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Authorisation

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EROAD (ERD)

Coretex to recharge US growth

Recommendation

Buy (unchanged)

Price

\$4.89

Target (12 months)

\$6.05 (unchanged)

GICS Sector

Technology Hardware and Equipment

Expected Return

Capital growth	23.7%
Dividend yield	0.0%
Total expected return	23.7%

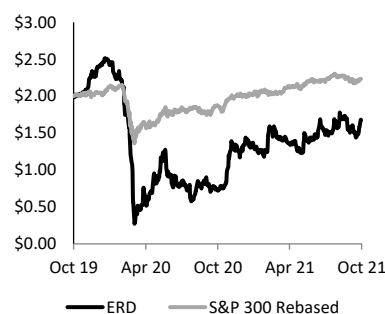
Company Data & Ratios

Enterprise value	\$385.1m
Market cap	\$474.4m
Issued capital	97.0m
Free float	85.9%
Avg. daily val. (52wk)	\$485,542
12 month price range	\$3.54-\$6.51

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.55	1.57	0.74
Absolute (%)	8.39	7.35	128.57
Rel market (%)	8.85	6.81	108.69

Absolute Price



SOURCE: IRESS

Valuation supportive, despite soft US quarter

ERD released a mixed 2Q22 trading update, with impressive unit growth in NZ and Australia, overshadowed by a disappointing result in the US, which was heavily impacted by the loss of a large enterprise customer (-1,751 units) that aligned its technology with an acquirer (previously disclosed Jul'21). Notwithstanding the weak US result, Group churn remained low (5.9%), recently launched SaaS/hardware upgrade sales were strong, and the Coretex acquisition is expected to complete by the end of CY21. We estimate the merged Group is trading on ~3.7-3.8x FY22e EV/Sales on a pro forma basis (post-contingent consideration), which we view as compelling given the increased scale, product suite and cross-sell opportunities Coretex will provide to the North American business in CY22e. Key regional highlights include:

Strong sales in NZ and Australia despite lockdowns: NZ unit growth of +2,892 was the strongest quarter since 3Q19, while Australian unit growth of +1,219 was a record. The Australian result was supported by the Ventia contract (~60% complete), although also reflects continued momentum with SME customers in the region.

North American result below expectations: The US had a net unit decline of -84 units (after normalising for the ~1,751 units), impacted by difficult operating conditions post-COVID and aggressive competition from a key competitor. There is a solid pipeline of prospects waiting to access the broader suite of products the Coretex acquisition will deliver, including the IoT hub (Corehub) and Android platform.

Investment view: Retain Buy recommendation

We have reduced our near-term unit growth assumptions accounting for the update, resulting in reductions to our revenue estimates by -2.2%, -3.5% and -2.8% for FY22e, FY23e, and FY24e respectively. We have also updated for the Jul'21 capital raising, although will not amend our numbers until completion occurs in the coming months, with ERD expecting to provide consolidated guidance at a similar time. US unit growth has been disappointing, although ERD is still in the early stages of expanding its platform offering and enterprise sales initiatives in the region, with Coretex expected to accelerate this process in CY22e. We reiterate our Buy recommendation, with our \$6.05ps Price Target remaining unchanged until completion of the Coretex acquisition.

Earnings Forecast

March Year end (NZ\$m)	2021	2022e	2023e	2024e
Sales (\$m)	91.6	98.6	116.5	139.6
Underlying EBITDA (\$m)	30.7	32.1	40.9	54.5
NPAT (reported) (\$m)	2.0	1.7	5.7	12.3
NPAT (Adjusted) (\$m)	2.0	1.7	5.7	12.3
EPS (Adjusted) (eps)	2.7	1.7	5.8	12.6
EPS growth (%)	75.8%	-35.3%	236.0%	116.1%
PER (x)	181.8	281.1	83.7	38.7
EV/EBITDA (x)*	12.9	12.3	9.7	7.3
EV/Sales (x)*	4.7	4.2	3.5	2.9
Dividend (eps)	0.0	0.0	0.0	0.0
Yield (%)	0.0%	0.0%	0.0%	0.0%
FCF Yield (%)	1.5%	-1.7%	-1.0%	0.5%
ROE (%)	1.9%	0.9%	3.0%	6.0%

SOURCE: BELL POTTER SECURITIES ESTIMATES. *RATIOS PRE-SHARES ISSUED IN THE CAPITAL RAISING JUL'21

Complementary core technology

Coretex offers substantial strategic value

The acquisition of Coretex is still expected to complete before the end of CY21e, despite the recent 5 week delay by the NZ Commerce Commission, with a final decision now due on the 23 November 2021.

We see substantial strategic value in the Coretex acquisition, given its complementary market exposures and technology, as outlined below:

Increased scale in key markets: As at FY21, Coretex had 64,177 units and would increase ERD's total units by 48.4% to 196,880 units. Only ~13.5% of the Coretex units are located in NZ, with 74.2% (47,625 units) located in North America and another 12.3% (7,876 units) in Australia. Consolidation increases ERD's scale (units) in Northern America and Australia by 140.1% and 155.3% respectively, while acquiring fewer units within NZ given ERD is the dominant player in that market.

