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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2020

or

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

For the transition period from __________ to __________

Commission File Number: 001-39080

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

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** [X] **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** [X] **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** [X] **Smaller reporting company** [X]

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 Securities Exchange Act of 1934). **Yes** [ ] **No** [X]

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 12, 2020 was 31,112,948.

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PowerFleet, Inc. and Subsidiaries

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	December 31, 2019*	June 30, 2020 (Unaudited)
ASSETS		
Cash and cash equivalents	$ 16,395	**$ 21,469**
Restricted cash	308	**308**
Accounts receivable, net of allowance for doubtful accounts of $2,004 and $2,044 in 2019 and 2020, respectively	27,016	**22,842**
Inventory, net	16,381	**15,337**
Deferred costs - current	3,720	**3,568**
Prepaid expenses and other current assets	7,370	**5,717**
Total current assets	71,190	**69,241**
Deferred costs - less current portion	4,810	**3,337**
Fixed assets, net	8,240	**6,984**
Goodwill	89,068	**88,872**
Intangible assets, net	36,639	**33,941**
Right of use asset	7,024	**8,490**
Severance payable fund	3,530	**3,510**
Other assets	2,532	**2,573**
Total assets	$ 223,033	**$ 216,948**
LIABILITIES		
Current liabilities:		
Short-term bank debt and current maturities of long-term debt	$ 3,373	**$ 4,328**
Note payable	5,000	**5,000**
Accounts payable and accrued expenses	24,880	**20,962**
Deferred revenue - current	7,687	**8,036**
Lease liability - current	2,460	**2,012**
Total current liabilities	43,400	**40,338**
Long-term debt, less current maturities	26,515	**24,001**
Deferred revenue - less current portion	8,544	**6,534**
Lease liability - less current portion	4,779	**6,676**
Accrued severance payable	4,062	**4,200**
Deferred tax liability	3,791	**4,506**
Other long-term liabilities	369	**761**
Total liabilities	91,460	**87,016**
Commitments and Contingencies (note 21)		
MEZZANINE EQUITY		
Convertible redeemable Preferred stock: Series A - 100 shares authorized, $0.01 par value; 53 shares issued and outstanding	47,393	**49,656**
Preferred stock; authorized 50 shares, $0.01 par value;	-	**-**
Common stock; authorized 75,000 shares, $0.01 par value; 30,804 and 32,153 shares issued at December 31, 2019 and June 30, 2020, respectively; shares outstanding, 29,743 and 31,019 at December 31, 2019 and June 30, 2020, respectively	308	**322**
Additional paid-in capital	201,813	**206,405**
Accumulated deficit	(112,143)	**(118,195)**
Accumulated other comprehensive gain (loss)	265	**(1,655)**
Treasury stock; 1,061 and 1,134 common shares at cost at December 31, 2019 and June 30, 2020, respectively	(6,053)	**(6,557)**
Total PowerFleet, Inc. stockholders' equity	84,190	**80,320**
Non-controlling interest	(10)	**(44)**
Total equity	84,180	**80,276**
Total liabilities and stockholders' equity	$ 223,033	**$ 216,948**

*Derived from audited balance sheet as of December 31, 2019.

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2020**	**2019**	**2020**
Revenues				
Products	$ 10,643	**$ 9,394**	$ 17,892	**$ 22,602**
Services	5,631	**16,371**	11,993	**33,962**
Total revenues	16,274	**25,765**	29,885	**56,564**
Cost of revenue:				
Cost of products	7,062	**6,023**	11,301	**15,325**
Cost of services	2,141	**5,699**	4,495	**12,330**
	9,203	**11,722**	15,796	**27,655**
Gross profit	7,071	**14,043**	14,089	**28,909**
Operating expenses:				
Selling, general and administrative expenses	5,993	**12,166**	12,103	**27,269**
Research and development expenses	2,024	**2,582**	3,684	**5,754**
Acquisition-related expenses	1,613	**-**	3,062	**-**
	9,630	**14,748**	18,849	**33,023**
Loss from operations	(2,559)	**(705)**	(4,760)	**(4,114)**
Interest income	8	**17**	73	**31**
Interest expense	(26)	**(1,484)**	(46)	**(1,339)**
Other (expense) income, net	(8)	**5**	(46)	**7**
Net loss before income taxes	(2,585)	**(2,167)**	(4,779)	**(5,415)**
Income taxes	-	**(460)**	-	**(653)**
Net loss before non-controlling interest	(2,585)	**(2,627)**	(4,779)	**(6,068)**
Non-controlling interest	-	**1**	-	**16**
Preferred stock dividends	-	**(1,140)**	-	**(2,263)**
Net loss attributable to common stockholders	$ (2,585)	**$ (3,766)**	$ (4,779)	**$ (8,315)**
Net loss per share - basic and diluted	$ (0.15)	**$ (0.13)**	$ (0.27)	**$ (0.28)**
Weighted average common shares outstanding - basic and diluted	17,678	**29,399**	17,650	**29,216**

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2020**	2019	**2020**
Net loss attributable to common stockholders	$ (2,585)	**$ (3,766)**	$ (4,779)	**$ (8,315)**
Other comprehensive (loss) income, net:				
Unrealized gain on investments	-	**-**	9	**-**
Reclassification of net realized investment loss included in net loss	-	**-**	38	-
Foreign currency translation adjustment	(46)	**406**	(58)	**(1,920)**
Total other comprehensive income (loss)	(46)	**406**	(11)	**(1,920)**
Comprehensive loss	$ (2,631)	**$ (3,360)**	$ (4,790)	**$ (10,235)**

See accompanying notes to unaudited condensed consolidated financial statements.

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Stockholders' Equity
For the period from January 1, 2020 through June 30, 2020
(In thousands, except per share data)
(Unaudited)

	Common Stock														
	Number of Shares		Amount		Additional Paid-in Capital		Accumulated Deficit		Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Non-controlling Interest		**Stockholders' Equity**
Balance at January 1, 2020	30,804	$	308	$	201,813	$	(112,143)	$	265	$	(6,053)	$	(10)	**$**	**84,180**
Net loss attributable to common stockholders	-		-		(1,123)		(3,426)		-		-		-		**(4,549)**
Net loss attributable to non-controlling interest	-		-		-		-		-		-		(15)		**(15)**
Foreign currency translation adjustment	-		-		-		-		(2,326)		-		(20)		**(2,346)**
Issuance of restricted shares	40		-		-		-		-		-		-		**-**
Forfeiture of restricted shares	(32)		-		-		-		-		-		-		**-**
Vesting of restricted stock units	110		1		(1)		-		-		-		-		**-**
Other	-				62		-		-		-		-		**62**
Shares issued pursuant to exercise of stock options	90		1		382		-		-		-		-		**383**
Shares withheld pursuant to exercise of stock options	-		-		-		-		-		(256)		-		**(256)**
Shares withheld pursuant to vesting of restricted stock	-		-		-		-		-		(232)		-		**(232)**
Stock based compensation	-		-		1,155		-		-		-		-		**1,155**
Balance at March 31, 2020	31,012	$	310	$	202,288	$	(115,569)	$	(2,061)	$	(6,541)	$	(45)	**$**	**78,382**
Net loss attributable to common stockholders	-		-		(1,140)		(2,626)		-		-		-		**(3,766)**
Net loss attributable to non-controlling interest	-		-		-		-		-		-		(1)		**(1)**
Foreign currency translation adjustment	-		-		-		-		406		-		2		**408**
Issuance of restricted shares	276		3		(3)		-		-		-		-		**-**
Forfeiture of restricted shares	(12)		-		-		-		-		-		-		**-**
Vesting of restricted stock units	17		-		-		-		-		-		-		**-**
Shares issued pursuant to exercise of stock options	50		1		215		-		-		-		-		**216**
Shares withheld pursuant to vesting of restricted stock	-		-		-		-		-		(16)		-		**(16)**
Common shares issued under the 2020 ATM	810		8		4,033										**4,041**
Stock based compensation	-		-		1,012		-		-		-		-		**1,012**
Balance at June 30, 2020	32,153	$	322	$	206,405	$	(118,195)	$	(1,655)	$	(6,557)	$	(44)	**$**	**80,276**

See accompanying notes to unaudited condensed consolidated financial statements.

POWERFLEET, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Stockholders' Equity
For the period from January 1, 2019 through June 30, 2019
(In thousands, except per share data)
(Unaudited)

	Common Stock		Additional		Accumulated Other		
	Number of Shares	Amount	Paid-in Capital	Accumulated Deficit	Comprehensive Income (Loss)	Treasury Stock	**Stockholders' Equity**
Balance at January 1, 2019	19,178	$ 192	$ 138,693	$ (101,180)	$ (435)	$ (5,736)	$ 31,534
Net loss attributable to common stockholders	-	-	-	(2,194)	-	-	(2,194)
Foreign currency translation adjustment	-	-	-	-	(12)	-	(12)
Issuance of restricted shares	81	1	(1)	-	-	-	-
Shares issued pursuant to exercise of stock options	-	-	-	-	47	-	47
Shares repurchased pursuant to vesting of restricted stock	-	-	-	-	-	(226)	(226)
Stock based compensation	-	-	583	-	-	-	583
Balance at March 31, 2019	19,259	$ 193	$ 139,275	$ (103,374)	$ (400)	$ (5,962)	$ 29,732
Net loss attributable to common stockholders	-	-	-	(2,585)	-	-	(2,585)
Foreign currency translation adjustment	-	-	-	-	(46)	-	(46)
Issuance of restricted shares	164	2	(2)	-	-	-	-
Shares issued pursuant to exercise of stock options	50	-	177	-	-	-	177
Shares repurchased pursuant to vesting of restricted stock	-	-	-	-	-	(19)	(19)
Stock based compensation	-	-	601	-	-	-	601
Balance at June 30, 2019	19,473	$ 195	$ 140,051	$ (105,959)	$ (446)	$ (5,981)	$ 27,860

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six Months ended June 30, 2019	Six Months ended June 30, 2020
Cash flows from operating activities:		
Net loss before non-controlling interest	$ (4,779)	**$ (6,068)**
Adjustments to reconcile net loss to cash (used in) provided by operating activities:		
Inventory reserve	93	**126**
Stock based compensation expense	1,184	**2,086**
Depreciation and amortization	852	**4,050**
Right of use assets, non-cash lease expense	344	**1,437**
Change in contingent consideration	47	**-**
Bad debt expense	110	**245**
Deferred income taxes	-	**653**
Other non-cash items	29	**(35)**
Changes in:		
Accounts receivable	(1,697)	**3,144**
Inventory	(2,231)	**1,111**
Prepaid expenses and other assets	487	**2,333**
Deferred costs	(609)	**1,624**
Deferred revenue	694	**(2,311)**
Accounts payable and accrued expenses	3,578	**(2,602)**
Lease liabilities	(384)	**(1,496)**
Accrued severance payable, net	-	**118**
Net cash (used in) provided by operating activities	(2,282)	**4,415**
Cash flows from investing activities:		
Acquisitions, net of cash assumed	(3,800)	**-**
Proceeds from sale of property and equipment	-	**35**
Capital expenditures	(396)	**(822)**
Purchases of investments	(99)	**-**
Proceeds from the sale and maturities of investments	4,638	**-**
Net cash provided by (used in) investing activities	343	**(787)**
Cash flows from financing activities:		
Net proceeds from stock offering	-	**4,041**
Repayment of long-term debt	-	**(991)**
Short-term bank credit, net	-	**(357)**
Proceeds from exercise of stock options	177	**342**
Common stock repurchased - vesting of restricted stock	(245)	**(248)**
Net cash (used in) provided by financing activities	(68)	**2,787**
Effect of foreign exchange rate changes on cash and cash equivalents	(54)	**(1,341)**
Net (decrease) increase in cash, cash equivalents and restricted cash	(2,061)	**5,074**
Cash, cash equivalents and restricted cash - beginning of period	10,466	**16,703**
Cash, cash equivalents and restricted cash - end of period	$ 8,405	**$ 21,777**
Reconciliation of cash, cash equivalents, and restricted cash, beginning of period		
Cash and cash equivalents	10,159	16,395
Restricted cash	307	308
Cash, cash equivalents, and restricted cash, beginning of period	$ 10,466	**$ 16,703**
Reconciliation of cash, cash equivalents, and restricted cash, end of period		
Cash and cash equivalents	8,098	21,469
Restricted cash	307	308
Cash, cash equivalents, and restricted cash, end of period	$ 8,405	**$ 21,777**
Supplemental disclosure of cash flow information:		
Cash paid for:		
Taxes	**$ -**	**$ 38**
Interest	**$ 56**	**$ 934**
Noncash investing and financing activities:		
Unrealized gain on investments	**$ 47**	**$ -**
Value of shares withheld pursuant to exercise of stock options	**$ -**	**$ 256**

See accompanying notes to unaudited condensed consolidated financial statements.

