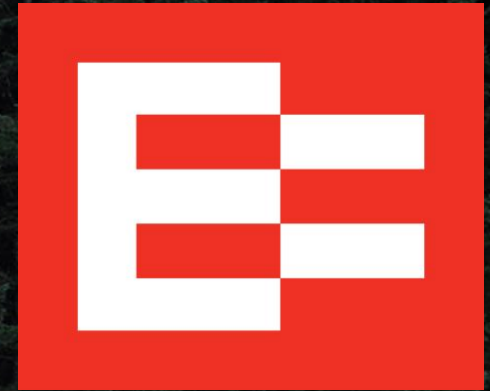


# EROAD

## Half Year Investor Presentation



November 2014

# Important information

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EROAD Limited ("EROAD") registered a prospectus in July 2014 ("Prospectus") in relation to an initial public offering, copies of which can be obtained at [www.eroad.co.nz](http://www.eroad.co.nz). You should review the Prospectus for a detailed description of EROAD's business and terms including Units on Depot, Annualised Recurring Revenue and Retention Rate, which are non GAAP measures used by EROAD to manage the business.

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. 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.

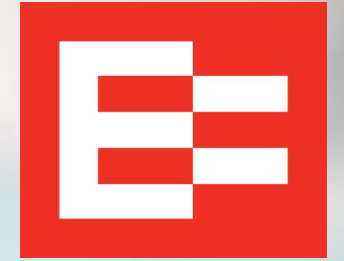
While reasonable care has been taken in compiling this presentation, none of EROAD nor its subsidiaries, directors, employees, agents or advisers (to the maximum extent permitted by law) gives any warranty or representation (express or implied) as to the accuracy, completeness or reliability of the information contained in it nor takes any responsibility for it. The information in this presentation has not been and will not be independently verified or audited.



## Steven Newman Director and CEO

- Joined EROAD in 2007 as CEO
- Successful entrepreneur, experienced in leading high growth businesses with extensive knowledge of New Zealand and international fleet management markets
- Co-founded Navman in 1993
  - Former COO and CEO
  - Helped establish Navman as a leading international brand within the Marine Electronics, Fleet Tracking, Precision GPS Modules and Consumer Car Navigation sectors, with annual sales in excess of NZ\$500 million

# EROAD OVERVIEW





**EROAD**  
Innovation and Integrity

# EROAD in New Zealand and Australia



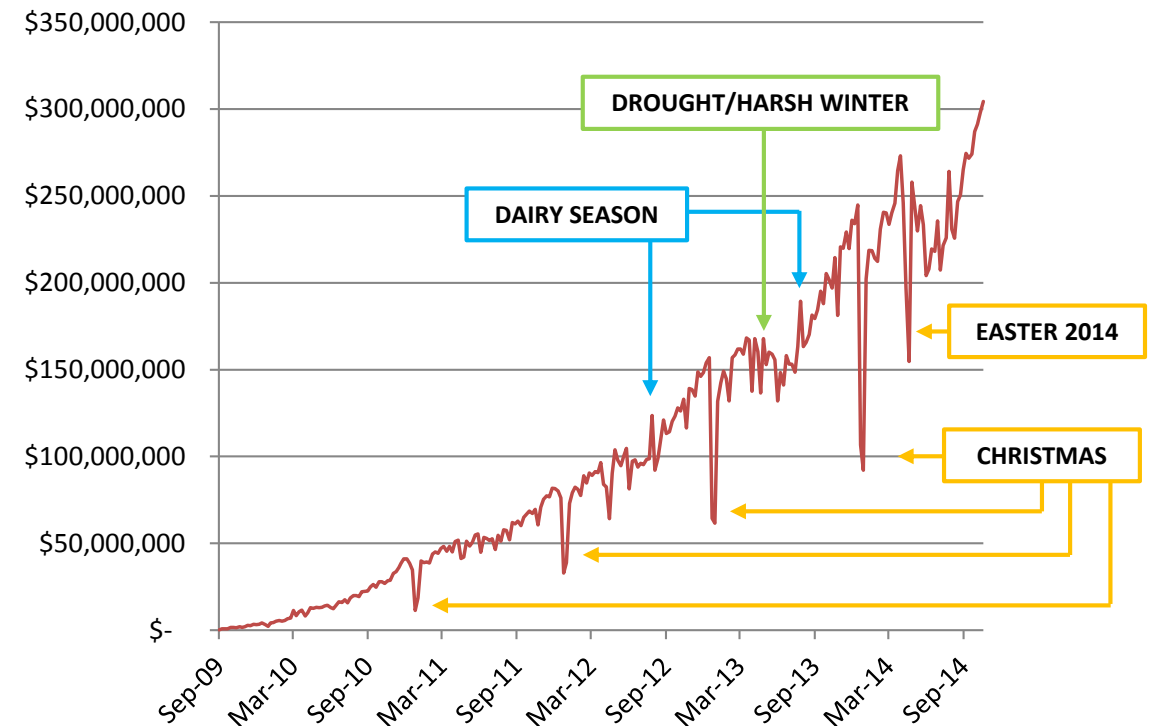
## NEW ZEALAND

- Approximately \$1.4 billion of RUC is collected annually - \$950 million from 120,000 powered Heavy Vehicles and 35,000 unpowered Heavy Vehicles
- All vehicles over 3.5 tonnes must be fitted with an approved distance recorder
- EROAD collects 26% of all Heavy Vehicle RUC - with a current annualised collection rate of \$300 million
- Significant growth potential remains in New Zealand

## AUSTRALIA

- Australia has an estimated 700,000 Heavy Vehicles and 2.6 million light commercial vehicles
- To date, EROAD has sold the majority of units in Australia to EROAD New Zealand customers
- Currently operationally managed from New Zealand

## ANNUALISED RUC COLLECTION RATE



*Note: variations reflect industry seasonality and public holidays*

# EROAD in North America



- In 2011 the Oregon Department of Transport invited EROAD to undertake a pilot for electronic Weight-Mile Tax (WMT) regime
- Audit was to provide motor carriers and ODOT with an independent assessment of the EROAD electronic WMT solution
- The EROAD solution received an independent unqualified opinion by the Oregon Secretary of State Audit Division
- In April 2014, EROAD launched its Ehubo 2, designed to support a wide range of regulatory and commercial services for the North American market
- Since March 2014 EROAD has employed 17 staff in Oregon, the majority being sales staff

