

August 5, 2021



# PowerFleet Reports Second Quarter 2021 Financial Results

WOODCLIFF LAKE, N.J., Aug. 05, 2021 (GLOBE NEWSWIRE) -- [PowerFleet, Inc.](#) (**Nasdaq: PWFL**), a global leader and provider of subscription-based wireless IoT and M2M solutions for securing, controlling, tracking, and managing high-value enterprise assets, reported results for the second quarter ended June 30, 2021.

## Second Quarter 2021 Financial Highlights

- Total revenue was \$33.5 million, a 30% increase year-over-year.
- High margin, recurring and services revenue was \$18.1 million, or 54% of total revenue.
- At quarter end, cash and cash equivalents totaled \$39.9 million and \$53.3 million of working capital.

## Second Quarter 2021 and Recent Operational Highlights

- [Launched](#) 'Vista', an advanced vehicle video solution with artificial intelligence capabilities to analyze and proactively manage risky driving situations across fleets.
- [Entered](#) into a reseller agreement with Mitsubishi Logisnext Americas Group (Logisnext) to introduce PowerFleet Enterprise Telematic Solution to their North American customers and dealer network.
- [Selected](#) by White Oak Transportation to equip their 875-trailer fleet with PowerFleet's LV-500 solution for better asset visibility, and operational efficiencies.
- [Chosen](#) by the Israeli Police to provide technological services for more than 7,500 vehicles for the next four years.
- [Provided](#) Comasco with an IoT solution for real-time tracing and inventory management of their rented crane parts.

## Management Commentary

"The measurable pickup we experienced in new sales activity across our geographic regions was a key driver of the robust revenue growth we generated in the second quarter," said Chris Wolfe, PowerFleet CEO. "The acceleration we are seeing across our end markets drove a 16% sequential increase and 30% year-over-year increase in total revenue, while our focus on building predictable revenue streams produced an 11% year-over-year increase in high margin, recurring and services revenue. Our financial performance also demonstrates the leverage in our business model, reflected by our expanding profitability metrics. Overall, our second quarter results reveal the continued execution of our long-term strategy to increase high margin recurring and services revenue by expanding our high-value solutions offerings and growing our business in our targeted markets.

“PowerFleet’s improving financial performance is a direct result of the building sales activity we’ve been seeing across our key geographic regions, which is also validated by our robust backlog and opportunity pipeline. Domestically, we secured several new wins and follow-on orders in the quarter, including adding a major North American moving company and White Oak as new customers as well as signing a major 3,000-unit follow-on order with a customer who we announced last year. Internationally, our sales momentum and customer traction were equally as robust. Our Israeli operations achieved two major milestones in Q2, including surpassing 200,000 monthly subscribers and installing 6,400 units in the month of June, which is the highest monthly installation count since the company’s inception.

“As our financial and operational performance indicate, we have entered the second half of 2021 with encouraging momentum, giving us confidence in our growth prospects. We are making meaningful progress on our financial goals and toward realizing our vision to be the leading solutions provider in the massive industrial IoT solutions space.”

### **Second Quarter 2021 Financial Results**

Total revenue increased 30% to \$33.5 million from \$25.8 million in the same year-ago period.

Services revenue was \$18.1 million, or 54% of total revenue, an improvement compared to \$16.4 million, or 64% of total revenue, in the same year-ago period. Product revenue, which drives future services revenue, was \$15.5 million, or 46% of total revenue, an improvement compared to \$9.4 million, or 36% of total revenue, in the same year-ago period.

Gross profit was \$16.0 million, or 48% of total revenue, compared to \$14 million, or 55% of total revenue, in the same year-ago period. Service gross profit was \$11.4 million, or 63% of total service revenue, compared to \$10.7 million, or 65% of total service revenue, in the same year-ago period. Product gross profit was \$4.6 million, or 30% of total product revenue, compared to \$3.4 million, or 35% of total product revenue, in the same year-ago period.