NOTE 1 - DESCRIPTION OF THE COMPANY AND BASIS OF PRESENTATION

Description of the Company

As described more fully in Note 4, on October 3, 2019, PowerFleet, Inc. (together with its subsidiaries, "PowerFleet," the "Company," "we," "our" or "us") completed the Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the "Merger Agreement"), by and among I.D. Systems, Inc., a Delaware corporation ("I.D. Systems"), the Company, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel ("Pointer"), PowerFleet Israel Ltd. (f/k/a Powerfleet Israel Holding Company Ltd.), a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of the Company ("PowerFleet Israel"), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet Israel prior to the Transactions ("Pointer Merger Sub"), and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019 and Amendment No. 3 thereto dated as of October 3, 2019 (the "Investment Agreement," and together with the Merger Agreement, the "Agreements"), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company prior to the Transactions ("I.D. Systems Merger Sub"), and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the "Investors"), affiliates of ABRY Partners II, LLC. As a result of the transactions contemplated by the Agreements (the "Transactions"), I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company. Prior to the Transactions, PowerFleet had no material assets, did not operate any business and did not conduct any activities, other than those incidental to its formation and matters contemplated by the Agreements. I.D. Systems was determined to be the accounting acquirer in the Transactions. As a result, the historical financial statements of I.D. Systems for the periods prior to the Transactions are considered to be the historical financial statements of PowerFleet and the results of Pointer have been included in the Company's consolidated financial statements from the date of the Transactions.

The Company is a global leader and provider of subscription-based wireless Internet-of-Things (IoT) and machine-to-machine (M2M) solutions for securing, controlling, tracking, and managing high-value enterprise assets such as industrial trucks, tractor trailers, containers, cargo, and vehicles and truck fleets.

I.D. Systems, Inc. was incorporated in the State of Delaware in 1993. PowerFleet, Inc. was incorporated in the State of Delaware in February 2019 for the purpose of effectuating the Transactions and commenced operations on October 3, 2019, upon the closing of the Transactions.

Impact of COVID-19

The global outbreak of a novel strain of coronavirus, COVID-19, and mitigation efforts by governments to attempt to control its spread, has resulted in significant economic disruption and continues to adversely impact the broader global economy. The extent of the impact on the Company's business and financial results will depend largely on future developments that cannot be accurately predicted at this time, including the duration of the spread of the outbreak, the extent and effectiveness of containment actions and the impact of these and other factors on capital and financial markets and the related impact on the financial circumstances of our employees, customers and suppliers. As of the date of these unaudited interim condensed consolidated financial statements, the full extent to which the COVID-19 pandemic may materially impact the Company's business, results of operations and financial condition is uncertain.

Basis of presentation

The unaudited interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the consolidated financial position of the Company as of June 30, 2020, the consolidated results of its operations for the three- and six-month periods ended June 30, 2019 and 2020, the consolidated change in stockholders' equity for the three-month periods ended March 31, and June 30, 2019 and 2020 and the consolidated cash flows for the six-month periods ended June 30, 2019 and 2020. The results of operations for the three- and six-month period ended June 30, 2020 are not necessarily indicative of the operating results for the full year. These financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures for the year ended December 31, 2019 included in the Company's Annual Report on Form 10-K for the year then ended.

Liquidity

As of June 30, 2020, the Company had cash and cash equivalents of $21,469 and working capital of $28,903. The Company's primary sources of cash are cash flows from operating activities, its holdings of cash, cash equivalents and investments from the sale of its capital stock and borrowings under its credit facility. To date, the Company has not generated sufficient cash flows solely from operating activities to fund its operations.

In addition, PowerFleet Israel and Pointer are party to a Credit Agreement (the "Credit Agreement") with Bank Hapoalim B.M. ("Hapoalim"), pursuant to which Hapoalim provided PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of $30,000 (comprised of two facilities in the aggregate principal amount of $20,000 and $10,000) and a five-year revolving credit facility to Pointer in an aggregate principal amount of $10,000. The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in the Company's acquisition of Pointer. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes. The Company has not borrowed under the revolving credit facility as of June 30, 2020. See Note 12 for additional information.

The Company has on file a shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission (the "SEC") on November 27, 2019. Pursuant to the shelf registration statement, the Company may offer to the public from time to time, in one or more offerings, up to $60,000 of its common stock, preferred stock, warrants, debt securities, and units, or any combination of the foregoing, at prices and on terms to be determined at the time of any such offering. The specific terms of any future offering will be determined at the time of the offering and described in a prospectus supplement that will be filed with the SEC in connection with such offering.

On May 14, 2020, we entered into an equity distribution agreement (the "Sales Agreement") with Canaccord Genuity LLC, ("Canaccord"), pursuant to which we may offer and sell, from time to time, through an "at-the-market offering" program, with Canaccord as sales agent, shares of our common stock having an aggregate offering price of up to $25 million. On August 4, 2020, we provided written notice to Canaccord of our election to terminate the Sales Agreement. The termination will be effective as of August 14, 2020. See Note 14 for additional information.

The Company believes that its available working capital, anticipated level of future revenues and expected cash flows from operations will provide sufficient funds to cover capital requirements through at least August 14, 2021.

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 measurements of fair value of assets acquired and liabilities assumed, realization of deferred tax assets, the impairment of tangible and intangible assets, the assessment of the Company's incremental borrowing rate used to determine its right-of-use asset and lease liability, deferred revenue and stock-based compensation costs. Actual results could differ from those estimates.

As of June 30, 2020, the impact of the outbreak of COVID-19 continues to unfold. As a result, many of our estimates and assumptions required increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

NOTE 3 – 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 December 31, 2019 and June 30, 2020 consists of cash held in escrow for purchases from a vendor.

NOTE 4 - ACQUISITIONS

Pointer Transactions

On October 3, 2019 (the "Closing Date"), in connection with the completion of the Transactions and pursuant to the terms of the Investment Agreement, I.D. Systems reorganized into a new holding company structure by merging I.D. Systems Merger Sub with and into I.D. Systems (the "I.D. Systems Merger"), with I.D. Systems surviving as a direct, wholly-owned subsidiary of PowerFleet. Also on October 3, 2019, pursuant to the terms of the Merger Agreement, Pointer Merger Sub merged with and into Pointer (the "Pointer Merger"), with Pointer surviving as a direct, wholly-owned subsidiary of PowerFleet Israel and an indirect, wholly-owned subsidiary of PowerFleet. As a result of the Transactions, I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of PowerFleet and Pointer became an indirect, wholly-owned subsidiary of PowerFleet. In addition, as a result of the Transactions, PowerFleet became a publicly traded corporation and former I.D. Systems stockholders and former Pointer shareholders received common stock of PowerFleet. I.D. Systems common stock ceased trading on the Nasdaq Global Market and Pointer ordinary shares ceased trading on the Nasdaq Capital Market and the Tel Aviv Stock Exchange ("TASE"), following the close of trading on October 2, 2019 and at the effectiveness of the Pointer Merger on October 3, 2019, respectively, and PowerFleet common stock commenced trading on the Nasdaq Global Market on October 3, 2019 and on the TASE on October 6, 2019, in each case under the symbol "PWFL".

At the effective time of the I.D. Systems Merger (the "I.D. Systems Merger Effective Time"), each share of I.D. Systems common stock outstanding immediately prior to such time (other than any I.D. Systems common stock owned by I.D. Systems immediately prior to the I.D. Systems Merger Effective Time) was converted automatically into the right to receive one share of PowerFleet common stock. At the effective time of the Pointer Merger (the "Pointer Merger Effective Time"), each Pointer ordinary share outstanding immediately prior to such time (other than Pointer ordinary shares owned, directly or indirectly, by I.D. Systems, PowerFleet or any of their subsidiaries or Pointer or any of its wholly-owned subsidiaries immediately prior to the Pointer Merger Effective Time) was cancelled in exchange for $8.50 in cash, without interest (the "Cash Consideration"), and 1.272 shares of PowerFleet common stock (the "Stock Consideration," and together with the Cash Consideration, the "Pointer Merger Consideration").

I.D. Systems stock options and restricted stock awards that were outstanding immediately prior to the I.D. Systems Merger Effective Time were converted automatically into equivalent PowerFleet awards on the same terms and conditions applicable to such I.D. Systems stock options and restricted stock awards prior to the I.D. Systems Merger Effective Time.

At the Pointer Merger Effective Time, each award of options to purchase Pointer ordinary shares that was outstanding and unvested immediately prior to such time was cancelled and substituted with options to purchase shares of PowerFleet common stock under the Company's 2018 Incentive Plan on the same material terms and conditions as were applicable to the corresponding option immediately prior to the Pointer Merger Effective Time, except that (i) the number of shares of PowerFleet common stock underlying such substituted option is equal to the product of (A) the number of Pointer ordinary shares underlying such option immediately prior to the Pointer Merger Effective Time multiplied by (B) 2.544, with any fractional shares rounded down to the nearest whole number of shares of PowerFleet common stock, and (ii) the per-share exercise price is equal to the quotient obtained by dividing (A) the exercise price per Pointer ordinary share subject to such option immediately prior to the Pointer Merger Effective Time by (B) 2.544 (rounded up to the nearest whole cent).

At the Pointer Merger Effective Time, each award of options to purchase Pointer ordinary shares that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the product of (i) the excess, if any, of (A) the Pointer Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer ordinary shares), over (B) the exercise price per Pointer ordinary share subject to such option, multiplied by (ii) the total number of Pointer ordinary shares underlying such option. If the exercise price of a vested option was equal to or greater than the consideration payable in respect of a vested option, such option was cancelled without payment.

