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 December 31, 2024

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)	(IRS 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)

N/A
(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	AIOT	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 February 7, 2025 was 132,509,343.

INDEX

POWERFLEET, INC. AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

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

	March 31, 2024	December 31, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,354	$ **33,634**
Restricted cash	85,310	**5,011**
Accounts receivables, net of allowance for credit losses of $3,197 and $5,483 as of March 31, 2024 and December 31, 2024, respectively	30,333	**82,167**
Inventory, net	21,658	**27,985**
Deferred costs - current	42	**6**
Prepaid expenses and other current assets	8,091	**25,455**
Total current assets	169,788	**174,258**
Fixed assets, net	12,719	**55,257**
Goodwill	83,487	**374,939**
Intangible assets, net	19,652	**263,396**
Right-of-use asset	7,428	**12,308**
Severance payable fund	3,796	**4,461**
Deferred tax asset	2,781	**5,766**
Other assets	9,029	**18,284**
Total assets	$ 308,680	$ **908,669**
LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	$ 1,951	$ **34,596**
Accounts payable and accrued expenses	34,008	**86,481**
Deferred revenue - current	5,842	**17,912**
Lease liability - current	1,789	**4,763**
Total current liabilities	43,590	**143,752**
Long-term debt - less current maturities	113,810	**233,750**
Deferred revenue - less current portion	4,892	**3,949**
Lease liability - less current portion	5,921	**8,268**
Accrued severance payable	4,597	**4,906**
Deferred tax liability	4,465	**52,461**
Other long-term liabilities	2,496	**3,042**
Total liabilities	179,771	**450,128**
Commitments and Contingencies (Note 22)		
Convertible redeemable preferred stock: Series A - 100 shares authorized, $0.01 par value; 60 and 0 shares issued and outstanding at March 31, 2024 and December 31, 2024, respectively, at redemption value of $90,273 at March 31, 2024	90,273	—
STOCKHOLDERS' EQUITY		
Preferred stock; authorized 50,000 shares, $0.01 par value	—	—

Common stock; authorized 175,000 shares, $0.01 par value; 38,709 and 134,556 shares issued at March 31, 2024 and December 31, 2024, respectively; shares outstanding, 37,212 and 132,493 at March 31, 2024 and December 31, 2024, respectively	387	**1,339**
Additional paid-in capital	202,607	**669,492**
Accumulated deficit	(154,796)	**(193,345)**
Accumulated other comprehensive loss	(985)	**(7,578)**
Treasury stock; 1,497 and 2,063 common shares at cost at March 31, 2024 and December 31, 2024, respectively	(8,682)	**(11,518)**
Total Powerfleet, Inc. stockholders' equity	38,531	**458,390**
Non-controlling interest	105	**151**
Total equity	38,636	**458,541**
Total liabilities, convertible redeemable preferred stock, and stockholders' equity	$ 308,680	**$ 908,669**

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2024**	**2023**	**2024**
Revenues:				
Products	$ 12,916	**$ 24,687**	$ 37,232	**$ 63,718**
Services	21,634	**81,742**	63,652	**195,159**
Total revenues	34,550	**106,429**	100,884	**258,877**
Cost of revenues:				
Cost of products	10,009	**17,129**	27,402	**43,809**
Cost of services	7,162	**30,517**	22,980	**75,294**
Total cost of revenues	17,171	**47,646**	50,382	**119,103**
Gross profit	17,379	**58,783**	50,502	**139,774**
Operating expenses:				
Selling, general and administrative expenses	19,337	**55,405**	54,312	**147,522**
Research and development expenses	2,010	**4,621**	6,657	**11,157**
Total operating expenses	21,347	**60,026**	60,969	**158,679**
Loss from operations	(3,968)	**(1,243)**	(10,467)	**(18,905)**
Interest income	34	**359**	79	**831**
Interest expense	(1,138)	**(7,942)**	(1,466)	**(14,675)**
Bargain purchase - Movingdots	1,517	—	1,800	—
Other expense, net	(8)	**(2,011)**	(32)	**(961)**
Net loss before income taxes	(3,563)	**(10,837)**	(10,086)	**(33,710)**
Income tax benefit/(expense)	92	**(3,513)**	(197)	**(4,821)**
Net loss before non-controlling interest	(3,471)	**(14,350)**	(10,283)	**(38,531)**
Non-controlling interest	(32)	**1**	(38)	**(17)**
Net loss	(3,503)	**(14,349)**	(10,321)	**(38,548)**
Accretion of preferred stock	(1,878)	—	(5,484)	—
Preferred stock dividend	(1,129)	—	(3,385)	**(25)**
Net loss attributable to common stockholders	$ (6,510)	**$ (14,349)**	$ (19,190)	**$ (38,573)**
Net loss per share attributable to common stockholders - basic and diluted	$ (0.18)	**$ (0.11)**	$ (0.54)	**$ (0.33)**
Weighted average common shares outstanding - basic and diluted	35,706	**132,189**	35,655	**115,650**

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	**2024**	**2023**	**2024**
Net loss attributable to common stockholders	$ (6,510)	**$ (14,349)**	$ (19,190)	**$ (38,573)**
Foreign currency translation adjustment	1,288	**(6,214)**	482	**(6,593)**
Total other comprehensive income/(loss)	1,288	**(6,214)**	482	**(6,593)**
Comprehensive loss	$ (5,222)	**$ (20,563)**	$ (18,708)	**$ (45,166)**

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock							
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Non-Controlling Interest	Total Stockholder's Equity
Balance as of April 1, 2024	38,709	$ 387	$ 202,607	$ (154,796)	$ (985)	$ (8,682)	$ 105	$ 38,636
Net loss attributable to common stockholders	—	—	(25)	(22,312)	—	—	—	(22,337)
Net income attributable to non-controlling interest	—	—	—	—	—	—	13	13
Foreign currency translation adjustment	—	—	—	—	418	—	8	426
Issuance of restricted shares	54	1	(1)	—	—	—	—	—
Shares issued for transaction bonus	174	1	888	—	—	—	—	889
Shares issued in connection with MiX Combination	70,704	707	361,298	—	—	—	—	362,005
Acquired through MiX Combination	—	—	7,818	—	—	—	5	7,823
Shares withheld pursuant to vesting of restricted stock	—	—	—	—	—	(2,836)	—	(2,836)
Stock-based compensation	—	—	5,929	—	—	—	—	5,929
Balance as of June 30, 2024	**109,641**	**$ 1,096**	**$ 578,514**	**$ (177,108)**	**$ (567)**	**$ (11,518)**	**$ 131**	**$ 390,548**
Net loss attributable to common stockholders	—	—	—	(1,888)	—	—	—	(1,888)
Net income attributable to non-controlling interest	—	—	—	—	—	—	5	5
Foreign currency translation adjustment	—	—	—	—	(797)	—	20	(777)
Proceeds from private placement, net of costs to issue common stock	—	—	61,851	—	—	—	—	61,851
Exercise of stock options	243	—	—	—	—	—	—	—
Stock-based compensation	—	—	1,371	—	—	—	—	1,371
Balance as of September 30, 2024	**109,884**	**1,096**	**641,736**	**(178,996)**	**(1,364)**	**(11,518)**	**156**	**451,110**
Net loss attributable to common stockholders	—	—	—	(14,349)	—	—	—	(14,349)
Net income attributable to non-controlling interest	—	—	—	—	—	—	(1)	(1)
Foreign currency translation adjustment	—	—	—	—	(6,214)	—	(4)	(6,218)

Proceeds from private placement, net of costs to issue common stock	20,000	200	4,408	—	—	—	—	4,608
Shares issued in connection with FC Acquisition	4,286	43	21,300	—	—	—	—	21,343
Exercise of stock options	161	—	910	—	—	—	—	910
Stock based compensation	—	—	1,138	—	—	—	—	1,138
Issue of stock appreciation rights	225	—	—	—	—	—	—	—
Balance as of December 31, 2024	**134,556**	**1,339**	**669,492**	**(193,345)**	**(7,578)**	**(11,518)**	**151**	**458,541**

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income/(Loss)	Treasury Stock	Non-Controlling Interest	Total Stockholder's Equity
	Number of Shares	Amount						
Balance as of March 31, 2023 (As Restated)	37,621	$ 376	$ 218,473	$ (135,961)	$ (1,098)	$ (8,554)	$ 66	$ 73,302
Net loss attributable to common stockholders (As restated)	—	—	(2,902)	(3,269)	—	—	—	(6,171)
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 as of June 30, 2023 (As restated)	**37,717**	**377**	**216,458**	**(139,230)**	**(998)**	**(8,558)**	**63**	**68,112**
Net loss attributable to common stockholders (As restated)	—	—	(2,962)	(3,548)	—	—	—	(6,510)
Foreign currency translation adjustment	—	—	—	—	(906)	—	—	(906)
Issuance of restricted shares	982	10	(10)	—	—	—	—	—
Shares withheld pursuant to vesting of restricted stock	—	—	—	—	—	(90)	—	(90)
Stock-based compensation	—	—	1,101	—	—	—	—	1,101
Balance as of September 30, 2023 (As Restated)	**38,699**	**$ 387**	**$ 214,587**	**$ (142,778)**	**$ (1,904)**	**$ (8,648)**	**$ 63**	**$ 61,707**
Net loss attributable to common stockholders	—	—	(3,007)	(3,503)	—	—	—	(6,510)
Net income attributable to non-controlling interest	—	—	—	—	—	—	32	32
Foreign currency translation adjustment	—	—	—	—	1,288	—	7	1,295
Issuance of restricted shares	28	2	(2)	—	—	—	—	—
Forfeiture of restricted shares	(11)	(2)	2	—	—	—	—	—
Shares withheld pursuant to vesting of restricted stock	—	—	—	—	—	(3)	—	(3)
Stock-based compensation	—	—	1,123	—	—	—	—	1,123
Balance as of December 31, 2023	**38,716**	**387**	**212,703**	**(146,281)**	**(616)**	**(8,651)**	**102**	**57,644**

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended December 31,	
	2023	2024
Cash flows from operating activities		
Net loss	$ (10,321)	$ (38,548)
Adjustments to reconcile net loss to cash provided by/(used in) operating activities:		
Non-controlling interest	38	17
Gain on bargain purchase	(1,800)	—
Inventory reserve	1,498	1,571
Stock based compensation expense	3,076	8,438
Depreciation and amortization	7,155	33,042
Right-of-use assets, non-cash lease expense	2,156	4,284
Derivative mark-to-market adjustment	—	(475)
Bad debts expense	1,339	7,229
Deferred income taxes	(378)	676
Shares issued for transaction bonuses	—	889
Lease termination and modification losses	—	232
Other non-cash items	58	727
Changes in operating assets and liabilities:		
Accounts receivables	(2,284)	(15,245)
Inventories	(1,506)	2,623
Prepaid expenses and other current assets	876	2,062
Deferred costs	440	(5,124)
Deferred revenue	(292)	1,031
Accounts payable and accrued expenses	4,765	(15,655)
Lease liabilities	(2,157)	(4,098)
Accrued severance payable, net	(21)	(562)
Net cash provided by/(used in) operating activities	2,642	(16,886)
Cash flows from investing activities		
Acquisition, net of cash assumed	—	(137,112)
Proceeds from sale of fixed assets	—	256
Capitalized software development costs	(2,949)	(7,310)
Capital expenditures	(2,364)	(16,607)
Repayment of loan advanced to external parties	—	294
Net cash used in investing activities	(5,313)	(160,479)
Cash flows from financing activities		
Repayment of long-term debt	(3,079)	(2,140)
Short-term bank debt, net	4,322	11,887
Purchase of treasury stock upon vesting of restricted stock	(97)	(2,836)
Repayment of financing lease	(129)	—
Payment of preferred stock dividend and redemption of preferred stock	(3,385)	(90,298)

Proceeds from private placement, net	—	66,459
Proceeds from long-term debt	—	125,000
Payment of long-term debt costs	—	(1,410)
Proceeds from exercise of stock options, net	36	912
Cash paid on dividends to affiliates	—	(6)
Net cash (used in)/provided by financing activities	(2,332)	107,568
Effect of foreign exchange rate changes on cash and cash equivalents	(754)	(1,222)
Net decrease in cash and cash equivalents, and restricted cash	(5,757)	(71,019)
Cash and cash equivalents, and restricted cash at beginning of the period	25,089	109,664
Cash and cash equivalents, and restricted cash at end of the period	$ 19,332	$ 38,645
Reconciliation of cash and cash equivalents, and restricted cash, at beginning of the period		
Cash and cash equivalents	24,780	24,354
Restricted cash	309	85,310
Cash and cash equivalents, and restricted cash, at beginning of the period	$ 25,089	$ 109,664
Reconciliation of cash and cash equivalents, and restricted cash, at end of the period		
Cash and cash equivalents	19,022	33,634
Restricted cash	310	5,011
Cash and cash equivalents, and restricted cash, at end of the period	$ 19,332	$ 38,645
Supplemental disclosure of cash flow information:		
Cash paid for:		
Taxes	$ 170	$ 1,052
Interest	$ 1,273	$ 11,517
Noncash investing and financing activities:		
Common stock issued for transaction bonus	$ —	$ 9
Shares issued in connection with MiX Combination	$ —	$ 362,005
Shares issued in connection with FC Acquisition	$ —	$ 21,343
Value of licensed intellectual property acquired in connection with Movingdots acquisition	$ 1,517	$ —
Preferred stock dividends paid in shares	$ 1,108	$ —

See accompanying notes to 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 Artificial Intelligence-of-Things ("AIoT") solutions providing valuable business intelligence for managing high-value enterprise assets that improve operational efficiencies. The Company has a primary listing on The Nasdaq Global Market and a secondary listing on the Main Board of the Johannesburg Stock Exchange.

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 pursuant to which the Company acquired Pointer Telocation Ltd. ("Pointer") and commenced operations on October 3, 2019. Upon the closing of such transactions, Powerfleet became the parent entity of I.D. Systems and Pointer.

On April 2, 2024 (the "Implementation Date"), the Company consummated the transactions contemplated by the Implementation Agreement, dated as of October 10, 2023 (the "Implementation Agreement"), that the Company entered into with Main Street 2000 Proprietary Limited, a private company incorporated in the Republic of South Africa and a wholly owned subsidiary of the Company ("Powerfleet Sub"), and MiX Telematics Limited, a public company incorporated under the laws of the Republic of South Africa ("MiX Telematics"), pursuant to which MiX Telematics became an indirect, wholly owned subsidiary of the Company (the "MiX Combination"). The consolidated financial statements as of and for the nine months ended December 31, 2024 include the financial results of MiX Telematics and its subsidiaries from the Implementation Date. See Note 3 for additional information.

On October 1, 2024, the Company consummated the transactions contemplated by the Share Purchase Agreement, dated as of September 18, 2024 (the "Purchase Agreement"), by and among Golden Eagle Topco, LP ("Golden Eagle LP"), the persons that are party to the Purchase Agreement under the heading "Other Sellers" (the "Other Sellers" and, together with Golden Eagle LP, the "Sellers"), the Company and Powerfleet Canada Holdings Inc., a wholly owned subsidiary of the Company (the "Canadian SPV" and, together with the Company, the "Purchasers"), pursuant to which the Purchasers acquired all of the direct and indirect common shares in the capital of Golden Eagle Canada Holdings, Inc. ("Canada Holdco") and Complete Innovations Holdings Inc. ("CIH"), and all of the issued and outstanding shares of common stock of Golden Eagle Holdings, Inc. (together with Canada Holdco and CIH, "Fleet Complete"). As a result, Fleet Complete became an indirect, wholly owned subsidiary of the Company (the "FC Acquisition"). The consolidated financial statements as of and for the three months ended December 31, 2024 include the financial results of Fleet Complete and its subsidiaries from October 1, 2024. See Note 3 for additional information.

