

# **I.D. Systems Reports Second Quarter and Six Month 2012 Results; First-Half Revenue Up 14% to Record \$18.5 Million**

WOODCLIFF LAKE, N.J., Aug. 7, 2012 (GLOBE NEWSWIRE) -- I.D. Systems, Inc. (Nasdaq:IDSY), a leading provider of wireless solutions for tracking, securing and managing high-value enterprise assets, reported results for the three and six months ended June 30, 2012.

## **Second Quarter 2012 Financial Results**

- Revenue increased 4% to \$8.7 million from \$8.3 million in the same year-ago period, reflecting increased demand for the company's vehicle and transportation asset management systems. Recurring revenue for the second quarter of 2012 was \$4.3 million, or 49% of total revenue.
- Positive cash flow from operations was \$54,000 for the quarter. As of June 30, 2012, the company had \$20.9 million in cash, cash equivalents and marketable securities, and \$22.4 million of working capital, with no debt.
- Gross margin was 52%, consistent with historic levels.
- Excluding stock-based compensation and depreciation and amortization, non-GAAP net loss was \$1.2 million, or \$(0.10) per basic and diluted share, compared to \$1.1 million, or \$(0.10) per basic and diluted share, in the same year-ago period.
- Net loss was \$2.1 million, or \$(0.18) per basic and diluted share, compared to \$2.0 million, or \$(0.19) per basic and diluted share, in the same year-ago period.
- I.D. Systems repurchased approximately 43,000 shares of its common stock in the second quarter of 2012 at an average purchase price of \$4.30 per share, under a stock repurchase program authorized in November 2010. As of June 30, 2012, a total of 308,000 shares had been repurchased under this program at a total cost of approximately \$1.3 million. The program authorizes the repurchase of issued and outstanding shares of up to \$3 million in aggregate value.

## **Six Month 2012 Financial Results**

- Revenue increased 14% to a record \$18.5 million from \$16.2 million in the same year-ago period. The gain was due primarily to increased sales of the company's vehicle and transportation asset management systems. Recurring revenue for the six months ended June 30, 2012 was \$8.4 million, or 46% of total revenue.
- Excluding stock-based compensation and depreciation and amortization, non-GAAP

net loss was \$2.0 million, or \$(0.17) per basic and diluted share, compared to \$2.0 million, or \$(0.18) per basic and diluted share, in the same year-ago period.

- Net loss was \$3.7 million or \$(0.32) per basic and diluted share, compared to \$3.8 million or \$(0.35) per basic and diluted share in the same year-ago period.

## **Second Quarter 2012 Operational Highlights**

- Recurring business from core customers, including 3M, Alcoa, American Eagle Airlines, Audi, BASF, CH Robinson, Continental Tire, Ford Motor Company, General Mills, Ingersoll-Rand, John Deere, Nestlé, the Osterkamp Group, Procter & Gamble, the U.S. Postal Service, Walgreens, Walmart, and Xerox, among others.
- Initial system implementations with new customers, including Detroit Diesel, a leading engine and axle manufacturer and a subsidiary of Daimler AG, and Swift Transportation, one of the largest truckload carriers in North America.
- Continued success selling through channel partners, who generated business from customers across diverse industries, including automotive, building products, food and beverage, electrical products, industrial products, logistics, packaging, specialty retail, and wholesale distribution.

## **Management Commentary**

"The second quarter of 2012 marked our tenth consecutive quarter of year-over-year revenue growth, and our revenue for the first half of the year improved to a record \$18.5 million, up 14% from the same point in 2011," said Jeffrey Jagid, I.D. Systems' chairman and CEO. "We are currently on pace to achieve our second year in a row of record annual revenue.

"We continue to make progress on our strategic objectives of diversifying revenue sources, maintaining a predictable stream of recurring revenue, and sustaining high gross margins. Our revenue is being generated by a balanced mix of market segments, products and services. Only one of our customers accounted for more than 10% of our revenue in the first half of 2012. Our recurring revenue was 49% of total revenue in the second quarter of 2012. And our overall gross margin remained strong and stable at more than 50% for both the three-month and six-month periods. We look forward to building on this positive momentum for the remainder of the year and into 2013.