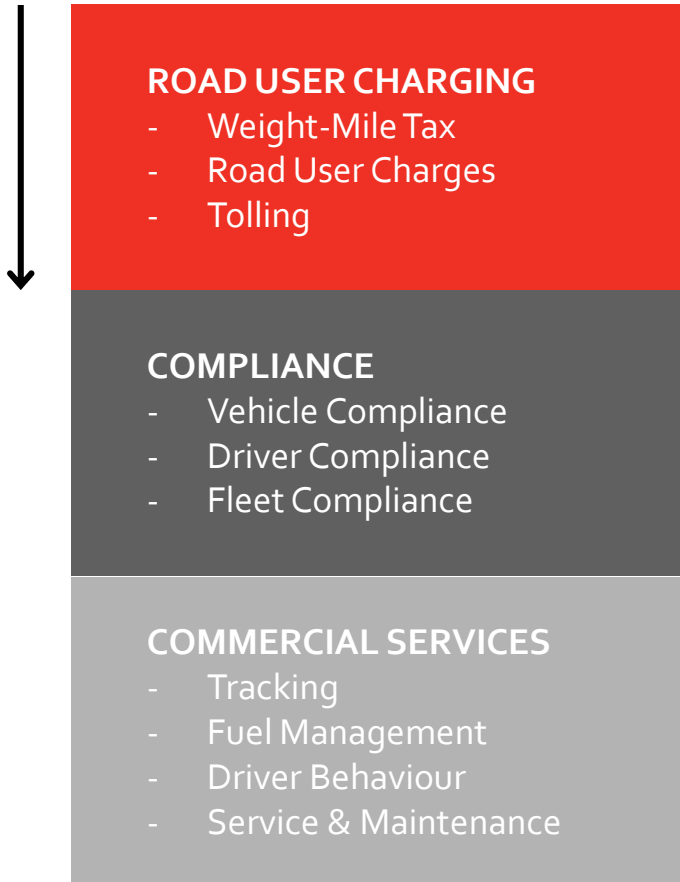


# Value EROAD delivers to customers



## EROAD

TOP  
DOWN



BOTTOM  
UP

General Fleet Tracking Companies



# THE GLOBAL DRIVERS



# Global Drivers

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1. Global Infrastructure funding problem
2. Health and safety and compliance

# 1. Global Infrastructure Funding Problem



**Obama sounds the alarm on looming Highway Trust Fund shortfall**

Source: CBSnews, 1 July 2014

**U.S. Congress faces highway funding battle; gridlock looms**

Source: Reuters, 7 May 2014

**States Move to Plug Shortfall as Federal Highway Fund Dwindles**

As Possible Cash Crunch Looms, States Prepare to Delay Projects or Boost Own Funding Sources

Source: The Wall Street Journal, 10 June 2014

**Can Taxing Trucks by the Mile Help Save Transportation Funding?**

Source: pewtrusts.org, 25 August, 2011

**Bridging The Funding Gap**

**BACK TO THE STARTING LINE ON HIGHWAY FUNDING**

Source: TruckingInfo.com, February 2013

**GAO Report Pushes Per-Mile Taxation**

Government report argues in favor of implementing some form of per-mile tax,

Source: theNewspaper, August 2013

# Global Opportunity



- Globally, freight transport by road is forecast to continue to increase significantly
- As increasing numbers of trucks move larger volumes of freight, significant pressure is put on existing transport infrastructure
- Transport authorities are increasingly facing problems around funding the maintenance and expansion of road and highway infrastructure
- Fuel excise taxes and vehicle registration fees often fall short of meeting the costs of road funding

Existing road funding regimes offer potential for modernisation using electronic systems to improve efficiency and accountability



## 2. Health and Safety and compliance

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- Increasing focus on Health and Safety
  - NZ - Health and Safety Reform Bill
  - US - MAPP-21 Electronic Logging Device and Hours of Service legislation
- Health and Safety Reform Bill
  - “Elimination” or “minimisation” of risk to health and safety
  - Risk includes; not following rules, taking shortcuts, working while fatigued
  - Need to gather information to monitor and improve workplace safety
  - Duties fall on Officers (Directors and executives)
- MAPP-21 Legislation
  - Improve compliance with Hours of Service regulations to reduce fatigue
  - Hold carriers and drivers responsible for the highest safety standards
  - Remove highest risk drivers, vehicles and carriers from the road
- Opportunity for EROAD’s products and services
  - Driver Logbooks, driver behaviour, in-cab camera, data analytics reporting, secure eHubo

# Regulatory engagement lifecycle

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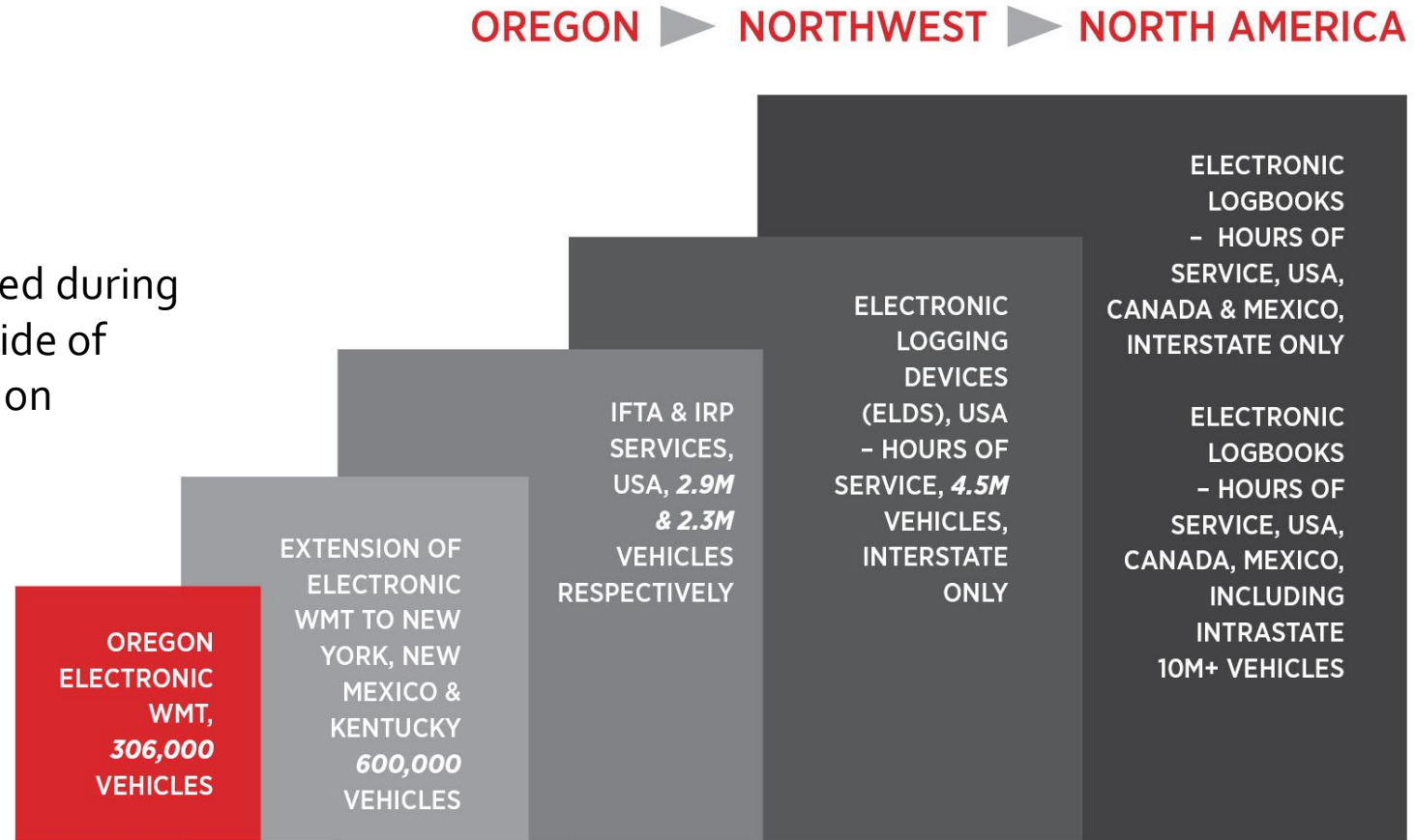
EROAD sees three stages to regulator engagement

