

PowerFleet Reports Second Quarter 2020 Financial Results

The Company Elects to Terminate “At-The-Market” Equity Offering Program

WOODCLIFF LAKE, N.J., Aug. 06, 2020 (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, 2020.

Second Quarter Financial and Operational Highlights

- Generated \$25.8 million in total revenue, including \$16.4 million (63.5% of total revenue) of high margin, recurring and services revenue
- Produced \$4.4 million in operating cash for the first six months of 2020
- Maintained healthy on-air subscriber units at over 550,000
- Maintained solid liquidity position with \$21.5 million in cash and cash equivalents and \$28.9 million of working capital

Management Commentary

“Our performance for the second quarter was solid, especially given the headwinds and challenges presented by COVID-19,” said CEO Chris Wolfe. “We delivered solid top- and bottom-line results, including \$25.8 million in revenue, \$2.1 million in adjusted EBITDA and \$1.7 million in operating cash flow, again demonstrating the resiliency of our financial model.

“Despite the slowdown globally in Q2, we signed several significant deals in our Logistics business, including wins with Rusken Packaging and Day & Ross, one of Canada’s largest fleets. These combined multi-million-dollar deals started shipping in June and July. We also extended and expanded our strategic partnership with Jungheinrich, which continues to exceed expectations. Since launching our white-labeled enterprise solution with Jungheinrich a year ago, sales were 40% higher than planned. We look forward to building on our partnership’s momentum by pursuing new market opportunities for both companies.

“While our business continues to operate according to our post-COVID plan, we are also encouraged by the strength of our financial foundation. Our subscriber base of more than 550,000 has remained very resilient. Our optimized cost-structure coupled with the \$21.5 million in cash on our balance sheet, gives us confidence that we will not only weather this storm but come out stronger when the situation recovers. In the face of today’s uncertain and constantly evolving environment, we remain confident in our ability to extend our position as one of the leading global B2B mobile fleet and asset management companies.”

Second Quarter 2020 Financial Results

Financial results for the quarter ended June 30, 2020 include consolidated results for both I.D. Systems, Inc. and Pointer Telocation Ltd., which was acquired on October 3, 2019.

Financial results for the quarter ended June 30, 2019 include only financial results from I.D. Systems, Inc. prior to its acquisition of Pointer Telocation Ltd.

Total revenue increased to \$25.8 million from \$16.3 million in the same year-ago period. Services revenue was \$16.4 million (63.5% of total revenue), compared to \$5.6 million (34.6% of total revenue) in the same year-ago period. Product revenue was \$9.4 million (36.5% of total revenue), compared to \$10.6 million (65.4% of total revenue) in the same year-ago period.

Gross profit increased to \$14.0 million (54.5% of total revenue) from \$7.1 million (43.5% of total revenue) in the same year-ago period. Service gross profit was \$10.7 million (65.2% of total service revenue), compared to \$3.5 million (62.0% of total service revenue) in the same year-ago period. Product gross profit was \$3.4 million (35.9% of total product revenue), compared to \$3.6 million (33.6% of total product revenue) in the same year-ago period.

Selling, general and administrative expenses were \$10.3 million, compared to \$5.6 million in the same year-ago period. Research and development expenses were \$2.6 million, compared to \$2.0 million in the same year-ago period. Depreciation and amortization expenses were \$1.8 million, compared to \$443,000 in the same year-ago period.

Net loss attributable to common stockholders totaled \$3.8 million or \$(0.13) per basic and diluted share (based on 29.4 million weighted average shares outstanding), compared to net loss of \$2.6 million or \$(0.15) per basic and diluted share in the same year-ago period (based on 17.7 million weighted average shares outstanding).

Adjusted EBITDA, a non-GAAP metric, totaled \$2.1 million, compared to adjusted EBITDA of \$129,000 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 \$21.5 million in cash and cash equivalents. The company’s working capital position at quarter-end was \$28.9 million.

