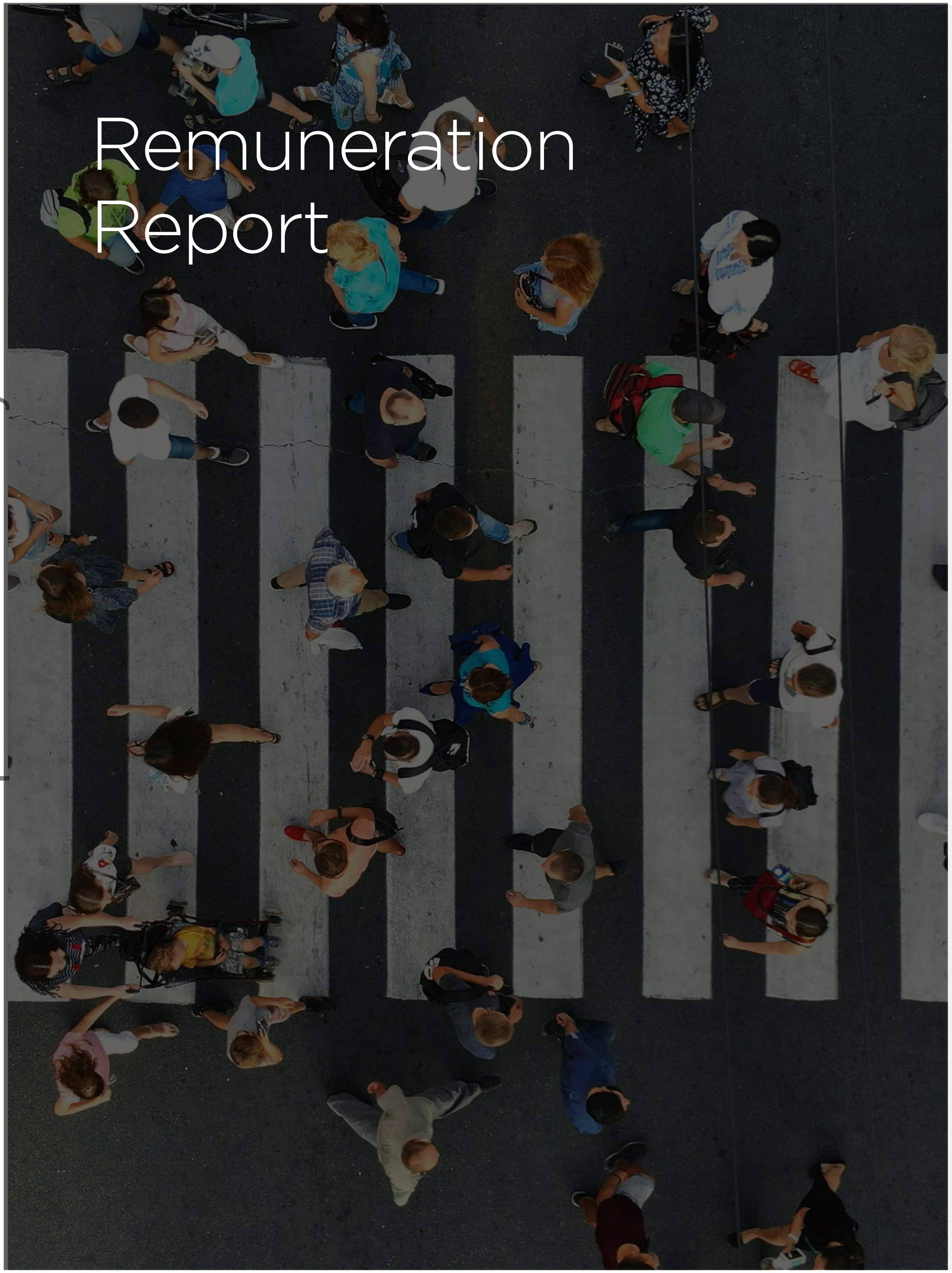
Shareholders can easily communicate with EROAD, including by way of email to the address investors@eroad.com. EROAD's major communications with shareholders during the financial year include our annual and half-year results, Annual Report, Sustainability Report and the annual meeting of shareholders. The Annual Report is available in electronic and hard-copy formats. Shareholders have the option to receive communications from EROAD electronically.

Shareholders have the right to vote on major decisions as required by the NZX Listing Rules. The Notice of Meeting is sent to shareholders and published on EROAD's website at least 20 working days prior to the annual shareholders' meeting each year (apart from last year, as explained at the start of this report). EROAD offers this meeting in a hybrid format and so also includes a Virtual Meeting Guide which sets out information to help investors understand and participate in hybrid meetings. Physical meetings will not take place if there exists a risk to public health and safety (such as with COVID-19 restrictions). In any instance where health and safety is a concern, EROAD may determine that virtual only meetings are most appropriate.

In FY23 the Company was focused on building support among our Australian investors. We engaged Citadel-MAGNUS to promote greater awareness and understanding of EROAD's strategic plan among Australian institutional and retail investors.

In FY24 the Company aims to build on existing relations to strengthen our engagement with shareholders. We hope that by increasing our transparency, disclosures and communication, we will inspire trust and confidence in our approach.

# Remuneration Report



Dear Shareholders,

Financial year 2023 marked a pivotal transformation for EROAD. We appointed a new CEO and executive team, implemented cost-cutting measures, integrated with Coretex, and undertook a strategic review focused on turning around the core of the business to target profitability and efficiency, growth in North America and becoming Free Cash Flow positive.

Since taking the helm as CEO earlier in FY23, Mark Heine has made difficult decisions that helped to refocus our efforts and position EROAD for sustainable growth. Mark's leadership has been instrumental in bringing about these changes, and EROAD has already started to see the positive effects of his vision and direction. Margaret Warrington was appointed Chief Financial Officer effective December 2022, having held the role in an acting capacity for several months prior. Margaret's passion and focus on company cash flow has played a significant role in uniting EROAD towards its financial objectives, prioritising positive Free Cash Flow as a key driver for achieving sustainable and profitable growth across all its regions. FY23 also saw several other appointments to the executive team, with Steen Anderson appointed as Chief Transformation Officer, Aaron Latimer as Chief Operations Officer and Shelley Prentice as EROAD's new Chief People Officer who have already been instrumental in implementing the company's new strategy.

We also recognise the importance of maintaining a lean and efficient organisational structure to achieve EROAD's goals, which is why we implemented a restructuring effort during FY23 to streamline our operation and reduce costs while retaining the right people and expertise. While these measures were challenging, we believe they were crucial to our long-term success and sustainability. To ensure that the company did not lose valuable employees during this period, the Board approved a Share Retention Plan for FY23 under which the company issued performance share rights to key senior employees. As we look towards FY24, we will continue to explore avenues for cost reduction while retaining our competitive edge. We will ensure that any cost-cutting measures implemented are done with due consideration and sensitivity to our employees' welfare and our long-term strategic objectives.

Integrating the EROAD and Coretex teams was another top priority in FY23, and we are proud to announce that we have successfully completed our people integration project. This marks a significant milestone in our journey towards building a unique and engaged culture. As more staff return to our regional offices, we are excited to continue building on this strong foundation and confident that our efforts will drive success in the years ahead.

**Summary of Remuneration Outcomes**

***Fixed Remuneration Outcomes***

Fixed remuneration underwent its annual review in May 2022, increasing by an average of 7.5% (compared to 7.3% in FY22), although not all employees received an increase. Senior executive remuneration increased by an average of 3.2% (compared to 3.3% in FY22).

