

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended: **September 30, 2021**

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**

(State or other jurisdiction of  
incorporation or organization)

**83-4366463**

(I.R.S. Employer  
Identification No.)

**123 Tice Boulevard  
Woodcliff Lake, New Jersey**

(Address of principal executive offices)

**07677**

(Zip Code)

**(201) 996-9000**

(Registrant's telephone number, including area code)

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

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

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

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

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

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

**Large accelerated filer**

**Accelerated filer**

**Non-accelerated filer**

**Smaller reporting company**

**Emerging growth company**

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). **Yes**  **No**

The number of shares of the registrant's common stock, \$0.01 par value per share, outstanding as of the close of business on November 5, 2021, was 35,953,108.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

|  | December 31, 2020* | September 30, 2021<br>(Unaudited) |
|--|--------------------|-----------------------------------|
| <b>ASSETS</b>  |                    |                                   |
| Current assets:  |                    |                                   |
| Cash and cash equivalents  | \$ 18,127          | \$ 33,821                         |
| Restricted cash  | 308                | 308                               |
| Accounts receivable, net of allowance for doubtful accounts of \$2,364 and \$2,968 in 2020 and 2021, respectively  | 24,147             | 30,151                            |
| Inventory, net   | 12,873             | 16,197                            |
| Deferred costs - current   | 3,128              | 1,298                             |
| Prepaid expenses and other current assets  | 6,184              | 7,256                             |
| <b>Total current assets</b>  | <b>64,767</b>      | <b>89,031</b>                     |
| Deferred costs - less current portion  | 2,233              | 1,174                             |
| Fixed assets, net  | 8,804              | 8,852                             |
| Goodwill   | 83,344             | 83,344                            |
| Intangible assets, net   | 31,276             | 27,397                            |
| Right of use asset   | 9,700              | 9,850                             |
| Severance payable fund   | 4,056              | 4,095                             |
| Deferred tax asset   | 1,506              | 893                               |
| Other assets   | 3,115              | 3,656                             |
| <b>Total assets</b>  | <b>\$ 208,801</b>  | <b>\$ 228,292</b>                 |
| <b>LIABILITIES</b>   |                    |                                   |
| Current liabilities:   |                    |                                   |
| Short-term bank debt and current maturities of long-term debt  | 5,579              | 6,225                             |
| Accounts payable and accrued expenses  | 20,225             | 24,655                            |
| Deferred revenue - current   | 7,339              | 6,274                             |
| Lease liability - current  | 2,755              | 2,508                             |
| <b>Total current liabilities</b>   | <b>35,898</b>      | <b>39,662</b>                     |
| Long-term debt, less current maturities  | 23,179             | 19,025                            |
| Deferred revenue - less current portion  | 6,006              | 5,328                             |
| Lease liability - less current portion   | 7,050              | 7,530                             |
| Accrued severance payable  | 4,714              | 4,740                             |
| Other long-term liabilities  | 674                | 711                               |
| <b>Total liabilities</b>   | <b>77,521</b>      | <b>76,996</b>                     |
| Commitments and Contingencies (note 21)  |                    |                                   |
| <b>MEZZANINE EQUITY</b>  |                    |                                   |
| Convertible redeemable preferred stock: Series A – 100 shares authorized, \$0.01 par value; 55 and 55 shares issued and outstanding at December 31, 2020 and September 30, 2021  | 51,992             | 52,495                            |
| Preferred stock; authorized 50,000 shares, \$0.01 par value;   | -                  | -                                 |
| Common stock; authorized 75,000 shares, \$0.01 par value; 32,280 and 37,257 shares issued at December 31, 2020 and September 30, 2021, respectively; shares outstanding, 31,101 and 35,957 at December 31, 2020 and September 30, 2021, respectively | 323                | 373                               |
| Additional paid-in capital   | 206,499            | 233,965                           |
| Accumulated deficit  | (121,150)          | (127,720)                         |
| Accumulated other comprehensive gain (loss)  | 399                | (24)                              |
| Treasury stock; 1,179 and 1,300 common shares at cost at December 31, 2020 and September 30, 2021, respectively  | (6,858)            | (7,887)                           |
| <b>Total Powerfleet, Inc. stockholders' equity</b>   | <b>79,213</b>      | <b>98,707</b>                     |
| Non-controlling interest   | 75                 | 94                                |
| <b>Total equity</b>  | <b>79,288</b>      | <b>98,801</b>                     |
| <b>Total liabilities and stockholders' equity</b>  | <b>\$ 208,801</b>  | <b>\$ 228,292</b>                 |

\*Derived from audited balance sheet as of December 31, 2020.