Basis of Preparation

The unaudited 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 on 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, these unaudited condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and 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 March 31, 2024 and December 31, 2024, the consolidated results of its operations for the three- and nine-month periods ended December 31, 2023 and 2024, the consolidated change in stockholders' equity for the three- and nine-month periods ended December 31, 2023 and 2024, and the consolidated cash flows for the nine-month periods ended December 31, 2023 and 2024. The results of operations for the three- and nine-month periods ended December 31, 2024 are not necessarily indicative of the operating results for the full year. On May 8, 2024, the Company's Board of Directors approved a change in our fiscal year end from December 31 to March 31 in order to better align the Company's reporting calendar with the April 2, 2024 close of the MiX Combination and MiX Telematics' historical March 31 fiscal year end. These financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures for the fiscal year ended December 31, 2023 included in the Company's Annual Report on Form 10-K for the year then ended, and the audited consolidated financial statements and related disclosures for the three-month transition period ended March 31, 2024 included in the Company's Transition Report on Form 10-KT for the period then ended.

Restatement of Previously Issued Consolidated Financial Statements

In connection with the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2023, the Company determined that the accounting for the redemption premium associated with its Series A convertible preferred stock ("Series A Preferred Stock") resulted in an understatement of "net loss attributable to common stockholders" and "net loss per share attributable to common stockholders" for each period, an understatement of the value of the convertible redeemable preferred stock as of each balance sheet date, and an overstatement of the additional paid-in capital as of each balance sheet date. The required adjustments to correct the redemption value of the calculation of the Series A Preferred Stock and the related accretion of the value of the preferred stock in the consolidated statement of operations included the recording of a non-cash accretion which resulted in an increase in the net loss attributable to common stockholders, an increase in the "convertible redeemable preferred stock", and a decrease of "additional paid-in capital" for the fiscal years ended December 31, 2021 and 2022 and each of the interim periods during the 2022 and 2023 fiscal years.

The correction of the error resulted in reporting the value of the convertible preferred stock including the accretion to the redemption value from the date of original issuance through each balance sheet date applying the interest method. The restatement to non-cash accretion resulted in an increase in the net loss attributable to common stockholders and a decrease in "additional paid-in capital" of $1,604 and $1,667 for the three-month period ended June 30, 2023 and three-month period ended September 30, 2023, respectively. The Company had determined that it was appropriate to restate the financial statements for the fiscal years ended December 31, 2021 and 2022 and each of the interim periods during the 2022 and 2023 fiscal years included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "2023 Annual Report"). In addition, the Company also corrected other unrelated immaterial errors that were previously either unrecorded or recorded as out-of-period adjustments. For additional information refer to Note 2 to the financial statements included in the 2023 Annual Report.

Going Concern

As of December 31, 2024, the Company had cash and cash equivalents and restricted cash of $38,645 and working capital of $30,506. The Company's primary sources of cash are cash flows from sales of products and services, its holdings of cash, cash equivalents and proceeds from the sale of its capital stock and borrowings under its credit facilities. See Note 13 for additional information on the Company's available credit facilities.

Management believes the Company's cash, cash equivalents, and restricted cash of $38,645 as of December 31, 2024, in conjunction with cash expected to be generated from the execution of its strategic plan over the next 12 months, and proceeds from the Company's credit facilities are sufficient to fund the projected operations for at least the next 12 months from the issuance date of these financial statements (February 10, 2025) and service the Company's outstanding obligations. Such expectation is based, in part, on the achievement of a certain volume of assumed revenue and gross margin; however, there is no guarantee the Company will achieve this amount of revenue and gross margin during the assumed time period. Management assessed various additional operating cost reduction options that are available to the Company and would be implemented, if assumed levels of revenue and gross margin are not achieved and additional funding is not obtained.

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. Such management estimates include, but are not limited to, assumptions used in business combinations, allowance for credit losses, income taxes, realization of deferred tax assets, accounting for uncertain tax positions, the impairment of intangible assets, including goodwill and long-lived assets, capitalized software development costs, standalone selling prices ("SSP"), valuation of the derivative asset, and market-based stock-based compensation costs. Actual results could differ materially from those estimates and assumptions made.

NOTE 3 - ACQUISITION

MiX Combination

On April 2, 2024, the Company consummated the MiX Combination, pursuant to which Powerfleet Sub acquired all the issued ordinary shares of MiX Telematics (including those represented by MiX Telematics' American Depositary Shares) through the implementation of a scheme of arrangement in accordance with Sections 114 and 115 of the South African Companies Act, No.

71 of 2008, as amended, in exchange for shares of the Company’s common stock. As a result, MiX Telematics became the Company’s indirect, wholly owned subsidiary.

The MiX Combination 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.

The Company was determined to be the accounting acquirer under Accounting Standards Codification (“ASC”) 805, *Business Combinations* (“ASC 805”), based on the evaluation of the following facts and circumstances favoring Powerfleet as the accounting acquirer over those supporting MiX Telematics as the accounting acquirer:

- The majority of the Company’s board of directors is composed of directors with prior affiliation to the Company. In addition the Company’s Chairperson continued in the role following the MiX Combination;
- Following the MiX Combination the majority of the senior management team, including the Chief Executive Officer, comprised the Company’s senior management team who were already operating in that capacity for the Company prior to the MiX Combination;
- While the voting rights of 65.5% in favor of MiX Telematics is an indicator that MiX Telematics is the acquirer, the Company believes that the weight of the indicator is tempered given that the negotiated premium paid by Powerfleet to MiX Telematics contributed to the relative ownership split, and that, qualitatively, the significant reduction in the carryover MiX Telematics institutional investor base would have reduced the legacy MiX Telematics shareholders’ ability to control the combined entity, particularly in the light of the significant concentration of institutional investors on the Powerfleet side; and
- While no individual or organized group owns a large minority interest in the combined entity, the Company notes that the largest institutional investor following the MiX Combination is an investor of legacy Powerfleet. Additionally, the Company also notes that, immediately following the closing of the MiX Combination, 30% of the approximately 35% of total shares held by shareholders of legacy Powerfleet were concentrated in the Company’s top 20 institutional shareholders, compared to only 9% of the approximately 65% of total shares held by shareholders of legacy MiX Telematics.

The acquisition of MiX Telematics and its business will, among other things:

- create a mobile asset AIoT SaaS organization with significant scale, serving all mobile asset types. The increased scale is expected to enable the combined entity to more efficiently serve its customers and create advantages to compete in an industry characterized by the need for high pace of development and innovation;
- enable the Company to maximize significant cross-sell and upsell opportunities within its large joint customer base due to the joint entity’s combined geographical footprint, deep vertical expertise and expanded software solution sets coupled with its extensive direct and indirect sales channel capabilities; and
- enable the combined organization to accelerate the delivery of top-class solutions with improved competitive advantage by integrating Powerfleet’s and MiX Telematics’ world-class engineering and technology teams.

The estimated fair value of the consideration transferred for MiX Telematics was $369,823 as of the Implementation Date, which consisted of the following:

(in thousands, except for share price and exchange ratio)	**April 2, 2024**
Number of MiX Telematics ordinary shares outstanding	554,021
Exchange ratio	0.12762
Shares of Powerfleet common stock issued for MiX Telematics ordinary shares outstanding	70,704
Powerfleet stock price*	5.12
Fair value of Powerfleet common stock transferred to MiX Telematics shareholders	362,005
Replacement of acquiree’s equity awards by the acquirer**	7,818
Total fair value of preliminary consideration	369,823

* Powerfleet’s closing share price on April 2, 2024.
** The portion of the fair-value-based measure of the replacement award that is part of the consideration transferred in exchange for the acquiree equals the portion of the acquiree award that is attributable to pre-combination vesting.

Allocation of Purchase Price

The purchase price was allocated to the assets and liabilities assumed based on the estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill. Goodwill is primarily attributed to the assembled workforce, expected synergies from future expected economic benefits, including enhanced revenue growth from expanded products and capabilities, as well as substantial cost savings from duplicative overheads, streamlined operations and enhanced efficiency. Goodwill is not deductible for tax purposes.

The preliminary allocation of purchase price was as follows (in thousands):

		April 2, 2024
Assets acquired:		
Cash and cash equivalents	$	26,737
Restricted cash		794
Accounts receivable, net		24,250
Inventory, net		4,142
Prepaid expenses and other current assets		8,886
Fixed assets, net		35,587
Intangible assets, net		153,000
Right-of-use asset		3,794
Deferred tax assets		1,093
Other assets		973
Total assets acquired	$	259,256
Liabilities assumed:		
Short-term bank debt and current maturities of long-term debt	$	20,158
Accounts payable and accrued expenses		26,400
Deferred revenue - current		6,394
Lease liability - current		859
Income taxes payable		355
Lease liability - less current portion		2,852
Deferred tax liability		48,725
Other long-term liabilities		484
Total liabilities assumed	$	106,227
Total identifiable net assets acquired	$	153,029
Non-controlling interest		(5)
Goodwill		216,799
Purchase price consideration	$	369,823

The fair values of the assets acquired and liabilities assumed, including the identifiable assets acquired, have been determined using the income and cost approach, and are partially based on inputs that are unobservable. The Company used discounted cash flow (“DCF”) analyses, which represent Level 3 fair value measurements, to assess certain components of its purchase price allocation as a result of the acquisition. The fair value of the customer relationships was determined using the multi-period excess earnings method. The fair value of the tradename and developed technology was determined using an income approach based on the relief from royalty method.

For the fair values, the Company used (i) forecasted future cash flows, (ii) historical and projected financial information, (iii) synergies including cost savings, (iv) revenue growth rates, (v) customer attrition rates, (vi) royalty rates, and (vii) discount rates, as relevant, that market participants would consider when estimating fair values.

The initial accounting for the business combination is complete at the reporting date. The fair values of the identifiable assets acquired and liabilities assumed are final and therefore, adjustments to them and the resulting goodwill will not occur in future.

Acquired Identifiable Intangible Assets

The following table sets forth the fair values of the components of the identifiable intangible assets acquired and their estimated useful lives:

(in thousands)		Fair value	Weighted average useful lives
Trade name	$	10,000	14 years
Developed technology		30,000	5 years
Customer relationships		113,000	13 years
	$	153,000	

Acquisition-Related Expenses

The Company expensed a total of $20,571 of acquisition-related costs in the consolidated statements of operations related to the MiX Combination, $128 of which was expensed in the three-month period ended December 31, 2024 and $14,771 of which was expensed in the nine-month period ended December 31, 2024.

Unaudited Pro Forma Financial Information

The business acquired in the MiX Combination contributed revenue of $42,818 and a net profit of $1,098 for the three-month period ended December 31, 2024 and revenue of $130,332 and a net loss of $3,827 for the nine-month period ended December 31, 2024.

FC Acquisition

On October 1, 2024 (the "FC Closing Date"), the Company consummated the FC Acquisition, pursuant to which Fleet Complete became an indirect, wholly owned subsidiary of the Company in exchange for payment by the Purchasers of an aggregate purchase price of $190,000, subject to certain customary working capital and other adjustments as described in the Purchase Agreement (as adjusted, the "Purchase Price").

The FC Acquisition met the criteria for a business combination to be accounted for using the acquisition method under ASC 805, Business Combinations, with the Company identified as the legal and the accounting acquirer.

The acquisition of Fleet Complete and its business will, among other things:

- strengthen Powerfleet's North American presence and fuel top-line growth in key international markets, including Europe and Australia. The integration of Fleet Complete's high-velocity mid-market business with Powerfleet's enterprise operations creates a balanced and resilient business model across regions, reducing risk and enhancing growth potential;
- open significant cross-selling opportunities through Fleet Complete's well-established indirect channel relationships, especially with major United States and Canadian telecommunication carriers, offering considerable growth potential; and
- strengthen Powerfleet's strategic position as a leader in the AIoT SaaS market. The increased scale solidifies Powerfleet's enhanced competitive position relative to the other largest players in the industry.

The preliminary estimated fair value of the consideration transferred for the FC Acquisition was $189,950 as of the FC Closing Date, which consisted of the following:

(in thousands, except for share price)	**October 1, 2024**
Shares of Powerfleet common stock issued	4,286
Powerfleet stock price*	4.98
Fair value of Powerfleet common stock transferred	21,343
Cash consideration to former shareholders	16,225
Repayment of Fleet Complete's existing debt	152,382
Total fair value of preliminary consideration	189,950

* Powerfleet's closing share price on October 1, 2024.

$60,000 of the cash portion of the Purchase Price was funded by the Private Placement, as described below, and $125,000 of the cash portion of the Purchase Price was funded with a senior secured term loan facility provided by FirstRand Bank Limited (acting through its Rand Merchant Bank division) ("RMB"), as described in Note 13 below.

Concurrently with the closing of the FC Acquisition, on October 1, 2024, the Company consummated a private placement contemplated by the Subscription Agreement, dated as of September 18, 2024 (the "Subscription Agreement"), by and among the Company and various accredited investors party thereto (the "Investors"), pursuant to which the Investors purchased from the Company, and the Company issued to such Investors, an aggregate of 20,000 shares of the Company's common stock at a price per share of $3.50 for aggregate gross proceeds of $70,000 (the "Private Placement"). $60,000 of such gross proceeds funded a portion of the Purchase Price with the remaining $10,000 in proceeds expected to be used by the Company for working capital and general corporate purposes. $62,000, net of costs, was received by September 30, 2024, with the remaining $8,000, net of costs, received on October 1, 2024.

Preliminary Allocation of Purchase Price

The purchase price was allocated to the assets and liabilities assumed based on the estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired was allocated to goodwill. Goodwill is primarily attributed to the assembled workforce, expected synergies from future expected economic benefits, including enhanced revenue growth from expanded products and capabilities, as well as substantial cost savings from duplicative overheads, streamlined operations and enhanced efficiency. Goodwill is not deductible for tax purposes. Goodwill associated with the acquisition has not yet been assigned to the Company's geographical regions pending finalization of the purchase accounting.

The preliminary allocation of purchase price was as follows (in thousands):

		October 1, 2024
Assets acquired:		
Cash and cash equivalents	$	3,964
Accounts receivable, net		19,990
Inventory, net		6,598
Prepaid expenses and other current assets		9,144
Fixed assets, net		3,693
Intangible assets, net		101,261
Identifiable intangible assets acquired		99,000
Computer software		2,261
Right-of-use asset		2,823
Deferred tax assets		1,897
Other assets		4,555
Total assets acquired	$	153,925
Liabilities assumed:		
Accounts payable and accrued expenses		30,857
Deferred revenue - current		3,088
Lease liability - current		2,965
Deferred revenue - less current portion		1,118
Lease liability - less current portion		75
Accrued severance payable		216
Other long-term liabilities		405
Total liabilities assumed	$	38,724
Total identifiable net assets acquired	$	115,201
Goodwill		74,749
Purchase price consideration	$	189,950

The above fair values of assets acquired and liabilities assumed are preliminary and are based on the information that was available as of the reporting date. The Company's allocation of the preliminary purchase price to certain assets acquired and liabilities assumed is provisional and the Company will continue to adjust those estimates as additional information pertaining to events or circumstances present at October 1, 2024 becomes available and final valuation and analysis are completed. The fair values of the assets acquired and liabilities assumed, including the identifiable assets acquired, have been preliminarily determined using the income and cost approach, and are partially based on inputs that are unobservable. The Company used DCF analyses, which represent Level 3 fair value measurements, to assess certain components of its purchase price allocation as a result of the acquisition. The fair value of the customer relationships was determined using the multi-period excess earnings method. The fair value of the tradename and developed technology was determined using an income approach based on the relief from royalty method.