"Our outlook for the rest of 2012 is especially strong due to expected deliveries of rental fleet management units to Avis Budget Group," added Mr. Jagid. "In July 2012, Avis issued delivery orders for approximately 20,000 units, representing the balance of the 25,000 units earmarked for deployment across the Northeast U.S. and Canada under our master agreement. We expect to deliver all 20,000 units in the third quarter of 2012."

## **Investor Conference Call**

I.D. Systems will hold a conference call for investors and analysts today, August 7, 2012, at 4:45 p.m. Eastern time. Jeffrey Jagid, I.D. Systems' chairman and CEO, will lead a discussion on the results of the quarter and other recent developments. After management's

discussion, there will be a question and answer period. The conference call will be broadcast live over the Internet via the Investors section of the company's website at [www.id-systems.com](http://www.id-systems.com). To listen to the live call, go to the website at least 10 minutes early to download and install any necessary audio software.

## **Non-GAAP Measures**

To supplement its financial statements presented in accordance with Generally Accepted Accounting Principles (GAAP), I.D. Systems provides certain non-GAAP measures of financial performance. These non-GAAP measures include non-GAAP net income/loss and non-GAAP net income/loss per basic and diluted share. Reference to these non-GAAP measures should be considered in addition to results prepared under current accounting standards, but are not a substitute for, or superior to, GAAP results. These non-GAAP measures are provided to enhance investors' overall understanding of I.D. Systems' current financial performance. Specifically, I.D. Systems believes the non-GAAP measures provide useful information to both management and investors by excluding certain expenses, gains and losses that may not be indicative of its core operating results and business outlook. Reconciliation of all non-GAAP measures included in this press release to the nearest GAAP measures can be found in the financial tables included in this press release.

## **About I.D. Systems**

Based in Woodcliff Lake, New Jersey, with subsidiaries in Germany and the United Kingdom, I.D. Systems is a leading provider of wireless solutions for securing, controlling, tracking, and managing high-value enterprise assets, including vehicles, powered equipment, trailers, containers, baggage, and cargo. The company's patented technologies address the needs of organizations to monitor and analyze their assets to improve safety, security, efficiency, and productivity. For more information, please visit [www.id-systems.com](http://www.id-systems.com).

## **Important Cautions Regarding Forward-Looking Statements**

This press release contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements include statements with respect to I.D. Systems' beliefs, plans, goals, objectives, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond I.D. Systems' control, and which may cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. For example, forward-looking statements include: statements regarding prospects for additional customers; market forecasts; projections of earnings, revenues, synergies, accretion or other financial information; and plans, strategies and objectives of management for future operations, including integration plans in connection with acquisitions. The risks and uncertainties referred to above include, but are not limited to, future economic and business conditions, the loss of key customers or reduction in the purchase of products by any such customers, the failure of the market for I.D. Systems' products to continue to develop, the possibility that I.D. Systems may not be able to integrate successfully the business, operations and employees of acquired businesses, the inability to protect I.D. Systems' intellectual property, the inability to manage growth, the effects of competition from a variety of local, regional, national and other providers of

wireless solutions, and other risks detailed from time to time in I.D. Systems' filings with the Securities and Exchange Commission, including its annual report on Form 10-K for the year ended December 31, 2011. These risks could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, I.D. Systems. Unless otherwise required by applicable law, I.D. Systems assumes no obligation to update the information contained in this press release, and expressly disclaims any obligation to do so, whether as a result of new information, future events or otherwise.