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<br>September 30, |                   | Nine Months Ended<br>September 30, |                    |
|--|-------------------------------------|-------------------|------------------------------------|--------------------|
|  | 2020                                | 2021              | 2020                               | 2021               |
| <b>Revenues:</b>   |                                     |                   |                                    |                    |
| Products   | \$ 10,914                           | \$ 10,785         | \$ 33,516                          | \$ 37,671          |
| Services   | 16,688                              | 18,461            | 50,650                             | 54,114             |
| Total revenues   | <u>27,602</u>                       | <u>29,246</u>     | <u>84,166</u>                      | <u>91,785</u>      |
| <b>Cost of Revenues:</b>   |                                     |                   |                                    |                    |
| Cost of products   | 6,700                               | 8,172             | 22,025                             | 27,186             |
| Cost of services   | 5,979                               | 6,809             | 18,309                             | 19,819             |
|  | <u>12,679</u>                       | <u>14,981</u>     | <u>40,334</u>                      | <u>47,005</u>      |
| Gross profit   | <u>14,923</u>                       | <u>14,265</u>     | <u>43,832</u>                      | <u>44,780</u>      |
| <b>Operating expenses:</b>   |                                     |                   |                                    |                    |
| Selling, general and administrative expenses                               | 11,636                              | 13,959            | 38,905                             | 40,988             |
| Research and development expenses  | 2,535                               | 2,735             | 8,289                              | 8,259              |
|  | <u>14,171</u>                       | <u>16,694</u>     | <u>47,194</u>                      | <u>49,247</u>      |
| Income (loss) from operations  | 752                                 | (2,429)           | (3,362)                            | (4,467)            |
| Interest income  | 10                                  | 11                | 41                                 | 35                 |
| Interest expense   | (817)                               | (777)             | (2,156)                            | (1,446)            |
| Other (expense) income, net  | -                                   | 7                 | 7                                  | 5                  |
|  | <u>-</u>                            | <u>7</u>          | <u>7</u>                           | <u>5</u>           |
| Net loss before income taxes   | (55)                                | (3,188)           | (5,470)                            | (5,873)            |
| Income tax benefit (expense)   | (529)                               | (161)             | (1,182)                            | (701)              |
| Net loss before non-controlling interest                                   | (584)                               | (3,349)           | (6,652)                            | (6,574)            |
| Non-controlling interest   | (6)                                 | 4                 | 10                                 | 5                  |
|  | <u>(6)</u>                          | <u>4</u>          | <u>10</u>                          | <u>5</u>           |
| Net loss   | (590)                               | (3,345)           | (6,642)                            | (6,569)            |
| Accretion of preferred stock   | (168)                               | (168)             | (504)                              | (504)              |
| Preferred stock dividend   | (991)                               | (1,028)           | (2,918)                            | (3,084)            |
|  | <u>(991)</u>                        | <u>(1,028)</u>    | <u>(2,918)</u>                     | <u>(3,084)</u>     |
| Net loss attributable to common stockholders                               | <u>\$ (1,749)</u>                   | <u>\$ (4,541)</u> | <u>\$ (10,064)</u>                 | <u>\$ (10,157)</u> |
| Net loss per share attributable to common stockholders - basic and diluted | <u>\$ (0.06)</u>                    | <u>\$ (0.13)</u>  | <u>\$ (0.34)</u>                   | <u>\$ (0.30)</u>   |
| Weighted average common shares outstanding - basic and diluted             | <u>30,143</u>                       | <u>35,019</u>     | <u>29,528</u>                      | <u>34,398</u>      |

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<br>September 30, |                   | Nine Months Ended<br>September 30, |                    |
|--|-------------------------------------|-------------------|------------------------------------|--------------------|
|  | 2020                                | 2021              | 2020                               | 2021               |
| Net loss attributable to common stockholders | \$ (1,749)                          | \$ (4,541)        | \$ (10,064)                        | \$ (10,157)        |
| Other comprehensive (loss) income, net:      |                                     |                   |                                    |                    |
| Foreign currency translation adjustment      | (22)                                | (92)              | (1,942)                            | (423)              |
| Total other comprehensive income (loss)      | (22)                                | (92)              | (1,942)                            | (423)              |
| <b>Comprehensive loss</b>                    | <b>\$ (1,771)</b>                   | <b>\$ (4,633)</b> | <b>\$ (12,006)</b>                 | <b>\$ (10,580)</b> |

*See accompanying notes to unaudited condensed consolidated financial statements.*

