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

FORM 10-Q

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

For the quarterly period ended June 30, 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)

December 31
(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 August 16, 2024 was 107,758,010.

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 *	June 30, 2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24,354	**$ 30,242**
Restricted cash	85,310	**1,151**
Accounts receivables, net of allowance for credit losses of $3,197 and $3,727 as of March 31, 2024 and June 30, 2024, respectively	30,333	**60,132**
Inventory, net	21,658	**25,832**
Deferred costs - current	42	**24**
Prepaid expenses and other current assets	8,091	**16,498**
Total current assets	169,788	**133,879**
Fixed assets, net	12,719	**49,705**
Goodwill	83,487	**300,775**
Intangible assets, net	19,652	**170,093**
Right-of-use asset	7,428	**10,722**
Severance payable fund	3,796	**3,760**
Deferred tax asset	2,781	**3,544**
Other assets	9,029	**12,435**
Total assets	$ 308,680	**$ 684,913**
LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	$ 1,951	**$ 27,604**
Accounts payable and accrued expenses	34,008	**68,771**
Deferred revenue - current	5,842	**10,019**
Lease liability - current	1,789	**2,441**
Total current liabilities	43,590	**108,835**
Long-term debt - less current maturities	113,810	**111,957**
Deferred revenue - less current portion	4,892	**4,825**
Lease liability - less current portion	5,921	**8,555**
Accrued severance payable	4,597	**4,533**
Deferred tax liability	4,465	**52,645**
Other long-term liabilities	2,496	**3,015**
Total liabilities	179,771	**294,365**
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 June 30, 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 109,641 shares issued at March 31, 2024 and June 30, 2024, respectively; shares outstanding, 37,212 and 107,578 at March 31, 2024 and June 30, 2024, respectively		387		**1,096**
Additional paid-in capital		202,607		**578,514**
Accumulated deficit		(154,796)		**(177,108)**
Accumulated other comprehensive loss		(985)		**(567)**
Treasury stock; 1,497 and 2,063 common shares at cost at March 31, 2024 and June 30, 2024, respectively		(8,682)		**(11,518)**
Total Powerfleet, Inc. stockholders' equity		38,531		**390,417**
Non-controlling interest		105		**131**
Total equity		38,636		**390,548**
Total liabilities, convertible redeemable preferred stock, and stockholders' equity	$	308,680	**$**	**684,913**

* Derived from audited balance sheet as of March 31, 2024.

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 June 30, 2023 (As Restated)	Three Months Ended June 30, 2024
Revenues:		
Products	$ 11,084	**$ 18,738**
Services	21,008	**56,692**
Total revenues	32,092	**75,430**
Cost of revenues:		
Cost of products	8,550	**12,751**
Cost of services	7,524	**23,031**
Total cost of revenues	16,074	**35,782**
Gross profit	16,018	**39,648**
Operating expenses:		
Selling, general and administrative expenses	17,198	**54,782**
Research and development expenses	2,221	**3,101**
Total operating expenses	19,419	**57,883**
Loss from operations	(3,401)	**(18,235)**
Interest income	22	**304**
Interest expense	(173)	**(2,691)**
Bargain purchase - Movingdots	283	**—**
Other income, net	—	**(624)**
Net loss before income taxes	(3,269)	**(21,246)**
Income tax benefit/(expense)	6	**(1,053)**
Net loss before non-controlling interest	(3,263)	**(22,299)**
Non-controlling interest	(6)	**(13)**
Net loss	(3,269)	**(22,312)**
Accretion of preferred stock	(1,772)	**—**
Preferred stock dividend	(1,129)	**(25)**
Net loss attributable to common stockholders	$ (6,170)	**$ (22,337)**
Net loss per share attributable to common stockholders - basic and diluted	$ (0.17)	**$ (0.21)**
Weighted average common shares outstanding - basic and diluted	35,605	**107,136**

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,	
	2023 (As Restated)	**2024**
Net loss attributable to common stockholders	$ (6,170)	**$ (22,337)**
Foreign currency translation adjustment	100	**418**
Total other comprehensive income	100	**418**
Comprehensive loss	$ (6,070)	**$ (21,919)**

See accompanying notes to condensed consolidated financial statements.

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

Three Months Ended June 30, 2023 and 2024

	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, 2023 (As Restated)	37,621	$ 376	$ 218,473	$ (135,961)	$ (1,098)	$ (8,554)	$ 66	$ 73,302
Net loss attributable to common stockholders	—	—	(2,901)	(3,269)	—	—	—	(6,170)
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**
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 loss 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**

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,	
	2023	**2024**
Cash flows from operating activities		
Net loss	$ (3,269)	$ (22,312)
Adjustments to reconcile net loss to cash used in operating activities:		
Non-controlling interest	6	13
Gain on bargain purchase	(283)	—
Inventory reserve	373	257
Stock based compensation expense	852	5,929
Depreciation and amortization	2,322	10,335
Right-of-use assets, non-cash lease expense	660	760
Bad debts expense	598	1,993
Deferred income taxes	(24)	1,021
Shares issued for transaction bonuses	—	889
Other non-cash items	27	482
Changes in operating assets and liabilities:		
Accounts receivables	(668)	(6,973)
Inventories	389	(624)
Prepaid expenses and other current assets	344	(1,518)
Deferred costs	185	(1,789)
Deferred revenue	58	(142)
Accounts payable and accrued expenses	(1,466)	4,993
Lease liabilities	(650)	(927)
Accrued severance payable, net	88	(2)
Net cash used in operating activities	(458)	(7,615)
Cash flows from investing activities		
Acquisition, net of cash assumed	—	27,531
Capitalized software development costs	(997)	(2,308)
Capital expenditures	(966)	(5,586)
Net cash (used in)/provided by investing activities	(1,963)	19,637
Cash flows from financing activities		
Repayment of long-term debt	(1,329)	(493)
Short-term bank debt, net	2,737	4,161
Purchase of treasury stock upon vesting of restricted stock	(4)	(2,836)
Payment of preferred stock dividend and redemption of preferred stock	(1,129)	(90,298)
Proceeds from exercise of stock options, net	36	—
Cash paid on dividends to affiliates	—	(4)
Net cash from/(used in) financing activities	311	(89,470)
Effect of foreign exchange rate changes on cash and cash equivalents	(941)	(823)

Net decrease in cash and cash equivalents, and restricted cash	(3,051)	(78,271)
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	$ 22,038	$ 31,393
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	21,729	30,242
Restricted cash	309	1,151
Cash and cash equivalents, and restricted cash, at end of the period	$ 22,038	$ 31,393
Supplemental disclosure of cash flow information:		
Cash paid for:		
Taxes	$ 101	$ 41
Interest	$ 238	$ 3,057
Noncash investing and financing activities:		
Common stock issued for transaction bonus	$ —	$ 9
Shares issued in connection with MiX Combination	$ —	$ 362,005

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

I.D. Systems, Inc. ("I.D. Systems") was incorporated in the State of Delaware in 1993. Powerfleet was incorporated in the State of Delaware in February 2019 for the purpose of effectuating the transactions 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 three months ended June 30, 2024 include the financial results of MiX Telematics and its subsidiaries from the Implementation Date. See Note 3 for additional information.

Basis of Preparation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the consolidated financial position of the Company as of March 31, 2024 and June 30, 2024, the consolidated results of its operations for the three-month periods ended June 30, 2023 and 2024, the consolidated change in stockholders' equity for the three-month periods ended June 30, 2023 and 2024, and the consolidated cash flows for the three-month periods ended June 30, 2023 and 2024. The results of operations for the three-month period ended June 30, 2024 are not necessarily indicative of the operating results for the full year. 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. 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") was understated resulting 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 for the 3 months ended June 30, 2023.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 June 30, 2024, the Company had cash and cash equivalents of $30,242 and working capital of $25,044. 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 $31,393 as of June 30, 2024 in conjunction with cash generated from the execution of its strategic plan over the next 12 months, and proceeds from the debt agreements are sufficient to fund the projected operations for at least the next 12 months from the issuance date of these financial statements (August 28, 2024) 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. The Company continually evaluates estimates used in the preparation of the financial statements for reasonableness. The most significant estimates relate 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, inventory reserves, standalone selling prices (“SSP”), valuation of the derivative asset, and market-based stock-based compensation costs. Actual results could differ from those estimates.

NOTE 3 - ACQUISITION

On April 2, 2024, the Company consummated the MiX Combination. On the Implementation Date, 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 Board of Directors is comprised by Directors with prior affiliation to the Company. In addition the Company’s Board Chairperson continued in the role post the acquisition date;
- Post acquisition the majority of the senior management team, including the Chief Executive Officer, comprised of the Company’s senior management team who were already operating in that capacity for the company prior to the acquisition date;
- 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 post-transaction is an investor of legacy Powerfleet. Additionally, the Company also notes that, immediately following the closing of the Business Combination, 30% out 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% out 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 IoT 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 preliminary estimated fair value of the consideration transferred for MiX Telematics was $362.0 million 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 to be 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.

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):

		April 2, 2024
Assets acquired:		
Cash and cash equivalents	$	26,737
Restricted cash		794
Accounts receivable, net		24,675
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	$	259,681
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	$	153,454
Non-controlling interest		(5)
Goodwill		216,374
Purchase price consideration	$	369,823

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 April 2, 2024 becomes available and final valuation and analysis are completed. In addition, the Company is still in the process of determining the fair value of acquired assets and assumed liabilities, which may also result in adjustments of the provisional amounts recorded. 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 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 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 April 2, 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 expects to complete the purchase price allocation as soon as practicable, but 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	$ 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 $20,291 of acquisition-related costs in the consolidated statement of operations related to the MiX Combination,of which $14,491 was expensed in the three-month period ended June 30, 2024.

Unaudited Pro Forma Financial Information

The business acquired in the MiX Combination contributed revenue of $43,689 and a net loss of $6,932, after amortization of identified intangibles, for the three months ended June 30, 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 the Facilities Agreement deposited in escrow for the MiX Combination and cash of $310 held in escrow for purchases from a vendor. Restricted cash at June 30, 2024 consists of cash of $310 held in escrow for purchases from a vendor, cash of $787 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 $54 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.

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-months ended June 30, 2023 and 2024 (in thousands):

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Products	$ 11,084	$ 18,738
Services	21,008	56,692
	$ 32,092	$ 75,430

The balances of contract assets and contract liabilities from contracts with customers are as follows as of March 31, 2024 and June 30, 2024 (in thousands):

	March 31, 2024	June 30, 2024
Contract Assets:		
Deferred contract cost[1]	$ 2,632	$ 4,322
Deferred costs - current	$ 42	$ 24
Contract Liabilities		
Deferred revenue – services [2]	$ 10,674	$ 14,724
Deferred revenue – products [2]	60	120
	10,734	14,844
Less: Deferred revenue – current	(5,842)	(10,019)
Deferred revenue – less current portion	$ 4,892	$ 4,825

[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 June 30, 2023 and 2024, the Company recognized revenue of $1,766 and $2,986, 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 June 30, 2023 and 2024 is as follows (in thousands):

	Three Months Ended June 30,	
	2023	2024
Allowance for credit losses, March 31	$ 2,328	$ 3,197
Current period provision for expected credit losses	598	1,993
Write-offs charged against the allowance	(222)	(1,509)
Foreign currency translation	62	46
Allowance for credit losses, June 30	**$ 2,766**	**$ 3,727**

NOTE 7 - PREPAID EXPENSES AND OTHER ASSETS

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

	March 31, 2024	June 30, 2024
Sales-type lease receivables, current	$ 1,100	$ 1,125
Prepaid expenses*	2,817	5,772
Contract assets	1,162	1,141
Tax receivables	125	790
Vat receivable	—	2,059
Sundry debtors	—	2,602
Other current assets	2,887	3,009
	$ 8,091	**$ 16,498**

*This represents 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 $97 at June 30, 2024.

Inventories consist of the following (in thousands):

	March 31, 2024	June 30, 2024
Components	$ 9,403	$ 9,195
Work in process	49	1,788
Finished goods, net	12,206	14,849
	$ 21,658	**$ 25,832**

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	June 30, 2024
Installed and uninstalled products	$ 11,030	$ 46,129
Computer software	11,496	12,231
Computer and electronic equipment	6,179	7,126
Furniture and fixtures	2,361	3,733
Leasehold improvements	1,498	1,445
Plant and equipment	—	293
Assets in progress	—	19
	32,564	**70,976**
Accumulated depreciation and amortization	(19,845)	(21,271)
	$ 12,719	**$ 49,705**

Depreciation and amortization expense for the three-month periods ended June 30, 2023 and 2024 was$967 and $4,749, 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 June 30, 2024 (in thousands):

June 30, 2024	Useful Lives (In Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized:				
Customer relationships	1 - 13	$ 132,264	$ (10,834)	$ 121,430
Trademark and tradename	3 - 15	17,553	(4,253)	13,300
Patents	7 - 11	628	(486)	142
Technology	1 - 20	44,561	(14,236)	30,325
Software to be sold or leased	3 - 6	5,727	(996)	4,731
		200,733	(30,805)	169,928
Unamortized				
Customer list		104	—	104
Trademark and tradename		61	—	61
		165	—	165
Total		$ 200,898	$ (30,805)	$ 170,093

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 June 30, 2024, the weighted-average amortization periods for customer relationships, trademarks and trade names, patents, technology, and capitalized software to be sold or leased were 12.7, 12.1, 7, 11.6, and 3.0 years, respectively.