Termination of At-the-Market (ATM) Equity Offering Program

The Company has elected to terminate its “at-the-market” equity offering program (“ATM Facility”). The Company initiated the 10-day termination process of the ATM Facility with Canaccord Genuity on August 4, 2020, with the official termination to take effect August 14, 2020. The Company will make no further sales of shares under the ATM Facility. Upon the announcement of the initiation of the ATM Facility’s termination process, the Company had sold 809,846 shares raising approximately \$4.2 million in gross proceeds. The Company currently expects to use the proceeds from the ATM Facility to pay down high interest-rate debt.

Investor Conference Call

PowerFleet management will discuss these results and business outlook on a conference call today (Thursday, August 6, 2020) at 9:00 a.m. Eastern time (6:00 a.m. Pacific time).

PowerFleet CEO Chris Wolfe and CFO Ned Mavrommatis will host the call, followed by a question and answer session where sell-side analysts and major institutional shareholders can ask questions.

U.S. dial-in: 866-831-8711
 International dial-in: 203 518 9865
 Passcode: 92741

The conference call will be broadcast simultaneously and available for replay in the investor section of the company's website at 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 adjusted EBITDA and adjusted EBITDA 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 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		Six Months Ended	
	June 30,		June 30,	
	2019	2020	2019	2020
Net loss attributable to common stockholders	\$ (2,585,000)	\$ (3,766,000)	\$ (4,779,000)	\$ (8,315,000)
Minority interest	-	(1,000)	-	(16,000)
Dividends on preferred stock	-	1,140,000	-	2,263,000
Interest (income) expense, net	18,000	625,000	(27,000)	1,360,000
Other (income) expense, net	8,000	(5,000)	46,000	(7,000)
Income tax (benefit) expense	-	460,000	-	653,000
Depreciation and amortization	470,000	1,983,000	852,000	4,050,000
Stock-based compensation	601,000	977,000	1,184,000	2,086,000
Foreign currency translation losses	4,000	693,000	30,000	51,000

Acquisition-related fees	1,613,000	-	3,062,000	-
Impact of the fair value mark-up of acquired inventory	-	(9,000)	-	124,000
Adjusted EBITDA	\$ 129,000	\$ 2,097,000	\$ 368,000	\$ 2,249,000

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, 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, 2019. 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
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2020	2019	2020
Revenue:				
Products	\$ 10,643,000	\$ 9,394,000	\$ 17,892,000	\$ 22,602,000
Services	5,631,000	16,371,000	11,993,000	33,962,000
	16,274,000	25,765,000	29,885,000	56,564,000
Cost of revenue:				
Cost of products	7,062,000	6,023,000	11,301,000	15,325,000
Cost of services	2,141,000	5,699,000	4,495,000	12,330,000
	9,203,000	11,722,000	15,796,000	27,655,000
Gross profit	7,071,000	14,043,000	14,089,000	28,909,000
Operating expenses:				
Selling, general and administrative expenses	5,550,000	10,338,000	11,301,000	23,746,000
Research and development expenses	2,024,000	2,582,000	3,684,000	5,754,000
Depreciation and amortization expenses	443,000	1,828,000	802,000	3,523,000
Acquisition-related expenses	1,613,000	-	3,062,000	-
	9,630,000	14,748,000	18,849,000	33,023,000
Loss from operations	(2,559,000)	(705,000)	(4,760,000)	(4,114,000)
Interest income	8,000	17,000	73,000	31,000

Interest expense	(26,000)	(1,484,000)	(46,000)	(1,339,000)
Other income (expense)	(8,000)	5,000	(46,000)	7,000
Net loss before income taxes	(2,585,000)	(2,167,000)	(4,779,000)	(5,415,000)
Income tax expense	-	(460,000)	-	(653,000)
Net loss before minority interest	(2,585,000)	(2,627,000)	(4,779,000)	(6,068,000)
Minority interest	-	1,000	-	16,000
Preferred stock dividends	-	(1,140,000)	-	(2,263,000)
Net loss attributable to common stockholders	\$ (2,585,000)	\$ (3,766,000)	\$ (4,779,000)	\$ (8,315,000)
Net loss per share - basic and diluted	\$ (0.15)	\$ (0.13)	\$ (0.27)	\$ (0.28)
Weighted average common shares outstanding - basic and diluted	17,678,000	29,399,000	17,650,000	29,216,000

