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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: June 30, 2023

or

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

For the transition period from __________ to __________

Commission File Number: 001-39080

POWERFLEET, INC.
(Exact name of registrant as specified in its charter)

Delaware	**83-4366463**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
123 Tice Boulevard Woodcliff Lake, New Jersey	**07677**
(Address of principal executive offices)	(Zip Code)

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

(Former name, former address and former fiscal year, if changed since last report)

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 (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes ☒ No ☐**

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). **Yes ☒ No ☐**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ Smaller reporting company ☒

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's common stock, $0.01 par value per share, outstanding as of the close of business on August 7, 2023, was 36,235,012.

INDEX

PowerFleet, Inc. and Subsidiaries

	Page
PART I - FINANCIAL INFORMATION	3
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets as of December 31, 2022 and June 30, 2023 (unaudited)	3
Condensed Consolidated Statements of Operations (unaudited) - for the three and six months ended June 30, 2022 and 2023	4
Condensed Consolidated Statements of Comprehensive Loss (unaudited) - for the three and six months ended June 30, 2022 and 2023	5
Condensed Consolidated Statement of Changes in Stockholders' Equity (unaudited) - for the periods January 1, 2022 through June 30, 2022 and January 1, 2023 through June 30, 2023	6
Condensed Consolidated Statements of Cash Flows (unaudited) - for the six months ended June 30, 2022 and 2023	7
Notes to Unaudited Condensed Consolidated Financial Statements	8
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	41
Item 4. Controls and Procedures	41
PART II - OTHER INFORMATION	42
Item 1. Legal Proceedings	42
Item 1A. Risk Factors	42
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 6. Exhibits	43
Signatures	44

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Balance Sheets
(In thousands, except per share data)

	December 31, 2022 *	**June 30, 2023**
		(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,680	**$ 21,729**
Restricted cash	309	**309**
Accounts receivable, net of allowance for credit losses of $2,567 and $2,555 in 2022 and 2023, respectively	32,493	**31,318**
Inventory, net	22,272	**22,125**
Deferred costs - current	762	**338**
Prepaid expenses and other current assets	7,709	**7,298**
Total current assets	81,225	**83,117**
Fixed assets, net	9,249	**10,226**
Goodwill	83,487	**83,487**
Intangible assets, net	22,908	**21,871**
Right of use asset	7,820	**6,936**
Severance payable fund	3,760	**3,566**
Deferred tax asset	3,225	**1,942**
Other assets	5,761	**6,131**
Total assets	$ 217,435	**$ 217,276**
LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	10,312	**11,197**
Accounts payable and accrued expenses	26,598	**24,960**
Deferred revenue - current	6,363	**6,193**
Lease liability - current	2,441	**2,448**
Total current liabilities	45,714	**44,798**
Long-term debt, less current maturities	11,403	**9,940**
Deferred revenue - less current portion	4,390	**4,582**
Lease liability - less current portion	5,628	**4,715**
Accrued severance payable	4,365	**4,284**
Deferred tax liability	4,919	**4,030**
Other long-term liabilities	636	**668**
Total liabilities	77,055	**73,017**
MEZZANINE EQUITY		
Convertible redeemable preferred stock: Series A – 100 shares authorized, $0.01 par value; 59 and 60 shares issued and outstanding at December 31, 2022 and June 30, 2023	57,565	**59,008**
Preferred stock; authorized 50,000 shares, $0.01 par value;	-	**-**
Common stock; authorized 75,000 shares, $0.01 par value; 37,605 and 37,717 shares issued at December 31, 2022 and June 30, 2023, respectively; shares outstanding, 36,170 and 36,265 at December 31, 2022 and June 30, 2023, respectively	376	**377**
Additional paid-in capital	233,521	**234,015**
Accumulated deficit	(141,440)	**(139,648)**
Accumulated other comprehensive loss	(1,210)	**(998)**
Treasury stock; 1,435 and 1,453 common shares at cost at December 31, 2022 and June 30, 2023, respectively	(8,510)	**(8,558)**
Total PowerFleet, Inc. stockholders’ equity	82,737	**85,188**
Non-controlling interest	78	**63**
Total equity	82,815	**85,251**
Total liabilities and stockholders’ equity	$ 217,435	**$ 217,276**

*Derived from audited balance sheet as of December 31, 2022.

See accompanying notes to unaudited condensed consolidated financial statements.

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2023**	**2022**	**2023**
Revenues:				
Products	$ 14,818	**$ 11,012**	$ 29,210	**$ 23,416**
Services	19,776	**21,038**	38,545	**41,473**
Total revenues	34,594	**32,050**	67,755	**64,889**
Cost of revenues:				
Cost of products	11,336	**8,550**	23,314	**17,552**
Cost of services	7,028	**7,467**	13,812	**14,686**
	18,364	**16,017**	37,126	**32,238**
Gross profit	16,230	**16,033**	30,629	**32,651**
Operating expenses:				
Selling, general and administrative expenses	15,817	**16,987**	30,729	**33,774**
Research and development expenses	2,001	**2,179**	5,230	**3,902**
Total operating expenses	17,818	**19,166**	35,959	**37,676**
Loss from operations	(1,588)	**(3,133)**	(5,330)	**(5,025)**
Interest income	15	**22**	28	**46**
Interest expense, net	1,493	**(173)**	1,593	**(310)**
Bargain purchase - Movingdots	-	**283**	-	**7,517**
Other income, net	3	**69**	2	**3**
Net income (loss) before income taxes	(77)	**(2,932)**	(3,707)	**2,231**
Income tax benefit (expense)	(40)	**(39)**	663	**(436)**
Net income (loss) before non-controlling interest	(117)	**(2,971)**	(3,044)	**1,795**
Non-controlling interest	(1)	**(6)**	(2)	**(3)**
Net income (loss)	(118)	**(2,977)**	(3,046)	**1,792**
Accretion of preferred stock	(168)	**(168)**	(336)	**(336)**
Preferred stock dividend	(1,048)	**(1,129)**	(2,076)	**(2,236)**
Net loss attributable to common stockholders	$ (1,334)	**$ (4,274)**	$ (5,458)	**$ (780)**
Net income (loss) per share attributable to common stockholders - basic	$ (0.04)	**$ (0.12)**	$ (0.15)	**$ 0.01**
Net income (loss) per share attributable to common stockholders - diluted	$ (0.04)	**$ (0.12)**	$ (0.15)	**$ 0.01**
Weighted average common shares outstanding - basic	35,386	**35,605**	35,359	**35,577**
Weighted average common shares outstanding - diluted	35,386	**35,605**	35,359	**35,670**

See accompanying notes to unaudited condensed consolidated financial statements.

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Net loss attributable to common stockholders	$ (1,334)	**$ (4,274)**	$ (5,458)	**$ (780)**
Other comprehensive (loss) income, net:				
Foreign currency translation adjustment	(1,706)	**100**	(1,453)	**212**
Total other comprehensive income (loss)	(1,706)	**100**	(1,453)	**212**
Comprehensive loss	$ (3,040)	**$ (4,174)**	$ (6,911)	**$ (568)**

See accompanying notes to unaudited condensed consolidated financial statements.

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Stockholders' Equity
(In thousands, except per share data)
(Unaudited)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interest	Stockholders' Equity
Balance at January 1, 2023	37,605	$ 376	$ 233,521	$ (141,440)	$ (1,210)	$ (8,510)	$ 78	$ 82,815
Net income (loss) attributable to common stockholders	-	-	(1,275)	4,769	-	-	-	3,494
Net loss attributable to non-controlling interest	-	-	-	-	-	-	(3)	(3)
Foreign currency translation adjustment	-	-	-	-	112	-	(9)	103
Issuance of restricted shares	75	-	-	-	-	-	-	-
Forfeiture of restricted shares	(59)	-	-	-	-	-	-	-
Shares withheld pursuant to vesting of restricted stock	-	-	-	-	-	(44)	-	(44)
Stock based compensation	-	-	832	-	-	-	-	832
Warrant issuance in connection with acquisition	-	-	1,347	-	-	-	-	1,347
Balance at March 31, 2023	37,621	$ 376	$ 234,425	$ (136,671)	$ (1,098)	$ (8,554)	$ 66	$ 88,544
Net loss attributable to common stockholders	-	-	(1,297)	(2,977)	-	-	-	(4,274)
Net income attributable to non-controlling interest	-	-	-	-	-	-	6	6
Foreign currency translation adjustment	-	-	-	-	100	-	(9)	91
Issuance of restricted shares	162	1	(1)	-	-	-	-	-
Forfeiture of restricted shares	(82)	-	-	-	-	-	-	-
Exercise of stock options	16	-	36	-	-	-	-	36
Shares withheld pursuant to vesting of restricted stock	-	-	-	-	-	(4)	-	(4)
Stock based compensation	-	-	852	-	-	-	-	852
Balance at June 30, 2023	37,717	$ 377	$ 234,015	$ (139,648)	$ (998)	$ (8,558)	$ 63	$ 85,251

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Non-controlling Interest	Stockholders' Equity
Balance at January 1, 2022	37,263	$ 373	$ 234,083	$ (134,437)	$ 391	$ (8,299)	$ 86	$ 92,197
Net loss attributable to common stockholders	-	-	(1,195)	(2,929)	-	-	-	(4,124)
Net income attributable to non-controlling interest	-	-	-	-	-	-	1	1
Foreign currency translation adjustment	-	-	-	-	253	-	15	268
Issuance of restricted shares	398	4	(4)	-	-	-	-	-
Forfeiture of restricted shares	(121)	(1)	1	-	-	-	-	-
Vesting of restricted stock units	30	-	-	-	-	-	-	-
Shares withheld pursuant to vesting of restricted stock	-	-	-	-	-	(181)	-	(181)
Stock based compensation	-	-	457	-	-	-	-	457
Balance at March 31, 2022	37,570	$ 376	$ 233,342	$ (137,366)	$ 644	$ (8,480)	$ 102	$ 88,618
Net loss attributable to common stockholders	-	-	(1,216)	(118)	-	-	-	(1,334)
Net income attributable to non-controlling interest	-	-	-	-	-	-	1	1
Foreign currency translation adjustment	-	-	-	-	(1,706)	-	(18)	(1,724)
Forfeiture of restricted shares	(24)	(1)	1	-	-	-	-	-
Shares withheld pursuant to vesting of restricted stock	-	-	-	-	-	(5)	-	(5)
Stock based compensation	-	-	1,629	-	-	-	-	1,629
Balance at June 30, 2022	37,546	$ 375	$ 233,756	$ (137,484)	$ (1,062)	$ (8,485)	$ 85	$ 87,185

See accompanying notes to unaudited condensed consolidated financial statements.

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands, except per share data)
(Unaudited)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2023
Cash flows from operating activities		
Net income (loss)	$ (3,046)	$ **1,792**
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities:		
Non-controlling interest	2	**3**
Gain on bargain purchase	-	**(7,517)**
Inventory reserve	119	**375**
Stock based compensation expense	2,086	**1,684**
Depreciation and amortization	4,133	**4,498**
Right-of-use assets, non-cash lease expense	1,382	**1,318**
Bad debt expense	(364)	**826**
Deferred income taxes	(663)	**398**
Other non-cash items	604	**73**
Changes in:		
Accounts receivable	(2,911)	**(37)**
Inventory	(5,410)	**152**
Prepaid expenses and other assets	(412)	**500**
Deferred costs	696	**424**
Deferred revenue	533	**(53)**
Accounts payable and accrued expenses	1,856	**(1,840)**
Lease liabilities	(1,335)	**(1,344)**
Accrued severance payable, net	30	**88**
Net cash (used in) provided by operating activities	(2,700)	**1,340**
Cash flows from investing activities:		
Acquisitions, net of cash assumed	-	8,722
Purchase of investments	-	(100)
Capitalized software development costs	-	(1,677)
Capital expenditures	(2,013)	**(2,108)**
Net cash (used in) provided by investing activities	(2,013)	**4,837**
Cash flows from financing activities:		
Repayment of long-term debt	(2,897)	**(2,658)**
Short-term bank debt, net	2,330	**2,736**
Purchase of treasury stock upon vesting of restricted stock	(186)	**(48)**
Payment of preferred stock dividend		**(1,128)**
Proceeds from exercise of stock options		**36**
Net cash used in financing activities	(753)	**(1,062)**
Effect of foreign exchange rate changes on cash and cash equivalents	(3,282)	(1,066)
Net (decrease) increase in cash, cash equivalents and restricted cash	(8,748)	4,049
Cash, cash equivalents and restricted cash - beginning of period	26,760	17,989
Cash, cash equivalents and restricted cash - end of period	$ 18,012	$ 22,038
Reconciliation of cash, cash equivalents, and restricted cash, beginning of period		
Cash and cash equivalents	26,452	17,680
Restricted cash	308	309
Cash, cash equivalents, and restricted cash, beginning of period	$ 26,760	$ 17,989
Reconciliation of cash, cash equivalents, and restricted cash, end of period		
Cash and cash equivalents	17,703	21,729
Restricted cash	309	309
Cash, cash equivalents, and restricted cash, end of period	$ 18,012	$ 22,038
Supplemental disclosure of cash flow information:		
Cash paid for:		
Taxes	48	106
Interest	639	621
Noncash investing and financing activities:		
Value of warrant issued in connection with Movingdots acquisition	$ -	$ 1,347

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1 - DESCRIPTION OF THE COMPANY AND BASIS OF PRESENTATION

Description of the Company

PowerFleet, Inc. (the "Company" or "Powerfleet") is a global leader of Internet-of-Things ("IoT") solutions providing valuable business intelligence for managing high-value enterprise assets that improve operational efficiencies.