For the three months ended June 30, 2023 and 2024, amortization expense of$1,356 and $5,586 respectively was recognized in both periods.

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

2025 (remaining)	$	15,528
2026		22,138
2027		21,145
2028		18,067
2029		14,578
Thereafter		78,472
	$	169,928

Refer to Note 3 for the change in the carrying amount of goodwill from April 1, 2024 to June 30, 2024 as a result of the MiX Combination.

For the three-month period ended June 30, 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 purchase375 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 three-month period ended June 30, 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	—	—	—	—
Outstanding as of June 30, 2024	**5,445**	**13.39**	**7.72**	**$ 1,488**
Vested as of June 30, 2024	**—**	**—**	**—**	**$ —**

The following table summarizes the activity relating to the Company's stock options, excluding the market-based stock options, for the three-month period ended June 30, 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	—	—	—	—
Forfeited	(6)	6.10	—	—
Outstanding as of June 30, 2024	**2,348**	**4.62**	**7.2**	**$ 779**
Vested as of June 30, 2024	**1,973**	**4.67**	**6.6**	**$ 779**

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

	June 30, 2023	June 30, 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 $585 and $1,817 for the three-month periods ended June 30, 2023 and June 30, 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 are outstanding under the Powerfleet equity plans (including any inducement awards with time-based vesting). 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 three-month periods ended June 30, 2023 and 2024 was $562 and $1,457, respectively. There were no option exercises that occurred during the three-month periods ended June 30, 2023 and 2024.

As of June 30, 2024, there was $983 of total unrecognized compensation costs related to non-vested options granted under the Company's stock option plans excluding the market-based stock options that were granted to certain senior managers, including the Company's executive officers. That cost is expected to be recognized over a weighted-average period of 1.34 years.

As of June 30, 2024, there was $3,597 of total unrecognized compensation costs related to non-vested options granted under the Company's stock option plans for the market-based stock options that were granted to certain senior managers, including the Company's executive officers. That cost is expected to be recognized over a weighted-average period of 7.72 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 non-vested restricted stock for the three-month period ended June 30, 2024 is as follows:

	Number of Non-Vested Shares	Weighted- Average Grant Date Fair Value
Non-vested, March 31, 2024	1,370	2.68
Granted	54	5.45
Vested	(1,369)	2.68
Forfeited or expired	—	—
Non-vested, June 30, 2024	55	2.68

The Company recorded stock-based compensation expenses of $267 and $3,095 for the three-month periods ended June 30, 2023 and 2024, respectively, in connection with restricted stock grants. As of June 30, 2024, there was $258 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 0.88 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). 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 the 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 months ended June 30, 2024 was $1.0 million.

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	—	—		
Forfeited	—	—		
Outstanding as of June 30, 2024	**5,740**	**2.61**	**3.33**	
Vested as of June 30, 2024	**1,813**	**2.98**	**1.80**	**$ 2,881**

As of June 30, 2024, there was $7.5 million of unrecognized compensation cost related to unvested SARs. This amount is expected to be recognized over a weighted-average period of 3.26 years.

NOTE 12 - NET LOSS PER SHARE

Net loss per share for the three-month periods ended June 30, 2023 and 2024 are as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2024
Basic and diluted loss per share		
Net loss attributable to common stockholders	$ (6,170)	$ (22,337)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.17)	$ (0.21)
Weighted-average common share outstanding - basic and diluted	35,605	107,136

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	June 30, 2024
Short-term bank debt	$ —	$ 25,007
Current maturities of long-term debt	$ 1,951	$ 2,597
Long-term debt - less current maturities	$ 113,810	$ 111,957

Short-Term Bank Debt

As of June 30, 2024 short-term debt comprised $24,323 of borrowing facilities and $684 of book overdrafts.

Investec Facility

The Investec Bank Limited ("Investec") credit facility was a 364-day renewable committed general credit facility of R350,000 (the equivalent of $19,232 as of June 30, 2024) (the "Committed Facility"). As of June 30, 2024, $19,232 of the Committed Facility was utilized. The Committed Facility was settled in August 2024 and closed.

Under the Committed Facility, MiX Telematics paid a commitment fee charged at 30bps on any undrawn portion of the Committed Facility (plus VAT on such amount), calculated monthly and payable, free of deduction, monthly in arrears on the first business day of each month.

The loans under the Committed Facility bore interest at South African prime interest rate less 1.5% per annum. As of June 30, 2024, the South African prime interest rate was 11.75%. Interest was payable monthly in arrears on the first business day of each month, or as otherwise specified in the credit agreement between Investec and MiX Telematics.

MiX Telematics Africa (Pty) Ltd, MiX Telematics International (Pty) Ltd and MiX Telematics Enterprise SA (Pty) Ltd issued guarantees in favor of Investec in terms of which they guaranteed the performance by MiX Telematics of all its obligations to Investec.

Standard Bank Facility

The Standard Bank facility is in the form of a customer foreign currency account overdraft facility (the "CFC Overdraft Facility"). The CFC Overdraft Facility entitles MiX Telematics to utilize a maximum amount of R70,000 (the equivalent of $3,846 as of June 30, 2024). The CFC Overdraft Facility bears interest at the South African prime interest rate less 1.2% per annum. As of June 30, 2024, $554 of the CFC Overdraft Facility was utilized.

There is a suretyship agreement entered into with Standard Bank providing that MiX Telematics and only one subsidiary being MiX Telematics International (Pty) Ltd, binds themselves as surety(ies) and co-principal debtor(s) for the payment, when due, of all the present and future debts of any kind of MiX Telematics and MiX Telematics International to Standard Bank. The Standard Bank facility has no fixed renewal date and is repayable on demand.

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 $19,200 as at June 30, 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 June 30, 2024, MiX Telematics had not borrowed anything under the RMB General Facility. The RMB General Facility was utilized in August 2024 to settle the Committed Facility.

Hapoalim Debt

As of June 30, 2024, Pointer Israel had utilized approximately $4,388 under the Hapoalim Revolving Facilities, which are described below.

Long-Term Debt

Hapoalim Debt

In connection with the Pointer acquisition, Powerfleet Israel incurred NIS denominated debt in term loan borrowings on October 3, 2019 under the Prior Credit Agreement, pursuant to which Hapoalim agreed to provide Powerfleet Israel with two senior secured term loan facilities in an initial aggregate principal amount of $30,000 (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, 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 $30,000 (composed of two facilities in the aggregate principal amounts of $20,000 and $10,000, respectively) (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) (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 term facilities extended to Powerfleet Israel under the Prior Credit Agreement and remaining proceeds will be 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. As of June 30, 2024, Pointer had utilized $4,388 under the revolving facilities. The available undrawn facility balance at June 30, 2024 was $15,612.

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 June 30, 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 June 30, 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 ($30,000), less the prepayment of the term loans under the Prior Credit Facility (approximately $11,200), amounting to approximately $18,800, has been recognized as an increase in the carrying value of the prior term loans that was recognized previously.

For the three months ended June 30, 2023, the Company recorded $35 of additional deferred costs to the original debt issuance costs and the refinancing fee paid to Hapoalim. For the three months ended June 30, 2024, the Company recorded $30 of amortization of the original debt issuance costs and the refinancing fee paid to Hapoalim. The Company recorded charges of $152 and $655 to interest expense on its consolidated statements of operations for the three months ended June 30, 2023 and 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 term loan 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, and there is a security agreement over the shares in Main Street 2000 Proprietary Limited, 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.
Key assumptions used were:

	Facility A	Facility B
Credit spread volatility	50 %	35 %
Credit spread	4.48 %	4.99 %
Credit rating	B-	B-
Risk free rate	SOFR Spot Rate	SOFR Spot rate

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 $190, while a change of +10% in credit spread volatility would result in an increase in the derivative asset of $158. 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 $465, while a change of +10% in credit spread volatility would result in an increase in the derivative asset of $416. 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 June 30, 2024. The debt-host contracts are accounted for at amortized cost. Total debt issuance costs of approximately $1,000 were incurred. For the three months ended June 30, 2024, the Company recorded $77 of amortization of the original debt issuance costs and the refinancing fee to RMB.

For the three-month periods ended March 31, 2024 and June 30, 2024, the Company recorded interest expense of $400 and $1,870, respectively.

Scheduled contractual maturities of the long-term debt as of June 30, 2024 are as follows:

2025 (remaining)	$	1,458
2026		4,859
2027		47,845
2028		5,345
2029		54,162
		113,669
Less: Current portion		(2,597)
Plus debt costs and prepayment		885
Total	$	111,957

NOTE 14 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

		March 31, 2024		June 30, 2024
Accounts payable	$	20,025		46,104
Accrued warranty		1,138		1,550
Accrued compensation		8,956		13,425
Government authorities		3,062		5,135
Other current liabilities		827		2,557
	$	34,008	$	68,771

The following table summarizes warranty activity for the three months ended June 30, 2023 and 2024 (in thousands):

	Three Months Ended June 30,		
		2023	2024
Accrued warranty reserve, beginning of year	$	2,255	2,926
Accrual for product warranties issued		430	247
Product replacements and other warranty expenditures		(110)	(86)
Expiration of warranties		(70)	(9)
Acquired through MiX Combination		—	356
Foreign currency translation difference		—	—
Accrued warranty reserve, end of period [1]	$	2,505	3,434

[1] Includes non-current accrued warranty included in other long-term liabilities at June 30, 2023 and 2024 of $1,739 and $1,884, 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 convertible preferred stock (“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 issued50 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 of7.5% 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 reached17.5% 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-month periods ended June 30, 2023 and June 30, 2024, the Company paid dividends in amounts equal to $1,129 and $25 respectively, to the holders of the Series A Preferred Stock. 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 three-month period ended June 30, 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	418	418
Balance at June 30, 2024	$ (567)	$ (567)

The accumulated balances for each classification of other comprehensive loss for the three-month period ended June 30, 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	100	100
Balance at June 30, 2023	$ (998)	$ (998)

NOTE 17 - SEGMENT INFORMATION

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

	Three Months Ended June 30,	
	2023	2024
North America	$ 16,765	$ 21,392
Israel	10,905	10,661
Africa	863	24,406
Europe and Middle East	599	7,837
Other	2,960	11,134
	$ 32,092	$ 75,430

	March 31, 2024	June 30, 2024
Long lived assets by geographic region:		
North America	$ 4,083	$ 8,716
Israel	3,946	3,781
Africa	705	29,513
Europe and Middle East	2,850	4,482
Other	1,135	3,213
	$ 12,719	$ 49,705

NOTE 18 - INCOME TAXES

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

	Three Months Ended June 30,	
	2023	2024
Domestic pre-tax book loss	$ (10,470)	$ (16,475)
Foreign pre-tax book income (expense)	7,201	(4,771)
Total loss before income taxes	(3,269)	(21,246)
Income tax benefit (expense)	6	(1,053)
Total loss after taxes	$ (3,263)	$ (22,299)
Effective tax rate	0.18 %	(4.96)%

For the three-month periods ended June 30, 2023 and June 30, 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 June 30,	
	2023	2024
Short-term lease cost	$ 119	$ 207

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

	Three Months Ended June 30,	
	2023	2024
Non-cash activity:		
Right-of-use assets obtained in exchange for lease obligations	$ 424	$ 490

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

	June 30, 2024
Weighted-average remaining lease term - operating leases (in years)[1]	3.48
Weighted-average discount rate	7.3 %

[1] Including expected renewals where appropriate.

Scheduled maturities of operating lease liabilities outstanding as of June 30, 2024 are as follows (in thousands):

July 2024 - March 2025	$ 3,029
2026	3,498
2027	2,117
2028	1,372
2029	1,179
Thereafter	1,432
Total lease payments	12,627
Less: Imputed interest	(1,631)
Present value of lease payments	$ 10,996

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 financing 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 the 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		June 30, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans to external parties	$ 475	$ 475	$ 492	$ 492
Debt	$ 115,761	$ 116,278	$ 139,561	$ 136,818
Prepayment derivative	$ 2,226	$ 2,226	$ 2,226	$ 2,226

NOTE 21 - CONCENTRATION OF CUSTOMERS

For the three-month periods ended June 30, 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 $189 plus $1,019 of interest and penalty, totaling $1,347 as of March 31, 2024 and $1,208 as of June 30, 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 $12,110 as of June 30, 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 $205. 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 or certain base connections not being maintained over the term of such agreement. 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 June 30, 2024 was $841 and $808, respectively. No loss is considered probable under this arrangement.