1. Introduction of technology solution to regulator (EROAD lead)
  - Initial caution, desire to avoid technological risk
  - Status quo considered to be “working”
  - Measured approach when approving introduction of technology
  - 0%-4% market share
  - Monitor progress prudently
2. Technology shows visible benefits (Mutual)
  - Vocal support from users
  - Regulator recognises need for change
  - Interest in expediting rate of adoption
  - Review of regulatory settings
  - > 5% market share
3. Proactive engagement (Regulator lead)
  - Interest in adjacent uses and opportunities
  - Seek to leverage suppliers core capability and track record
  - 20% market share

# North American Growth Path

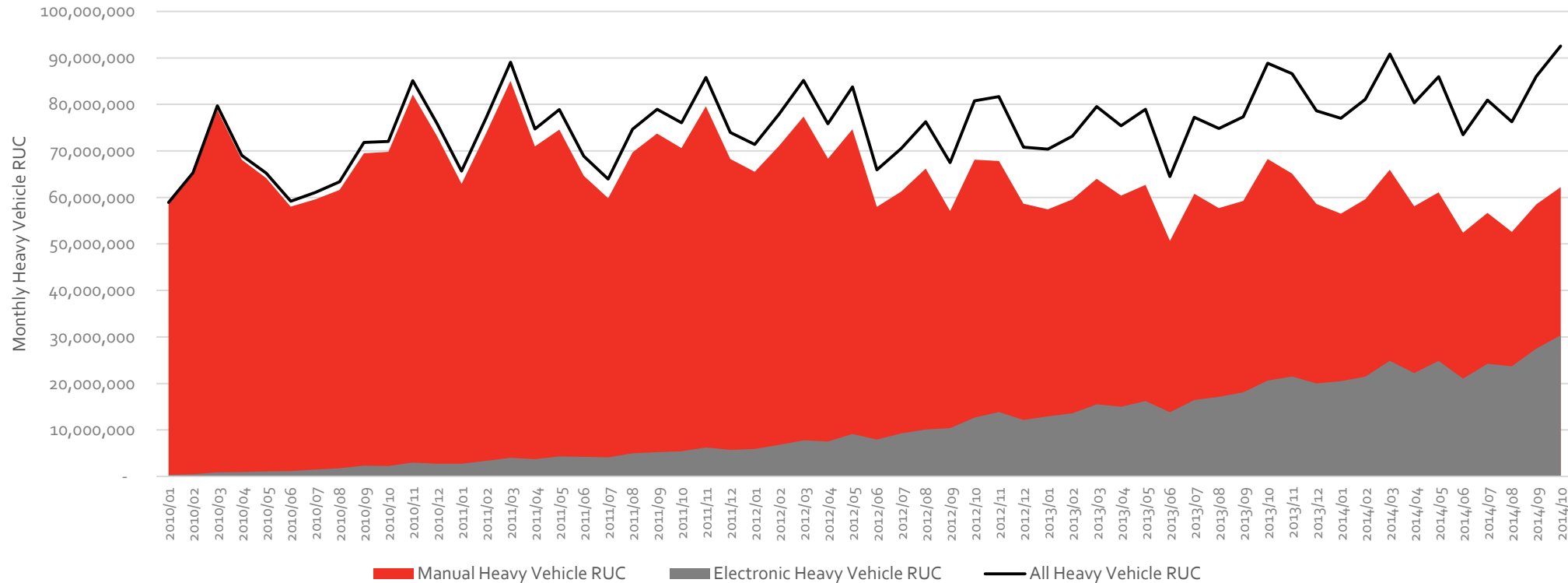


- Launched in April 2014
- WMT
- IFTA and IRP
- Electronic Logbooks
- No revenue is forecast to be earned during the PFI period from markets outside of New Zealand, Australia and Oregon



EROAD'S OREGON BEACHHEAD PROVIDES THE LAUNCHING PAD FOR EXPANSION INTO NORTH AMERICA

# New Zealand's move to electronic RUC for Heavy Vehicles



EROAD adoption was initially driven by efficiency and ROI to manage RUC. Increasingly Driver Safety, Health and Safety, Compliance and analytics are driving EROAD adoption. This has a flow on effect on electronic RUC as illustrated above



# HALF YEAR RESULTS



# Achievements – Half Year 2014



- Launched commercial operations in Oregon
- Secured large Halls, TIL and Ritchies fleets in New Zealand
- Secured many Councils and Government departments in New Zealand
- Launched driver log books and driver analytics to the New Zealand market
- Now collecting 26% of Heavy Vehicle RUC in New Zealand
- Progressed important R&D including:
  - IFTA, IRP, HOS and ELD for the US market
  - Driver behaviour, analytics and in-cab camera for New Zealand and other markets
- Successfully listed on the NZX
- Grew staff numbers to 114, as at 31 October 2014, 138
- Grew capability with four senior appointments



# 2014 Half Year Update



Strong growth over same period last year

	6 months ended 30 Sept 2014	6 months ended 30 Sept 2013	% increase
Revenue (\$000)	7,872	4,324	82%
EBITDA* before Non Operating Costs# (\$000)	2,320	850	173%
<i>EBITDA* before Non Operating Costs# margin</i>	29.5%	19.7%	
EBIT before Non Operating Costs* (\$000)	(24)	(417)	N/A
Units on Depot	18,586	10,383	79%
Annualised Recurring Revenue (ARR) (\$000)	15,984	9,293	72%
Retention Rate	99.2%	99.3%	N/A

\* Earnings before interest, tax, depreciation and amortisation and Non Operating Costs