I.D. Systems, Inc. ("I.D. Systems") was incorporated in the State of Delaware in 1993. Powerfleet was incorporated in the State of Delaware in February 2019 for the purpose of effectuating the transactions (the "Transactions") pursuant to which the Company acquired Pointer Telocation Ltd. ("Pointer") and commenced operations on October 3, 2019. Upon the closing of the Transactions, Powerfleet became the parent entity of I.D. Systems and Pointer.

Basis of Presentation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the consolidated financial position of the Company as of June 30, 2023, the consolidated results of its operations for the three- and six-month periods ended June 30, 2022 and 2023, the consolidated change in stockholders' equity for the three-month periods ended March 31 and June 30, 2022 and 2023, and the consolidated cash flows for the six-month periods ended June 30, 2022 and 2023. The results of operations for the three- and six- month periods ended June 30, 2023 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures for the year ended December 31, 2022 included in the Company's Annual Report on Form 10-K for the year then ended.

Liquidity

As of June 30, 2023, the Company had cash (including restricted cash) and cash equivalents of $22,038 and working capital approximately $38,319. The Company's primary sources of cash are cash flows from operating activities, its holdings of cash, cash equivalents and investments from the sale of its capital stock and borrowings under its credit facility. To date, the Company has not generated sufficient cash flows solely from operating activities to fund its operations.

In addition, the Company's subsidiaries, PowerFleet Israel Ltd. ("Powerfleet Israel") and Pointer Telocation Ltd. ("Pointer" and, together with Powerfleet Israel, the "Borrowers") are party to a Credit Agreement (the "Credit Agreement") with Bank Hapoalim B.M. ("Hapoalim"), pursuant to which Hapoalim provided Powerfleet Israel with two senior secured term loan facilities denominated in New Israeli Shekels (NIS) in an initial aggregate principal amount of $30,000 (comprised of two facilities in the aggregate principal amount of $20,000 and $10,000) and a five-year revolving credit facility to Pointer in an initial aggregate principal amount of $10,000. The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in the Company's acquisition of Pointer. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes. The Company borrowed net NIS11,800, or $3,200, under the revolving credit facility as of June 30, 2023. See Note 13 for additional information.

On October 31, 2022, the Borrowers entered into a third amendment to the Credit Agreement (the "Third Amendment") with Hapoalim. The Third Amendment provides for, among other things, a new revolving credit facility to Pointer denominated in NIS in an initial aggregate principal amount of $10,000 (the "New Revolver"). The New Revolver is available for a period of one month that commenced on October 31, 2022, and will continue to be available for successive one-month periods until and including October 30, 2023, unless the Borrowers deliver a notice to Hapoalim of their request not to renew the New Revolver. The Company borrowed net NIS19,200, or $5,200, under the New Revolver facility as of June 30, 2023. See Note 13 for additional information.

The New Revolver initially bears interest at the Secured Overnight Financing Rate ("SOFR") plus 2.59%. Such interest is subject to monthly changes by Hapoalim, provided that Hapoalim gives Pointer advance notice regarding such change prior to the end of the applicable calendar month.

The New Revolver is secured by a first ranking fixed pledge and assignment by Pointer over its new bank account, which was opened in connection with the New Revolver, and all of the rights relating thereunder as well as a cross guarantee by Powerfleet Israel.

Pointer is required to pay a credit allocation fee equal to 0.5% per annum on undrawn and uncancelled amounts of the New Revolver.

The Company believes that its available working capital, anticipated level of future revenues, expected cash flows from operations and available borrowings under its revolving credit facility with Hapoalim will provide sufficient funds to cover capital requirements through at least August 10, 2024.

NOTE 2 – USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company continually evaluates estimates used in the preparation of the financial statements for reasonableness. The most significant estimates relate to realization of deferred tax assets, accounting for uncertain tax positions, the impairment of intangible assets, including goodwill, capitalized software development costs, stock-based compensation costs related to market based awards, warrant assumptions, and standalone selling price related to multiple element revenue arrangements. Actual results could differ from those estimates.

NOTE 3 – ACQUISITION

On March 6, 2023, the Company entered into a share purchase and transfer agreement (the "Agreement") with Swiss Re Reinsurance Holding Company Ltd (the "Seller"), pursuant to which the Company would acquire all of the outstanding shares of Movingdots GmbH ("Movingdots"), a wholly owned subsidiary of the Seller, for consideration consisting of €1 and the issuance by the Company of a ten-year warrant to purchase 800,000 shares of the Company's common stock at an exercise price of $7.00 per share (the "Common Stock Warrants") and with fair value of approximately $1,300 at March 31, 2023 and noncash consideration with an immaterial fair value in the form of a non-exclusive irrevocable, perpetual, fully paid-up, royalty free license agreement between Movingdots and the Seller for certain of the acquired intellectual property (the "Acquisition"). The Acquisition was consummated on March 31, 2023 (the "Movingdots Closing").

As a result of the Acquisition, Movingdots, a German company providing insurance telematics and sustainable mobility solutions, became a direct, wholly owned subsidiary of Powerfleet. Movingdots end-to-end telematics app solution will enhance Powerfleet's SaaS-based fleet intelligence platform, Unity, with additional customization capabilities and insurance risk insights. Movingdots' expertise in safety and sustainability aligns with Unity's focus on data-powered applications. The Acquisition also strengthens Powerfleet's global reach, particularly in Europe.

As part of the Agreement the Seller was also obligated to (i) transfer certain intellectual property rights from the Seller to Movingdots, (ii) enter into a distribution agreement pursuant to which the Seller is allowed to promote the Movingdots solutions, and (iii) grant a license agreement between the Seller's affiliates and Movingdots.

The warrant was valued using the Black-Scholes Model using the following assumptions at the date of issuance:

Expected volatility		**50%**
Expected term (in years)		**10**
Risk free interest rate		**3.50%**
Dividend yield		**0%**
Fair value per share	**$**	**1.68**

Purchase Price Allocation

The Acquisition met the criteria for a business combination to be accounted for using the acquisition method under ASC 805, *Business Combinations* ("ASC 805"), with the Company identified as the legal and the accounting acquirer. There was certain information that was not readily available at the time the financial statements of Movingdots were prepared as the Acquisition closed on March 31, 2023. For provisional purchase price allocation purposes, the assets acquired and liabilities assumed are stated at their carrying values which management assumed approximates their fair values given their short-term nature. Also, the Company recognized approximately $200 and $500 of acquisition-related costs which were expensed in the consolidated statement of operations for the three- and -six-month periods ending June 30, 2023, respectively.

The following table details the provisional allocation of the purchase price to the assets acquired and liabilities assumed in connection with the acquisition of Movingdots:

Consideration:		
Cash	$	-
Fair value of Powerfleet warrants on March 31, 2023		1,347
Total consideration	$	1,347
Assets acquired:		
Cash	$	8,722
Accounts receivable		247
Prepaid expenses		103
Other assets		270
Inventory		96
Fixed assets		372
Total assets acquired		9,810
Liabilities assumed:		
Accounts payable and accrued expenses		946
Total liabilities assumed		946
Total identifiable net assets acquired		8,864
Gain on bargain purchase		(7,517)
Purchase price consideration	$	1,347

The provisional fair value estimates of the assets acquired and liabilities assumed, including intangibles, income taxes, and the non-cash consideration, are subject to subsequent adjustments as additional information is obtained during the applicable measurement period. Determining the fair values of the assets and liabilities of Movingdots required certain assumptions and judgment. During the second quarter of 2023, the valuation of certain assets acquired and liabilities assumed were revised resulting in an increase in the gain on bargain purchase of $283.

Consistent with the requirements of ASC 805, the Company assessed whether all assets acquired and liabilities assumed have been appropriately identified, measured and recognized, and performed re-measurements to verify that the consideration paid, assets acquired and liabilities assumed have been properly valued. After applying the requirements of ASC 805-30-25-4, the Company recognized a gain on bargain purchase as the estimated fair value of the identifiable net assets acquired exceeded the purchase consideration transferred by approximately $7,500. Management believes that the recognized gain on bargain purchase represents the best estimates of the economic effect of the Acquisition based on all information that was available and existed as of the dates the financial statements were issued.

The gain on bargain purchase primarily resulted from the Seller's motivation to divest its investment in Movingdots and its telematic business, which was deemed a non-core business of the Seller on a go-forward basis. The sale of Movingdots was not subject to a competitive bidding process. Under the Agreement, the Seller also agreed to make a cash injection into Movingdots prior to the Movingdots Closing in a form of additional paid in capital to ensure Movingdots had available cash in the amount of €8,000 to be used to ensure the liquidity of Movingdots and for broader combined business activities.

If the Company makes an on-sale transfer of any shares of Movingdots that were acquired in connection with the Acquisition at any time between the signing date of the Agreement and through twelve months after the Movingdots Closing, to any third-party purchaser (an "on-sale transfer"), for an amount that is in excess of the purchase price consideration transferred, then the Company shall pay the Seller an amount in cash ("on sale compensation") equal to (i) €8,000, plus (ii) the difference between such on-sale transfer price less the purchase price net of the net present value of the Common Stock Warrants. The Company does not currently intend to enter into an on-sale transfer.

Management views that the insurance telematics and sustainability are important spaces for the Company to have propositions to enable future strategic value, supporting the more evolved, IOT data-rich mass subscription space. The acquisition of Movingdots and its business will, among other things:

- open strategic relationships with some key customers such as Mercedes, BMW and Vodafone;
- provide greater go-to-market opportunity to the Company with the European beachhead for future regional expansion, customer acquisition tool to upsell the Company's portfolio into German and European markets, and maintain a distribution channel and partnership with the Seller; and
- provide the Company with access to a team with technical skillsets across application development and management, cloud platform development, user experience/user interface design development and technical product management;

The following table represents the combined pro forma revenue and earnings for the three-and six-month periods ended June 30, 2022:

	Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
	Historical	Pro forma combined	Historical	Pro forma combined
Revenues	$ 34,594	$ 36,322	$ 67,755	$ 71,214
Operating loss	$ (1,588)	$ (1,277)	$ (5,330)	$ (5,039)
Net loss per share – basic and diluted	$ (0.04)	$ (0.03)	$ (0.15)	$ (0.11)

The following table represents the combined pro forma revenue and earnings for the three- and six-month periods ended June 30, 2023:

	Three Months Ended June 30, 2023		Six Months Ended June 30, 2023	
	Historical	Pro forma combined	Historical	Pro forma combined
Revenues	$ 32,050	$ 32,050	$ 64,889	$ 67,409
Operating loss	$ (3,133)	$ (3,133)	$ (5,025)	$ (4,509)
Net income (loss) per share - basic	$ (0.12)	$ (0.12)	$ 0.01	$ 0.02
Net income (loss) per share - diluted	$ (0.12)	$ (0.12)	$ 0.01	$ 0.02

The unaudited combined pro forma revenue and earnings for the three and six-month periods ended June 30, 2022 and 2023 were prepared as though the Acquisition had occurred as of January 1, 2022. This summary is not necessarily indicative of what the results of operations would have been had the Acquisition occurred as of such date, nor does it purport to represent results of operations for any future periods.

NOTE 4 – CASH AND CASH EQUIVALENTS

The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents unless they are legally or contractually restricted. The Company's cash and cash equivalent balances exceed Federal Deposit Insurance Corporation ("FDIC") and other local jurisdictional limits (in Israel and Germany). Restricted cash at December 31, 2022 and June 30, 2023 consists of cash held in escrow for purchases from a vendor.

NOTE 5 - REVENUE RECOGNITION

The Company and its subsidiaries generate revenue from sales of systems and products and from customer SaaS and hosting infrastructure fees. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes the Company collects concurrently with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The expected costs associated with the Company's base warranties continue to be recognized as expense when the products are sold (see Note 14).

Revenue is recognized when performance obligations under the terms of a contract with our customer are satisfied. Product sales are recognized at a point in time when title transfers, when the products are shipped, or when control of the system is transferred to the customer, which usually is upon delivery of the system and when contractual performance obligations have been satisfied. For products which do not have standalone value to the customer separate from the SaaS services provided, the Company considers both hardware and SaaS services a bundled performance obligation. Under the applicable accounting guidance, all of the Company's billings for equipment and the related cost for these systems are deferred, recorded, and classified as a current and long-term liability and a current and long-term asset, respectively. The deferred revenue and cost are recognized over the service contract life, ranging from one to five years, beginning at the time that a customer acknowledges acceptance of the equipment and service.

The Company recognizes revenue for remotely hosted SaaS agreements and post-contract maintenance and support agreements beyond our standard warranties over the life of the contract. Revenue is recognized ratably over the service periods and the cost of providing these services is expensed as incurred. Amounts invoiced to customers which are not recognized as revenue are classified as deferred revenue and classified as short-term or long-term based upon the terms of future services to be delivered. Deferred revenue also includes prepayment of extended maintenance, hosting and support contracts.

The Company earns other service revenues from installation services, training and technical support services which are short-term in nature and revenue for these services are recognized at the time of performance when the service is provided.