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.

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. In the following discussions, most percentages and dollar amounts have been rounded to aid presentation, and, accordingly, all amounts are approximations. Amounts throughout this discussion and analysis for our unaudited interim condensed consolidated statements for the three months ended June 30, 2023 have been restated to reflect the impact of the restatement as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("2023 Annual Report").

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") was understated resulting 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 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 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.

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 acquisition of MiX Telematics; the possibility that we may not be able to integrate successfully the business, operations and employees of MiX Telematics; 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

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

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

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 months ended June 30, 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" for additional information. No operating results for MiX Telematics are included in the comparative period for the three months ended June 30, 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 align the fiscal year with the close of the MiX Combination for investors and align the timing of audit work with the winter months in South Africa to help attract and retain accounting talent.

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

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

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

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

We have an established history of IoT device development and innovation creating devices that can withstand harsh and rugged environments. With 49 patents and patent applications and over 25 years' experience, we believe we are well positioned to evolve our offerings for even greater value to customers through our cloud-based applications for unified operations.

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

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

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

Our Solutions

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

Key Applications of our IoT Solutions

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

The core applications that our IoT solutions address include:

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

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

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

Our analytics platform features dashboards with KPIs and can help managers identify patterns, trends and outliers that can be used as flags for interventions.

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

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

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

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

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

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

Reduce Costs

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

Analytics and Machine Learning

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

Key Performance Indicators & Benchmarks

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

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

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

Services

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

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

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

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

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

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

Growth Strategy

Our objective is to become a leading global provider of IoT SaaS solutions for high-value enterprise assets to drive optimized operations and create safer environments. During the quarter ended March 31, 2023, we began to consolidate and augment many of our existing capabilities on a single customer software platform branded as “Unity.” We have designed our Unity platform to enable rapid and deep integration with IoT devices and third-party business systems to a highly scalable data pipeline that powers artificial intelligence-driven insights to help companies save lives, time, and money. Unity is an increasingly important initiative to meet our objective of becoming a leading global provider of IoT SaaS solutions for high-value enterprise assets to drive optimized operations and create safer environments. To achieve this goal, we intend to prove value, retain and grow business with existing customers and pursue opportunities with new customers by:

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

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

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

Recent Developments

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 $177.1 million as of June 30, 2024.

Management believes our cash and cash equivalents and restricted cash of $31.4 million as of June 30, 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 (August 28, 2024) 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-month period ended June 30, 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 June 30,	
	2023 (As Restated)	2024
Revenues:		
Products	34.5 %	24.8 %
Services	65.5 %	75.2 %
Total revenues	100.0 %	100.0 %
Cost of revenues:		
Cost of products	26.6 %	16.9 %
Cost of services	23.4 %	30.5 %
Total cost of revenues	50.1 %	47.4 %
Gross profit	49.9 %	52.6 %
Operating expenses:		
Selling, general and administrative expenses	53.6 %	72.6 %
Research and development expenses	6.9 %	4.1 %
Total operating expenses	60.5 %	76.7 %
Loss from operations	(10.6) %	(24.2)%
Interest income	0.1 %	0.4 %
Interest expense	(0.5) %	(3.6)%
Bargain purchase - Movingdots	0.9 %	— %
Other income, net	— %	(0.8)%
Net loss before income taxes	(10.2) %	(28.2)%
Income tax benefit/(expense)	— %	(1.4)%
Net loss before non-controlling interest	(10.2) %	(29.6)%
Non-controlling interest	— %	— %
Net loss	(10.2) %	(29.5)%
Accretion of preferred stock	(5.5) %	— %
Preferred stock dividend	(3.5) %	— %
Net loss attributable to common stockholders	(19.2) %	(29.5)%

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

REVENUES. Revenues increased by $43.3 million, or 135.0%, to $75.4 million in the three months ended June 30, 2024, from $32.1 million in the same period in 2023.

Revenues from products increased by $7.7 million, or 69.1%, to $18.7 million in the three months ended June 30, 2024 from $11.1 million in the same period in 2023. The increase in product revenues was primarily due to the MiX Telematics business acquired which contributed $8.8 million in product revenues for the three months ended June 30, 2024, offset by lower demand from logistics customers in North America.

Revenues from services increased by $35.7 million, or 169.9%, to $56.7 million in the three months ended June 30, 2024 from $21.0 million in the same period in 2023. The increase in services revenues was principally due to the MiX Telematics business acquired which contributed $34.9 million in service revenues for the three months ended June 30, 2024.

COST OF REVENUES. Cost of revenues increased by $19.7 million, or 122.6%, to $35.8 million in the three months ended June 30, 2024, from $16.1 million for the same period in 2023. The MiX Telematics business acquired contributed $19.4 million to cost of revenues for the three months ended June 30, 2024.Gross profit was $39.6 million in the three months ended June 30, 2024, compared to $16.0 million for the same period in 2023. As a percentage of revenues, gross profit increased to 52.6% in the three months ended June 30, 2024 from 49.9% in the same period in 2023.

Cost of products increased by $4.2 million, or 49.1%, to $12.8 million in the three months ended June 30, 2024, from $8.6 million in the same period in 2023. Gross profit for products was $6.0 million in the three months ended June 30, 2024, compared to $2.5 million in the same period in 2023. As a percentage of product revenues, gross profit increased to 32.0% in the three months ended June 30, 2024 from 22.9% 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 $15.5 million, or 206.1%, to $23.0 million in the three months ended June 30, 2024, from $7.5 million in the same period in 2023. Gross profit for services was $33.7 million in the three months ended June 30, 2024, compared to $13.5 million in the same period in 2023. As a percentage of service revenues, gross profit decreased to 59.4% in the three months ended June 30, 2024 from 64.2% 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 acquisition-related intangibles of $3.0 million, consisting of $2.1 million from customer relationships, $0.7 million from developed technology and $0.2 million from trade names.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative (“SG&A”) expenses increased by $37.6 million, or 218.5%, to $54.8 million in the three months ended June 30, 2024, compared to $17.2 million in the same period in 2023, principally due to the MiX Telematics business acquired which contributed $17.3 million of SG&A expenses (excluding one-time costs), $14.5 million in acquisition-related expenses, $4.7 million in accelerated stock-based compensation costs and a $0.8 million increase in restructuring costs for the three months ended June 30, 2024 As a percentage of revenues, SG&A expenses, excluding $20.4 million in one-time transaction, restructuring and accelerated stock-based compensation costs, decreased to 45.6% in the three months ended June 30, 2024, from 53.6% in the same period in 2023.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development (“R&D”) expenses increased by $0.9 million, or 39.6%, to $3.1 million in the three months ended June 30, 2024, compared to $2.2 million in the same period in 2023, principally due to $1.4 million incurred by the MiX Telematics business post acquisition. As a percentage of revenues, R&D expenses decreased to 4.1% in the three months ended June 30, 2024, from 6.9% in the same period in 2023.

NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS. Net loss attributable to common stockholders was $22.3 million, or $(0.21) per basic and diluted share, for the three months ended June 30, 2024, as compared to net loss of $6.2 million, or $(0.17) per basic and diluted share, for the same period in 2023. The net loss was primarily the result of the increased SG&A expenses, including $20.4 million in one-time transaction, restructuring and accelerated stock-based compensation costs.

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 gains/losses, restructuring-related expenses, gain on bargain purchase (Movingdots), acquisition-related expenses and severance-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.

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 June 30,	
	2023 (As Restated)	2024
	(In thousands)	
Net loss attributable to common stockholders	$ (6,170)	$ (22,337)
Non-controlling interest	6	13
Preferred stock dividend and accretion	2,901	25
Interest expense, net	457	2,916
Income tax (benefit)/expense	(6)	1,053
Depreciation and amortization	2,322	10,335
Stock-based compensation	852	5,929
Foreign currency (gains)/losses	(362)	109
Restructuring-related expenses	425	1,198
Gain on bargain purchase - Movingdots	(283)	—
Acquisition-related expenses	223	14,494
Adjusted EBITDA	$ 365	$ 13,735

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

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.

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 June 30, 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.

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 Hapoalim Revolving Facilities during the period commencing on March 18, 2024 and ending on the last day of the applicable availability period of such Hapoalim Revolving Facilities.

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, 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. 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 June 30, 2024, MiX Telematics had not borrowed anything under the RMB General Facility. The RMB General Facility was utilized in August 2024 to settle the Committed Facility

MiX Telematics also has the CFC Overdraft Facility with Standard Bank. The CFC Overdraft Facility entitles MiX Telematics to utilize a maximum amount of R70.0 million (the equivalent of $3.8 million as of June 30, 2024). The CFC Overdraft Facility bears interest at the South African prime interest rate less 1.2% per annum. As of June 30, 2024, $0.6 million of the CFC Overdraft Facility was utilized.

There is a suretyship agreement entered into with Standard Bank providing that MiX Telematics and only one subsidiary being MiX Telematics International (Pty) Ltd, binds themselves as surety(ies) and co-principal debtor(s) for the payment, when due, of all the present and future debts of any kind of MiX Telematics and MiX Telematics International to Standard Bank.

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 June 30, 2024, we had cash and cash equivalents (including restricted cash) of $31.4 million and working capital of $25.0 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. $85 million in borrowings from RMB that was held in restricted cash at March 31, 2024 was used as the primary source of funds to redeem all outstanding shares of the Series A Preferred Stock on the April 2, 2024 close date of the MiX Combination. The MiX Combination is also expected to be a source of positive cash flow. 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 three months ended June 30, 2024, net cash used in operating activities was $7.6 million, compared to net cash used in operating activities of $0.5 million for the same period in 2023. The net cash used in operating activities for the three-months ended June 30, 2024 primarily included non-cash charges of $5.9 million for stock-based compensation, $10.3 million for depreciation and amortization expense, $2.0 million for bad debts expense, $0.9 million for shares issued for transaction bonuses related to the MiX Combination and $0.8 million for ROU asset amortization. Changes in operating assets and liabilities included:

- an increase in inventory, net of reserve of $0.6 million;
- an increase in accounts receivables of $7.0 million;
- an increase in prepaid expenses and other assets of $1.5 million; and
- a decrease in lease liabilities of $0.9 million; offset by
- an increase in accounts payable of $5.0 million.

Investing Activities

Net cash provided by investing activities for the three months ended June 30, 2024 was $19.6 million, compared to net cash used in investing activities of $2.0 million for the same period in 2023. The net cash provided by investing activities was primarily due to $27.5 million in net cash assumed from the MiX Combination, partially offset by $5.6 million for the purchase of fixed assets and $2.3 million for capitalized software development costs. In contrast, the net cash used in investing activities of $2.0 million in the same period in 2023 was primarily for the purchase of fixed assets of $1.0 million and $1.0 million for capitalized software development costs.

Financing Activities

During the three months ended June 30, 2024, net cash used in financing activities was $89.5 million, compared to $0.3 million from financing activities for the same period in 2023. The increase in net cash used in financing activities was primarily due to the repayment of Series A Preferred Stock of $90.3 million following the MiX Combination.

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

Business Acquisitions

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

On April 2, 2024, we consummated the MiX Combination, pursuant to which MiX Telematics became our indirect, wholly owned subsidiary. See Note 3, "Acquisition," in Part I, Item 1, "Financial Statements" 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 included herein.

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 terms is defined in Rules 13a-15(f) under the Exchanges 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 June 30, 2024, of our internal control over financial reporting. Based on that evaluation, we concluded that, internal control over financial reporting were not effective as of June 30, 2024, due to material weaknesses in our internal control over financial reporting as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 and our Transition Report on Form 10-KT for the transition period ended March 31, 2024.

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 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,” we completed the MiX Combination on April 2, 2024. We excluded MiX’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 Staff of the Securities and Exchange Commission that an assessment of recent business combinations may be omitted from management's assessment of internal control over financial reporting for one year following the acquisition. As a result of our integration of the MiX disclosure controls and procedures, certain controls will be evaluated and may be changed. MiX’s total revenues constituted approximately 58% of our consolidated revenues for the three months ended June 30, 2024. MiX’s total assets constituted approximately 38% of our consolidated total assets as of June 30, 2024.