Figure 1 - Acquisition metrics (units)

Region	Eroad (1H22)		Coretex (FY21)		MergeCo		
	Units	%	Units	%	Units	%	Change %
New Zealand	93,639	70.6%	8,676	13.5%	102,315	52.0%	9.3%
North America	33,992	25.6%	47,625	74.2%	81,617	41.5%	140.1%
Australia	5,072	3.8%	7,876	12.3%	12,948	6.6%	155.3%

SOURCE: COMPANY DATA

Increased exposure to IoT: 65% of Coretex units are generated from its IoT trailer solutions, with 82% of trailer units servicing refrigerated transport, 15.4% in construction and 3.1% in waste and recycling. In contrast, ERD's units are predominantly in-cab, providing significant opportunities to cross-sell integrated solutions.

Accelerates technology platform: Coretex has recently developed a next generation Android platform, as well as advanced IoT hardware such as the Corehub. ERD expects the technology to allow it to accelerate its technology roadmap by up to 2 years (e.g. develop advanced Android solutions).

Expands presence with larger enterprises: Enterprise customers (2,000+ fleet) represent ~79% of Coretex units, compared to ~40% ERD, providing the product suite and next generation platform to target larger enterprise fleets, as well as cross sell into existing enterprise customers.

Merged Group is trading on ~3.7-3.8x FY22e EV/Sales

We estimate the merged Group is trading on ~3.7-3.8x FY22e EV/Sales on a pro forma basis (post-contingent consideration), which we view as compelling given the increased scale, product suite and cross-sell opportunities Coretex will provide to the North American business in CY22e

Figure 2 - FY22e acquisition metrics

	ERD (BPe)	Coretex	MergeCo
SaaS revenue	95.2	47.0-50.0	142.5-145.5
Other revenues	3.4	2.0-3.0	5.4-6.0
Operating expenses (incl. R&D)	66.5	42.0-44.0	108.8-110.4
EBITDA	32.1	7.0-9.0	39.1-41.1
EV (post-completion)			527.2
EV/Sales (post-completion)			3.5-3.6x
EV (post-contingent consideration)			555.3
EV/Sales (post-contingent consideration)			3.7-3.8x

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Coretex business performance a key question

The FY22e forecasts in the Independent Expert Report (Page 24) were predicated on Coretex unit growth of 33.0% YoY, which was a significant step-up from FY20 and FY21 growth. ERD is expecting to provide combined FY22e guidance after integrating the business planning and financial forecasting, which should include a Coretex business update.

We have updated our forecasts for the Jul'21 capital raising, although will not consolidate the acquisition, or integration costs (~\$12-15m over 24 months) until completion occurs in the coming months, and ERD provides more information on the ongoing performance and expectations of the Coretex business.

Figure 3 - Adjusted Coretex financial performance (\$m)

Coretex	FY20	FY21	FY22e
Contracts units (#)	63,571	64,355	85,574
Recurring revenue	40.6	44.5	48.8
Non-recurring revenue	8.6	2.1	2.0*
Pro forma revenue	49.2	46.6	50.8
<i>Growth (%)</i>		-5.3%	9.0%
Operating expenses (incl. R&D)	-37.9	-30.5	-41.9
Pro forma EBITDA	11.3	16.1	8.9