-- Tables to Follow --

**I.D. Systems, Inc. and Subsidiaries**  
**Condensed Statement of Operations Data**  
(Unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>
Revenue:				
Products	\$ 3,959,000	<b>\$ 4,761,000</b>	\$ 7,763,000	<b>\$ 10,472,000</b>
Services	4,374,000	<b>3,920,000</b>	8,404,000	<b>8,021,000</b>
	<u>8,333,000</u>	<u><b>8,681,000</b></u>	<u>16,167,000</u>	<u><b>18,493,000</b></u>
Cost of revenue:				
Cost of products	2,345,000	<b>2,810,000</b>	4,526,000	<b>6,273,000</b>
Cost of services	1,510,000	<b>1,321,000</b>	3,002,000	<b>2,724,000</b>
	<u>3,855,000</u>	<u><b>4,131,000</b></u>	<u>7,528,000</u>	<u><b>8,997,000</b></u>
Gross profit	<u>4,478,000</u>	<u><b>4,550,000</b></u>	<u>8,639,000</u>	<u><b>9,496,000</b></u>
Selling, general and administrative	5,726,000	<b>5,671,000</b>	10,821,000	<b>11,260,000</b>
Research and development expenses	870,000	<b>1,085,000</b>	1,776,000	<b>2,199,000</b>
	<u>6,596,000</u>	<u><b>6,756,000</b></u>	<u>12,597,000</u>	<u><b>13,459,000</b></u>
Loss from operations	(2,118,000)	<b>(2,206,000)</b>	(3,958,000)	<b>(3,963,000)</b>
Interest income	53,000	<b>130,000</b>	100,000	<b>219,000</b>
Other income, net	<u>22,000</u>	<u><b>10,000</b></u>	<u>50,000</u>	<u><b>31,000</b></u>
<b>Net loss</b>	<u><b>\$ (2,043,000)</b></u>	<u><b>\$ (2,066,000)</b></u>	<u><b>\$ (3,808,000)</b></u>	<u><b>\$ (3,713,000)</b></u>
<b>Net loss per share – basic and diluted</b>	<u><b>\$ (0.19)</b></u>	<u><b>\$ (0.18)</b></u>	<u><b>\$ (0.35)</b></u>	<u><b>\$ (0.32)</b></u>
<b>Weighted average common shares outstanding – basic and diluted</b>	<u>10,819,000</u>	<u><b>11,701,000</b></u>	<u>10,866,000</u>	<u><b>11,710,000</b></u>

**I.D. Systems, Inc. and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Financial Measures**

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2012	2011	2012
Net loss attributable to common stockholders	\$ (2,043,000)	<b>\$ (2,066,000)</b>	\$ (3,808,000)	<b>\$ (3,713,000)</b>
Depreciation and amortization	607,000	<b>553,000</b>	1,212,000	<b>1,107,000</b>
Stock-based compensation	308,000	<b>327,000</b>	616,000	<b>580,000</b>
<b>Non-GAAP loss</b>	<u>\$ (1,128,000)</u>	<u><b>\$ (1,186,000)</b></u>	<u>\$ (1,980,000)</u>	<u><b>\$ (2,026,000)</b></u>
<b>Non-GAAP net loss per share – basic and diluted</b>	<u>\$ (0.10)</u>	<u><b>\$ (0.10)</b></u>	<u>\$ (0.18)</u>	<u><b>\$ (0.17)</b></u>

**I.D. Systems, Inc. and Subsidiaries**  
**Condensed Balance Sheet Data**

	December 31, 2011*	June 30, 2012 (Unaudited)
<b>ASSETS</b>		
Cash and cash equivalents	\$8,386,000	<b>\$4,648,000</b>
Restricted cash	300,000	<b>300,000</b>
Investments – short term	6,904,000	<b>7,387,000</b>
Accounts receivable, net	7,947,000	<b>7,506,000</b>
Notes and lease receivable – current portion	1,217,000	<b>782,000</b>
Inventory, net	8,114,000	<b>8,242,000</b>
Deferred costs – current portion	1,950,000	<b>2,392,000</b>
Deferred income taxes	390,000	<b>--</b>
Prepaid and other expenses	2,192,000	<b>1,027,000</b>
Total current assets	37,400,000	<b>32,284,000</b>
Investments – long term	9,779,000	<b>8,543,000</b>
Notes and lease receivable – less current portion	4,101,000	<b>5,350,000</b>
Deferred costs – less current portion	1,916,000	<b>1,775,000</b>
Fixed assets, net	3,092,000	<b>2,786,000</b>
Goodwill	1,837,000	<b>1,837,000</b>
Intangible assets, net	4,399,000	<b>3,815,000</b>
Other assets	307,000	<b>307,000</b>
Total assets	<u>\$62,831,000</u>	<u><b>\$56,697,000</b></u>
<b>LIABILITIES</b>		