The Company also derives revenue from leasing arrangements. Such arrangements provide for monthly payments covering product or system sale, maintenance, support and interest. These arrangements meet the criteria to be accounted for as operating or sales-type leases. Accordingly, for sales-type leases an asset is established for the "sales-type lease receivable" at the present value of the expected lease payments and revenue is deferred and recognized over the service contract, as described above. Maintenance revenues and interest income are recognized monthly over the lease term.

The Company's contracts with customers may include multiple performance obligations. For such arrangements, the Company allocates revenue to each performance obligation based on its relative standalone selling price. The Company generally determines standalone selling prices based on observable prices charged to customers or adjusted market assessment or using expected cost-plus margin when one is available. Adjusted market assessment price is determined based on overall pricing objectives taking into consideration market conditions and entity specific factors.

The Company recognizes an asset for the incremental costs of obtaining the contract arising from the sales commissions to employees because the Company expects to recover those costs through future fees from the customers. The Company amortizes the asset over one to five years because the asset relates to the services transferred to the customer during the contract term of one to five years.

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

The following table presents the Company's revenues disaggregated by revenue source for the three-and six-months ended June 30, 2022 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Products	$ 14,818	$ 11,012	$ 29,210	$ 23,416
Services	19,776	21,038	38,545	41,473
	$ 34,594	$ 32,050	$ 67,755	$ 64,889

The balances of contract assets and contract liabilities from contracts with customers are as follows as of December 31, 2022 and June 30, 2023:

	December 31, 2022		June 30, 2023 (Unaudited)	
Assets:				
Deferred contract cost	$	2,740	$	2,680
Deferred cost	$	762	$	338
Liabilities				
Deferred revenue - services (1)	$	9,815	$	10,356
Deferred revenue - products (1)		938		419
		10,753		10,775
Less: Deferred revenue and contract liabilities - current portion		(6,363)		(6,193)
Deferred revenue and contract liabilities - less current portion	$	4,390	$	4,582

(1) The Company records deferred revenues when cash payments are received or due in advance of the Company's performance. For the three-month periods ended June 30, 2022 and 2023, the Company recognized revenue of $1,719 and $1,766, respectively, which was included in the deferred revenue balance at the beginning of each reporting period. For the six-month periods ended June 30, 2022 and 2023, the Company recognized revenue of $3,892 and $4,007, respectively, which was included in the deferred revenue balance at the beginning of each reporting period. The Company expects to recognize as revenue these deferred revenue balances before the year 2028, when the services are performed and, therefore, satisfies its performance obligation to the customers.

NOTE 6 – ALLOWANCE FOR CREDIT LOSSES

The Company's receivables were evaluated to determine an appropriate allowance for credit losses. For trade receivables, the Company's historical collections were analyzed by the number of days past due to determine the uncollectible rate in each range of days past due and considerations of any changes expected in the future. The estimate of the allowance for credit losses is charged to the allowance for credit losses based on the age of receivables multiplied by the historical uncollectible rate for the range of days past due or earlier if the account is deemed uncollectible for other reasons. Recoveries of amounts previously charged as uncollectible are credited to the allowance for credit losses.

An analysis of the allowance for credit losses for the period ended June 30, 2023 is as follows:

Allowance for credit losses, December 31, 2022	$	2,567
Current period provision for expected credit losses		826
Write-offs charged against the allowance		(947)
Foreign currency translation		109
Recoveries		-
Allowance for credit losses, June 30, 2023	$	2,555

During the six-months ended June 30, 2023, the change in the allowance for credit losses was due to the change in the age of trade receivables.

NOTE 7 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2022		June 30, 2023 (Unaudited)	
Sales-type lease receivables, current	$	1,161	$	1,175
Prepaid expenses		4,047		3,896
Contract assets		1,131		1,115
Other current assets		1,370		1,112
	$	7,709	$	7,298

NOTE 8 - INVENTORY

Inventory, which primarily consists of finished goods and components used in the Company’s products, is stated at the lower of cost or net realizable value using the “moving average” cost method or the first-in first-out (FIFO) method. Inventory is shown net of a valuation reserve of $453 at December 31, 2022 and $673 at June 30, 2023.

Inventories consist of the following:

	December 31, 2022	June 30, 2023
		(Unaudited)
Components	$ 12,443	$ 10,994
Work in process	462	73
Finished goods, net	9,367	11,058
	$ 22,272	$ 22,125

NOTE 9 - FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and amortization, and are summarized as follows:

	December 31, 2022	June 30, 2023
		(Unaudited)
Installed products	$ 8,586	$ 10,224
Computer software	7,195	8,157
Computer and electronic equipment	5,658	6,545
Furniture and fixtures	2,041	2,217
Leasehold improvements	1,415	1,473
	24,895	28,616
Accumulated depreciation and amortization	(15,646)	(18,390)
	$ 9,249	$ 10,226

Depreciation and amortization expense of fixed assets for the three- and six-month periods ended June 30, 2022 was $770 and $1,584, respectively, and for the three- and six-month periods ended June 30, 2023 was $955 and $1,981, respectively. This includes amortization of costs associated with computer software for the three- and six-month periods ended June 30, 2022 of $26 and $135, respectively, and for the three- and six-month periods ended June 30, 2023 of $24 and $59, respectively.

NOTE 10 - INTANGIBLE ASSETS AND GOODWILL

Costs incurred internally in researching and developing software products are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, software costs are capitalized until the product is available for general release to customers. Judgment is required in determining when technological feasibility of a product is established. The amortization of these costs will be included in cost of revenue over the estimated life of the products.

The following table summarizes identifiable intangible assets of the Company as of December 31, 2022 and June 30, 2023:

June 30, 2023	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	9-12	$ 19,264	$ (6,794)	$ 12,470
Trademark and tradename	3-15	7,553	(3,291)	4,262
Patents	7-11	628	(396)	232
Technology	7	10,911	(9,515)	1,396
Favorable contract interest	4	388	(388)	-
Covenant not to compete	5	208	(208)	-
Software to be sold or leased	3-6	3,346	-	3,346
		42,298	(20,592)	21,706
Unamortized:				
Customer list		104	-	104
Trademark and tradename		61	-	61
		165	-	165
Total		$ 42,463	$ (20,592)	$ 21,871

December 31, 2022	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	9-12	$ 20,031	$ (6,830)	$ 13,201
Trademark and tradename	3-15	7,589	(2,990)	4,599
patents	7-11	628	(351)	277
Technology	7	10,667	(7,866)	2,801
Favorable contract interest	4	388	(388)	-
Covenant not to compete	5	208	(208)	-
Software to be sold or leased	3-6	1,865	-	1,865
		41,376	(18,633)	22,743
Unamortized				
Customer list		104	-	104
Trademark and tradename		61	-	61
		165	-	165
Total		$ 41,541	$ (18,633)	$ 22,908

Global uncertainties continue to adversely impact the broader global economy and have caused significant volatility in financial markets. If there is a lack of recovery or further global softening in certain markets, or a sustained decline in the value of the Company's common stock, the Company may conclude that indicators of impairment exist and would then be required to calculate whether or not an impairment exists for its goodwill, other intangibles, and long-lived assets, the results of which could result in material impairment charges. The Company tests goodwill and other indefinite lives intangible assets on an annual basis in the fourth quarter and more frequently if the Company believes indicators of impairment exists. As of December 31, 2022 and June 30, 2023, the Company determined that no impairment existed to the goodwill, customer list and trademark and trade name of its acquired intangibles.

At June 30, 2023, the weighted-average amortization period for the intangible assets was 8.6 years. At June 30, 2023, the weighted-average amortization periods for customer relationships, trademarks and trade names, patents, technology, and capitalized software to be sold or leased were 11.9, 9.6, 7.0, 4.3, and 3.0 years, respectively.

Amortization expense for the three- and six-month periods ended June 30, 2022 was $1,275 and $2,549, respectively, and for the three- and six-month periods ended June 30, 2023 was $1,311 and $2,518, respectively. Estimated future amortization expense for each of the five succeeding fiscal years for these intangible assets is as follows:

2023 (remaining)	$	3,074
2024		3,738
2025		3,610
2026		2,692
2027		2,233
Thereafter		6,359
	$	21,706

There have been no changes in the carrying amount of goodwill from January 1, 2023 to June 30, 2023.

For the six-month period ended June 30, 2023, the Company did not identify any indicators of impairment.

NOTE 11 - STOCK-BASED COMPENSATION

During the first fiscal quarter of 2023, the Company granted 75 shares of restricted stock to certain executives, which vests in four equal installments over a four year period, provided that the executive is employed by the Company on each scheduled vesting date.

During the first fiscal quarter of 2023, the Company granted options to purchase 405 shares of the Company's common stock to certain executives, consisting of options to purchase 130 shares of common stock with time-based vesting conditions and options to purchase 275 shares of common stock with performance-based vesting conditions (which we refer to as "market-based stock options"). The options have an exercise price of $3.00. The market-based stock options will vest and become exercisable if the volume weighted average price of the Company's common stock during a consecutive 60-day trading period (the "60 Day VWAP") reaches $12.00. The Company valued the market-based stock option awards using a Monte Carlo simulation model using a daily price forecast over ten years until expiration utilizing Geometric Brownian Motion that considers a variety of factors including, but not limited to, the Company's common stock price, risk-free rate (3.7%), and expected stock price volatility (50%) over the expected life of awards (5.1 years). The weighted average fair value of market-based stock options granted during the period was $1.38.

During the second fiscal quarter of 2023, the Company issued 162 shares of restricted stock to certain employees, which vests over four equal installments over a four year period, provided that the employee is employed by the Company on each scheduled vesting date.

During the second fiscal quarter of 2023, the Company issued options to purchase 930 shares of the Company's common stock to certain employees, consisting of options to purchase 340 shares of common stock with time-based vesting conditions and options to purchase 590 shares of common stock with performance-based vesting conditions (which we refer to as "market-based stock options"). The options have an exercise price of $3.13. The market-based stock options will vest and become exercisable if the 60 Day VWAP reaches $12.00. The Company valued the market-based stock option awards using a Monte Carlo simulation model using a daily price forecast over ten years until expiration utilizing Geometric Brownian Motion that considers a variety of factors including, but not limited to, the Company's common stock price, risk-free rate (3.7%), and expected stock price volatility (50%) over the expected life of awards (5.1 years). The weighted average fair value of market-based stock options issued during the period was $1.56.

[A] Stock Options:

The following table summarizes the activity relating to the Company's market-based stock options that were granted to certain executives and employees for the six-month period ended June 30, 2023:

	Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Terms	Aggregate Intrinsic Value
Outstanding at beginning of year	5,065	$ 14.14		$ -
Granted	865	3.09		
Exercised	-	-		
Forfeited or expired	(450)	2.85		54
Outstanding at end of period	5,480	$ 13.32	8.7 years	$ 206
Exercisable at end of period	-	$ -	-	$ -

The following table summarizes the activity relating to the Company's stock options, excluding the market-based stock options that were granted to certain executives and employees, for the six-month period ended June 30, 2023:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Terms	Aggregate Intrinsic Value
Outstanding at beginning of year	2,727	$ 5.29		$ 795
Granted	470	3.09		
Exercised	16	2.33		9
Forfeited or expired	(823)	5.48		14
Outstanding at end of period	2,358	$ 4.80	7.1 years	$ 124
Exercisable at end of period	1,176	$ 5.53	5.4 years	$ 22

The fair value of each option grant on the date of grant is estimated using the Black-Scholes option-pricing model reflecting the following weighted-average assumptions:

	June 30, 2022	June 30, 2023
Expected volatility	49.4%	**55.64%**
Expected life of options (in years)	7	**6.10**
Risk free interest rate	1.73%	**3.87%**
Dividend yield	0%	**0%**
Weighted-average fair value of options granted during year	$ 2.04	**$ 1.66**

Expected volatility is based on historical volatility of the Company's common stock and the expected life of options is based on historical data with respect to employee exercise periods.

The Company recorded stock-based compensation expense of $1,267 and $1,301 for the three- and six-month periods ended June 30, 2022, respectively, and $585 and $1,203 for the three- and six-month periods ended June 30, 2023, respectively, in connection with awards made under the stock option plans.

The fair value of options vested during the six-month periods ended June 30, 2022 and 2023 was $376 and $562, respectively.

As of June 30, 2023, there was $1,784 of total unrecognized compensation cost related to non-vested options granted under the Company’s stock option plans excluding the market-based stock options that were granted to certain senior managers, including the Company’s executive officers. That cost is expected to be recognized over a weighted-average period of 2.71 years.

As of June 30, 2023, there was $5,781 of total unrecognized compensation cost related to non-vested options granted under the Company’s stock option plans for the market-based stock options that were granted to certain senior managers, including the Company’s executive officers. That cost is expected to be recognized over a weighted-average period of 4.21 years.

The Company estimates forfeitures at the time of valuation and reduces expense ratably over the vesting period. This estimate is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

[B] Restricted Stock Awards:

The Company grants restricted stock to employees, whereby the employees are contractually restricted from transferring the shares until they are vested. The stock is unvested at the time of grant and, upon vesting, there are no legal restrictions on the stock. The fair value of each share is based on the Company’s closing stock price on the date of the grant. A summary of all non-vested restricted stock for the six-month period ended June 30, 2023 is as follows:

	Number of Non-Vested Shares	Weighted-Average Grant Date Fair Value
Restricted stock, non-vested, beginning of year	706	$ **4.75**
Granted	237	**2.97**
Vested	(150)	**5.11**
Forfeited	(141)	**5.50**
Restricted stock, non-vested, end of period	652	$ **3.86**

The Company recorded stock-based compensation expenses of $335 and $743 for the three- and six-month periods ended June 30, 2022, respectively, and $267 and $481 for the three-and six-month periods ended June 30, 2023, respectively, in connection with restricted stock grants. As of June 30, 2023, there was $1,758 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 2.62 years.