At the Pointer Merger Effective Time, each award of restricted stock units of Pointer (a "Pointer RSU") that was outstanding and vested immediately prior to such time was cancelled in exchange for the right to receive the Pointer Merger Consideration (allocated between the Cash Consideration and the Stock Consideration in the same proportion as for holders of Pointer ordinary shares). Each Pointer RSU that was outstanding and unvested immediately prior to such time was cancelled and substituted with restricted stock units under the 2018 Plan representing the right to receive, on the same material terms and conditions as were applicable under such Pointer RSU immediately prior to the Pointer Merger Effective Time, that number of shares of PowerFleet common stock equal to the product of (i) the number of Pointer ordinary shares underlying such Pointer RSU immediately prior to the Pointer Merger Effective Time multiplied by (ii) 2.544, with any fractional shares rounded down to the nearest lower whole number of shares of PowerFleet common stock.

Total consideration for the Transactions of $130,416 included (i) $71,874 in cash paid at closing, (ii) 10,756 shares of PowerFleet common stock issued at closing with a fair value of $58,081 and (iii) $461 for share-based awards assumed.

The Cash Consideration was financed using (i) net proceeds of the issuance and sale by PowerFleet of 50 shares of Series A Preferred Stock to the Investors for an aggregate purchase price of $50,000 pursuant to the terms of the Investment Agreement, and (ii) term loan borrowings by PowerFleet Israel on the Closing Date of $30,000 under the Credit Agreement.

Pointer is a provider of telematics and mobile IoT solutions to the automotive, insurance and logistics (cargo, assets and containers) industries. Pointer's cloud-based software-as-a-service (SaaS) platform extracts and captures data from an organization's mobility points, including drivers, routes, points-of-interest, logistics network, vehicles, trailers, containers and cargo. The Transactions are expected to provide the Company with operational synergies and access to a broader base of customers.

The purchase method of accounting in accordance with ASC805, *Business Combinations*, was applied for the Transactions. This requires the total cost of an acquisition to be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition with the excess cost accounted for as goodwill. The preliminary allocation of the purchase price was based upon a preliminary valuation and the estimates and assumptions are subject to change during the one-year measurement period and primarily related to income taxes. Goodwill arising from the acquisition is attributable to expected product and sales synergies from combining the operations of the acquired business with those of the Company. I.D. Systems has been determined to be the accounting acquirer in the Transactions.

The following table summarizes the preliminary purchase price allocation based on estimated fair values of the net assets acquired at the acquisition date:

Accounts receivable	$	19,701
Inventory		8,666
Other assets		26,461
Customer relationships		15,610
Trademark and tradename		6,096
Technology		10,911
Goodwill (a)		78,446
Less: Current liabilities assumed		(21,055)
Less: Non current liabilities assumed		(14,420)
Net assets acquired	$	130,416

(a) The goodwill is not deductible for tax purposes.

The results of operations of Pointer have been included in the consolidated statement of operations as of the effective date of the Transactions.

The following table represents the combined pro forma revenue and earnings for the six-month period ended June 30, 2019:

	Three-Months Ended June 30, 2019				Six-Months Ended June 30, 2019			
	Historical		Pro Forma Combined		Historical		Pro Forma Combined	
			(Unaudited)				(Unaudited)	
Revenues	$	16,274	$	34,020	$	29,885	$	65,276
Operating loss		(2,559)		(2,229)		(4,760)		(4,941)
Net loss per share - basic and diluted	$	(0.15)	$	(0.16)	$	(0.27)	$	(0.16)

The combined pro forma revenue and earnings for the six-month period ended June 30, 2019 for the Transactions were prepared as though such transactions had occurred as of January 1, 2019. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Pointer. This summary is not necessarily indicative of what the results of operations would have been had the Transactions occurred during such period, nor does it purport to represent results of operations for any future periods.

CarrierWeb Acquisitions

On January 30, 2019, the Company completed the acquisition (the “CarrierWeb US Acquisition”) of substantially all of the assets of CarrierWeb, L.L.C. (“CarrierWeb”), an Atlanta-based provider of real-time in-cab mobile communications technology, electronic logging devices, two-way refrigerated command and control, and trailer tracking. Aggregate consideration for the CarrierWeb US Acquisition was $3,500, consisting of (i) a closing cash payment of $2,800 which consisted of cash of $2,150 and a credit bid by the Company in the amount of the aggregate principal amount plus accrued and unpaid interest outstanding under a $650 debtor-in-possession loan made by the Company to CarrierWeb on January 11, 2019, and (ii) a $700 payment in April 2019, when CarrierWeb Services Ltd. (“CarrierWeb Ireland”) was restored to the Register of Companies in Ireland. The CarrierWeb US Acquisition was subject to the entry of a sale order by the United States Bankruptcy Court for the Northern District of Georgia approving such acquisition. The sale order was entered on January 28, 2019. In connection with the restoration of CarrierWeb Ireland to the Register of Companies in Ireland, the Company also made certain loans to CarrierWeb Ireland in the aggregate principal amount of $300.

On July 30, 2019, the Company completed the acquisition (the “CarrierWeb Ireland Acquisition” and together with the CarrierWeb US Acquisition, the “CarrierWeb Acquisitions”) of substantially all of the assets of CarrierWeb Ireland, an affiliate of CarrierWeb, from e*freightrac Holding B.V., the owner of the outstanding equity of CarrierWeb Ireland. Consideration for the CarrierWeb Ireland Acquisition included (i) $550 in cash paid at closing, and (ii) 127 shares of the Company’s common stock, less (1) 56 shares for the satisfaction of aggregate principal amount plus accrued and unpaid interest outstanding under $300 loans, less (2) 44 shares held back with an estimated fair value of $250, which were released in November 2019.

The assets the Company acquired in the CarrierWeb Acquisitions have been integrated into the Company’s products. In connection with the CarrierWeb Acquisitions, the Company offered employment to all of the former employees of CarrierWeb and CarrierWeb Ireland. The CarrierWeb Acquisitions allow the Company to offer a full complement of highly-integrated logistics technology solutions to its current customers and prospects and immediately add customers and subscriber units. For the three- and six-month periods ended June 30, 2019, the Company incurred acquisition-related expenses of approximately $30 and $160, respectively, which are included in acquisition-related fees.

The purchase method of accounting in accordance with ASC805,*Business Combinations*, was applied for the CarrierWeb Acquisitions. This requires the total cost of an acquisition to be allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their respective fair values at the date of acquisition with the excess cost accounted for as goodwill. Goodwill arising from the acquisition is attributable to expected product and sales synergies from combining the operations of the acquired business with those of the Company.

The following table summarizes the final purchase price allocation of CarrierWeb and CarrierWeb Ireland based on the fair values of the net assets acquired at the acquisition date:

Accounts receivable		192
Inventory		200
Other assets		26
Customer relationships		531
Trademark and tradename		90
Patents		628
Goodwill (a)		3,108
Net assets acquired	$	4,775

(a) The goodwill is fully deductible for tax purposes.

The results of operations from each of the CarrierWeb Acquisitions have been included in the consolidated statement of operations as of the effective date of each such acquisition. For the three- and six-month periods ended June 30, 2019, the CarrierWeb Acquisitions contributed approximately $1,348 and $1,976, respectively, to the Company’s revenues. Operating income contributed by the CarrierWeb Acquisitions was not separately identifiable due to Company’s integration activities and is impracticable to provide.

NOTE 5 - REVENUE RECOGNITION

The Company and its subsidiaries generate revenue from sales of systems and products and from customer SaaS and hosting infrastructure fees. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Sales, value add, and other taxes the Company collects concurrently with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The expected costs associated with the Company’s base warranties continue to be recognized as expense when the products are sold (see Note 13).

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

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

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

The Company recognizes revenue on non-recurring engineering services over time, on an input-cost method performance basis, as determined by the relationship of actual labor and material costs incurred to date compared to the estimated total project costs. Estimates of total project costs are reviewed and revised during the term of the project. Revisions to project costs estimates, where applicable, are recorded in the period in which the facts that give rise to such changes become known.

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 sales-type leases. Accordingly, an asset is established for the "sales-type lease receivable" at the present value of the expected lease payments and revenue is deferred and recognized over the service contract, as described above. Maintenance revenues and interest income are recognized monthly over the lease term.

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

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

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

Deferred product costs consist of logistics visibility solutions equipment costs deferred in accordance with our revenue recognition policy. The Company evaluates the realizability of the carrying amount of the deferred contract costs. To the extent the carrying value of the deferred contract costs exceed the contract revenue, an impairment loss will be recognized.

The following table presents the Company's revenues disaggregated by revenue source for the three- and six-months ended June 30, 2019 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2020**	2019	**2020**
Products	$ 10,643	**$ 9,394**	$ 17,892	**$ 22,602**
Services	5,631	**16,371**	11,993	**33,962**
	$ 16,274	**$ 25,765**	$ 29,885	**$ 56,564**

The balances of contract assets, and contract liabilities from contracts with customers are as follows as of December 31, 2019 and June 30, 2020:

	December 31, 2019		**June 30, 2020** (Unaudited)	
Assets:				
Deferred contract costs	$	2,196	**$**	**1,735**
Deferred logistics visibility solutions costs	$	8,530	**$**	**6,905**
Liabilities:				
Contract liabilities (1)	$	1,098	**$**	**794**
Deferred revenue -other (1)		227		**281**
Deferred maintenance and SaaS revenue (1)		5,072		**5,540**
Deferred logistics visibility solutions product revenue (1)		10,932		**8,749**
		17,329		**15,364**
Less: Deferred revenue and contract liabilities - Current portion		(8,536)		**(8,608)**
Deferred revenue and contract liabilities - less current portion	$	8,793	**$**	**6,756**

(1) The Company records deferred revenues when cash payments are received or due in advance of the Company's performance. For the three- and six-month periods ended June 30, 2019 and 2020, the Company recognized revenue of $6,891 and $2,426, respectively, and $6,238 and $4,600, respectively, that was included in the deferred revenue balance at the beginning of each reporting period. The Company expects to recognize as revenue these deferred revenue balances before the year 2025, when the services are performed and, therefore, satisfies its performance obligation to the customers.

NOTE 6 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets consist of the following:

	December 31, 2019		**June 30, 2020** (Unaudited)	
Finance receivables, current	$	893	**$**	**740**
Prepaid expenses		3,221		**2,547**
Contract assets		1,335		**783**
Other current assets		1,921		**1,647**
	$	7,370	**$**	**5,717**

NOTE 7 - 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 first-in first-out (FIFO) method. Inventory is shown net of a valuation reserve of $487 at December 31, 2019, and $600 at June 30, 2020.

Inventories consist of the following:

	December 31, 2019	**June 30, 2020**
		(Unaudited)
Components	$ 8,183	**$ 7,725**
Work in process	210	**61**
Finished goods	7,988	**7,551**
	$ 16,381	**$ 15,337**

NOTE 8 - FIXED ASSETS

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

	December 31, 2019	**June 30, 2020**
		(Unaudited)
Installed products	$ 3,180	**1,425**
Computer software	5,635	**5,618**
Computer and electronic equipment	6,231	**4,497**
Furniture and fixtures	1,364	**1,434**
Leasehold improvements	641	**748**
	17,051	**13,722**
Accumulated depreciation and amortization	(8,811)	**(6,738)**
	$ 8,240	**$ 6,984**

Depreciation and amortization expense of fixed assets for the three- and six-month periods ended June 30, 2019 was $190 and $379, respectively, and for the three- and six-month periods ended June 30, 2020 was $651 and $1,386, respectively. This includes amortization of costs associated with computer software for the three- and six-month periods ended June 30, 2019 of $133 and $266, respectively, and for the three- and six-month periods ended June 30, 2020 of $130 and $261, respectively.