SOURCE: COMPANY DATA

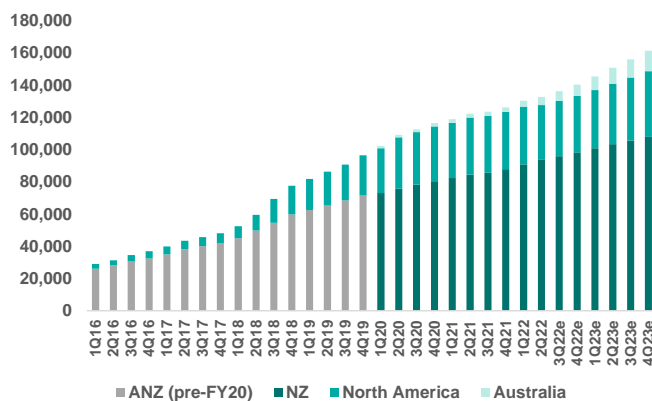
Quarterly unit assumptions

Figure 4 - Forecast quarterly contracted units

	FY20	1Q21	2Q21	1H21	3Q21	4Q21	FY21	1Q22	2Q22	1H22	3Q22e	4Q22e	FY22e	1Q23e	2Q23e	1H23e	3Q23e	4Q23e	FY23e	
	Mar-20	Jun-20	Sep-20	Sep-20	Dec-20	Mar-21	Mar-21	Jun-21	Sep-21	Sep-21	Dec-21	Mar-22	Mar-22	Jun-22	Sep-22	Sep-22	Dec-22	Mar-23	Mar-23	
Assumptions (\$m)																				
New Zealand																				
Contracted units	80,366	82,304	84,526	84,526	85,597	87,892	87,892	90,747	93,639	93,639	95,939	98,258	98,258	100,811	103,302	103,302	105,602	107,921	107,921	
Net additions	4,692	1,938	2,222	4,160	1,071	2,295	3,366	2,855	2,892	5,747	2,300	2,319	4,619	2,553	2,491	5,044	2,300	2,319	4,619	
Change (YoY)	8,920	9,329	8,852	8,852	7,368	7,526	7,526	8,443	9,113	9,113	10,342	10,366	10,366	10,064	9,663	9,663	9,663	9,663	9,663	
North America																				
Contracted units	34,002	34,258	35,294	35,294	35,255	35,437	35,437	35,827	33,992	33,992	34,192	34,942	34,942	36,142	37,637	37,637	39,131	40,731	40,731	
Net additions	2,093	256	1,036	1,292	-39	182	143	390	-1,835	-1,445	200	750	950	1,200	1,495	2,695	1,494	1,600	3,094	
Change (YoY)	9,058	6,410	3,385	3,385	2,630	1,435	1,435	1,569	-1,302	-1,302	-1,063	-495	-495	315	3,645	3,645	4,939	5,789	5,789	
Australia																				
Contracted units	2,120	2,252	2,373	2,373	2,625	2,874	2,874	3,781	5,072	5,072	6,083	7,183	7,183	8,494	9,805	9,805	11,182	12,682	12,682	
Net additions	607	132	121	253	252	249	501	907	1,291	2,198	1,011	1,100	2,111	1,311	1,311	2,622	1,378	1,500	2,878	
Change (YoY)		873	860	860	942	754	754	1,529	2,699	2,699	3,458	4,309	4,309	4,713	4,733	4,733	5,099	5,499	5,499	
Group																				
Contracted units	116,488	118,814	122,193	122,193	123,477	126,203	126,203	130,355	132,703	132,703	136,214	140,383	140,383	145,447	150,744	150,744	155,915	161,334	161,334	
Net additions	7,392	2,326	3,379	5,705	1,284	2,726	4,010	4,152	2,348	6,500	3,511	4,169	7,680	5,064	5,297	10,361	5,172	5,419	10,591	
Change (YoY)	20,098	16,612	13,097	13,097	10,940	9,715	9,715	11,541	10,510	10,510	12,737	14,180	14,180	15,092	18,041	18,041	19,701	20,951	20,951	

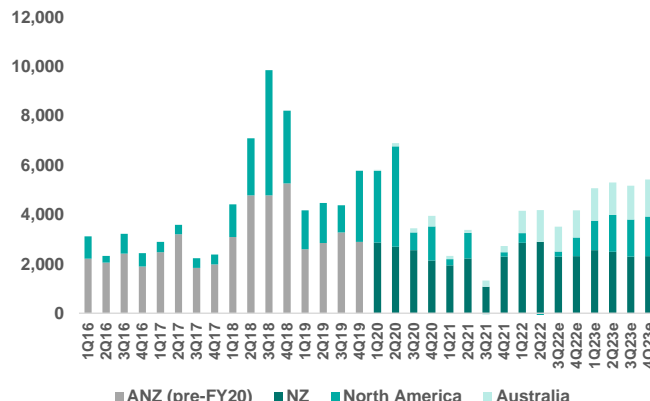
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 5 - Historical contracted units (#)



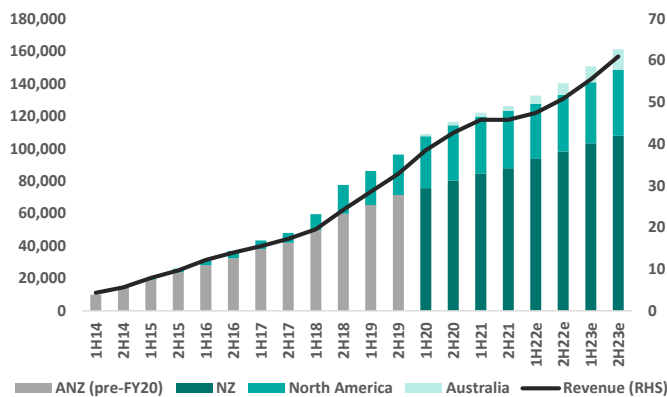
SOURCE: COMPANY DATA

Figure 6 - Quarterly net contracted unit growth (#)