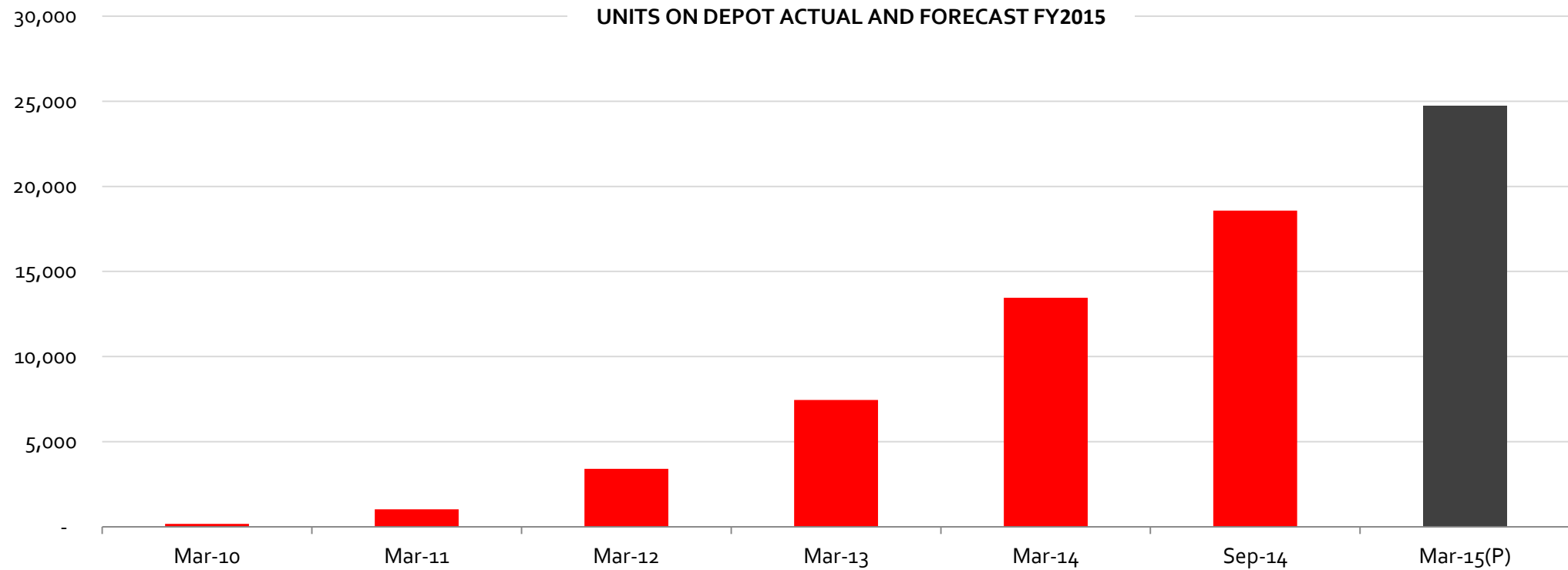
# Non Operating Costs are \$2.0 million of Listing costs

For full description of non GAAP measures see prospectus <http://www.eroad.co.nz/nz/about-us/investors/>

# Units on Depot



Units on Depot are in line with expectations

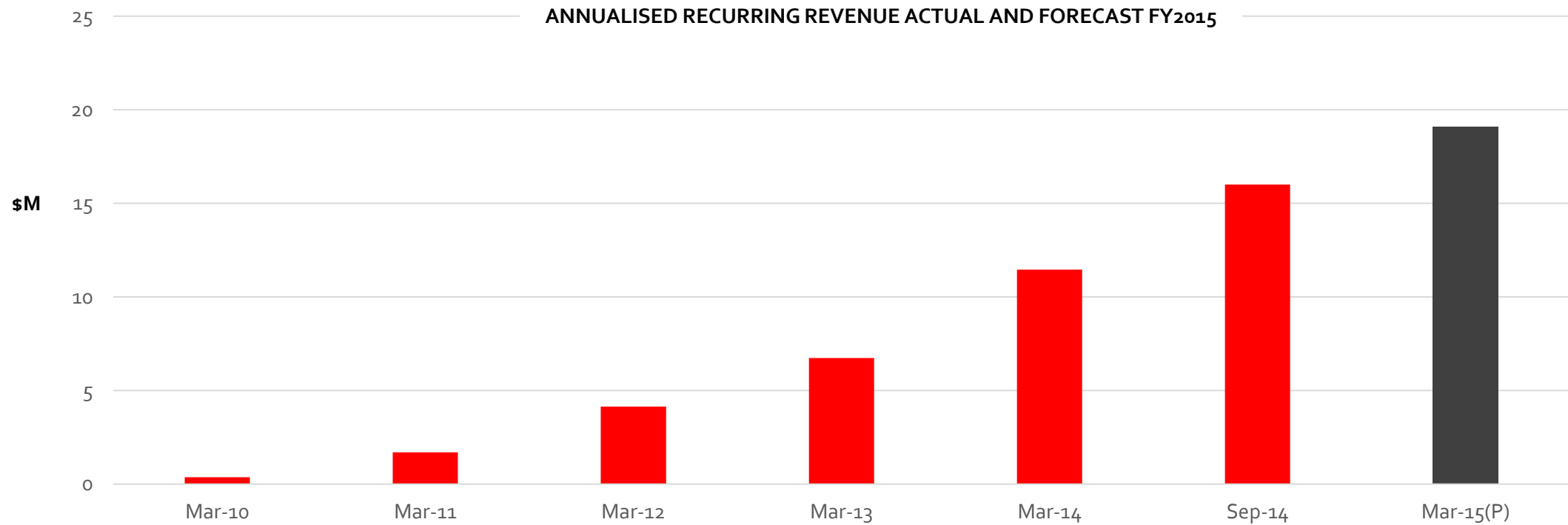


For a full description of Units on Depot measure see the Prospectus <http://www.eroad.co.nz/nz/about-us/investors/>

# Annualised Recurring Revenue



We have been able to continue to rent a high percentage of Units



For a full description of Annualised Recurring Revenue measure see the Prospectus <http://www.eroad.co.nz/nz/about-us/investors/>

# Customer Retention Rate



This high Retention Rate is a reflection of our high customer satisfaction

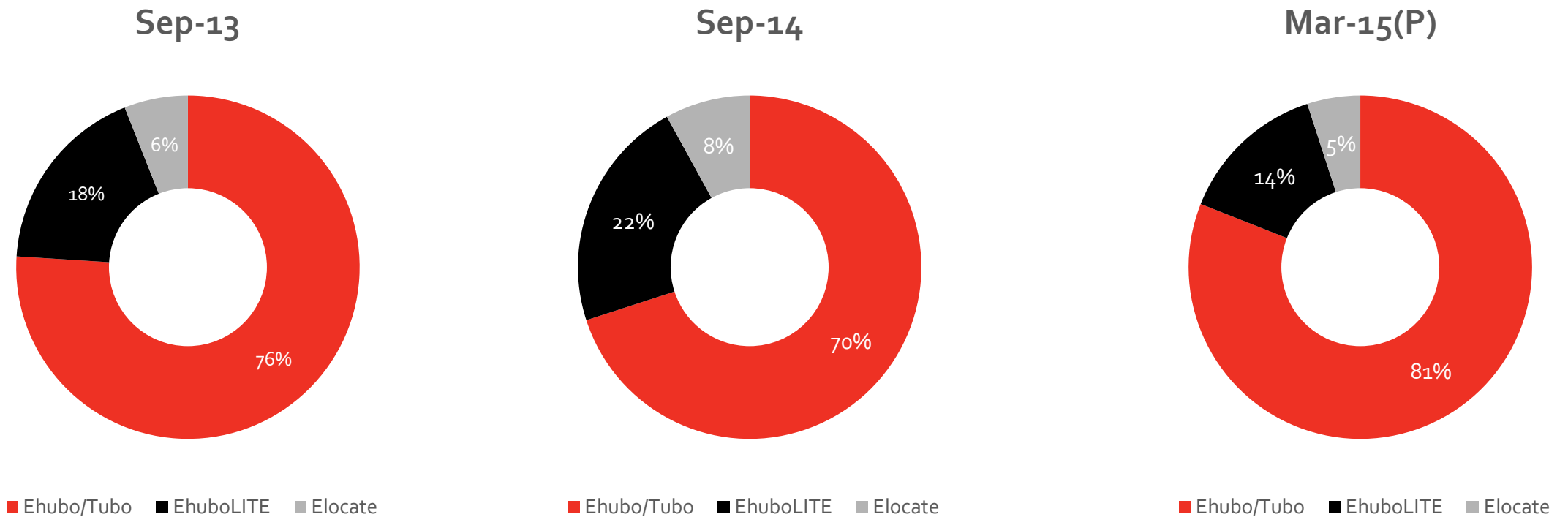
	Mar 10	Mar 11	Mar 12	Mar 13	Mar 14	Sep 14	Mar 15(P)
<b>Retention Rate</b>	100.0%	100.0%	100.0%	99.5%	99.3%	99.2%	96.5%