Remediation
As described in “Item 9A. Controls and Procedures” in Part II of our Annual Report on Form 10-K for the year ended December 31, 2023 and our Transition Report on Form 10-KT for the transition period ended March 31, 2024, 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 will continue 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.
- 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 the business combination with MiX Telematics, we are in the process of migrating and integrating the central corporate accounting functions and teams. This integration includes:

- Adopting and implementing the ERP system used by MiX Telematics across the group;
- Evaluating and integrating accounting principles to align and adopt consistent accounting policies and practices;
- Leveraging a larger highly qualified central corporate accounting team;
- 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 on during Annual Report on Form 10-K for the year ended December 31, 2023 and our Transition Report on Form 10-KT for the transition period ended March 31, 2024 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 June 30, 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. As part of our ongoing post-transaction activities, we are in the process of planning and rolling out the implementation of the ERP and subscription billing system to certain Powerfleet operations. Furthermore, as part of our integration activities, we expect additional changes to the internal controls over financial reporting as we continue with our integration activities which includes the evaluation, rationalization and standardization of internal controls 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 June 30, 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 our Transition Report on Form 10-KT for the transition period ended March 31, 2024. As of June 30, 2024, there have been no material changes in the risk factors previously disclosed.

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” in our Transition Report on Form 10-KT for the transition period ended March 31, 2024 are not the only risks we face. Risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and operating results.

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

Purchases of Equity Securities by the Issuer

The following table provides information regarding our share repurchase activity for each month of the quarterly period ended June 30, 2024 (in thousands, except per share data). These shares were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

Period	Total Number of Shares Purchased		Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2024 - April 30, 2024	566 (1)	$	5.01	$	—	$	—
May 1, 2024 - May 31, 2024	—	$	—	$	—	$	—
June 1, 2024 - June 30, 2024	—	$	—	$	—	$	—
	566	$	5.01	$	—	$	—

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

Item 6. Exhibits

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

Exhibits:

Exhibit Number	Description
10.1	Credit Agreement, dated March 14, 2024, between MiX Telematics and FirstRand Bank Limited acting through Rand Merchant Bank division.
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. § 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following financial statements from the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2024, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of March 31, 2024 and June 30, 2024; (ii) Condensed Consolidated Statements of Operations for the three months ended June 30, 2023 and 2024; (iii) Condensed Consolidated Statements of Comprehensive Loss for the three months ended June 30, 2023 and 2024; (iv) Condensed Consolidated Statement of Changes in Stockholders’ Equity for the three months ended June 30, 2023 and 2024 (v) Condensed Consolidated Statements of Cash Flows for the three months ended June 30, 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 June 30, 2024, formatted in Inline XBRL (included as Exhibit 101).

* Furnished herewith.

SIGNATURES

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

POWERFLEET, INC.

Date: August 28, 2024

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

Date: August 28, 2024

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

Exhibit 10.1

Facility letter no: OM/01/Mix Telematics/2024

14 March 2024

The Directors
Mix Telematics Limited
Matrix Corner, Howick Close
Waterfall Office Park
Midrand
South Africa
1682

Attention: Paul Dell and David Wilson

Dear Sir/Madam

FACILITY

FIRSTRAND BANK LIMITED (Reg. No. 1929/001225/06) (acting through any of its business units or divisions) (the "***Bank***"), has pleasure in offering Mix Telematics Limited (Reg. No. 1995/013858/06) (the "***Borrower***") a credit facility (the "***Facility***"), subject to the terms and conditions set out in this Facility Letter and the Bank's General Terms and Conditions (the "***GTC's***").

This Facility Letter and the rights and obligations of the Parties hereunder shall in all respects be subject to the terms and conditions of the written agreement entitled "*Facilities Agreement*" entered or to be entered into on or about the date of this Facility Letter, by and between, *inter alia* Powerfleet Inc and the Bank (acting through Rand Merchant Bank division), which shall apply *mutatis mutandis* to this Facility Letter and be incorporated herein by reference (the "***Facilities Agreement***").

Capitalised terms not otherwise defined herein shall bear the meaning ascribed to them in the Facility Agreement.

The obligation of the Bank to make the facilities (or any of them) available under this Facility Letter and to allow any utilisation under any of the facilities under this Facility Letter, and the right of the Borrower to utilise any facility under this Facility Letter, are subject to the fulfilment of the Conditions Precedents as set out in clause 4 *(Conditions of Utilisation)* of the Facilities Agreement. The date of fulfilment of the conditions, which date will be confirmed in writing by the Bank to the Borrower in terms of this Agreement and the Facilities Agreement, hereinafter referred to as, "***the Available Date***".

1. FACILITIES

1.1. **Short Term Direct**

Borrowers:	Mix Telematics Limited.
Facility Amount:	R350,000,000 (three hundred and fifty million Rand).

Utilisation:	General Banking Products.
Term of Facility:	Demand Facility. This Facility shall be subject to the Bank’s annual credit review save for an Event of Default or a breach of any of the terms and conditions of this Facility Letter, this Facility has a tenor of 365 (three hundred and sixty five) days from the Available Date.

Special Terms: The Facility is subject to the following Special Terms:

- The Facility will be made available for drawdown for a period of 365 (three hundred and sixty five) days after fulfilment of the Conditions Precedent (the "***Availability Period***") and will be cancelled if not drawn by the end of the Availability Period.

- The Facility, together with capitalised interest thereon, is to be repaid in full by the earlier of (a) the Available Date or (b) 02 April 2025 (the "***Repayment Date***"), unless extended by agreement between the Borrower and the Bank.

- In the event of the occurrence of an Event of Default, the Facility shall become a Demand facility (as contemplated in clauses 3.1 to 3.4 of the GTC's).

- This Facility shall be senior, secured and ranking *pari passu* with any other senior indebtedness of the Borrower.

2. TERMS AND CONDITIONS APPLICABLE TO THE FACILITIES

2.1. The following provisions of the Facilities Agreement are incorporated *mutatis mutandis* by reference into this Facility Letter and shall apply to the Facility as if repeated herein in full:

2.1.1. Clause 4 (Conditions of Utilisation);

2.1.2. Clause 8.1 (Mandatory Prepayment - illegality);

2.1.3. Clause 8.2 (Mandatory Prepayment - sanctions);

2.1.4. Clause 8.3 (Mandatory Prepayment – change of control or transfer of business);

2.1.5. Clause 8.4 (Voluntary prepayment);

2.1.6. Clause 15 (Tax Gross-Up and Indemnities);

2.1.7. Clause 16 (Increased Costs);

2.1.8. Clause 17 (Other Indemnities);

2.1.9. Clause 19 (Costs and Expenses);

2.1.10. Clause 20 (Guarantee and Indemnity);

2.1.11. Clause 21 (Representations);

2.1.12. Clause 22 (Information Undertakings);

2.1.13. Clause 23 (Financial Covenants);

2.1.14. Clause 24 (General Undertakings); and

2.1.15. Clause 25 (Events of Default).

2.2. Neither the expiry or termination of any provision of the Facilities Agreement nor the repayment of the indebtedness or cancellation of the commitments thereunder shall affect the operation and/or enforceability of any provision of the Facilities Agreement which is incorporated by reference in this Facility Letter and such provision shall remain of full force and effect as incorporated in this Facility Letter as though such expiry, termination, repayment and/or cancellation has not occurred.

2.3. The provisions of the Bank's General Terms and Conditions, being Version GTC0118S**("*the GTC's*")**

is incorporated herein and shall apply to the Facilities and their respective utilisations.

2.4. Utilisation of the Facilities may be also subject to the Borrower being required to conclude further agreement(s) and/or document(s)***("Transaction Annexure/s").***

2.5. Each of the parties to this Facility Letter, RMB (in its capacity as Original Lender under the Facilities Agreement) agree that this Facility Letter (and the GTC's and Transaction Annexures incorporated herein) is with effect from the Signature Date (as defined in the Facilities Agreement) a Finance Document, as defined in the Facilities Agreement.

2.6. This Facility Letter (and the GTC's and Transaction Annexures incorporated herein) and the rights and obligations of the parties shall in all respects be read with the terms and conditions of the Facilities Agreement.

2.7. Any inconsistency between the provisions of this Facility Letter, the Facilities Agreement, the GTC's and/or a Transaction Annexure will be resolved by applying the following (descending) order of preference:

2.7.1. a/the Transaction Annexure/s;

2.7.2. the Facilities Agreement (and the Finance Documents as defined therein);

2.7.3. this Facility Letter; and

2.7.4. the GTC's.

2.8. In amplification of the above, subject to what is stated in this clause where any definition, representation, warranty or undertaking is reflected or given in more than one of the above documents in respect of substantially the same matter, the definition, representation, warranty or undertaking reflected or given in a particular document will apply to the exclusion of (and not co-extensively with) the corresponding definition, representation, warranty or undertaking given in any document below it in the order of preference stated above. For so long as the Facilities Agreement remains in place, the provisions of Clauses 4 (Security and Set-off), 9 (Warranties), 10 (Undertakings), 13 (Change in Control) and 14.1 and 14.2 (Events of Default) of the GTC's shall not apply and any reference to an "Event of Default" or a "Default" in the GTC's or this Facility Letter shall be a reference to an "Event of Default" or a "Default", as applicable, as those terms are defined in the Facilities Agreement. The aforementioned provisions of the GTC's shall apply at any time following termination of the Facilities Agreement.

3. COLLATERAL AND OTHER AGREEMENTS

3.1. With effect from 02 April 2024, any obligation of the Borrower and or the Obligors to the Bank in terms of the Facility is secured by the Security Documents as described in the Facilities Agreement.

3.2. In addition to the Security Documents, with effect from 02 April 2024 any obligation of the Borrower and or the Obligors to the Bank in terms of the Facility is secured by the Guarantee and Indemnity given by the Guarantors as set out in clause 20 of the Facilities Agreement.

3.3. The Bank shall not be obliged to make the Facility or any part thereof available to the Borrower until it has received the signed originals of all required collateral and/or other agreements required by the Bank and any collateral requiring registration has been properly executed and registered.

4. SPECIAL CONDITIONS

4.1. Conditions Precedent

The granting of the Facility is subject to the fulfilment of the following conditions precedent:

4.1.1. the Inclusion of this Facility Letter as a Finance Document under the Facilities Agreement in accordance with clause 2.5 above;

4.1.2. a satisfactory legal opinion from the Borrower's counsel in respect of the authority and capacity of the Obligors' to enter into the Finance Documents;

4.1.3. the Borrower delivering to the Bank copies of resolutions by the Borrower's board of directors and shareholders resolving that the Borrower concludes this Facility Letter, approving the terms and conditions of the Facility Letter and appointing a named person to execute this Facility Letter on behalf of the Borrower;

4.1.4. delivery by the Borrower to the Bank of a fully executed copy of this Facility Letter and the GTC's to the satisfaction of the Bank;

4.1.5. the Borrower delivering to the Bank certified copies of constitutional documents and any documentation or other evidence which is requested by the Bank for purposes of any "know your customer" requirements;

4.1.6. all required regulatory and statutory approvals which is satisfactory to the Bank, if any, has been received;

4.1.7. delivery by the Borrower of a compliance certificate prior to the first advance confirming: (i) all of the representations and warranties are correct in all respects; (ii) no material adverse event has occurred; and (iii) no Event of Default has occurred, is continuing or is being expected to occur.

5. PRICING AND FEES

5.1. Pricing (including applicable interest rates, commitment fees and other pricing) will be in accordance with the Bank's usual fees in force from time to time, save to the extent that the Bank and the Borrower have agreed otherwise in terms of a written pricing schedule or agreement.

5.2. The pricing on the Short Term Direct Facility will be as set out below, but subject to the Bank's annual pricing review:

Interest Rate: Prime Rate minus 0.75% (zero point seventy five percent) per annum.

Interest shall be calculated on the daily outstanding balance, compounded monthly in arrears and repaid quarterly.

Where Prime Rate means the interest rate from time to time published by the Bank as being its prime overdraft rate, calculated on a 365 (three hundred and sixty-five) day year irrespective of whether the applicable year is a leap year, as certified by any manager of the Bank, whose appointment and designation need not be proven.

Commitment Fees

The Bank shall be entitled to charge a commitment fee on the average monthly unutilised portion of the Short Term Direct Facility provided for in clause 1.1 above at a rate of:

- 85bps (eight basis points) per annum if utilisation of the Short Term Direct Facility is between 0% (zero percent) to and including 40% (forty percent);

- 65bps (sixty basis points) per annum if utilisation of the Short Term Direct Facility is more than 40% (forty percent) to and including 80% (eighty percent); and

- 45bps (forty basis points) per annum if utilisation of the Short Term Direct Facility is more than 80% (eight percent),

of the amount available under the Short Term Direct Facility, or the rate advised to the Borrower from time to time (but on not less than 30 (thirty) days prior written notice).

The commitment fee as set out above shall be payable by the Borrower monthly in arrears and the Bank shall provide to the Borrower an invoice in respect thereof. The commitment fee shall be

payable by the Borrower within 7 (seven) Business Days of receipt by the Borrower from the Bank of an invoice in respect thereof.

6. ACCEPTANCE

Although the Bank intends to review the Facilities annually, the Bank may conduct the review at any time before or after the intended review date.