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

|   | Common Stock        |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Non-<br>controlling<br>Interest | Stockholders'<br>Equity |
|---|---------------------|--------|----------------------------------|------------------------|--|-------------------|---------------------------------|-------------------------|
|   | Number<br>of Shares | Amount |                                  |                        |  |                   |                                 |                         |
| Balance at January 1, 2021                              | 32,280              | \$ 323 | \$ 206,499                       | \$ (121,150)           | \$ 399   | \$ (6,858)        | \$ 75                           | \$ 79,288               |
| Net loss attributable to common stockholders            | -                   | -      | (1,196)                          | (1,787)                | -  | -                 | -                               | (2,983)                 |
| Foreign currency translation adjustment                 | -                   | -      | -                                | -                      | (1,334)  | -                 | (2)                             | (1,336)                 |
| Issuance of restricted shares                           | 415                 | 4      | (4)                              | -                      | -  | -                 | -                               | -                       |
| Forfeiture of restricted shares                         | (6)                 | -      | -                                | -                      | -  | -                 | -                               | -                       |
| Vesting of restricted stock units                       | 34                  | -      | -                                | -                      | -  | -                 | -                               | -                       |
| Shares issued pursuant to exercise of stock options     | 129                 | 1      | 716                              | -                      | -  | -                 | -                               | 717                     |
| Shares withheld pursuant to vesting of restricted stock | -                   | -      | -                                | -                      | -  | (347)             | -                               | (347)                   |
| Shares withheld pursuant to exercise of stock options   | -                   | -      | -                                | -                      | -  | (647)             | -                               | (647)                   |
| Stock based compensation                                | -                   | -      | 1,357                            | -                      | -  | -                 | -                               | 1,357                   |
| Common shares issued, net of issuance costs             | 4,428               | 44     | 26,822                           | -                      | -  | -                 | -                               | 26,866                  |
| Balance at March 31, 2021                               | 37,280              | \$ 372 | \$ 234,194                       | \$ (122,937)           | \$ (935)   | \$ (7,852)        | \$ 73                           | \$ 102,915              |
| Net loss attributable to common stockholders            | -                   | -      | (1,195)                          | (1,438)                | -  | -                 | -                               | (2,633)                 |
| Net loss attributable to non-controlling interest       | -                   | -      | -                                | -                      | -  | -                 | (1)                             | (1)                     |
| Foreign currency translation adjustment                 | -                   | -      | -                                | -                      | 1,003  | -                 | 7                               | 1,010                   |
| Forfeiture of restricted shares                         | (14)                | -      | -                                | -                      | -  | -                 | -                               | -                       |
| Shares issued pursuant to exercise of stock options     | 12                  | 1      | 71                               | -                      | -  | -                 | -                               | 72                      |
| Shares withheld pursuant to vesting of restricted stock | -                   | -      | -                                | -                      | -  | (15)              | -                               | (15)                    |
| Stock based compensation                                | -                   | -      | 1,095                            | -                      | -  | -                 | -                               | 1,095                   |
| Balance at June 30, 2021                                | 37,278              | \$ 373 | \$ 234,165                       | \$ (124,375)           | \$ 68  | \$ (7,867)        | \$ 79                           | \$ 102,443              |
| Net loss attributable to common stockholders            | -                   | -      | (1,196)                          | (3,345)                | -  | -                 | -                               | (4,541)                 |
| Net loss attributable to non-controlling interest       | -                   | -      | -                                | -                      | -  | -                 | (4)                             | (4)                     |
| Foreign currency translation adjustment                 | -                   | -      | -                                | -                      | (92)   | -                 | 19                              | (73)                    |
| Issuance of restricted shares                           | 34                  | 1      | -                                | -                      | -  | -                 | -                               | 1                       |
| Forfeiture of restricted shares                         | (67)                | (1)    | -                                | -                      | -  | -                 | -                               | (1)                     |
| Shares issued pursuant to exercise of stock options     | 12                  | -      | 68                               | -                      | -  | -                 | -                               | 68                      |
| Shares withheld pursuant to vesting of restricted stock | -                   | -      | -                                | -                      | -  | (20)              | -                               | (20)                    |
| Stock based compensation                                | -                   | -      | 928                              | -                      | -  | -                 | -                               | 928                     |
| Balance at September 30, 2021                           | 37,257              | \$ 373 | \$ 233,965                       | \$ (127,720)           | \$ (24)  | \$ (7,887)        | \$ 94                           | \$ 98,801               |