For the fair value estimates, the Company used (i) forecasted future cash flows, (ii) historical and projected financial information, (iii) synergies including cost savings, (iv) revenue growth rates, (v) customer attrition rates, (vi) royalty rates, and (vii) discount rates, as relevant, that market participants would consider when estimating fair values. These estimates require judgment and are subject to change. Differences between the preliminary estimates and final accounting may occur, and those could be material.

The Company believes that the information provides a reasonable basis for estimating the fair values of the acquired assets and assumed liabilities, but the potential for measurement period adjustments exists based on the Company's continuing review of matters related to the acquisition. Adjustments to initial preliminary fair value of the assets acquired and assumed liabilities during the measurement period until October 1, 2025, will be recorded during the period in which the adjustments are determined, including the effect on earnings of any amounts we would have recorded in previous periods if the accounting had been completed (i.e. the historical reported financial statements will not be retrospectively adjusted).

The provisional amounts for assets acquired and liabilities assumed include:

- The fair value of accounts receivable and other receivables which may be subject to adjustment for reassessment of collectability as of the date of acquisition, collections and other adjustment subsequent to the acquisition;
- Property, and equipment, for which the preliminary estimates are subject to revision for finalization of preliminary appraisals;
- Right-of-use assets and lease liabilities, which will be subject to adjustment upon completion of the review of the inputs, including sublease assumptions, for the calculations;
- Acquired inventory, which values are still being assessed on an individual basis;
- Prepaid expenses, accounts payable and accrued expenses, which will be subject to adjustment based upon completion of working capital clean up and assessment of other factors;
- The recognition and measurement of contract assets and contract liabilities acquired in accordance with ASC 606 will be subject to adjustment upon completion of assessment;
- Acquired intangible assets will be subject to adjustment as additional assets are identified, estimates and forecasts are refined and disaggregated, useful lives are finalized, and other factors deemed relevant are considered;
- Deferred income taxes will be subject to adjustment based upon the completion of the review of the book and tax bases of assets acquired and liabilities assumed, applicable tax rates and the impact of the revisions of estimates for the items described above; and
- Goodwill will be subject to adjustment for the impact of the revisions of estimates for the items described above.

The Company will finalize the purchase price allocation no later than one year from the acquisition date.

Acquired Identifiable Intangible Assets

The following table sets forth preliminary estimated fair values of the components of the identifiable intangible assets acquired and their estimated useful lives:

(in thousands)	Fair value	Weighted average useful lives
Trade name	$ 4,000	4.5 years
Developed technology	25,000	5.5 years
Customer relationships	70,000	9.5 years
	$ 99,000	

Acquisition-Related Expenses

The Company expensed a total of $5,299 of acquisition-related costs in the consolidated statements of operations related to the FC Acquisition, $4,032 of which was expensed in the three-month period ended December 31, 2024 and $5,299 of which was expensed in the nine-month period ended December 31, 2024.

Unaudited Pro Forma Financial Information

If the business acquired in the FC Acquisition was acquired on April 1, 2024, it would have contributed revenue of $29,937 and a net profit of $838 for the three-month period ended December 31, 2024 and revenue of $90,318 and a net loss of $20,597 for the nine-month period ended December 31, 2024.

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. Restricted cash at March 31, 2024 consisted of escrow amounts of $85,000 for a facilities agreement (the "Facilities Agreement") with RMB deposited in escrow for the MiX Combination and cash of $310 held in escrow for purchases from a vendor. Restricted cash at December 31, 2024 consists of cash of $3,855 held in escrow related to the FC Acquisition to secure purchase price adjustment payment obligations under the Purchase Agreement and certain tax liabilities, cash of $310 held in escrow for purchases from a vendor, cash of $794 held by MiX Telematics Enterprise BEE Trust (a VIE which is consolidated) to be used solely for the benefit of its beneficiaries and cash securing guarantees of $51 issued in respect of property lease agreements entered into by MiX Telematics Australasia.

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 an expense. The expected costs associated with the Company's base warranties continue to be recognized as an expense when the products are sold (see Note 14).

Revenue is recognized when performance obligations under the terms of a contract with the 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. The Company utilizes significant judgment to determine whether control of the hardware has transferred to the customer (i.e. distinct to the customer separate from SaaS services provided). For products which are not distinct to the customer separate from the SaaS services provided, the Company considers both hardware and SaaS services a bundled performance obligation.

When another party is involved in providing products or services to the end customer, the Company evaluates the nature of its promise to determine whether it is acting as an agent or principal in the sales transaction. The Company considers itself acting as a principal if it controls the specified products or services before they are transferred to the end customers, otherwise the Company is acting as an agent. The Company determines control as the ability to direct the use of, and obtain substantially all of the remaining benefits from, the products or services. Control includes the ability to prevent others from directing the use of, and obtaining the benefits from, the products or services. Revenue is recognized based on the gross amount of consideration to which the Company expects to be entitled to in exchange for the specified products or services when acting as a principal and is recognized based on any fee or commission to which it expects to be entitled to in exchange for arranging for the specified products or services to be provided by the other party.

Under the applicable accounting guidance, all of the Company's billings for future services are deferred and classified as a current and long-term liability. The deferred revenue is 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. Payment terms are generally 30 days after invoice date.

The Company recognizes revenue for remotely hosted SaaS agreements and post-contract maintenance and support agreements beyond its 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 current 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 is 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 SSP. Judgment is required to determine the SSP for each distinct performance obligation. The Company generally determines standalone selling prices based on observable prices charged to customers. Significant pricing practices taken into consideration include the Company's discounting practices, the size and volume of its transactions, the customer demographic, price lists, its go-to-market strategy and historical and current sales and contract prices. As the Company's go-to-market strategies evolve, it may modify its pricing practices in the future, which could result in changes to SSP.

In certain cases, the Company is able to establish SSP based on observable prices of products or services sold separately in comparable circumstances to similar customers. The Company uses a single amount to estimate SSP when it has observable prices. If SSP is not directly observable, for example when pricing is highly variable, the Company uses a range of SSP. The Company determines the SSP range using information that may include pricing practices or other observable inputs. The Company typically has more than one SSP for individual products and services due to the stratification of those products and services by customer size.

The Company recognizes an asset for the incremental costs of obtaining the contract arising from the sales commissions to distributors and 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 nine months ended December 31, 2023 and 2024 (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
Products	$ 12,916	$ 24,687	$ 37,232	$ 63,718
Services	21,634	81,742	63,652	195,159
	$ 34,550	$ 106,429	$ 100,884	$ 258,877

The balances of contract assets and contract liabilities from contracts with customers are as follows as of March 31, 2024 and December 31, 2024 (in thousands):

	March 31, 2024	December 31, 2024
Contract Assets:		
Deferred contract cost [(1)]	$ 2,632	$ 4,702
Deferred costs - current	$ 42	$ 6
Contract Liabilities		
Deferred revenue – services [(2)]	$ 10,674	$ 20,952
Deferred revenue – products [(2)]	60	909
	10,734	21,861
Less: Deferred revenue – current	(5,842)	(17,912)
Deferred revenue – less current portion	$ 4,892	$ 3,949

(1) Deferred Contract costs are included in Other assets on the condensed consolidated balance sheets.
(2) 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 December 31, 2023 and 2024, the Company recognized revenue of $914 and $5,605, respectively, which was included in the deferred revenue balance at the beginning of each reporting period. For the nine-month periods ended December 31, 2023 and 2024, the Company recognized revenue of $3,832 and $9,863, respectively, which was included in the deferred revenue balance at the beginning of each reporting period. The Company expects to recognize as revenue through year 2029, when it transfers those goods and services 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 periods ended December 31, 2023 and 2024 is as follows (in thousands):

	Nine Months Ended December 31,	
	2023	**2024**
Allowance for credit losses, March 31	$ 2,328	$ 3,197
Adjustment for adoption of ASU 2016-13	(200)	—
Current period provision for expected credit losses	1,339	7,229
Write-offs charged against the allowance	(959)	(4,880)
Foreign currency translation	289	(63)
Allowance for credit losses, December 31	**$ 2,797**	**$ 5,483**

NOTE 7 - PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets comprise the following (in thousands):

	March 31, 2024	**December 31, 2024**
Sales-type lease receivables, current	$ 1,100	$ 1,096
Prepaid expenses*	2,817	8,787
Contract assets	1,162	6,306
Tax receivables	125	837
VAT receivable	—	5,177
Sundry debtors	—	2,999
Other current assets	2,887	253
	$ 8,091	**$ 25,455**

*This includes the prepaid portion of total deferred contract assets.

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 $538 at March 31, 2024 and $758 at December 31, 2024.

Inventories consist of the following (in thousands):

	March 31, 2024	December 31, 2024
Components	$ 9,403	$ 10,434
Work in process	49	44
Finished goods, net	12,206	17,507
	$ 21,658	**$ 27,985**

NOTE 9 - FIXED ASSETS

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

	March 31, 2024	December 31, 2024
Installed and uninstalled products	$ 11,030	$ 52,506
Computer software	11,496	13,456
Computer and electronic equipment	6,179	7,252
Furniture and fixtures	2,361	3,882
Leasehold improvements	1,498	1,420
Plant and equipment	—	275
Assets in progress	—	22
	32,564	**78,813**
Accumulated depreciation and amortization	(19,845)	(23,556)
	$ 12,719	**$ 55,257**

Depreciation and amortization expense for the three- and nine-month periods ended December 31, 2023 was $1,200 and $2,838, respectively, and for the three- and nine-month periods ended December 31, 2024 was $4,586 and $14,653, respectively.

NOTE 10 - INTANGIBLE ASSETS AND GOODWILL

The Company capitalizes costs for software to be sold, marketed, or leased to customers. 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 is included in cost of revenue over the estimated life of the products.

The following table summarizes identifiable intangible assets of the Company as of March 31, 2024 and December 31, 2024 (in thousands):

December 31, 2024	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	9 - 13	$ 202,264	$ (17,592)	$ 184,672
Trademark and tradename	3 - 15	21,562	(5,229)	16,333
Patents	7 - 11	628	(531)	97
Technology	5 - 7	72,769	(17,549)	55,220
Software to be sold or leased	3 - 7	8,423	(1,516)	6,907
		305,646	(42,417)	263,229
Unamortized:				
Customer list		104	—	104
Trademark and tradename		63	—	63
		167	—	167
Total		$ 305,813	$ (42,417)	$ 263,396

March 31, 2024	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	9 - 12	$ 19,264	$ (8,012)	$ 11,252
Trademark and tradename	3 - 15	7,553	(3,877)	3,676
Patents	7 - 11	628	(464)	164
Technology	7	10,911	(10,911)	—
Software to be sold or leased	3	5,159	(764)	4,395
		43,515	(24,028)	19,487
Unamortized:				
Customer list		104	—	104
Trademark and tradename		61	—	61
		165	—	165
Total		$ 43,680	$ (24,028)	$ 19,652

At December 31, 2024, the weighted-average amortization periods for customer relationships, trademarks and tradenames, patents, technology, and capitalized software to be sold or leased were 12.8, 12.1, 7.0, 4.7, and 5.0 years, respectively.

Amortization expense for the three- and nine-month periods ended December 31, 2023 was $1,148 and $4,317, respectively, and for the three- and nine-month periods ended December 31, 2024 was $8,966 and $18,389, respectively.

Estimated future amortization expense for each of the five succeeding fiscal years for these intangible assets is as follows:

2025 (remaining)	$	10,265
2026		33,926
2027		33,612
2028		32,251
2029		31,093
Thereafter		122,082
	$	263,229

Refer to Note 3 for the change in the carrying amount of goodwill from April 1, 2024 to December 31, 2024 as a result of the MiX Combination and FC Acquisition.

For the nine-month period ended December 31, 2024, the Company did not identify any indicators of impairment.

NOTE 11 - STOCK-BASED COMPENSATION

During the three-month period ended June 30, 2024, the Company granted options to purchase 375 shares of common stock with time-based vesting conditions.

During the three-month periods ended September 30, 2024 and December 31, 2024, the Company did not grant any options to purchase shares of common stock with time-based vesting conditions.

[A] Stock Options:

The following table summarizes the activity relating to the Company's market-based stock options for the nine-month period ended December 31, 2024:

	Options	**Weighted-Average Exercise Price**	**Weighted Average Contractual Remaining Term (years)**	**Aggregate Intrinsic Values (in thousands)**
Outstanding as of April 1, 2024	5,445	13.39	—	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(50)	3.13	—	—
Outstanding as of December 31, 2024	**5,395**	**13.48**	**7.21**	**$ 4,414**
Vested as of December 31, 2024	**—**	**—**	**—**	**$ —**

The following table summarizes the activity relating to the Company's stock options, excluding the market-based stock options, for the nine-month period ended December 31, 2024:

	Options	Weighted-Average Exercise Price	Weighted Average Contractual Remaining Term (years)	Aggregate Intrinsic Values (in thousands)
Outstanding as of April 1, 2024	1,979	4.68	—	—
Granted	375	4.31	—	—
Exercised	(161)	5.45	—	—
Forfeited	(86)	5.14	—	—
Outstanding as of December 31, 2024	**2,107**	**4.54**	**6.84**	**$ 4,496**
Vested as of December 31, 2024	**1,807**	**4.58**	**6.41**	**$ 3,791**

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:

	December 31, 2023	December 31, 2024
Expected volatility	55.6 %	60.2 %
Expected life of options	6.1	6.5
Risk free interest rate	3.87 %	4.23 %
Dividend yield	—	—
Weighted-average fair value of options granted during the year	$1.66	$2.66

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 $728 and $2,094 for the three- and nine-month periods ended December 31, 2023, respectively, and $479 and $2,884 for the three- and nine-month periods ended December 31, 2024, respectively, in connection with awards made under the stock option plans. The increase in the recognized expense is due to the approved acceleration of vesting of unvested restricted stock and stock option awards with time-based vesting conditions that were outstanding under the Powerfleet equity plans (including any inducement awards with time-based vesting) in connection with the closing of the MiX Combination. The accelerated vesting of the Company's equity awards is not part of what was acquired in the MiX Combination, nor what was paid for in the MiX Combination, because it was for the benefit of the Company's employees rather than for the benefit of MiX Telematics' employees. Therefore, the acceleration of the equity awards was treated as a separate transaction from the MiX Combination and the acceleration of vesting was accounted for immediately upon closing of the MiX Combination on April 2, 2024.

The fair value of options vested during the nine-month periods ended December 31, 2023 and 2024 was $391 and $1,652, respectively. There were no option exercises that occurred during the nine-month periods ended December 31, 2023 and 2024.

As of December 31, 2024, there was $782 of total unrecognized compensation costs related to unvested 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 1.09 years.

As of December 31, 2024, there was $2,644 of total unrecognized compensation costs related to unvested 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 2.11 years.

