

# PowerFleet Reports 10-Quarter Revenue High and Improved Bottom Line Performance for Second Quarter 2022

- *Quarterly Revenue of \$34.6 Million, Marking Third Consecutive Quarter of Year-Over-Year Revenue Growth*
- *High Margin, Recurring and Services Revenue up 9% Year-Over-Year to \$19.8 Million, Reflecting Company's Focus on Driving SaaS and Software Revenue*
- *Rationalization Initiatives Drive 58% Sequential Improvement in Loss from Operations*
- *Strong First Half 2022 Financial Results, Position Company for Growth, and Improved Profitability for Full Year 2022*

WOODCLIFF LAKE, N.J., Aug. 08, 2022 (GLOBE NEWSWIRE) -- [PowerFleet, Inc.](#) (**Nasdaq: PWFL**), a global leader of Internet-of-Things (IoT) solutions that manage enterprise assets for seamless business operations, reported results for the second quarter ended June 30, 2022.

## Second Quarter 2022 Financial Highlights

- Total revenue was \$34.6 million, an increase of 4% quarter-over-quarter.
- High margin, recurring and services revenue increased 9% to \$19.8 million, or 57% of total revenue, compared to the same year-ago period.
- Product gross margin increased to 24% from 17% compared to Q1 2022, reflecting the success of the company's initiatives to manage purchase price variance (PPV) challenges and reengineer certain products to enhance margins.
- Loss from operations improved by \$2.2 million to \$(1.6) million, a decrease of 58% compared to Q1 2022.
- Strong liquidity position with \$18.0 million in cash and cash equivalents and working capital of \$38.5 million at quarter-end.

## Management Commentary

"During the second quarter, we built on the momentum we established in Q1 and delivered solid sequential and year-over-year revenue growth, driven by further commitment from longstanding customers like Ford, Volvo, Nestle and Nack-Pack," said PowerFleet CEO Steve Towe. "In fact, the \$34.6 million in revenue we generated this period, marked a 10-quarter revenue high for PowerFleet. Importantly, we were able to achieve these milestones despite the ongoing macro headwinds and supply chain issues affecting our industry, our competitors, and companies globally. In addition to our topline performance, our rationalization initiatives are enhancing our organization's efficiency and profitability,

resulting in a 58% sequential improvement in loss from operations in Q2.

“PowerFleet’s transformation is well underway and already yielding strong returns. Our growth plan is supported by a solid cash position and available resources that provide sufficient runway to execute our strategy. We entered the second half of 2022 in a strong position, supported by building customer engagement, a growing pipeline, and several strategic opportunities on the horizon. As we look ahead, the team is executing well on driving transformation and accelerating our vision. The successful execution of our strategic road map will create a highly scalable, repeatable, and profitable global organization.”

## **Second Quarter 2022 Financial Results**

Total revenue increased 3% to \$34.6 million from \$33.5 million in the same year-ago period.

Services revenue was \$19.8 million, or 57% of total revenue, an improvement compared to \$18.1 million, or 54% of total revenue, in the same year-ago period. Product revenue, which drives future services revenue, was \$14.8 million, or 43% of total revenue, compared to \$15.5 million, or 46% of total revenue, in the same year-ago period.

Gross profit was \$16.2 million, or 47% of total revenue, compared to \$16.0 million, or 48% of total revenue, in the same year-ago period. Service gross profit was \$12.7 million, or 65% of total service revenue, compared to \$11.4 million, or 63% of total service revenue, in the same year-ago period. Product gross profit was \$3.5 million, or 23% of total product revenue, compared to \$4.6 million, or 30% of total product revenue, in the same year-ago period.

Operating expenses were \$17.8 million, compared to \$18.1 million in the prior quarter and \$16.2 million in the same year-ago period. Operating expenses included foreign currency translation losses of \$0.7 million.

Net loss attributable to common stockholders totaled \$1.3 million, or \$(0.04) per basic and diluted share (based on 35.4 million weighted average shares outstanding), compared to net loss attributable to common stockholders of \$2.6 million, or \$(0.08) per basic and diluted share, in the same year-ago period (based on 34.9 million weighted average shares outstanding).

