

**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): August 8, 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:

| <u>Title of each class</u> | <u>Trading Symbol(s)</u> | <u>Name of each exchange on which registered</u> |
|--|--------------------------|--|
| 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 August 8, 2023, PowerFleet, Inc. (the "Registrant") issued a press release regarding financial results for the fiscal quarter ended June 30, 2023. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this report is being furnished pursuant to Item 2.02 of Form 8-K. In accordance with General Instruction B.2. of Form 8-K, the information in this report, including Exhibit 99.1, 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 Exhibit 99.1 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.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | Press release, dated August 8, 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: August 8, 2023



Powerfleet Reports Second Quarter and First Half 2023 Financial Results

Strong Growth in High Margin SaaS Revenues with Company Positioned for Accelerated Growth in Second Half of 2023

Second Quarter 2023 Service Revenue was 66% of Total Revenue, up from 57% in the Prior Period, Driving an Expansion in Total Company Gross Margins to 50% from 47%

WOODCLIFF LAKE, NJ – August 8, 2023 – [Powerfleet, Inc. \(Nasdaq: PWFL\)](#), reported results for the second quarter and six months ended June 30, 2023.

SECOND QUARTER 2023 FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Total service revenue increased by 13% on a constant currency basis, compared to Q2 2022.
- Total service revenue increased sequentially by 3.3% on a constant currency basis, demonstrating traction in the company's transformation to a SaaS centric business model.
- Total service revenue increased to 66% of total revenue, up from 57% in the prior year, driving an expansion in gross margins to 50% from 47%.
- Services gross margin in the go forward core business (excluding Argentina, Brazil, and South Africa business units) increased to 71% with total gross margin for the core business of 53%.
- EBITDA increased sequentially by 31% to \$1.8 million versus first quarter 2023, pro forma for EBITDA burn from the Movingdots acquisition.
- Subscriber count totaled 697,177, an increase of 3% from the prior quarter and 9% year-on-year.

FIRST HALF 2023 FINANCIAL HIGHLIGHTS (COMPARED TO FIRST HALF 2022)

- Transformation into a high value sticky SaaS recurring business continues at pace in our core go forward markets with North American service revenue growing 16% annually, complemented by service revenue in Israel growing 10% on a constant currency basis.
- Growth in services revenue drove expansion in gross margin to 50% from 45% and improved gross profit by \$2 million during the controlled product to SaaS sales funnel and revenue mix transition.
- Improved underlying cash generation with cash from operations increasing by \$4 million.
- With improved cash generation and liquidity, reinitiated paying the dividend on the convertible preferred instrument in cash versus payment in kind (PIK)
- Taken the necessary steps to reduce annual run rate expense by \$4 million per year exiting third quarter. Central to commitment to ensure Movingdots acquisition is adjusted EBITDA neutral.
- Released a highly advanced, sustainability module on Unity platform, at budget and on time; supports asset electrification, and bolsters ESG reporting requirements with net reduction of CO2 emissions.



MANAGEMENT COMMENTARY

“Our transformation into a superior valued business centered on high quality, sticky, recurring SaaS revenue is reflected in our key performance indicators,” said **Powerfleet CEO Steve Towe**. “While we are still relatively early in our journey, strong proof points are now evident in the shape of our P&L, our mix of revenue and associated SaaS growth rates of 12% for the quarter and 15% for the half of 2023 on a constant currency basis. In the first half 2023, service revenue in our strategically important North American business grew by an impressive 16%, complemented by Israel, which was up 10% on a constant currency basis. New logo SaaS wins, centered around our Unity platform and advanced Safety solutions, were strong in Q2, alongside service gross margins of 71% and total gross margin of 53% in our core business unit. These fundamental SaaS metrics are very strong indicators supporting our longer-term strategic business value creation objectives.

“We believe that all the heavy lifting transformation items we have executed over recent months have set the foundation for greater earnings potential, a more compelling business model, and a lower cost of capital for our shareholders.”

