

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): March 9, 2023

POWERFLEET, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-39080
(Commission
File Number)

83-4366463
(IRS Employer
Identification No.)

123 Tice Boulevard, Woodcliff Lake, New Jersey
(Address of Principal Executive Offices)

07677
(Zip Code)

Registrant's telephone number, including area code (201) 996-9000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	PWFL	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On March 9, 2023, PowerFleet, Inc. (the "Registrant") issued a press release regarding financial results for the fiscal quarter and fiscal year ended December 31, 2022. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 7.01. Regulation FD Disclosure.

As previously announced, the Registrant will hold a conference call on March 9, 2023 at 8:30 a.m. Eastern time (5:30 a.m. Pacific time) to discuss the financial results for the fiscal quarter and fiscal year ended December 31, 2022. During the call, management will also discuss the exploration of potential strategic alternatives for certain of the Registrant's foreign subsidiaries. A transcript of the prepared remarks for the conference call is being furnished as Exhibit 99.2 to this Current Report on Form 8-K.

The information in this report is being furnished pursuant to Items 2.02 and 7.01 of Form 8-K. In accordance with General Instruction B.2. of Form 8-K, the information in this report, including Exhibits 99.1 and 99.2, shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as may be expressly set forth by specific reference in such a filing.

Forward-Looking Statements

This report, including Exhibits 99.1 and 99.2 furnished herewith, contains forward looking statements within the meaning of federal securities laws. Forward-looking statements include statements with respect to the Registrant'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 the Registrant'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 loss of key customers or reduction in the purchase of products by any such customers, the failure of the market for the Registrant's products to continue to develop, the inability to protect the Registrant'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 the Registrant's filings with the Securities and Exchange Commission, including the Registrant's most recent annual report on Form 10-K. These risks could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, the Registrant. Unless otherwise required by applicable law, the Registrant assumes no obligation to update any forward-looking statements, and expressly disclaims any obligation to do so, whether as a result of new information, future events or otherwise.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release, dated March 9, 2023.
99.2	Prepared Remarks from Management, dated March 9, 2023.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

POWERFLEET, INC.

By: /s/ David Wilson
Name: David Wilson
Title: Chief Financial Officer

Date: March 9, 2023



Powerfleet Reports Full Year 2022 and Fourth Quarter Financial Results

- *Efficiency Program Yields a \$5.8 million Improvement in Operating Cash Flow Performance in 2022*
- *Strong Sales Execution Drives 13% Annual Growth in U.S. Services in 2022*
- *Business Optimization and Focus on High Quality Revenue Drives an Absolute Sequential Increase in Gross Margin of 5% in 2H22*

WOODCLIFF LAKE, NJ – March 9, 2023 – Powerfleet, Inc. (Nasdaq: PWFL), a global leader of Internet of Things (IoT) software-as-a-service (SaaS) solutions that optimize the performance of mobile assets and resources to unify business operations, reported results for the fourth quarter and year ended December 31, 2022.

Following the appointment of CEO Steve Towe in January 2022, the executive team and board of directors conducted an exhaustive 120-day review of Powerfleet's business, product offerings, geographic markets, target customers, go-to market strategy and business model. The process culminated in a new roadmap to guide the company's growth, focus areas, and day-to-day operations. The leadership team's execution on the strategic plan is in the process of transforming Powerfleet into a world class, high growth, and profitable SaaS solutions provider.

2022 AND RECENT OPERATIONAL MILESTONES

- Complete rebuild of executive and broader leadership team with a proven track record of delivering outsized results to stakeholders.
- Implemented new growth strategy, which has produced tangible financial results and positioned the company for greater financial success in 2023 and beyond.
- Repositioned to a SaaS solutions platform company and elevated the company's value proposition with customers to offer more extensive business insights and solutions to transform their businesses. Initial success was demonstrated by the increase in high-margin services revenue, which was up 8% on a GAAP basis and 11% on a constant currency basis in 2022.
- Completed phase one of the company's optimization plan that removed \$5 million of costs, which management has partially reallocated the cost-savings towards sales and marketing efforts within the company's new cost envelope. In March 2023, launched phase two of the optimization plan, which, when completed, is expected to reduce operating expenses by an additional \$3 million annually.
- Launched Unity, a new game-changing fleet intelligence platform that unites people, assets, and data together to transform the way its customers do business. Unity's go-to-market traction is ahead of schedule, highlighted by new customer engagements with Kearney and FEMSA.
- Today announced the acquisition of Movingdots, a leading insurance telematics and sustainable mobility solutions provider, expanding Powerfleet's global reach and total addressable market. The acquisition is scheduled to close by the end of Q1 2023.



SECOND HALF 2022 FINANCIAL HIGHLIGHTS (COMPARED TO FIRST HALF 2022)

- High-margin services revenue increased 5% to \$40.3 million. On a constant currency basis, the sequential increase was 8% or 16% on an annualized basis.
- Gross profit increased by \$3 million or 10% to \$33.5 million, with gross margin expanding from 45% to 50%.
- Product gross margin expanded from 20% to 29%.
- Loss from operations improved by 54% or \$2.9 million.
- Adjusted EBITDA, a non-GAAP metric, improved by \$2 million or 76%.