Non-GAAP net income, a non-GAAP metric, totaled \$2.0 million, or \$0.06 per basic and \$0.05 per diluted share (based on 35.4 million weighted average basic shares outstanding and 43.0 million weighted average diluted shares outstanding), compared to non-GAAP net income of \$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), 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 gain, a non-GAAP metric, stayed consistent at \$2.8 million, compared to adjusted EBITDA of \$2.8 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 \$18.0 million in cash and cash equivalents. The company’s

working capital position at quarter-end was \$38.5 million.

### Investor Conference Call

PowerFleet management will discuss these results and business outlook on a conference call today (Monday, August 8, 2022) 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.

Toll Free: (877) 524-8416

International: +1 (412) 902-1028

The conference call will be broadcast simultaneously and available for replay [here](#) and in via 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. These non-GAAP measures are not measures 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<br>June 30, |                | Six Months Ended<br>June 30, |                |
|--|--------------------------------|----------------|------------------------------|----------------|
|  | 2021                           | 2022           | 2021                         | 2022           |
| Net loss attributable to common stockholders | \$ (2,633,000)                 | \$ (1,334,000) | \$ (5,616,000)               | \$ (5,458,000) |
| Non-controlling interest                     | (1,000)                        | 1,000          | (1,000)                      | 2,000          |
| Preferred stock dividend and accretion       | 1,196,000                      | 1,216,000      | 2,392,000                    | 2,412,000      |
| Interest (income) expense, net               | 598,000                        | 560,000        | 1,056,000                    | 991,000        |
| Other (income) expense, net                  | 2,000                          | (3,000)        | 2,000                        | (2,000)        |

|  |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|
| Income tax (benefit) expense                           | 67,000              | <b>40,000</b>       | 540,000             | <b>(663,000)</b>    |
| Depreciation and amortization                          | 2,089,000           | <b>2,044,000</b>    | 4,230,000           | <b>4,133,000</b>    |
| Stock-based compensation                               | 1,096,000           | <b>1,629,000</b>    | 2,193,000           | <b>2,086,000</b>    |
| Foreign currency translation                           | 388,000             | <b>(1,349,000)</b>  | (631,000)           | <b>(1,690,000)</b>  |
| Impact of the fair value mark-up of acquired inventory | 0                   | -                   | 0                   | -                   |
| <b>Adjusted EBITDA</b>                                 | <b>\$ 2,802,000</b> | <b>\$ 2,804,000</b> | <b>\$ 4,165,000</b> | <b>\$ 1,811,000</b> |

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

|  | Three Months Ended<br>June 30, |                       | Six Months Ended<br>June 30, |                       |
|--|--------------------------------|-----------------------|------------------------------|-----------------------|
|  | 2021                           | 2022                  | 2021                         | 2022                  |
| Net loss attributable to common stockholders           | \$ (2,633,000)                 | <b>\$ (1,334,000)</b> | \$ (5,616,000)               | <b>\$ (5,458,000)</b> |
| Preferred stock dividend and accretion                 | 1,196,000                      | <b>1,216,000</b>      | 2,392,000                    | <b>2,412,000</b>      |
| Other (income) expense, net                            | 2,000                          | <b>(3,000)</b>        | 2,000                        | <b>(2,000)</b>        |
| Intangible assets amortization expense                 | 1,298,000                      | <b>1,274,000</b>      | 2,597,000                    | <b>2,548,000</b>      |
| Stock-based compensation                               | 1,096,000                      | <b>1,629,000</b>      | 2,193,000                    | <b>2,086,000</b>      |
| Foreign currency translation                           | 388,000                        | <b>(1,349,000)</b>    | (631,000)                    | <b>(1,690,000)</b>    |
| Non-cash portion of income tax expense                 | 21,000                         | <b>533,000</b>        | 492,000                      | <b>(173,000)</b>      |
| Impact of the fair value mark-up of acquired inventory | 0                              | -                     | 0                            | -                     |
| <b>Non-GAAP net income (loss)</b>                      | <b>\$ 1,368,000</b>            | <b>\$ 1,966,000</b>   | <b>\$ 1,429,000</b>          | <b>\$ (277,000)</b>   |
| Non-GAAP net income (loss) - basic                     | \$ 0.04                        | <b>\$ 0.06</b>        | \$ 0.04                      | <b>\$ (0.01)</b>      |
| Non-GAAP net income (loss) - diluted                   | \$ 0.03                        | <b>\$ 0.05</b>        | \$ 0.03                      | <b>\$ (0.01)</b>      |
| Weighted average common shares outstanding - basic     | 34,898,000                     | <b>35,386,000</b>     | 34,083,000                   | <b>35,359,000</b>     |
| Weighted average common shares outstanding - diluted   | 43,083,000                     | <b>43,038,000</b>     | 42,403,000                   | <b>42,945,000</b>     |