David Wilson, Powerfleet CFO, added: “Our Unity platform continues to track ahead of schedule, and I have no doubt that the pace of delivery and the level of capabilities within Unity are greatly enhanced by the Movingdots acquisition. That said, the importance of being good stewards of capital remains paramount and we have successfully executed the necessary steps to achieve our previously stated \$3 million expense reduction challenge. Additionally, we have taken actions to secure an additional \$1 million in annualized expense reductions. With \$4 million of secured cost savings, we are positioned to exceed our commitment to ensure Movingdots is an adjusted EBITDA neutral transaction exiting the third quarter.”

SECOND QUARTER 2023 FINANCIAL RESULTS

Total revenue was \$32.1 million, compared to \$34.6 million in the same year-ago period, with growth in services revenue offsetting lower product sales.

Services revenues totaled \$21.0 million, up \$1.3 million year-over-year, accounting for 66% of total revenue. On a constant currency basis, services revenue grew by 13%, reflecting the company's successful execution of its SaaS growth strategy.

Products revenue was \$11.0 million, or 34% of total revenue, compared to \$14.8 million, or 43% of total revenue in the prior year period. Total revenue performance reflects actively shedding low margin and non-core hardware business.

Gross profit margin expanded to 50.0% from 46.9% in the prior year period, driven by an improved mix of high-margin services revenue versus products revenue, deal discipline for product sales, terminating unprofitable contracts and eliminating low margin product lines.

In line with expectations, operating expenses increased to \$19.2 million from \$17.8 million in the same year-ago period, with the increase solely attributable to the Movingdots acquisition.



Net loss attributable to common stockholders totaled \$4.3 million, or \$(0.12) per basic and diluted share (based on 35.6 million weighted average shares outstanding), compared to net loss attributable to common stockholders of \$1.3 million, or \$(0.04) per basic and diluted share (based on 35.4 million weighted average shares outstanding), in the same year-ago period.

Adjusted EBITDA, a non-GAAP metric, totaled \$647,000, compared to \$3.3 million in the same year-ago period reflecting Adjusted EBITDA losses from the Movingdots acquisition. See the section below titled “Non-GAAP Financial Measures” for more information about adjusted EBITDA and its reconciliation to GAAP net income (loss).

Powerfleet had \$22.0 million in cash and cash equivalents and a working capital position of \$38.3 million at quarter-end.

SIX MONTH 2023 FINANCIAL RESULTS

Total revenue was \$64.9 million, compared to \$67.8 million in the same year-ago period, with growth in services revenue offsetting lower product sales.

Services revenues totaled \$41.5 million, up approximately \$3.0 million year-over-year, accounting for 64% of total revenue. On a constant currency basis, services revenue grew by 15%, reflecting the company’s successful execution of its SaaS growth strategy.

Products revenue was \$23.4 million, or 36% of total revenue, compared to \$29.2 million, or 43% of total revenue in the prior year period. Total revenue performance reflects actively shedding low margin and non-core business.

Gross profit margin expanded to 50.3% from 45.2% in the prior year period, driven by an improved mix of high-margin services revenue versus products revenue.

Net loss attributable to common stockholders, inclusive of a \$7.5 million gain on bargain purchase for Movingdots, totaled \$780,000, or \$0.01 per basic and diluted share (based on 35.6 million and 35.7 million weighted average shares outstanding for basic and diluted respectively), compared to net loss attributable to common stockholders of \$(5.5) million, or \$(0.15) per basic and diluted share (based on 35.4 million weighted average shares outstanding), in the same year-ago period.

Adjusted EBITDA, a non-GAAP metric, totaled \$2.0 million, compared to \$2.7 million in the prior year period reflecting Adjusted EBITDA losses from the Movingdots acquisition. 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 (Tuesday, August 8, 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.