The Company estimates forfeitures at the time of valuation and reduces expenses 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. Some participants have the option to have their shares withheld for their taxes upon vesting. Shares withheld for taxes are treated as a purchase of treasury 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 unvested restricted stock for the nine-month period ended December 31, 2024 is as follows:

	Number of Unvested Shares	Weighted- Average Grant Date Fair Value
Unvested, March 31, 2024	1,370	2.68
Granted	54	5.45
Vested/Exercised	(1,370)	2.68
Forfeited or expired	—	—
Unvested, December 31, 2024	54	5.45

The Company recorded stock-based compensation expenses of $395 and $982 for the three- and nine-month periods ended December 31, 2023, respectively, and $74 and $3,240 for the three- and nine-month periods ended December 31, 2024, respectively, in connection with restricted stock grants. As of December 31, 2024, there was $109 of total unrecognized compensation cost related to unvested shares. That cost is expected to be recognized over a weighted-average period of 0.37 years. The increase in the recognized expense is due to the approved acceleration of vesting of unvested restricted stock and stock option awards with time-based vesting conditions that are outstanding under the Powerfleet equity plans (including any inducement awards with time-based vesting) in connection with the closing of the MiX Combination. The accelerated vesting of the Company's equity awards is not part of what was acquired in the MiX Combination, nor what was paid for in the MiX Combination because it was for the benefit of the Company's employees rather than for the benefit of MiX Telematics' employees. Therefore, the acceleration of the equity awards was treated as a separate transaction from the MiX Combination and the acceleration of vesting was accounted for immediately upon closing of the MiX Combination on April 2, 2024.

[C] Stock Appreciation Rights:

In connection with the closing of the MiX Combination, the Company assumed each of MiX Telematics' share plans. MiX Telematics issued equity-classified share incentives under the MiX Telematics Long-Term Incentive Plan ("LTIP") to directors and certain key employees within the Company.

The LTIP provides for three types of grants to be issued, namely performance shares, restricted share units and stock appreciation rights ("SARs"). On the Implementation Date, the only issued and outstanding equity awards under the LTIP were SARs, and the Company assumed the outstanding SARs in issue. No additional performance shares or restricted share units will be issued or assumed by the Company.

The replacement of MiX Telematics' share-based payment awards has been treated as a modification under ASC 718, *Compensation—Stock Compensation* as of the Implementation Date. The fair value of the replacement SARs issued was allocated between pre-combination and post-combination service based on the vesting period. The fair value related to pre-combination service is included as part of the fair value of the consideration in the MiX Combination (see Note 3), and the fair value related to post-combination service is to be recognized as an expense over the remaining vesting period.

The total stock-based compensation expense recognized during the three- and nine-month periods ended December 31, 2024 was $637 and $2,289, respectively.

The following table summarizes the activities for the outstanding SARs:

	Number of SARs	Weighted-Average Exercise Price	Weighted Average Contractual Remaining Term (years)	Aggregate Intrinsic Values (in thousands)
Outstanding as of April 1, 2024	—	—		
Acquired through MiX Combination	5,740	2.61		
Granted	—	—		
Exercised	(1,343)	2.96		
Forfeited	(498)	2.43		
Outstanding as of December 31, 2024	**3,899**	**2.51**	**3.10**	
Vested as of December 31, 2024	**1,293**	**2.92**	**1.80**	**$ 4,847**

As of December 31, 2024, there was $6,211 of unrecognized compensation cost related to unvested SARs. This amount is expected to be recognized over a weighted-average period of 2.86 years.

NOTE 12 - NET LOSS PER SHARE

Net loss per share for the three- and nine-month periods ended December 31, 2023 and 2024 are as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
Basic and diluted loss per share				
Net loss attributable to common stockholders	$ (6,510)	$ (14,349)	$ (19,190)	$ (38,573)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.18)	$ (0.11)	$ (0.54)	$ (0.33)
Weighted-average common share outstanding - basic and diluted	35,706	132,189	35,655	115,650

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. The Company's 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.

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

	March 31, 2024	December 31, 2024
Short-term bank debt	$ —	$ 30,412
Current maturities of long-term debt	$ 1,951	$ 4,184
Long-term debt - less current maturities	$ 113,810	$ 233,750

Short-Term Bank Debt

As of December 31, 2024, short-term debt comprised $30,180 of borrowing facilities and $232 of book overdrafts.

RMB Facility

On March 7, 2024, as part of the MiX Combination, MiX Telematics and Powerfleet entered into the Facilities Agreement with RMB. Following the signing of the Facilities Agreement, MiX Telematics entered into a Facility Notice and General Terms and Conditions (the "Credit Agreement") with RMB on March 14, 2024 for a 364-day committed general banking facility of R350,000 (the equivalent of $18,673 as at December 31, 2024) (the "RMB General Facility"). The Credit Agreement and the rights and obligations of the parties are subject to the terms and conditions of the Facilities Agreement entered into on March 7, 2024, which is described in more detail below.

The RMB General Facility is repayable on demand and has a term of 365 days from the Available Date (as defined therein). Repayment of the RMB General Facility, including capitalized interest, is due by the earlier of (a) the Available Date or (b) April 2, 2025, unless extended by agreement between MiX Telematics and RMB. Interest rate for the RMB General Facility is calculated at South African prime rate minus 0.75% per annum and will be calculated on the daily outstanding balance, compounded monthly in arrears and repaid quarterly. As of December 31, 2024, $15,944 of the RMB General Facility was utilized.

Hapoalim Debt

As of December 31, 2024, Powerfleet Israel Ltd. ("Powerfleet Israel") had utilized approximately $14,236 under the Hapoalim Revolving Facilities, which are described below.

Long-Term Debt

Hapoalim Debt

In connection with the Pointer acquisition, Powerfleet Israel incurred New Israeli Shekels ("NIS") denominated debt in term loan borrowings on October 3, 2019 under a Credit Agreement (the "Prior Credit Agreement") with Bank Hapoalim B.M. ("Hapoalim"), 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 (composed of two facilities in the aggregate principal amount of $20,000 and $10,000, respectively and a five-year revolving credit facility to Pointer denominated in NIS in an initial aggregate principal amount of $10,000 (collectively, the "Prior Credit Facilities"). The Prior Credit Facilities were scheduled to mature on October 3, 2024.

On March 18, 2024, Powerfleet Israel and Pointer (collectively, the "Borrowers") entered into an amended and restated credit agreement (as amended, the "A&R Credit Agreement"), which refinanced the facilities under, and amended and restated, the Prior Credit Agreement. The A&R Credit Agreement provides for (i) two senior secured term loan facilities denominated in NIS to Powerfleet Israel in an aggregate principal amount of $30,000 (composed of two facilities in the aggregate principal amounts of $20,000 and $10,000, respectively) ("Hapoalim Facility A" and "Hapoalim Facility B," respectively, and, collectively, the "Hapoalim Term Facilities") and (ii) two revolving credit facilities to Pointer in an aggregate principal amount of $20,000 (composed of two revolvers in the aggregate principal amounts of $10,000 and $10,000, respectively) ("Hapoalim Facility C" and "Hapoalim Facility D," respectively, and, collectively, the "Hapoalim Revolving Facilities" and, together with the Hapoalim Term Facilities, the "Hapoalim Credit Facilities"). Powerfleet Israel drew down $30,000 in cash under the Hapoalim Term Facilities on March 18, 2024 and used the proceeds to prepay approximately $11,200, representing the remaining outstanding balance, of the Prior Credit Facilities, with the remaining proceeds distributed to Powerfleet. The proceeds of the Hapoalim Revolving Facilities may be used by Pointer for general corporate purposes, including working capital and capital expenditures.

On December 30, 2024, the Borrowers entered into an amendment to the A&R Credit Agreement, which increases the principal amount available under Hapoalim Facility D from $10,000 to $20,000 and provides that the total principal amount of Hapoalim Facility D may be distributed to the Company or any of its subsidiaries by no later than December 31, 2025, subject to certain terms and conditions of the A&R Credit Agreement.

As of December 31, 2024, Pointer had utilized $14,236 under the Hapoalim Revolving Facilities. The available undrawn facility balance at December 31, 2024 was $15,764.

The interest rates for borrowings under Hapoalim Facility A and Hapoalim Facility B are Hapoalim's prime rate + 2.2% per annum, and Hapoalim's prime rate + 2.3% per annum, respectively. Hapoalim's prime rate at December 31, 2024 was 6%. Interest is payable quarterly on March 25, June 25, September 25, and December 25 over five years. The first interest period ended on June 25, 2024. Hapoalim Facility A amortizes in quarterly installments over its five-year term and will be payable in the following aggregate annual amounts: (i) 10% of the principal amount of Hapoalim Facility A from March 18, 2024 until March 18, 2025, (ii) 25% of the principal amount of Hapoalim Facility A from March 18, 2025 until March 18, 2026, (iii) 27.5% of the principal amount of Hapoalim Facility A from March 18, 2026 until March 18, 2027, (iv) 27.5% of the principal amount of Hapoalim Facility A from March 18, 2027 until March 18, 2028, and (v) 10% of the principal amount of Hapoalim Facility A from March 18, 2028 until March 18, 2029. Hapoalim Facility B does not amortize and will be payable in full on March 18, 2029.

The interest rate for borrowings under Hapoalim Facility C is, with respect to NIS-denominated loans, Hapoalim's prime rate + 2.5%, and with respect to U.S. dollar-denominated loans, SOFR + 2.15%. Borrowings under Hapoalim Facility D will bear interest at the applicable interest rate set forth in the standard form documents entered into in connection with each utilization of Hapoalim Facility D. In addition, Pointer is required to pay a credit allocation fee in NIS, with respect to Hapoalim Facility C, and a non-utilization fee in U.S. dollars, with respect to Hapoalim Facility D, in each case, equal to 0.5% per annum on undrawn and uncancelled amounts of the revolving facilities during the period commencing on March 18, 2024 and ending on the last day of the applicable availability period of such revolving facilities. The Borrowers have also paid certain upfront fees and other fees and expenses to Hapoalim in connection with the A&R Credit Agreement. The Hapoalim Revolving Facilities mature on March 18, 2025.

Borrowings under the Hapoalim Term Facilities are voluntarily prepayable at any time, in whole or in part, and are not subject to any prepayment premium. Voluntary prepayments of the Hapoalim Term Facilities must be made in minimum increments of NIS 1 million. In addition to certain customary mandatory prepayment requirements, the A&R Credit Agreement also requires Powerfleet Israel to make prepayments on the Hapoalim Term Facilities to the extent it receives distributions from Pointer, except for any such distributions made to cover certain expenses of Powerfleet Israel in its normal course of operations.

The A&R Credit Agreement contains certain customary affirmative and negative covenants, including financial covenants with respect to Pointer's net debt levels which must be less than 100% of Working Capital as defined in the A&R Credit Agreement, the ratio of each Borrower's net debt to Pointer's EBITDA must not exceed 4.75, Powerfleet Israel's minimum equity which must not be less than $60,000, and the ratio of Powerfleet Israel's equity to its total assets which must be greater than 35% and the ratio of Pointer's net debt to EBITDA ratio must not exceed 2. The occurrence of any event of default under the A&R Credit Agreement may result in all outstanding indebtedness under the Hapoalim Credit Facilities becoming immediately due and payable. The financial covenants have been met for the quarter ending December 31, 2024.

The Hapoalim Credit Facilities continue to be secured by first ranking and exclusive fixed and floating charges, including by Powerfleet Israel over the entire share capital of Pointer and by Pointer over all of its assets, as well as cross guarantees between Powerfleet Israel and Pointer, except that the Borrowers' holdings in Pointer do Brasil Comercial Ltda., Pointer Argentina and Pointer South Africa are excluded from such floating charges. No other assets of the Company will serve as collateral under the Hapoalim Credit Facilities.

The Hapoalim Term Facilities under the A&R Credit Agreement have been accounted for as modifications of the term facilities that were provided under the Prior Credit Agreement because the change in the present value of the cash flows under the A&R Credit Agreement is less than 10% of the present value of the cash flows under the Prior Credit Agreement. The proceeds of the Hapoalim Term Facilities ($40,000), less the prepayment of the term loans under the Prior Credit Facility (approximately $11,200), amounting to approximately $28,800, has been recognized as an increase in the carrying value of the prior term loans that was recognized previously.

For the three- and nine-month periods ended December 31, 2023, the Company recorded $26 and $90, respectively, of additional deferred costs to the original debt issuance costs and the refinancing fee paid to Hapoalim. For the three-month period ended December 31, 2024, the Company recorded $22 of amortization of the original debt issuance costs and the refinancing fee paid to Hapoalim. For the nine-month period ended December 31, 2024, the Company recorded a cost of $7 net of additional deferred costs and credit to the original debt issuance costs and amortization of the original debt issuance costs.

The Company recorded charges of $127 and $412 to interest expense on its consolidated statements of operations for the three- and nine-month periods ended December 31, 2023, respectively, and $592 and $1,838 for the three- and nine-month periods ended December 31, 2024, respectively, related to interest expense associated with the Hapoalim debt.

RMB Debt

On March 7, 2024, the Company entered into the Facilities Agreement with RMB, pursuant to which RMB agreed to provide the Company with two term loan facilities in an aggregate principal amount of $85,000, composed of Facility A and Facility B, each with a principal amount of $42,500 ("RMB Facility A" and "RMB Facility B," respectively, and collectively, the "RMB Facilities"). The Company drew down $85,000 in cash under the RMB Facilities on March 13, 2024, and the proceeds to redeem all the outstanding shares of the Series A Preferred Stock and for general corporate purposes. The RMB Facilities are guaranteed by the Company, I.D. Systems and Movingdots GmbH ("Movingdots"), and there is a security agreement over the shares in Main Street 2000 Proprietary Limited ("MS2000"), I.D. Systems, and Movingdots.

The interest rates of borrowings under RMB Facility A and RMB Facility B are 8.699% per annum and 8.979% per annum, respectively. Interest is payable quarterly in arrears. RMB Facility A matures on March 31, 2027, and RMB Facility B matures on March 31, 2029. The Company may prepay the RMB Facilities at any time, subject to a minimum reduction of $5,000 and multiples of $1,000. If the Company prepays any amount during the first or second annual period of the funding, a refinancing fee equal to 2% or 1%, respectively, of the prepayment will be payable. Also, the RMB Facilities are mandatorily prepayable upon the occurrence of uncertain future events, such as a change of control or a transfer of the business. In the event that either prepayment occurs, the respective prepayment amount will be adjusted for RMB's break gains or losses, which relate mainly to the unwinding of interest rate derivatives (the "Prepayment Derivative") which RMB entered into with third parties to fix the interest rates on the RMB Facilities. Since RMB's break gains/losses could result in the Company prepaying at a discount, or a premium, of 10% or more to the initial carrying amount of the RMB Facilities, the optional and contingent repayment features were to be embedded derivatives in the scope of ASC 815-15 Embedded Derivatives. The Prepayment Derivative within each RMB Facility has been bifurcated and accounted for at fair value separately from the respective debt-host contracts which are accounted for at amortized cost. The terms of the debt-host contracts have been bifurcated to adjust the carrying value of the debt upon separating the derivative. Upon initial recognition of the RMB Facilities, a Prepayment Derivative asset of $610 and $1,616 for RMB Facility A and RMB Facility B, respectively, was recognized with a corresponding increase in the initial carrying amount of each debt-host contract. The fair value of the embedded derivative is estimated using a "with-and-without" approach as the difference between the value of the RMB Facilities with and without the embedded derivative using both the binomial lattice model and discounted cash flow analysis.