NOTE 9 - INTANGIBLE ASSETS AND GOODWILL

The following table summarizes identifiable intangible assets of the Company as of December 31, 2019 and June 30, 2020:

June 30, 2020	Useful Lives (In Years)		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount
Amortized:							
Customer relationships	9 - 12	$	19,264	$	(1,920)	$	17,344
Trademark and tradename	3 - 15		7,553		(890)		6,663
Patents	7 - 11		2,117		(1,548)		569
Technology	7		10,911		(1,903)		9,008
Favorable contract interest	4		388		(283)		105
Covenant not to compete	5		208		(121)		87
			40,441		(6,665)		33,776
Unamortized:							
Customer list			104		-		104
Trademark and Tradename			61		-		61
			165		-		165
Total		$	40,606	$	(6,665)	$	33,941

December 31, 2019	Useful Lives (In Years)		Gross Carrying Amount		Accumulated Amortization		Net Carrying Amount
Amortized:							
Customer relationships	9 - 12	$	19,299	$	(1,108)	$	18,191
Trademark and tradename	3 - 15		7,553		(488)		7,065
Patents	7 - 11		2,117		(1,436)		681
Technology	7		10,911		(634)		10,277
Favorable contract interest	4		388		(234)		154
Covenant not to compete	5		208		(102)		106
			40,476		(4,002)		36,474
Unamortized:							
Customer list			104		-		104
Trademark and Tradename			61		-		61
			165		-		165
Total		$	40,641	$	(4,002)	$	36,639

At June 30, 2020, the weighted-average amortization period for the intangible assets was 9.0 years. At June 30, 2020, the weighted-average amortization periods for customer relationships, trademarks and trade names, patents, technology, favorable contract interests and covenant not to compete were 11.9, 4.5, 9.8, 7.0, 4.0 and 5.0 years, respectively.

Amortization expense for the three- and six-month periods ended June 30, 2019 was $280 and $473, respectively, and for the three- and six-month periods ended June 30, 2020 was $1,333 and $2,665, respectively. Estimated future amortization expense for each of the five succeeding fiscal years for these intangible assets is as follows:

Year ending December 31:		
2020 (remaining)	$	2,665
2021		5,153
2022		4,479
2023		4,434
2024		2,021
2025		1,894
Thereafter		13,130
	$	33,776

COVID-19 continues to adversely impact the broader global economy and has caused significant volatility in financial markets. If there is a lack of recovery or further global softening in certain markets, or a sustained decline in the value of the Company's common stock, the Company may conclude that indicators of impairment exist and would then be required to calculate whether or not an impairment exists for its goodwill, other intangibles, and long-lived assets, the results of which could result in material impairment charges. For the six-month period ended June 30, 2020, the Company did not identify any indicators of impairment.

NOTE 10 - STOCK-BASED COMPENSATION

Stock Option Plans

In connection with the Company's acquisition of Pointer Telocation Ltd., the Company previously approved the grants of options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis on March 13, 2019 (the "Signing Bonus Options") and the grants of additional options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and additional options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis on October 3, 2019 (the "Closing Bonus Options" and together with the Signing Bonus Options, the "Original Bonus Options"). The Original Bonus Options were subject to the terms of the Company's 2018 Incentive Plan (the "2018 Plan"), vested upon the attainment of adjusted EBITDA targets for the fiscal years ending December 31, 2020 and December 31, 2021 and became exercisable 180 days after vesting, subject to acceleration in the event of certain change of control transactions. The Signing Bonus Options had an exercise price of $6.28 per share and the Closing Bonus Options had an exercise price of $6.00 per share.

In response to the impact of COVID-19, the Board terminated and cancelled the Original Bonus Options and approved the following grants to replace the Original Bonus Options: (i) options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis (the "New Signing Options"), which options are subject to the terms of the 2018 Plan, have an exercise price of $6.28 per share, and will vest and become exercisable in full on December 31, 2022 if the volume weighted average price of the Company's common stock during a consecutive 30 trading day period (the "30 Day VWAP") reaches $12.00 at any point prior to December 31, 2022, and (ii) options to purchase 350,000 shares of the Company's common stock to Mr. Wolfe and options to purchase 150,000 shares of the Company's common stock to Mr. Mavrommatis (the "New Closing Options"), which options are subject to the terms of the 2018 Plan, have an exercise price of $6.00 per share, and will vest and become exercisable immediately upon the Company achieving a 30 Day VWAP of $10.00.

[A] Stock options:

The following table summarizes the activity relating to the Company's stock options for the six-month period ended June 30, 2020:

December 31, 2019	**Options**		**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term**		**Aggregate Intrinsic Value**
Outstanding at beginning of year	4,078	$	5.79			
Granted	1,160		6.10			
Exercised	(140)		4.28			
Forfeited or expired	(1,305)		6.04			
Outstanding at end of period	3,793	$	5.85	9 years	$	161
Exercisable at end of period	925	$	5.64	6 years	$	56

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,			
		2019		**2020**
Expected volatility		24.2%		**44.7%**
Expected life of options (in years)		3		**6**
Risk free interest rate		1.41%		**1.17%**
Dividend yield		0%		**0%**
Weighted average fair value of options granted during the period	$	2.72	**$**	**2.58**

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 valued the New Signing Options and the New Closing Options market-based performance stock option awards using a Monte Carlo simulation model using a daily price forecast over ten years until expiration utilizing Geometric Brownian Motion that considers a variety of factors including, but not limited to, the Company's common stock price, risk-free rate (0.70%), and expected stock price volatility (47%) over the expected life of awards (6 years). The weighted average fair value of options granted during the period was $1.27.

The Company recorded stock-based compensation expense of $161 and $297 for the three- and six-month periods ended June 30, 2019, respectively, and $411 and $843 for the three- and six-month periods ended June 30, 2020, respectively, in connection with awards made under the stock option plans.

The fair value of options vested during the six-month periods ended June 30, 2019 and 2020 was $271 and $1,012, respectively. The total intrinsic value of options exercised during the six-month periods ended June 30, 2019 and 2020 was $112 and 225, respectively.

As of June 30, 2020, there was approximately $4,672 of unrecognized compensation cost related to non-vested options granted under the Company's stock option plans. That cost is expected to be recognized over a weighted-average period of 4.24 years.

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

[B] Restricted Stock Awards:

The Company grants restricted stock to employees, whereby the employees are contractually restricted from transferring the shares until they are vested. The stock is unvested at the time of grant and, upon vesting, there are no legal restrictions on the stock. The fair value of each share is based on the Company's closing stock price on the date of the grant. A summary of all non-vested restricted stock for the three-month period ended June 30, 2020 is as follows:

	Number of Non-vested Shares	Weighted-Average Grant Date Fair Value
Restricted stock, non-vested, beginning of year	877	$ 6.17
Granted	318	4.97
Vested	(252)	6.16
Forfeited	(50)	6.24
Restricted stock, non-vested, end of period	893	$ 5.75

The Company recorded stock-based compensation expense of $440 and $887, respectively, for the three- and six-month periods ended June 30, 2019 and $499 and $1,048, respectively, for the three- and six-month periods ended June 30, 2020, in connection with restricted stock grants. As of June 30, 2020, there was $4,001 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 2.4 years.

[C] Restricted Stock Units:

The Company also grants restricted stock units (RSUs) to employees. The following table summarizes the activity relating to the Company's restricted stock units for the three-month period ended June 30, 2020:

	Number of Restricted Stock Units	Weighted-Average Grant Date Fair Value
Restricted stock units, non-vested, beginning of year	253	$ 5.60
Granted	-	-
Vested	(127)	5.60
Forfeited	(5)	5.60
Restricted stock units, non-vested, end of period	121	$ 5.60

The Company recorded stock-based compensation expense of $-0- and $-0-, respectively, for the three- and six-month periods ended June 30, 2019 and $67 and $195, respectively, for the three- and six-month periods ended June 30, 2020, in connection with the RSUs. As of June 30, 2020, there was $500 of total unrecognized compensation cost related to non-vested RSUs. That cost is expected to be recognized over a weighted-average period of 1.70 years.

NOTE 11 - NET LOSS PER SHARE

Net loss per share for the three- and six-month periods ended June 30, 2019 and 2020 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2020	2019	2020
Basic and diluted loss per share				
Net loss attributable to common stockholders	$ (2,585)	**$ (3,766)**	$ (4,779)	**$ (8,315)**
Weighted-average common shares outstanding - basic and diluted	17,678	**29,399**	17,650	**29,216**
Net loss attributable to common stockholders - basic and diluted	$ (0.15)	**$ (0.13)**	$ (0.27)	**$ (0.28)**

Basic loss per share is calculated by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Dilutive potential common shares include outstanding stock options, warrants and restricted stock and performance share awards. We include participating securities (unvested share-based payment awards and equivalents that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of earnings per share pursuant to the two-class method. Our participating securities consist solely of preferred stock, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. The basic and diluted weighted-average shares outstanding are the same in 2019 and 2020, since the effect from the potential exercise of outstanding stock options, conversion of preferred stock, and vesting of restricted stock and restricted stock units totaling 2,652 and 12,027, respectively, would have been anti-dilutive due to the net loss.

NOTE 12 - SHORT-TERM BANK DEBT AND LONG-TERM DEBT

	December 31, 2019	**June 30, 2020** (Unaudited)
Short-term bank debt bearing interest at 17% per annum	$ 685	**$ 187**
Current maturities of long-term debt	$ 2,688	**$ 4,141**
Notes payable	$ 5,000	**$ 5,000**
Long-term debt – less current maturities	$ 26,515	**$ 24,001**

Notes payable

In connection with the Transactions, the Company issued the Notes to the Investors in the aggregate principal amount of $5,000 at the closing of the Transactions. The Notes bear interest at 10% per annum, with an original maturity date of September 30, 2020 and may be prepaid in full subject to a prepayment premium. The principal amount of, and accrued interest through the maturity date on, the Notes will convert automatically into Series A Preferred Stock at the original issuance price thereof of $1,000.00 per share upon approval by the Company's stockholders in accordance with Nasdaq rules.

On May 13, 2020, the Company and the Investors amended and restated the Notes to, among other things, (i) remove the conversion feature of the Notes, (ii) provide for certain mandatory prepayment obligations of the Company on or following October 1, 2020, and (iii) extend the maturity date of the Notes to March 31, 2021.

Long-term debt

In connection with the Transactions, PowerFleet Israel incurred $30,000 in term loan borrowings on the Closing Date under the Credit Agreement, pursuant to which Hapoalim agreed to provide PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of $30,000 (comprised of two facilities in the aggregate principal amount of $20,000 and $10,000, respectively (the "Term A Facility" and "Term B Facility", respectively, and collectively, the "Term Facilities")) and a five-year revolving credit facility (the "Revolving Facility") to Pointer in an aggregate principal amount of $10,000 (collectively, the "Credit Facilities"). On the first anniversary of the Closing Date, the Company will be required to deposit in a separate restricted deposit account the Israeli shekel ("NIS") equivalent of $3,000. As of June 30, 2020, no amounts were outstanding under the revolving credit facility.