For a full description of Customer Retention Rate see the Prospectus <http://www.eroad.co.nz/nz/about-us/investors/>

# Product Mix change



While still heavy vehicle centric we have grown our light vehicle penetration



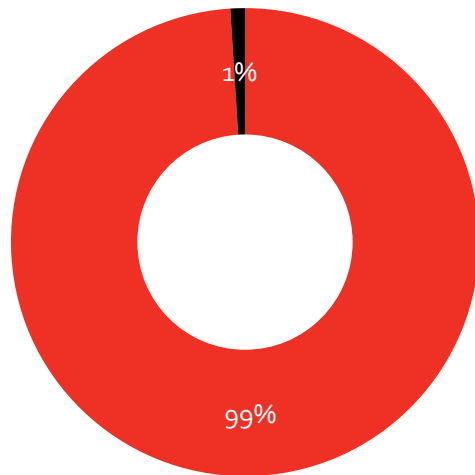
As we move into lighter vehicle fleets like Councils and Government departments we supply more Elocate and EhuboLITE products.

# Product rentals remain strong



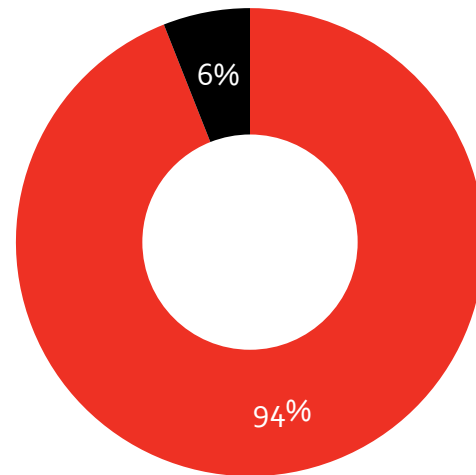
Rental remains our dominant revenue source

Sep-13



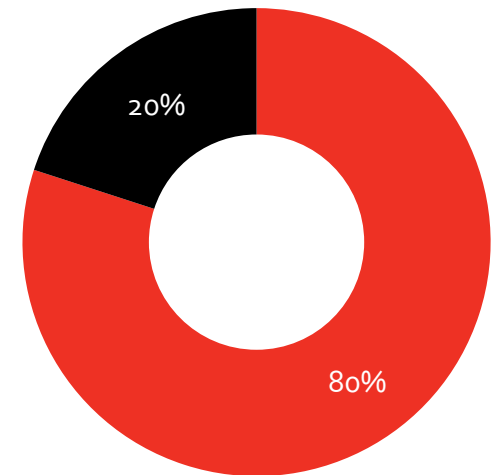
■ Rented ■ Sold

Sep-14



■ Rented ■ Sold

Mar-15(P)



■ Rented ■ Sold



# EROAD's customers in New Zealand



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EROAD has a diversified customer base of more than a thousand fleets

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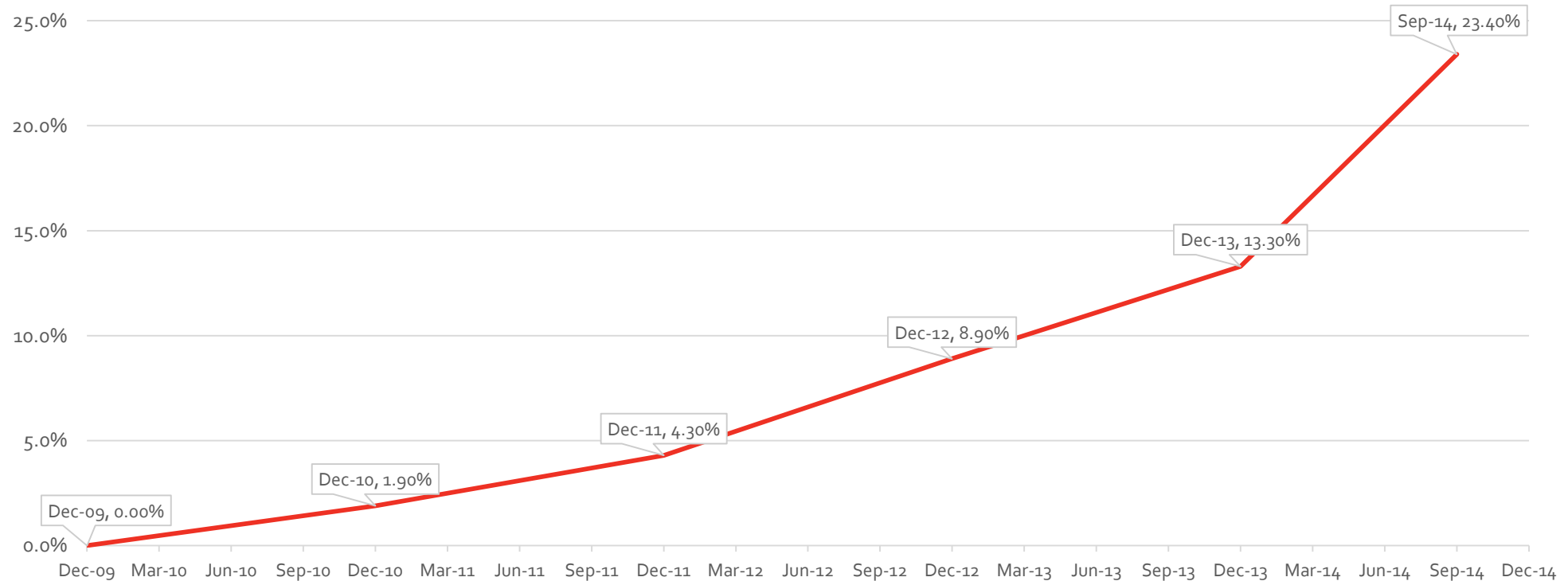


# New Zealand Market Share (HV over 12,000kg)



EROAD grew strongly in the nine months

EROAD Historical New Zealand Market Share (Heavy Vehicles over 12 Tonnes)



# EROAD's move into councils in New Zealand



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EROAD is now servicing  
one quarter of all councils