The following key assumptions were used in December 31, 2024:

	Facility A	Facility B
Credit spread volatility	45 %	35 %
Credit spread	4.48 %	4.99 %
Credit rating	B	B
Risk free rate	SOFR spot rate	SOFR spot rate

As of March 31, 2024 and December 31, 2024, the Secured Overnight Financing Rate (SOFR) spot rate was 5.34% and 4.49%, respectively.

The Prepayment Derivative is classified as a Level 3 in the fair value hierarchy due to the use of at least one significant unobservable input which is the credit spread volatility. At inception, the credit spread was an observable input based on the transaction price of the debt; however, in future periods, it will also be an unobservable input. For the Prepayment Derivative asset in RMB Facility A, a change of -10% in credit spread volatility would result in a decrease in the derivative asset of $86, while a change of +10% in credit spread volatility would result in an increase in the derivative asset of $88. For the Prepayment Derivative asset in RMB Facility B, a change of -10% in credit spread volatility would result in a decrease in the derivative asset of $148, while a change of +10% in credit spread volatility would result in an increase in the derivative asset of $187. The Prepayment Derivative assets are included in Other assets and their fair values were $610 and $1,616 for RMB Facility A and RMB Facility B, respectively, as of March 31, 2024 and, $795 and $1,906 for RMB Facility A and RMB Facility B, respectively, as of December 31, 2024. The debt-host contracts are accounted for at amortized cost. Total debt issuance costs of approximately $1,000 were incurred. For the three- and nine-month periods ended December 31, 2024, the Company recorded $33 and $179, respectively, of amortization of the original debt issuance costs and the refinancing fee to RMB.

For the three- and nine-month periods ended December 31, 2024, the Company recorded interest expense of $1,920 and $5,710, respectively.

RMB Term Facility

On September 27, 2024, the Company, together with I.D. Systems and Movingdots, each a wholly owned subsidiary of the Company, entered into a Facility Agreement (the "Facility Agreement") with RMB, pursuant to which RMB agreed to provide the Company with a term loan facility in an aggregate principal amount of $125,000 (the "New RMB Term Facility"). The Company drew down the full amount of the New RMB Term Facility on October 1, 2024, and used the proceeds to pay a portion of the Purchase Price in connection with the FC Acquisition. The Company's obligations under the New RMB Term Facility are guaranteed, on a joint and several basis, by the Company, I.D. Systems and Movingdots. The New RMB Term Facility is secured by a first priority security interest over the entire share capital of I.D. Systems, Movingdots, MS2000 and Canadian SPV, each a wholly owned subsidiary of the Company. No other assets of the Company will serve as collateral under the New RMB Term Facility.

The New RMB Term Facility will mature on the last business day of the month that is five years following the closing date of the Facility Agreement (the "Maturity Date"). The New RMB Term Facility does not amortize and will be payable on the Maturity Date. Borrowings under the New RMB Term Facility may be voluntarily prepaid at any time upon prior written notice, in whole or in part, subject to payment of a refinancing fee equal to (i) 2% of the amount prepaid if such prepayment occurs before October 1, 2025, or (ii) 1% of the amount prepaid if such prepayment occurs on or after October 1, 2025, but before October 1, 2026. No refinancing fee is payable if prepayment occurs on or after October 1, 2026. If voluntary prepayments are made in part, they must be made in minimum amounts of $5 million in integral multiples of $1 million. In addition, the Facility Agreement provides for certain customary mandatory prepayment requirements.

In the event of any prepayment during a quarterly interest period the Company is also required to pay, or receive from, RMB an amount, such that RMB would be in the same economic position for that interest period had the prepayment only occurred at the end of such period. The amount payable or receivable will be calculated relative to the interest that RMB would be able to obtain by placing the amount prepaid on deposit with a leading bank in the London interbank market for a period from the prepayment until the end of such interest period.

The New RMB Term Facility bears interest at 5% per annum (provided no event of default is continuing), plus the applicable term SOFR reference rate (or an interpolated rate if SOFR is unavailable), payable quarterly in arrears on March 31, June 30, September 30, and December 31 each year, and on October 31, 2029. The stated interest rate at December 31, 2024 was 9.59%.

The Company paid a non-refundable deal structuring fee of $1,250 to RMB on October 1, 2024. Total debt issuance costs, including the $1,250 non-refundable deal structuring fee to RMB, of approximately $1,433 were incurred. For the three- and nine-month periods ended December 31, 2024, the Company recorded $56 and $56, respectively of amortization of these costs. For the three- and nine-month periods ended December 31, 2024, the Company recorded $3,031 and $3,031, respectively, of interest expense.

The Facility Agreement contains certain customary affirmative and negative covenants, including financial covenants with respect to the ratio of the Company's consolidated total net borrowings to consolidated EBITDA and the ratio of the Company's consolidated EBITDA to consolidated total finance costs. The Facility Agreement also includes representations, warranties, events of default and other provisions customary for financings of this type. The occurrence of any event of default under the Facility Agreement may result in all outstanding indebtedness under the RMB Term Facility becoming immediately due and payable.

Scheduled contractual maturities of the long-term debt as of December 31, 2024 are as follows:

2025 (remaining)	$	501
2026		5,008
2027		48,009
2028		5,509
2029		54,520
Thereafter		125,000
		238,547
Less: Current portion		(4,184)
Less debt costs and prepayment		(613)
Total	$	233,750

NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following (in thousands):

	March 31, 2024	December 31, 2024
Accounts payable	$ 20,025	$ 41,916
Accrued warranty	1,138	1,460
Accrued compensation	8,956	25,600
Government authorities	3,062	11,590
Other current liabilities	827	5,915
	$ 34,008	$ 86,481

The following table summarizes warranty activity for the nine months ended December 31, 2023 and 2024 (in thousands):

	Nine Months Ended December 31,	
	2023	2024
Accrued warranty reserve, beginning of year	$ 2,255	$ 2,926
Accrual for product warranties issued	851	255
Product replacements and other warranty expenditures	(343)	(372)
Expiration of warranties (over warranty accrual)	(110)	(127)
Acquired through MiX Combination and FC Acquisition	—	845
Foreign currency translation difference	—	108
Accrued warranty reserve, end of period (1)	$ 2,653	$ 3,635

(1) Includes non-current accrued warranty included in other long-term liabilities at December 31, 2023 and 2024 of $1,688 and $2,175, respectively.

NOTE 15 - STOCKHOLDERS' EQUITY

Convertible 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 Preferred Stock and 50 shares are undesignated.

Series A Preferred Stock

In connection with the completion of the Pointer acquisition, 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”). Concurrently with the closing of the MiX Combination on April 2, 2024, the Company used the net proceeds received from RMB and from incremental borrowing capacity as a result of the refinancing of credit facilities with Hapoalim to redeem in full for $90,300 for all of the outstanding shares of the Series A Preferred Stock.

Dividends

Holders of Series A Preferred Stock were 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 were 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 had occurred and was continuing and that there had 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 were first issued (the “Original Issuance Date”), and on each monthly anniversary thereafter, the dividend rate would increase by 100 basis points, until the dividend rate reached 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 nine-month periods ended December 31, 2023, the Company paid dividends in amounts equal to $1,129 and $3,385, respectively, to the holders of the Series A Preferred Stock, and $25 during the nine-month period ended December 31, 2024. Dividends for the period ended March 31, 2024, plus accrued dividends through April 2, 2024, were paid in cash on the redemption date of the Series A Preferred Stock.

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 nine-month period ended December 31, 2024 are as follows (in thousands):

	Foreign currency translation adjustment	Accumulated other comprehensive loss
Balance at April 1, 2024	$ (985)	$ (985)
Net current period change	(6,593)	(6,593)
Balance at December 31, 2024	$ (7,578)	$ (7,578)

The accumulated balances for each classification of other comprehensive loss for the nine-month period ended December 31, 2023 are as follows (in thousands):

	Foreign currency translation adjustment	Accumulated other comprehensive loss
Balance at April 1, 2023	$ (1,098)	$ (1,098)
Net current period change	482	482
Balance at December 31, 2023	$ (616)	$ (616)

NOTE 17 - SEGMENT INFORMATION

The Company operates in one reportable segment, wireless AIoT asset management. The following table summarizes revenues by geographic region (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
North America	$ 19,649	$ 41,440	$ 56,628	$ 83,837
Israel	9,865	12,232	31,017	34,643
Africa	828	25,416	2,498	73,994
Europe and Middle East	660	13,004	1,689	30,047
Australia	—	9,290	—	20,851
Other	3,548	5,047	9,052	15,505
	$ 34,550	$ 106,429	$ 100,884	$ 258,877

	March 31, 2024	December 31, 2024
Long lived assets by geographic region:		
North America	$ 4,083	$ 10,388
Israel	3,946	2,692
Africa	705	31,710
Europe and Middle East	2,850	5,763
Australia	—	895
Other	1,135	3,809
	$ 12,719	$ 55,257

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 estimated 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 December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
Domestic pre-tax book loss	$ (4,915)	$ (6,839)	$ (19,535)	$ (30,451)
Foreign pre-tax book income (expense)	1,352	(3,998)	9,449	(3,260)
Total loss before income taxes	(3,563)	(10,837)	(10,086)	(33,710)
Income tax benefit (expense)	92	(3,513)	(197)	(4,821)
Net loss before non-controlling interest	$ (3,471)	$ (14,350)	$ (10,283)	$ (38,531)
Effective tax rate	2.58 %	(32.42)%	(1.95)%	(14.30)%

For the three- and nine-month periods ended December 31, 2023 and 2024, 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 jurisdictions, and certain discrete items.

NOTE 19 - LEASES

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for office space, office equipment and vehicles. The Company's leases have remaining lease terms of 1 year to 5 years, some of which include options to extend the lease term for up to 5 years.

Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. The operating lease ROU asset also includes any lease payments made in advance of lease commencement and excludes lease incentives. The lease terms used in the calculations of the operating ROU assets and operating lease liabilities include options to extend or terminate the lease when the Company is reasonably certain that it will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

The Company has lease agreements with lease and non-lease components, which are generally not accounted for separately.

Where lease terms are 12-months or less, and meet the criteria for short-term lease classification, no ROU asset and no lease liability are recognized. 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.

The components of lease cost are as follows (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
Short-term lease cost	$ 127	$ 158	$ 365	$ 593

Supplemental cash flow information and non-cash activity related to the Company's operating leases are as follows (in thousands):

	Nine Months Ended December 31,	
	2023	2024
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	$ 937	$ 2,836
Reduction of right-of-use assets due to MiX Combination [(1)]	$ —	$ (952)

[(1)] Subsequent to the MiX Combination, certain leases were terminated or modified due to the consolidation of leased space.

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

	December 31, 2024
Weighted-average remaining lease term - operating leases (in years) [(1)]	3.07
Weighted-average discount rate	7.9 %

[(1)] Including expected renewals where appropriate.

Scheduled maturities of operating lease liabilities outstanding as of December 31, 2024 are as follows (in thousands):

January 2025 - March 2025	$ 2,302
2026	4,423
2027	2,828
2028	1,941
2029	1,451
Thereafter	2,360
Total lease payments	15,305
Less: Imputed interest	(2,274)
Present value of lease payments	$ 13,031

NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's cash and cash equivalents, restricted cash and investments in securities are carried at fair value. The carrying value of finance lease receivables approximates fair value due to the interest rate implicit in the instruments approximating current market rates. The carrying value of accounts receivable, 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 loans to external parties included in other non-current assets is determined using unobservable market data (Level 3 inputs), that represent management's estimate of current interest rates that a commercial lender would charge borrowers. The fair value of the Company's debt is based on observable relevant market information and future cash flows discounted at current rates, which are Level 2 measurements. The Prepayment Derivative within the RMB Facilities is classified as a Level 3 in the fair value hierarchy due to the use of at least one significant unobservable input which is the credit spread volatility (see Note 13).

	March 31, 2024		December 31, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans to external parties	$ 475	$ 475	$ 191	$ 191
Debt	$ 115,761	$ 116,278	$ 268,346	$ 270,180
Prepayment derivative	$ 2,226	$ 2,226	$ 2,732	$ 2,732

NOTE 21 - CONCENTRATION OF CUSTOMERS

For the three- and nine-month periods ended December 31, 2023 and 2024, there were no customers that 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

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 $171 plus $946 of interest and penalty, totaling $1,347 as of March 31, 2024 and $1,117 as of December 31, 2024. 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 $6,405 as of December 31, 2024. 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 $183. The state has appealed 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.

Mobile Telephone Networks Proprietary Limited ("MTN"), a network service provider of MiX Telematics Africa, a subsidiary of the Company, is entitled to claw back payments from MiX Telematics Africa in the event of early cancellation of the agreement or certain base connections not being maintained over the term of an amended network services agreement between the parties. No connection incentives will be received in terms of the amended network services agreement. The maximum potential liability under the arrangement as of March 31, 2024 and December 31, 2024 was $841 and $661, respectively. No loss is considered probable under this arrangement.

On August 30, 2024, Fleet Connect Solutions LLC ("Fleet Connect") filed a complaint against the Company in the United States District Court for the Eastern District of Texas alleging infringement of a number of Fleet Connect's patents. The Company filed an answer to Fleet Connect's complaint on November 8, 2024, denying the claims together with counterclaims to invalidate Fleet Connect's patents. The Company simultaneously filed a Section 101 motion seeking to invalidate some of the patents. The Company is evaluating the claims with patent counsel, however based on currently available information, the Company is unable to make a reasonable estimate of loss or range of losses, if any, arising from this matter.

NOTE 23 - RECENT ACCOUNTING PRONOUNCEMENTS

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which requires additional operating segment disclosures in annual and interim consolidated financial statements. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 and for interim periods beginning after December 15, 2024 on a retrospective basis, with early adoption permitted. The Company is evaluating the effect of adopting ASU 2023-07.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation and modifies other income tax-related disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a retrospective or prospective basis. The Company is evaluating the effect of adopting ASU 2023-09.

In November 2024, the FASB issued Accounting Standards Update No. 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses " ("ASU 2024-03"), which requires disclosure in a tabular format, on an annual and interim basis, purchases of inventory, employee compensation, depreciation, intangible asset amortization and depletion for each income statement line item that contains those expenses. The guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, on a retrospective or prospective basis. Early adoption is permitted. The Company is evaluating the effect of adopting ASU 2024-3.

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 condensed consolidated financial statements and notes thereto appearing in Part I, Item 1 of this report and Part II, Item 7 of our Form 10-KT. 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 our 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 our control, and which may cause our 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 our current expectations and various assumptions. We believe there is a reasonable basis for its expectations and beliefs, but there can be no assurance that we will realize our expectations or that our beliefs will prove to be correct.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause our actual results to differ materially from those expressed as forward-looking statements herein include, but are not limited, to: the ability to recognize the anticipated benefit of the MiX Combination and the FC Acquisition; the possibility that we may not be able to integrate successfully the businesses, operations and employees of MiX Telematics and Fleet Complete; the ability of our supply chain to deliver certain key components; changes in technology or products, which may be more difficult or costly, or less effective, than anticipated; our ability to secure our information technology systems against breaches; the effects of competition from a wide variety of local, regional, national and other providers of wireless solutions; our ability to navigate the international political, economic and geographic landscape; future economic and business conditions, including the conflict between Israel and Hamas; the failure of the markets for our products to continue to develop; our inability to adequately protect our intellectual property; changes in laws and regulations or changes in generally accepted accounting policies, rules and practices; and other risks detailed from time to time in our filings with the Securities and Exchange Commission (the "SEC"), including our Transition Report on Form 10-KT for the period ended March 31, 2024 (the "Form 10-KT").