FULL YEAR 2022 FINANCIAL HIGHLIGHTS (COMPARED TO 2021)

- Total revenue increased 7% to \$135.2 million and 10% on a constant currency basis
- High-margin services revenue increased 8% to \$78.8 million (58% of total revenue), and 11% on a constant currency basis.
- Gross profit increased 7% to \$64.2 million (47% of total revenue)
- GAAP net loss improved to \$7.0 million from \$13.3 million in 2021.
- Adjusted EBITDA, a non-GAAP metric, increased 19% to \$7.3 million.
- Ended the year with \$18.0 million in cash and cash equivalents and a working capital position of \$35.5 million.
- Total subscribers increased 8% to 664,000 at year end.

MANAGEMENT COMMENTARY

"The fourth quarter marked a solid finish to a pivotal year as we continued to lay the groundwork for future growth, profitability, and expansion," said Steve Towe, CEO at Powerfleet. "We are incredibly proud of the progress the team has made on the journey of transforming Powerfleet towards our mid- to long-term goal of being recognized as a world class, high growth, and profitable SaaS solutions provider."

“Even with the dramatic business transformation efforts and fundamental operational business change in 2022, we delivered 7% topline revenue growth (10% on a constant currency basis), 8% growth in high-margin services revenue (11% on a constant currency basis) and grew our subscriber base by 8%. From a profitability perspective, we improved gross profit by \$4 million, reduced loss from operations by 65% from Q4 2021 to Q4 2022, decreased GAAP loss by \$6.3 million, and grew adjusted EBITDA by 19% in 2022. These encouraging financial results were also achieved in the face of the ongoing macro-economic pressures and significant supply chain headwinds.”



Powerfleet CFO David Wilson commented: “During Q4, we initiated phase two of our business rationalization efforts designed to further enhance margins, reduce costs, and increase profitability. Our refined growth strategy produced double-digit growth in our key regions in Q4, including a 20% year-over-year increase in U.S. Industrial segment revenue and a 37% year-over-year revenue increase in Mexico. Overall, our topline results in Q4 reflect the decisive actions we took in the period to de-emphasize underperforming product lines and territories and terminate unprofitable contracts worth an estimated \$2.5 million in the quarter. In parallel, our tight cash management produced the highest cash collections quarter in our history, which brought our cash position at year end to nearly \$18 million.

“The opportunity ahead for our business is compelling. As we wrap up the first quarter of 2023, we are executing on our pipeline growth activities, delivering on our customer promises, and tracking ahead of plan. Despite the expected revenue reduction related to our ongoing strategic rationalization efforts, we anticipate generating sequential revenue growth in Q1, driven by robust double-digit growth from our U.S. industrial solutions, a trend we expect to continue through 2023.”

FOURTH QUARTER 2022 FINANCIAL RESULTS

Total revenue was \$33.1 million, compared to \$34.4 million in the same year-ago period.

Services revenue was \$20.0 million, or 60% of total revenue, compared to \$19.1 million, or 56% of total revenue, in the same year-ago period.

Product revenue, which drives future services revenue, was \$13.1 million, or 40% of total revenue, compared to \$15.3 million, or 44% of total revenue, in the same year-ago period.

Gross profit was \$16.4 million, or 49% of total revenue, compared to \$15.4 million, or 45% of total revenue, in the same year-ago period. Service gross profit was \$12.8 million, or 64% of total service revenue, compared to \$12.4 million, or 65% of total service revenue, in the same year-ago period. Product gross profit was \$3.6 million, or 28% of total product revenue, compared to \$3.1 million, or 20% of total product revenue, in the same year-ago period.

Operating expenses were \$17.6 million, net of \$1.0 million in foreign currency gains, compared to \$18.9 million in the same year-ago period.

Net loss attributable to common stockholders totaled \$2.9 million, or \$(0.08) per basic and diluted share (based on 35.4 million weighted average shares outstanding), compared to net loss attributable to common stockholders of \$7.9 million, or \$(0.23) per basic and diluted share, in the same year-ago period (based on 35.1 million weighted average shares outstanding).

Adjusted EBITDA, a non-GAAP metric, totaled \$1.4 million, compared to adjusted EBITDA of \$1.0 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 \$35.5 million.



FULL YEAR 2022 FINANCIAL RESULTS

Total revenue was \$135.2 million, compared to \$126.2 million in the same year-ago period.

Services revenue was \$78.8 million compared to \$73.2 million, in 2021. Product revenue was \$56.3 million compared to \$53.0 million in 2021. Revenue mix was 58% service revenue and 42% product revenue, which was consistent with the prior year period.

Gross profit was \$64.2 million, or 47% of total revenue, compared to \$60.2 million, or 48% of total revenue, in 2021. Service gross profit was \$50.5 million, compared to \$46.6 million in 2021, with gross margin steady at 64% for both years. Product gross profit was \$13.7 million, or 24% of total product revenue, compared to \$13.5 million, or 26% of total product revenue, in 2021.

Operating expenses were \$72.0 million, compared to \$68.2 million in 2021. Operating expenses included foreign currency transaction loss of \$0.9 million for 2022, compared to \$0.1 million in 2021.