Selling, general and administrative expenses were \$13.4 million, compared to \$12.2 million in the same year-ago period. Research and development expenses were \$2.8 million, compared to \$2.6 million in the same year-ago period.

Net loss attributable to common stockholders totaled \$2.6 million, or \$(0.08) per basic and diluted share (based on 34.9 million weighted average shares outstanding), compared to net loss attributable to common stockholders of \$3.8 million, or \$(0.13) per basic and diluted share, in the same year-ago period (based on 29.4 million weighted average shares outstanding).

Non-GAAP net income totaled \$1.4 million, or \$0.04 per basic and \$0.03 per diluted share (based on 34.9 million weighted average basic shares outstanding and 43.1 million weighted average diluted shares outstanding), an improvement compared to non-GAAP net income of \$789,000, or \$0.03 per basic and \$0.02 diluted share (based on 29.4 million weighted average basic shares outstanding and 36.6 million weighted average diluted shares outstanding), in the same year-ago period (See the section below titled “Non-GAAP Financial Measures” for more information about non-GAAP net income and its reconciliation to GAAP net income/loss).

Adjusted EBITDA, a non-GAAP metric, totaled \$2.8 million, an improvement from adjusted EBITDA of \$2.1 million in the same year-ago period (See the section below titled “Non-GAAP Financial Measures” for more information about adjusted EBITDA and its reconciliation to GAAP net income/loss).

At quarter-end, the company had \$39.9 million in cash and cash equivalents. The Company’s working capital position at quarter-end was \$53.3 million.

### **Investor Conference Call**

PowerFleet management will discuss these results and business outlook on a conference call today (Thursday, August 5, 2021) at 8:30 a.m. Eastern time (5:30 a.m. Pacific time).

PowerFleet management will host the presentation, followed by a question-and-answer session.

U.S. dial-in: 888-506-0062

International dial-in: 973-528-0011

Passcode: 284878

The conference call will be broadcast simultaneously and available for replay [here](#) and in the investor section of the company’s website at [ir.powerfleet.com](http://ir.powerfleet.com).

If you have any difficulty connecting with the conference call, please contact PowerFleet’s investor relations team at (949) 574-3860.

### **Non-GAAP Financial Measures**

To supplement its financial statements presented in accordance with Generally Accepted Accounting Principles (GAAP), PowerFleet provides certain non-GAAP measures of financial performance. These non-GAAP measures include non-GAAP net income (loss), non-GAAP net income (loss) per basic and diluted share and adjusted EBITDA. 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 PowerFleet’s current financial performance. Specifically, PowerFleet 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. Adjusted EBITDA is not a measure of financial performance or liquidity under GAAP and, accordingly, should not be considered as an alternate to net income or cash flow from operating activities as an indicator of operating performance or liquidity. Because PowerFleet’s method for calculating the non-GAAP measures may differ from other companies’ methods, the non-GAAP measures may not be comparable to similarly titled measures reported by other companies. 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.

### **PowerFleet, Inc. and Subsidiaries Reconciliation of GAAP to Adjusted EBITDA Financial Measures (Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2021	2020	2021
Net loss attributable to common stockholders	\$ (3,766,000)	\$ (2,633,000)	\$ (8,315,000)	\$ (5,616,000)
Non-controlling interest	(1,000)	(1,000)	(16,000)	(1,000)
Preferred stock dividend and accretion	1,140,000	1,196,000	2,263,000	2,392,000
Interest (income) expense, net	625,000	598,000	1,360,000	1,056,000
Other (income) expense, net	(5,000)	2,000	(7,000)	2,000
Income tax (benefit) expense	460,000	67,000	653,000	540,000
Depreciation and amortization	1,983,000	2,089,000	4,050,000	4,230,000
Stock-based compensation	977,000	1,096,000	2,086,000	2,193,000
Foreign currency translation	693,000	388,000	51,000	(631,000)
Impact of the fair value mark-up of acquired inventory	(9,000)	-	124,000	-
<b>Adjusted EBITDA</b>	<b>\$ 2,097,000</b>	<b>\$ 2,802,000</b>	<b>\$ 2,249,000</b>	<b>\$ 4,165,000</b>