There may be other factors of which we are currently unaware or which we currently deem immaterial that may cause our actual results to differ materially from the forward-looking statements. All forward-looking statements attributable to us or persons acting on our 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, we undertake 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.

Overview

We are a global leader of Artificial Intelligence-of-Things ("AIoT") solutions providing valuable business intelligence for managing high-value enterprise and mid-market assets that improve operational efficiencies.

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

Our Unity data highway and AIoT ecosystem is the centerpiece of our strategy. Unity has the capability to ingest data from multiple data sources, harmonizing and transforming the dataset, and delivering simply understood insights through a unified Software-as-a-Service ("SaaS") platform.

Unity provides mission-critical solutions from warehouse to trailer to vehicle, allowing customers to consolidate suppliers and gain end-to-end in a single pane of glass.

Unity enables customers to consume their data in multiple ways, from data-powered applications to unified operations integrations, which provide the ability to improve performance of the asset, the individual in charge of the asset and the business process, continuously improving our customers' business performance.

Within the Unity ecosystem, our Powerfleet for Warehouse AIoT solutions are designed to provide on-premise or in-facility asset and operator management, monitoring, and visibility for warehouse and factory 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.

Additionally, within the Unity ecosystem, our Powerfleet for On-Road AIoT solutions are designed to provide bumper-to-bumper AIoT 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 AIoT solutions 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 On-Road AIoT solutions extend to all mobile assets, whether it is 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, enhance safety and sustainability, deliver compliance, and improve customer service.

Our patented technologies are proven solutions 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, Cellocator, MiX by Powerfleet and Fleet Complete.

We have an established history of Internet-of-Things ("IOT") device development, AI and data science expertise, and innovation creating devices that can withstand harsh and rugged environments. With 51 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. Because we are data source and OEM agnostic, we help organizations view and manage their mixed assets homogeneously. All of our solutions are paired with 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 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 AI and 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 for additional integrations and development to boost other enterprise management systems and third-party applications.

We market and sell our Unity ecosystem and our connected AIoT 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, energy and field services. Traditionally, these businesses have relied on multiple vendors, as well as 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, increasingly consolidating their suppliers.

Recent Developments

On April 2, 2024, we consummated the MiX Combination, pursuant to which MiX Telematics became our indirect, wholly owned subsidiary. MiX Telematics is a leading global provider of fleet and mobile asset management solutions delivered as SaaS to over one million global subscribers spanning more than 120 countries. MiX Telematics' products and services provide enterprise fleets, small fleets, and consumers with efficiency, safety, compliance, and security solutions. The acquisition is expected to provide us with operational synergies and access to a broader base of customers.

The consolidated financial statements as of and for the three- and nine-month periods ended December 31, 2024 include the financial results of MiX Telematics and its subsidiaries from the closing date of the MiX Combination. See Note 3, "Acquisition" in Part I, Item 1, "Financial Statements (Unaudited)" for additional information. No operating results for MiX Telematics are included in the comparative period for the three- and nine-month periods ended December 31, 2023.

On May 8, 2024, our Board of Directors approved a change in our fiscal year end from December 31 to March 31 in order to better align our reporting calendar with the April 2, 2024 close of the MiX Combination and MiX Telematics' historical March 31 fiscal year end. This decision was already being considered by Powerfleet executives before the MiX Combination, as part of a broader finance transformation initiative, which includes shifting and outsourcing back-office functions (including central corporate accounting) from the United States to a more cost-effective solution in South Africa. The decision was also driven by aligning the fiscal year with the close of the MiX Combination for investors and aligning the timing of audit work with the winter months in South Africa to help attract and retain accounting talent.

On October 1, 2024, we consummated the FC Acquisition, pursuant to which we acquired Fleet Complete. Fleet Complete is a leading provider of essential fleet, asset, and mobile workforce management solutions across North America, Australia, and Europe. A majority of Fleet Complete's revenue is generated through strong distribution partnerships with major international telecommunications providers and market-leading original equipment manufacturer ("OEM") partners. The consolidated financial statements as of and for the three- and nine-month periods ended December 31, 2024 include the financial results of Fleet Complete and its subsidiaries from the closing date of the FC Acquisition. See Note 3, "Acquisition" in Part I, Item 1, "Financial Statements (Unaudited)" for additional information. No operating results for Fleet Complete are included in the comparative period for the three- and nine-month periods ended December 31, 2023.

Higher interest rates and inflation, fluctuations in currency values, supply chain disruptions and the conflicts between Russia and Ukraine, and between Israel and Hamas, 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. 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.

We have incurred recurring losses and negative cash flows from operations since inception and had an accumulated deficit of $193.3 million as of December 31, 2024.

Management believes our cash and cash equivalents and restricted cash of $38.6 million as of December 31, 2024 in conjunction with the debt proceeds from our lenders, plus cash generated from the execution of our strategic plan over the next 12 months, are sufficient to fund the projected operations for at least the next 12 months from the issuance date of these condensed consolidated financial statements (February 10, 2025) and service our outstanding obligations.

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 the Form 10-KT.

Critical Accounting Policies

For the three- and nine-month periods ended December 31, 2024, there were no significant changes to our critical accounting policies as identified in the Form 10-KT.

Results of Operations

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

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
Revenues:				
Products	37.4 %	23.2 %	36.9 %	24.6 %
Services	62.6 %	76.8 %	63.1 %	75.4 %
Total revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues:				
Cost of products	29.0 %	16.1 %	27.2 %	16.9 %
Cost of services	20.7 %	28.7 %	22.8 %	29.1 %
Total cost of revenues	49.7 %	44.8 %	49.9 %	46.0 %
Gross profit	50.3 %	55.2 %	50.1 %	54.0 %
Operating expenses:				
Selling, general and administrative expenses	56.0 %	52.1 %	53.8 %	57.0 %
Research and development expenses	5.8 %	4.3 %	6.6 %	4.3 %
Total operating expenses	61.8 %	56.4 %	60.4 %	61.3 %
Loss from operations	(11.5)%	(1.2)%	(10.4)%	(7.3)%
Interest income	0.1 %	0.3 %	0.1 %	0.3 %
Interest expense	(3.3)%	(7.5)%	(1.5)%	(5.7)%
Bargain purchase - Movingdots	4.4 %	— %	1.8 %	— %
Other expense, net	— %	(1.9)%	— %	(0.4)%
Net loss before income taxes	(10.3)%	(10.2)%	(10.0)%	(13.0)%
Income tax benefit/(expense)	0.3 %	(3.3)%	(0.2)%	(1.9)%
Net loss before non-controlling interest	(10.0)%	(13.5)%	(10.2)%	(14.9)%
Non-controlling interest	(0.1)%	— %	— %	— %
Net loss	(10.1)%	(13.5)%	(10.2)%	(14.9)%
Accretion of preferred stock	(5.4)%	— %	(5.4)%	— %
Preferred stock dividend	(3.3)%	— %	(3.4)%	(0.0)%
Net loss attributable to common stockholders	(18.8)%	(13.5)%	(19.0)%	(14.9)%

Three Months Ended December 31, 2024 Compared to Three Months Ended December 31, 2023

REVENUES. Revenues increased by $71.9 million, or 208.0%, to $106.4 million in the three months ended December 31, 2024, from $34.6 million in the same period in 2023.

Revenues from products increased by $11.8 million, or 91.1%, to $24.7 million in the three months ended December 31, 2024, from $12.9 million in the same period in 2023. The increase in product revenues was primarily due to the MiX Telematics business acquired which contributed $7.9 million, and the Fleet Complete business acquired which contributed $4.9 million in product revenues for the three months ended December 31, 2024.

Revenues from services increased by $60.1 million, or 277.8%, to $81.7 million in the three months ended December 31, 2024 from $21.6 million in the same period in 2023. The increase in services revenues was principally due to the MiX Telematics business acquired which contributed $35.0 million, and the Fleet Complete business acquired which contributed $24.8 million in service revenues for the three months ended December 31, 2024.

COST OF REVENUES. Cost of revenues increased by $30.5 million, or 177.5%, to $47.6 million in the three months ended December 31, 2024, from $17.2 million for the same period in 2023. The MiX Telematics business acquired contributed $17.3 million to cost of revenues, and the Fleet Complete business acquired contributed $9.2 million for the three months ended December 31, 2024. The remaining increase was mainly due to the amortization of MiX Telematics and Fleet Complete acquisition-related intangibles. Gross profit was $58.8 million in the three months ended December 31, 2024, compared to $17.4 million for the same period in 2023. As a percentage of revenues, gross profit increased to 55.2% in the three months ended December 31, 2024 from 50.3% in the same period in 2023.

Cost of products increased by $7.1 million, or 71.1%, to $17.1 million in the three months ended December 31, 2024, from $10.0 million in the same period in 2023. Gross profit for products was $7.6 million in the three months ended December 31, 2024, compared to $2.9 million in the same period in 2023. As a percentage of product revenues, gross profit increased to 30.6% in the three months ended December 31, 2024 from 22.5% in the same period in 2023. The increase in gross profit as a percentage of product revenues was principally due to a larger proportion of sales being driven by higher margin product lines including in-warehouse solutions.

Cost of services increased by $23.4 million, or 326.1%, to $30.5 million in the three months ended December 31, 2024, from $7.2 million in the same period in 2023. The MiX Telematics business acquired contributed $11.7 million, the Fleet Complete business acquired contributed $5.6 million, and the amortization of MiX Telematics and Fleet Complete acquisition-related intangibles contributed $5.4 million to cost of services for the three months ended December 31, 2024. Gross profit for services was $51.2 million in the three months ended December 31, 2024, compared to $14.5 million in the same period in 2023. As a percentage of service revenues, gross profit decreased to 62.7% in the three months ended December 31, 2024 from 66.9% in the same period in 2023, as a result of the commencement of amortization of MiX Telematics and Fleet Complete acquisition-related intangibles.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (“SG&A”) expenses increased by $36.1 million, or 186.5%, to $55.4 million in the three months ended December 31, 2024, compared to $19.3 million in the same period in 2023, principally due to the MiX Telematics business acquired which contributed $19.8 million, and the Fleet Complete business acquired which contributed $30.7 million, $15.6 million of which was one-time costs, of SG&A expenses for the three months ended December 31, 2024. SG&A expenses included $5.3 million in acquisition-related expenses, $0.5 million in integration related expenses and $0.8 million in restructuring costs for the three months ended December 31, 2024. As a percentage of revenues, SG&A expenses, excluding $6.7 in acquisition-related expenses costs and restructuring costs, decreased to 45.8% in the three months ended December 31, 2024, from 56.0% in the same period in 2023.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development (“R&D”) expenses increased by $2.6 million, or 129.9%, to $4.6 million in the three months ended December 31, 2024, compared to $2.0 million in the same period in 2023, principally due to $1.4 million incurred by the MiX Telematics business post-transaction, and $1.2 million incurred by the Fleet Complete business post-transaction. As a percentage of revenues, R&D expenses decreased to 4.3% in the three months ended December 31, 2024, from 5.8% in the same period in 2023.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss attributable to common stockholders was $14.3 million, or $(0.11) per basic and diluted share, for the three months ended December 31, 2024, as compared to net loss of $6.5 million, or $(0.18) per basic and diluted share, for the same period in 2023. The net loss was primarily the result of $5.3 million in acquisition-related expenses, $0.5 million in integration-related costs, $0.8 million in restructuring costs, $5.4 million from the commencement of amortization of MiX Telematics and Fleet Complete acquisition-related intangibles, and $1.7 million loss from the derivative mark-to-market adjustment.

Nine Months Ended December 31, 2024 Compared to Nine Months Ended December 31, 2023

REVENUES. Revenues increased by $158.0 million, or 156.6%, to $258.9 million in the nine months ended December 31, 2024, from $100.9 million in the same period in 2023.

Revenues from products increased by $26.5 million, or 71.1%, to $63.7 million in the nine months ended December 31, 2024, from $37.2 million in the same period in 2023. The increase in product revenues was primarily due to the MiX Telematics business acquired which contributed $25.6 million, and the Fleet Complete business acquired which contributed $4.9 million in product revenues for the nine months ended December 31, 2024, offset by lower demand from logistics customers in North America.

Revenues from services increased by $131.5 million, or 206.6%, to $195.2 million in the nine months ended December 31, 2024, from $63.7 million in the same period in 2023. The increase in services revenues was principally due to the MiX Telematics business acquired which contributed $104.8 million, and the Fleet Complete business acquired which contributed $24.8 million in service revenues for the nine months ended December 31, 2024.

COST OF REVENUES. Cost of revenues increased by $68.7 million, or 136.4%, to $119.1 million in the nine months ended December 31, 2024, from $50.4 million for the same period in 2023. The MiX Telematics acquired business contributed $54.2 million, and the Fleet Complete business acquired contributed $9.2 million to cost of revenues for the nine months ended December 31, 2024. Gross profit was $139.8 million in the nine months ended December 31, 2024, compared to $50.5 million for the same period in 2023. As a percentage of revenues, gross profit increased to 54.0% in the nine months ended December 31, 2024 from 50.1% in the same period in 2023.

Cost of products increased by $16.4 million, or 59.9%, to $43.8 million in the nine months ended December 31, 2024, from $27.4 million in the same period in 2023. Gross profit for products was $19.9 million in the nine months ended December 31, 2024, compared to $9.8 million in the same period in 2023. As a percentage of product revenues, gross profit increased to 31.2% in the nine months ended December 31, 2024 from 26.4% in the same period in 2023. The increase in gross profit as a percentage of product revenues was principally due to a larger proportion of sales being driven by higher margin product lines including in-warehouse solutions.

Cost of services increased by $52.3 million, or 227.7%, to $75.3 million in the nine months ended December 31, 2024, from $23.0 million in the same period in 2023. The MiX Telematics acquired business contributed $36.6 million, the Fleet Complete business acquired contributed $5.6 million, and the amortization of MiX Telematics and Fleet Complete acquisition-related intangibles contributed $9.6 million to cost of services for the nine months ended December 31, 2024. Gross profit for services was $119.9 million in the nine months ended December 31, 2024, compared to $40.7 million in the same period in 2023. As a percentage of service revenues, gross profit decreased to 61.4% in the nine months ended December 31, 2024 from 63.9% in the same period in 2023. The decrease in gross profit as a percentage of revenues was mainly due to the commencement of amortization of MiX Telematics and Fleet Complete acquisition-related intangibles.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by $93.2 million, or 171.6%, to $147.5 million in the nine months ended December 31, 2024, compared to $54.3 million in the same period in 2023, principally due to the MiX Telematics business acquired which contributed $63.8 million, $8.6 million of which was one-time costs, and the Fleet Complete business acquired which contributed $30.7 million, $15.6 million of which was one-time costs, of SG&A expenses, $20.9 million in acquisition-related expenses, $4.7 million in accelerated stock-based compensation costs and $3.1 million in restructuring costs for the nine months ended December 31, 2024. As a percentage of revenues, SG&A expenses, excluding $30.9 million in acquisition-related, restructuring and accelerated stock-based compensation costs, decreased to 45.0% in the nine months ended December 31, 2024, from 53.8% in the same period in 2023.