The Credit Facilities will mature on the date that is five years from the Closing Date. The indicative interest rate provided for the Term Facilities in the Credit Agreement is approximately 4.73% for the Term A Facility and 5.89% for the Term B Facility. The interest rate for the Revolving Facility is, with respect to NIS-denominated loans, Hapoalim's prime rate + 2.5%, and with respect to US dollar-denominated loans, LIBOR + 4.6%. In addition, the Company pays a 1% commitment fee on the unutilized and uncancelled availability under the Revolving Facility. The Credit Facilities are secured by the shares held by PowerFleet Israel in Pointer and by Pointer over all of its assets. The Credit Agreement includes customary representations, warranties, affirmative covenants, negative covenants (including the following financial covenants, tested quarterly: Pointer's net debt to EBITDA; Pointer's net debt to working capital; minimum equity of PowerFleet Israel; PowerFleet Israel equity to total assets; PowerFleet Israel net debt to EBITDA; and Pointer EBITDA to current payments and events of default. The Company is in compliance with the covenants as of June 30, 2020.

In connection with the Credit Facilities, the Company incurred debt issuance costs of $742. For the three- and six-month periods ended June 30, 2020, amortization of the debt issuance costs was $18 and $37. The Company recorded charges of $-0- for both the three- and six-month periods ended June 30, 2019, and $383 and $743 for the three- and six-month periods ended June 30, 2020, respectively, to interest expense on its consolidated statements of operations for each of related to interest expense and amortization of debt issuance costs associated with the Credit Facilities.

Scheduled maturities of the Term A Facility and the Term B Facility as of June 30, 2020 are as follows:

Year ending December 31:		
2021	$	4,141
2022		5,238
2023		5,359
2024		13,404
		28,142
Less: Current portion		4,141
Total	$	24,001

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

NOTE 13 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following:

		December 31, 2019		**June 30, 2020**
				(Unaudited)
Accounts payable	$	15,400	**$**	**10,298**
Accrued warranty		632		**652**
Accrued compensation		5,517		**5,622**
Contract liabilities		849		**572**
Government authorities		2,172		**3,642**
Other current liabilities		310		**176**
	$	24,880	**$**	**20,962**

The Company's products are warranted against defects in materials and workmanship for a period of one to three years from the date of acceptance of the product by the customer. The customers may purchase an extended warranty providing coverage up to a maximum of 60 months. A provision for estimated future warranty costs is recorded for expected or historical warranty matters related to equipment shipped and is included in accounts payable and accrued expenses in the Condensed Consolidated Balance Sheets as of December 31, 2019 and June 30, 2020.

The following table summarizes warranty activity for the six-month periods ended June 30, 2019 and 2020:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2020 (Unaudited)
Accrued warranty reserve, beginning of period	$ 422	**$ 775**
Accrual for product warranties issued	152	**368**
Product replacements and other warranty expenditures	(139)	**(355)**
Expiration of warranties	(100)	**(18)**
Accrued warranty reserve, end of period (a)	$ 335	**$ 770**

(a) Includes non-current accrued warranty in other long-term liabilities at December 31, 2019 and June 30, 2020 of $110 and $118, respectively

NOTE 14 - STOCKHOLDERS' EQUITY

Redeemable preferred stock

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

Series A Preferred Stock

In connection with the completion of the Transactions, on October 3, 2019, the Company issued 50 shares of Series A Preferred Stock. During 2020 the Company issued an additional share as payment for the earned dividends.

Liquidation

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

Dividends

Holders of Series A Preferred Stock are entitled to receive cumulative dividends at a minimum rate of 7.5% per annum (calculated on the basis of the Series A Issue Price), quarterly in arrears. The dividends are payable at the Company's election, in kind, through the issuance of additional shares of Series A Preferred Stock, or in cash, provided no dividend payment failure has occurred and is continuing and that there has not previously occurred two or more dividend payment failures. Commencing on the 66-month anniversary of the date on which any shares of Series A Preferred Stock are first issued (the "Original Issuance Date"), and on each monthly anniversary thereafter, the dividend rate will increase by 100 basis points, until the dividend rate reaches 17.5% per annum, subject to the Company's right to defer the increase for up to three consecutive months on terms set forth in the Charter. During the six-month period ended June 30, 2020, the Company issued dividends in the amounts of 1,927 shares to the holders of the Series A Preferred Stock. As of June 30, 2020, dividends in arrears were $-0-.

Voting; Consent Rights

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

Redemption

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

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

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

At-The-Market-Offering

On May 14, 2020, we entered into an equity distribution agreement with Canaccord Genuity LLC, pursuant to which we may offer and sell, from time to time through an "at-the-market offering" program, with Canaccord as sales agent, shares of our common stock having an aggregate offering price of up to $25 million. The Company will pay Canaccord a commission of 3.0% of the aggregate gross proceeds from each sale of common stock occurring pursuant to the Sales Agreement, if any. The offer and sale of common stock in the offering will be made pursuant to the Company's shelf registration statement on Form S-3 that was declared effective by the SEC on November 27, 2019, the base prospectus contained therein dated November 27, 2019, and a prospectus supplement related to the ATM Offering dated May 14, 2020. During the three-month period ended June 30, 2020, we sold 810 shares of common stock through Canaccord under the Sales Agreement, received net proceeds from such sales of $4.0 million, and paid Canaccord $125 in commissions with respect to sales of common stock under the Sales Agreement. On August 4, 2020, we provided written notice to Canaccord of our election to terminate the Sales Agreement. The termination will be effective as of August 14, 2020.

NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income (loss) includes net loss and unrealized gains or losses on available-for-sale investments and foreign currency translation gains and losses. Cumulative unrealized gains and losses on available-for-sale investments are reflected as accumulated other comprehensive loss in stockholders' equity on the Company's Consolidated Balance Sheets.

The accumulated balances for each classification of other comprehensive loss for the six-month period ended June 30, 2020 are as follows:

	Foreign currency items	Unrealized gain (losses) on investments	Accumulated other comprehensive loss
Balance at January 1, 2020	$ 265	$ -	$ 265
Net current period change	(1,920)	-	(1,920)
Balance at June 30, 2020	$ (1,655)	$ -	(1,655)

The accumulated balances for each classification of other comprehensive loss for the six-month period ended June 30, 2019 are as follows:

	Foreign currency items	Unrealized gain (losses) on investments	Accumulated other comprehensive loss
Balance at January 1, 2019	$ (388)	$ (47)	$ (435)
Net current period change	(58)	47	(11)
Balance at June 30, 2019	$ (446)	$ -	$ (446)

The Company's reporting currency is the U.S dollar (USD). For businesses where the majority of the revenues are generated in USD or linked to the USD and a substantial portion of the costs are incurred in USD, the Company's management believes that the USD is the primary currency of the economic environment and thus their functional currency. Due to the fact that Argentina has been determined to be highly inflationary, the financial statements of our subsidiary in Argentina have been remeasured as if its functional currency was the USD. The Company also has foreign operations where the functional currency is the local currency. For these operations, assets and liabilities are translated using the end-of-period exchange rates and revenues, expenses and cash flows are translated using average rates of exchange for the period. Equity is translated at the rate of exchange at the date of the equity transaction. Translation adjustments are recognized in stockholders' equity as a component of accumulated other comprehensive income (loss). Net translation gains (losses) from the translation of foreign currency financial statements of $(58) and $(1,920) at June 30, 2019 and 2020, respectively, are included in comprehensive loss in the Consolidated Statement of Changes in Stockholders' Equity.

Foreign currency translation gains and losses related to operational expenses denominated in a currency other than the functional currency are included in determining net income or loss. Foreign currency translation gains (losses) for the three- and six-month periods ended June 30, 2019 of $(4) and $(30), respectively, and for the three- and six-month periods ended June 30, 2020 of $112 and $(141), respectively are included in selling, general and administrative expenses. Foreign currency translation gains and losses related to long-term debt of $805 and $(90), respectively, for the three- and six-month periods ended June 30, 2020 are included in interest expense in the Consolidated Statement of Operations.

NOTE 16 – SEGMENT INFORMATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2020**	2019	**2020**
United States	$ 15,475	**$ 10,845**	$ 28,435	**$ 23,953**
Israel	-	**9,135**	-	**18,875**
Other	799	**5,785**	1,450	**13,736**
	$ 16,274	**$ 25,765**	$ 29,885	**$ 56,564**

	December 31, 2019	**June 30, 2020**
		(unaudited)
Long lived assets by geographic region:		
United States	$ 1,931	**$ 1,623**
Israel	2,285	**2,419**
Other	4,024	**2,942**
	$ 8,240	**$ 6,984**

NOTE 17 - INCOME TAXES

The Company generally 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 international earnings and adjustments to the valuation allowance. The currently forecasted ETR may vary from the actual year-end due to the changes in these factors.

The Company's global ETR for the six months ended June 30, 2020 and 2019 was 12% and 0%, respectively. For the six months ended June 30, 2019 and 2020 the effective tax rate differs from the statutory tax rates primarily due to a valuation allowance to fully reserve its net operating loss carryforwards and other items giving rise to deferred tax assets and tax on foreign earnings.

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") into law providing certain relief as a result of the COVID-19 pandemic. The CARES Act, among other things, includes provisions relating to net operating loss carryback periods, alternative minimum tax credit refunds, modification to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. The Company does not expect that the CARES Act will have a material impact on its consolidated financial statements.

NOTE 18 - LEASES

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, which is effective for fiscal years beginning after December 15, 2018. The Company adopted ASU No. 2016-02 prospectively as of January 1, 2019, the date of initial application, and therefore prior comparative periods were not adjusted. As part of the adoption, the Company elected the "package of expedients", which permits the Company not to reassess under the new standard the Company's prior conclusions about lease identification and initial direct costs. The Company did not elect the use-of hindsight or the practical expedient pertaining to land easements, the latter not being applicable to the Company. The Company has lease arrangements which are classified as short-term in nature. The Company has elected the short-term lease recognition exemption for all leases that qualify. This means, for those leases that qualify, the Company will not recognize right-of-use ("ROU") assets or lease liabilities.

The Company determines whether an arrangement is a lease at inception. The Company has operating leases for office space and office equipment. The Company's leases have remaining lease terms of one year to seven years, some of which include options to extend the lease term for up to five years. The Company considered these options to extend in determining the lease term used to establish the Company's right-of use assets and lease liabilities once reasonably certain of exercise. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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.

Components of lease expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2020**	2019	**2020**
Short term lease cost	$ 100	**$ 164**	$ 144	**$ 293**

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

	Six Months Ended June 30, 2020
Non-cash activity:	
Right-of-use assets obtained in exchange for lease obligations	$ 2,259

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

	June 30, 2020
Weighted-average remaining lease term (in years)	4.0
Weighted-average discount rate	3.28%

Scheduled maturities of operating lease liabilities outstanding as of June 30, 2020 are as follows:

Year ending December 31:	
July - December 2020	$ 1,650
2021	2,091
2022	1,809
2023	1,539
2024	1,360
2025	1,505
Thereafter	248
Total lease payments	10,202
Less: Imputed interest	(1,514)
Present value of lease liabilities	$ 8,688

NOTE 19 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	June 30, 2020	
	Carrying Amount	**Fair Value**
Long term debt	$ 28,142	**$ 28,142**

NOTE 20 - CONCENTRATION OF CUSTOMERS

For the six-month period ended June 30, 2020, there were no customers who generated revenues greater than 10% of the Company's consolidated total revenues or generated greater than 10% of the Company's consolidated accounts receivable.

For the six-month period ended June 30, 2019 and as of June 30, 2019, one customer accounted for 23%, of the Company's revenues and two customers accounted for 34% and 10% of the Company's accounts receivables. Two customers accounted for 22% and 20% of finance receivables as of June 30, 2019.