Join the live [Webcast](#)
Toll Free Dial In: 888-506-0062
International Dial In: 973-528-0011
Participant Access Code: 360336

The conference call will be available for replay [here](#) and 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 adjusted EBITDA and total revenue 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 alternative 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

| Three Months Ended | | Six Months Ended | |
|--------------------|------|------------------|------|
| June 30, | | June 30, | |
| 2022 | 2023 | 2022 | 2023 |

| | | | | |
|--|---------------------|-------------------|---------------------|---------------------|
| Net loss attributable to common stockholders | \$ (1,334,000) | \$ (4,274,000) | \$ (5,458,000) | \$ (780,000) |
| Non-controlling interest | 1,000 | 6,000 | 2,000 | 3,000 |
| Preferred stock dividend and accretion | 1,216,000 | 1,297,000 | 2,412,000 | 2,572,000 |
| Interest (income) expense, net | 560,000 | 457,000 | 991,000 | 974,000 |
| Other (income) expense, net | (3,000) | 0 | (2,000) | (1,000) |
| Income tax (benefit) expense | 40,000 | 39,000 | (663,000) | 436,000 |
| Depreciation and amortization | 2,044,000 | 2,267,000 | 4,133,000 | 4,500,000 |
| Stock-based compensation | 1,629,000 | 852,000 | 2,086,000 | 1,684,000 |
| Foreign currency translation | (1,349,000) | (362,000) | (1,690,000) | (942,000) |
| Severance related expenses | 468,000 | 425,000 | 847,000 | 559,000 |
| Gain on Bargain purchase - Movingdots | - | (283,000) | - | (7,517,000) |
| Movingdots Related Expenses | - | 223,000 | - | 540,000 |
| Adjusted EBITDA | \$ 3,272,000 | \$ 647,000 | \$ 2,658,000 | \$ 2,028,000 |

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, 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 Movingdots, 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.

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

| | Three Months Ended | | Six Months Ended | |
|--------------------------------|--------------------|-------------------|-------------------|-------------------|
| | June 30, | | June 30, | |
| | 2022 | 2023 | 2022 | 2023 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue: | | | | |
| Products | \$ 14,818,000 | \$ 11,012,000 | \$ 29,210,000 | \$ 23,416,000 |
| Services | 19,776,000 | 21,038,000 | 38,545,000 | 41,473,000 |
| Total Revenues | 34,594,000 | 32,050,000 | 67,755,000 | 64,889,000 |
| Cost of revenue: | | | | |
| Cost of products | 11,336,000 | 8,550,000 | 23,314,000 | 17,552,000 |
| Cost of services | 7,028,000 | 7,467,000 | 13,812,000 | 14,686,000 |
| Total cost of revenues: | 18,364,000 | 16,017,000 | 37,126,000 | 32,238,000 |

| | | | | |
|---|----------------|----------------|----------------|--------------|
| Gross Profit | 16,230,000 | 16,033,000 | 30,629,000 | 32,651,000 |
| Operating expenses: | | | | |
| Selling, general and administrative expenses | 15,817,000 | 16,987,000 | 30,729,000 | 33,774,000 |
| Research and development expenses | 2,001,000 | 2,179,000 | 5,230,000 | 3,902,000 |
| Total Operating Expenses | 17,818,000 | 19,166,000 | 35,959,000 | 37,676,000 |
| Loss from operations | (1,588,000) | (3,133,000) | (5,330,000) | (5,025,000) |
| Interest income | 15,000 | 22,000 | 28,000 | 46,000 |
| Interest expense | (575,000) | (173,000) | (1,019,000) | (310,000) |
| Gain on Bargain purchase - Movingdots | - | 283,000 | - | 7,517,000 |
| Foreign currency translation of debt | 2,068,000 | - | 2,612,000 | - |
| Other (expense) income, net | 3,000 | 69,000 | 2,000 | 3,000 |
| Net (loss) / income before income taxes | (77,000) | (2,932,000) | (3,707,000) | 2,231,000 |
| Income tax benefit (expense) | (40,000) | (39,000) | 663,000 | (436,000) |
| Net (loss) / income before non-controlling interest | (117,000) | (2,971,000) | (3,044,000) | 1,795,000 |
| Non-controlling interest | (1,000) | (6,000) | (2,000) | (3,000) |
| Net (loss) / income | (118,000) | (2,977,000) | (3,046,000) | 1,792,000 |
| Accretion of preferred stock | (168,000) | (168,000) | (336,000) | (336,000) |
| Preferred stock dividend | (1,048,000) | (1,129,000) | (2,076,000) | (2,236,000) |
| Net (loss) / income attributable to common stockholders | \$ (1,334,000) | \$ (4,274,000) | \$ (5,458,000) | \$ (780,000) |
| Net (loss) / income per share - basic | \$ (0.04) | \$ (0.12) | \$ (0.15) | \$ 0.01 |
| Net (loss) / income per share - diluted | \$ (0.04) | \$ (0.12) | \$ (0.15) | \$ 0.01 |
| Weighted average common shares outstanding - basic | 35,386,000 | 35,605,000 | 35,359,000 | 35,577,000 |
| Weighted average common shares outstanding - diluted | 35,386,000 | 35,605,000 | 35,359,000 | 35,670,000 |