Net loss attributable to common stockholders totaled \$11.9 million, or \$(0.34) per basic and diluted share (based on 35.4 million weighted average shares outstanding), compared to net loss attributable to common stockholders of \$18.1 million, or \$(0.52) per basic and diluted share, in the same year-ago period (based on 34.6 million weighted average shares outstanding).

Adjusted EBITDA, a non-GAAP metric, totaled \$7.3 million, compared to adjusted EBITDA of \$6.2 million in 2021 (See the section below titled “Non-GAAP Financial Measures” for more information about adjusted EBITDA and its reconciliation to GAAP net income/loss).

INVESTOR CONFERENCE CALL

Powerfleet management will discuss these results and business outlook on a conference call today (Thursday, March 9, 2023) 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

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.

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, adjusted EBITDA and services revenue excluding foreign exchange effect. 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 December 31,		Year Ended December 31,	
	2021	2022	2021	2022
Net loss attributable to common stockholders	\$ (7,915,000)	\$ (2,912,000)	\$ (18,072,000)	\$ (11,905,000)
Non-controlling interest	0	(1,000)	(5,000)	2,000
Preferred stock dividend and accretion	1,196,000	1,255,000	4,784,000	4,902,000
Interest (income) expense, net	348,000	131,000	1,909,000	1,624,000
Other (income) expense, net	(3,000)	(23,000)	(8,000)	(24,000)
Income tax (benefit) expense	1,906,000	189,000	2,607,000	296,000
Depreciation and amortization	2,177,000	2,110,000	8,553,000	8,262,000
Stock-based compensation	1,296,000	1,187,000	4,416,000	4,343,000
Foreign currency translation	1,054,000	(883,000)	1,043,000	(1,842,000)
Severance related expenses	954,000	335,000	954,000	1,667,000
Adjusted EBITDA	\$ 1,013,000	\$ 1,388,000	\$ 6,181,000	\$ 7,325,000
	Six Months Ended June 30,		Six Months Ended December 31,	
	2021	2022	2021	2022
Net loss attributable to common stockholders	\$ (5,616,000)	\$ (5,458,000)	\$ (12,456,000)	\$ (6,447,000)
Non-controlling interest	(1,000)	2,000	(4,000)	0
Preferred stock dividend and accretion	2,392,000	2,412,000	2,392,000	2,490,000
Interest (income) expense, net	1,056,000	991,000	853,000	633,000
Other (income) expense, net	2,000	(2,000)	(10,000)	(22,000)
Income tax (benefit) expense	540,000	(663,000)	2,067,000	959,000
Depreciation and amortization	4,230,000	4,133,000	4,323,000	4,129,000
Stock-based compensation	2,193,000	2,086,000	2,223,000	2,257,000
Foreign currency translation	(631,000)	(1,690,000)	1,674,000	(152,000)
Severance related expenses	-	845,000	954,000	822,000
Adjusted EBITDA	\$ 4,165,000	\$ 2,656,000	\$ 2,016,000	\$ 4,669,000



POWERFLEET, INC. AND SUBSIDIARIES RECONCILIATION OF GAAP TO NON-GAAP NET INCOME (LOSS) FINANCIAL MEASURES (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2022	2021	2022
Net loss attributable to common stockholders	\$ (7,915,000)	\$ (2,912,000)	\$ (18,072,000)	\$ (11,905,000)

Preferred stock dividend and accretion	1,196,000	1,255,000	4,784,000	4,902,000
Other (income) expense, net	(2,000)	(23,000)	(7,000)	(24,000)
Intangible assets amortization expense	1,274,000	1,292,000	5,153,000	5,108,000
Stock-based compensation	1,296,000	1,187,000	4,416,000	4,343,000
Foreign currency translation	1,054,000	(883,000)	1,043,000	(1,842,000)
Non-cash portion of income tax expense	1,898,000	189,000	2,549,000	244,000
Severance related expenses	954,000	335,000	954,000	1,667,000
Non-GAAP net income (loss)	\$ (245,000)	\$ 440,000	\$ 820,000	\$ 2,493,000
Non-GAAP net income (loss) - basic	\$ (0.01)	\$ 0.01	\$ 0.02	\$ 0.07
Non-GAAP net income (loss) - diluted	\$ (0.01)	\$ 0.01	\$ 0.02	\$ 0.06
Weighted average common shares outstanding - basic	35,083,000	35,446,000	34,571,000	35,393,000
Weighted average common shares outstanding - diluted	35,083,000	43,424,000	42,720,000	43,108,000

ABOUT POWERFLEET

Powerfleet (NASDAQ: PWFL; TASE: PWFL) is a global leader of internet of things (IoT) software-as-a-service (SaaS) solutions that optimize the performance of mobile assets and resources to unify business operations. Our data science insights and advanced modular software solutions help drive digital transformation through our customers' and partners' ecosystems to help save lives, time, and money. We help connect companies, enabling customers and their customers to realize more effective strategies and results. Powerfleet's tenured and talented team is at the heart of our approach to partnership and tangible success. The company is headquartered in Woodcliff Lake, New Jersey, with our Pointer Innovation Center (PIC) in Israel and field offices around the globe. For more information, please visit www.Powerfleet.com.