#### About PowerFleet

PowerFleet® Inc. (Nasdaq: PWFL; TASE: PWFL) is a global leader of subscription-based wireless solutions that manage enterprise assets for seamless business operations. PowerFleet's patented technologies are the proven solution for organizations that must monitor and analyze their assets to improve safety, increase efficiency, reduce costs, and drive profitability. Our offerings are sold under the global brands PowerFleet, Pointer, and Cellocator. PowerFleet's global headquarters are in Woodcliff Lake, New Jersey, with additional offices around the globe. 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, 2021. 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.

#### **PowerFleet Investor Contact**

Matt Glover  
Gateway Investor Relations  
[PWFL@gatewayir.com](mailto:PWFL@gatewayir.com)  
(949) 574-3860

#### **PowerFleet Media Contact**

Calen McGee  
[powerfleet@n6a.com](mailto:powerfleet@n6a.com)  
(908) 461-0266

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

|  | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|--|--------------------------------|---------------|------------------------------|---------------|
|  | 2021                           | 2022          | 2021                         | 2022          |
|  | (Unaudited)                    | (Unaudited)   | (Unaudited)                  | (Unaudited)   |
| Revenue:                                     |                                |               |                              |               |
| Products                                     | \$ 15,466,000                  | \$ 14,818,000 | \$ 26,886,000                | \$ 29,210,000 |
| Services                                     | 18,082,000                     | 19,776,000    | 35,653,000                   | 38,545,000    |
|  | 33,548,000                     | 34,594,000    | 62,539,000                   | 67,755,000    |
| Cost of revenue:                             |                                |               |                              |               |
| Cost of products                             | 10,862,000                     | 11,336,000    | 19,014,000                   | 23,314,000    |
| Cost of services                             | 6,641,000                      | 7,028,000     | 13,010,000                   | 13,812,000    |
|  | 17,503,000                     | 18,364,000    | 32,024,000                   | 37,126,000    |
| Gross Profit                                 | 16,045,000                     | 16,230,000    | 30,515,000                   | 30,629,000    |
| Operating expenses:                          |                                |               |                              |               |
| Selling, general and administrative expenses | 13,421,000                     | 15,817,000    | 27,029,000                   | 30,729,000    |
| Research and development expenses            | 2,779,000                      | 2,001,000     | 5,524,000                    | 5,230,000     |