POWERFLEET, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET DATA

| | As of | |
|---|-------------------|------------------------------|
| | December 31, 2022 | June 30, 2023 (Unaudited) |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 17,680,000 | \$ 21,729,000 |
| Restricted cash | 309,000 | 309,000 |
| Accounts receivable, net | 32,493,000 | 31,318,000 |
| Inventory, net | 22,272,000 | 22,125,000 |
| Deferred costs - current | 762,000 | 338,000 |
| Prepaid expenses and other current assets | 7,709,000 | 7,298,000 |
| Total current assets | 81,225,000 | 83,117,000 |
| Deferred costs - less current portion | - | - |
| Fixed assets, net | 9,249,000 | 10,226,000 |
| Goodwill | 83,487,000 | 83,487,000 |
| Intangible assets, net | 22,908,000 | 21,871,000 |
| Right of use asset | 7,820,000 | 6,936,000 |
| Severance payable fund | 3,760,000 | 3,566,000 |
| Deferred tax asset | 3,225,000 | 1,942,000 |
| Other assets | 5,761,000 | 6,131,000 |
| Total assets | \$ 217,435,000 | \$ 217,276,000 |
| LIABILITIES | | |
| Current liabilities: | | |
| Short-term bank debt and current maturities of long-term debt | \$ 10,312,000 | \$ 11,197,000 |
| Accounts payable and accrued expenses | 26,598,000 | 24,960,000 |
| Deferred revenue - current | 6,363,000 | 6,193,000 |
| Lease liability - current | 2,441,000 | 2,448,000 |
| Total current liabilities | 45,714,000 | 44,798,000 |
| Long-term debt - less current maturities | 11,403,000 | 9,940,000 |
| Deferred revenue - less current portion | 4,390,000 | 4,582,000 |
| Lease liability - less current portion | 5,628,000 | 4,715,000 |
| Accrued severance payable | 4,365,000 | 4,284,000 |

| | | |
|--|----------------|----------------|
| Deferred tax liability | 4,919,000 | 4,030,000 |
| Other long-term liabilities | 636,000 | 668,000 |
| Total liabilities | 77,055,000 | 73,017,000 |
| MEZZANINE EQUITY | | |
| Convertible redeemable Preferred stock: Series A | 57,565,000 | 59,008,000 |
| STOCKHOLDERS' EQUITY | | |
| Total Powerfleet, Inc. stockholders' equity | 82,737,000 | 85,188,000 |
| Non-controlling interest | 78,000 | 63,000 |
| Total equity | 82,815,000 | 85,251,000 |
| Total liabilities and stockholders' equity | \$ 217,435,000 | \$ 217,276,000 |