This Facility Letter, if accepted, will be in substitution of and not in addition to all previous Facility Letters provided to the Borrower.

Please acknowledge your agreement to the above by signing the two originals of this Facility Letter and initialling the GTC's and returning one of each to us. You should retain the other duplicate original for yourself.

We thank you for your support and look forward to conducting business with you in future. Yours faithfully

For and behalf of: FirstRand Bank Limited acting through Rand Merchant Bank division.

/s/ Onke Mkiva	/s/ Blessings Magagane
Name: Onke Mkiva	**Name:** Blessings Magagane
Title: Sector Head	**Title:** Transactor
Who warrants their authority	Who warrants their authority

We hereby accept the offer on the terms and conditions set forth in this Facility Letter and the GTC referred to in 2 above.

Accepted at Boca Raton, FL this 15th day of March 2024.

For and on behalf of:	**Mix Telematics Ltd** **(Reg. No. 1995/013858/06).**

Paul Dell	
Full name of duly authorised signatory	Full name of duly authorised signatory
Chief Financial Officer	
Capacity / Office	Capacity / Office
/s/ Paul Dell	
Signature (who warrants his/her authority)	Signature (who warrants his/her authority)

GENERAL TERMS AND CONDITIONS
APPLICABLE TO THE FACILITY LETTER

VERSION: GTC0118S

entered into between

FIRSTRAND BANK LIMITED

and

THE BORROWER

Version date: February 2023

Table of contents

GENERAL TERMS AND CONDITIONS APPLICABLE TO THE FACILITY LETTER

1. DEFINITIONS AND INTERPRETATION

1.1 Unless the context otherwise indicates, the following words and phrases shall have the following meanings in these GTC's, the Facility Letter, Transaction Annexure and any other document that is applicable to the terms and conditions of the Facility:

1.1.1 **"Acting in Concert"** means acting in pursuance of an agreement, an arrangement or understanding (whether formal or informal) between two or more persons to which they are or any of them cooperate for the purposes of entering into a transaction as contemplated in the definition of Change in Control;

1.1.2 **"Authorisation"** includes any consent, registration, filing, agreement, notarisation, certificate, licence, approval, permit, authority or exemption from, by or with any Authority, and all corporate, creditors and shareholders approvals or consents;

1.1.3 "**Authority**" means any national, supranational, regional or local government or governmental, administrative, fiscal, judicial or government owned body, department, instrumentality, agency, public or regulatory authority, corporation, commission, court, tribunal or person having jurisdiction under the laws of the Republic of South Africa, whether or not government owned or controlled and howsoever constituted or called;

1.1.4 **"Bank"** means FirstRand Bank Limited (Registration No. 1929/001225/06), and includes any of its wholly owned subsidiaries and divisions through which it may act and/or which may make any part of the Facility available to a Borrower;

1.1.5 **"Banks Act"** means the Banks Act, No.94 of 1990;

1.1.6 **"Borrower"** means each Borrower identified in the Facility Letter, as amended from time to time, and which has bound itself to the terms thereof and hereof;

1.1.7 "**Business Day**" means a day other than a Saturday, Sunday or public holiday in the Republic of South Africa;

1.1.8 **"Change in Control"** means entering into any transaction (irrespective of whether conditional, an option or otherwise) including a transaction which forms part of a series of transactions or a scheme, whatever form it may take, which-

1.1.8.1 taking into account any Securities held before such transaction or scheme, has or will have the effect of vesting Control of a Borrower in any person, or two or more persons Acting in Concert, in whom Control did not vest prior to such transaction or scheme; or

1.1.8.2 is a disposal in terms of section 112 of the Companies Act;

1.1.9 **"Companies Act"** means the Companies Act No. 71 of 2008;

1.1.10 **"Constitutional Documents"** means a company's memorandum of incorporation, share register, rules, directors details and the various relevant company documents and company secretarial forms;

1.1.11 **"Control"** means a holding or aggregate holdings of Securities in a Borrower (whether held directly or indirectly) entitling the holder thereof to exercise, or cause to be exercised, 50% (fifty percent) or more of the voting rights at meetings of that Borrower. For the purposes hereof, a Security which is convertible into a Security with voting rights shall be deemed to confer those voting rights which it would confer after conversion;

1.1.12 **“Demand Deposit Account”** means a bank account held by a Borrower at the Bank which is (i) denominated in South African Rands, and (ii) reflects a debit or credit balance that is at all times immediately repayable by the debtor to the creditor on demand, and (iii) is denoted as such in the Facility Letter or the Bank’s documentation;

1.1.13 **“Derivative Transaction”** means any derivative transaction including but not limited to a swap transaction, an interest rate swap transaction, a basis swap, a forward rate transaction, a commodity swap, a commodity option, an equity or equity index swap, an equity or equity index option, a bond option, an interest rate option, a sell/buy back transaction, a repurchase transaction, a foreign exchange transaction, a cap transaction, a floor transaction, a collar transaction, a currency swap transaction, a cross currency rate swap transaction, a currency option, any other similar transaction or combination of these transactions;

1.1.14 **“Event of Default”** means an event of default as set out in clause 14;

1.1.15 **“Facility”** means the loan and/or credit facility set out in the Facility Letter;

1.1.16 **“Facility Letter”** means the latest Facility Letter signed by a Borrower and any amendment or addendum thereto from time to time;

1.1.17 **“Facility Limit”** means the maximum amount to which a Borrower may utilise the Facility or any specified portion thereof, as the case may be, as stipulated in the Facility Letter;

1.1.18 **“Facility Terms and Conditions”** means the terms and conditions applicable to the Facility from time to time, being contained in the Facility Letter, these GTC’s and any applicable Transaction Annexure;

1.1.19 **“FEC Terms”** means the Foreign Exchange Terms of the Bank, from time to time, being the general terms and conditions of contract relating to foreign currency transactions, which, on request, are available from the Bank;

1.1.20 **“Financial Ratios”** means the financial ratio’s set out in the Facility Letter, if any;

1.1.21 **“General Banking Products”** means the banking products listed under the Short- Term Direct Facility as set out in clause 2.3 hereof;

1.1.22 **“the GTC’s”** means the General Terms and Conditions contained herein;

1.1.23 **“Insolvency Act”** means the Insolvency Act, No 24 of 1936;

1.1.24 **“Long-Term”** means a Facility or product with a term of not less than 12 (twelve) months, and/or to which the Bank’s exposure is not less than 12 (twelve) months, and/or which is terminable by the Bank on not less than 12 (twelve) months’ notice;

1.1.25 **“Material Adverse Effect**” means, in the reasonable opinion of the Bank, an event, circumstance or matter or combination of events, circumstances or matters that has or may have a material and adverse effect on:

1.1.25.1 the ability of any Obligor to perform any or all of its obligations under the Facility Terms and Conditions and/or the security documents (as the case may be); and/or

1.1.25.2 the business, financial condition or assets of any Obligor, as a result of which it will be unable to comply with its obligations in terms of the Facility Terms and Conditions and/or the relevant security documents (as the case may be); and/or

1.1.25.3 the validity and enforceability of the Facility Terms and Conditions and/or a security document executed by a Security Provider;

1.1.26 **“Obligor”** means each Borrower and/or each Security Provider;

1.1.27 **“Outstanding Balance”** means all amounts owing to the Bank in terms of the Facility and includes but is not limited to, capital, any amount equal to the face value of bills accepted or discounted by the Bank and which have not yet matured, the value of promissory notes issued by a Borrower, and all interests and costs;

1.1.28 **“Party”** means the Bank and each Borrower, and their successors-in-title and permitted assigns and **“Parties”** shall mean more than one such Party;

1.1.29 **“Pre-settlement Transactions”** means all transactions between the Bank and a Borrower which will be settled at a future date, which include amongst others, forward exchange contracts and Derivative Transactions;

1.1.30 **“Prime Rate”** means the interest rate from time to time published by the Bank as being its prime overdraft rate, calculated on a 365 (three hundred and sixty five) day year irrespective of whether the applicable year is a leap year, as certified by any manager of the Bank, whose appointment and designation need not be proven;

1.1.31 **“Reserve Bank”** means the South African Reserve Bank (or its successor body);

1.1.32 **“Roll-up Procedure”** means the roll-up procedure described in clause 2.7;

1.1.33 **"Sanctioned Entity"** means –

1.1.33.1 a person, country or territory which is listed on a Sanctions List or is subject to Sanctions;

1.1.33.2 a person which is ordinarily resident in a country or territory which is listed on a Sanctions List or is subject to Sanctions;

1.1.34 **"Sanctioned Transaction"** means the use of the proceeds of the Facility for the purpose of financing or providing any credit, directly or indirectly, to –

1.1.34.1 a Sanctioned Entity; or

1.1.34.2 any other person or entity, if a member of the Group has actual knowledge that the person or entity proposes to use the proceeds of the financing or credit for the purpose of financing or providing any credit, directly or indirectly, to a Sanctioned Entity,

1.1.34.3 in each case to the extent that to do so is prohibited by, or would cause any breach of, Sanctions, if conducted by a person subject to the authority of a Sanctions Authority;

1.1.35 **"Sanctions"** means trade, economic or financial sanctions, laws, regulations, embargoes or restrictive measures imposed, administered or enforced from time to time by any Sanctions Authority;

1.1.36 **"Sanctions Authority"** means –

1.1.36.1 the United Nations;

1.1.36.2 the European Union;

1.1.36.3 the Council of Europe (founded under the Treaty of London, 1946);

1.1.36.4 the government of the United States of America;

1.1.36.5 the government of the United Kingdom;

1.1.36.6 the Republic of France;

1.1.36.7 the Commonwealth of Australia;

1.1.36.8 the government of Switzerland,

1.1.36.9 and any of their governmental authorities charged with the imposition, administration and/or enforcement of Sanctions, including, without limitation, the Office of Foreign Assets Control for the US Department of Treasury (OFAC), the US Department of Commerce, the US State Department or the US Department of the Treasury, Her Majesty's Treasury (HMT) and the French Ministry of Finance (MINEFI);

1.1.37 **"Sanctions List"** means –

1.1.37.1 the Specially Designated Nationals and Blocked Persons List maintained and published by OFAC;

1.1.37.2 the Consolidated List of Financial Sanctions Targets and the Investments Ban List maintained and published by HMT; and

1.1.37.3 any similar list maintained and published, or a public announcement of a Sanctions designation made, by any Sanctions Authority, in each case as amended, supplemented or substituted from time to time;

1.1.38 **"Securities"** means any shares in the capital of a Borrower and includes stock and debentures convertible into shares and any rights or interests in the Borrower or in respect of such shares, stock or debentures and includes "securities" as defined in the Financial Markets Act No. 19 of 2012;

1.1.39 **"Security Provider"** means any person that provides security in favour of the Bank for the obligations of any Borrower and/or another Security Provider arising from or in relation to the Facility and the Facility Terms and Conditions and any security document (as the case may be) including but not limited to mortgages, notarial bonds, pledges, cessions, suretyships and/or demand guarantees;

1.1.40 **"Short-Term"** when used to describe a Facility or product means a Facility or product with a term of less than 12 (twelve) months, and/or the Bank's exposure is less than 12 (twelve) months, and/or which is terminable by the Bank on less than 12 (twelve) months' notice, and/or which is repayable on demand;

1.1.41 **"Transaction Annexure"** means such further and/or other agreement(s) required by the Bank to be entered into by a Borrower detailing the manner and/or terms and conditions of the form and/or manner of utilisation of the Facility or part thereof.

1.2 The headings of the paragraphs in the Facility Letter and the clauses in these GTC's and any Transaction Annexure applicable to the Facility are for the purpose of convenience only and shall not be used in the interpretation of, modify or amplify the terms on which the Facility is made available.

1.3 Unless the context otherwise requires, words and phrases defined in the Facility Letter will have the same meanings in these GTC's and any Transaction Annexure and vice versa.

1.4 When any number of days is prescribed, that number shall be calculated by excluding the first day and including the last day.

1.5 Where figures are referred to in numbers and in words, if there is any conflict between the two, the words shall prevail.

1.6 Unless the context otherwise requires, any reference herein to an enactment refers to that enactment as at the date of on which these GTC's become applicable, as well as to its amendments or re-enactments from time to time in the future.

1.7 If a payment in terms of the Facility falls due on a day which is not a Business Day, then such payment together with further interest thereon shall be made on the next Business Day.

1.8 Unless inconsistent with the context, an expression which denotes one **gender** includes the other gender, a **natural** person includes a juristic person and vice versa and the **singular** shall include the plural and vice versa.

1.9 Any reference to "**days**" will be construed as calendar days unless referred to as "**Business Days**", in which instance they will bear the meaning ascribed to them above.