|  |                       |                              |                       |                              |
|--|-----------------------|------------------------------|-----------------------|------------------------------|
|  | 16,200,000            | <b>17,818,000</b>            | 32,553,000            | <b>35,959,000</b>            |
| Loss from operations   | (155,000)             | <b>(1,588,000)</b>           | (2,038,000)           | <b>(5,330,000)</b>           |
| Interest income  | 12,000                | <b>15,000</b>                | 24,000                | <b>28,000</b>                |
| Interest expense   | (611,000)             | <b>(575,000)</b>             | (1,081,000)           | <b>(1,019,000)</b>           |
| Foreign currency translation of debt                           | (615,000)             | <b>2,068,000</b>             | 412,000               | <b>2,612,000</b>             |
| Other (expense) income, net                                    | (2,000)               | <b>3,000</b>                 | (2,000)               | <b>2,000</b>                 |
| Net loss before income taxes                                   | (1,371,000)           | <b>(77,000)</b>              | (2,685,000)           | <b>(3,707,000)</b>           |
| Income tax benefit (expense)                                   | (67,000)              | <b>(40,000)</b>              | (540,000)             | <b>663,000</b>               |
| Net loss before non-controlling interest                       | (1,438,000)           | <b>(117,000)</b>             | (3,225,000)           | <b>(3,044,000)</b>           |
| Non-controlling interest                                       | 1,000                 | <b>(1,000)</b>               | 1,000                 | <b>(2,000)</b>               |
| Net loss   | (1,437,000)           | <b>(118,000)</b>             | (3,224,000)           | <b>(3,046,000)</b>           |
| Accretion of preferred stock                                   | (168,000)             | <b>(168,000)</b>             | (336,000)             | <b>(336,000)</b>             |
| Preferred stock dividend                                       | (1,028,000)           | <b>(1,048,000)</b>           | (2,056,000)           | <b>(2,076,000)</b>           |
| Net loss attributable to common stockholders                   | <u>\$ (2,633,000)</u> | <u><b>\$ (1,334,000)</b></u> | <u>\$ (5,616,000)</u> | <u><b>\$ (5,458,000)</b></u> |
| Net loss per share - basic and diluted                         | <u>\$ (0.08)</u>      | <u><b>\$ (0.04)</b></u>      | <u>\$ (0.16)</u>      | <u><b>\$ (0.15)</b></u>      |
| Weighted average common shares outstanding - basic and diluted | <u>34,898,000</u>     | <u><b>35,386,000</b></u>     | <u>34,083,000</u>     | <u><b>35,359,000</b></u>     |

## PowerFleet, Inc. and Subsidiaries

### Condensed Consolidated Balance Sheet Data

|   | As of                 |                              |
|---|-----------------------|------------------------------|
|   | December 31,<br>2021  | June 30, 2022<br>(Unaudited) |
| <b>ASSETS</b>   |                       |                              |
| Current assets:   |                       |                              |
| Cash and cash equivalents                                     | \$ 26,452,000         | <b>\$ 17,703,000</b>         |
| Restricted cash   | 308,000               | <b>309,000</b>               |
| Accounts receivable, net                                      | 32,094,000            | <b>33,491,000</b>            |
| Inventory, net  | 18,243,000            | <b>23,540,000</b>            |
| Deferred costs - current                                      | 1,762,000             | <b>1,315,000</b>             |
| Prepaid expenses and other current assets                     | 9,051,000             | <b>9,020,000</b>             |
| Total current assets  | <u>87,910,000</u>     | <u><b>85,378,000</b></u>     |
| Deferred costs - less current portion                         | 249,000               | <b>-</b>                     |
| Fixed assets, net   | 8,988,000             | <b>8,333,000</b>             |
| Goodwill  | 83,487,000            | <b>83,487,000</b>            |
| Intangible assets, net  | 26,122,000            | <b>24,022,000</b>            |
| Right of use asset  | 9,787,000             | <b>8,463,000</b>             |
| Severance payable fund  | 4,359,000             | <b>3,610,000</b>             |
| Deferred tax asset  | 4,262,000             | <b>4,395,000</b>             |
| Other assets  | 4,703,000             | <b>5,063,000</b>             |
| Total assets  | <u>\$ 229,867,000</u> | <u><b>\$ 222,751,000</b></u> |
| <b>LIABILITIES</b>  |                       |                              |
| Current liabilities:  |                       |                              |
| Short-term bank debt and current maturities of long-term debt | \$ 6,114,000          | <b>\$ 7,794,000</b>          |
| Accounts payable and accrued expenses                         | 29,015,000            | <b>29,233,000</b>            |
| Deferred revenue - current                                    | 6,519,000             | <b>7,331,000</b>             |
| Lease liability - current                                     | 2,640,000             | <b>2,494,000</b>             |