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 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 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 most recent annual report on Form 10-K. 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 Group, Inc.
PWFL@gatewayir.com
(949) 574-3860

Powerfleet Media Contact

Heather Smith
hsmith@powerfleet.com
(605) 203-0605



POWERFLEET, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	Three Months Ended December 31,		Year Ended December 31,	
	2021	2022	2021	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue:				
Products	\$ 15,310,000	\$ 13,082,000	\$ 52,981,000	\$ 56,313,000
Services	19,113,000	20,032,000	73,227,000	78,844,000
	<u>34,423,000</u>	<u>33,114,000</u>	<u>126,208,000</u>	<u>135,157,000</u>
Cost of revenue:				
Cost of products	12,259,000	9,484,000	39,445,000	42,636,000
Cost of services	6,761,000	7,270,000	26,580,000	28,350,000
	<u>19,020,000</u>	<u>16,754,000</u>	<u>66,025,000</u>	<u>70,986,000</u>
Gross Profit	<u>15,403,000</u>	<u>16,360,000</u>	<u>60,183,000</u>	<u>64,171,000</u>
Operating expenses:				
Selling, general and administrative expenses	16,112,000	15,608,000	57,100,000	63,001,000
Research and development expenses	2,799,000	1,999,000	11,058,000	8,964,000

	18,911,000	17,607,000	68,158,000	71,965,000
Loss from operations	(3,508,000)	(1,247,000)	(7,975,000)	(7,794,000)
Interest income	10,000	23,000	45,000	71,000
Interest expense	(357,000)	(154,000)	(1,954,000)	(1,695,000)
Foreign currency translation of debt	(961,000)	(114,000)	(810,000)	2,689,000
Other (expense) income, net	3,000	23,000	8,000	24,000
Net loss before income taxes	(4,813,000)	(1,469,000)	(10,686,000)	(6,705,000)
Income tax benefit (expense)	(1,906,000)	(189,000)	(2,607,000)	(296,000)
Net loss before non-controlling interest	(6,719,000)	(1,658,000)	(13,293,000)	(7,001,000)
Non-controlling interest		1,000	5,000	(2,000)
Net loss	(6,719,000)	(1,657,000)	(13,288,000)	(7,003,000)
Accretion of preferred stock	(168,000)	(167,000)	(672,000)	(671,000)
Preferred stock dividend	(1,028,000)	(1,088,000)	(4,112,000)	(4,231,000)
Net loss attributable to common stockholders	\$ (7,915,000)	\$ (2,912,000)	\$ (18,072,000)	\$ (11,905,000)
Net loss per share - basic and diluted	\$ (0.23)	\$ (0.08)	\$ (0.52)	\$ (0.34)
Weighted average common shares outstanding - basic and diluted	35,083,000	35,446,000	34,571,000	35,393,000



POWERFLEET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

	6 Months Ended		
	December 31, 2021 (Unaudited)	June 30, 2022 (Unaudited)	December 31, 2022 (Unaudited)
Revenue:			
Products	\$ 26,095,000	\$ 29,210,000	\$ 27,103,000
Services	37,574,000	38,545,000	40,299,000
	63,669,000	67,755,000	67,402,000
Cost of revenue:			
Cost of products	20,431,000	23,314,000	19,323,000
Cost of services	13,570,000	13,812,000	14,538,000
	34,001,000	37,126,000	33,861,000
Gross Profit	29,668,000	30,629,000	33,541,000
Operating expenses:			
Selling, general and administrative expenses	30,071,000	30,729,000	32,272,000
Research and development expenses	5,534,000	5,230,000	3,734,000
	35,605,000	35,959,000	36,006,000
Loss from operations	(5,937,000)	(5,330,000)	(2,465,000)
Interest income	21,000	28,000	43,000
Interest expense	(873,000)	(1,019,000)	(676,000)
Foreign currency translation of debt	(1,222,000)	2,612,000	77,000
Other (expense) income, net	10,000	2,000	23,000
Net loss before income taxes	(8,001,000)	(3,707,000)	(2,998,000)
Income tax benefit (expense)	(2,067,000)	663,000	(959,000)
Net loss before non-controlling interest	(10,068,000)	(3,044,000)	(3,957,000)
Non-controlling interest	4,000	(2,000)	
Net loss	(10,064,000)	(3,046,000)	(3,957,000)
Accretion of preferred stock	(336,000)	(336,000)	(335,000)
Preferred stock dividend	(2,056,000)	(2,076,000)	(2,155,000)
Net loss attributable to common stockholders	\$ (12,456,000)	\$ (5,458,000)	\$ (6,447,000)
Net loss per share - basic and diluted	\$ (0.36)	\$ (0.15)	\$ (0.18)
Weighted average common shares outstanding - basic and diluted	35,083,000	35,359,000	35,446,000