For FY24, management implemented a freeze on all fixed remuneration for employees earning $200,000 or more in local currencies. The decision to freeze remuneration for high-earning employees was taken in light of our ongoing commitment to prudent financial management and responsible corporate behaviour. The freeze will enable us to achieve greater cost savings and allocate resources more effectively, while also ensuring that our remuneration policies remain fair, transparent and aligned with our business objectives.

Importantly, this freeze will not impact our commitment to providing competitive, performance-based remuneration for our employees recognising the continued skill shortages in the industry and increases in the cost of living impacting our employees. Therefore, EROAD's remuneration packages will be based at the appropriate level reflecting its international operations. Further, as an equal opportunity employer, EROAD is committed to closing the pay differential between male and female staff, which currently stands at 12.3%.

***Variable Remuneration Outcomes***

EROAD's FY23 STI Plan allowed for the award of cash payments to executives in November 2022 and May 2023 based on performance and outcomes. As highlighted above, EROAD's key focus this year has been on improving our cash flow and reducing costs overall within the business. As a result, for the first half of FY23 the Board determined that there would be no pay-out of the STI. For the STI outcomes in the second half of FY23, please refer to page 137 of this Remuneration Report.

In our FY22 Remuneration Report, we noted that the FY20 LTI Plan vested on 26 May 2022 with the vesting of 401,125 shares following the business achieving and exceeding its total contracted units (TCUs) targets between 1 April 2019 and 31 March 2022. EROAD's performance for this period saw it achieve growth in TCUs above the scheme's targets.

The Board's top priority during FY23 was to retain key talent during the ongoing period of change and transformation. In pursuit of this goal, EROAD issued performance share rights (PSRs) to selected senior leadership members to retain key individuals who had proven themselves as valuable assets to EROAD, and we are confident it will serve as a powerful tool for retaining top-quality talent within our organisation. Under this Plan the CEO was issued 88,983 PSRs and the CFO was issued 22,034 PSRs which vested on 6 April 2023.

During FY23, the Board offered Mark Heine an individual STI Plan in order to further incentivise and align the CEO's interests with the company's strategic objectives. The plan allowed for a one-time cash payment based on the CEO's and company's performance in FY23 against selected strategic and financial performance indicators established by the Board. The target for these strategic and financial performance indicators was successfully met reaching a total STI achievement rate of 67.7%.

**Review of EROAD's FY24 Remuneration Strategy**

While our top priority for FY23 was to retain key talent during the period of transformation, the Board's Remuneration, Talent and Nomination Committee (RTNC) has relentlessly focused on aligning our remuneration packages with the new strategic direction. We engaged Haigh & Company, an international remuneration consulting firm, to review our current framework, evaluate market trends and advise on a future-proof remuneration structure. We also sought input from multiple stakeholders throughout this review and would like to thank those who provided valuable input.

As a result of this review, RTNC is in the final stages of designing the company's remuneration strategy, which is aimed at attracting and retaining top talent globally, with a specific focus on North America as our growth market. This remuneration strategy aligns employee and shareholder interests and maintains a prudent approach to cash management. Two significant changes expected in the new remuneration strategy are:

a) the revised terms for the grant of performance share rights (PSRs) under the LTI Plan. The PSRs will be issued as part of a 3-year incentive programme that incorporates a third of the award based on relative total shareholder return (rTSR), a third on absolute performance, and a third based on 3-year tenure. The Haigh & Company review confirmed that rTSR is a common measure used by our peers and recommended adopting the technology-focused S&P ASX All Technologies Index (XTX). Also, aligning incentives with key financial metrics (i.e. revenue, free cash flow and EBIT) and tenure will be critical. The tenure component is common among our North American peers and is crucial in attracting and retaining top talent in the long term. The revised terms under the LTI Plan reflect these findings and ensure alignment with the market; and

b) transitioning from a 6-monthly to an annual cycle for STI Plan payments, which may be paid in shares instead of cash. This change is intended to better align employee interests with those of our shareholders, and we believe it will enhance overall performance and drive long-term value creation.

As the final details of the new remuneration structure are still being developed, shareholders can expect more information to be provided in due course.

**Director Remuneration**

The annual non-executive director remuneration pool was fixed at $850,000 following approval by shareholders at the 2021 Annual Shareholder Meeting. No further increase is proposed to be sought at the 2023 Annual Shareholders Meeting.

**Say On Pay Vote**

Last year, EROAD adopted the Australian Say on Pay regime required under the Australian Corporations Act (Cth) 2001 for ASX listed companies. Our FY22 Remuneration Report was approved with only 3.46% of shareholders voting against it. Moving forward, we remain dedicated to maintaining a fair and merit-based approach to incentivising and rewarding our employees, executives, and directors in alignment with our vision and strategic objectives. As we present the FY23 Remuneration Report, we are pleased to reaffirm our commitment to transparency in remuneration. A resolution will again be put to shareholders at this year's Annual Shareholders' Meeting to adopt the FY23 Remuneration Report. The outcome of the vote will be non-binding.

**Personal note**

2023 marks my final year as a Director and the Chair of EROAD's Remuneration, Talent and Nomination Committee (RTNC). I am honoured to have held the Chair position since 2014 and want to thank my fellow directors, EROAD's leadership team and the shareholders for their support during my tenure. I look forward to continuing to watch EROAD's future achievements following my retirement from the Board.

We are committed to upholding the highest standards of corporate governance that help ensure our remuneration practices are transparent and align with the interests of all our stakeholders. We welcome your feedback on this report.

**Tony Gibson**

Chair, RTNC

## STRUCTURE OF THIS REMUNERATION REPORT

This Report provides:

- a broad overview of EROAD's remuneration framework, including remuneration governance and strategy;
- key remuneration components for the CEO and CFO;
- the FY23 remuneration outcomes for EROAD's directors, CEO and CFO, as well as disclosures related to the former CEO and CFO whose employment with EROAD ceased in FY23, as detailed in the table below; and
- disclosure of the number of current and former employees whose Fixed Remuneration for FY23 was above NZ$100,000 in value.

| | Position | Country of residence | Period position was held during FY23 |
|---|---|---|---|
| **Executive** | | | |
| Mark Heine | CEO | New Zealand | Appointed 21 June 2022<br>(Interim CEO from 8 April 2022 to 20 June 2022) |
| Margaret Warrington | CFO | New Zealand | Appointed 25 November 2022<br>(effective 1 December 2022)<br>(Interim CFO from 13 May 2022 to 30 November 2022 |
| **Former Executive** | | | |
| Steven Newman | CEO | New Zealand | Ceased on 8 April 2022 |
| Alex Ball | CFO | New Zealand | Ceased on 13 May 2022 |
| **Non-executive directors** | | | |
| Graham Stuart | Chairman, Independent Director | New Zealand | Full year |
| Barry Einsig | Independent Director | United States | Full year |
| Tony Gibson | Independent Director | New Zealand | Full year<br>(Resignation announced on 21 March 2023. Tony is not up for re-election at the 2023 Annual Shareholders' Meeting.) |
| Susan Paterson | Independent Director | New Zealand | Full year |
| Sara Gifford | Independent Director | United States | Full year |
| Selwyn Pellett | Non-Executive Director<br>(Directorship status updated from Executive Director to Non-Executive Director on 24 November 2024) | New Zealand | Full year |

## REMUNERATION FRAMEWORK

EROAD's remuneration framework is an essential aspect of the company's strategy to attract, retain and motivate its employees. It is a critical tool for aligning the interests of employees with the company's goals and objectives. It consists of two key components: governance and strategy.

### Governance

EROAD's remuneration framework is overseen by the Remuneration, Talent and Nominations Committee (RTNC) on behalf of the Board.