1.10 Any reference to the "**discretion**" of the Bank shall be to the Bank's sole, absolute and unfettered discretion.

1.11 Any reference to **"law"** shall be construed as any law (including common or customary law), statute, constitution, treaty, regulation, directive, by-law, order or any other legislative measure of any government, supranational, local government, statutory or regulatory body or court.

1.12 Any reference to "**person**" shall be construed as including a reference to a natural person, an artificial person, association of persons (whether incorporated or not) and a trust.

1.13 Unless the contrary appears, any **calculation of interest** shall be done on a NACM basis (nominal, annual and compounded monthly in arrears).

1.14 No provision in these GTC's, the Facility Letter or a Transaction Annexure or other documents in connection with the Facility will be construed against or interpreted to the disadvantage of the Bank by reason of the Bank having or being deemed to have structured, drafted or introduced such provision.

1.15 No provision of these GTC's constitutes a stipulation for the benefit of any person who is not a Party to the Facility Terms and Conditions.

2. UTILISATION OF THE FACILITY

2.1 All Forms of Utilisation are subject to Availability

Each of the different forms of utilisation of the Facility is subject to the Bank having available products and/or funds to provide the form of utilisation in question.

2.2 Method of Utilisation

The Borrower shall utilise the Facility subject to the restrictions and limitations contained in the Facility Letter, the GTC and/or applicable Transaction Annexure/s.

2.3 Short-term Direct Facility

2.3.1 This Facility may be utilised by way of overdrafts, corporate term loans, bankers acceptances (also known as acceptance credits), promissory notes, offshore finance, call loans, letters of credit, guarantees, forward exchange contracts, and/or such other products as the Bank in its discretion and from time to time may allow a Borrower to utilise.

2.3.2 If this Facility is utilised by way of Short-Term guarantees the provisions of clause 2.4 shall apply to such utilisation.

2.3.3 If this Facility is utilised by way of forward exchange contracts the provisions of clause 2.5 that deal with Short-Term Pre-settlement Transactions will apply to such utilisation.

2.4 Long and Short-term Contingent Facility

2.4.1 Long-Term guarantees and/or standby letters of credit are to be in a form acceptable to the Bank and the expiry date will be as specified in the Facility Letter.

2.4.2 Short-Term guarantees and/or standby letters of credit are to be in a form acceptable to the Bank and have expiry dates not exceeding 12 (twelve) months from date of issue or provide for notice of cancellation by the Bank with notice periods of not more than 3 (three) months, unless the Bank in its discretion agrees otherwise.

2.4.3 Guarantees and/or standby letters of credit may at the discretion of the Bank be issued for the obligations of a Borrower or, on a Borrower's instructions, for the obligations of any other entity.

2.4.4 The Bank may at any time at its discretion, require that a Borrower immediately place and cede as security cash collateral with and to the Bank for an amount equal to the Bank's exposure to any guarantee and/or standby letter of credit.

2.5 Long and Short-term Pre-settlement Facility

2.5.1 Utilisation of these Facilities by way of Pre-settlement Transactions will be at the discretion of the Bank.

2.5.2 Long-term Pre-Settlement Transactions will be for more than 12 (twelve) months from date of transaction or issue, but may not exceed the time period specified by the Bank.

2.5.3 Short-term Pre-settlement Transactions may not exceed 12 (twelve) months from date of transaction or issue unless the Bank agrees otherwise, at its discretion.

2.5.4 All Pre-settlement Transactions, regardless of the term, must be in a form and substance acceptable to the Bank, in its discretion.

2.5.5 The Facility limit is expressed as a margined amount, being the maximum exposure given the Bank's credit risk factors as applied to the aggregate of each Pre-settlement Transaction. The effect of this is that a limit is placed on the notional value of Pre- settlement Transactions that may be outstanding at any one time. It is recorded that the aforesaid margined amount is calculated by taking into account the Bank's credit risk factors as applied to Pre-settlement Transactions of this nature and term(s). As transactions are entered into, the Bank will advise of the utilisation level under the limit in terms of the credit risk factors.

2.5.6 However, irrespective of whether the notional value of the Pre-settlement Transactions entered into are within the aforesaid margined Facility limit, the level of the Bank's exposure under this facility will be calculated daily by valuing all outstanding Pre- settlement Transactions on a mark to market basis, and an amount (***"the add-on factor"***) will be added to such mark to market valuation to cater for future volatility in the market. The add-on factor has been calculated by taking into account the Bank's credit risk factors and the Bank reserves the right to decrease or increase the add-on factor as and when required by market conditions.

2.5.7 Notwithstanding the provisions of clause 2.3 of the Facility Letter and unless a Transaction Annexe expressly provides to the contrary, the Bank may at any time at its discretion, require that a Borrower immediately place and cede as security cash collateral with and to the Bank for an amount equal to the Bank's exposure to any Pre- Settlement Transaction.

2.5.8 To the extent that a Borrower utilises this Facility for the purposes of foreign currency transactions, such foreign currency transactions shall be subject to the FEC Terms.

2.6 Settlement Facility

2.6.1 This Facility caters for the same day settlement by a Borrower of obligations incurred by that Borrower to the Bank. Outstanding obligations may not at any time exceed the Facility Limit and all outstanding obligations must be settled on the same day as they were incurred, failing which they will immediately become due and payable and the Bank may refuse a Borrower further utilisation of the Facility until the overdue amount has been paid.

2.6.2 This Facility may be utilised for the purposes of the settlement of Pre-settlement Transactions and/or the Bank's electronic settlement products.

2.7 Roll-up Procedure

2.7.1 If a Borrower requires utilisation of a certain type of Facility and there is no availability under that type of Facility or no such Facility has been made available by the Bank in terms of the Facility Letter, the Bank may allow a Borrower, at the Bank's discretion, to utilise such Facility where there is availability under a Facility which is of the same or longer tenure and of the same or higher risk band ("**the Roll-up Procedure**"). The risk band ranking (in ascending order of risk) is: Pre-Settlement, Contingent, Direct (asset based finance facilities are excluded). The Bank may from time to time in its discretion, vary the ranking.

2.7.2 Use of the Roll-up Procedure will reduce the amount available for utilisation under the Facility into which it has been rolled up, for the period during which such latter Facility is utilised.

2.8 Excess Utilisation

2.8.1 A Borrower may not utilise the Facility or any part thereof beyond the applicable Facility Limits without the Bank's prior written consent, which consent will be in the Bank's discretion to allow or refuse.

2.8.2 Any utilisation of the Facility or any part thereof beyond the applicable Facility Limits without the Bank's prior written consent shall be immediately due, owing and payable to the Bank and must be immediately repaid or rectified to the satisfaction of the Bank by a Borrower, regardless of the reasons therefor (and whether or not such payment or utilisation arose by reason of any act or omission of the Bank).

2.9 Exchange Control

The Facility and any utilisation thereof is subject to the Exchange Control regulations in force from time to time in the Republic of South Africa and the requirements and directions of the Reserve Bank.

3. REPAYMENT

3.1 Unless otherwise expressly agreed in writing, where a Facility is a demand facility, the Bank may at any time, by way of written notice:

3.1.1 demand immediate repayment and/or performance by the Borrower of all amounts and/or all obligations owing to the Bank under the Facility; and/or

3.1.2 immediately terminate the Facility;

and in any such event the Borrower shall be obliged to immediately repay all amounts owing under the Facility and/or to immediately perform all of all its obligations under the Facility, as the case may be.

3.2 Notwithstanding clause 3.1, the Bank may in its discretion require repayment or performance by the Borrower of its obligations or termination of the Facility at such later date as may appear in the notice.

3.3 All payments and/or monies received by the Bank shall be appropriated firstly in settlement of the Bank's costs and fees, thereafter to arrear or penalty interest (if any), thereafter to interest, and thereafter the balance (if any) to the principal debt due and/or owing to the Bank, provided that the longest outstanding principal debt due and/or owing shall be settled first.

3.4 The Bank shall have the right to debit to an account at the Bank in the name of any Borrower any costs and fees for which a Borrower is liable and all amounts paid by the Bank for and on behalf of a Borrower pursuant to the provision of the Facility, as well as any interest (including penalty interest) accruing on the Facility, in terms of the Facility Terms and Conditions.

4. SECURITY AND SET-OFF

4.1 All collateral given by a Borrower for its obligations and/or indebtedness to the Bank and/or the Bank acting through any of its divisions (including without limitation First National Bank, Wesbank, Rand Merchant Bank, FirstCard and/or the Property Financing Division/s), will apply and/or may be applied by the Bank (acting through any of its divisions) to any indebtedness of any Borrower (whether current or future), to the Bank as a whole (and including without limitation the Bank acting through any of its divisions).

4.2 Any credit balances or deposits held by the Bank or the Bank acting through any of its divisions (including without limitation, First National Bank, Wesbank, Rand Merchant Bank, FirstCard and/or the Property Financing Division/s) for and on behalf of any Borrower, may be appropriated by the Bank and/or any of its divisions against any indebtedness by any Borrower to the Bank or any of its other divisions, as the case may be, whether such indebtedness is due and payable or not.

5. CURRENCY EXCHANGE RISK

The Borrower will bear the risk of any currency exchange fluctuations.

6. JOINT AND SEVERAL LIABILITY

Such Borrowers as are entitled to utilise a Facility shall be jointly and severally liable for their obligation to the Bank under such Facility.

7. NO DEDUCTIONS OR SET-OFF BY A BORROWER

7.1 All payments due to the Bank shall be made free of and without deduction of:

7.1.1 any taxes, levies, imposts, duties, charges, fees or any other deduction or withholding of any nature whatsoever, whether applicable now or hereafter;

7.1.2 any exchange commissions or bank charges; and

7.1.3 any other amount of any nature whatsoever.

7.2 If any withholding or deduction as contemplated in clause 7.1 is made or occurs, the Borrower shall increase the amount paid to the Bank to ensure that, after the making of the required deduction or withholding the Bank receives and retains (free from any liability in respect of any such deduction or withholding) a sum equal to the sum which it would have received and retained had no such deduction or withholding been made or required to be made.

7.3 If the Bank is obliged to pay any withholding or other tax of any nature whatsoever on any amount received from a Borrower (other than a tax on its overall net income), such withholding or other tax shall be for the account of that Borrower and shall be refunded or paid by the Borrower to the Bank on demand.

7.4 A Borrower shall not be entitled to set-off or deduct from any amount due and payable by it to the Bank, any amount due by the Bank to that Borrower or by any other Borrower.

8. SINGLE BALANCE CASH MANAGEMENT SCHEME

8.1 As an overriding principle, when a Single Balance Cashman Scheme (as defined in this clause) is in operation, then at all times while it is in operation, the amount owing to the Bank by a Borrower or by the Bank to a Borrower, in respect of the Demand Deposit Accounts that are subject to the Single Balance Cashman Scheme, will be the net of the gross credit and debit balances recorded in those Demand Deposit Accounts, and the provisions of this clause 8 must be interpreted and applied accordingly.

8.2 While a Borrower utilises or participates in a single – or multiple legal entity full set-off cash management scheme, the Single Balance Cash Management Scheme ("**the Single Balance Cashman Scheme**") will operate in respect of all Demand Deposit Accounts (except for those excluded by agreement by the Bank and that Borrower) (with the Demand Deposit Accounts in respect of which it is to operates being hereafter referred to as "**Cashman DDA's**"), then:

8.2.1 notwithstanding anything to the contrary herein contained or previously agreed, on the commencement and for the duration of the Single Balance Cashman Scheme, the amount owing to the Bank by the Borrower or by the Bank to the Borrower at any point in time in respect of the Cashman DDA's will be the net of the gross credit and debit balances recorded in the Cashman DDAs (such single balance being referred to herein as the "**the Single Balance**");

8.2.2 any credits and/or debits arising and recorded in the Cashman DDA's at any time shall be immediately due and payable without the necessity of any demand for payment being made, and shall be automatically set-off against, added to or deducted from the Single Balance, as the case may be, as and when they arise, thereby resulting in the Single Balance being owed by the Bank to the Borrower or the Borrower to the Bank, as the case may be;

8.2.3 the Bank will continue to maintain for each of the Cashman DDA's a record of the individual debit and credit entries and balances from time to time (each an "**Account Statement**") but all gross balances appearing on Cashman DDA Account Statements shall be for the convenience of the Borrower only and shall not represent a legal claim or liability between the Bank and the Borrower;

8.2.4 the Bank will also maintain a separate record, reflecting at least once daily of:

8.2.4.1 the net of the debit and credit transactions on each Cashman DDA; and

8.2.4.2 the Single Balance owing by the Borrower to the Bank or vice-versa in respect of the Cashman DDA's, which Single Balance will be reflected in an account in the Borrower's name in the Bank's books of account designated for this purpose ("**the Consolidated Cashman Account**");

8.2.5 a statement of the transactions on the Consolidated Cashman Account will be made available or provided to the Borrower at such intervals as may be agreed with the Borrower, or failing agreement, in accordance with the Bank's then prevailing practice.