NOTE 12 - NET INCOME (LOSS) PER SHARE

Net income (loss) per share for the three- and six-month periods ended June 30, 2022 and 2023 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Basic and diluted loss per share				
Net income (loss) attributable to common stockholders	$ (1,334)	$ (4,274)	$ (5,458)	$ (780)
Addback: Preferred stock dividend and accretion	-	-	-	2,572
Less: Preferred stock dividend paid	-	-	-	(1,128)
Less: Preferred stock dividend accretion	-	-	-	(336)
Allocation of earning to participating securities	-	-	-	(62)
Numerator for basic EPS – income available to common stockholders	(1,334)	(4,274)	(5,458)	266
Weighted-average common share outstanding - basic	35,386	35,605	35,359	35,577
Effect of dilutive securities	-	-	-	93
Weighted-average common share outstanding - diluted	35,386	35,605	35,359	35,670
Net income (loss) attributable to common stockholders - basic	$ (0.04)	$ (0.12)	$ (0.15)	$ 0.01
Net income (loss) attributable to common stockholders - diluted	$ (0.04)	$ (0.12)	$ (0.15)	$ 0.01

Basic loss per share is calculated by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Dilutive potential common shares include outstanding stock options, warrants and restricted stock and performance share awards. We include participating securities (unvested share-based payment awards and equivalents that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of earnings per share pursuant to the two-class method. Our participating securities consist solely of preferred stock, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. For the six-month period ended June 30, 2022, the basic and diluted weighted-average shares outstanding are the same, since the effect from the potential exercise of outstanding stock options, conversion of preferred stock, and vesting of restricted stock and restricted stock units totaling 16,438 would have been anti-dilutive due to the loss. For the six-month period ended June 30, 2023, the two-class method of computing earnings per share was anti-dilutive. As a result, the weighted-average number of shares outstanding used in the computation of diluted earnings per share does not include 9,484 shares from the conversion of preferred stock, warrants, stock options and restricted stock awards because the effect would have been anti-dilutive.

NOTE 13 - SHORT-TERM BANK DEBT AND LONG-TERM DEBT

	December 31, 2022	June 30, 2023 (Unaudited)
Short-term bank debt	$ 5,709	**$ 8,445**
Current maturities of long-term debt	$ 4,603	**$ 2,752**
Long term debt - less current maturities	$ 11,403	**$ 9,940**

Long-Term debt

In connection with the Transactions, Powerfleet Israel incurred NIS denominated debt in term loan borrowings on October 3, 2019 which was the closing date of the Transactions (the "Closing Date"), under the Credit Agreement, pursuant to which Hapoalim agreed to provide Powerfleet Israel with two senior secured term loan facilities in an initial aggregate principal amount of $30,000 (comprised of two facilities in the aggregate principal amount of $20,000 and $10,000, respectively (the "Term A Facility" and "Term B Facility", respectively, and collectively, the "Term Facilities")) and a five-year revolving credit facility (the "Revolving Facility") to Pointer denominated in NIS in an initial aggregate principal amount of $10,000 (collectively, the "Credit Facilities"). As of June 30, 2023, the Company borrowed NIS11,800, or $3,200, under the Revolving Facility.

The Credit Facilities will mature on the date that is five years from the Closing Date, or October 3, 2024. The indicative interest rate provided for the Term Facilities in the original Credit Agreement was approximately 4.73% for the Term A Facility and 5.89% for the Term B Facility. The interest rate for the Revolving Facility is, with respect to NIS-denominated loans, Hapoalim's prime rate + 2.5%, and with respect to US dollar-denominated loans, LIBOR + 4.6% (amended to SOFR + 2.15%). In addition, the Company agreed to pay a 1% commitment fee on the unutilized and uncancelled availability under the Revolving Facility. The Credit Facilities are secured by the shares held by Powerfleet Israel in Pointer and by Pointer over all of its assets. The original Credit Agreement includes customary representations, warranties, affirmative covenants, negative covenants (including the following financial covenants, tested quarterly: Pointer's net debt to EBITDA; Pointer's net debt to working capital; minimum equity of Powerfleet Israel; Powerfleet Israel equity to total assets; Powerfleet Israel net debt to EBITDA; and Pointer EBITDA to current payments and events of default).

On August 23, 2021, the Borrowers entered into an amendment (the "Amendment"), effective as of August 1, 2021, to the Credit Agreement with Hapoalim. The Amendment memorializes the agreements between the Borrowers and Hapoalim regarding a reduction in the interest rates of the two Term Facilities. Pursuant to the Amendment, commencing as of November 12, 2020, the interest rate with respect to the Term A Facility was reduced to a fixed rate of 3.65% per annum and the interest rate with respect to the Term B Facility was reduced to a fixed rate of 4.5% per annum. The Amendment also provides, among other things, for (i) a reduction in the credit allocation fee on undrawn and uncancelled amounts of the Revolving Facility from 1% to 0.5% per annum, (ii) removal of the requirement that Powerfleet Israel maintain $3,000 on deposit in a separate reserve fund, and (iii) modifications to certain of the affirmative and negative covenants, including a financial covenant regarding the ratio of the Borrowers' debt levels to Pointer's EBITDA. The Company is in compliance with all covenants as of June 30, 2023.

In connection with the Credit Facilities, the Company incurred debt issuance costs of $742. For the three-month periods ended June 30, 2022 and 2023, the Company recorded $55 and $35, respectively, of amortization of the debt issuance costs. For the six-month periods ended June 30, 2022 and 2023, the Company recorded$119 and $78, respectively, of amortization of the debt issuance costs. The Company recorded charges of $200 and $152 to interest expense on its consolidated statements of operations for the three-month periods ended June 30, 2022 and 2023, respectively, related to interest expense associated with the Credit Facilities. The Company recorded charges of $436 and $312 to interest expense on its consolidated statements of operations for the six-month periods ended June 30, 2022 and 2023, respectively, related to interest expense associated with the Credit Facilities.

On October 31, 2022, the Borrowers entered into the Third Amendment with Hapoalim. The Third Amendment provides for, among other things, the New Revolver. The New Revolver will be available for a period of one month, commencing on October 31, 2022, and will continue to be available for successive one-month periods until and including October 30, 2023, unless the Borrowers deliver a notice to Hapoalim of their request not to renew the New Revolver. As of June 30, 2023, the Company borrowed NIS19,200, or $5,200, under the New Revolver.

The New Revolver will initially bear interest at the SOFR + 2.59%. Such interest is subject to monthly changes by Hapoalim, provided that Hapoalim gives Pointer advance notice regarding such change prior to the end of the applicable calendar month.

The New Revolver is secured by a first ranking fixed pledge and assignment by Pointer over its new bank account, which was opened in connection with the New Revolver, and all of the rights relating thereunder as well as a cross guarantee by Powerfleet Israel.

Pointer is required to pay a credit allocation fee equal to 0.5% per annum on undrawn and uncancelled amounts of the New Revolver.

Scheduled maturities of the long-term debt as of June 30, 2023 are as follows:

July 2023 – June 2024	$	2,752
July 2024 – October 2024		9,940
		12,692
Less: Current Portion through June 30, 2024		2,752
Total	$	9,940

The Term B Facility is not subject to amortization over the life of the loan and instead the original principal amount is due in one installment on the fifth anniversary of the Closing Date.

NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

	December 31, 2022	June 30, 2023 (unaudited)
Accounts payable	$ 14,751	$ 13,705
Accrued warranty	1,897	2,337
Accrued compensation	7,153	6,209
Government authorities	1,992	2,183
Other current liabilities	805	526
	$ 26,598	$ 24,960

The Company's products are warranted against defects in materials and workmanship for a period of one to eight years from the date of acceptance of the product by the customer. The customers may purchase an extended warranty providing coverage up to a maximum of 60 months. A provision for estimated future warranty costs is recorded for expected or historical warranty matters related to equipment shipped and is included in accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets as of December 31, 2022 and June 30, 2023.

The following table summarizes warranty activity for the six-month periods ended June 30, 2022 and 2023:

	Six Months Ended June 30,	
	2022	2023 (unaudited)
Accrued warranty reserve, beginning of year	$ 1,333	$ 2,054
Accrual for product warranties issued	718	817
Product replacements and other warranty expenditures	(270)	(270)
Expiration of warranties	(69)	(96)
Accrued warranty reserve, end of period (a)	$ 1,712	$ 2,505

(a) Includes non-current accrued warranty included in other long-term liabilities at June 30, 2022 and June 30, 2023 of $173 and $168, respectively.

NOTE 15 - STOCKHOLDERS' EQUITY

[A] Redeemable Preferred Stock

The Company is authorized to issue 150 shares of preferred stock, par value $0.01 per share of which 100 shares are designated Series A Convertible Preferred Stock ("Series A Preferred Stock") and 50 shares are undesignated.

Series A Preferred Stock

In connection with the completion of the Transactions, on October 3, 2019, the Company issued 50 shares of Series A Preferred Stock to ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P and ABRY Investment Partnership, L.P. (the "Investors"). For the six-month periods ended June 30, 2022 and 2023, the Company issued 2 and 1 additional shares of Series A Preferred Stock, respectively.

Liquidation

The Series A Preferred Stock has a liquidation preference equal to the greater of (i) the original issuance price of $1,000.00 per share, subject to certain adjustments (the "Series A Issue Price"), plus all accrued and unpaid dividends thereon (except in the case of a deemed liquidation event, then 150% of such amount), and (ii) the amount such holder would have received if the Series A Preferred Stock had converted into common stock immediately prior to such liquidation.

Dividends

Holders of Series A Preferred Stock are entitled to receive cumulative dividends at a minimum rate of 7.5% per annum (calculated on the basis of the Series A Issue Price), quarterly in arrears. The dividends are payable at the Company's election, in kind, through the issuance of additional shares of Series A Preferred Stock, or in cash, provided no dividend payment failure has occurred and is continuing and that there has not previously occurred two or more dividend payment failures. Commencing on the 66-month anniversary of the date on which any shares of Series A Preferred Stock are first issued (the "Original Issuance Date"), and on each monthly anniversary thereafter, the dividend rate will increase by 100 basis points, until the dividend rate reaches 17.5% per annum, subject to the Company's right to defer the increase for up to three consecutive months on terms set forth in the Company's Amended and Restated Certificate of Incorporation (the "Charter"). During the three-and six-month periods ended June 30, 2022, the Company paid dividends in shares in amounts equal to $1,048 and $2,076 respectively, to the holders of the Series A Preferred Stock. During the three-and six-month periods ended June 30, 2023, the Company paid dividends in shares in amounts equal to $0 and $1,107, respectively, to the holders of the Series A Preferred Stock. The dividend payment for the three-month period ended June 30, 2023 totaled $1,128 and was paid in cash. As of June 30, 2023, dividends in arrears were $-0-.

Voting; Consent Rights

The holders of Series A Preferred Stock will be given notice by the Company of any meeting of stockholders or action to be taken by written consent in lieu of a meeting of stockholders as to which the holders of common stock are given notice at the same time as provided in, and in accordance with, the Company's Amended and Restated Bylaws. Except as required by applicable law or as otherwise specifically set forth in the Charter, the holders of Series A Preferred Stock are not entitled to vote on any matter presented to the Company's stockholders unless and until any holder of Series A Preferred Stock provides written notification to the Company that such holder is electing, on behalf of all holders of Series A Preferred Stock, to activate their voting rights and in doing so rendering the Series A Preferred Stock voting capital stock of the Company (such notice, a "Series A Voting Activation Notice"). From and after the delivery of a Series A Voting Activation Notice, all holders of the Series A Preferred Stock will be entitled to vote with the holders of common stock as a single class on an as-converted basis (provided, however, that any holder of Series A Preferred Stock shall not be entitled to cast votes for the number of shares of common stock issuable upon conversion of such shares of Series A Preferred Stock held by such holder that exceeds the quotient of (1) the aggregate Series A Issue Price for such shares of Series A Preferred Stock divided by (2) $5.57 (subject to adjustment for stock splits, stock dividends, combinations, reclassifications and similar events, as applicable)). So long as shares of Series A Preferred Stock are outstanding and convertible into shares of common stock that represent at least 10% of the voting power of the common stock, or the Investors or their affiliates continue to hold at least 33% of the aggregate amount of Series A Preferred Stock issued to the Investors on the Original Issuance Date, the consent of the holders of at least a majority of the outstanding shares of Series A Preferred Stock will be necessary for the Company to, among other things, (i) liquidate the Company or any operating subsidiary or effect any deemed liquidation event (as such term is defined in the Charter), except for a deemed liquidation event in which the holders of Series A Preferred Stock receive an amount in cash not less than the Redemption Price (as defined below), (ii) amend the Company's organizational documents in a manner that adversely affects the Series A Preferred Stock, (iii) issue any securities that are senior to, or equal in priority with, the Series A Preferred Stock or issue additional shares of Series A Preferred Stock to any person other than the Investors or their affiliates, (iv) incur indebtedness above the agreed-upon threshold, (v) change the size of the Company's board of directors to a number other than seven, or (vi) enter into certain affiliated arrangements or transactions.