**PowerFleet, Inc. and Subsidiaries**  
**Reconciliation of GAAP to Non-GAAP Net Income (Loss) Financial Measures**  
**(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2021	2020	2021
Net loss attributable to common stockholders	\$ (3,766,000)	\$ (2,633,000)	\$ (8,315,000)	\$ (5,616,000)
Preferred stock dividend and accretion	1,140,000	1,196,000	2,263,000	2,392,000
Other (income) expense, net	(5,000)	2,000	(7,000)	2,000
Intangible assets amortization expense	1,332,000	1,298,000	2,664,000	2,597,000
Stock-based compensation	977,000	1,096,000	2,086,000	2,193,000
Foreign currency translation	693,000	388,000	51,000	(631,000)
Non-cash portion of income tax expense	427,000	21,000	615,000	492,000
Impact of the fair value mark-up of acquired inventory	(9,000)	-	124,000	-
<b>Non-GAAP net income (loss)</b>	<b>\$ 789,000</b>	<b>\$ 1,368,000</b>	<b>\$ (519,000)</b>	<b>\$ 1,429,000</b>
Non-GAAP net income (loss) - basic	\$ 0.03	\$ 0.04	\$ (0.02)	\$ 0.04
Non-GAAP net income (loss) - diluted	\$ 0.02	\$ 0.03	\$ (0.02)	\$ 0.03
Weighted average common shares outstanding - basic	29,399,000	34,898,000	29,216,000	34,083,000
Weighted average common shares outstanding - diluted	36,583,000	43,083,000	29,216,000	42,403,000

### About PowerFleet

PowerFleet® Inc. (NASDAQ: PWFL; TASE: PWFL) is a global leader and provider of subscription-based wireless IoT and M2M solutions for securing, controlling, tracking, and managing high-value enterprise assets such as industrial trucks, tractor trailers, containers, cargo, and vehicles and truck fleets. The company is headquartered in Woodcliff Lake, New Jersey, with offices located around the globe. PowerFleet's patented technologies address the needs of organizations to monitor and analyze their assets to increase efficiency and productivity, reduce costs, and improve profitability. Our offerings are sold under the global brands PowerFleet, Pointer, and Cellocator. For more information, please visit [www.powerfleet.com](http://www.powerfleet.com), the content of which does not form a part of this press release.

## Cautionary Note 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 PowerFleet's 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 PowerFleet's 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; potential contract values; market forecasts; projections of earnings, revenues, synergies, accretion, or other financial information; emerging new products; and plans, strategies, and objectives of management for future operations, including growing revenue, controlling operating costs, increasing production volumes, and expanding business with core customers. The risks and uncertainties referred to above include, but are not limited to, future economic and business conditions, the ability to recognize the anticipated benefits of the acquisition of Pointer, which may be affected by, among other things, the loss of key customers or reduction in the purchase of products by any such customers, the failure of the market for PowerFleet's products to continue to develop, the possibility that PowerFleet may not be able to integrate successfully the business, operations and employees of I.D. Systems and Pointer, the inability to protect PowerFleet's 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 PowerFleet's filings with the Securities and Exchange Commission, including PowerFleet's annual report on Form 10-K for the year ended December 31, 2020. These risks could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, PowerFleet. Unless otherwise required by applicable law, PowerFleet assumes no obligation to update the information contained in this press release, and expressly disclaims any obligation to do so, whether a result of new information, future events, or otherwise.