POWERFLEET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET DATA

	As of	
	December 31, 2021	December 31, 2022
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 26,452,000	\$ 17,680,000
Restricted cash	308,000	309,000
Accounts receivable, net	32,094,000	32,493,000
Inventory, net	18,243,000	22,272,000
Deferred costs - current	1,762,000	762,000
Prepaid expenses and other current assets	9,051,000	7,709,000
Total current assets	87,910,000	81,225,000
Deferred costs - less current portion	249,000	-
Fixed assets, net	8,988,000	8,432,000
Goodwill	83,487,000	83,487,000
Intangible assets, net	26,122,000	23,725,000
Right of use asset	9,787,000	7,820,000
Severance payable fund	4,359,000	3,760,000
Deferred tax asset	4,262,000	3,225,000
Other assets	4,703,000	5,761,000
Total assets	\$ 229,867,000	\$ 217,435,000
LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	\$ 6,114,000	\$ 10,312,000
Accounts payable and accrued expenses	29,015,000	26,598,000
Deferred revenue - current	6,519,000	6,363,000
Lease liability - current	2,640,000	2,441,000
Total current liabilities	44,288,000	45,714,000
Long-term debt, less current maturities	18,110,000	11,403,000
Deferred revenue - less current portion	4,428,000	4,390,000
Lease liability - less current portion	7,368,000	5,628,000
Accrued severance payable	4,887,000	4,365,000
Deferred tax liability	5,220,000	4,919,000
Other long-term liabilities	706,000	636,000
Total liabilities	85,007,000	77,055,000
MEZZANINE EQUITY		
Convertible redeemable Preferred stock: Series A	52,663,000	57,565,000
STOCKHOLDERS' EQUITY		
Total Powerfleet, Inc. stockholders' equity	92,111,000	82,737,000
Non-controlling interest	86,000	78,000
Total equity	92,197,000	82,815,000
Total liabilities and stockholders' equity	\$ 229,867,000	\$ 217,435,000



POWERFLEET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW DATA

	Year Ended December 31,	
	2021	2022
		(Unaudited)
Cash flows from operating activities (net of net assets acquired):		
Net loss	\$ (13,288,000)	\$ (7,003,000)
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Non-controlling interest	(5,000)	2,000
Inventory reserve	(22,000)	149,000
Stock based compensation expense	4,676,000	4,343,000

Depreciation and amortization	8,553,000	8,262,000
Right-of-use assets, non-cash lease expense	2,859,000	2,756,000
Bad debt expense	1,442,000	66,000
Other non-cash items	305,000	707,000
Deferred taxes	2,607,000	134,000
Changes in:		
Operating assets and liabilities	(12,146,000)	(8,659,000)
Net cash (used in) provided by operating activities	(5,019,000)	757,000
Cash flows from investing activities:		
Purchase of investment	-	(100,000)
Capital expenditures and capitalized software	(3,398,000)	(5,738,000)
Net cash (used in) investing activities	(3,398,000)	(5,838,000)
Cash flows from financing activities:		
Net proceeds from stock offering	26,867,000	-
Payment of preferred stock dividend	(4,112,000)	-
Repayment of long-term debt	(5,709,000)	(5,659,000)
Short-term bank debt, net	(270,000)	5,588,000
Proceeds from exercise of stock options	229,000	-
Purchase of treasury stock upon vesting of restricted stock	(794,000)	(211,000)
Net cash (used in) provided by financing activities	16,211,000	(282,000)
Effect of foreign exchange rate changes on cash and cash equivalents	531,000	(3,408,000)
Net increase in cash, cash equivalents and restricted cash	8,325,000	(8,771,000)
Cash, cash equivalents and restricted cash - beginning of period	18,435,000	26,760,000
Cash, cash equivalents and restricted cash - end of period	\$ 26,760,000	\$ 17,989,000



CONSTANT CURRENCY

Constant currency information has been presented to illustrate the impact of changes in currency rates on the Company's results. The constant currency information has been determined by adjusting the current financial reporting period results to the prior period average exchange rates, determined as the average of the monthly exchange rates applicable to the period. The measurement has been performed for each of the Company's currencies. The constant currency growth percentage has been calculated by utilizing the constant currency results compared to the prior period results.

The constant currency information represents non-GAAP information. The Company believes this provides a useful basis to measure the performance of its business as it removes distortion from the effects of foreign currency movements during the period.

Due to a portion of the Company's customers who are invoiced in non-U.S. Dollar denominated currencies, the Company also calculates subscription revenue growth rate on a constant currency basis, thereby removing the effect of currency fluctuation on results of operations.

(\$ in Thousands)	Three Months Ended Dec 31,		Year Over Year Change	
	2021	2022	\$	%
Service Revenue:				
Service Revenue as reported	\$ 19,108	\$ 20,164	\$ 1,056	5.5%
Conversion impact of U.S. Dollar		\$ 1,248	\$ 1,248	
Service revenue on a constant currency basis	\$ 19,108	\$ 21,412	\$ 2,304	12.1%
(\$ in Thousands)	Three Months Ended Dec 31,		Year Over Year Change	
	2021	2022	\$	%
Product Revenue:				
Product Revenue as reported	\$ 15,303	\$ 12,951	\$ (2,352)	(15.4)%
Conversion impact of U.S. Dollar		\$ 145	\$ 145	
Product Revenue revenue on a constant currency basis	\$ 15,303	\$ 13,096	\$ (2,207)	-14.4%
(\$ in Thousands)	Three Months Ended Dec 31,		Year Over Year Change	
	2021	2022	\$	%
Total Revenue:				
Total Revenue as reported	\$ 34,411	\$ 33,115	\$ (1,296)	(3.8)%
Conversion impact of U.S. Dollar	\$ 0	\$ 1,393	\$ 1,393	
Total revenue on a constant currency basis	\$ 34,411	\$ 34,508	\$ 97	0.3%