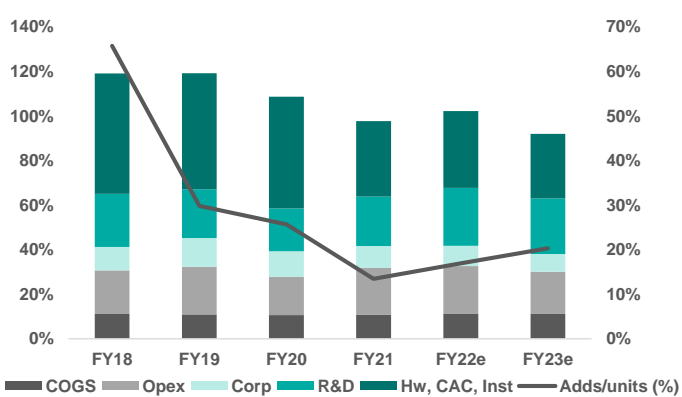
SOURCE: COMPANY DATA

Figure 7 - Total contracted units (#) vs. revenue (NZ\$m)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 8 - Expense/capex analysis: % of revenue*



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES *% OF REVENUE IS LHS

Changes to earnings and valuation

Changes to EPS

We have reduced our near-term unit growth assumptions accounting for the update, resulting in reductions to our revenue estimates by -2.2%, -3.5% and -2.8% for FY22e, FY23e, and FY24e respectively.

We have also updated for the Jul'21 capital raising, although will not amend our numbers until completion occurs in the coming months, with ERD expecting to provide consolidate guidance at the same time. The net result is downgrades to our Underlying EPS estimates by -2.0¢ps, -4.3¢ps and -5.5¢ps to FY22e, FY23e, and FY24e respectively. However we note these changes would be much lower (-1.5¢ps, -2.5¢ps and -1.6¢ps to FY22e, FY23e, and FY24e), had we not adjusted the share count for the capital raising.

Figure 9 - Changes to key forecasts

Earnings Changes June Year End	2022e			2023e			2024e		
	old	new	% change	old	new	% change	old	new	% change
Contracted units (#)	144,609	140,383	-2.9%	165,603	161,334	-2.6%	176,834	172,744	-2.3%
Revenue (\$m)	100.8	98.6	-2.2%	120.7	116.5	-3.5%	143.6	139.6	-2.8%
EBITDA (\$m)	34.4	32.1	-6.5%	45.2	40.9	-9.6%	58.7	54.5	-7.2%
NPAT (Underlying) (\$m)	3.1	1.7	-45.1%	8.3	5.7	-31.5%	14.8	12.3	-17.3%
EPS (Underlying) (\$m)	3.8	1.7	-53.7%	10.1	5.8	-42.2%	18.1	12.6	-30.2%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation

Our DCF approach values ERD on its forecast free cash flow discounted at its weighted cost of capital. We view our DCF as a way to capture our long-term growth assumptions.

Our DCF derives a valuation of NZ\$6.31ps, which we convert to AUD at the spot rate of 1.04 to derive our Target Price of A\$6.05ps.

Our one-year Target Price implies a multiple of ~4.4x FY23e EV/Revenue, which we see as appropriate given the attractive unit economics of the business, provided sales growth continues to reaccelerate.

We are yet to include the additional shares, or cash in our valuation, as we expect the Coretex acquisition to complete and will adjust accordingly.

Figure 10 - Discounted cash flow valuation (NZ\$m)

DCF	21/10/2021	FY22e Mar-22	FY23e Mar-23	FY24e Mar-24	FY25 Mar-25	FY26e Mar-26	FY27e Mar-27	FY28e Mar-28	FY29e Mar-29	FY30e Mar-30	FY31e Mar-31
Operating Cash Flow		30.9	39.1	52.5	59.9	70.3	80.1	89.8	99.3	108.6	117.9
Capex		(39.0)	(43.8)	(50.3)	(54.0)	(55.9)	(58.6)	(61.2)	(63.9)	(66.5)	(69.2)
Free Cash Flow		-8.1	-4.6	2.2	5.9	14.5	21.6	28.6	35.4	42.1	48.7
Discount Rate		0.441	1.441	2.444	3.444	4.444	5.444	6.447	7.447	8.447	9.447
PV of FCF		-7.8	-4.1	1.8	4.4	10.0	13.7	16.8	19.1	20.9	22.3
Terminal Value		397.2									
Value		494.3									
Net Debt/Cash		-22.1									
Acquisition Costs		0.0									
Equity Value		516.4									
Shares on Issue		81.9									
Equity Value Per Share (NZ\$)		\$6.31									
AUD/NZ rate		\$1.04									
Equity Value Per Share (A\$)		\$6.05									

SOURCE: BELL POTTER SECURITIES ESTIMATES

Cross check to Discounted PLTV

We cross check our DCF valuation to our Discounted Portfolio Lifetime Value (DPLTV) methodology. Our analysis suggests a FY22e DPLTV of A\$6.70ps, and an equity value per share (excluding R&D expenditure) of A\$5.34ps, justifying our one year Target Price of \$6.05ps in our view.

In our view, DPLTV methodology of valuing the underlying customer base, although is limited given it ascribes no value for future growth, particularly as a result of R&D, nor does it include a terminal value. Key risks to our DPLTV are increased churn, as well as decreases to contracted units or ARPU.