#### *Role of RTNC*

RTNC provides recommendations to the Board with respect to companywide remuneration, benefits and policies, as well as overseeing the performance objectives, remuneration packages, succession planning and development programmes for the senior management team. The RTNC has a set of objectives that are outlined in its Charter. These objectives include overseeing and assisting with:

- director appointments, reappointments and Board composition;
- remuneration and benefits; and
- performance, development and succession planning.

The RTNC oversees the development and implementation of the overall human resources strategy, remuneration policies and practices, and financial and other reporting as it relates to remuneration. It also oversees director selection, appointment, reappointment and succession, as well as training, upskilling and induction of new directors and senior management. This involves determining the competencies required, the skills, experience and capabilities currently represented on the Board and those that would benefit the Board by being introduced.

The RTNC is responsible for the CEO appointment, terms of employment, performance monitoring, and termination if necessary.

The Committee periodically reviews its objectives and activities. Any changes in the duties and responsibilities of the Committee or the terms of its Charter are made as a recommendation to the Board. No changes were made during the year.

The RTNC has no decision-making powers except where expressly provided by the Board.

#### *RTNC Membership and Independence*

The members of the RTNC in FY23 were Tony Gibson (Committee Chair), Graham Stuart (Board Chair), Susan Paterson (FRAC Chair), Barry Einsig and Sara Gifford. The RTNC composition is consistent with the Charter requirements which are that there shall be: at least three members; the Chair shall be an Independent Director; and a majority of members shall be Independent Directors.

The secretary to the RTNC is EROAD's Chief People Officer. In FY23 this was Bridget O'Shannessey and for FY24 this will be Shelley Prentice.

#### *External and Independent Advice*

During the year the RTNC sought external and independent advice from Haigh & Company to review and make recommendations on EROAD's existing remuneration framework for both staff and executive employees for FY24 and beyond. In addition, EROAD obtained guidance on employee remuneration from Strategic Pay for Australia and New Zealand based employees and Insperity for those based in North America.

#### *No Dealing or Protection Arrangements*

All directors, employees, contractors and advisers of EROAD are subject to the company's Securities Trading Policy. In addition to this policy, these parties are expressly prohibited from entering into any arrangements designed to hedge or otherwise mitigate the economic risk of EROAD securities. It is important to note that all securities become subject to the Securities Trading Policy rules once they have vested and that prior to vesting those securities cannot be transferred or encumbered by the holders.

#### *Minimum Shareholding Requirements*

The EROAD Board encourages but does not require senior leadership team members or directors to hold shares in EROAD.

#### *Variation of Terms*

The Board may from time to time vary any terms of a Participant's participation in the STI Plan or LTI Plan, with the agreement of the participant.

**Remuneration Strategy**

At EROAD, we believe that our employees are our most important asset. We have, therefore, developed a remuneration strategy that is designed to align with our purpose and values. We have also developed a set of principles that guide our strategy, in order to ensure that our remuneration practices are consistent with our company culture, values, and business strategy.

***EROAD's Purpose and Values***

Over the years, EROAD has strived to create safer and more sustainable roads, which was our legacy purpose. However, in FY24 we recognised the need to evolve and adapt to better serve the needs of our customers and society as a whole. This evolution was also prompted by our merger with Coretex, which opened up new possibilities and opportunities for us to expand our offerings and broaden our impact. As such, we have embraced a new purpose that reflects our commitment to deliver intelligence you can trust, for a better world tomorrow. This purpose underscores our dedication to providing reliable and trustworthy intelligence to help our clients make informed decisions that positively impact the world. By adopting this purpose, we are positioning ourselves as a leader in the field of data-driven decision-making and sustainability. We believe that this approach will help us differentiate ourselves from competitors and better serve our customers and stakeholders.

Our purpose is underpinned by four values that reflect our commitment to delivering the best outcomes for EROAD, our team, our customers, shareholders and wider stakeholders:

| | |
|---|---|
| **We do what's right** (Our people/customers) | We put **customers** at the heart of what we do.<br>We look after our people and put their **safety & wellbeing** first.<br>We focus on delivering **quality** outcomes. |
| **We play as a team** (Teamwork/belonging) | We all play for the same team and that includes our **customers and partners.**<br>We value & respect diverse opinions and we work **together** to overcome challenges.<br>We embrace our differences and **celebrate** what makes us unique. |
| **We learn & grow** (Mindset/innovation) | We listen to **learn**.<br>We own & learn from mistakes, choosing to hold a **growth mindset.**<br>We believe that curiosity fuels successful **innovation**. |
| **We get it done** (Delivery/accountability) | We **do** what we say we will.<br>We **prioritise** to deliver the most important outcomes.<br>We take **ownership** and work together to get to a solution. |

With respect to EROAD's senior leaders, where the Board deems that the achievement of objectives has not aligned with EROAD's purpose and values, or an executive is not leading their teams as required by EROAD, their values multiplier under the applicable STI Plan will be less than 100%. STI Plan payments are always at the discretion of the Board and receipt of an STI Plan payment is not guaranteed, even where performance criteria have been met.

***Remuneration Key Principles and Risk Adjustment***

EROAD seeks to attract and retain high-performing people who deliver EROAD's vision and strategies in accordance with its values. The remuneration framework and structure are designed to attract, motivate and retain top tier talent, which is achieved through an approach that embodies the following principles:

Incentivising appropriate risk-taking and risk management also underpins our remuneration principles and framework. This approach is demonstrated in several ways:

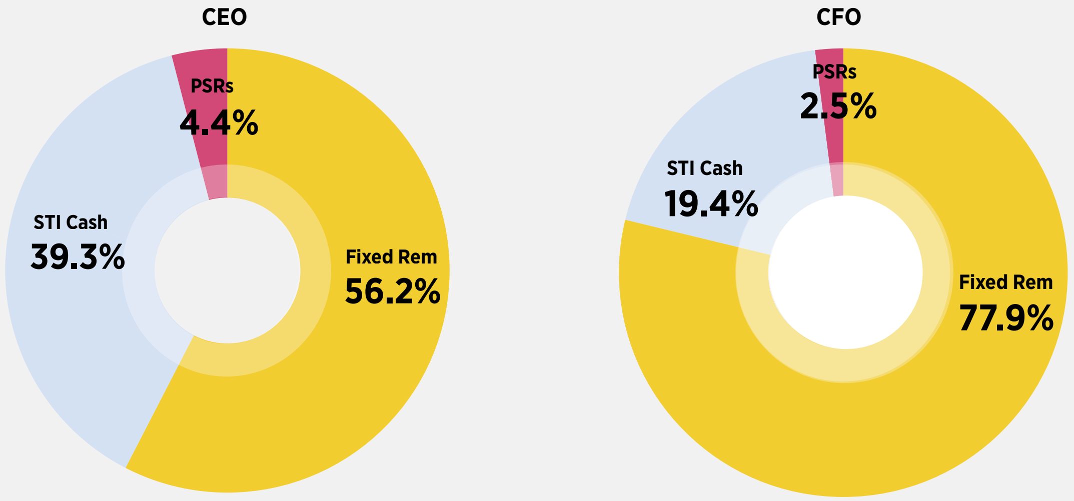
- The RTNC has discretion to adjust Variable Remuneration for STI Plan awards based on EROAD's financial performance and individual behaviour, including adherence to the Code of Conduct and risk appetite;
- The RTNC can also increase or decrease vesting outcomes, including by reducing vesting to zero, based on a principles-based approach to non-financial risk. RTNC receives advice from the Chair of the Finance, Risk and Audit Committee, the Chief People Officer and the General Counsel and Company Secretary when deciding whether to exercise discretion to adjust any year end remuneration outcomes;
- The Board retains sole discretion to issue shares relating to the performance share rights granted to employees upon cessation of employment.