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## PowerFleet, Inc. and Subsidiaries Condensed Consolidated Statements of Operations Data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2021	2020	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Products	\$ 9,394,000	\$ 15,466,000	\$ 22,602,000	\$ 26,886,000

Services	16,371,000	<b>18,082,000</b>	33,962,000	<b>35,653,000</b>
	25,765,000	<b>33,548,000</b>	56,564,000	<b>62,539,000</b>
Cost of revenue:				
Cost of products	6,023,000	<b>10,862,000</b>	15,325,000	<b>19,014,000</b>
Cost of services	5,699,000	<b>6,641,000</b>	12,330,000	<b>13,010,000</b>
	11,722,000	<b>17,503,000</b>	27,655,000	<b>32,024,000</b>
Gross Profit	14,043,000	<b>16,045,000</b>	28,909,000	<b>30,515,000</b>
Operating expenses:				
Selling, general and administrative expenses	12,166,000	<b>13,421,000</b>	27,269,000	<b>27,029,000</b>
Research and development expenses	2,582,000	<b>2,779,000</b>	5,754,000	<b>5,524,000</b>
	14,748,000	<b>16,200,000</b>	33,023,000	<b>32,553,000</b>
Loss from operations	(705,000)	<b>(155,000)</b>	(4,114,000)	<b>(2,038,000)</b>
Interest income	17,000	<b>12,000</b>	31,000	<b>24,000</b>
Interest expense	(679,000)	<b>(611,000)</b>	(1,429,000)	<b>(1,081,000)</b>
Foreign currency translation of debt	(805,000)	<b>(615,000)</b>	90,000	<b>412,000</b>
Other (expense) income, net	5,000	<b>(2,000)</b>	7,000	<b>(2,000)</b>
Net loss before income taxes	(2,167,000)	<b>(1,371,000)</b>	(5,415,000)	<b>(2,685,000)</b>
Income tax benefit (expense)	(460,000)	<b>(67,000)</b>	(653,000)	<b>(540,000)</b>
Net loss before non-controlling interest	(2,627,000)	<b>(1,438,000)</b>	(6,068,000)	<b>(3,225,000)</b>
Non-controlling interest	1,000	<b>1,000</b>	16,000	<b>1,000</b>
Net loss	(2,626,000)	<b>(1,437,000)</b>	(6,052,000)	<b>(3,224,000)</b>
Accretion of preferred stock	(168,000)	<b>(168,000)</b>	(336,000)	<b>(336,000)</b>
Preferred stock dividend	(972,000)	<b>(1,028,000)</b>	(1,927,000)	<b>(2,056,000)</b>
Net loss attributable to common stockholders	\$ (3,766,000)	<b>\$ (2,633,000)</b>	\$ (8,315,000)	<b>\$ (5,616,000)</b>
Net loss per share - basic and diluted	\$ (0.13)	<b>\$ (0.08)</b>	\$ (0.28)	<b>\$ (0.16)</b>
Weighted average common shares outstanding - basic and diluted	29,399,000	<b>34,898,000</b>	29,216,000	<b>34,083,000</b>

### PowerFleet, Inc. and Subsidiaries Condensed Consolidated Balance Sheet Data

	As of	
	December 31, 2020	June 30, 2021
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 18,127,000	<b>\$ 39,861,000</b>
Restricted cash	308,000	<b>308,000</b>
Accounts receivable, net	24,147,000	<b>29,656,000</b>
Inventory, net	12,873,000	<b>13,472,000</b>
Deferred costs - current	3,128,000	<b>2,800,000</b>
Prepaid expenses and other current assets	6,184,000	<b>6,909,000</b>
Total current assets	64,767,000	<b>93,006,000</b>