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

| | Six Months Ended June 30, | |
|---|---------------------------|----------------------|
| | 2022 | 2023 |
| | (Unaudited) | |
| Cash flows from operating activities (net of net assets acquired): | | |
| Net (loss) / income | \$ (3,046,000) | \$ 1,792,000 |
| Adjustments to reconcile net loss to cash (used in) provided by operating activities: | | |
| Non-controlling interest | 2,000 | 3,000 |
| Gain on bargain purchase | - | (7,517,000) |
| Inventory reserve | 119,000 | 375,000 |
| Stock based compensation expense | 2,086,000 | 1,684,000 |
| Depreciation and amortization | 4,133,000 | 4,498,000 |
| Right-of-use assets, non-cash lease expense | 1,382,000 | 1,318,000 |
| Bad debt expense | (364,000) | 826,000 |
| Deferred taxes | (663,000) | 398,000 |
| Other non-cash items | 604,000 | 73,000 |
| Changes in: | | |
| Operating assets and liabilities | (6,953,000) | (2,110,000) |
| Net cash (used in) provided by operating activities | (2,700,000) | 1,340,000 |
| Cash flows from investing activities: | | |
| Acquisitions, net of cash assumed | - | 8,722,000 |
| Purchase of investment | - | (100,000) |
| Capitalized software development costs | - | (1,677,000) |
| Capital expenditures | (2,013,000) | (2,108,000) |
| Net cash (used in) investing activities | (2,013,000) | 4,837,000 |
| Cash flows from financing activities: | | |
| Payment of preferred stock dividend | - | (1,128,000) |
| Repayment of long-term debt | (2,897,000) | (2,658,000) |
| Short-term bank debt, net | 2,330,000 | 2,736,000 |
| Purchase of treasury stock upon vesting of restricted stock | (186,000) | (48,000) |
| Proceeds from exercise of stock options | - | 36,000 |
| Net cash (used in) provided by financing activities | (753,000) | (1,062,000) |
| Effect of foreign exchange rate changes on cash and cash equivalents | (3,282,000) | (1,066,000) |
| Net increase in cash, cash equivalents and restricted cash | (8,748,000) | 4,049,000 |
| Cash, cash equivalents and restricted cash - beginning of period | 26,760,000 | 17,989,000 |
| Cash, cash equivalents and restricted cash - end of period | \$ 18,012,000 | \$ 22,038,000 |



POWERFLEET, INC. CORE BUSINESS
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS DATA

| | Three Months Ended | | |
|--|--------------------|------------|---------------|
| | June 30, 2023 | | |
| | BASA / 3rd party | | |
| | Total Powerfleet | Cellocator | Core Business |
| | | | |

| | (Unaudited) | (Unaudited) | (Unaudited) |
|--------------------------------|-------------------|------------------|-------------------|
| Revenue: | | | |
| Products | \$ 11,012,000 | \$ 322,838 | \$ 10,689,162 |
| Services | 21,038,000 | 3,105,099 | 17,932,901 |
| Total Revenues | 32,050,000 | 3,427,937 | 28,622,063 |
| Cost of revenue: | | | |
| Cost of products | 8,550,000 | 241,769 | 8,308,231 |
| Cost of services | 7,467,000 | 2,205,391 | 5,261,609 |
| Total cost of revenues: | 16,017,000 | 2,447,160 | 13,569,840 |
| Gross Profit | 16,033,000 | 980,777 | 15,052,223 |



**POWERFLEET, INC. PRE-MOVINGDOTS ACQUISITION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS DATA**

| | Three Months Ended June 30, 2023 | | |
|--|-------------------------------------|---------------------------|--|
| | Total Powerfleet (Unaudited) | Movingdots (Unaudited) | Powerfleet Pre- Acquisition Business (Unaudited) |
| Revenue: | | | |
| Products | \$ 11,012,000 | \$ 6,700 | \$ 11,005,300 |
| Services | 21,038,000 | 181,842 | 20,856,158 |
| Total Revenues | 32,050,000 | 188,542 | 31,861,458 |
| Cost of revenue: | | | |
| Cost of products | 8,550,000 | (3,134) | 8,553,134 |
| Cost of services | 7,467,000 | 153,249 | 7,313,751 |
| Total cost of revenues: | 16,017,000 | 150,115 | 15,866,885 |
| Gross Profit | 16,033,000 | 38,427 | 15,994,573 |
| Operating expenses: | | | |
| Selling, general and administrative expenses | 16,987,000 | 683,801 | 16,303,199 |
| Research and development expenses | 2,179,000 | 654,773 | 1,524,227 |
| Total Operating Expenses | 19,166,000 | 1,338,574 | 17,827,426 |
| Loss from operations | (3,133,000) | (1,300,147) | (1,832,853) |
| Adjusted EBITDA | 647,000 | (1,167,000) | 1,814,000 |