Figure 11 - Discounted Portfolio LTV

Portfolio LTV	FY21	FY22e	FY23e	FY24e	FY25e
	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25
Monthly ARPU	58.30	59.59	62.43	65.66	68.09
GP margin (%)	88.5%	88.5%	88.5%	88.5%	88.5%
CAC	767	681	659	659	659
Hardware & fulfilment costs	385	378	378	378	378
NPV of cash flows (NZ\$)	3991	4226	4532	4854	5096
<i>Contracted units</i>	<i>126,203</i>	<i>140,383</i>	<i>161,334</i>	<i>183,337</i>	<i>205,503</i>
Portfolio LTV (NZ\$m)	485	593	731	890	1047
PV of R&D + sustaining capex	-185	-265	-297	-334	-340
PV of corporate costs	-84	-84	-87	-91	-94
Enterprise valuation	216.1	245.0	347.3	465.2	612.6
Net debt	-22.1	-13.3	-8.0	-9.6	-14.9
Equity Value	194.0	231.6	339.3	455.6	597.7
<i>Discount Rate</i>	<i>-0.559</i>	<i>0.441</i>	<i>1.441</i>	<i>2.444</i>	<i>3.444</i>
PV of Equity Value	203.2	223.4	301.2	372.3	449.6
Shares Outstanding	81.9	81.9	81.9	81.9	81.9
Equity Value Per Share (NZ\$)	\$2.48	\$2.73	\$3.68	\$4.55	\$5.49
AUD/NZ rate	1.04	1.04	1.04	1.04	1.04
Equity Value Per Share (A\$)	\$2.38	\$2.61	\$3.53	\$4.36	\$5.26
Add back PV R&D	-191	-241	-273	-311	-317
Equity Value Per Share (A\$)	\$4.72	\$5.34	\$6.36	\$7.33	\$8.05
Discounted PLTV Per Share (A\$)	\$5.94	\$6.70	\$7.60	\$8.51	\$9.22

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Business overview

Company description

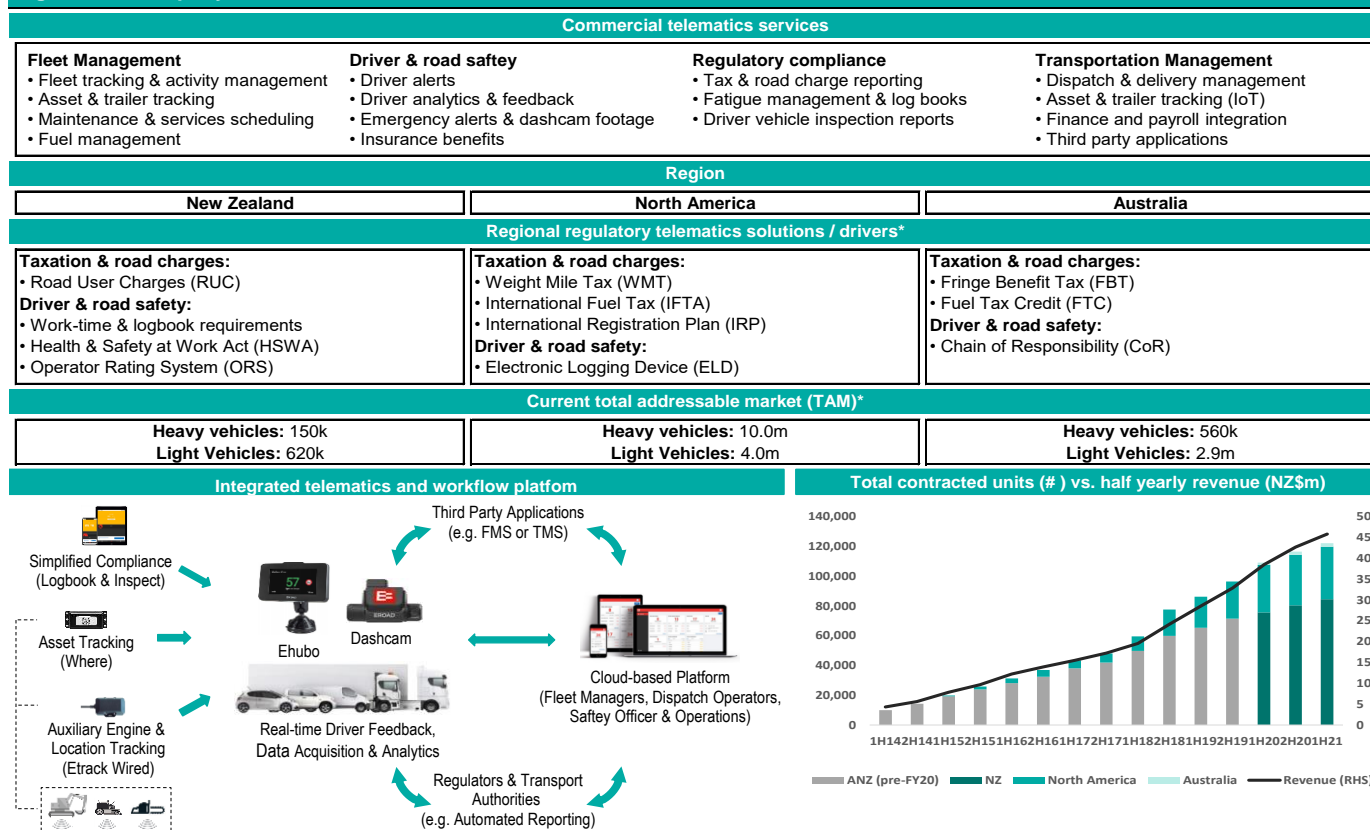
EROAD (ERD) is a hardware-enabled SaaS company that provides integrated telematics solutions that simplify regulatory compliance obligations, such as road user charges (RUCs) and occupational health and safety regulations, and streamlines fleet management (e.g. drivers, vehicles, auxiliary assets and workflows). The company sells its products to heavy and light commercial vehicle fleets in New Zealand, North America and Australia, and has >6,600 customers globally. ERD's integrated telematics technology broadly consists of a: (1) multi-functional in-cab device (EHUBO 2); (2) Cloud-based platform (MyEROAD/Depot); and, (3) integrated hardware and app-based solutions.