RESEARCH AND DEVELOPMENT EXPENSES. R&D expenses increased by $4.5 million, or 67.6%, to $11.2 million in the nine months ended December 31, 2024, compared to $6.7 million in the same period in 2023, principally due to $4.3 million incurred by the MiX Telematics, and $1.2 million incurred by the Fleet Complete business post-transaction. As a percentage of revenues, R&D expenses decreased to 4.3% in the nine months ended December 31, 2024, from 6.6% in the same period in 2023.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss attributable to common stockholders was $38.6 million, or $(0.33) per basic and diluted share, for the nine months ended December 31, 2024, as compared to net loss of

$19.2 million, or $(0.54) per basic and diluted share, for the same period in 2023. The net loss was primarily the result of $20.9 million in acquisition-related expenses, $2.3 million in integration-related costs, $3.1 million in restructuring costs, $4.7 million in accelerated stock-based compensation costs and $9.6 million from the commencement of amortization of MiX Telematics and Fleet Complete acquisition-related intangibles, partially offset by $0.5 million gain in other income from the derivative mark-to-market adjustment.

Non-GAAP Financial Information

We use certain measures to assess the financial performance of our business. Certain of these measures are termed “non-GAAP measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with GAAP, or are calculated using financial measures that are not calculated in accordance with GAAP. These non-GAAP measures include adjusted EBITDA.

An explanation of the relevance of the non-GAAP measure, a reconciliation of the non-GAAP measure to the most directly comparable measure calculated and presented in accordance with GAAP and a discussion of its limitations is set out below. We do not regard this non-GAAP measures as a substitute for, or superior to, the equivalent measure calculated and presented in accordance with GAAP or that calculated using financial measure that is calculated in accordance with GAAP.

Adjusted EBITDA

We define adjusted EBITDA as net loss attributable to common stockholders before non-controlling interest, preferred stock dividend and accretion, interest expense (net), income tax benefit/expense, depreciation and amortization, stock-based compensation, foreign currency losses/gains, restructuring-related expenses, gain on bargain purchase (Movingdots), derivative mark-to market adjustment, recognition of pre-October 1, 2024 contract assets (Fleet Complete), acquisition-related expenses and integration-related expenses.

We have included adjusted EBITDA in this Quarterly Report on Form 10-Q because it is a key measure that our management and board of directors use to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short and long-term operational plans. In particular, the exclusion of certain expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results. Because our method for calculating adjusted EBITDA may differ from other companies’ methods, the non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

A reconciliation of net loss attributable to common stockholders (the most directly comparable financial measure presented in accordance with GAAP) to adjusted EBITDA for the periods shown is presented below.

Reconciliation of Net Loss Attributable to Common Stockholders to Adjusted EBITDA

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2023	2024	2023	2024
	(In thousands)			
Net loss attributable to common stockholders	$ (6,510)	$ (14,349)	$ (19,190)	$ (38,573)
Non-controlling interest	32	(1)	38	17
Preferred stock dividend and accretion	3,007	—	8,870	25
Interest expense, net	798	7,583	1,386	13,844
Income tax (benefit)/expense	(92)	3,513	197	4,821
Depreciation and amortization	2,348	13,643	7,155	33,042
Stock-based compensation	1,123	1,138	3,076	8,438
Foreign currency losses/(gains)	152	543	(259)	1,288
Restructuring-related expenses	144	841	711	3,108
Gain on bargain purchase - Movingdots	(1,517)	—	(1,800)	—
Derivative mark-to-market adjustment	—	1,722	—	(475)
Recognition of pre-October 1, 2024 contract assets (Fleet Complete)	—	2,041	—	2,041
Acquisition-related expenses	3,685	5,301	5,140	20,872
Integration-related expenses	—	520	—	2,259
Adjusted EBITDA	$ 3,170	$ 22,495	$ 5,324	$ 50,707

Our use of adjusted EBITDA has limitations as analytical tools and should not be considered as performance measures in isolation from, or as a substitute for, analysis of our results as reported under GAAP.

Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us;
- other companies, including companies in our industry, may calculate adjusted EBITDA differently, which reduces its usefulness as a comparative measure; and
- certain of the adjustments (such as restructuring costs) made in calculating adjusted EBITDA are those that management believes are not representative of our underlying operations and, therefore, are subjective in nature.

Because of these limitations, adjusted EBITDA should be considered alongside other financial performance measures, including loss from operations, net loss and our other results.

Liquidity and Capital Resources

On April 2, 2024, we consummated the MiX Combination, pursuant to which MiX Telematics became our indirect, wholly owned subsidiary. The Implementation Agreement required, as a condition to closing of the MiX Combination, that we obtain debt and/or equity financing in an amount sufficient to provide for the redemption in full of all outstanding shares of our Series A Preferred Stock. On April 2, 2024, concurrently with the closing of the MiX Combination, we used the net proceeds received from the RMB Facilities described above and incremental borrowing capacity as a result of the refinancing of Credit Facilities to redeem the full $90.3 million value of the outstanding shares of Series A Preferred Stock.

In addition, our wholly owned subsidiaries, Powerfleet Israel and Pointer (collectively, the “Borrowers”) were party to the Prior Credit Agreement with Hapoalim, 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 (composed of two facilities in the aggregate principal amounts of $20 million and $10 million, respectively) and a five-year revolving credit facility to Pointer denominated in NIS in an initial aggregate principal amount of $10 million. The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in our acquisition of Pointer.

On March 18, 2024, the Borrowers entered into the A&R Credit Agreement, which refinanced the facilities under, and amended and restated, the Prior Credit Agreement. The A&R Credit Agreement provides for (i) two senior secured term loan facilities denominated in NIS to Powerfleet Israel in an aggregate principal amount of $30 million (composed of Hapoalim Facility A and Hapoalim Facility B in the aggregate principal amounts of $20 million and $10 million, respectively) and (ii) two revolving credit facilities to Pointer in an aggregate principal amount of $20 million (composed of Hapoalim Facility C and Hapoalim Facility D in the aggregate principal amounts of $10 million and $10 million, respectively). The Hapoalim Term Facilities will mature on March 18, 2029. The Hapoalim Revolving Facilities are available for successive one-month periods until and including March 18, 2025, unless the Borrowers deliver prior notice to Hapoalim of their request not to renew the Hapoalim Revolving Facilities.

On March 18, 2024, Powerfleet Israel drew down $30 million in cash under the Hapoalim Term Facilities and used the proceeds to prepay approximately $11.2 million, representing the remaining outstanding balance, of the term loans extended to Powerfleet Israel under the Prior Credit Agreement and distributed the remaining proceeds to us. The proceeds of the Hapoalim Revolving Facilities may be used by Pointer for general corporate purposes, including working capital and capital expenditures. As of December 31, 2024, Powerfleet Israel had utilized approximately $14.2 million under the Hapoalim Revolving Facilities.

The Hapoalim Credit Facilities continue to be secured by first ranking and exclusive fixed and floating charges, including by Powerfleet Israel over the entire share capital of Pointer and by Pointer over all of its assets, as well as cross guarantees between Powerfleet Israel and Pointer, except that the Borrowers’ holdings in Pointer do Brasil Comercial Ltda., Pointer Argentina and Pointer South Africa are excluded from such floating charges. No other assets of our company will serve as collateral under the Hapoalim Credit Facilities.

The interest rates for borrowings under Hapoalim Facility A and Hapoalim Facility B are Hapoalim’s prime rate + 2.2% per annum, and Hapoalim’s prime rate + 2.3% per annum, respectively. Hapoalim’s prime rate at December 31, 2024 was 6%. Interest is payable quarterly on March 25, June 25, September 25, and December 25 over five years. The first interest period ended on June 25, 2024. Hapoalim Facility A amortizes in quarterly installments over its five-year term and will be payable in the following aggregate annual amounts: (i) 10% of the principal amount of Hapoalim Facility A from March 18, 2024 until March 18, 2025, (ii) 25% of the principal amount of Hapoalim Facility A from March 18, 2025 until March 18, 2026, (iii) 27.5% of the principal amount of Hapoalim Facility A from March 18, 2026 until March 18, 2027, (iv) 27.5% of the principal amount of Hapoalim Facility A from March 18, 2027 until March 18, 2028, and (v) 10% of the principal amount of Hapoalim Facility A from March 18, 2028 until March 18, 2029. Hapoalim Facility B does not amortize and will be payable in full on March 18, 2029.

The interest rate for borrowings under Hapoalim Facility C is, with respect to NIS-denominated loans, Hapoalim’s prime rate + 2.5%, and with respect to U.S. dollar-denominated loans, SOFR + 2.15%. Borrowings under Hapoalim Facility D will bear interest at the applicable interest rate set forth in the standard form documents entered into in connection with each utilization of Hapoalim Facility D. In addition, Pointer is required to pay a credit allocation fee in NIS, with respect to Hapoalim Facility C, and a non-utilization fee in U.S. dollars, with respect to Hapoalim Facility D, in each case, equal to 0.5% per annum on undrawn and uncancelled amounts of the revolving facilities during the period commencing on March 18, 2024 and ending on the last day of the applicable availability period of such revolving facilities. The

Borrowers have also paid certain upfront fees and other fees and expenses to Hapoalim in connection with the A&R Credit Agreement.

On December 30, 2024, the Borrowers entered into an amendment (the "Amendment") to the A&R Credit Agreement. The Amendment increases the principal amount available under Hapoalim Facility D from $10 million to $20 million and provides that the total principal amount of Hapoalim Facility D may be distributed to us or any of our subsidiaries by no later than December 31, 2025, subject to certain terms and conditions of the A&R Credit Agreement.

On March 7, 2024, we entered into the Facilities Agreement with RMB, pursuant to which RMB agreed to provide us with the RMB Facilities in an aggregate principal amount of $85 million, composed of RMB Facility A and RMB Facility B, each having a principal amount of $42.5 million. We drew down $85 million in cash under the RMB Facilities on March 13, 2024. The interest rates of RMB Facility A and RMB Facility B are 8.699% per annum and 8.979% per annum, respectively. Interest is payable quarterly in arrears. The principal under RMB Facility A and RMB Facility B is repayable in one installment on March 31, 2027 and March 31, 2029, respectively.

Following the signing of the Facilities Agreement with RMB and MiX Telematics entered into the Credit Agreement on March 14, 2024, for the RMB General Facility. The Credit Agreement and the rights and obligations of the parties are subject to the terms and conditions of the Facilities Agreement entered into on March 7, 2024.

The RMB General Facility is repayable on demand and has a term of 365 days from the Available Date (as defined therein). Repayment of the RMB General Facility, including capitalized interest, is due by the earlier of (a) the Available Date or (b) April 2, 2025, unless extended by agreement between MiX Telematics and RMB. Interest rate for the RMB General Facility is calculated at South African prime rate minus 0.75% per annum and will be calculated on the daily outstanding balance, compounded monthly in arrears and repaid quarterly. As of December 31, 2024, $15,944 of the RMB General Facility was utilized.

On September 27, 2024, we entered into the Facility Agreement with RMB, pursuant to which RMB agreed to provide us with the New RMB Term Facility in an aggregate principal amount of $125 million. On October 1, 2024, we drew down $125 million in cash under the New RMB Term Facility to pay a portion of the Purchase Price for the FC Acquisition. Interest is payable quarterly in arrears at an interest rate of 5% per annum plus the applicable term SOFR reference rate. The principal is repayable in one installment on October 31, 2029.

As a result of global supply chain disruptions, the conflicts between Russia and Ukraine and between Israel and Hamas, rising 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 the available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures and borrowing under our revolving credit facility.

Capital Requirements

As of December 31, 2024, we had cash and cash equivalents (including restricted cash) of $38.6 million and working capital of $30.5 million compared to cash and cash equivalents (including restricted cash) of $109.7 million and working capital of $126.2 million as of March 31, 2024. Our primary sources of cash are cash flows from sales of products and services, our holdings of cash, cash equivalents and proceeds from the sale of our capital stock and borrowings under our credit facilities. The FC Acquisition is a source of positive cash flow, together with the MiX Combination completed on April 2, 2024. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

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 nine months ended December 31, 2024, net cash used in operating activities was $16.9 million, compared to net cash provided by operating activities of $2.6 million for the same period in 2023. The net cash used in operating activities for the nine months ended December 31, 2024 primarily included non-cash charges of $8.4 million for stock-based compensation, $33.0 million for depreciation and amortization expense, $7.2 million for bad debts expense, $0.9 million for shares issued for transaction bonuses related to the MiX Combination, $1.6 million for inventory reserve, $0.7 million for other non-cash items, $4.3 million for ROU asset amortization, partially offset by $0.5 million for derivative mark-to-market adjustment. Changes in operating assets and liabilities included:

- an increase in accounts receivables of $15.2 million;
- a decrease in accounts payable of $15.7 million;
- an increase in deferred costs of $5.1 million;
- a decrease in lease liabilities of $4.1 million;
- a decrease in net severance fund of $0.6 million; offset by
- a decrease in prepaid expenses and other assets of $2.1 million;
- a decrease in inventory, net of reserve of $2.6 million; and
- an increase in deferred revenue of $1.0 million.

Investing Activities

Net cash used in investing activities for the nine months ended December 31, 2024 was $160.5 million, compared to net cash used in investing activities of $5.3 million for the same period in 2023. The net cash used by investing activities was primarily due to $137.1 million in acquisitions, net of cash assumed from the MiX Combination and FC acquisition, $16.6 million for the purchase of fixed assets and $7.3 million for capitalized software development costs. The net cash used in investing activities of $5.3 million in the same period in 2023 was primarily for the purchase of fixed assets of $2.4 million and $2.9 million for capitalized software development costs.

Financing Activities

During the nine months ended December 31, 2024, net cash provided by financing activities was $107.6 million, compared to $2.3 million net cash used in financing activities for the same period in 2023. The cash provided by financing activities was primarily due to proceeds from long-term debt of $125.0 million, less payment of debt costs of $1.4 million, $66.5 million received from the Private Placement related to the FC Acquisition, less costs, $11.9 million received from short-term bank debt, and $0.9 million proceeds from exercise of stock options, partially offset by the repayment of Series A Preferred Stock of $90.3 million following the MiX Combination, purchase of treasury stock upon vesting of restricted stock of $2.8 million, and repayment of long-term debt of $2.1 million.

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.

Inflation

Inflation and other macroeconomic conditions in the United States 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 April 2, 2024, we consummated the MiX Combination, pursuant to which MiX Telematics became our indirect, wholly owned subsidiary. On October 1, 2024, we consummated the FC Acquisition, pursuant to which Fleet Complete became our wholly owned subsidiary. See Note 3, “Acquisition,” in Part I, Item 1, “Financial Statements (Unaudited)” for additional information.

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.

We maintain disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Due to the inherent limitations of controls systems, irrespective of how well controls are designed and operated, not all misstatements may be detected. These inherent limitations include, but are not limited to faulty judgments in decision-making, breakdown in controls can occur because of a simple error or mistake and/or controls can be circumvented by the individual act of persons, by the collusion of two or more people, or by management override of control.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness, as of December 31, 2024, of our internal control over financial reporting. Based on that evaluation, we concluded that our internal control over financial reporting was not effective as of December 31, 2024, due to material weaknesses in our internal control over financial reporting as disclosed in the 2023 Annual Report and the Form 10-KT.