8.3 Interest earned by the Borrower or charged by the Bank shall be calculated daily on the Single Balance's credit or debit balance, as the case may be, reflected in the Consolidated Cashman Account.

8.4 At all times, a debit balance on the Single Balance is immediately repayable by the Borrower to the Bank when demanded and a credit balance shall be immediately repayable by the Bank to the Borrower when demanded.

8.5 The Borrower acknowledges that the use of multiple Cashman DDA's and the recordal of the gross balances on the Account Statements of such Cashman DDA's is for the Borrower's convenience only and such gross balances do not represent legal claims or liabilities between the Bank and the Borrower. The legal liability of the Bank to the Borrower or vice versa is reflected at all times by the Single Balance.

8.6 A Cashman DDA shall cease to form part of the Single Balance Cashman Scheme or the Single Balance Cashman Scheme shall cease to operate, only with the written consent of the Bank, or if the Bank gives written notice to the Borrower to this effect. In such event, on the date on which the Cashman DDA in question ceases to form part of the Single Balance Cashman Scheme, the following shall occur simultaneously:

8.6.1 the debit or credit balance reflected on the relevant Account Statement of the Cashman DDA shall represent a legal claim by the Bank against the Borrower or vice-versa, as the case may be;

8.6.2 the Single Balance shall be increased or decreased by the amount of such gross debit or credit balance, as the case may be; and

8.6.3 the Cashman DDA shall become a Demand Deposit Account no longer subject to the provisions of the Single Balance Cashman Scheme and this clause 8.

8.7 The Single Balance may only be in debit pursuant to an agreement between a Borrower and the Bank providing for such credit facility and subject to such terms and conditions as the Bank may agree.

9. WARRANTIES

9.1 The Borrower warrants to the Bank that:

9.1.1 it is a company duly registered and existing under the laws of the Republic of South Africa;

9.1.2 it is a juristic person (as defined in the National Credit Act, 34 of 2005 ('**NCA**")) and its asset value or annual turnover, together with the combined asset value or annual turnover of all of its related juristic persons (as defined in the NCA) is equal to or exceeds R1,000,000 (one million Rand) or such other amount as may be specified for the purposes of S7(1)(a) of the NCA;

9.1.3 it has full power and capacity to enter into and perform its obligations in terms of the Facility Terms and Conditions and any collateral given thereunder, that same is not done in contravention of its Constitutional Documents and that it has taken all necessary corporate and other actions to authorise the borrowings thereunder and the entering into of the Facility Terms and Conditions and the giving of any collateral thereunder;

9.1.4 the Facility Terms and Conditions constitute valid obligations enforceable in respect of the Borrowers in accordance with their terms;

9.1.5 any Authorisation which is required to be done, fulfilled, obtained and/or performed in order to enable the Borrower to lawfully enter into, perform and/or comply with its obligations in the Facility Terms and Conditions and provide any collateral given or to be given thereunder, has been or, by the relevant time, will have been done, fulfilled, obtained and/or performed and is, or by the relevant time, will be, in full force and effect, and the Borrower is not aware of any steps having been taken to revoke or cancel or limit the scope of any such Authorisation done, fulfilled, obtained and/or performed;

9.1.6 it is not aware of any Authorisation not yet done, fulfilled, obtained and performed that may be required to be done, fulfilled, obtained and/or performed;

9.1.7 no litigation, arbitration or administrative proceeding is presently in progress or, to the knowledge of Borrowers pending or threatened against the Borrowers, or any of the Borrowers' assets, and which may have a Materially Adverse Effect on the financial position of Borrowers or any of them;

9.1.8 it is not a party to any agreement which it has not disclosed to the Bank, which would, or is likely to have, a Materially Adverse Effect on its financial position and/or its ability to perform its obligations under the Facility Terms and Conditions and any collateral given;

9.1.9 it has good title to all its assets which are reflected in its latest financial statements (audited or otherwise) and any existing encumbrances on the assets have been disclosed in writing to the Bank;

9.1.10 it has no liabilities, present or contingent, including, without limitation, liabilities for taxes or material forward or long term commitments, which are not disclosed or provided for in its latest financial statements (audited or otherwise) which have been provided to the Bank;

9.1.11 since applying for the Facility there has been no material adverse change in the financial or other condition of the Borrower;

9.1.12 it is not financially distressed within the meaning of the Companies Act and nor is it likely to be financial distressed in the foreseeable future;

9.1.13 no Event of Default has occurred;

9.1.14 the latest accounts (audited or otherwise) of each Borrower which have been delivered to the Bank, fairly represent the financial position of the Borrowers, and their consolidated financial position, if applicable;

9.1.15 all of the information supplied by the Borrower to the Bank in connection with the Facility Terms and Conditions is true, complete and accurate in all respects;

9.1.16 the Borrower is not aware of any facts or circumstances that have not been disclosed to the Bank and which might, if disclosed, adversely affect the decision of the Bank when considering whether or not to provide finance to the Borrower; and

9.1.17 each of the warranties in this clause 9 is true, accurate and correct in all respects.

9.2 Each of the warranties given by each Borrower in terms of clause 9.1 shall:

9.2.1 *prima facie* be deemed to be a representation of fact inducing the Bank to enter into and provide the Facility;

9.2.2 be presumed to be material unless the contrary is proved;

9.2.3 insofar as any of the warranties is promissory or relates to a future event, be deemed to have been given as at the due date for fulfilment of the promise or for the happening of the event, as the case may be; and

9.2.4 be a separate warranty and in no way be limited or restricted by reference to or inference from the terms of any other warranty.

9.3 The Bank is entering into and providing the Facility relying upon the warranties given by each Borrower.

10. UNDERTAKINGS

The Borrower undertakes:

10.1 to furnish the Bank on request with true copies of such of its public documents as may be requested by the Bank, and which will include, but are not limited to the Constitutional Documents of the Borrower;

10.2 to furnish the Bank on request with all such information in respect of its financial position and performance as the Bank may from time to time require (including but not limited to management accounts prepared on a consolidated basis);

10.3 to prepare and cause to be certified by its auditors, audited annual financial statements of the Borrower (consolidated to the extent applicable or required by the Bank) and to furnish such financial statements to the Bank within 120 (one hundred and twenty) days after its financial year end or on written request by the Bank from time to time, which financial statements shall be prepared in accordance with International Financial Reporting Standards as issued by the Board of the International Accounting Standards Committee from time to time, and shall contain such information as is necessary to enable the Bank to calculate the Financial Ratios where applicable;

10.4 that the Borrower shall not create or permit to exist any security or preference (other than one created by operation of law) within the meaning of the Insolvency Act, for any indebtedness or contingent indebtedness of the Borrowers and shall not provide any form of collateral or security to any third party without the Bank's prior written consent and then only subject to such terms and conditions as the Bank may specify;

10.5 that the Borrower shall not, other than in the ordinary course of business, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer or otherwise dispose of any material assets or the whole or the substantial part of its assets or the whole or the substantial part of its undertaking, without the prior written consent of the Bank;

10.6 that the Borrower will not reduce its share capital in terms of section 48 of the Companies Act, without the prior written consent of the Bank;

10.7 to timeously comply with or perform all of its obligations under the Companies Act

11. CHANGE IN CIRCUMSTANCES

11.1 The Borrower acknowledges that:

11.1.1 the Bank is providing the Facility based on the law applicable to, and the financial position and circumstances of, each Obligor at the time of the grant of the Facility as well as the industry and environment within which it/they operate at that time; and

11.1.2 a change in the law, financial position, circumstances and/or the industry or environment within which they operate may have the effect of altering the basis upon which the Facility was or is given and secured.

11.2 If an event or circumstance or series of events or circumstances occurs (including without limitation a change in law or financial position) which has or may have a Material Adverse Effect, the Bank may, by giving written notice to a Borrower, change the terms of the Facility with that Borrower.

11.3 If the Borrower does not accept the new terms on which the Bank is prepared to make the Facility available, or to continue to make the Facility available, within the period advised by the Bank to the Borrower in its written notice in clause 11.2, all amounts owing by the Borrower to the Bank under the Facility will, without further notice, immediately become due and payable and the Borrower will be obliged to immediately effect payment of such outstanding amounts to the Bank.

12. CHANGES IN THE LAW OR PRACTICES

If:

12.1 there is any change in any law or the interpretation, application or administration thereof, or departmental practice by any Authority, whether in the Republic of South Africa or elsewhere, and in particular, without limitation, any change in the Income Tax Act No. 58 of 1962, or the Banks Act or the Companies Act or any regulations made in terms thereof; or

12.2 there is any change in banking practice as it affects or is applied to or by the Bank; or

12.3 the Bank is required or requested by any statutory, monetary or other Authority to pay any taxes other than normal tax on the Bank's income, levies or other amounts whatsoever or to increase or maintain special deposits or reserve assets, capital assets, liquid assets and cash reserves, in addition to those currently paid, maintained or reserved; or

12.4 any other event occurs which is beyond the reasonable control of the Bank;

with the result that the cost to the Bank of maintaining or funding the Facility is increased or the amounts received or receivable by the Bank in terms of the Facility Terms and Conditions are reduced, whether directly or indirectly, then the Bank shall:

12.5 in the case of the unutilised part of the Facility, be entitled to require the Borrower to pay on demand a fee, to cover such increased cost to the Bank of making the unutilised part of the Facility available; and/or

12.6 in the case of any portion of the Facility already utilised, determine the amount payable by the Borrower to place the Bank in the same financial position it would have been in, if the change or event referred to above had not occurred, and such amount shall be payable on demand; and

subject to payment of any costs or losses which the Bank may incur as a result of early repayment, the Borrower shall be entitled to repay any amounts owed to the Bank, or to cancel any unutilised portion of the Facility by giving the Bank written notice thereof or subject to the approval of the Bank and of the exchange control department of the Reserve Bank, be entitled to refinance the repayment of the relevant amount of any loan not denominated in Rand by means of a loan from the Bank denominated in Rand.

13. CHANGE IN CONTROL

The Borrower must advise the Bank in writing of any Change in Control of that Borrower at least 30 (thirty) days before the Change in Control occurs, provided that, where the specific circumstances surrounding the Change in Control are such that compliance with the aforementioned notification will cause the Borrower in question to breach the provisions of the Financial Markets Act No. 19 of 2012, the Companies Act, the rules or listings requirements of the JSE Limited or any other law then in force in the Republic of South Africa, the Borrower shall provide the Bank with written notice as soon as such notice is or becomes legally allowed or allowable, and which notice shall in any event not be later than any notice given to its shareholders or those of the Borrower concerned. In the event of a Change in Control, the Bank will be entitled, in the discretion of the Bank, to review and amend the terms and conditions of the Facility or to cancel the Facility in respect of any or all of the Borrowers. The Bank shall at all times treat any information given in terms of this clause 13 as confidential, save to the extent that such information is in or passes into the public domain.

14. EVENTS OF DEFAULT

14.1 An Event of Default shall occur if:

14.1.1 any Borrower fails to make any payment/s required to be made under the Facility Terms and Conditions on the applicable due date; or

14.1.2 any Borrower fails to comply with any term of the Facility Terms and Conditions and fails to remedy that failure within 5 (five) Business Days after having been called upon to do so;

14.1.3 any Obligor does or omits to do anything which if done or omitted to be done by a natural person would be an act of insolvency as defined in the Insolvency Act;

14.1.4 any asset considered by the Bank to be a material asset of any Obligor is attached with a writ of execution and the applicable Obligor fails within 10 (ten) Business Days of such attachment to take the necessary steps to have such attachment set aside and thereafter to pursue such steps with due diligence to a successful conclusion;

14.1.5 any judgement be granted against any Obligor and the applicable Obligor fails within a period of 10 (ten) Business Days after the date of such judgement, to either satisfy such judgement or to take the necessary steps to appeal against or rescind such judgement and thereafter to pursue such appeal or rescission with due diligence to a successful conclusion;

14.1.6 any event or circumstance occurs, which has or is reasonably likely to have a Material Adverse Effect;

14.1.7 any Obligor is or is deemed, by any authority or legislation, to be unable, or admits inability to pay, its debts as they fall due, suspends making payments on any of its debts, or by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;

14.1.8 any Obligor is or is deemed, by any authority or legislation, to be financially distressed, as defined in the Companies Act;

14.1.9 the value of the assets of any Obligor is less than its liabilities (taking into account contingent and prospective liabilities);

14.1.10 a moratorium is declared in respect of any indebtedness of any Obligor;

14.1.11 any corporate action, legal proceedings or other procedure or step is taken in relation to:

14.1.11.1 the suspension of payments, a moratorium of any indebtedness, liquidation, winding-up, dissolution, administration, judicial management, business rescue, reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) or sequestration of any Obligor;

14.1.11.2 a composition, compromise, assignment or arrangement with any creditor of any Obligor;

14.1.11.3 the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager, business rescue practitioner, trustee or other similar officer in respect of any Obligor or any of its assets; or

14.1.11.4 enforcement of any security over any assets of any Obligor, or any analogous procedure or step is taken in any jurisdiction;

14.1.12 a meeting is proposed or convened by the directors of any Obligor, a resolution is proposed or passed, application is made or an order is applied for or granted, to authorise the entry into or implementation of any business rescue proceedings (or any similar proceedings) in respect of any Obligor or any analogous procedure or step is taken in any jurisdiction.