| Principle | Description |
|---|---|
| **Alignment** | EROAD aims to ensure that a significant portion of the senior leadership's team remuneration is contingent on EROAD meeting its financial and strategic objectives, and the individual acting in accordance with EROAD's values |
| **Balance** | Market competitive fixed remuneration is balanced with affordability |
| **Flexibility** | EROAD's STI Plan and LTI Plan performance measures provide flexibility for EROAD to recognise and reward individuals for outstanding contribution |
| **Fairness** | EROAD's remuneration structure ensures there is a direct link between performance and pay |
| **Transparency** | There are no complicated performance measures that require extensive explanation. The remuneration structure is clear, transparent, consistent, easy to understand and simple to administer |
| **Competitiveness** | EROAD's remuneration structure helps attract, motivate and retain directors and executives who contribute to EROAD's business outcomes |

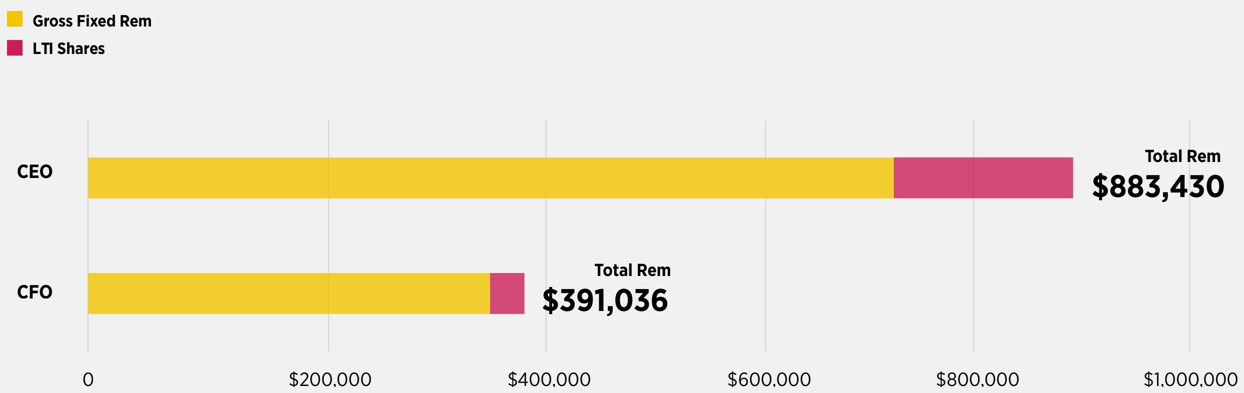
## CEO AND CFO REMUNERATION STRUCTURE AND OUTCOMES

### Remuneration mix

The CEO and CFO's target remuneration* mix for FY23 is as follows:




The graph below represents the realised remuneration** outcomes for EROAD's CEO and CFO for FY23:




Fixed Remuneration is based on the total value of remuneration paid to Mark Heine and Margaret Warrington in FY23 while they were in both the acting and permanent CEO and CFO roles.

LTI Shares indicate the value of the shares vested to the CEO and CFO under the FY20 LTI Plan.

* Target remuneration is the achievable remuneration provided the performance criteria are met.

** Realised remuneration is the actual amount received

### CEO Remuneration Summary

The CEO remuneration outcomes for the last 5 years are as follows:

| | Name | Fixed Remuneration Outcomes | Variable Remuneration Outcomes | | | Total Remuneration Outcomes |
|---|---|---|---|---|---|---|
| | | Gross Fixed Remuneration[1] | Cash STI paid | Value of LTI shares vested[2] | Total Value of Variable Rem | |
| FY19 | Steven Newman | $567,120 | - | - | - | $567,120 |
| FY20 | Steven Newman | $603,796 | $213,048 | - | $213,048 | $816,844 |
| FY21 | Steven Newman | $603,044 | $133,902 | - | $133,902 | $736,946 |
| FY22 | Steven Newman | $677,618 | $115,819 | $394,658 | $510,477 | $1,188,095 |
| FY23 | Steven Newman[3] | $435,843 | - | $351,480 | $351,480 | $787,323 |
| FY23 | Mark Heine (as Acting CEO)[4] | $147,369 | - | $160,846 | $160,846 | $308,215 |
| FY23 | Mark Heine (as permanent CEO)[5] | $575,215 | - | - | - | $575,215 |

[1] Gross Fixed Remuneration includes base salary payments and other benefits such as Kiwisaver contribution paid at 3%, annual leave entitlements, backpay due to pay increases and additional allowances e.g. 'higher duties allowance'.

[2] All LTI awards are paid out as ordinary shares. The values set out are the total value of the shares vested according to the share price on the date the shares vested.

[3] Mr Newman resigned as CEO on 8 April 2022. Disclosures are made for his remuneration from 1 to 8 April 2022. Gross Fixed Remuneration includes holiday pay.

[4] Mr Heine stepped into the acting CEO role effective 8 April 2022 to 20 June 2022. Disclosures are made for his remuneration in the acting role between 8 April 2022 to 20 June 2022.

[5] Mr Heine was appointed permanent CEO on 21 June 2022. Disclosures are made for his remuneration from 21 June 2022 to 31 March 2023. This table does not include the Share Retention Plan PSRs that vested on 6 April 2023. These are outlined on page 139 of this report.

### CFO Remuneration Summary

The CFO remuneration outcomes for the last 5 years are as follows:

| | Name | Fixed Remuneration Outcomes | Variable Remuneration Outcomes | | | Total Remuneration Outcomes |
|---|---|---|---|---|---|---|
| | | Gross Fixed Remuneration[1] | Cash STI paid | Value of LTI shares vested[2] | Total Value of Variable Rem | |
| **FY19** | Alex Ball | $89,610 | - | - | - | $89,610 |
| **FY20** | Alex Ball | $405,105 | $49,725 | - | $49,725 | $454,830 |
| **FY21** | Alex Ball | $412,822 | $78,598 | - | $78,598 | $491,420 |
| **FY22** | Alex Ball | $424,931 | $66,880 | - | $66,880 | $491,811 |
| **FY23** | Alex Ball[3] | $125,456[4] | $199,769 | $290,421 | $490,190 | $615,646 |
| **FY23** | Margaret Warrington (as Acting CFO)[5] | $216,300 | - | $30,061 | $30,061 | $246,361 |
| **FY23** | Margaret Warrington (as permanent CFO)[6] | $144,675 | - | - | - | $144,675 |

[1] Gross Fixed Remuneration includes base salary payments and other benefits such as Kiwisaver contribution paid at 3%, annual leave entitlements, backpay due to pay increases and additional allowances eg. "higher duties allowance".

[2] All LTI awards are paid out as ordinary shares. The values set out are the total value of the shares vested according to the share price on the date the shares vested.

[3] Following Mr Ball's resignation announcement on 17 February 2022, he remained as CFO until May 2022. Disclosures are made for his remuneration between 1 April to 13 May 2022.

[4] Includdes holiday pay

[5] Ms Warrington stepped into the Acting CFO role following Mr Ball's departure. Disclosures are made for her remuneration in the acting role between 1 3 May 2022 to 30 November 2022. This table does not include the Share Retention Plan PSRs that vested on 6 April 2023. These are outlined on page 139 of this report.

[6] Ms Warrington was appointed permanent CFO, effective from 1 December 2022. Disclosures are made for her remuneration from 1 December 2022 to 31 March 2023.