ERD can facilitate automated reporting and payment of RUCs to regulators/transport authorities via the platform, while the platform's API enables integration with in-house and third party software (logistics systems, payroll systems, or original equipment manufacturers) for value-added use of customer data.

Investment thesis

We have a Buy recommendation on ERD and a target price of \$6.05 per share. Our favourable view is supported by: (1) a strong track record of organic unit, ARPU and revenue growth; (2) significant opportunities to expand ARPU via recent product launches; (3) extremely attractive unit economics and IRR of new contracted units; (4) material growth opportunities in North America and Australia; (5) a large and growing addressable market; and (6) structural tailwinds towards fleet telematics and electronic RUC's.

Figure 12 - Company overview



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES, *ADDRESSABLE MARKET INCREASES WITH PRODUCT EXTENSIONS, **SEE APPENDIX FOR REGULATION DESCRIPTIONS

Key risks to investment thesis

Risks to investment thesis

Key risks to our investment thesis include, although are not limited to:

COVID-19: COVID-19 continues to create volatility and uncertainty in global share markets. The forecasts in this report may be subjected to significant changes if this situation continues for an extended period.

Execution risk: ERD is in the early stages of new market expansions and is undertaking increased investment in product development. There is a risk sales growth in new markets is below historical trends, or that new products do not generate a viable economic return.

Competition risk: The telematics industry is in high growth phase, with intense competition and constant innovation. There is a risk that competitors release disruptive products, or functionality that may deteriorate ERD's growth prospects. There is also the risk that industry consolidation may deteriorate ERD's competitive position.

Innovation risk: ERD is materially expanding its R&D expense and developing new products. There is a risk that product development will take longer or be more expensive than expected, not be attractive to customers, or not be successful at all. Failure to execute product development could adversely affect ERD's future financial performance.

Technology risk: Product quality, reliability concerns, or issues with ongoing connectivity may adversely impact existing customer relationships and ERD's reputation.

Demand risk: Failure to execute sales and marketing initiatives in North America and Australia, or the prospect that customers' do not continue to demand ERD's current or future products, may adversely impact ERD's growth prospects and financial performance.

Regulatory risk: Any changes to laws or regulations that ERD's products cater for, or relaxation of obligations relating to accuracy and security standards, may adversely impact ERD's competitive position within the specific market.

Data security risks: ERD electronically stores and processes sensitive customer information. Any security breach, system defect, or service disruption resulting in the inadvertent transmission of data may result in significant reputational damage and/or possible liability claims.

Acquisition risks: ERD may undertake strategic growth acquisitions. There is a risk that ERD will not be able to execute acquisitions as intended, with risks to integration, retention of key people, realisation of synergies and delivery of pro forma financial forecasts.

Key staff risk: The loss of key management, sales or development personnel, delays in their replacement, and/or failure to attract new talent may adversely affect ERD's operations and future performance.

Exchange rate risk: ERD is anticipated to generate an increasing proportion of revenue in USD and AUD. Any adverse movement in exchange rates, could negatively impact ERD's financial performance and also expose ERD to translation risk within its financial accounts. Further, Australian domiciled investors are exposed to adverse movements in the AUD:NZD exchange rates.

Intellectual property risk: There is a risk that ERD's competitors or non-practicing patent entities (NPPE) create/hold/claim to hold intellectual property rights that restrict ERD's ability to monetise its technology. ERD has attracted attention from NPPE's in past, although has successfully defended these claims to date.