(\$ in Thousands)	Twelve Months Ended Dec 31,		Year Over Year Change	
	2021	2022	\$	%
Service Revenue:				
Service Revenue as reported	\$ 73,203	\$ 78,880	\$ 5,678	7.8%
Conversion impact of U.S. Dollar		\$ 2,493	\$ 2,493	
Service revenue on a constant currency basis	\$ 73,203	\$ 81,373	\$ 8,171	11.2%

(\$ in Thousands)	Twelve Months Ended Dec 31,		Year Over Year Change	
	2021	2022	\$	%
Product Revenue:				
Product Revenue as reported	\$ 53,000	\$ 56,277	\$ 3,277	6.2%
Conversion impact of U.S. Dollar		\$ 608	\$ 608	
Product Revenue revenue on a constant currency basis	\$ 53,000	\$ 56,885	\$ 3,885	7.3%

(\$ in Thousands)	Twelve Months Ended Dec 31,		Year Over Year Change	
	2021	2022	\$	%
Total Revenue:				
Total Revenue as reported	\$ 126,202	\$ 135,157	\$ 8,955	7.1%
Conversion impact of U.S. Dollar	\$ 0	\$ 3,101	\$ 3,101	
Total revenue on a constant currency basis	\$ 126,202	\$ 138,258	\$ 12,056	9.6%



Powerfleet Q4 and Full Year 2022 Earnings Prepared Remarks

Steve Towe – CEO

Good morning and thank you for joining us today. It's a pleasure to be speaking with you.

It has been a rigorous and exciting first year since I joined the company. I am incredibly proud of the progress the team has made on the journey of transforming Powerfleet towards our mid- to long-term goal of being recognized as a world class, high growth, and profitable SaaS solutions provider.

The board and I are highly encouraged by the progress we've made to date executing our strategy to turn around the business in the first two years of my tenure as CEO. We are ahead of schedule and are executing well on the mission.

As a reminder, my initial priorities were:

- First, we needed to make dramatic improvements to the caliber and experience of the leadership team in order to become a true IoT SaaS company.
- Second, we needed to develop a unified SaaS platform strategy that delivers greater value for clients, improves our margins, and expands the total available market for our solutions.
- Third, we needed to show evidence we could drive sales execution and topline traction in high value markets and vertical segments.

As we move toward the next phases of our transformation plan, we have been focusing heavily on expense containment and rationalizing certain geographies and product lines that we believe are incapable of driving sufficient rates of return and cash flow. In turn, we're creating strategies for redeploying the cost savings to accelerate our product and sales plans in the highest ROI business areas.

We've accomplished a tremendous amount over the last year through ruthless and rapid execution powered by hiring a super talented executive team with deep experience working with high-growth SaaS companies, including adding David Wilson as CFO, who you will hear from shortly.



Our profitable growth strategy that we call 'Powerfleet Reimagined,' and which we first introduced at our inaugural Investor Day last June, has been very well received by our employees, customers, partners, and investors alike.

From a technology perspective, in November we launched Powerfleet Unity, a new 'game-changing' fleet intelligence platform that unites people, assets, and data together to transform the way its customers do business. Unity will be the cornerstone of our future shareholder value creation and is ahead of schedule in gaining traction with new customers, highlighted by our recent announcements with Kearney and FEMSA.

Even with the dramatic business transformation efforts and fundamental operational business change in 2022, we were still able to drive top line growth, improve gross profit, and enhance profitability, an ambitious objective I articulated to you all at the very beginning of 2022. Our encouraging financial results were also achieved in the face of the ongoing macro-economic pressures and significant supply chain headwinds.

David will discuss our Q4 and 2022 results in detail, but at a high level, in 2022 we delivered 7% topline revenue growth, 8% growth in high-margin services revenue, and grew our subscriber base by 8% to 664,000. From a profitability perspective, we improved gross profit by \$4 million, reduced loss from operations from Q4 2021 to Q4 2022 by 65% and grew adjusted EBITDA 19% in 2022.

We faced significant FX headwinds in 2022, but on a constant currency basis, our annual total revenue growth was 10%, with services revenue growing 11% for the full year.

One of our key thesis questions was could we improve growth in the U.S. market in 2022. We proved our thesis by delivering total annual revenue growth of 12% and a services revenue growth of 13% in 2022. A key driver of our success was our U.S. industrial business segment, which grew 33% in the second half of 2022 versus the corresponding period in 2021. We are also excited by the performance of our Mexico business unit, which achieved 34% growth year-over-year in total and 33% in services revenue.

Perhaps our progress is most telling and best measured when comparing our financial results for the second half of 2022.