### Total Fixed Remuneration

Total Fixed Remuneration is the combination of base salary and benefits. This is benchmarked against a group of comparable companies, with the median level of pay being used as the basis. For executive and senior leadership team roles, pay ranges are established based on a peer group of companies with similar sales revenue and market capitalisation in the same location as the role. This approach allows us to implement a non-discriminatory pay structure that offers equal pay for equal work value across all employees at EROAD. Contractual and discretionary benefits vary between regions. Executives and the CEO must participate in periodic performance reviews measuring their achievement against operational and strategic objectives. The results of the performance review forms the basis of any remuneration review.

The outcome of the FY23 remuneration benchmarking review highlighted that fixed remuneration for the CEO and CFO was slightly lower than the median of our peer group. As a result of the review, the following changes were made, bringing both the CEO's and CFO's fixed remuneration closer to the median of the peer group:

- The new CEO's base salary was set at $700,000 (compared to $677,618 of the previous CEO), effective 21 June 2022.
- The new CFO's base salary was set at $420,000 (compared to $410,606 of the previous CFO), effective 1 December 2022.

### Short Term Incentive

STI is a variable component of remuneration designed to motivate, encourage and reward right behaviours near-term. In FY23, EROAD's STI Plan was structured to link cash incentives to achievement of specific annual performance targets, with the amount based on a percentage of the participant's fixed base salary. The RTNC reviews and approves executive and key senior role objectives, promoting alignment between shareholder value creation and employee rewards. STI Plan entitlements for FY23 were based on 6-month performance periods (commencing 1 April and 1 October each year), aligned to investor cycles and outcomes. STI Plan entitlements are determined by group performance against shared team goals. The annual review of STI Plan objectives takes into account group, business unit and individual executive performance. All STI payment is at the discretion of the Board. Entitlement is not guaranteed even where performance criteria have been met.

In FY23, the CEO was under his own separate STI Plan. Since the CEO was newly appointed to the role, the Board wanted to ensure that his performance was evaluated separately from the rest of the executive team. This was done to align his incentives with the specific financial goals he was tasked with achieving. While the CEO was under a separate plan, it was still designed to promote alignment between shareholder value creation and employee rewards, with incentives linked to specific annual performance targets.

The CEO STI and FY23 STI Plans are described in detail in the following tables:

| Element | Details | |
|---|---|---|
| | **CEO STI** | **FY23 STI Plan** |
| Purpose | Reward and retain the CEO for FY23 in order to deliver on FY23 goals. Drive longer-term performance, align incentives of the CEO with the interests of EROAD's shareholders and encourage longer term decision-making by CEO. | Rewards achievement of Board-set annual performance targets creating alignment between shareholder value creation and employee reward. |
| Target opportunity | Cash payment of up to 70% of base salary. | Cash payment of up to 25% of base salary. |
| Performance and pay out leverage | Financial:<br>• Reported Revenue: Minimum opportunity of 20% for Reported Revenue above $150,000,000. Maximum opportunity of 100% for Revenue greater than $170,000,000.<br>• Normalised EBIT: Minimum opportunity of 20% for EBIT above ($5,000,000). Maximum opportunity 100% for any positive EBIT.<br>Strategic:<br>Completion of the Strategic Review: Minimum opportunity of 100% pay out upon Board's approval of the new Strategy. | **Performance Level** / **Performance as % Target** / **Award as % Target**<br>Threshold: 75% / 50%<br>Ratable Straight Line Basis<br>Target: 100% / 100%<br>Ratable Straight Line Basis<br>Overachievement: 150% / 150%<br>< Award capped at 150% even if performance exceeds 150% |
| Performance period | Full financial year 1 April 2022 to 31 March 2023 | 6-month periods commencing 1 April and 1 October each year. |
| Objectives | ***Financial:*** 60% based on EROAD's performance against the metrics of **Reported Revenue** (30%) and **Normalised EBIT** (30%).<br>***Non-Financial:*** 40% based on achievement of selected strategic objectives, namely **completion of the company Strategic Review approved by the Board**.<br>Each objective has a specific target and stretch level of performance, as described under the "Performance and pay out leverage" section above. | ***Financial:*** 40% based on EROAD's performance against the metrics of **Normalised EBITDA, Customer Lifetime Value and Free Cash Flow.**<br>***Non-Financial:*** 60% based on achievement of **strategic initiatives such as customer retention and customer NPS, future-focused development and operational excellence performance measures** in accordance with EROAD's annual business plan.<br>Each objective has a specific target and stretch level of performance, as described under the "Performance and pay out leverage" section above. |
| Objectives set | Following completion of financial year budgets. | |

| Element | Details | |
|---|---|---|
| Performance evaluation | The RTNC reviews the CEO's performance and makes a recommendation to the Board.<br>The Board will, in its sole discretion, assess whether the performance targets have been met within 90 days of the end of FY23. | The CEO reviews executive performance and makes a payment recommendation to the RTNC.<br>H1 FY23 performance was reviewed and outcomes determined in November 2023. H2 FY23 outcomes were determined in May 2023. |
| STI payment | The Board will, in its sole discretion, determine whether to pay a STI payment and, if so, what amount to pay, within 90 days of the end of FY23. | The FY23 STI Plan stipulates that payments, if any, are made on a six-monthly basis upon determination of the STI Plan payment by the RTNC for the CEO and by the CEO for the CFO and senior executives. However, such payments are subject to the Board's approval and at its sole discretion. |

CEO STI Plan and FY23 STI Plan outcomes for FY23 are as follows:

**CEO STI PLAN OUTCOMES**

| | Metric | Weighting | Total achievement | Pay out |
|---|---|---|---|---|
| FY23 | Financial* | 60% | 27.6% | Target opportunity 70% of CEO base salary |
| | Non financial – general** | 40% | 40% | |
| | Total STI Plan pay-out H1 FY23 | | 67.6% | 67.6% of the total STI target opportunity |

*Financial metric includes Normalised EBIT and Reported Revenue

**Non-financial metric includes completion of the company Strategic Review approved by the Board

**FY23 STI PLAN OUTCOMES**

| | Metric | Weighting | Total achievement | Pay out |
|---|---|---|---|---|
| H1 FY23 | Financial* | 40% | 0% | 0% |
| | Non financial – general** | 60% | 0% | 0% |
| | Total STI Plan pay-out H1 FY23 | | | 0% |
| H2 FY23 | Financial* | 40% | 38% | 75% achievement = 50% pay-out plus linear % movement up to 100% |
| | Non-financial- general** | 60% | 41% | |
| | Total STI Plan pay-out H2 FY23 | | 79% | 57% |

*Financial metric includes EBITDA, Customer Lifetime Value and Free Cashflow performance measures

**Non-financial metric includes strategic initiatives, future-focused development and operational excellence performance measures

**Long Term Incentive**

EROAD's LTI Plan is designed to motivate and retain key executive and senior employees who can influence the company's performance by offering performance-based incentives that align with EROAD's strategic objectives and long-term value creation. The Board retains discretion over the terms of a participant's participation in the plan (with the agreement of the participant) or to amend the plan rules or grant if it considers the interests of the participants are not materially affected.

As reported in last year's Remuneration Report, the FY20 LTI Plan performance metrics were exceeded as with the growth of total contracted units surpassing the 100% threshold target of 206,563 units by an additional 574 units. 101% of the performance share rights granted to the participants vested on 26 May 2022 with the issue of 401,125 shares.

| | CEO | CFO |
|---|---|---|
| Shares vested in FY23 for FY20 LTI plan | 55,464 | 10,263 |

EROAD did not operate a LTI Plan in FY23 and is intending to implement a new LTI Plan commencing FY24.