EROAD

as at 22 October 2021

Recommendation

Buy

Price

\$4.89

Target (12 months)

\$6.05

Table 1 - Financial summary

March Year End					
Profit & Loss (NZ\$m)	2020	2021	2022e	2023e	2024e
SaaS revenue	76.3	85.0	95.2	112.9	136.0
COGS (Platform fees)	8.6	9.8	10.9	13.0	15.6
Gross Profit	67.7	75.2	84.2	100.0	120.3
Other income	4.9	6.6	3.4	3.5	3.6
Operating expenses	30.2	34.0	37.1	41.7	46.6
Corporate expenses	9.3	9.0	8.9	9.3	9.7
Expensed R&D	6.0	8.2	9.5	11.6	13.2
Underlying EBITDA	27.1	30.7	32.1	40.9	54.5
... Change	73.7%	13.3%	4.7%	27.2%	33.3%
Depreciation & Amortisation	22.6	26.3	27.1	30.2	34.6
EBIT	4.5	4.4	5.0	10.7	19.9
Net Interest	3.1	2.5	2.7	2.8	2.9
Pre-tax profit	1.4	1.9	2.3	7.9	17.0
Tax expense	(0.4)	0.1	(0.7)	(2.2)	(4.8)
Underlying Net Profit	1.0	2.0	1.7	5.7	12.3
Abs. & extras. (post-tax)	-	-	-	-	-
Reported Profit (cont. Ops)	1.0	2.0	1.7	5.7	12.3
Cashflow (NZ\$m)					
Underlying EBITDA	2020	2021	2022e	2023e	2024e
Change in working capital	1.9	2.1	(0.1)	(0.1)	(0.1)
Change in contract liabilities	(1.8)	(1.6)	1.6	1.2	1.3
Tax Paid	-	-	0.0	-	(0.3)
Net Interest Expense	(2.7)	(2.5)	(2.7)	(2.8)	(2.9)
Other	(1.4)	(0.6)	-	-	-
Operating cash flow	23.1	28.1	30.9	39.1	52.5
Capex (Hardware & other)	(11.6)	(4.7)	(13.4)	(15.0)	(17.9)
Intangibles (R&D & Software)	(16.5)	(13.1)	(17.7)	(19.0)	(21.4)
CACS (Comms & fulfillment)	(7.8)	(5.0)	(8.0)	(9.8)	(11.1)
Free Cash Flow	(12.8)	5.3	(8.1)	(4.6)	2.2
Dividends paid	-	-	-	-	-
Acquisitions & disposals	-	-	-	-	-
Share Issues	-	50.8	84.4	-	-
Change in borrowings	1.2	(0.8)	-	-	-
Other	(1.1)	(1.6)	(0.6)	(0.6)	(0.6)
Net Change in Cash	(12.7)	53.7	75.6	(5.3)	1.6
Balance Sheet (NZ\$m)					
	2020	2021	2022e	2023e	2024e
Cash	3.4	57.1	128.2	122.9	124.5
Restricted bank accounts	14.0	10.5	15.4	16.9	18.4
Receivables	10.7	8.2	9.3	11.2	13.3
CACS (Comms & fulfillment)	5.9	5.5	5.5	6.6	7.6
Other current assets	-	-	-	-	-
Current assets	34.0	81.3	158.4	157.6	163.9
PP&E (Hardware & other)	32.3	30.6	34.7	39.3	45.4
Goodwill	-	-	-	-	-
Intangibles (R&D & Software)	42.1	45.3	52.5	60.1	68.4
CACS (Comms & fulfillment)	4.8	3.4	4.7	5.7	6.6
Other non-curr assets	12.6	11.4	10.7	8.5	4.1
Non Current Assets	91.8	90.7	102.6	113.6	124.4
Total Assets	125.8	172.0	261.0	271.1	288.3
Short term debt	2.2	6.4	6.4	6.4	6.4
Creditors	8.2	7.8	8.8	10.5	12.5
Payables to TA	13.9	10.5	15.4	16.9	18.4
Contract liabilities	3.6	3.9	4.7	5.1	5.9
Other current liabilities	2.8	3.3	3.3	3.3	3.3
Current Liabilities	30.7	31.9	38.6	42.3	46.5
Long term debt	33.6	28.6	28.6	28.6	28.6
Lease liabilities	5.3	4.2	4.2	4.2	4.2
Contract liabilities	4.6	2.7	3.5	4.2	4.8
Other	0.3	-	-	-	-
Non Current Liabilities	43.8	35.5	36.3	37.0	37.6
Total Liabilities	74.5	67.4	74.9	79.3	84.1
Net Assets	51.3	104.6	186.2	191.9	204.1
Share capital	80.7	131.7	211.6	211.6	211.6
Reserves	(2.9)	(3.4)	(3.4)	(3.4)	(3.4)
Retained earnings	(26.5)	(23.7)	(22.0)	(16.3)	(4.1)
Shareholders Equity	51.3	104.6	186.2	191.9	204.1