For the second half of 2022 versus the first half of 2022, high-margin services revenue increased 5% to \$38.5 million. On a constant currency basis, the sequential increase was 8%, or an impressive 16% on an annualized basis. Overall, gross margin expanded from 45% to 50% with our gross profit increasing by \$3 million, or 10%. Additionally, the success from our product and reengineering initiatives expanded our product gross margin from 20% to 29% in the second half of the year. From a profitability standpoint, we realized a 54%, or \$2.9 million, improvement in loss from operations as well as a \$2 million, or 76%, improvement in adjusted EBITDA.

Compared to the same period last year, we increased gross profit by \$4 million, or 13%, improved our operating losses by \$3.5 million, or 59%, as well as saw a \$2.7 million, or 132%, improvement in adjusted EBITDA.

During the fourth quarter, we saw double digit growth in our key regions, including a 20% increase in U.S. industrial segment revenue and a 37% revenue increase in Mexico, driven by both Unity sales and initial sales of our industrial solutions in the region. The overall topline results in Q4 reflect the decisive actions we took to de-emphasize

underperforming product lines and territories and terminate unprofitable contracts, measures I alluded to on our Q3 call. To put this into context, unrecognized revenue related to the termination of unprofitable contracts and the de-emphasis of lower-margin products was approximately \$2.5 million in the quarter. Nevertheless, our tight cash management produced the highest cash collections quarter in our history.

While we're encouraged by our operational and financial progress, especially in the second half of 2022, there is still much more work to be done to achieve the level of performance we believe is possible for our company. Although the speed of cleanup has exceeded our internal expectations, the operating state of the business when I assumed the CEO position was far more challenged than expected and there are still crucial areas that need to be improved. Along that line, earlier this quarter the leadership team enacted a focused plan to further optimize our business. When completed, the plan will reduce our OpEx by an additional \$3 million annually, which we expect to drive bottom line improvement. This is an addition to the \$5 million we took out of the business in 2022, some of which allowed us to pivot and grow our software sales and development teams.

Before I discuss our 2023 initiatives and business outlook, I am going to invite David to walk you through our financial performance for Q4 and 2022 in more detail.



David?

David Wilson – CFO

Thanks, Steve, and I'm pleased to connect with many of you for the first time on this call.

This week marks my second month with Powerfleet, and my time onboard has reaffirmed two key reasons I chose to join the team.

Firstly, there is a rich set of complementary assets at Powerfleet that have a massive amount of latent value. Secondly, the team that Steve has put in place are aggressive change agents who have the drive and experience required to realize Powerfleet's full potential. The third key reason that I joined Powerfleet is pattern recognition.

Prior to joining Powerfleet, I was the CFO of ACS, a regional telco, which was an amalgamation of acquired companies that had a newly installed management team tasked with turning the business around and creating a huge amount of value for stakeholders. While the road at ACS was more rocky than smooth in the early quarters, during my tenure we outperformed the sector by 16 times, turning ACS from a valuation laggard to a valuation leader. I look forward to playing my part in achieving similar success with Powerfleet.

Now, onto our financial results for the fourth quarter ended December 31, 2022.

Total revenue was \$33.1 million, compared to \$34.4 million in Q4 2021. As Steve noted earlier, the step down in revenue was by design with an increasingly sharp focus on the *quality* versus the *quantity* of revenue. In the quarter, we sidestepped approximately \$2.5 million in available sales in noncore underperforming product lines and territories.

Centering the business around high-margin SaaS services revenue is central tenet of 'Powerfleet Reimagined' with the fourth quarter mix of service revenue increasing to 60%, or \$20.0 million, in 2022 from 56%, or \$19.1 million, in 2021. Product revenue, where this quarter's sales were focused on deals with a high attachment of SaaS service revenue, was \$13.1 versus \$15.3 million in Q4 last year.

Gross profit was \$16.4 million, compared to \$15.4 million. Importantly, gross margin expanded by 5% to 49% of total revenue up from 45% last year.



Fourth quarter service gross profit was \$12.8 million, with margins of 64% of total service revenue in line with expectations. This compared to \$12.4 million, or 65% of total service revenue, in Q4 last year.

Product gross profit was \$3.6 million, compared to \$3.1 million in the same year-ago period. While deal discipline was a primary driver of quarterly product gross margins expanding to 28% of product revenue, up from 20% of last year, 2022 performance was adversely impacted by \$0.6M, or 5% of gross margin, for inventory and warranty reserve adjustments, and out of period charges.

Looking at expenses, OpEx was \$17.6 million, compared to \$18.9 million in the same year-ago period. 2022 operating expenses benefited from foreign currency translation gain of \$0.9 million, which is reversed for calculating adjusted EBITDA, and \$0.7 million in incremental SOX and audit professional fees, which flows through to adjusted EBITDA.

In terms of our profitability metrics, net loss attributable to common stockholders totaled \$2.9 million, or \$(0.08) per basic and diluted share. This compares to net loss attributable to common stockholders of \$7.9 million, or \$(0.23) per basic and diluted share, in Q4 last year.

And finally, adjusted EBITDA, a non-GAAP metric, in the fourth quarter of 2022 totaled \$1.4 million, compared to adjusted EBITDA of \$1.0 million in the same year-ago period.

Our balance sheet remained strong in the quarter, with \$17.6 million in cash and cash equivalents. The company's working capital position at quarter-end was \$35.5 million.