Accounts payable and accrued expenses	\$9,482,000	<b>\$5,518,000</b>
Deferred revenue – current portion	<u>3,090,000</u>	<u><b>4,388,000</b></u>
Total current liabilities	12,572,000	<b>9,906,000</b>
Deferred rent	327,000	<b>348,000</b>
Deferred revenue – less current portion	<u>4,332,000</u>	<u><b>4,328,000</b></u>
Total liabilities	<u>17,231,000</u>	<u><b>14,582,000</b></u>

Commitments and contingencies

#### **STOCKHOLDERS' EQUITY**

Preferred stock; authorized 5,000,000 shares, \$0.01 par value; none issued	--	--
Common stock; authorized 50,000,000 shares, \$0.01 par value; 12,546,000 and 12,643,000 shares issued at December 31, 2011 and June 30, 2012, respectively; shares outstanding, 12,055,000 and 12,058,000 at December 31, 2011 and June 30, 2012, respectively	121,000	<b>121,000</b>
Additional paid-in capital	101,766,000	<b>102,469,000</b>
Accumulated deficit	(53,510,000)	<b>(57,223,000)</b>
Accumulated other comprehensive loss	<u>(49,000)</u>	<u><b>(94,000)</b></u>
	48,328,000	<b>45,273,000</b>
Treasury stock, at cost	<u>(2,728,000)</u>	<u><b>(3,158,000)</b></u>
Total stockholders' equity	<u>45,600,000</u>	<u><b>42,115,000</b></u>
Total liabilities and stockholders' equity	<u><u>\$62,831,000</u></u>	<u><u><b>\$56,697,000</b></u></u>

\*Derived from audited balance sheet as of December 31, 2011.

### **I.D. Systems, Inc. and Subsidiaries**

#### **Condensed Statement of Cash Flows Data**

(Unaudited)

	<u><b>Six Months Ended June 30,</b></u>	
	<u>2011</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (3,808,000)	<b>\$ (3,713,000)</b>
Adjustments to reconcile net loss to cash used in operating activities:		
Bad debt expense	158,000	<b>208,000</b>
Proceeds from sale of N.J. net operating loss carryforwards	--	<b>390,000</b>
Stock-based compensation expense	616,000	<b>580,000</b>
Depreciation and amortization	1,212,000	<b>1,107,000</b>
Deferred rent expense	86,000	<b>21,000</b>
Changes in:		
Accounts receivable	617,000	<b>219,000</b>
Note and lease receivable	61,000	<b>(814,000)</b>
Inventory	(13,000)	<b>(128,000)</b>
Prepaid expenses and other assets	(608,000)	<b>1,165,000</b>
Deferred costs	(723,000)	<b>(301,000)</b>

Deferred revenue	336,000	<b>1,294,000</b>
Accounts payable and accrued expenses	<u>(1,623,000)</u>	<u><b>(4,108,000)</b></u>
Net cash used in operating activities	<u>(3,689,000)</u>	<u><b>(4,080,000)</b></u>

**Cash flows from investing activities:**

Expenditures for fixed assets including website development	(82,000)	<b>(215,000)</b>
Purchase of investments	(2,889,000)	<b>(3,135,000)</b>
Proceeds from sales and maturities of investments	<u>1,606,000</u>	<u><b>3,943,000</b></u>
Net cash (used in) provided by investing activities	<u>(1,365,000)</u>	<u><b>593,000</b></u>

**Cash flows from financing activities:**

Proceeds from exercise of stock options	35,000	<b>25,000</b>
Purchase of treasury shares	<u>(725,000)</u>	<u><b>(183,000)</b></u>
Net cash used in financing activities	<u>(690,000)</u>	<u><b>(158,000)</b></u>

Effect of foreign exchange rate changes on cash and cash equivalents	<u>(59,000)</u>	<u><b>(93,000)</b></u>
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<b>Net decrease in cash and cash equivalents</b>	<b>(5,803,000)</b>	<b>(3,738,000)</b>
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Cash and cash equivalents - beginning of period	<u>14,491,000</u>	<u><b>8,386,000</b></u>
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<b>Cash and cash equivalents - end of period</b>	<u><u><b>\$8,688,000</b></u></u>	<u><u><b>\$4,648,000</b></u></u>
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