14.1.13 security is given to the Master of the High Court for an application to liquidate or sequestrate any Obligor;

14.1.14 any Obligor becomes unable to conduct its normal course of business for whatever reason;

14.1.15 any material indebtedness, obligation or loan, which constitutes an indebtedness of any Obligor become due and payable prior to its specified maturity by reason of default, or not be paid when due;

14.1.16 any warranty or representation made by any Obligor which was taken into consideration, and was materially relied upon by the Bank in offering the Facility or accepting the relevant collateral, be found to be untrue or incorrect in any material respect;

14.1.17 any Borrower utilises the Facility or any part thereof beyond an applicable Facility Limit without obtaining prior written approval from the Bank, which approval will be in the discretion of the Bank to allow or refuse; or

14.1.18 any Borrower makes the Facility or any part thereof available to any person other than a Borrower approved of by the Bank, without complying with the necessary prerequisites as set in the Facility Terms and Conditions; or

14.1.19 The Borrower and/or any Obligor:

14.1.19.1 are or become a Sanctioned Entity; or

14.1.19.2 contravene any Sanctions or are placed on any Sanctions List by any Sanctions Authority; or

14.1.19.3 participate in, facilitate, are or become the beneficiary of any Sanctioned Transaction; or

14.1.19.4 directly or indirectly use the proceeds of any Facility for any purpose which would breach the Prevention and Combatting of Corrupt Activities Act, 2004 or any Sanctions or any other similar legislation and/or regulations in other jurisdictions; or

14.1.19.5 participate in any manner in any transaction with a party listed on a Sanctions List; or

14.1.19.6 acts, directly or indirectly, to benefit any party against whom Sanctions have been established by a Sanctions Authority.

14.1.20 The Borrower's credit rating is downgraded by more than two notches; or

14.1.21 it becomes illegal for the Bank to conduct business with the Borrower and/or any Obligor; or

14.1.22 The Borrower or any Obligor is involved in or associated with the severe exploitation of other people for personal or commercial gain (modern slavery).

14.2 If an event occurs that would constitute an Event of Default, but for the passage of time or the requirement that notice be given or both, the Bank shall be entitled to suspend utilisation of the Facility by any and/or all of the Borrowers.

14.3 If an Event of Default occur, the Bank shall, in addition to and without prejudice to any other rights it may have in law, be entitled to:

14.3.1 claim immediate repayment of the Outstanding Balance owing under the Facility, which Outstanding Balance shall become immediately due owing and payable; and/or

14.3.2 demand specific performance; and/or

14.3.3 cancel the Facility Terms and Conditions; and/or

14.3.4 cancel all or some of the transactions entered into pursuant to the Facility Terms and Conditions; and/or

14.3.5 claim damages; and/or

14.3.6 claim arrear interest in terms of clause 15; and/or

14.3.7 terminate all Derivative Transactions, determine a settlement amount in respect of each such terminated transaction and claim from or give credit to the Borrower an amount equal to the net of all such terminated transactions (such net amount being the net amount owing by the Bank to the Borrower or vice versa after set off of all amounts owed by either party to the other); and/or

14.3.8 require that a Borrower immediately place with and cede to the Bank as security, cash collateral in an amount equivalent to the Bank's exposure under any existing guarantees and/or Pre-settlement Transactions; and/or

14.3.9 refuse to permit any further utilisation of the Facility or any part thereof; and/or

14.3.10 refuse to pay any amounts or to perform any obligations due to the Borrower until all amounts owed and all performances due by any Borrower to the Bank have been paid and/or are performed in full.

14.4 The Borrower acknowledges that if an Event of Default has occurred, the Bank may have to sell or purchase foreign currency or instruments which it was relying on a Borrower to deliver or acquire on due date. The Borrower accordingly accepts liability for and undertakes to pay to the Bank on demand, any shortfall that may arise if the Bank sells or purchases any foreign currency or instruments in the market at less than the amount payable by the Borrower or has to acquire such foreign currency or instruments for more than the amount that was payable to the Borrower.

15. INTEREST ON EVENT OF DEFAULT

If an Event of Default occurs, the Bank shall be entitled to claim and charge additional interest on the full Outstanding Balance on the Facility at a rate equal to 3 (three) percentage points above the Prime Rate, calculated from the date of the Event of Default to the date of payment in full of the Outstanding Balance.

16. CERTIFICATE OF INDEBTEDNESS

A certificate signed by any manager of the Bank (whose appointment, qualification or authority need not be proved) setting forth the amount of the indebtedness of the Borrower to the Bank shall, unless the contrary is proven, be *prima facie* proof of the amount which a Borrower named in the certificate owes to the Bank under the Facility.

17. NOTICE AND ADDRESSES FOR LEGAL PROCEEDINGS

17.1 All notices to be given by a Borrower to the Bank or the Bank to a Borrower, as the case may be, shall be given in writing by prepaid registered post, telefax or delivered by hand during business hours to:

17.1.1 the Bank at its address in the Facility Letter; and

17.1.2 each Borrower at its registered address and/or its address in the Facility Letter.

17.2 Each Borrower may change its address in clause 17.1 to such other address in the Republic of South Africa, not being a post office box or *poste restante*, as the Borrower concerned may notify the Bank of in writing, which changed address shall only be applicable 21 (twenty-one) days after notification of such change has been received by the Bank.

17.3 Each Borrower chooses as its *domicilium citandi et executandi* (that is, the address at which all legal notices and process may validly be served) at the address referred to in clause 17.1.2.

17.4 Any notice given in terms of the Facility Terms and Conditions shall:

17.4.1 if delivered by hand, be deemed to have been duly received by the addressee on the date of delivery;

17.4.2 if posted by pre-paid registered post, be deemed to have been received by the addressee on the 8th (eighth) day following the date of such posting;

17.4.3 if transmitted by telefax, be deemed to have been received by the addressee on the Business Day following the date of dispatch with duly completed transmission receipt.

17.5 Notwithstanding anything to the contrary contained or implied in the Facility Terms and Conditions, a written notice or communication actually received by one of the Parties from the other, shall be adequate written notice or communication to such Party.

18. TELEPHONE RECORDINGS

The Bank and the Borrower agree:

18.1 to the electronic recording of their telephone conversations with one another with respect to matters, transactions and/or potential transactions relating to, or which if entered into by the Parties will or are to be governed by, the Facility Terms and Conditions, with or without the use of an automatic tone warning device or other notice thereof;

18.2 to obtain any necessary consents from, and give notice to, its trading, marketing and other relevant personnel in respect of such recording;

18.3 that each Party will be deemed to have obtained any necessary consent from, and given notice to, its trading, marketing and other relevant personnel in respect of such recording;

18.4 that such recordings and transcripts can be used as evidence by either Party in any dispute between them and will be admissible as evidence in any court of competent jurisdiction for the purpose of establishing any matters pertinent to such matters, transactions, potential transaction or otherwise, relating to the Facility Terms and Conditions; and

18.5 that the Bank is not obliged to maintain copies of such recordings and transcripts for the benefit of any Obligor.

19. GOVERNING LAW

This agreement shall be governed by and interpreted in accordance with the laws of the Republic of South Africa.

20. JURISDICTION

The Bank shall be entitled to institute all or any proceedings against any Borrower in connection with the Facility in the High Court of the Republic of South Africa (South Gauteng High Court, Johannesburg) and each Borrower hereby consents and submits to the jurisdiction of that court.

21. MISCELLANEOUS MATTERS

21.1 The Facility Terms and Conditions set out all the terms and conditions relating to the Facility, and no variation of or amendment to such terms and conditions shall be of any force or effect unless reduced to writing and signed by and on behalf of the Bank by a duly authorised official and the Borrower, as the case may be.

21.2 No relaxation, indulgence or extension of time shown from time to time by the Bank to any Borrower shall operate as an estoppel against the Bank or a waiver of the Bank's rights in terms hereof, the Facility Terms and Conditions or any other rights that the Bank may have in law, nor shall any relaxation or indulgence be deemed to be a novation hereof.

21.3 Unless the contrary is indicated, agreements may be executed in one or more counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement as at the date of last signature thereof.

21.4 Any invalid, illegal or unenforceable provision of the Facility Terms and Conditions shall be severed from the other Facility Terms and Conditions as if not contained therein and the parties will be bound by the remaining provisions thereof.

22. CESSION OR ENCUMBRANCE

22.1 No Borrower may cede nor delegate nor encumber any of its rights or obligations in terms of the Facility Terms and Conditions without the prior written consent of the Bank, which it may give or refuse in its discretion.

22.2 The Bank may cede or delegate or encumber any of its rights or obligations in terms of the Facility Terms and Conditions without the prior written consent of the Borrowers or any of them.

23. ENVIRONMENTAL RESPONSIBILITY

23.1 The Borrower warrants and represents to the Bank that:-

23.1.1 it is in full compliance with all applicable laws, regulations and practices relating to the protection of the environment applicable to it in each jurisdiction in which the Borrower conducts business (its "***Environmental Responsibility***") and hereby undertakes to continue to do so for so long as the Borrower is indebted to, or owes any obligations to the Bank under or in terms of the Facility:

23.1.2 it is not aware of any circumstances which may prevent the Borrower from fully complying with its Environmental Responsibility in future; and

23.2 The Borrower indemnifies the Bank against any loss, damage, claims, costs or any other liability, which may arise (because of this or any other banking facility and/or the Bank having an interest in the Borrower's assets) in respect of a breach of, or a failure, by the Borrower to meet its Environmental Responsibility.

23.3 The Borrower agrees that all Facility increases and annual renewal of facilities are subject to an Environmental and Social Risk Assessment ('***ESRA***") review and, further, that the Borrower will comply with the ESRA review process set out by the Bank and when the Borrower is requested to do so.

24. ANTI SLAVERY COMMITMENT

24.1 The Bank adopts a zero tolerance approach to slavery and human trafficking and will not knowingly hold a direct or indirect relationship with persons or entities engaged in slavery or human trafficking

24.2 The Bank is an active member of the South African Anti-Money Laundering Integrated Taskforce (SAMLIT) expert working group on modern slavery and human trafficking, the purpose of which is to increase efficiency and effectiveness in combating financial crime by sharing knowledge and expertise. The outcomes of these engagements include:

24.2.1 Information sharing among member banks, various law enforcement agencies and industry bodies; and

24.2.2 Identification of entities and systems previously unknown to law enforcement agencies in order to contribute to increased enforcement actions

25. COSTS

The Borrowers shall be liable for and pay all costs of whatsoever nature incurred by the Bank in connection with:

25.1 the preparation, negotiation, registration and/or execution of any collateral required by the Bank in connection with the Facility Terms and Conditions, including without limitation any stamp duties payable and all other costs and expenses, all of which shall be payable on demand; and

25.2 any demand or proceedings for the recovery of any amount owing or due by any Borrower to the Bank under the Facility, including without limitation all legal costs on an attorney and own client scale, and whether incurred prior to or during the institution of legal proceedings, including any arising in connection with the satisfaction or enforcement of any judgement and in realising any collateral provided to the Bank.

26. DISCLOSURES AND PRIVACY

26.1 The Bank may disclose information which would otherwise be confidential if and to the extent:

26.1.1 required by law;

26.1.2 required by any securities exchange or regulatory or governmental body to which Party is subjected;

26.1.3 disclosed to the members, directors, officers, employees, insurers, reinsurers and insurance brokers or other risk mitigation providers;

26.1.4 disclosed to the professional advisers and auditors of the Bank;

26.1.5 the information comes into the public domain through no fault of that Party; or

26.1.6 the affected Party has given prior written approval to the disclosure, which approval shall not be unreasonably withheld or delayed;

26.2 The Bank respects our clients' privacy and treats your information as confidential. Our Privacy Notice tells you how we use and protect your personal information. Visit the RMB website and view our Privacy Notice by clicking the Privacy Notice link in the website footer. If you are unable to access our website, please contact us to send you a copy of our Privacy Notice.

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: August 28, 2024 *<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: August 28, 2024 *<u>/s/ David Wilson</u>*

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: August 28, 2024 /s/ Steve Towe

Steve Towe
Chief Executive Officer
(Principal Executive Officer)

Date: August 28, 2024 /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.