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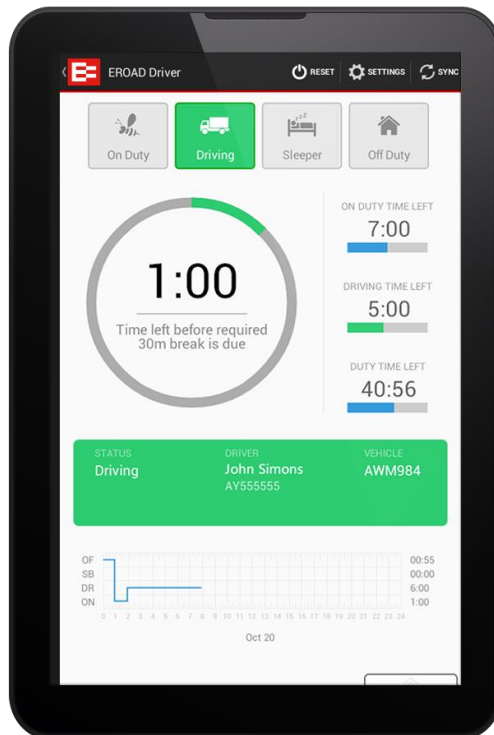


# EROAD's new products

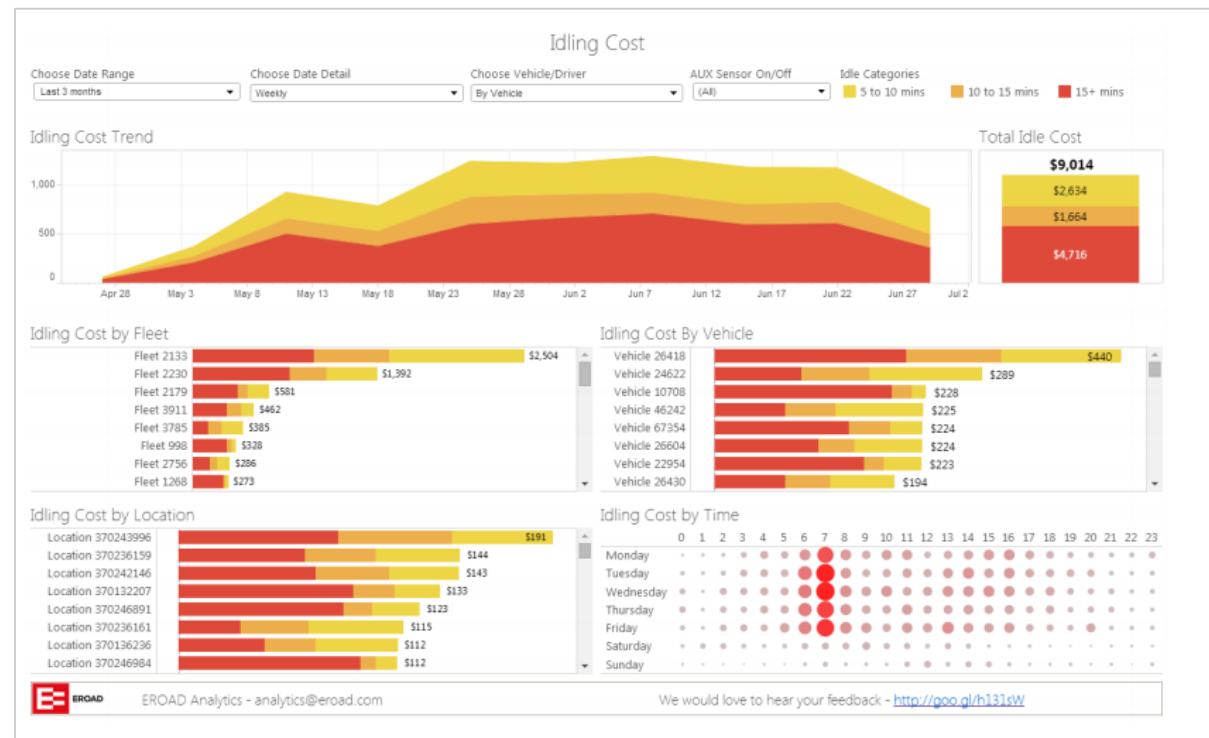


Our new products have helped drive sales

## EROAD ELECTRONIC LOGBOOK



## EROAD ANALYTICS



# Outlook at half year

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- Deliver full year in line with Prospectus Prospective Financial Information (PFI)
- Continued strong performance in New Zealand
- As expected, continued lumpiness in Australia driven by large NZ customers
- Growth in Oregon, with full compliment of sales staff, in line with PFI
- Launch of new rental offering in Oregon
- Continued positive R&D progress for both US and NZ initiatives
- Continued capacity building at Corporate office in New Zealand:
  - Customer Service capability
  - Scalability initiatives
- Team forecast to grow to 145 by March 2015

# Rental versus Sale and the impact on reported revenue over 36 months



Rental versus Sale can have a significant annual impact on revenue recognition

## Illustration of impact of Rental vs Sale of Units

	Sale \$		Rental \$
Hardware Sale	899	Hardware Sale	-
Monthly Services (36 months)	75	Monthly Services, incl rental (36 months)	99
<b>Total contracted revenue</b>	<b>3,599</b>		<b>3,564</b>

## Revenue (assume sold 1 October)

				<i>Annual Difference</i>
Year 1 (first 6 months services plus sale)	1,349	Year 1 (first 6 months services plus sale)	594	<i>(755)</i>
Year 2 (12 months service)	900	Year 2 (12 months service)	1,188	<i>288</i>
Year 3 (12 months service)	900	Year 3 (12 months service)	1,188	<i>288</i>
Year 4 (last 6 months service)	450	Year 4 (last 6 months service)	594	<i>144</i>
<b>Total revenue</b>	<b>3,599</b>	<b>Total revenue</b>	<b>3,564</b>	