NOTE 21 - COMMITMENTS AND CONTINGENCIES

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

[A] 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 July 2015, Pointer do Brasil Comercial Ltda. ("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 $10,680 as of June 30, 2020. 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 $182. The state has the opportunity to appeal to the higher chamber of the State Tax Administrative Court. The Company's legal counsel is of the opinion that it is probable that the Company will prevail, and that no material costs will arise in respect to these claims. For this reason, the Company has not made any provision.

NOTE 22 - RECENT ACCOUNTING PRONOUNCEMENTS

In December 2019, the FASB issued ASU No. 2019-12, "Simplifying the Accounting for Income Taxes," which removes certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, the recognition of deferred tax liabilities for outside basis differences and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance is generally effective as of January 1, 2021, with early adoption permitted. The Company has not early adopted the new standard for 2020 and is evaluating the impact of the new guidance on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments," which amends the guidance on measuring credit losses on financial assets held at amortized cost. The amendment is intended to address the issue that the previous "incurred loss" methodology was restrictive for an entity's ability to record credit losses based on not yet meeting the "probable" threshold. The new language will require these assets to be valued at amortized cost presented at the net amount expected to be collected with a valuation provision. This update standard is effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating the impact of this ASU on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Under the amendments in ASU No. 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The updated guidance requires a prospective adoption. The adoption of this standard does not have an impact on the Company's condensed consolidated financial statements.

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

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

Cautionary Note Regarding Forward-Looking Statements

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

There are a number of risks and uncertainties that could cause the Company's actual results to differ materially from the forward-looking statements contained in this report. Important factors that could cause the Company's actual results to differ materially from those expressed as forward-looking statements herein include, but are not limited, to: future economic and business conditions; the ability to recognize the anticipated benefit of the acquisition of Pointer Telocation Ltd. ("Pointer"); the loss of any of the Company's key customers or reduction in the purchase of the Company's products by any such customers; the failure of the markets for the Company's products to continue to develop; the possibility that the Company may not be able to integrate successfully the business, operations and employees of I.D. Systems, Inc. ("I.D. Systems") and Pointer; the Company's inability to adequately protect its intellectual property; the Company's inability to manage growth; the effects of competition from a wide variety of local, regional, national and other providers of wireless solutions; changes in laws and regulations or changes in generally accepted accounting policies, rules and practices; changes in technology or products, which may be more difficult or costly, or less effective, than anticipated; the effects of outbreaks of pandemics or contagious diseases, including the length and severity of the recent global outbreak of the novel coronavirus COVID-19 and its impact on the Company's business; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the Company's annual report on Form 10-K for the year ended December 31, 2019.

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

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

Overview

We are a global leader and provider of subscription-based wireless Internet-of-Things (IoT) and machine-to-machine (M2M) solutions for securing, controlling, tracking, and managing high-value enterprise assets such as industrial trucks, trailers, containers, cargo, and light vehicles and heavy truck fleets.

As described more fully in Note 4 to our consolidated financial statements, on October 3, 2019, we completed the Transactions (as defined below) contemplated by (i) the Agreement and Plan of Merger, dated as of March 13, 2019 (the "Merger Agreement"), by and among I.D. Systems, Inc., a Delaware corporation ("I.D. Systems"), the Company, Pointer Telocation Ltd., a private company limited by shares formed under the laws of the State of Israel ("Pointer"), PowerFleet Israel Ltd. (f/k/a Powerfleet Israel Holding Company Ltd.), a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of the Company ("PowerFleet Israel"), and Powerfleet Israel Acquisition Company Ltd., a private company limited by shares formed under the laws of the State of Israel and a wholly-owned subsidiary of PowerFleet Israel prior to the Transactions, and (ii) the Investment and Transaction Agreement, dated as of March 13, 2019, as amended by Amendment No. 1 thereto dated as of May 16, 2019, Amendment No. 2 thereto dated as of June 27, 2019, Amendment No. 3 thereto dated as of October 3, 2019 and Amendment No. 4 thereto dated as of May 13, 2020 (the "Investment Agreement," and together with the Merger Agreement, the "Agreements"), by and among I.D. Systems, the Company, PowerFleet US Acquisition Inc., a Delaware corporation and a wholly-owned subsidiary of the Company prior to the Transactions, and ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the "Investors"), affiliates of ABRY Partners II, LLC. As a result of the transactions contemplated by the Agreements (the "Transactions"), I.D. Systems and PowerFleet Israel each became direct, wholly-owned subsidiaries of the Company and Pointer became an indirect, wholly-owned subsidiary of the Company. The results of Pointer have been included in our consolidated financial statements from the date of the Transactions.

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

Our patented technologies address the needs of organizations to monitor and analyze their assets to improve safety, increase efficiency and productivity, reduce costs, and improve profitability. Our offerings are sold under the global brands PowerFleet, Pointer and Cellocator.

We deliver advanced mobility solutions that connect assets to increase visibility operational efficiency and profitability. Across our vertical markets we differentiate ourselves by being OEM agnostic and helping mixed fleets view and manage their assets similarly. All of our solutions are paired with software as a service, or SaaS, analytics platforms to provide an even deeper layer of insights. These insights include a full set of operational Key Performance Indicators, or KPI's, to drive operational and strategic decisions. These KPI's leverage industry comparisons to show how a company is performing versus their peers. The more data the system collects, the more accurate a client's understanding becomes.

The analytics platform, which is integrated into our customers' management systems, is designed to provide a single, integrated view of asset and operator activity across multiple locations that provides enterprise-wide benchmarks and peer-industry comparisons. We look for analytics, as well as the data contained therein, to differentiate us from our competitors, make a growing contribution to revenue, add value to our solutions, and help keep us at the forefront of the wireless asset management markets we serve.

We market and sell our wireless mobility solutions to a wide range of customers in the commercial and government sectors. Our customers operate in diverse markets, such as automotive manufacturing, retail, food and grocery distribution, logistics, shipping, freight transportation, heavy industry, wholesale distribution, manufacturing, aerospace and defense, homeland security, and vehicle rental.

PowerFleet for Industrial

Our PowerFleet for Industrial solutions are designed to provide on-premise or in-facility asset and operator management, monitoring, and visibility for industrial trucks such as forklifts and ground support equipment at airports. These solutions are broken down into five groups: Essence, Expert, Enterprise, Safety, and Aviation.

- **Essence** is designed for low density fleets. It consists of an easy-to-install, out-of-the-box-ready hardware and software solution. It provides electronic record keeping and safety checklists and is automated. There is no need for IT departments with this solution, and it is designed to keep small business operations regulatory compliant, efficient, and cost effective.
- **Expert** is designed for medium density fleets. It is designed for multi-site visibility, reporting, and analytics. It provides regulatory compliance and live events by leveraging a company's existing Wi-Fi network. It delivers centralized recording, management reports & robust graphing.
- **Enterprise** is for high density fleets with a global footprint. It improves safety and provides global visibility, advanced analytics, and drives regulatory compliance and live event reporting by leveraging a company's Wi-Fi network.
- **Safety** consists of a broad range of equipment for powered industrial vehicles such as lights and alarms, camera systems, vehicle speed throttles, seatbelt systems, digital speedometers, weighing devices, safety systems, and anti-theft solutions.
- **Aviation** enables visibility into airport ramp personnel and assets through real-time visibility and reporting, access control, and geo-fenced security.

PowerFleet for Logistics

Our PowerFleet for Logistics solutions are designed to provide bumper-to-bumper asset management, monitoring, and visibility for over-the-road based assets (heavy trucks, dry-van trailers, refrigerated trailers, shipping containers, etc.) 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.

By leveraging a combination of cellular and satellite communications and web-based data management technologies, our Logistics Visibility (LV) product family provides shippers and carriers with tools to better manage their tractors, drivers, trucks, refrigerated (Reefer) trailers, dry van trailers, chassis and container fleets. Our Logistics Visibility solutions enable quick access to actionable intelligence that results in better utilization, control, safety, compliance, and security of our customers' freight-carrying assets.

Our LV solutions consist of a combined hardware and software as a service solution that are designed to focus on providing robust IoT monitoring, measuring, and management of the following asset types:

- **Tractors (e.g. Class 7-8 Vehicles):** Our solutions sit in the "cab" of the truck. They are designed to be regulatory compliant (e.g. Electronic Logging Devices or ELDs) solutions that provide real-time position reports, engine performance information, two-way communication with the driver, and full Transportation Management System (TMS) integration.
- **Dry Van Trailers:** By using asset tracking technology that leverages solar-powered super-capacitors and long-lasting batteries, along with options connected to external power, we offer a variety of mobility platforms that vary by power source and price to provide extended years of maintenance-free asset tracking and IoT performance.
- **Refrigerated Trailers / Containers:** Our reefer mobility platform is integrated with all major refrigeration unit brands and sensors to allow complete remote control combined with powerful dashboard and in easy-to-read reports on the status of cold chain products and cargo.
- **Chassis:** We provide multiple interoperable mobility platform options, which vary by power source and price, for continuous real-time visibility of these assets while in transit, as well as more accurate arrival and departure information to better plan supply chain resource allocation.
- **Shipping Containers:** We deliver full visibility of containers from the moment they are moved from the yard to the instant they reach their final destination to increase container utilization and reduce transit cycle times.
- **Cargo:** Images, door sensors, and 'cargo-area' environmental sensors (temperature, humidity, shock, etc.) for true freight visibility, root cause analysis for claims - including location and visual proof. We have unique and patent pending machine learning processes that can determine volume, load status, shifts in transit and help consignees know how to plan for unloading cargo.

To increase asset utilization, our Logistics Visibility solutions can improve overall operating efficiency, increase revenue per mile, reduce claims and claims processing times, and reduce the number of assets needed by delivering our customers. This is achieved through proving such things as two-way integrated workflows for drivers, control assignments and work change, Electronic Driver Logging (ELD) for regulatory compliance, monitoring of asset pools, and various reporting insights that flag under-utilized assets, the closest assets, and alerts on exceeding the allotted time for loading and unloading.

To better control remote assets, our Logistics Visibility solutions provide our customers with technology that enables the identification of a change in cargo status, geo-fencing alerts when an asset is approaching or leaving its destination, and on-board intelligence utilizing a motion sensor and proprietary logic that identifies the beginning of a drive and the end of a drive.

Lastly, to help improve asset and cargo security, our Logistics Visibility solutions allow our customers to enable things such as asset lockdown with automated e-mail or text message, 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.

PowerFleet for Vehicles

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, or OEM, partners. We achieve this by providing critical information that can be used to increase revenues, reduce costs and improve customer service.

For example, our rental fleet management system automatically uploads 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, or OBD-II, industry standard. Our patented fleet management system helps fleet owners improve asset utilization, reduce capital costs, and cut operating expenses, such as vehicle maintenance or service and support.

Our fleet management solutions allow our customers to monitor their fleet vehicles using a web-based application that can monitor 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, GPRS or an SMS.

We also provide stolen vehicle retrieval, or SVR, services, predominantly 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 addition, in order to increase the added value services for our car dealer customers and end users, we have developed a connected car solution which we provide based on the car infotainment system, which as of the date of this report, is offered by us in Israel only. While the connected car solution enables the car dealer to preserve continuance relationship with the end users, it provides the end users with a friendlier and richer user interface and enables us to expand our consumer target market to vehicles which do not require SVR services.