Deferred costs - less current portion	2,233,000	<b>1,163,000</b>
Fixed assets, net	8,804,000	<b>8,866,000</b>
Goodwill	83,344,000	<b>83,344,000</b>
Intangible assets, net	31,276,000	<b>28,678,000</b>
Right of use asset	9,700,000	<b>9,451,000</b>
Severance payable fund	4,056,000	<b>4,062,000</b>
Deferred tax asset	1,506,000	<b>1,005,000</b>
Other assets	3,115,000	<b>3,177,000</b>
Total assets	<u>\$ 208,801,000</u>	<u><b>\$ 232,752,000</b></u>
<b>LIABILITIES</b>		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	\$ 5,579,000	<b>\$ 5,918,000</b>
Accounts payable and accrued expenses	20,225,000	<b>23,563,000</b>
Deferred revenue - current	7,339,000	<b>8,048,000</b>
Lease liability - current	<u>2,755,000</u>	<u><b>2,190,000</b></u>
Total current liabilities	35,898,000	<b>39,719,000</b>
Long-term debt, less current maturities	23,179,000	<b>20,015,000</b>
Deferred revenue - less current portion	6,006,000	<b>5,421,000</b>
Lease liability - less current portion	7,050,000	<b>7,416,000</b>
Accrued severance payable	4,714,000	<b>4,672,000</b>
Other long-term liabilities	<u>674,000</u>	<u><b>739,000</b></u>
Total liabilities	<u>77,521,000</u>	<u><b>77,982,000</b></u>
<b>MEZZANINE EQUITY</b>		
Convertible redeemable Preferred stock: Series A	<u>51,992,000</u>	<u><b>52,327,000</b></u>
<b>STOCKHOLDERS' EQUITY</b>		
Total Powerfleet, Inc. stockholders' equity	79,213,000	<b>102,364,000</b>
Non-controlling interest	<u>75,000</u>	<u><b>79,000</b></u>
Total equity	<u>79,288,000</u>	<u><b>102,443,000</b></u>
Total liabilities and stockholders' equity	<u>\$ 208,801,000</u>	<u><b>\$ 232,752,000</b></u>

## PowerFleet, Inc. and Subsidiaries

### Condensed Consolidated Statements of Cash Flow Data

	Six Months Ended June 30,	
	2020	2021
	<b>(Unaudited)</b>	
<b>Cash flows from operating activities (net of net assets acquired):</b>		
Net loss	\$ (6,052,000)	<b>\$ (3,224,000)</b>
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Non-controlling interest	(16,000)	<b>(1,000)</b>
Inventory reserve	126,000	<b>135,000</b>
Stock based compensation expense	2,167,000	<b>2,452,000</b>
Depreciation and amortization	4,050,000	<b>4,231,000</b>
Right-of-use assets, non-cash lease expense	1,437,000	<b>1,503,000</b>
Bad debt expense	543,000	<b>531,000</b>
Other non-cash items	(35,000)	<b>160,000</b>
Deferred taxes	653,000	<b>540,000</b>
Changes in:		
Operating assets and liabilities	<u>1,542,000</u>	<u><b>(3,124,000)</b></u>
Net cash (used in) provided by operating activities	<u>4,415,000</u>	<u><b>3,203,000</b></u>

**Cash flows from investing activities:**

Proceeds from sale of property and equipment

35,000

-

Capital expenditures

(822,000)

(1,454,000)

Net cash (used in) investing activities

(787,000)

(1,454,000)

**Cash flows from financing activities:**

Net proceeds from stock offering

4,041,000

26,867,000

Payment of preferred stock dividend

-

(2,056,000)

Repayment of long-term debt

(991,000)

(2,671,000)

Short-term bank debt, net

(357,000)

93,000

Proceeds from exercise of stock options

342,000

142,000

Purchase of treasury stock upon vesting of restricted stock

(248,000)

(362,000)

Net cash (used in) provided by financing activities

2,787,000

22,013,000

Effect of foreign exchange rate changes on cash and cash equivalents

(1,341,000)

(2,028,000)

**Net increase in cash, cash equivalents and restricted cash**

5,074,000

21,734,000

Cash, cash equivalents and restricted cash - beginning of period

16,703,000

18,435,000

**Cash, cash equivalents and restricted cash - end of period**

\$ 21,777,000

\$ 40,169,000



Source: PowerFleet, Inc.