Shifting gears to our financial results for the full year ended December 31, 2022.

Total revenue was \$135.2 million in 2022, an improvement compared to \$126.2 million in 2021.

High-margin, services revenue was \$78.8 million compared to \$73.2 million in 2021. Product revenue, which drives future services revenue, was \$56.3 million compared to \$53.0 million in 2021.

Gross profit was \$64.2 million, or 48% of total revenue, compared to \$60.2 million, or 48% of total revenue, in 2021. Service gross profit was \$50.5 million, or 64% of total service revenue, compared to \$46.6 million, or 64% of total service revenue, in 2021. Product gross profit was \$13.7 million, or 24% of total product revenue, compared to

\$13.5 million, or 26% of total product revenue, in 2021.



Operating expenses were \$72.0 million, compared to \$68.2 million in 2021, while net loss attributable to common stockholders totaled \$11.9 million, or \$(0.34) per basic and diluted share in 2022, which compares to net loss attributable to common stockholders of \$18.1 million, or \$(0.52) per basic and diluted share in 2021.

Adjusted EBITDA, a non-GAAP metric, totaled \$7.3 million, compared to adjusted EBITDA of \$6.2 million in 2021.

That concludes my prepared remarks. Steve?

Steve Towe – CEO

Thanks, David.

One of my stated goals upon joining the company has been to substantially increase the revenue share of our SaaS and recurring revenues, which has the benefits of increasing our visibility, margins, and relative competitive advantage. We have built a great team at Powerfleet, and the concentration of this talent around the best and highest quality revenue and profit opportunities as the result of a dynamic capital allocation strategy should yield the highest potential return to our shareholders, employees, and customers.

In this spirit, we have decided to entertain strategic alternatives for our Argentina, Brazil, and South Africa business units. As background, there are third parties who have expressed an interest in these businesses, and we have decided to evaluate these potential opportunities with these partners.

In parallel to our organic growth strategy, we are continually evaluating balance sheet accretive M&A opportunities to enhance our capabilities and augment our ability to scale more rapidly.

Along that line, this morning we announced the acquisition of Movingdots, a German-based telematics provider a fully owned and operated subsidiary of Swiss Re. Since 2015, Movingdots has served as Swiss Re's technology hub in the automotive and mobility space. For those not familiar with Swiss Re, they are one of the world's leading providers of reinsurance and insurance.



Movingdots spent the last decade designing and perfecting data science algorithms with end insurers to provide risk-based drive style analytics for fleets and personal auto risk. Backed with actuarial insights, Movingdots enables data-driven insurance propositions for insurers, car manufacturers, and mobility platform players worldwide. By focusing on customers' safety and security needs, and by providing transparent and comprehensive monitoring, Movingdots combines insurance analytics with AI and ML technology to derive an individual risk assessment. Movingdots has also developed leading edge technologies for the Sustainability and ESG reporting space.

Swiss Re and Movingdots have been searching for the right strategic growth partner to deliver these precisely architected insurance solutions to the global market in a sustainable, profitable, and scalable way.

From a customer perspective, Movingdots boasts several blue-chip insurers as customers and works with major automotive OEMS as partners and also serves more than 160 enterprises in the European markets.

Movingdots checks all the boxes of a highly complementary and synergistic acquisition:

1. First, it accelerates Powerfleet's entrance into Europe by providing a meaningful beachhead with major reference customers and a network of tier 1 partners.
 2. Second, Powerfleet presents a significant opportunity to cross-sell Movingdots' solutions into our base of customers and partners and vice versa.
 3. Third, the acquisition brings strong technologically advanced data science IoT solutions for the insurance and sustainability markets, which present distinct competitive advantage and credibility in highly strategic end markets for Powerfleet.
 4. Fourth, the acquisition enhances our Unity platform, with Movingdots' focus on delivering innovative automotive and mobility safety solutions and ESG reporting that will enrich Powerfleet's SaaS enterprise applications.
 5. Finally, Movingdots has built a hub of software and platform excellence in Germany and beyond. Movingdots' employees will strengthen Powerfleet's current tenured and talented team, all striving to deliver on the promise of 'People Powered IoT.'
-



From a consideration perspective, we have agreed to acquire Movingdots for 1 Euro and issue 800k warrants to Swiss Re that have an exercise price of \$7.00 per PowerFleet common share. Swiss Re has agreed to fund 8 million Euros in cash at close to ensure continuity of Movingdots' telematics offering and a seamless transition for the company's talented 50 employees as well as its valued customers and partners. Equally important to Swiss Re was a continued strategic alliance with Powerfleet.

We anticipate generating sequential revenue growth in Q1, despite the expected revenue reduction as a result of our strategic rationalization efforts, driven by robust double-digit growth from our U.S. industrial segment, a trend we expect to continue through 2023.

In summary, we are focused on realigning and restructuring our cost base to realize the potential of an increasingly robust and competitively differentiated high growth SaaS offering. Movingdots has an important role to play, enriching our Unity offering while simultaneously providing a leading position in the strategic insurance vertical and enhancing balance sheet liquidity.

That concludes our prepared remarks. Now I'll turn it back over to the operator for Q&A.

Operator?