**Share Retention Plan**

EROAD recognised that the retention of valuable employees was more critical than ever as we underwent a period of significant change within the company. As such, during FY23, EROAD operated a Share Retention Plan under which invited participants were granted performance share rights which entitled them to receive EROAD ordinary shares should they remain employed by EROAD on a particular date. The Plan's primary purpose was to incentivise key employees to stay on board and contribute to EROAD's success during the transformation phase. Grants under this Plan were exclusive to FY23, no further grants are intended under the Plan in FY24.

Following the end of FY23 and upon participants having met the retention metrics under the Plan, a total of 290,672 performance share rights vested in favour of the participants on 6 April 2023.

The FY23 Share Retention Plan details for the CEO and CFO are outlined in the following table:

**FY23 Share Retention Plan**

| Element | Details |
|---|---|
| Purpose | Reward and retain key EROAD executives and senior leadership members for FY23 in order to deliver on FY23 goals, drive longer-term performance, align incentives of the Plan participants with the interests of EROAD's shareholders and encourage longer term decision-making by Plan participants. |
| Issue Date | 13 October 2022 for the CEO and 28 July 2022 for the CFO |
| Vesting date | 31 March 2023 |
| Opportunity | CEO: 88,983 PSRs*<br>CFO: 22,034 PSRs*<br>The total number of share rights issued was calculated at a value of 30% of the CEO base salary and 20% of the CFO base salary, using the five day Volume Weighted Average Price (VWAP) of EROAD shares prior to the Issue Date (NZ$2.36 per share). |
| Mechanism | Share rights are issued for nil consideration to Plan participants. Share rights convert to shares for nil consideration if the employee remains employed by EROAD on the Vesting Date. Share rights do not attract dividends or other distributions and cannot vote. On exercise by the Board, each share right converts to one fully paid ordinary EROAD Limited share ranking equally with all other EROAD Limited ordinary shares. |
| Retention Period | 28 July 2022 to 31 March 2023 for the CFO<br>13 October 2022 to 31 March 2023 for the CEO |
| Retention Metric | Participant remains an employee of EROAD until the Vesting Date and has not been subject to any disciplinary action or performance management process during the Performance Period. |
| Cessation of employment | Participant loses their entitlement to the shares and share rights will lapse. The Board retains discretion to issue some or all shares following cessation of employment, subject to such conditions as the Board sees fit. |
| Rights issue, bonus issue, reconstruction, takeover | Entitlements will be adjusted so as not to prejudice participants' entitlements. The Board has broad discretion to determine the appropriate treatment of vested and unvested share rights on a change of control. |

* Vested on 6 April 2023

### CEO and CFO Shareholdings

| Ordinary Shares | Balance at 1 April 2022 | FY20 LTI shares vested (after tax) | Balance at 31 March 2023 |
|---|---|---|---|
| Mark Heine | 67,252 | 33,833 | 101,085 |
| Margaret Warrington | 1,291 | 6,323 | 7,614 |

### CEO and CFO employment conditions

| Item | Details |
|---|---|
| Basis of contract | Ongoing (no fixed term) |
| Notice period | CEO: 6 months by either party<br>CFO: 3 months by either party |
| Termination payment entitlements | CFO: Standard legal entitlements apply including payment of holiday pay. For no fault termination, the CEO will receive a severance payment equivalent to 6 months base salary and STI entitlements may be paid out at the Board discretion.<br>CFO: Standard legal entitlements only. |
| Base salary | Subject to annual review (but no adjustments to base salary are guaranteed) |





## DIRECTOR REMUNERATION

The RTNC is responsible for establishing and monitoring remuneration policies and guidelines for directors which enable EROAD to attract, motivate and retain a high calibre of directors who will contribute to the successful governing of EROAD and create value for shareholders.

When determining the fees for non-executive directors and Chairs of the Board and our committees, the Board considers the need to maintain appropriately experienced and qualified directors in accordance the fee levels for comparable listed companies in New Zealand, Australia and United States.

In 2021, the total non-executive director remuneration pool was fixed at $850,000, this has not changed in FY23. Under the company Remuneration Policy, non-executive directors do not receive any performance-based remuneration and no retirement payments are made to directors or executive employees for their service.

Annual fees payable for FY23 to non-executive directors are as follows:

| Country of residence | Chair | Director* | Finance, Risk and Audit Committee Chair** | Remuneration, Talent and Nomination Committee Chair** | Technology Committee Chair** |
|---|---|---|---|---|---|
| New Zealand ($NZD) | 150,000 | 95,000 | 15,000 | 12,000 | |
| Australia ($AUD) | | 95,000 | | | |
| United States ($USD) | | 96,000 | | | 12,000 |

*EROAD's Remuneration Policy allows for additional payments to be made to directors for specific projects they are involved in, including chairing committees.

**EROAD does not pay committee members additional fees for their roles on such committees.

EROAD does not intend to increase the base fees for directors over the next year without shareholder approval.

A special annual pool is reserved to provide flexibility for the remuneration of non-executive directors who assume additional responsibilities throughout the year, such as attending ad hoc Board committees or performing additional services for EROAD. This pool is capped at 10% of the total remuneration pool available for use for directors' fees. As the current total remuneration pool is $850,000, no more than $85,000 will be reserved for the special annual fee pool. No special fees were paid in FY23.

Non-executive directors received the following directors' fees from EROAD in the year ended 31 March 2023. All fees are in NZD unless otherwise indicated:

Non-executive directors do not take a portion of their remuneration under a share plan. Ownership of EROAD shares by Directors is encouraged rather than a requirement. When Directors are acquiring shares they are encouraged to buy on-market. Their ownership interests are disclosed in the "Directors' Shareholdings" section of this report.

Non-executive directors are entitled to be reimbursed for reasonable costs directly associated with attending the Board meetings. Executive directors do not receive remuneration for their role as a director of EROAD. EROAD does not currently have any executive directors.

No EROAD director or employee receives or retains any remuneration or other benefits in their capacity as a director of that subsidiary.

| | Base fee | Fee for Finance, Risk and Audit Committee Chair | Fee for Remuneration, Nomination Talent and Committee Chair | Fee for Technology Committee Chair | Total remuneration received for FY23 |
|---|---|---|---|---|---|
| Graham Stuart | $150,000 (Board Chairman | - | - | | $150,000 |
| Barry Einsig | USD$96,000 | - | - | USD $7,000*** | USD$103,000 |
| Anthony Gibson * | $95,000 | - | $12,000 | - | $107,000 |
| Susan Paterson | $95,000 | $15,000 | - | - | $110,000 |
| Selwyn Pellett** | $95,000 | - | - | - | $95,000** |
| Sara Gifford | USD$96,000 | - | - | - | USD$96,000 |

* Tony Gibson is not up for re-election at the 2023 Annual Shareholders' Meeting.

** Selwyn Pellett was classified as a non-executive director from 24 November 2022.

*** The Technology Committee was established September 2022 therefore Barry Einsig's fees were prorated.

## EMPLOYEE REMUNERATION

The following table sets out the number of current and former employees whose Base Salary for FY23 were above NZ$100,000 in value.