Redemption

At any time, each holder of Series A Preferred Stock may elect to convert each share of such holder's then-outstanding Series A Preferred Stock into the number of shares of the Company's common stock equal to the quotient of (x) the Series A Issue Price, plus any accrued and unpaid dividends, divided by (y) the Series A Conversion Price in effect at the time of conversion. The Series A Conversion Price is initially equal to $7.319, subject to certain adjustments as set forth in the Charter.

At any time after the third anniversary of the Original Issuance Date, subject to certain conditions, the Company may redeem the Series A Preferred Stock for an amount per share, equal to the greater of (i) the product of (x) 1.5 multiplied by (y) the sum of the Series A Issue Price, plus all accrued and unpaid dividends and (ii) the product of (x) the number of shares of common stock issuable upon conversion of such Series A Preferred Stock multiplied by (y) the volume weighted average price of the common stock during the 30 consecutive trading day period ending on the trading date immediately prior to the date of such redemption notice or, if calculated in connection with a deemed liquidation event, the value ascribed to a share of common stock in such deemed liquidation event (the "Redemption Price").

Further, at any time (i) after the 66-month anniversary of the Original Issuance Date, (ii) following delivery of a mandatory conversion notice by us, or (iii) upon a deemed liquidation event, subject to Delaware law governing distributions to stockholders, the holders of the Series A Preferred Stock may elect to require us to redeem all or any portion of the outstanding shares of Series A Preferred Stock for an amount per share equal to the Redemption Price.

NOTE 16 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive loss includes net loss and foreign currency translation gains and losses.

The accumulated balances for each classification of other comprehensive loss for the six-month period ended June 30, 2023 are as follows:

	Foreign currency translation adjustment	Accumulated other comprehensive income (loss)
Balance at January 1, 2023	$ (1,210)	$ (1,210)
Net current period change	212	212
Balance at June 30, 2023	$ (998)	$ (998)

The accumulated balances for each classification of other comprehensive loss for the six-month period ended June 30, 2022 are as follows:

	Foreign currency translation adjustment	Accumulated other comprehensive income (loss)
Balance at January 1, 2022	$ 391	$ 391
Net current period change	(1,453)	(1,453)
Balance at June 30, 2022	$ (1,062)	$ (1,062)

The Company's reporting currency is the U.S. dollar ("USD"). For businesses where the majority of the revenues are generated in USD or linked to the USD and a substantial portion of the costs are incurred in USD, the Company's management believes that the USD is the primary currency of the economic environment and thus their functional currency. Due to the fact that Argentina has been determined to be highly inflationary, the financial statements of our subsidiary in Argentina have been remeasured as if its functional currency was the USD. The Company also has foreign operations where the functional currency is the local currency. For these operations, assets and liabilities are translated using the end-of-period exchange rates and revenues, expenses and cash flows are translated using average rates of exchange for the period. Equity is translated at the rate of exchange at the date of the equity transaction. Translation adjustments are recognized in stockholders' equity as a component of accumulated other comprehensive income (loss). Net translation gains (losses) from the translation of foreign currency financial statements of $(1,453) and $212 at June 30, 2022 and 2023, respectively, are included in comprehensive income (loss) in the Consolidated Statement of Changes in Stockholders' Equity.

Foreign currency transaction gains and losses related to operational expenses denominated in a currency other than the functional currency are included in determining net income or loss. Foreign currency transaction gains (losses) for the three- and six-month periods ended June 30, 2022 of $(719) and $(922), respectively, and for the three-and six-month periods ended June 30, 2023 of $56 and $232, respectively, are included in selling, general and administrative expenses in the Consolidated Statement of Operations. Foreign currency transaction gains related to long-term debt for the three- and six-month periods ended June 30, 2022 of $2,068 and $2,612 respectively, and for the three-and-six month periods ended June 30, 2023 of $306 and $710 respectively, are included in interest expense in the Consolidated Statement of Operations.

NOTE 17 – SEGMENT INFORMATION

The Company operates in one reportable segment, wireless IoT asset management. The following table summarizes revenues by geographic region.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
United States	$ 15,064	$ 12,921	$ 28,122	$ 27,359
Israel	10,902	10,896	23,082	21,576
Other	8,628	8,233	16,551	15,954
	$ 34,594	$ 32,050	$ 67,755	$ 64,889

	December 31, 2022	June 30, 2023 (Unaudited)
Long lived assets by geographic region:		
United States	$ 941	$ 1,071
Israel	3,545	3,774
Other	4,763	5,381
	$ 9,249	$ 10,226

NOTE 18 - INCOME TAXES

The Company records its interim tax provision based upon a projection of the Company's annual effective tax rate ("AETR"). This AETR is applied to the year-to-date consolidated pre-tax income to determine the interim provision for income taxes before discrete items. The Company updates the AETR on a quarterly basis as the pre-tax income projections are revised and tax laws are enacted. The effective tax rate ("ETR") each period is impacted by a number of factors, including the relative mix of domestic and foreign earnings and adjustments to recorded valuation allowances. The currently forecasted ETR may vary from the actual year-end due to the changes in these factors.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Domestic pre-tax book loss	$ (3,930)	$ (10,133)	$ (8,344)	$ (6,991)
Foreign pre-tax book income	3,853	7,201	4,637	9,222
Total income before income (loss) taxes	(77)	(2,932)	(3,707)	2,231
Income tax benefit (expense)	(40)	(39)	663	(436)
Total income (loss) after taxes	(117)	(2,971)	$ (3,044)	$ 1,795
Effective tax rate	$ 51.75%	$ 1.33%	$ 17.88%	$ 19.54%

For the three- and six-month periods ended June 30, 2022 and 2023, the effective tax rate differed from the statutory tax rates primarily due to the mix of domestic and foreign earnings amongst taxable jurisdictions, recorded valuation allowances to fully reserve against deferred tax assets in non-Israel jurisdictions and certain discrete items.

On August 16, 2022, the President of the United States signed into law H.R. 5376, commonly referred to as the Inflation Reduction Act of 2022 (the "IRA"). The IRA is federal legislation designed to raise revenue from, among other things, the imposition of certain corporate tax measures, while authorizing spending on energy and climate change initiatives and subsidizing the Affordable Care Act. The IRA also introduced a 1% excise tax on certain corporate stock buybacks, which would impose a nondeductible 1% excise tax on the fair market value of certain stock that is "repurchased" during the taxable year by a publicly traded U.S. corporation or acquired by certain of its subsidiaries. The passage of the IRA did not have a material impact to the Company nor its calculated AETR as of June 30, 2023.

On August 9, 2022, the President of the United States signed into law H.R. 4346, "The CHIPS and Science Act of 2022." CHIPS is a federal statue providing funding for research and domestic production of semiconductors. Additional funding can be provided through CHIPS to various federal agencies as well as towards climate science research. Tax measures include a 25% advanced investment tax credit for certain investments in semiconductor manufacturing. The passage of the CHIPS and Science Act did not have a material impact to the Company nor its calculated AETR as of June 30, 2023.

NOTE 19 - LEASES

The Company has operating leases for office space and office equipment. The Company's leases have remaining lease terms of one year to three years, some of which include options to extend the lease term for up to five years.

The Company has lease arrangements which are classified as short-term in nature. These leases meet the criteria for operating lease classification. Lease costs associated with the short-term leases are included in selling, general and administrative expenses on the Company's condensed consolidated statements of operations during the three- and six-months ended June 30, 2022 and 2023.

Components of lease expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Short term lease cost:	$ 113	$ 119	$ 244	$ 207

Supplemental cash flow information and non-cash activity related to our operating leases are as follows:

	Six Months Ended June 30,	
	2022	2023
Non-cash activity:	$ 777	$ 685

Weighted-average remaining lease term and discount rate for our operating leases are as follows:

	June 30, 2023
Weighted-average remaining lease term (in years)	2.74
Weighted-average discount rate	6.18%

Scheduled maturities of operating lease liabilities outstanding as of June 30, 2023 are as follows:

July - December 2023	$ 1,793
2024	2,105
2025	1,857
2026	780
2027	101
Thereafter	1,213
Total lease payments	7,849
Less: Imputed interest	(686)
Present value of lease liabilities	$ 7,163

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's cash and cash equivalents are carried at fair value. The carrying value of financing receivables approximates fair value due to the interest rate implicit in the instruments approximating current market rates. The carrying value of accounts receivables, accounts payable and accrued liabilities and short term bank debt approximates their fair values due to the short period to maturity of these instruments. The fair value of the Company's long term debt is based on observable relevant market information and future cash flows discounted at current rates, which are Level 2 measurements.

	June 30, 2023	
	Carrying Amount	Fair Value
Long term debt	$ 21,137	$ 20,719

NOTE 21 - CONCENTRATION OF CUSTOMERS

For the three-and six-month periods ended June 30, 2022 and 2023, there were no customers who generated revenues greater than 10% of the Company's consolidated total revenues or generated greater than 10% of the Company's consolidated accounts receivable.

NOTE 22 - COMMITMENTS AND CONTINGENCIES

Except for normal operating leases, the Company is not currently subject to any material commitments.

From time to time, the Company is involved in various litigation matters involving claims incidental to its business and acquisitions, including employment matters, acquisition related claims, patent infringement and contractual matters, among other issues. While the outcome of any such litigation matters cannot be predicted with certainty, management currently believes that the outcome of these proceedings, including the matters described below, either individually or in the aggregate, will not have a material adverse effect on its business, results of operations or financial condition. The Company records reserves related to legal matters when losses related to such litigation or contingencies are both probable and reasonably estimable.

In August 2014, Pointer do Brasil Comercial Ltda. ("Pointer Brazil") received a notification of lack of payment of VAT tax (Brazilian ICMS tax) in the amount of $219 plus $1,155 of interest and penalty, totaling $1,374 as of June 30, 2023. The Company is vigorously defending this tax assessment before the administrative court in Brazil, but in light of the administrative and judicial processes in Brazil, it could take up to 14 years before the dispute is finally resolved. In case the administrative court rules against the Company, the Company could claim before the judicial court, an appellate court in Brazil, a substantial reduction of interest charged, potentially reducing the Company's total exposure. The Company's legal counsel is of the opinion that the chance of loss is not probable and for this reason the Company has not made any provision.

In July 2015, Pointer Brazil received a tax deficiency notice alleging that the services provided by Pointer Brazil should be classified as "telecommunication services" and therefore Pointer Brazil should be subject to the state value-added tax. The aggregate amount claimed to be owed under the notice was approximately $13,148 as of June 30, 2023. On August 14, 2018, the lower chamber of the State Tax Administrative Court in São Paulo rendered a decision that was favorable to Pointer Brazil in relation to the ICMS demands, but adverse in regards to the clerical obligation of keeping in good order a set of ICMS books and related tax receipts. The remaining claim after this administrative decision is $227. The state has the opportunity to appeal to the higher chamber of the State Tax Administrative Court. The Company's legal counsel is of the opinion that the chance of loss is not probable and that no material costs will arise in respect to these claims. For this reason, the Company has not made any provision.

On February 24, 2022, Pointer Mexico received a notification for 2016 and 2017 tax assessment in the amounts of $268 and $476, respectively, regarding the underpayment of VAT and government fees from the Mexican Tax Service ("MTS"). Under the statute and case law, Pointer Mexico was entitled to appeal before the MTS or file a lawsuit before the Federal Court of Administrative Justice. On April 19, 2022, Pointer Mexico filed an appeal for revocation of the assessment. On May 2, 2022, Pointer Mexico filed additional evidence before the MTS. As of June 30, 2023, the MTS has not resolved the administrative revocation appeal. The Company's legal counsel is of the opinion that the chance of loss is not probable and for this reason the Company has not made any provision.

NOTE 23 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments," which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous "incurred loss" methodology was restrictive for an entity's ability to record credit losses based on not yet meeting the "probable" threshold. The new language will require these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. The Company adopted ASU No. 2016-13 on January 1, 2023. The adoption of the standard did not result in a material impact on the consolidated financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the consolidated financial condition and results of operations of PowerFleet, Inc. and its subsidiaries ("Powerfleet", the "Company" "we", "our" or "us") should be read in conjunction with the consolidated financial statements and notes thereto appearing in Part I, Item 1 of this report. In the following discussions, most percentages and dollar amounts have been rounded to aid presentation, and, accordingly, all amounts are approximations.

Cautionary Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" (within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), which may include information concerning the Company's beliefs, plans, objectives, goals, expectations, strategies, anticipations, assumptions, estimates, intentions, future events, future revenues or performance, capital expenditures and other information that is not historical information. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause the Company's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "seek," "estimate," "expect," "anticipate," "project," "plan," "contemplate," "plan," "continue," "intend," "believe" and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon the Company's current expectations and various assumptions. The Company believes there is a reasonable basis for its expectations and beliefs, but there can be no assurance that the Company will realize its expectations or that its beliefs will prove to be correct.