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; however, this information should be considered as supplemental in nature and should not be considered in isolation or as a substitute for the related financial information prepared in accordance with GAAP. See the section above titled "Non-GAAP Financial Measures" for more information.

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) | Six Months Ended June 30, | | Year Over Year Change | |
|---|---------------------------|------------------|-----------------------|--------------|
| | 2022 | 2023 | \$ | % |
| Service Revenue: | | | | |
| Service Revenue as reported | \$ 38,545 | \$ 41,478 | \$ 2,933 | 7.6% |
| Conversion impact of U.S. Dollar | | \$ 2,887 | \$ 2,887 | |
| Service revenue on a constant currency basis | \$ 38,545 | \$ 44,365 | \$ 5,820 | 15.1% |

| (\$ in Thousands) | Six Months Ended June 30, | | Year Over Year Change | |
|---|---------------------------|------------------|-----------------------|----------------|
| | 2022 | 2023 | \$ | % |
| Product Revenue: | | | | |
| Product Revenue as reported | \$ 29,210 | \$ 23,411 | \$ (5,799) | (19.9)% |
| Conversion impact of U.S. Dollar | | \$ 300 | \$ 300 | |
| Product revenue on a constant currency basis | \$ 29,210 | \$ 23,711 | \$ (5,499) | (18.8)% |

| (\$ in Thousands) | Six Months Ended June 30, | | Year Over Year Change | |
|---|---------------------------|------------------|-----------------------|-------------|
| | 2022 | 2023 | \$ | % |
| Total Revenue: | | | | |
| Total Revenue as reported | \$ 67,755 | \$ 64,889 | \$ (2,866) | (4.2)% |
| Conversion impact of U.S. Dollar | | \$ 3,187 | \$ 3,187 | |
| Total revenue on a constant currency basis | \$ 67,755 | \$ 68,076 | \$ 321 | 0.5% |



| (\$ in Thousands) | Three Months Ended June 30, | | Year Over Year Change | |
|---|-----------------------------|------------------|-----------------------|--------------|
| | 2022 | 2023 | \$ | % |
| Service Revenue: | | | | |
| Service Revenue as reported | \$ 19,777 | \$ 21,044 | \$ 1,267 | 6.4% |
| Conversion impact of U.S. Dollar | | \$ 1,299 | \$ 1,299 | |
| Service revenue on a constant currency basis | \$ 19,777 | \$ 22,343 | \$ 2,566 | 13.0% |

| (\$ in Thousands) | Three Months Ended June 30, | | Year Over Year Change | |
|---|-----------------------------|------------------|-----------------------|----------------|
| | 2022 | 2023 | \$ | % |
| Product Revenue: | | | | |
| Product Revenue as reported | \$ 14,818 | \$ 11,006 | \$ (3,812) | (25.7)% |
| Conversion impact of U.S. Dollar | | \$ 125 | \$ 125 | |
| Product revenue on a constant currency basis | \$ 14,818 | \$ 11,131 | \$ (3,687) | (24.9)% |

| (\$ in Thousands) | Three Months Ended Jun 30, | | Year Over Year Change | |
|---|----------------------------|------------------|-----------------------|---------------|
| | 2022 | 2023 | \$ | % |
| Total Revenue: | | | | |
| Total Revenue as reported | \$ 34,595 | \$ 32,050 | \$ (2,545) | (7.4)% |
| Conversion impact of U.S. Dollar | | \$ 1,424 | \$ 1,424 | |
| Total revenue on a constant currency basis | \$ 34,595 | \$ 33,474 | \$ (1,121) | (3.2)% |