EROAD has employees in New Zealand, the United States and Australia with remuneration market levels which differ between the three countries. Of EROAD's 344 employees noted in the table below who received remuneration and other benefits that exceed NZ $100,000 in value, 90 (26%) are employed by EROAD in the United States of America, 16 (5%) in Australia and 238 (69%) in New Zealand.
The overseas remuneration amounts in US dollars and Australian dollars are converted into New Zealand dollars.

| NZ$ | Total |
|---|---|
| 100,000 - 110,000 | 44 |
| 110,000 - 120,000 | 41 |
| 120,000 - 130,000 | 48 |
| 130,000 - 140,000 | 39 |
| 140,000 - 150,000 | 37 |
| 150,000 - 160,000 | 18 |
| 160,000 - 170,000 | 21 |
| 170,000 - 180,000 | 15 |
| 180,000 - 190,000 | 6 |
| 190,000 - 200,000 | 11 |
| 200,000 - 210,000 | 9 |
| 210,000 - 220,000 | 7 |
| 220,000 - 230,000 | 4 |
| 230,000 - 240,000 | 3 |
| 240,000 - 250,000 | 10 |
| 250,000 - 260,000 | 5 |
| 260,000 - 270,000 | 1 |
| 270,000 - 280,000 | 3 |
| 280,000 - 290,000 | 3 |
| 320,000 - 330,000 | 2 |
| 350,000 - 360,000 | 2 |
| 360,000 - 370,000 | 1 |
| 370,000 - 380,000 | 2 |
| 380,000 - 390,000 | 3 |
| 390,000 - 400,000 | 3 |
| 400,000 - 410,000 | 1 |
| 410,000 - 420,000 | 2 |
| 640,000 – 650,000 | 2 |
| 690,000 – 700,000 | 1 |
| **Total** | **344** |

# Regulatory disclosures

## DIRECTORS

The persons who held office as directors of EROAD Limited at any time during the year ended 31 March 2023, are as follows:

| | |
|---|---|
| Graham Stuart | Chairman, Non-Executive, Independent |
| Anthony Gibson | Non-Executive, Independent |
| Susan Paterson | Non-Executive, Independent |
| Barry Einsig | Non-Executive, Independent |
| Selwyn Pellett | Non-Executive Director |
| Sara Gifford | Non-Executive, Independent |

## SUBSIDIARY COMPANY DIRECTORS

The persons who held office as directors of EROAD Limited's subsidiaries at any time during the year ended 31 March 2023.

| | |
|---|---|
| EROAD Financial Services Limited (New Zealand) | Anthony Gibson |
| EROAD Australia Pty Limited (Australia) | Konrad Stempniak, Margaret Warrington |
| EROAD Inc. (USA) | Mark Heine, Margaret Warrington, Akinyemi Koyi, Tracey Herman |
| EROAD LTI Trustee Limited | Anthony Gibson |

## INTERESTS REGISTER

In accordance with Section 140(2) of the Companies Act, the directors named below have made a general disclosure of interest by a general notice disclosed to the Board and entered in the Company's interests register. General notices given by directors which remain current as at 31 March 2023 are as follows:

**Graham Stuart**

| | |
|---|---|
| Director | Tower Insurance Limited |
| Director and Shareholder | Leroy Holdings Limited |
| Director | VinPro Limited |
| Director | Northwest Healthcare Properties Management Limited (Northwest manages the Vital Healthcare Property Trust) |
| Director | Metro Performance Glass Limited |
| Consultant | FTP Solutions Pty Limited |
| Director | H4G Limited |

**Anthony Gibson**

| | |
|---|---|
| Director | Inspicere Limited |
| Director and Share-holder | AMG Consulting Limited |
| Director | Marsden Maritime Holdings Limited |
| Managing Director/ CEO | Vehicle Inspection New Zealand |

**Susan Paterson**

| | |
|---|---|
| Director | Arvida Group Limited |
| Director | Les Mills Holdings Limited |
| Director (Chair) | Steel & Tube Holdings Limited |
| Director and Shareholder | Theta Systems Limited |
| Board Member | Lodestone Energy |
| Leadership Group Member | The Aotearoa Circle, Low Carbon Aotearoa Workstream |
| Director | Reserve Bank of New Zealand |
| Director (Chair) | Evolution Healthcare |

**Barry Einsig**

| | |
|---|---|
| Senior Manager/ Consultant and Shareholder | Econolite |
| Principal | CAVita LLC |
| Founder | Barry C. Einsig Advisory Services LLC |

**Sara Gifford**

| | |
|---|---|
| Director and Shareholder | Spiro |
| Co-Founder, Director and Shareholder | Activote |

**Selwyn Pellett**

| | |
|---|---|
| Director and Shareholder | PACE Limited |
| Director and Shareholder | Storm Distribution Limited |
| Director and Shareholder | Swaytech Limited |
| Shareholder | Contex Engineers Limited |
| Director and Shareholder | Streamline Business NZ Limited |
| Director and Shareholder | Streamline Business Group Limited |
| Director and Shareholder | KTX Limited |
| Director and Shareholder | AIGA Limited |
| Director and Shareholder | Swayevents Limited |
| Director | Acume Limited |
| Director | Ripple 4 Charities Limited |
| Director | Admin Army Limited |
| Director and Shareholder | Reyburn Investments Limited |

## SHARE DEALINGS BY DIRECTORS

In accordance with Section 148(2) of the Companies Act, the Board has received disclosures from the directors named below of acquisitions or dispositions of relevant interests in the Company between 1 April 2022 and 31 March 2023, and details of those dealings were entered in the Company's interests register. The particulars of such disclosures are:

**Selwyn Pellett**

1. Acquired a total of 236,710 ordinary shares at $2.45 per share. The transactions took place on 31/05/2022, 03/06/2022 and 07/06/2022.
2. Was issued a total of 252,687 ordinary shares at $6.00 per share in partial satisfaction of the contingent consideration for the acquisition of Coretex. The issue took place on 38/12/2022.

**Graham Stuart**

3. Acquired 35,000 ordinary shares at $1.50 per share on 30/06/2022.

## USE OF COMPANY INFORMATION

There were no notices from directors of the Company requesting to use Company information received in their capacity as directors that would not otherwise have been available to them.

## DIRECTORS' AND OFFICERS' INSURANCE AND INDEMNITY

EROAD has arranged, as provided for under the Company's constitution, policies of directors' and officers' liability insurance which, with a Deed of Indemnity entered into with all directors, ensures that generally directors will incur no monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example, the incurring of penalties and fines that may be imposed in respect of breaches of the law.

## DIRECTORS' RELEVANT INTERESTS

The following directors held relevant interests in the following ordinary shares in the Company as at 31 March 2023:

| Name | Ordinary shares |
|---|---|
| Graham Stuart | 105,000 |
| Anthony Gibson | 616,662 |
| Susan Paterson | 16,561 |
| Selwyn Pellett | 2,325,203 |

## ANNUAL SHAREHOLDERS' MEETING

Once the date, time, and location of the ASM are determined, the company will inform shareholders accordingly.

# Shareholder information

## DISTRIBUTION OF SHAREHOLDERS AND HOLDINGS

| Holding Range | Number of holders | % | Number of ordinary shares | % |
|---|---|---|---|---|
| 1 to 999 | 1,548 | 37 | 610,206 | 0.55 |
| 1,000 to 4,999 | 1,475 | 35 | 3,375,109 | 3.00 |
| 5,000 to 9,999 | 472 | 11 | 3,157,305 | 2.80 |
| 10,000 to 49,999 | 543 | 13 | 11,133,464 | 9.89 |
| 50,000 to 99,999 | 71 | 2 | 4,672,277 | 4.15 |
| 100,000 and over | 88 | 2 | 89,624,551 | 78.61 |
| **Total** | **4,197** | **100** | **112,572,912** | **100.00** |

The details set out above were as at 31 March 2023. The Company only has one class of shares on issue, ordinary shares, and these shares are quoted on the NZX and ASX Main Boards.