|  |                |                       |
|--|----------------|-----------------------|
| Total current liabilities                        | 44,288,000     | <b>46,852,000</b>     |
| Long-term debt, less current maturities          | 18,110,000     | <b>13,408,000</b>     |
| Deferred revenue - less current portion          | 4,428,000      | <b>4,139,000</b>      |
| Lease liability - less current portion           | 7,368,000      | <b>6,237,000</b>      |
| Accrued severance payable                        | 4,887,000      | <b>4,118,000</b>      |
| Deferred tax liability                           | 5,220,000      | <b>5,091,000</b>      |
| Other long-term liabilities                      | 706,000        | <b>647,000</b>        |
| Total liabilities                                | 85,007,000     | <b>80,492,000</b>     |
| MEZZANINE EQUITY                                 |                |                       |
| Convertible redeemable Preferred stock: Series A | 52,663,000     | <b>55,074,000</b>     |
| STOCKHOLDERS' EQUITY                             | -              | -                     |
| Total Powerfleet, Inc. stockholders equity       | 92,111,000     | <b>87,100,000</b>     |
| Non-controlling interest                         | 86,000         | <b>85,000</b>         |
| Total equity                                     | 92,197,000     | <b>87,185,000</b>     |
| Total liabilities and stockholders equity        | \$ 229,867,000 | <b>\$ 222,751,000</b> |

### PowerFleet, Inc. and Subsidiaries

### Condensed Consolidated Statements of Cash Flow Data

|   | Six Months Ended June 30, |                       |
|---|---------------------------|-----------------------|
|   | 2021                      | 2022                  |
|   | (Unaudited)               |                       |
| <b>Cash flows from operating activities (net of net assets acquired):</b>             |                           |                       |
| Net loss  | \$ (3,224,000)            | <b>\$ (3,046,000)</b> |
| Adjustments to reconcile net loss to cash (used in) provided by operating activities: |                           |                       |
| Non-controlling interest  | (1,000)                   | <b>2,000</b>          |
| Inventory reserve   | 135,000                   | <b>119,000</b>        |
| Stock based compensation expense  | 2,452,000                 | <b>2,086,000</b>      |
| Depreciation and amortization   | 4,231,000                 | <b>4,133,000</b>      |
| Right-of-use assets, non-cash lease expense   | 1,503,000                 | <b>1,382,000</b>      |
| Bad debt expense  | 531,000                   | <b>(364,000)</b>      |
| Other non-cash items  | 160,000                   | <b>604,000</b>        |
| Deferred taxes  | 540,000                   | <b>(663,000)</b>      |
| Changes in:   |                           |                       |
| Operating assets and liabilities  | (3,124,000)               | <b>(6,953,000)</b>    |
| Net cash (used in) provided by operating activities                                   | 3,203,000                 | <b>(2,700,000)</b>    |
| <b>Cash flows from investing activities:</b>  |                           |                       |
| Proceeds from sale of property and equipment  | -                         | -                     |
| Capital expenditures  | (1,454,000)               | <b>(2,013,000)</b>    |
| Net cash (used in) investing activities   | (1,454,000)               | <b>(2,013,000)</b>    |
| <b>Cash flows from financing activities:</b>  |                           |                       |
| Net proceeds from stock offering  | 26,867,000                | -                     |
| Payment of preferred stock dividend   | (2,056,000)               | -                     |
| Repayment of long-term debt   | (2,671,000)               | <b>(2,897,000)</b>    |
| Short-term bank debt, net   | 93,000                    | <b>2,330,000</b>      |
| Proceeds from exercise of stock options   | 142,000                   | -                     |
| Purchase of treasury stock upon vesting of restricted stock                           | (362,000)                 | <b>(186,000)</b>      |
| Net cash (used in) provided by financing activities                                   | 22,013,000                | <b>(753,000)</b>      |

|   |                   |                          |
|---|-------------------|--------------------------|
| Effect of foreign exchange rate changes on cash and cash equivalents  | (2,028,000)       | <b>(3,282,000)</b>       |
| <b>Net increase in cash, cash equivalents and restricted cash</b>     | <b>21,734,000</b> | <b>(8,748,000)</b>       |
| Cash, cash equivalents and restricted cash - beginning of period      | <u>18,435,000</u> | <u><b>26,760,000</b></u> |
| <br><b>Cash, cash equivalents and restricted cash - end of period</b> | <br>\$ 40,169,000 | <br>\$ <b>18,012,000</b> |



Source: PowerFleet, Inc.