Analytics and Deep Learning

Our analytics platforms provide our customers with a holistic view of their asset activity across their enterprise. For example, in our PowerFleet for Logistics solutions, our image deep 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.

Our cloud-based software applications provide a single, integrated view of industrial asset activity across multiple locations, generating enterprise-wide benchmarks, peer-industry comparisons, and deeper insights into asset operations. 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 industrial 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 look for analytics and deep learning to make a growing contribution to drive platform and SaaS revenue, further differentiate our offerings and add value to our solutions, and help keep us at the forefront of the wireless mobility markets we serve, although there can be no assurance if and to what extent analytics will do so. 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. 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. 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 stand-alone service to study the potential benefits of implementing a wireless fleet management system and as part of the system implementation itself. In some instances, customers prepay us for extended maintenance, support and consulting services. In those instances, the payment amount is recorded as deferred revenue and revenue is recognized over the service period.

Recent Developments

The COVID-19 pandemic has resulted in significant economic disruption and continues to adversely impact the broader global economy, including certain of our customers and suppliers. Given the dynamic nature of this situation, we cannot reasonably estimate the impact of COVID-19 on our financial condition, results of operations or cash flows into the foreseeable future. The ultimate extent of the effects of the COVID-19 pandemic on the Company is highly uncertain and will depend on future developments, and such effects could exist for an extended period of time even after the pandemic subsides.

Risks to Our Business

We are highly dependent upon sales of our system to a few customers. The loss of any of these key customers, or any material reduction in the amount of our products they purchase during a particular period, could materially and adversely affect our revenues for such period. Conversely, a material increase in the amount of our products purchased by a key customer (or customers) during a particular period could result in a significant increase in our revenues for such period, and such increased revenues may not recur in subsequent periods. Some of these key customers, as well as our other customers, operate in markets that have suffered business downturns in the past few years or may so suffer in the future, particularly in light of the current global economic downturn as a result of the COVID-19 pandemic, and any material adverse change in the financial condition of such customers could materially and adversely affect our financial condition and results of operations. If we are unable to replace such revenue from existing or new customers, the market price of our common stock could decline significantly.

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

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

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

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

As of June 30, 2020, we had cash (including restricted cash) and cash equivalents of $21.8 million and working capital of $28.9 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

We believe that our available working capital, anticipated level of future revenues, expected cash flows from operations and available borrowings under its revolving credit facility with Bank Hapoalim B.M. will provide sufficient funds to cover capital requirements for at least the next twelve months.

Additional risks and uncertainties to which we are subject are described under the heading "Risk Factors" in Part II, Item 1A of this report and in our Annual Report on Form 10-K for the year ended December 31, 2019.

Critical Accounting Policies

For the three-month period ended June 30, 2020, there were no significant changes to our critical accounting policies as identified in our Annual Report on Form 10-K for the year ended December 31, 2019.

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2020**	2019	**2020**
Revenue:				
Products	65.4%	**36.5%**	59.9%	**40.0%**
Services	34.6%	**63.5%**	40.1%	**60.0%**
Total revenues	100.0%	**100.0%**	100.0%	**100.0%**
Cost of revenue:				
Cost of products	43.4%	**23.4%**	37.8%	**27.1%**
Cost of services	13.2%	**22.1%**	15.0%	**21.8%**
	56.6%	**45.5%**	52.9%	**48.9%**
Gross profit	43.4%	**54.5%**	47.1%	**51.1%**
Operating expenses:				
Selling, general and administrative expenses	46.7%	**47.2%**	50.7%	**48.2%**
Research and development expenses	12.4%	**10.0%**	12.3%	**10.2%**
Total operating expenses	59.1%	**57.2%**	63.0%	**58.4%**
Loss from operations	(15.8)%	**(2.7)%**	(16.0)%	**(7.3)%**
Interest income	0.0%	**0.1%**	0.2%	**0.1%**
Interest expense	(0.2)%	**(5.8)%**	(0.2)%	**(2.4)%**
Other (expense) income, net	(0.0)%	**0.0%**	(0.2)%	**0.0%**
Net loss before income taxes	(15.9)%	**(8.4)%**	(16.1)%	**(9.6)%**
Income tax expense	0.0%	**(1.8)%**	0.0%	**(1.2)%**
Net loss before minority interest	(15.9)%	**(10.2)%**	(16.0)%	**(10.8)%**
minority interest	0.0%	**0.0%**	0.0%	**0.0%**
Preferred stock dividends	0.0%	**(4.4)%**	0.0%	**(4.0)%**
Net loss attributable to common stockholders	(15.9)%	**(14.6)%**	(16.0)%	**(14.7)%**

Three Months Ended June 30, 2020 Compared to Three Months Ended June 30, 2019

REVENUES. Revenues increased by approximately $9.5 million, or 58.3%, to $25.8 million in the three months ended June 30, 2020 from $16.3 million in the same period in 2019. The increase in revenue is primarily attributable to our acquisition of Pointer.

Revenues from products decreased by approximately $1.2 million, or 11.3%, to $9.4 million in the three months ended June 30, 2020 from $10.6 million in the same period in 2019. The decrease in product revenue is attributable to a decrease in product sales in the three months ended June 30, 2020 due to the impact of Covid-19 partially offset by product revenue from our acquisition of Pointer.

Revenues from services increased by approximately $10.8 million, or 192.9%, to $16.4 million in the three months ended June 30, 2020 from $5.6 million in the same period in 2019. The increase in service revenue is attributable to our acquisition of Pointer offset by a decrease in PowerFleet for Vehicles solutions service revenue. The decrease in PowerFleet for Vehicles solutions service revenue is due to service revenue of approximately $1.0 recognized in the three-month period ended June 30, 2019 for non-recurring engineering services with ABCR compared to $0 non-recurring engineering service revenue for the period ended June 30, 2020 as the development program with ABCR was completed.

COST OF REVENUES. Cost of revenues increased by approximately $2.5 million, or 27.2%, to $11.7 million in the three months ended June 30, 2020 from $9.2 million for the same period in 2019. Gross profit was $14.0 million in three months ended June 30, 2020 compared to $7.1 million for the same period in 2019. As a percentage of revenues, gross profit increased to 54.3% in 2020 from 43.6% in 2019.

Cost of products decreased by approximately $1.1 million, or 15.5%, to $6.0 million in the three months ended June 30 , 2020 from $7.1 million in the same period in 2019. Gross profit for products was $3.4 million in the three months ended June 30, 2020 compared to $3.5 million in the same period in 2019. As a percentage of product revenues, gross profit increased to 36.2% in 2020 from 33.0% in 2019. The increase in gross profit as a percentage of product revenue was principally due to product mix. During the three months ended June 30, 2019 the Company had higher product revenue for PowerFleet for Vehicles solutions which have a lower gross profit percentage.

Cost of services increased by approximately $3.6 million, or 171.4%, to $5.7 million in the three months ended June 30, 2020 from $2.1 million in the same period in 2019. Gross profit for services was $10.7 million in the three months ended June 30, 2020 compared to $3.5 million in the same period in 2019. The increase in the service revenue gross profit was attributable to our acquisition of Pointer. As a percentage of service revenues, gross profit increased to 65.2% in 2020 from 62.5% in 2019. The increase is due to non-recurring engineering services with ABCR in 2019 which have a lower gross margin.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative ("SG&A") expenses increased by approximately $4.6 million, or 60.5%, to approximately $12.2 million in the three months ended June 30, 2020 compared to $7.6 million in the same period in 2019. The increase was principally due to our acquisition of Pointer. As a percentage of revenues, SG&A expenses increased to 47.3% in the three months ended June 30, 2020 from 46.6% in the same period in 2019 primarily due to the increase in revenue from 2020 to 2019.

RESEARCH AND DEVELOPMENT EXPENSES. Research and development ("R&D") expenses increased by approximately $0.6 million, or 30.0%, to approximately $2.6 million in the three months ended June 30, 2020 compared to $2.0 million in the same period in 2019 principally due to our acquisition of Pointer. As a percentage of revenues, R&D expenses decreased to 10.1% in the three months ended June 30, 2020 from 12.3% in the same period in 2019, primarily due to the increase in revenue from 2020 to 2019.

NET LOSS ATTIBUTABLE TO COMMON STOCKHOLDERS. Net loss was $3.8 million, or $(0.13) per basic and diluted share, for the three months ended June 30, 2020 as compared to net loss of $2.6 million, or $(0.15) per basic and diluted share, for the same period in 2019. The increase in the net loss was due primarily to the reasons described above.

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

REVENUES. Revenues increased by approximately $26.7 million, or 89.3%, to $56.6 million in the six months ended June 30, 2020 from $29.9 million in the same period in 2019. The increase in revenue is primarily attributable to our acquisition of Pointer.

Revenues from products increased by approximately $4.7 million, or 26.3%, to $22.6 million in the six months ended June 30, 2020 from $17.9 million in the same period in 2019. The increase in product revenue is attributable to our acquisition of Pointer.

Revenues from services increased by approximately $22.0 million, or 183.3%, to $34.0 million in the six months ended June 30, 2020 from $12.0 million in the same period in 2019. The increase in service revenue is attributable to our acquisition of Pointer offset by a decrease in PowerFleet for Vehicles solutions service revenue. The decrease in PowerFleet for Vehicles solutions service revenue is due to service revenue of approximately $2.8 recognized in the six-month period ended June 30, 2019 for non-recurring engineering services with ABCR compared to $0 non-recurring engineering service revenue for the period ended June 30, 2020 as the development program with ABCR was completed.

COST OF REVENUES. Cost of revenues increased by approximately $11.9 million, or 75.3%, to $27.7 million in the six months ended June 30, 2020 from $15.8 million for the same period in 2019. Gross profit was $28.9 million in six months ended June 30, 2020 compared to $14.1 million for the same period in 2019. As a percentage of revenues, gross profit increased to 51.1% in 2020 from 47.2% in 2019.

Cost of products increased by approximately $4.0 million, or 35.4%, to $15.3 million in the six months ended June 30, 2020 from $11.3 million in the same period in 2019. Gross profit for products was $7.3 million in the six months ended June 30, 2020 compared to $6.6 million in the same period in 2019. As a percentage of product revenues, gross profit decreased to 32.3% in 2020 from 36.9% in 2019. The decrease in gross profit as a percentage of product revenue was principally due to product mix.

Cost of services increased by approximately $7.8 million, or 173.3%, to $12.3 million in the six months ended June 30, 2020 from $4.5 million in the same period in 2019. Gross profit for services was $21.7 million in the six months ended June 30, 2020 compared to $7.5 million in the same period in 2019. The increase in the service revenue gross profit was attributable to our acquisition of Pointer. As a percentage of service revenues, gross profit increased to 63.8% in 2020 from 62.5% in 2019. The increase is due to non-recurring engineering services with ABCR in 2019 which have a lower gross margin.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. SG&A expenses increased by approximately $12.1 million, or 79.6%, to approximately $27.3 million in the six months ended June 30, 2020 compared to $15.2 million in the same period in 2019. The increase was principally due to our acquisition of Pointer. As a percentage of revenues, SG&A expenses decreased to 48.2% in the six months ended June 30, 2020 from 50.8% in the same period in 2019 primarily due to the increase in revenue from 2020 to 2019.

RESEARCH AND DEVELOPMENT EXPENSES. R&D expenses increased by approximately $2.1 million, or 56.8%, to approximately $5.8 million in the six months ended June 30, 2020 compared to $3.7 million in the same period in 2019 principally due to our acquisition of Pointer. As a percentage of revenues, R&D expenses decreased to 10.2% in the six months ended June 30, 2020 from 12.4% in the same period in 2019, primarily due to the increase in revenue from 2020 to 2019.