There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements herein include, but are not limited, to: future economic and business conditions; the ability to recognize the anticipated benefit of the acquisition of Movingdots GmbH ("Movingdots"); the loss of any of the Company's key customers or reduction in the purchase of the Company's products by any such customers; the failure of the markets for the Company's products to continue to develop; the possibility that the Company may not be able to integrate successfully the business, operations and employees of Movingdots; the Company's inability to adequately protect its intellectual property; the Company's inability to manage growth; the effects of competition from a wide variety of local, regional, national and other providers of wireless solutions; changes in laws and regulations or changes in generally accepted accounting policies, rules and practices; changes in technology or products, which may be more difficult or costly, or less effective, than anticipated; the effects of outbreaks of pandemics or contagious diseases, including the length and severity of the recent global outbreak of the novel coronavirus, COVID-19, and its impact on the Company's business; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the Company's annual report on Form 10-K for the year ended December 31, 2022 (the "2022 Annual Report").

There may be other factors of which the Company is currently unaware or which it currently deems immaterial that may cause its actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to the Company or persons acting on the Company's behalf apply only as of the date they are made and are expressly qualified in their entirety by the cautionary statements included in this report. Except as may be required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statement to reflect events or circumstances occurring after the date they were made or to reflect the occurrence of unanticipated events, or otherwise.

The Company makes available through its Internet website, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to such reports and other filings made by the Company with the SEC, as soon as practicable after the Company electronically files such reports and filings with the SEC. The Company's website address is www.powerfleet.com. The information contained in the Company's website is not incorporated by reference into this report.

Overview

PowerFleet is a global leader of Internet-of-Things ("IoT") solutions providing valuable business intelligence for managing high-value enterprise assets that improve operational efficiencies.

We are headquartered in Woodcliff Lake, New Jersey, with offices located around the globe.

Our Powerfleet for Industrial solutions are designed to provide on-premise or in-facility asset and operator management, monitoring, and visibility for industrial trucks such as forklifts, man-lifts, tuggers and ground support equipment at airports. These solutions utilize a variety of communications capabilities such as Bluetooth®, WiFi, and proprietary radio frequency.

Our Powerfleet for Logistics solutions are designed to provide bumper-to-bumper asset management, monitoring, and visibility for over-the-road based assets such as heavy trucks, dry-van trailers, refrigerated trailers and shipping containers and their associated cargo. These systems provide mobile-asset tracking and condition-monitoring solutions to meet the transportation market's desire for greater visibility, safety, security, and productivity throughout global supply chains.

Our Powerfleet for Vehicles solutions are designed both to enhance the vehicle fleet management process, whether it's a rental car, a private fleet, or automotive original equipment manufacturer (OEM) partners. We achieve this by providing critical information that can be used to increase revenues, reduce costs and improve customer service.

Our patented technologies are a proven solution for organizations that must monitor and analyze their assets to improve safety, increase efficiency, reduce costs, and drive profitability. Our offerings are sold under the global brands Powerfleet, Pointer, and Cellocator.

We have an established history of IoT device development and innovation creating devices that can withstand harsh and rugged environments. With 46 patents and patent applications and over 25 years' experience, we believe we are well positioned to evolve our offerings for even greater value to customers through our cloud-based applications for unified operations.

We deliver advanced data solutions that connect mobile assets to increase visibility, operational efficiency and profitability. Across our spectrum of vertical markets, we differentiate ourselves by developing mobility platforms that collect data from unique sensors. Further, because we are original equipment manufacturer (OEM) agnostic, we help organizations view and manage their mixed assets homogeneously. All of our solutions are paired with software as a service (SaaS) and analytics platforms to provide an even deeper level of insights and understanding of how assets are utilized and how drivers and operators operate those assets. These insights include a full set of Key Performance Indicators (KPIs) to drive operational and strategic decisions. Our customers typically get a return on their investment in less than 12 months from deployment.

Our enterprise software applications have machine learning capabilities and are built to integrate with our customers' management systems to provide a single, integrated view of asset and operator activity across multiple locations while providing real-time enterprise-wide benchmarks and peer-industry comparisons. We look for analytics, as well as the data contained therein, to differentiate us from our competitors, adding significant value to customers' business operations, and helping to contribute to their bottom line. Our solutions also feature open application programming interfaces (APIs) for additional integrations and development to boost other enterprise management systems and third-party applications.

We market and sell our connected IoT data solutions to a wide range of customers in the commercial and government sectors. Our customers operate in diverse markets, such as manufacturing, automotive manufacturing, wholesale and retail, food and grocery distribution, pharmaceutical and medical distribution, construction, mining, utilities, aerospace, vehicle rental, as well as logistics, shipping, transportation, and field services. Traditionally, these businesses have relied on manual, often paper-based, processes or on-premise legacy software to operate their high-value assets, manage workforce resources, and distributed sites; and face environmental, safety, and other regulatory requirements. In today's landscape, it is crucial for these businesses to invest in solutions that enable easy analysis and sharing of real-time information.

Our Solutions

We provide critical actionable information that powers unified operations throughout organizations. We are solving the challenge of inefficient data collection, real-time visibility, and analysis that leads to transformative business operations. Our SaaS cloud-based applications take data from our IoT devices and ecosystem of third-party and partner applications to present actionable information for customers to increase efficiencies, improve safety and security, and increase their profitability in easy-to-understand reports, dashboards, and real-time alerts.

Our objective is to become a leading global provider of IoT SaaS solutions for high-value enterprise assets to drive optimized operations and create safer environments. In the first quarter of 2023 we began to consolidate and augment many of our existing capabilities on a single customer software platform branded as "Unity." We have designed our Unity platform to enable rapid and deep integration with IoT devices and third-party business systems to a highly scalable data pipeline that powers artificial intelligence-driven insights to help companies save lives, time, and money. Unity is an increasingly important initiative to meet our objective of becoming a leading global provider of IoT SaaS solutions for high-value enterprise assets to drive optimized operations and create safer environments. To achieve this goal, we intend to prove value, retain and grow business with existing customers and pursue opportunities with new customers by:

- focusing our business solutions by vertical markets and go to market strategies to each market;
- positioning ourselves as an innovative thought leader;
- maintaining a world class sales and marketing team;
- identifying, seizing, and managing revenue opportunities;
- expanding our customer base, achieving wider market penetration and educating customers with mixed assets in their organization about our other applications;
- implementing improved marketing, sales and support strategies;
- shortening our initial sales cycles by helping our customers through:
  - identifying and quantifying benefits expected from our solutions;
  - accelerating transitions from implementation to roll-out; and
  - building service revenue through long-term SaaS contracts;
- differentiating our product offering through analytics, machine learning, unique sensors, and value-added services;
- producing incremental revenue at a high profit margin; and
- expanding our partnerships and integrations.

We also plan to expand into new applications and markets by:

- pursuing opportunities to integrate our system with computer hardware and software vendors, including:
  - OEMs;
  - transportation management systems;
  - warehouse management systems;
  - labor and timecard systems;
  - enterprise resource planning; and
  - yard management systems;
- establishing relationships with global distributors; and
- evaluating and pursuing strategically sound acquisitions of companies.

Key Applications of our IoT Solutions

We provide real-time intelligence for organizations with high-value assets allowing them to make informed decisions and ultimately improve their operations, safety, and bottom line. Our applications enable organizations to capture IoT data from various types of assets with devices and sensors creating a holistic view for analysis and action.

The core applications that our IoT solutions address include:

End-to-end Visibility: Organizations with expensive assets such as vehicles, machinery, or equipment need to keep track of where the assets are located, monitor for misuse, and understand how and when assets are being used. By having complete visibility of their assets, customers can improve security, utilization and customer service. In addition, our visibility solutions help with personnel workflows and resource management, freight visibility through load status, equipment availability status, dwell and idle time, geofencing, two-way temperature control and management, multizone temperature monitoring, arrival and departure times, and supply chain allocation.

Regulatory Compliance: Businesses must comply with government regulations and provide proof of compliance, which is commonly an onerous process to enforce and maintain. Our solutions provide critical data points and reports to help customers stay within compliance, avoid fines for non-compliance, and automate the reporting process. We deliver real-time position reports, hours-of-service, temperature monitoring and control, electronic safety checklists, workflow management, controlling vehicle access to only authorized operators, inspection reports, and history logs of use.

Improve Safety: Our applications are designed to provide asset and operator management, monitoring, and visibility for safer environments. Our solutions allow our customers to monitor their fleet of vehicles on various parameters, including but not limited to, vehicle location, speed, engine fault codes, driver behavior, eco-driving, and ancillary sensors and can receive reports and alerts, either automatically or upon request wirelessly via the internet, email, mobile phone or an SMS. In addition, our dash camera provides critical video capture that can be used to help exonerate drivers when in accidents or help bolster training and coaching programs of employees. We also offer preventative solutions such as safety warning products to alert vehicle operators of objects or pedestrians in their pathway to prevent accidents, injuries, and damage. Our analytics platform features dashboards with KPIs and can help managers identify patterns, trends and outliers that can be used as flags for interventions.

Drive Operational Efficiency & Productivity: To increase utilization of mobile assets, our solutions enable the identification of a change in status, real-time location, geo-fencing alerts when an asset is approaching or leaving its destination, cargo status, and on-board intelligence utilizing a motion sensor and proprietary logic that identifies the beginning of a drive and the end of a drive. Having this information enables customers to increase capacity, speed of service, right-size their fleets, and improve communication internally and with customers. In addition, customers can increase revenue per mile, reduce claims and claims processing times, and reduce the number of assets needed. This is achieved through proving such things as two-way integrated workflows for drivers, control assignments and work change, Electronic Driver Logging (ELD) and automated record keeping for regulatory compliance, monitoring of asset pools and geofence violations, and various reporting insights that flag under-utilized assets, the closest assets, and alerts on dwell time and exceeding the allotted time for loading and unloading.

We help customers to automate processes and increase productivity of their employees. Our applications enable customers to determine where operators are assigned and can temporarily reassign them based on peak needs, evaluate any disparity in the amount employees are paid compared to the time they actually spend operating a vehicle. Our applications help answer the question of why does it take some employees longer than others to do specific tasks, where to focus labor resources, and how to forecast vehicles and operators needed for future workflow.

In addition, for our rental car vertical, our applications automatically upload vehicle identification number, mileage and fuel data as a vehicle enters and exits the rental lot, which can significantly expedite the rental and return processes for travelers, and provide the rental company with more timely inventory status, more accurate billing data that can generate higher fuel-related revenue, and an opportunity to utilize customer service personnel for more productive activities, such as inspecting vehicles for damage and helping customers with luggage.

Our solution for "car sharing" permits a rental car company to remotely control, track and monitor their rental vehicles wherever they are parked. Whether for traditional "pod-based" rental or for the emerging rent-anywhere model, the system, through APIs integrated into any rental company's fleet management system, (i) manages member reservations by smart phone or Internet, and (ii) charges members for vehicle use by the hour.

For our customers with a variety of make-model-years in their fleet, we have developed an unmatched library of certified vehicle code interfaces through our second-generation On-Board Diagnostics ("OBD-II"), industry standard. Our patented fleet management system helps fleet owners improve asset utilization, reduce capital costs, and cut operating expenses, such as vehicle maintenance or service and support.

Increase Security: Our solutions allow our customers to reduce theft and improve inventory management. Customers can lockdown their assets with automated e-mail or text message alerts, emergency tracking of assets (higher frequency of reports) if theft is expected, geo-fencing alerts when an asset enters a prohibited geography or location, and near real-time sensors that alert based on changes in temperature and shock, among other things. We also provide stolen vehicle retrieval ("SVR") services. Most of the SVR products used to provide our SVR services are mainly sold to (i) local car dealers and importers that in turn sell the products equipped in the vehicle to the end users who purchase the SVR services directly from us, or (ii) leasing companies which purchase our SVR services in order to secure their own vehicles.

Reduce Costs

We enable our customers to improve asset utilization, reduce capital costs, and cut operating expenses, such as vehicle maintenance or service and support. Our solutions provide engine performance, machine diagnostics, fuel consumption, and battery life to improve preventative maintenance scheduling, increase uptime, and gain a longer service life of equipment. Through our software applications, customers can optimize capacity, analyze resource allocation, and improve utilization of assets to reduce capital expenses such as purchasing new or leasing additional equipment. Our applications provide root cause analysis for any cargo claims and helps with exoneration of drivers in accidents via dash camera visibility.

Analytics and Machine Learning

Our analytics platforms provide our customers with a holistic view of their asset activity across their enterprise. For example, our image machine learning system allows us to process images from our freight camera and other sources and identify key aspects of operations and geospatial information such as location, work being accomplished, type of cargo, how cargo is loaded and if there are any visible issues such as damage.

Key Performance Indicators & Benchmarks

Our cloud-based software applications provide a single, integrated view of asset activity across multiple locations, generating enterprise-wide benchmarks, peer-industry comparisons, and deeper insights into asset operations. In addition, our customers can set real-time alerts for exception-based reporting or critical activity that needs immediate attention. This enables management teams to make more informed, effective decisions, raise asset performance standards, increase productivity, reduce costs, and enhance safety.

Specifically, our analytics platforms allow users to quantify best-practice enterprise benchmarks for asset utilization and safety, reveal variations and inefficiencies in asset activity across both sites and geographic regions, or identify opportunities to eliminate or reallocate assets, to reduce capital and operating costs. We provide an extensive set of decision-making tools and a variety of standard and customized reports to help businesses improve overall operations.

We look for analytics and machine learning to make a growing contribution to drive platform and SaaS revenue, further differentiate our offerings and add value to our solutions. We also use our analytics platform for our own internal platform quality control.