## SUBSTANTIAL PRODUCT HOLDERS

According to notices given under the Financial Markets Conduct Act 2013, the substantial product holders in ordinary shares (being the only class of quoted voting products) of the Company and their relevant interests according to the substantial product holder file as at 31 March 2023, were as follows:

| Substantial product holder | Date of Notice | Number of shares | % of shares on issue at 31 March 2023 |
|---|---|---|---|
| Steven Newman (includes NMC Trustees Limited's relevant interest)* | 05/08/2021 | 13,689,970 | 12.15% |
| National Nominees Ltd ACF Australian Ethical Investment Limited | 23/05/2022 | 9,257,841 | 8.22% |
| Commonwealth Bank of Australia | 09/01/2023 | 7,544,469 | 6.70% |
| Mitsubishi UFJ Financial Group, Inc., First Sentier Investors (Australia) IM Ltd, First Sentier Investors Realindex Pty Ltd | 13/04/2022 | 7,359,597 | 6.53% |
| Colonial First State Investments Limited | 28/07/2022 | 7,334,835 | 6.51% |

* Number of shares held reflects ongoing disclosure notice provided by Steven Newman on 27 May 2022 following the issue of ordinary shares pursuant to EROAD's Long Term Incentive Plan.

The total number of ordinary shares (being the only class of quoted voting products) on issue in the Company as at 31 March 2023 was 112,628,412.

## PRINCIPAL SHAREHOLDERS

The names and holdings of the 20 largest registered shareholders in the Company as at 31 March 2023 were:

| Holder Name | Shares | % |
|---|---|---|
| NMC Trustees Limited | 13,512,942 | 12.59 |
| National Nominees Limited - NZCSD | 7,995,819 | 7.45 |
| Citicorp Nominees Pty Limited | 7,544,015 | 7.03 |
| FNZ Custodians Limited | 6,333,375 | 5.90 |
| HSBC Custody Nominees (Australia) Limited | 5,801,308 | 5.40 |
| Accident Compensation Corporation - NZCSD | 5,217,291 | 4.86 |
| National Nominees Limited | 3,029,482 | 2.82 |
| New Zealand Central Depository Nominee Limited | 2,420,597 | 2.25 |
| BNP Paribas Nominees (NZ) Limited | 1,834,038 | 1.71 |
| Public Trust - NZCSD | 1,800,000 | 1.67 |
| John Grant Sinclair | 1,582,861 | 1.47 |
| J E & A L Marris Trustees Limited | 1,535,751 | 1.43 |
| Custodial Services Limited | 1,482,562 | 1.38 |
| BNP Paribas Noms Pty Ltd | 1,380,000 | 1.28 |
| HSBC Nominees (New Zealand) Limited - NZCSD | 1,361,431 | 1.26 |
| Selwyn Pellett & Tracey Herman | 1,354,163 | 1.26 |
| Movac Fund 4 Custodial Limited | 1,257,679 | 1.17 |
| JBWERE (NZ) Nominees Limited | 1,171,119 | 1.09 |
| JP Morgan Nominees Australia Limited | 881,597 | 0.82 |
| Jarden Securities Limited - NZCSD | 800,000 | 0.74 |

# Other information

**NZX WAIVERS**

No waivers were granted in FY23.

**DISCIPLINARY ACTION TAKEN BY THE NZX**

The NZX has not taken any disciplinary action against the Company during the year ended 31 March 2023.

**AUDITOR'S FEES**

KPMG has continued to act as auditor of EROAD and our subsidiaries. The amount payable by EROAD and our subsidiaries to KPMG as audit fees during the year ended 31 March 2023 was $0.5m The amount of fees payable to KPMG for non-audit work during the year ended 31 March 2023 was $0.4m. Note 5 in the Financial Statements section of this Annual Report includes a detailed breakdown of auditor's fees for audit and non-audit work.

**DONATIONS**

EROAD does not make any political donations.
We did make donations to organisations including the Red Cross, HUHA, SPCA, Brake and St Johns Ambulance through our subsidiaries totalling $5,000 during the year ended 31 March 2023..

**CREDIT RATING**

EROAD does not currently have a credit rating.



# Directory

## Registered Office in New Zealand

Level 3, 260 Oteha Valley Road,
Albany, Auckland, New Zealand

## Registered Office in North America

15110 Avenue of Science,
Suite 100, San Diego,
United States of America 92128

## Registered Office in Australia

Level 36, Tower 2 Collins Square
727 Collins Street, Docklands,
VIC 3008, Australia

## Investor Relations and Sustainability Enquires

Address: EROAD Limited,
PO Box 305 394 Triton Plaza,
North Shore,
Auckland
Email: investors@eroad.com
Telephone: 0800 437 623

## Managing your Shareholding Online

Changes in address and investment portfolios can be viewed and updated online:
www.computershare.co.nz/investorcentre.

You will need your CSN and FIN numbers to access this service.

## Share Register - New Zealand

Computershare Investments Services Limited
Private Bag 92119, Victoria Street,
West Auckland 1142, New Zealand
Email: enquiry@computershare.co.nz
Telephone: +64 9 488 8777
Website: www.computershare.co.nz/investorcentre

## Legal Advisors

Chapman Tripp
Level 34 Commercial Bay
Auckland 1010
PO Box 2206, Auckland 1140
Telephone: +64 9 357 9000

## Bankers

ANZ
ASB
Bank of New Zealand
HSBC
Wells Fargo

# 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.

### 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.

### CALENDAR YEAR (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 electronic distance recorder which replaces mechanical hubo-dometers. Ehubo is a trade mark registered in New Zealand, Australia and the United States.

### ELECTRONIC LOGGING DEVICE (ELD)

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

### 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 FY23 Financial Statements.

### FINANCIAL YEAR (FY)

Financial year ended 31 March.

### HALF ONE (H1)

For the six months ended 30 September.

### HALF TWO (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 FY23 Financial Statements, by the TCU balance at the end of each month during the year.

### NORMALISED EBITDA

Excludes one-off items including acquisition accounting adjustments ($9.6m) and integration costs ($3.4m). FY22 normalisations include acquisition accounting revenue ($1.3m) , due diligence costs ($2.0m), transaction costs ($1.6m), and integration costs ($4.0m).

### 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 FY23 ($9.6m).

### 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 and Coretex 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

| Results for announcement to the market | | |
|---|---|---|
| Name of issuer | EROAD Limited | |
| Reporting Period | 12 months to 31 March 2023 | |
| Previous Reporting Period | 12 months to 31 March 2022 | |
| Currency | New Zealand Dollars | |
| | **Amount (000s)** | **Percentage change** |
| Revenue from continuing operations | $165,235 | 46% |
| Total Revenue | $174,856 | 52% |
| Net profit/(loss) from continuing operations | ($11,773) | 15% |
| Total net profit/(loss) | ($2,982) | (69%) |
| **Interim/Final Dividend** | | |
| Amount per Quoted Equity Security | No dividend declared | |
| Imputed amount per Quoted Equity Security | Not applicable | |
| Record Date | Not applicable | |
| Dividend Payment Date | Not applicable | |
| | **Current period** | **Prior comparable period** |
| Net tangible assets per Quoted Equity Security | $0.08 | $0.20 |
| A brief explanation of any of the figures above necessary to enable the figures to be understood | For commentary on the result, please refer to the investor presentation and annual report for the year ended 31 March 2023. | |
| **Authority for this announcement** | | |
| Name of person authorised to make this announcement | Margaret Warrington | |
| Contact person for this announcement | Margaret Warrington | |
| Contact phone number | (09) 927 4700 | |
| Contact email address | margaret.warrington@eroad.com | |
| Date of release through MAP | 24 May 2023 | |

Audited financial statements for the year ended 31 March 2023 accompany this announcement.