PowerFleet, Inc. and Subsidiaries
Condensed Consolidated Balance Sheet Data

	As of	
	December 31, 2019	June 30, 2020 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 16,395,000	\$ 21,469,000
Restricted cash	308,000	308,000
Accounts receivable, net	27,016,000	22,842,000
Inventory, net	16,381,000	15,337,000
Deferred costs - current	3,720,000	3,568,000
Prepaid expenses and other current assets	7,370,000	5,717,000
Total current assets	71,190,000	69,241,000
Deferred costs - less current portion	4,810,000	3,337,000
Fixed assets, net	8,240,000	6,984,000
Goodwill	89,068,000	88,872,000
Intangible assets, net	36,639,000	33,941,000
Right of use asset	7,024,000	8,490,000
Severance payable fund	3,530,000	3,510,000
Other assets	2,532,000	2,573,000
	<u>\$ 223,033,000</u>	<u>\$ 216,948,000</u>

LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	\$ 3,373,000	\$ 4,328,000
Convertible note payable	5,000,000	5,000,000
Accounts payable and accrued expenses	24,880,000	20,962,000
Deferred revenue - current	7,687,000	8,036,000
Lease liability - current	868,000	2,012,000
	<u>41,808,000</u>	<u>40,338,000</u>
Total current liabilities		
Long-term debt, less current maturities	26,515,000	24,001,000
Deferred revenue - less current portion	8,544,000	6,534,000
Lease liability - less current portion	6,371,000	6,676,000
Accrued severance payable	4,062,000	4,200,000
Deferred tax liability	3,722,000	4,506,000
Other long-term liabilities	438,000	761,000
	<u>91,460,000</u>	<u>87,016,000</u>
MEZZANINE EQUITY		
Convertible redeemable Preferred stock: Series A	47,393,000	49,656,000
STOCKHOLDERS' EQUITY		
Total Powerfleet, Inc. stockholders' equity	84,190,000	80,320,000
Non-controlling interest	(10,000)	(44,000)
Total equity	<u>84,180,000</u>	<u>80,276,000</u>
Total liabilities and stockholders' equity	<u>\$ 223,033,000</u>	<u>\$ 216,948,000</u>

PowerFleet, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flow Data
(Unaudited)

	Six Months ended June 30,	
	<u>2019</u>	<u>2020</u>
Cash flows from operating activities (net of net assets acquired):		
Net loss before minority interest	\$ (4,779,000)	\$ (6,068,000)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Inventory reserve	93,000	126,000
Stock based compensation expense	1,184,000	2,086,000
Depreciation and amortization	852,000	4,050,000
Operating lease right-of-use assets, net of operating lease liabilities	-	1,437,000
Bad debt expense	110,000	245,000
Deferred income taxes	-	653,000
Change in contingent consideration	47,000	-
Other non-cash items	(11,000)	(35,000)
Changes in:		

Operating assets and liabilities	222,000	1,921,000
Net cash (used in) provided by operating activities	(2,282,000)	4,415,000
Cash flows from investing activities:		
Acquisitions, net of cash assumed	(3,800,000)	-
Proceeds from sale of property and equipment	-	35,000
Capital expenditures	(396,000)	(822,000)
Purchases of investments	(99,000)	-
Proceeds from the sale and maturities of investments	4,638,000	-
Net cash provided by (used in) investing activities	343,000	(787,000)
Cash flows from financing activities:		
Net proceeds from stock offering	-	4,041,000
Repayments of long-term debt	-	(991,000)
Short-term bank credit, net	-	(356,000)
Proceeds from exercise of stock options	177,000	342,000
Shares repurchased pursuant to vesting of restricted stock	(245,000)	(249,000)
Net cash (used in) provided by financing activities	(68,000)	2,787,000
Effect of foreign exchange rate changes on cash and cash equivalents	(54,000)	(1,341,000)
Net increase in cash, cash equivalents and restricted cash	(2,061,000)	5,074,000
Cash, cash equivalents and restricted cash - beginning of period	10,466,000	16,703,000
Cash, cash equivalents and restricted cash - end of period	8,405,000	21,777,000



Source: PowerFleet, Inc.