Services

Hosting Services**:** We provide the use of our systems as a remotely hosted service, with the system server and application software residing in our colocation center or on a cloud platform provider's infrastructure (e.g., Azure, AWS). This approach helps us reduce support costs and improve quality control. It separates the system from the restrictions of the customers' local IT networks, which helps reduce their system support efforts and makes it easier for them to receive the benefits of system enhancements and upgrades. Our hosting services are typically offered with extended maintenance and support services over a multi-year term of service, with automatic renewals following the end of the initial term.

Software as a Service: We provide system monitoring, help desk technical support, escalation procedure development, routine diagnostic data analysis and software updates services as part of the ongoing contract term. These services ensure deployed systems remain in optimal performance condition throughout the contract term and provide access to newly developed features and functions on an annual basis.

Maintenance Services**:** We provide a warranty on the hardware components of our system. During the warranty period, we either replace or repair defective hardware. We also make extended maintenance contracts available to customers and offer ongoing maintenance and support on a time and materials basis.

Customer Support and Consulting Services for Ease of Use, Adoption, and Added Value**:** We have developed a framework for the various phases of system training and support that offer our customers both structure and flexibility. Major training phases include hardware installation and troubleshooting, software installation and troubleshooting, "train-the-trainer" training on asset hardware operation, preliminary software user training, system administrator training, information technology issue training, ad hoc training during system launch and advanced software user training.

Increasingly, training services are provided through scalable online interactive training tools. Support and consulting services are priced based on the extent of training that the customer requests. To help our customers derive the most benefit from our system, we supply a broad range of documentation and support including videos, interactive online tools, hardware user guides, software manuals, vehicle installation overviews, troubleshooting guides, and issue escalation procedures.

We provide our consulting services both as a standalone service to study the potential benefits of implementing an IoT business intelligence solution and as part of the system implementation itself. In some instances, customers prepay us for extended maintenance, support and consulting services. In those instances, the payment amount is recorded as deferred revenue and revenue is recognized over the service period.

Recent Developments

Higher interest rates and inflation, fluctuations in currency values, supply chain disruptions and the conflict between Russia and Ukraine have resulted in significant economic disruption and adversely impacted the broader global economy, including our customers and suppliers. Given the dynamic and uncertain nature of the current macroeconomic environment, we cannot reasonably estimate the impact of such developments on our financial condition, results of operations or cash flows into the foreseeable future. The ultimate extent of the effects of these developments remain highly uncertain, and such effects could exist for an extended period of time.

Risks to Our Business

We expect that many customers who utilize our solutions will do so as part of a large-scale deployment of these solutions across multiple or all divisions of their organizations. A customer's decision to deploy our solutions throughout its organization will involve a significant commitment of its resources. Accordingly, initial implementations may precede any decision to deploy our solutions enterprise-wide. Throughout this sales cycle, we may spend considerable time and expense educating and providing information to prospective customers about the benefits of our solutions, and there can be no assurance that our solutions will be deployed on a wider scale by the customer.

The timing of the deployment of our solutions may vary widely and will depend on the specific deployment plan of each customer, the complexity of the customer's organization and the difficulty of such deployment. Customers with substantial or complex organizations may deploy our solutions in large increments on a periodic basis. Accordingly, we may receive purchase orders for significant dollar amounts on an irregular and unpredictable basis. Because of our limited operating history and the nature of our business, we cannot predict the timing or size of these sales and deployment cycles. Long sales cycles, as well as our expectation that customers will tend to place large orders sporadically with short lead times, may cause our revenue and results of operations to vary significantly and unexpectedly from quarter to quarter. These variations could materially and adversely affect the market price of our common stock.

Our ability to increase our revenues and generate net income will depend on a number of factors, including, for example, our ability to:

- increase sales of products and services to our existing customers;
- convert our initial programs into larger or enterprise-wide purchases by our customers;
- increase market acceptance and penetration of our products; and
- develop and commercialize new products and technologies.

As of June 30, 2023, we had cash (including restricted cash) and cash equivalents of $22.0 million and working capital of $38.3 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

We believe that our available working capital, anticipated level of future revenues, expected cash flows from operations and available borrowings under the revolving credit facility with Bank Hapoalim B.M. will provide sufficient funds to cover capital requirements through August 10, 2024.

Additional risks and uncertainties to which we are subject are described under the heading "Risk Factors" in Part II, Item 1A of this report and in our 2022 Annual Report.

Critical Accounting Policies

For the three-and six-month periods ended June 30, 2023, there were no significant changes to our critical accounting policies as identified in our 2022 Annual Report.

Results of Operations

The following table sets forth, for the periods indicated, certain operating information expressed as a percentage of revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2023	2022	2023
Revenues:				
Products	42.8%	34.4%	43.1%	36.1%
Services	57.2%	65.6%	56.9%	63.9%
Total revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues:				
Cost of products	32.8%	26.7%	34.4%	27.0%
Cost of services	20.3%	23.3%	20.4%	22.6%
	53.1%	50.0%	54.8%	49.7%
Gross profit	46.9%	50.0%	45.2%	50.3%
Operating expenses:				
Selling, general and administrative expenses	45.7%	53.0%	45.4%	52.0%
Research and development expenses	5.8%	6.8%	7.7%	6.0%
Total operating expenses	51.5%	59.8%	53.1%	58.1%
Loss from operations	-4.6%	-9.8%	-7.9%	-7.7%
Interest income	0.0%	0.1%	0.0%	0.1%
Interest expense, net	4.3%	-0.5%	2.4%	-0.5%
Bargain purchase - Movingdots	0.0%	0.9%	0.0%	11.6%
Other income, net	0.0%	0.2%	0.0%	0.0%
Net income (loss) before income taxes	-0.2%	-9.1%	-5.5%	3.4%
Income tax benefit (expense)	-0.1%	-0.1%	1.0%	-0.7%
Net income (loss) before non-controlling interest	-0.3%	-9.3%	-4.5%	2.8%
Non-controlling interest	0.0%	0.0%	0.0%	0.0%
Net income (loss)	-0.3%	-9.3%	-4.5%	2.8%
Accretion of preferred stock	-0.5%	-0.5%	-0.5%	-0.5%
Preferred stock dividend	-3.0%	-3.5%	-3.1%	-3.4%
Net income (loss) attributable to common stockholders	-3.9%	-13.3%	-8.1%	-1.2%

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

REVENUES. Revenues decreased by approximately $2.5 million, or 7%, to $32.1 million in the three months ended June 30, 2023, from $34.6 million in the same period in 2022.

Revenues from products decreased approximately $3.8 million, or 25.7%, to $11.0 million in the three months ended June 30, 2023, from $14.8 million in the same period in 2022. The decrease in product revenue was principally due to decreased product sales in Germany, where we are actively shutting down sales from low margin contracts, negatively impacted sales due to large logistics companies recalibrating demand following aggressive builds during the pandemic, and lower product sales in and out of Israel reflecting geopolitical headwinds and a proactive decision to shutter our hardware only line of business.

Revenues from services increased approximately $1.3 million, or 6.4%, to $21.0 million in the three months ended June 30, 2023, from $19.8 million in the same period in 2022. The increase in services revenues was principally due to an increase in our installed base that generates service revenue offset in part by the impact of negative foreign currency shifts in our international business.

COST OF REVENUES. Cost of revenues decreased by approximately $2.3 million, or 12.8%, to $16.0 million in the three months ended June 30, 2023, from $18.4 million for the same period in 2022. Gross profit was $16.0 million in the three months ended June 30, 2023, compared to $16.2 million for the same period in 2022. As a percentage of revenues, gross profit increased to 50.0% in 2023 from 46.9% in 2022. The increase in gross profit as a percentage of revenues was principally due to high margin service revenue increasing to 67% of total revenue in 2023 from 57% in 2022.

Cost of products decreased by approximately $2.8 million, or 24.6%, to $8.5 million in the three months ended June 30, 2023, from $11.3 million in the same period in 2022. Gross profit for products was $2.5 million in the three months ended June 30, 2023, compared to $3.5 million in the same period in 2022. As a percentage of product revenues, gross profit decreased to 22.4% in 2023 from 23.5% in 2022. The decrease in gross profit as a percentage of revenue was impacted by product mix and inflation.

Cost of services increased by approximately $0.4 million, or 6.3%, to $7.5 million in the three months ended June 30, 2023, from $7.0 million in the same period in 2022. Gross profit for services was $13.6 million in the three months ended June 30, 2023, compared to $12.7 million in the same period in 2022. As a percentage of service revenues, gross profit remained at 64.5% for both periods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (“SG&A”) expenses increased by approximately $1.1 million, or 7.4%, to approximately $16.9 million in the three months ended June 30, 2023, compared to $15.8 million in the same period in 2022, principally due to the acquisition of Movingdots, which added $0.7 million to expense, and $0.5 million in transaction, severance, and restructuring costs in the quarter. As a percentage of revenues, SG&A expenses increased to 53.0% in the three months ended June 30, 2023, from 45.7% in the same period in 2022.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development (“R&D”) expenses increased by approximately $0.2 million, or 8.9%, to approximately $2.2 million in the three months ended June 30, 2023, compared to $2.0 million in the same period in 2022, principally due to higher levels of capitalized software associated with the build out of our Unity platform and new device firmware and the acquisition of Movingdots, which added $0.7 million to expense. As a percentage of revenues, R&D expenses increased to 5.8% in the three months ended June 30, 2023, from 5.8% in the same period in 2022.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss was $4.3 million, or $(0.12) per basic and diluted share, for the three months ended June 30, 2023, as compared to net loss of $1.3 million, or $(0.04) per basic and diluted share, for the same period in 2022. The increase in net loss was primarily the result of the decreased product revenues and increased SG&A expenses.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

REVENUES. Revenues decreased by approximately $2.9 million, or 4.2%, to $64.9 million in the six months ended June 30, 2023, from $67.8 million in the same period in 2022.

Revenues from products decreased by approximately $5.8 million, or 19.8%, to $23.4 million in the six months ended June 30, 2023, from $29.2 million in the same period in 2022. The decrease in product revenues was due to decreased product sales in Germany, where we are actively shutting down sales from low margin contracts, negatively impacted sales due to large logistics companies recalibrating demand following aggressive builds during the pandemic, and lower product sales in and out of Israel reflecting geopolitical headwinds and a proactive decision to shutter our hardware only line of business.

Revenues from services increased by approximately $0.9 million, or 6.3%, to $41.5 million in the six months ended June 30, 2023, from $38.5 million in the same period in 2022. The increase in services revenues is principally due to an increase in our install base that generates service revenue offset in part by the impact of negative foreign currency shifts in our international business.

COST OF REVENUES. Cost of revenues decreased by approximately $4.9 million, or 13.1%, to $32.2 million in the six months ended June 30, 2023, from $37.1 million for the same period in 2022. Gross profit was $32.6 million in the six months ended June 30, 2023, compared to $30.6 million for the same period in 2022. As a percentage of revenues, gross profit increased to 50.3% in 2023 from 45.2% in 2022. The increase in gross profit as a percentage of revenues was principally due to decisions to stop fulfilling low margin orders and the decrease in raw materials costs related to the global supply chain issues, which were more prevalent in 2022 than 2023.

Cost of products decreased by approximately $5.8 million, or 24.7%, to $17.6 million in the six months ended June 30, 2023, from $23.3 million in the same period in 2022. Gross profit for products was $5.9 million in the six months ended June 30, 2023, compared to $5.9 million in the same period in 2022. As a percentage of product revenues, gross profit increased to 25.0% in 2023 from 20.2% in 2022. The increase in gross profit as a percentage of revenues was principally due to high margin service revenue increasing to 64% of total revenue in 2023 from 57% in 2022.

Cost of services increased by approximately $0.9 million, or 6.3%, to $14.7 million in the six months ended June 30, 2023, from $13.8 million in the same period in 2022. Gross profit for services was $13.6 million in the six months ended June 30, 2023, compared to $12.7 million in the same period in 2022. As a percentage of service revenues, gross profit was 64.5% for both periods.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by approximately $3.0 million, or 9.9%, to approximately $33.8 million in the six months ended June 30, 2023, compared to $30.7 million in the same period in 2022, principally due to the acquisition of Movingdots which added $0.7 million to expense and $0.7 million in transaction, severance, and restructuring costs in the six months, and increased salaries, investments in marketing programs and increased professional services fees, including costs associated with our acquisition of Movingdots. As a percentage of revenues, SG&A expenses increased to 52.0% in the six months ended June 30, 2023, from 45.4% in the same period in 2022, primarily due to the reasons described above.

RESEARCH AND DEVELOPMENT EXPENSES. R&D expenses decreased by approximately $1.3 million, or 25.3%, to approximately $3.9 million in the six months ended June 30, 2023, compared to $5.2 million in the same period in 2022, principally due to the capitalization of software development expenses for new product development and reduction in salaries and wages offset in part by the acquisition of Movingdots which added $0.7 million to expense. As a percentage of revenues, R&D expenses decreased to 6.0% in the six months ended June 30, 2023, from 7.7% in the same period in 2022, primarily due to the reason described above.

INTEREST EXPENSE. Interest expense decreased by approximately $1.9 million, or 119.4%, to approximately $(0.3) million in the three months ended June 30, 2023, compared to $1.6 million in the same period in 2022, principally due to foreign currency translation gains from our two senior secured term loan facilities with Bank Hapoalim B.M. (“Hapoalim”).