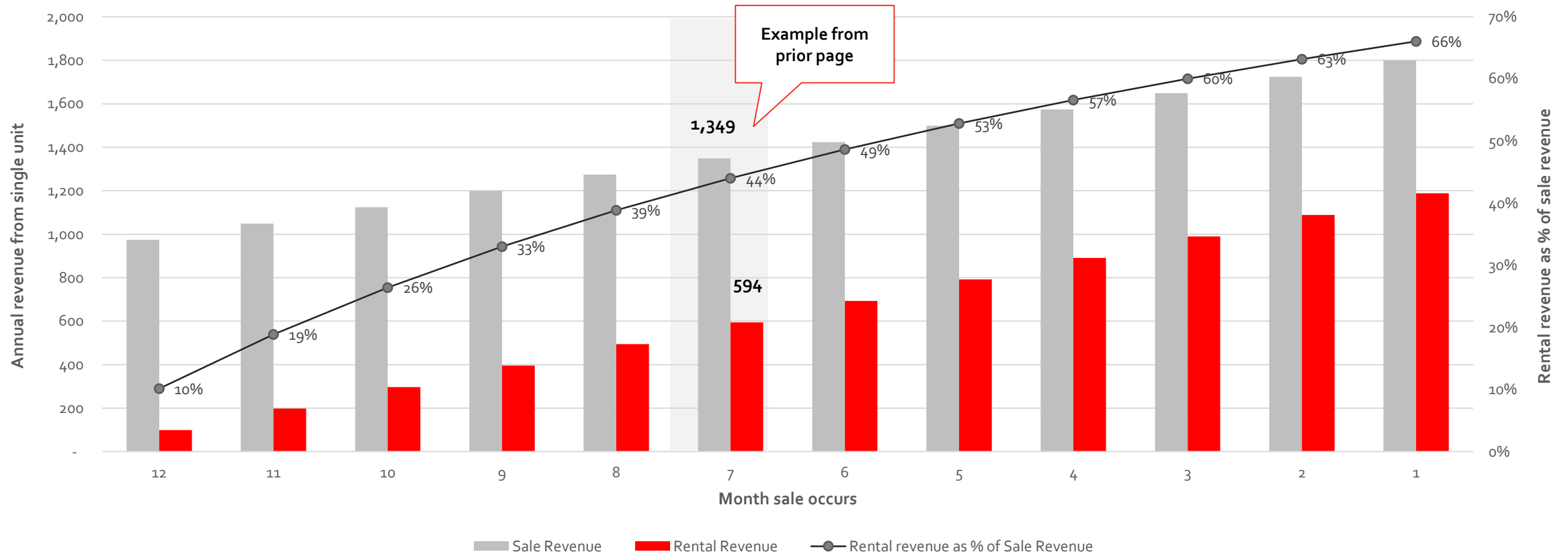
We note the hardware has a useful life of five years

# Rental versus Sale and the impact on reported revenue – Year 1



In Year 1 revenue recognition can differ by 34% to 90%

IMPACT ON ANNUAL REVENUE OF RENTAL OVER SALE BASED ON MONTH SOLD

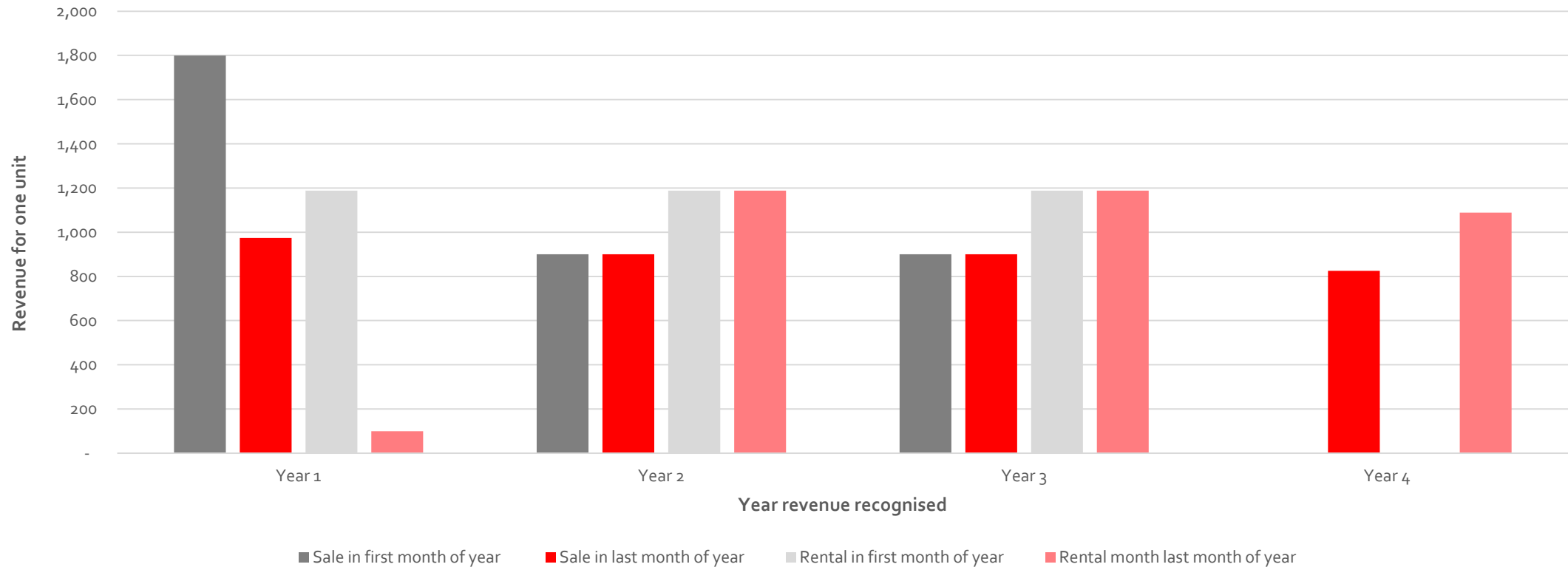


# Rental versus Sale and the impact on reported revenue – financial year



Years 1 and 4 are affected by timing and nature of sales

Revenue recognised over life of contract – by financial year





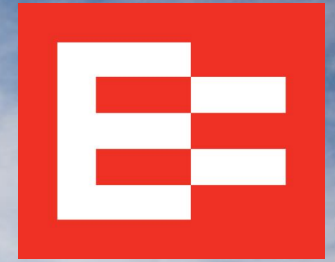
**QUESTIONS?**



**EROAD**

# APPENDIX 1

## Financial Statements



# Statement of Comprehensive Income



YEAR ENDING 31 MARCH	FY2010	FY2011	FY2012	FY2013	FY2014	HY2015	FY2015(P)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Continuing operations</b>							
Revenue	101	1,102	2,860	6,209	9,964	7,872	19,027
Expenses	(2,526)	(2,451)	(2,633)	(4,427)	(5,935)	(5,552)	(14,040)
<b>Earnings before interest, taxation, depreciation, amortisation and non-operating costs</b>	<b>(2,425)</b>	<b>(1,349)</b>	<b>228</b>	<b>1,782</b>	<b>4,029</b>	<b>2,320</b>	<b>4,986</b>
Depreciation	(79)	(332)	(766)	(1,684)	(2,320)	(1,653)	(2,784)
Amortisation	(21)	(78)	(193)	(353)	(648)	(691)	(1,576)
<b>EBIT before non-operating costs</b>	<b>(2,526)</b>	<b>(1,760)</b>	<b>(731)</b>	<b>(255)</b>	<b>1,062</b>	<b>(24)</b>	<b>626</b>
Non-operating costs	-	-	-	-	-	(1,971)	(2,010)
<b>Operating profit/ (loss) before financing costs</b>	<b>(2,526)</b>	<b>(1,760)</b>	<b>(731)</b>	<b>(255)</b>	<b>1,062</b>	<b>(1,995)</b>	<b>(1,384)</b>
Finance income	5	12	25	56	80	203	875
Finance expense	(159)	(96)	(45)	(98)	(122)	(86)	(111)
<b>Net financing costs</b>	<b>(154)</b>	<b>(84)</b>	<b>(21)</b>	<b>(43)</b>	<b>(42)</b>	<b>117</b>	<b>764</b>
<b>Profit/(loss) before tax expense</b>	<b>(2,679)</b>	<b>(1,843)</b>	<b>(752)</b>	<b>(298)</b>	<b>1,020</b>	<b>(1,878)</b>	<b>(620)</b>
Income tax (expense)/benefit	-	-	-	-	1,922	(23)	(400)
<b>Profit/(loss) from continuing operations</b>	<b>(2,679)</b>	<b>(1,843)</b>	<b>(752)</b>	<b>(298)</b>	<b>2,942</b>	<b>(1,901)</b>	<b>(1,020)</b>
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>(2,679)</b>	<b>(1,843)</b>	<b>(752)</b>	<b>(298)</b>	<b>2,942</b>	<b>(1,901)</b>	<b>(1,020)</b>