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 our annual or interim financial statements will not be prevented or detected on a timely basis. Management has identified material weaknesses in the design and operation of controls related to the determination of standalone selling prices, cost capitalized for internal use software, the accounting for business acquisitions, valuation of goodwill, measurement and valuation of the convertible redeemable preferred stock and the financial statement close process, which includes the information technology general controls in the areas of user access and change management over key information technology systems that support our financial reporting processes, the related process-level information technology dependent manual controls and application controls.

As disclosed in Note 3, “Acquisition,” in Part I, Item 1, “Financial Statements (Unaudited),” we completed the MiX Combination on April 2, 2024 and the FC Acquisition on October 1, 2024. We excluded both MiX Telematics’ and Fleet Complete’s disclosure controls and procedures that are subsumed by their internal control over financial reporting from the scope of management’s assessment of the effectiveness of our disclosure controls and procedures. This exclusion is in accordance with the guidance issued by the SEC that an assessment of a recently acquired business’s internal control over financial reporting may be omitted from management’s assessment of internal control over financial reporting for one year following the business combination and/or acquisition. As a result of our integration of MiX Telematics’ and Fleet Complete’s disclosure controls and procedures, certain controls will be evaluated and may be changed. MiX Telematics’ total revenues constituted approximately 50% of our consolidated revenues for the nine months ended December 31, 2024. MiX Telematics’ total assets constituted approximately 28% of our consolidated total assets as of December 31, 2024. Fleet Complete’s total revenues constituted approximately 28% of our consolidated revenues for the three months (since the acquisition) ended December 31, 2024. Fleet Complete’s total assets constituted approximately 16% of our consolidated total assets as of December 31, 2024.

Remediation

As described in “Item 9A. Controls and Procedures” in Part II of the 2023 Annual Report and the Form 10-KT, we started the implementation of the remediation plan to address the material weaknesses mentioned above, including the material weakness reported for MiX Telematics. The remediation plan includes:

- Investigating and understanding the root causes of the control deficiencies that resulted in the material weaknesses, and continuing to refine the remediation plan in conjunction with the integration of operations, procedures, control processes and information systems;
- Utilizing external resources to support efforts to rework certain control gaps across the various processes in Israel and the United States with identified deficiencies;
- Implementing enhanced documentation associated with management review controls and validation of the completeness and accuracy of key reports across the group; and

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

In addition, as part of the integration of MiX Telematics' and Fleet Complete's businesses, we are in the process of migrating and integrating the central corporate accounting functions and teams. This integration includes:

- Adopting and implementing a standardized ERP system to be used across the company;
- Evaluating and integrating accounting principles to align and adopt consistent accounting policies and practices;
- Leveraging a larger highly qualified central corporate accounting team; and
- Utilizing a more mature internal risk team to coordinate management's efforts to design and implement systems, processes and controls that are documented and widely understood and followed throughout the organization.

Management will continue with the implementation of the remediation plan and will reassess and test the design and operating effectiveness of controls. The material weaknesses will not be considered remediated until applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively.

b. Changes in internal control over financial reporting.

Except for the controls related to the material weaknesses reported in the 2023 Annual Report and the Form 10-KT related to the measurement and valuation of the acquired assets and liabilities assumed in connection with the business acquisitions, the annual measurement and valuation of our reporting unit, controls over the financial statement close process, specifically that the primary ERP had ineffective IT general controls in the area of user access and change management over key IT systems that support the financial reporting processes, and the measurement and valuation of the convertible redeemable preferred stock, there were no other changes in our system of internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the quarter ended December 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

During the quarter ended June 30, 2024, we completed the MiX Combination and during the quarter ended December 31, 2024, we completed the FC Acquisition. As part of our ongoing post-transactions activities, we continue the process of planning and rolling out the implementation of a single ERP and subscription billing system to all Powerfleet operations. Furthermore, as part of our integration activities, we expect additional changes to the internal control over financial reporting as we continue with our integration activities, which include the evaluation, rationalization and standardization of internal control over financial reporting. While we believe the controls in the post-transaction environment, supported by a uniform ERP system, will enhance the internal control environment, there are inherent risks associated to the integration and implementation of a new ERP system. We will continue to evaluate the processes and controls related to the integration and system implementation, as well as the assessment of the design adequacy and operating effectiveness of internal control over financial reporting throughout fiscal year 2025.

Other than as described above under "*Remediation*", the integration efforts and the implementation of the ERP system, there were no changes to the Company's internal control over financial reporting, as defined in Rule 13a-15(f) and 15d- 15(f) promulgated under the Exchange Act, during the three months ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of its business, we are 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

Our business is subject to numerous risks, a number of which are described under Part I, Item 1A. "Risk Factors" in the Form 10-KT. As of December 31, 2024, there have been no material changes to the risk factors previously disclosed, other than as set forth below.

We may not realize the anticipated benefits and cost savings of the MiX Combination and FC Acquisition.

The success of the MiX Combination and the FC Acquisition will depend, in part, on our ability to realize the anticipated benefits and cost savings from combining the businesses. Our ability to realize these anticipated benefits and cost savings is subject to certain risks, including, among others:

- the parties' ability to successfully combine their respective businesses;
- the risk that the combined businesses will not perform as expected;
- the extent to which the parties will be able to realize the expected synergies, which include realizing potential savings from re-assessing priority assets and aligning investments, eliminating duplication and redundancy, adopting an optimized operating model between the companies and leveraging scale, and creating value resulting from the combination of the three businesses;
- the possibility that the aggregate consideration being paid for MiX Telematics and Fleet Complete is greater than the value we will derive from the MiX Combination and the FC Acquisition;
- the possibility that the combined company will not achieve the unlevered free cash flow that the parties have projected;
- the incurrence of additional indebtedness in connection with the MiX Combination and the FC Acquisition and the resulting limitations placed on the combined company's operations; and
- the assumption of known and unknown liabilities of MiX Telematics and Fleet Complete, including potential tax and employee-related liabilities.

If we are not able to successfully integrate the businesses within the anticipated time frame, or at all, the anticipated cost savings, synergies operational efficiencies and other benefits of the MiX Combination and the FC Acquisition may not be realized fully or may take longer to realize than expected, and the combined company may not perform as expected.

Integrating our, MiX Telematics' and Fleet Complete's businesses may be more difficult, time-consuming or costly than expected.

We and MiX Telematics operated independently prior to completion of the MiX Combination on April 2, 2024, and we, together with MiX Telematics, and Fleet Complete operated independently prior to completion of the FC Acquisition on October 1, 2024. There can be no assurances that our businesses can be integrated successfully. It is possible that the integration process could result in the loss of key employees, the disruption of our company's ongoing business or unexpected integration issues, such as higher than expected integration costs and an overall post-completion integration process that takes longer than originally anticipated. Specifically, issues that must be addressed in integrating the operations of our company, MiX Telematics and Fleet Complete in order to realize the anticipated benefits of the transactions so that the combined business performs as expected include, among others:

- combining the companies' separate operational, financial, reporting and corporate functions;
- integrating the companies' technologies, products and services;
- identifying and eliminating redundant and underperforming operations and assets;
- harmonizing the companies' operating practices, employee development, compensation and benefit programs, internal controls and other policies, procedures and processes;
- addressing possible differences in corporate cultures and management philosophies;
- maintaining employee morale and retaining key management and other employees;
- attracting and recruiting prospective employees;
- consolidating the companies' corporate, administrative and information technology infrastructure;
- coordinating sales, distribution and marketing efforts;
- managing the movement of certain businesses and positions to different locations;
- maintaining existing agreements with customers and vendors and avoiding delays in entering into new agreements with prospective customers and vendors;
- coordinating geographically dispersed organizations; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

In addition, at times, the attention of certain members of our management and our resources may be focused on the integration of the businesses and diverted from day-to-day business operations, which may disrupt our ongoing business and, consequently, the business of the combined company.

The market price for shares of our common stock may decline as a result of the MiX Combination and the FC Acquisition, including as a result of some of our stockholders adjusting their portfolios.

The market value of our common stock at the time of consummation of each of the MiX Combination and the FC Acquisition varied significantly from the prices of our common stock before the date the respective transaction agreements were executed and the respective closing dates of the transactions. The market price of our common stock may decline if, among other things, the operational cost savings estimates in connection with the integration of our, MiX Telematics' and Fleet Complete's business are not realized, or if the costs related to the MiX Combination and FC Acquisition are greater than expected. The market price also may decline if we do not achieve the perceived benefits of the MiX Combination and FC Acquisition as rapidly or to the extent anticipated by financial or industry analysts or if the effect of the MiX Combination and FC Acquisition on our financial position, results of operations or cash flows is not consistent with the expectations of financial or industry analysts.

In addition, sales of our common stock by our stockholders after the completion of the MiX Combination and FC Acquisition may cause the market price of our common stock to decrease. Existing shareholders may decide to sell their shares of our common stock. Certain of our other stockholders, such as funds with limitations on their permitted holdings of stock in individual issuers, may be required to sell shares of our common stock. Such sales of our common stock could have the effect of depressing the market price for our common stock.

Any of these events may make it more difficult for us to sell equity or equity-related securities and have an adverse impact on the price of our common stock.

The MiX Combination and the FC Acquisition may not be accretive, and may be dilutive, to the combined company's earnings per share, which may negatively affect the market price of shares of our common stock.

We currently believe the MiX Combination and the FC Acquisition will result in a number of benefits, including cost savings, operating efficiencies, and stronger demand for our products and services, and that the MiX Combination and FC Acquisition will be accretive to our earnings. This belief is based, in part, on preliminary current estimates that may materially change. In addition, future events and conditions, including adverse changes in market conditions, additional transaction and integration-related costs and other factors such as the failure to realize some or all of the anticipated benefits of the MiX Combination and FC Acquisition, could decrease or delay the accretion that is currently anticipated or could result in dilution. Any dilution of, or decrease in or delay of any accretion to, the combined company's earnings per share could cause the price of shares of our common stock to decline or grow at a reduced rate.

In connection with the MiX Combination and the FC Acquisition, we have incurred significant additional indebtedness to finance the redemption of our Series A preferred stock and the acquisition of Fleet Complete.

The closing of debt and/or equity financing in an amount sufficient to provide for the redemption in full in cash of all outstanding shares of the Series A Preferred Stock was a condition to closing the MiX Combination. On March 7, 2024, we, together with certain of our wholly owned subsidiaries, entered into the Facilities Agreement with RMB, pursuant to which RMB agreed to provide us with the RMB Facilities in an aggregate principal amount of $85 million, the proceeds of which may be used to redeem all the outstanding shares of the Series A Preferred Stock and for general corporate purposes. On March 13, 2024, we drew down all $85 million available under such facilities. On April 2, 2024, concurrently with the closing of the MiX Combination, we used the net proceeds received from RMB and from incremental borrowing capacity as a result of the refinancing of Hapoalim Credit Facilities to redeem in full all of the outstanding shares of the Series A Preferred Stock.

Additionally, on September 27, 2024, we entered into the Facility Agreement with RMB, pursuant to which RMB agreed to provide us with the New RMB Term Facility in an aggregate principal amount of $125 million. On October 1, 2024, we drew down the full amount of the New RMB Term Facility and used the proceeds to pay a portion of the Purchase Price in the FC Acquisition.

The indebtedness we incurred in connection with the MiX Combination and FC Acquisition will have the effect of, among other things, reducing our flexibility to respond to changing business and economic conditions, will increase our borrowing costs and, to the extent that such indebtedness is subject to floating interest rates, may increase our vulnerability to fluctuations in market interest rates. The increased levels of indebtedness could also reduce funds available to fund efforts to combine our, MiX Telematics' and Fleet Complete's businesses and realize expected benefits of the MiX Combination and the FC

Acquisition and/or engage in investments in product development, capital expenditures and other activities and may create competitive disadvantages for the combined company relative to other companies with lower debt levels.

Fleet Complete derives a significant portion of its revenues from two major customers, the loss of one or more of which could have a materially adverse effect on our business.

We strive to maintain a diverse customer base; however, a significant portion of Fleet Complete's operating revenues is generated from two major North American telecommunications companies, the loss of one or more of which could have a material adverse effect on our business. Approximately 42% and 44% of Fleet Complete's revenues during the years ended September 30, 2023 and 2022, respectively, were derived from these two major customers. Loss of business from these customers could have an adverse effect on our business, financial condition and operating results. There is no assurance any of our customers, including these two customers, will continue to utilize our services, renew our existing contracts, or continue to purchase our products and services at the same volume levels.

These risks should be carefully considered together with the other information set forth in this report, which could materially affect our business, financial condition, and future results. The risks described under Part I, Item 1A. "Risk Factors" on our Form 10-KT are not the only risks that we face. Risks and uncertainties not currently known to us, or that we currently deem to be immaterial, also may have a material adverse impact on our business, financial condition and results of operations.

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

None.

Item 6. Exhibits

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

Exhibits:

Exhibit Number	Description
2.2	Amending Agreement No. 1 (Share Purchase Agreement), dated October 1, 2024, by and between Powerfleet, Inc. and Powerfleet Canada Holdings Inc. and Golden Eagle Topco, LP (incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K of Powerfleet, Inc., filed with the SEC on October 1, 2024).†
10.1	Registration Rights Agreement, dated October 1, 2024, by and between Powerfleet, Inc. and Ontario Teachers' Pension Plan Board (incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K of Powerfleet, Inc., filed with the SEC on October 2, 2024).†
10.2	Amendment No. 1, effective as of December 30, 2024, to the Amended and Restated Credit Agreement, dated March 18, 2024, by and among Powerfleet Israel Ltd., Pointer Telocation Ltd. and Bank Hapoalim B.M (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Powerfleet, Inc., filed with the SEC on January 3, 2025).†
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 December 31, 2024, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2024; (ii) Condensed Consolidated Statements of Operations for the three and nine months ended December 31, 2023 and 2024; (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended December 31, 2023 and 2024; (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity for the periods April 1, 2023 through December 31, 2023 and April 1, 2024 through December 31, 2024 (v) Condensed Consolidated Statements of Cash Flows for the nine months ended December 31, 2023 and 2024; and (vi) Notes to Condensed Consolidated Financial Statements.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2024, formatted in Inline XBRL (included as Exhibit 101).

* Furnished herewith.

† Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplemental copies of any of the omitted schedules or exhibits upon request by the SEC.

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: February 10, 2025	*By: /s/ Steve Towe* Steve Towe Chief Executive Officer (Principal Executive Officer)
Date: February 10, 2025	*By: /s/ David Wilson* David Wilson Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATE OF PRINCIPAL EXECUTIVE OFFICER

Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Steve Towe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Powerfleet, Inc. (the “Registrant”);
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 (the Registrant’s fourth fiscal quarter in the case of an annual report) 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: February 10, 2025 *<u>/s/ Steve Towe</u>*

Steve Towe
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATE OF PRINCIPAL FINANCIAL OFFICER

Pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, David Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Powerfleet, Inc. (the "Registrant");
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 (the Registrant's fourth fiscal quarter in the case of an annual report) 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: February 10, 2025 /s/ David Wilson

David Wilson
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32

CERTIFICATE OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Powerfleet, Inc. (the "Company") to which this certification is attached and as filed with the Securities and Exchange Commission (the "SEC") on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to Rule 13a-14(b) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: February 10, 2025 /s/ Steve Towe

Steve Towe
Chief Executive Officer
(Principal Executive Officer)

Date: February 10, 2025 /s/ David Wilson

David Wilson
Chief Financial Officer
(Principal Financial and Accounting Officer)

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 Report 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 the Company and will be retained by the Company and furnished to the SEC or its staff upon request.