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss was $5.5 million, or $(0.15) per basic and diluted share, for the six months ended June 30, 2023, as compared to net loss of $0.8 million, or $(0.02) per basic and diluted share, for the same period in 2022. The decrease in net loss was due primarily to the bargain purchase for Movingdots.

Liquidity and Capital Resources

Historically, our capital requirements have been funded primarily from the net proceeds from the issuance of our securities, including any issuances of our common stock upon the exercise of options. As of June 30, 2023, we had cash (including restricted cash) and cash equivalents of $22.0 million and working capital of $38.3 million.

On October 3, 2019, in connection with our acquisition of Pointer, we issued and sold 50,000 shares of Series A Convertible Preferred Stock, par value $0.01 per share (the “Series A Preferred Stock”), to ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P and ABRY Investment Partnership, L.P. (the “Investors”), pursuant to the terms of an Investment and Transaction Agreement, dated as of March 13, 2019 (as such agreement has been amended from time to time, the “Investment Agreement”), for an aggregate purchase price of $50.0 million. The proceeds received from such sale were used to finance a portion of the cash consideration payable in our acquisition of Pointer.

In addition, our wholly owned subsidiaries, Powerfleet Israel and Pointer (collectively, the "Borrowers") are party to a Credit Agreement (the "Credit Agreement") with Hapoalim, effective as of October 3, 2019, pursuant to which Hapoalim agreed to provide Powerfleet Israel with two senior secured term loan facilities denominated in NIS in an initial aggregate principal amount of $30 million (comprised of the two facilities in the aggregate principal amount of $20 million (the "Term A Facility") and $10 million (the "Term B Facility")) and a five-year revolving credit facility to Pointer denominated in NIS in an initial aggregate principal amount of $10 million (the "Revolving Facility") all of which matures on October 3, 2024. The outstanding amount under the term loan facilities was approximately NIS46,500, or $12,600, as of June 30, 2023. The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in our acquisition of Pointer. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes.

On August 23, 2021, the Borrowers entered into an amendment (the "Amendment"), effective as of August 1, 2021, to the Credit Agreement with Hapoalim. The Amendment memorializes the agreements between the Borrowers and Hapoalim regarding a reduction in the interest rates of the Term A Facility and the Term B Facility. Pursuant to the Amendment, commencing as of November 12, 2020, the interest rate with respect to the Term A Facility was reduced to a fixed rate of 3.65% per annum and the interest rate with respect to the Term B Facility was reduced to a fixed rate of 4.5% per annum. The Amendment also provides, among other things, for (i) a reduction in the credit allocation fee on undrawn and uncancelled amounts of the Revolving Facility from 1% to 0.5% per annum, (ii) removal of the requirement that Powerfleet Israel maintain $3,000 on deposit in a separate reserve fund, and (iii) modifications to certain of the affirmative and negative covenants, including a financial covenant regarding the ratio of the Borrowers' debt levels to Pointer's EBITDA. As of June 30, 2023, the we borrowed approximately NIS11,800, or $3,200, under the revolving credit facilities.

On October 31, 2022, the Borrowers entered into a third amendment to the Credit Agreement (the "Third Amendment") with Hapoalim. The Third Amendment provides for, among other things, a new revolving credit facility to Pointer denominated in NIS in an initial aggregate principal amount of $10 million (the "New Revolver"). The New Revolver is available for a period of one month that commenced on October 31, 2022, and will continue to be available for successive one-month periods until and including October 30, 2023, unless the Borrowers deliver a notice to Hapoalim of their request not to renew the New Revolver. As of June 30, 2023, we borrowed approximately NIS19,200, or $5,200, under the New Revolver.

The New Revolver will initially bear interest at the Secured Overnight Financing Rate plus 2.59%. Such interest is subject to monthly changes by Hapoalim, provided that Hapoalim gives Pointer advance notice regarding such change prior to the end of the applicable calendar month.

The New Revolver is secured by a first ranking fixed pledge and assignment by Pointer over its new bank account, which was opened in connection with the New Revolver, and all of the rights relating thereunder as well as a cross guarantee by Powerfleet Israel.

Pointer is required to pay a credit allocation fee equal to 0.5% per annum on undrawn and uncancelled amounts of the New Revolver.

As a result of global supply chain disruptions, the conflict between Russia and Ukraine, higher interest rates, fluctuations in currency values, inflation and other cost increases, there remains uncertainty surrounding the potential impact of such events on our results of operations and cash flows. We are proactively taking steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures and borrowing under our revolving credit facilities.

On March 31, 2023, we completed our acquisition of Movingdots. We believe this acquisition will provide significant additional liquidity, with net cash proceeds of $8.7 million expected to exceed the associated transaction, integration, and rationalization costs. See "Business Acquisitions" below for more information regarding the acquisition of Movingdots.

Capital Requirements

As of June 30, 2023, we had cash (including restricted cash) and cash equivalents of $22.0 million and working capital of $38.3 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

We believe our available working capital, anticipated level of future revenues and expected cash flows from operations will provide sufficient funds to cover capital requirements through at least August 10, 2024.

Our capital requirements depend on a variety of factors, including, but not limited to, the length of the sales cycle, the rate of increase or decrease in our existing business base, the success, timing, and amount of investment required to bring new products to market, revenue growth or decline and potential acquisitions. Failure to generate positive cash flow from operations will have a material adverse effect on our business, financial condition and results of operations.

Operating Activities

During the six months ended June 30, 2023, net cash provided by operating activities was $1.3 million, compared to net cash used in operating activities of $2.7 million for the same period in 2022. The net cash provided by operating activities for the six-months of 2023 primarily included a non-operating cash benefit of $7.5 million for gain on bargain purchase relating to the acquisition of Movingdots, non-cash charges of $1.7 million for stock-based compensation, $4.5 million for depreciation and amortization expense, and $1.3 million for right-of-use asset amortization. Changes in working capital items included a decrease in inventory of $0.7 million, an increase in prepaid expenses and other assets of $0.5 million, a decrease in accounts payable of $1.8 million, and a decrease in lease liabilities of $1.3 million.

Investing Activities

Net cash provided by investing activities for the six months ended June 30, 2023 was $4.8 million, compared to net cash used in investing activities of $2.0 million for the same period in 2022. The increase in net cash provided by investing activities was primarily due to $8.7 million in net proceeds from the acquisition of Movingdots, partially offset by $2.1 million for the purchase of fixed assets and $1.7 million for capitalized software development costs. In contrast, the net cash used in investing activities of $2.0 million in the same period in 2022 was primarily for the purchase of fixed assets.

Financing Activities

During the six months ended June 30, 2023, net cash used in financing activities was $1.1 million, compared to $0.8 million for the same period in 2022. The increase in net cash used in financing activities was primarily due to the repayment of preferred stock dividends in cash for the quarter ended June 30, 2023.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations

As of June 30, 2023, there have been no material charges in contractual obligations as disclosed under the caption “Contractual Obligations and Commitments” in Item 7 of our 2022 Annual Report.

Inflation

Inflation and other macroeconomic conditions in the U.S. have resulted in higher costs of raw materials, freight, and labor, which has impacted our operating costs. In addition, we operate in several emerging market economies that are particularly vulnerable to the impact of inflationary pressures that could materially and adversely impact our operations in the foreseeable future.

Business Acquisitions

In addition to focusing on our core applications, we adapt our systems to meet our customers’ broader asset management needs and seek opportunities to expand our solution offerings through strategic acquisitions.

On March 6, 2023, we entered into a definitive share purchase and transfer agreement (the “SPA”) with Swiss Re Reinsurance Holding Company Ltd (“Swiss Re”) to acquire all of the outstanding shares of Movingdots for consideration consisting of €1 and the issuance by us of a ten-year warrant to purchase 800,000 shares of our common stock at an exercise price of $7.00 per share. Under the SPA, Swiss Re was required to ensure that Movingdots had available cash and cash equivalents of at least €8,000,000 as of the closing date. The transaction closed on March 31, 2023.

Impact of Recently Issued Accounting Pronouncements

The Company is subject to recently issued accounting standards, accounting guidance and disclosure requirements. For a description of these new accounting standards, see Note 23 to our consolidated financial statements contained in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

a. Disclosure controls and procedures.

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission (the “SEC”). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness, as of December 31, 2022, of our internal control over financial reporting based on the framework in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under this framework, the Chief Executive Officer and the Chief Financial Officer concluded that our internal control over financial reporting was not effective as of December 31, 2022, as disclosed under the caption “Management’s Report on Internal Control over Financial Report” in Item 9A of our 2022 Annual Report, due to material weaknesses in our internal control over financial reporting described below, which have not been remediated as of June 30, 2023.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis. Management has concluded that material weaknesses existed as of December 31, 2022 with respect to the following:

- Controls were not designed or operating effectively to ensure that the standalone selling prices (SSP), used to determine the appropriate allocation of revenue in multiple element arrangements, was appropriate. Determining SSP involves management judgment, considering among other factors the adjusted market assessment or the expected cost-plus margin, and management did not review timely the analysis of SSP or the underlying data supporting the analysis.

- Controls were not designed or operating effectively to ensure that the costs capitalized for internal use software were appropriate. Specifically, these controls did not provide for adequate review or documentation of the amounts capitalized and the related phase of the project. Furthermore, controls were not designed or operating effectively to ensure that the costs for software to be sold, leased or marketed were appropriate. Specifically, these controls did not provide for adequate review or documentation of the amounts capitalized and when projects met technological feasibility.

- Controls over the financial statement close process were not designed or operating effectively to ensure the appropriate level of management review, including the appropriate level of precision, adequate evidence of management’s review, and the completeness and accuracy of key reports.

The material weaknesses did not result in any restatements of consolidated financial statements previously reported by us, there were no changes in previously released financial results and management concluded that the consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States.

We will take certain steps to remediate the material weaknesses described above and otherwise improve the overall design and operation of our control environment. These steps include:

- Implementing of a new enterprise resource planning (ERP) system

- Utilizing external resources to support its efforts to rework certain control gaps across the various processes in Israel and the U.S. with identified deficiencies

- Implementing enhanced documentation associated with management review controls and validation of the completeness and accuracy of key reports in Israel and the U.S.

- Training of relevant personnel reinforcing existing policies and enhanced policies with regards to the appropriate steps and procedures required to be performed related to the execution and documentation of internal controls

Ernst & Young LLP, our independent registered public accounting firm that audited the consolidated financial statements included in our 2022 Annual Report, issued an attestation report on the effectiveness of our internal control over financial reporting which appeared in Part II, Item 8, “Financial Statements and Supplementary Data” of our 2022 Annual Report.

b. Changes in internal control over financial reporting.

There was no change in our system of internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

On March 31, 2023, we completed the acquisition of Movingdots. We are currently integrating policies, processes, people, technology and operations for the combined companies. Management will continue to evaluate our internal control over financial reporting as we execute integration activities.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of its business, the Company is at times subject to various legal proceedings. For a description of our material pending legal proceedings, see Note 22 to our consolidated financial statements contained in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth under the heading "Risks to Our Business" in Part I, Item 2 of this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors," in the Company's 2022 Annual Report as such factors could materially affect the Company's business, financial condition, and future results. The risks described in the 2022 Annual Report are not the only risks that the Company faces. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, also may have a material adverse impact on the Company's business, financial condition, or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer

The following table provides information regarding our shares withheld activity for each month of the quarterly period ended June 30, 2023 (in thousands). These shares were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2023 - April 30, 2023	-	$ -	$ -	$ -
May 1, 2023 - May 31, 2023	-	$ -	$ -	$ -
June 1, 2023 - June 30, 2023	2(1)	$ 3.13	$ -	$ -
Total	2	$ 3.13	$ -	$ -

(1) Represents shares of common stock withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

Item 6. Exhibits

The following exhibits are filed with this Quarterly Report on Form 10-Q:

Exhibits:

Exhibit Number	Description
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. § 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of December 31, 2022 and June 30, 2023; (ii) Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2022 and 2023; (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2022 and 2023; (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity for the periods January 1, 2022 through June 30, 2022 and January 1, 2023 through June 30, 2023; (v) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2022 and 2023; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, formatted in Inline XBRL (included as Exhibit 101).

* Furnished herewith.

Signatures

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 thereunto duly authorized.

POWERFLEET, INC.

Date: August 10, 2023

By: */s/ Steve Towe*
Steve Towe
Chief Executive Officer
(Principal Executive Officer)

Date: August 10, 2023

By: */s/ David Wilson*
David Wilson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Steve Towe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Powerfleet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

/s/ Steve Towe

Steve Towe
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, David Wilson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Powerfleet, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023	*/s/ David Wilson*
	David Wilson Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 32

CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Steve Towe, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Powerfleet, Inc. for the quarter ended June 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Powerfleet, Inc. at the dates and for the periods indicated.

I, David Wilson, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Powerfleet, Inc. for the quarter ended June 30, 2023, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Powerfleet, Inc. at the dates and for the periods indicated.

By: */s/ Steve Towe*
Steve Towe
Chief Executive Officer
(Principal Executive Officer)
Date: August 10, 2023

By: */s/ David Wilson*
David Wilson
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: August 10, 2023

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Quarterly Report on Form 10-Q of Powerfleet, Inc. for the quarter ended June 30, 2023 or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Powerfleet, Inc. and will be retained by Powerfleet, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.