Net debt/(cash) \$m	32.4	(22.1)	(93.2)	(87.9)	(89.5)
Price (A\$)					\$4.89
Implied price (NZ\$)					\$5.10
Recommendation					Buy
Shares on issue (m)					97.0
Market cap (A\$m)					474.4
Target Price (A\$ps)					\$6.05
Valuation Ratios					
	2020	2021	2022e	2023e	2024e
Underlying EPS (eps)	1.5	2.7	1.7	5.8	12.6
... % change		75.8%	-35.3%	236.0%	116.1%
P/E (x)	319.6	181.8	281.1	83.7	38.7
EV/EBITDA (x)*	14.6	12.9	12.3	9.7	7.3
EV/EBIT (x)*	87.9	89.9	78.6	37.1	19.9
EV/Sales (x)*	5.2	4.7	4.2	3.5	2.9
Performance Ratios					
	2020	2021	2022e	2023e	2024e
Revenue growth (%)	32.9%	11.4%	12.0%	18.7%	20.4%
EBITDA growth (%)	73.7%	13.3%	4.7%	27.2%	33.3%
EBITDA margin (%)	33.4%	33.5%	32.6%	35.1%	39.0%
EBIT growth (%)		35.7%	23.4%	236.0%	116.1%
OCF Realisation	97.9%	99.3%	107.4%	109.1%	112.0%
ROE (%)	1.9%	1.9%	0.9%	3.0%	6.0%
ROIC (%)	5.8%	5.4%	5.7%	10.8%	18.3%
Fixed Asset Turnover	2.49	2.75	2.90	3.06	3.20
Interest Cover	1.45	1.76	1.87	3.82	6.96
Current Ratio	1.11	2.55	4.11	3.73	3.52
Net Debt/EBITDA	1.20	-0.72	-2.90	-2.15	-1.64
Net Debt/Equity (%)	63.2%	-21.1%	-50.1%	-45.8%	-43.9%
Unit assumptions					
	2020	2021	2022e	2023e	2024e
New Zealand	80,366	87,892	98,258	107,921	117,584
North America	34,002	35,437	34,942	40,731	47,150
Australia	2,120	2,874	7,183	12,682	18,603
Total contracted units	116,488	126,203	140,383	161,334	183,337
New Zealand	55.78	56.18	58.49	60.49	62.49
North America	65.73	65.03	65.40	72.66	79.87
Australia (Bpe)	37.28	35.50	39.73	43.61	48.67
Group monthly ARPU	58.38	58.30	59.59	62.43	65.66
Currency assumptions					
	2020	2021	2022e	2023e	2024e
USD:NZD (Avg.)	1.55	1.49	1.40	1.38	1.38
AUD:NZD (Avg.)	1.05	1.07	1.07	1.07	1.07
Segments (NZ\$m)					
	2020	2021	2022e	2023e	2024e
New Zealand					
Revenue	53.4	59.8	68.4	77.9	87.7
EBITDA	34.9	38.8	44.9	51.4	58.8
EBITDA margin (%)	65.4%	64.9%	65.6%	66.0%	67.0%
North America					
Revenue	25.8	30.6	27.8	33.4	42.7
EBITDA	7.5	10.0	6.3	10.0	16.1
EBITDA margin (%)	29.1%	32.7%	22.5%	29.9%	37.6%
Australia					
Revenue	0.7	1.4	2.4	5.2	9.1
EBITDA	(1.3)	(0.9)	(0.6)	0.4	2.6
EBITDA margin (%)	NM	NM	NM	NM	NM
Other revenue	1.3	0.1	-	-	-
Corporate costs	(9.3)	(9.0)	(8.9)	(9.3)	(9.7)
Expensed R&D	(6.0)	(8.2)	(9.5)	(11.6)	(13.2)
Underlying EBITDA	27.1	30.9	32.1	40.9	54.5
Half Yearly (NZ\$m)					
	1H20	1H21	1H22e	1H23e	1H23e
SaaS revenue	35.9	42.1	46.1	53.8	65.1
Other income	2.6	4.0	1.7	1.8	1.8
EBITDA	11.9	15.6	15.3	19.1	25.5
... Change	92.4%	30.8%	-1.8%	24.4%	33.6%
Deprec. & amort.	10.5	12.9	13.2	14.6	16.7
EBIT	1.4	2.7	2.2	4.5	8.7
Net Interest	1.6	1.2	1.3	1.4	1.4
Tax expense	0.1	(0.2)	(0.2)	(0.9)	(2.0)
Underlying Net Profit	(0.1)	1.3	0.6	2.2	5.3
Abs. & extras. (post-tax)	-	-	-	-	-
Reported Profit (cont. Ops)	(0.1)	1.3	0.6	2.2	5.3

SOURCE: BELL POTTER SECURITIES ESTIMATES, *RATIOS PRE-SHARES ISSUED IN THE CAPITAL RAISING JUL'21

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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