NET LOSS ATTIBUTABLE TO COMMON STOCKHOLDERS. Net loss was $8.3 million, or $(0.28) per basic and diluted share, for the six months ended June 30, 2020 as compared to net loss of $4.8 million, or $(0.27) per basic and diluted share, for the same period in 2019. The increase in the net loss was due primarily to the reasons described above.

Liquidity and Capital Resources

Historically, our capital requirements have been funded primarily from the net proceeds from the issuance of our securities, including any issuances of our common stock upon the exercise of options. As of June 30, 2020, we had cash and cash equivalents of $16.7 million and working capital of $28.9 million.

On October 3, 2019, in connection with the completion of the Transactions, we issued and sold 50,000 shares of the Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), to the Investors for an aggregate purchase price of $50,000,000 pursuant to the terms of the Investment Agreement. The proceeds received from such sale were used to finance a portion of the cash consideration payable in our acquisition of Pointer.

Also, on October 3, 2019, we issued and sold convertible unsecured promissory notes in the aggregate principal amount of $5,000,000 (the "Notes") to the Investors. A portion of the proceeds from the Notes were used to pay expenses related to the Transactions and the remaining proceeds may be used for general corporate purposes. On May 13, 2020, the Company and the Investors amended and restated the Notes to, among other things, (i) remove the conversion feature of the Notes, (ii) provide for certain mandatory prepayment obligations of the Company on or following October 1, 2020, and (iii) extend the maturity date of the Notes to June 30, 2021.

In addition, PowerFleet Israel and Pointer are party to a Credit Agreement (the "Credit Agreement") with Bank Hapoalim B.M. ("Hapoalim"), pursuant to which Hapoalim agreed to provide PowerFleet Israel with two senior secured term loan facilities in an aggregate principal amount of $30 million (comprised of two facilities in the aggregate principal amount of $20 million and $10 million) and a five-year revolving credit facility to Pointer in an 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. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes.

We have on file a shelf registration statement on Form S-3 that was declared effective by the Securities and Exchange Commission (the "SEC") on November 27, 2019. Pursuant to the shelf registration statement, we may offer to the public from time to time, in one or more offerings, up to $60.0 million of our common stock, preferred stock, warrants, debt securities, and units, or any combination of the foregoing, at prices and on terms to be determined at the time of any such offering. The specific terms of any future offering will be determined at the time of the offering and described in a prospectus supplement that will be filed with the SEC in connection with such offering.

On May 14, 2020, we entered into an equity distribution agreement (the "Sales Agreement") with Canaccord Genuity LLC ("Canaccord"), pursuant to which we may offer and sell, from time to time through an "at-the-market offering" program, with Canaccord as sales agent, shares of our common stock having an aggregate offering price of up to $25 million. The Company will pay Canaccord a commission of 3.0% of the aggregate gross proceeds from each sale of common stock occurring pursuant to the Sales Agreement, if any. The offer and sale of common stock in the offering will be made pursuant to the Company's shelf registration statement on Form S-3 that was declared effective by the SEC on November 27, 2019, the base prospectus contained therein dated November 27, 2019, and a prospectus supplement related to the ATM Offering dated May 14, 2020. During the three-month period ended June 30, 2020, we sold 810 shares of common stock through Canaccord under the Sales Agreement, received net proceeds from such sales of $4.0 million, and paid Canaccord $125 in commissions with respect to sales of common stock under the Sales Agreement. On August 4, 2020, we provided written notice to Canaccord of our election to terminate the Sales Agreement. The termination will be effective as of August 14, 2020.

Because of the recent outbreak of the novel coronavirus COVID-19, there is significant uncertainty surrounding the potential impact on our results of operations and cash flows. We are proactively taking steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures and borrowing under the revolving credit facility.

Capital Requirements

As of June 30, 2020, we had cash (including restricted cash) and cash equivalents of $21.8 million and working capital of $28.9 million. Our primary sources of cash are cash flows from operating activities, our holdings of cash, cash equivalents and investments from the sale of our capital stock and borrowings under our credit facility. To date, we have not generated sufficient cash flow solely from operating activities to fund our operations.

We believe our available working capital, anticipated level of future revenues and expected cash flows from operations will provide sufficient funds to cover capital requirements through at least August 14, 2021.

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

Net cash provided by operating activities was $4.4 million for the six months ended June 30, 2020, compared to net cash used in operating activities of $2.3 million for the same period in 2019. The net cash provided by operating activities for the six months ended June 30, 2020 reflects a net loss of $6.1 million and includes non-cash charges of $2.1 million for stock-based compensation, $4.1 million for depreciation and amortization expense and $1.4 million for right of use asset amortization. Changes in working capital items included:

- a decrease in accounts receivable of $3.1 million;
- a decrease in inventory of $1.1 million;
- a decrease in prepaid expenses and other assets of $2.3 million; and
- a decrease in accounts payable and accrued expenses of $2.6 million.

Investing Activities

Net cash used in investing activities was $0.8 million for the six months ended June 30, 2020, compared to net cash provided by investing activities of $0.3 million for the same period in 2019. The cash used in investing activities for the six months ended June 30, 2020 was primarily for the purchase of fixed assets. The cash provided from investing activities in the same period in 2019 was primarily due to $4.6 million provided by the proceeds from the sale and maturities of investments in 2019 offset by $3.8 million used in connection with our acquisition of CarrierWeb.

Financing Activities

Net cash provided by financing activities was $2.8 million for the six months ended June 30, 2020, compared to net cash used in financing activities of $0.07 million for the same period in 2019. The change from the same period in 2019 was primarily due to the proceeds from our stock offering of $4.0 million, offset by the repayment of short-term bank credit and long term debt of $1.3 million.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The following table summarizes our significant contractual obligations and commitments as of June 30, 2020:

	Payment due by Period			
	Total	Less than one year	1 to 3 years	After 5 years
Operating leases	$ 10,202	$ 1,650	$ 5,439	$ 3,113
Term Loans	33,829	-	20,300	13,529
Total	$ 44,031	$ 1,650	$ 25,739	$ 16,642

Purchase orders or contracts for the purchase of raw materials and other goods and services are not included in the table above. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Although we have entered into contracts for services, the obligations under these contracts were not significant and the contracts generally contain clauses allowing for cancellation without significant penalty.

The expected timing or payment of obligations discussed above is estimated based on current information. Timing of payments and actual amounts paid may be different depending on changes to agreed-upon amounts for some obligations.

Inflation

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.

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 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 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 4. Controls and Procedures

a. Disclosure controls and procedures.

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

As of June 30, 2020, we carried out an evaluation, with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

On October 3, 2019, we completed the Transactions. We are currently in the process of integrating policies, processes, personnel, technology and operations for the combined companies. As such, we have excluded Pointer from our evaluation of internal control over financial reporting. This exclusion is in accordance with the SEC's general guidance that a recently acquired business may be omitted from the assessment scope for up to one year from the date of acquisition. As of June 30, 2020, Pointer had total assets that represented approximately 72% of the Company's consolidated total assets and total revenues that represented approximately 59% of the Company's consolidated revenues.

b. Changes in internal control over financial reporting.

There was no change in our system of internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the quarter ended June 30, 2020 that has materially affected, or is 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, the Company is at times subject to various legal proceedings. For a description of our material pending legal proceedings, see Note 21 to our consolidated financial statements contained in Item 1 of Part I of this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

In addition to the other information set forth under the heading "Risks to Our Business" in Part I, Item 2 of this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and the risk factors set forth below, as such factors could materially affect the Company's business, financial condition, and future results. The risks described in the Company's Annual Report on Form 10-K and the risk factors set forth below are not the only risks that the Company faces. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, also may have a material adverse impact on the Company's business, financial condition, or results of operations.

We expect that the impact of the global outbreak of COVID-19 will continue to adversely affect our business, results of operations and financial condition.

The global outbreak of a novel strain of coronavirus, COVID-19, and mitigation efforts by governments to attempt to control its spread, has resulted in significant economic disruption and continues to adversely impact the broader global economy. We began to experience this impact in the first quarter 2020 and we expect it to continue to negatively affect our future business, results of operations and financial condition. The duration and extent of the impact of the pandemic on our business and financial results will depend largely on future developments that cannot be accurately predicted at this time, including the duration of the spread of the outbreak, the extent and effectiveness of containment actions and the impact of these and other factors on capital and financial markets and the related impact on the financial circumstances of our employees, customers and suppliers. Given the scope and magnitude of the pandemic, all of its direct and indirect consequences are not yet known and may not emerge for some time.

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

<u>Purchases of Equity Securities by the Issuer</u>

The following table provides information regarding our shares withheld activity for each month of the quarterly period ended June 30, 2020. These shares were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

	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, 2020 - April 30, 2020	-	$ -	-	$ -
May 1, 2020 - May 31, 2020	-	-	-	-
June 1, 2020 - June 30, 2020	3	5.29	-	-
Total	3	$ 5.29	-	$ -

Item 6. Exhibits

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

Exhibits:

Exhibit Number	Description
2.1	Amendment No. 4 to the Investment and Transaction Agreement, dated as of May 13, 2020, by and among PowerFleet, Inc., I.D. Systems, Inc., ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (incorporated by referenced to Exhibit 2.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on May 14, 2020).
4.1	Form of Amended and Restated Promissory Note (incorporated by referenced to Exhibit 4.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on May 14, 2020).
10.1	Equity Distribution Agreement, dated May 14, 2020, by and between PowerFleet, Inc. and Canaccord Genuity LLC (incorporated by referenced to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on May 14, 2020).
10.2	Amendment to Severance Agreement, dated May 28, 2020, between PowerFleet, Inc. and Chris Wolfe (incorporated by referenced to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on June 1, 2020).+
10.3	Amendment to Severance Agreement, dated May 28, 2020, between PowerFleet, Inc. and Ned Mavrommatis (incorporated by referenced to Exhibit 10.2 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on June 1, 2020).+
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. §1305 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* Furnished herewith.
+ Management contract or compensatory plan or arrangement.

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 14, 2020	By: */s/ Chris A. Wolfe* Chris A. Wolfe Chief Executive Officer (Principal Executive Officer)
Date: August 14, 2020	By: */s/ Ned Mavrommatis* Ned Mavrommatis Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Chris A. Wolfe, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2020

/s/ Chris A. Wolfe

Chris A. Wolfe
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Ned Mavrommatis, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 14, 2020

/s/ Ned Mavrommatis

Ned Mavrommatis
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

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

I, Chris A. Wolfe, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of PowerFleet, Inc. for the quarter ended June 30, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PowerFleet, Inc. at the dates and for the periods indicated.

I, Ned Mavrommatis, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of PowerFleet, Inc. for the quarter ended June 30, 2020, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of PowerFleet, Inc. at the dates and for the periods indicated.

By: */s/ Chris A. Wolfe*
Chris A. Wolfe
Chief Executive Officer
(Principal Executive Officer)
Date: August 14, 2020

By: */s/ Ned Mavrommatis*
Ned Mavrommatis
Chief Financial Officer
(Principal Financial Officer)
Date: August 14, 2020

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Quarterly Report on Form 10-Q of PowerFleet, Inc. for the quarter ended June 30, 2020 or as a separate disclosure document.

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