Note:

The amounts in this table for HY2015 have been taken from the half year unaudited financial statements ended 30 September 2014

Non-operating costs in HY2015 and FY2015(P) are one-off costs of listing associated with the Offer

# Statement of Financial Position



YEAR ENDING 31 MARCH	FY2010	FY2011	FY2012	FY2013	FY2014	HY2015	FY2015(P)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	188	734	1,893	3,448	9,156	40,559	40,274
Trade and other receivables	40	199	345	636	1,219	2,347	1,267
Inventory	-	-	-	-	412	463	1,507
<b>Total Current Assets</b>	<b>228</b>	<b>933</b>	<b>2,238</b>	<b>4,084</b>	<b>10,787</b>	<b>43,369</b>	<b>43,048</b>
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	773	1,942	2,987	5,409	8,912	11,986	8,983
Intangible assets	80	666	2,308	5,319	9,974	11,791	13,769
Deferred tax assets	-	-	-	-	1,922	1,899	1,587
Loans to Directors (to acquire shares)	-	-	-	-	-	280	280
<b>Total Non-Current Assets</b>	<b>853</b>	<b>2,608</b>	<b>5,295</b>	<b>10,728</b>	<b>20,808</b>	<b>25,956</b>	<b>24,619</b>
<b>TOTAL ASSETS</b>	<b>1,081</b>	<b>3,541</b>	<b>7,533</b>	<b>14,812</b>	<b>31,595</b>	<b>69,325</b>	<b>67,666</b>
<b>CURRENT LIABILITIES</b>							
Bank overdraft	-	346	670	270	3,101	-	-
Trade payables and accruals	598	1,088	767	1,049	1,263	1,608	1,289
Payable to NZTA	-	-	1,847	3,090	6,629	7,699	6,600
Loan from director/shareholder	868	-	300	500	-	-	-
Convertible notes	780	-	-	-	-	-	-
Deferred revenue	158	851	1,821	2,924	4,632	4,578	5,347
Employee entitlements	-	-	-	307	549	717	599
<b>Total Current Liabilities</b>	<b>2,403</b>	<b>2,285</b>	<b>5,404</b>	<b>8,140</b>	<b>16,175</b>	<b>14,602</b>	<b>13,835</b>
<b>NON-CURRENT LIABILITIES</b>							
Borrowings	-	-	300	1,220	-	-	-
Deferred revenue	267	1,155	1,727	3,860	3,871	3,712	1,944
<b>Total Non-Current Liabilities</b>	<b>267</b>	<b>1,155</b>	<b>2,027</b>	<b>5,080</b>	<b>3,871</b>	<b>3,712</b>	<b>1,944</b>
<b>TOTAL LIABILITIES</b>	<b>2,670</b>	<b>3,440</b>	<b>7,431</b>	<b>13,220</b>	<b>20,046</b>	<b>18,314</b>	<b>15,779</b>
<b>NET ASSETS</b>	<b>(1,588)</b>	<b>101</b>	<b>102</b>	<b>1,592</b>	<b>11,549</b>	<b>51,011</b>	<b>51,888</b>
<b>EQUITY</b>							
Share capital	4,383	7,915	8,669	10,457	17,472	58,835	58,831
Retained earnings	(5,971)	(7,815)	(8,567)	(8,865)	(5,923)	(7,824)	(6,943)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>(1,588)</b>	<b>101</b>	<b>102</b>	<b>1,592</b>	<b>11,549</b>	<b>51,011</b>	<b>51,888</b>

Note: The amounts in this table for HY2015 have been taken from the half year unaudited financial statements ended 30 September 2014

# Statement of Cash Flows



YEAR ENDING 31 MARCH	FY2010	FY2011	FY2012	FY2013	FY2014	HY2015	FY2015(P)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>							
Cash received from customers	845	2,525	4,256	9,154	11,211	6531	17,766
Payments to suppliers and employees (including \$2.0 million of one-off listing costs)	(1,970)	(1,995)	(1,107)	(2,594)	(2,462)	(5992)	(16,004)
Net interest received/ (paid)	(154)	(84)	(21)	(43)	(42)	117	764
Net tax paid	-	-	-	-	-	-	(65)
<b>Net cash inflow from operating activities</b>	<b>(1,278)</b>	<b>446</b>	<b>3,129</b>	<b>6,517</b>	<b>8,707</b>	<b>656</b>	<b>2,462</b>
<b>Cash flows from investing activities</b>							
Payments for purchase of property, plant & equipment	(586)	(1,488)	(1,811)	(4,106)	(5,822)	(4,728)	(3,951)
Payments for purchase of intangible assets	(69)	(643)	(1,835)	(3,364)	(5,303)	(2,507)	(5,370)
Proceeds from disposal of property, plant, equipment	-	-	-	-	-	-	-
<b>Net cash outflow from investing activities</b>	<b>(655)</b>	<b>(2,131)</b>	<b>(3,647)</b>	<b>(7,470)</b>	<b>(11,125)</b>	<b>(7,235)</b>	<b>(9,321)</b>
<b>Cash flows from financing activities</b>							
Loan from bank	-	346	623	521	1,611	-	-
New shares issued	-	3,533	753	1,788	7,015	41,082	41,359
Loans to Directors (to acquire shares)	-	-	-	-	-	-	(280)
Payment of bank loan	-	-	-	-	-	(3,101)	(3,101)
Loan from /(repayment) shareholders	1,460	(1,648)	300	200	(500)	-	-
<b>Net cash outflow from financing activities</b>	<b>1,460</b>	<b>2,231</b>	<b>1,677</b>	<b>2,509</b>	<b>8,125</b>	<b>37,981</b>	<b>37,978</b>
<b>Net increase/(decrease) in cash held</b>	<b>(474)</b>	<b>546</b>	<b>1,159</b>	<b>1,555</b>	<b>5,709</b>	<b>31,403</b>	<b>31,118</b>
<b>Cash at beginning of the financial period</b>	<b>662</b>	<b>188</b>	<b>734</b>	<b>1,893</b>	<b>3,448</b>	<b>9,156</b>	<b>9,156</b>
<b>Closing cash and cash equivalents (net of overdrafts)</b>	<b>188</b>	<b>734</b>	<b>1,893</b>	<b>3,448</b>	<b>9,156</b>	<b>40,559</b>	<b>40,274</b>

Note: The amounts in this table for HY2015 have been taken from the half year unaudited financial statements ended 30 September 2014