|   | Common Stock        |        | Additional<br>Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Treasury<br>Stock | Non-<br>controlling<br>Interest | Stockholders'<br>Equity |
|---|---------------------|--------|----------------------------------|------------------------|--|-------------------|---------------------------------|-------------------------|
|   | Number<br>of Shares | Amount |                                  |                        |  |                   |                                 |                         |
| 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               |
| Net loss attributable to common stockholders            | -                   | -      | (1,159)                          | (590)                  | -  | -                 | -                               | (1,749)                 |
| Net loss attributable to non-controlling interest       | -                   | -      | -                                | -                      | -  | -                 | 6                               | 6                       |
| Foreign currency translation adjustment                 | -                   | -      | -                                | -                      | (22)   | -                 | 3                               | (19)                    |
| Issuance of restricted shares                           | 126                 | 1      | (1)                              | -                      | -  | -                 | -                               | -                       |
| Forfeiture of restricted shares                         | (55)                | (1)    | 1                                | -                      | -  | -                 | -                               | -                       |
| Vesting of restricted stock units                       | 4                   | -      | -                                | -                      | -  | -                 | -                               | -                       |
| Shares issued pursuant to exercise of stock options     | 5                   | -      | 28                               | -                      | -  | -                 | -                               | 28                      |
| Shares withheld pursuant to vesting of restricted stock | -                   | -      | -                                | -                      | -  | (50)              | -                               | (50)                    |
| Stock based compensation                                | -                   | -      | 1,028                            | -                      | -  | -                 | -                               | 1,028                   |
| Balance at September 30, 2020                           | 32,233              | \$ 322 | \$ 206,302                       | \$ (118,785)           | \$ (1,677)   | \$ (6,607)        | \$ (35)                         | \$ 79,520               |

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)

|   | Nine Months Ended September 30, |                  |
|---|---------------------------------|------------------|
|   | 2020                            | 2021             |
| <b>Cash flows from operating activities</b>   |                                 |                  |
| Net loss  | \$ (6,642)                      | \$ (6,569)       |
| Adjustments to reconcile net loss to cash (used in) provided by operating activities: |                                 |                  |
| Non-controlling interest  | (10)                            | (5)              |
| Inventory reserve   | 189                             | 122              |
| Stock based compensation expense  | 3,195                           | 3,380            |
| Depreciation and amortization   | 6,159                           | 6,377            |
| Right-of-use assets, non-cash lease expense   | 2,129                           | 1,839            |
| Bad debt expense  | 640                             | 824              |
| Deferred income taxes   | 1,182                           | 701              |
| Other non-cash items  | (55)                            | 229              |
| Changes in:   |                                 |                  |
| Accounts receivable   | 1,959                           | (7,469)          |
| Inventory   | 1,318                           | (3,689)          |
| Prepaid expenses and other assets   | 1,546                           | (871)            |
| Deferred costs  | 2,408                           | 2,888            |
| Deferred revenue  | (2,695)                         | (1,365)          |
| Accounts payable and accrued expenses   | (3,907)                         | 4,130            |
| Lease liabilities   | (2,218)                         | (1,757)          |
| Accrued severance payable, net  | 95                              | (12)             |
| Net cash (used in) provided by operating activities                                   | <u>5,293</u>                    | <u>(1,247)</u>   |
| <b>Cash flows from investing activities:</b>  |                                 |                  |
| Proceeds from sale of property and equipment  | 55                              | -                |
| Capital expenditures  | (2,101)                         | (2,534)          |
| Net cash (used in) provided by investing activities                                   | <u>(2,046)</u>                  | <u>(2,534)</u>   |
| <b>Cash flows from financing activities:</b>  |                                 |                  |
| Net proceeds from stock offering  | 4,041                           | 26,907           |
| Payment of preferred stock dividends  | -                               | (3,084)          |
| Repayment of long-term debt   | (1,495)                         | (4,040)          |
| Short-term bank debt, net   | (290)                           | 94               |
| Proceeds from exercise of stock options, net  | 371                             | 170              |
| Purchase of treasury stock upon vesting of restricted stock                           | (298)                           | (383)            |
| Net cash (used in) provided by financing activities                                   | <u>2,329</u>                    | <u>19,664</u>    |
| Effect of foreign exchange rate changes on cash and cash equivalents                  | (894)                           | (189)            |
| <b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>          | <u>4,682</u>                    | <u>15,694</u>    |
| Cash, cash equivalents and restricted cash - beginning of period                      | <u>16,703</u>                   | <u>18,435</u>    |
| <b>Cash, cash equivalents and restricted cash - end of period</b>                     | <u>\$ 21,385</u>                | <u>\$ 34,129</u> |
| Reconciliation of cash, cash equivalents, and restricted cash, beginning of period    |                                 |                  |
| Cash and cash equivalents   | 16,395                          | 18,127           |
| Restricted cash   | 308                             | 308              |
| Cash, cash equivalents, and restricted cash, beginning of period                      | <u>\$ 16,703</u>                | <u>\$ 18,435</u> |
| Reconciliation of cash, cash equivalents, and restricted cash, end of period          |                                 |                  |
| Cash and cash equivalents   | 21,077                          | 33,821           |
| Restricted cash   | 308                             | 308              |
| Cash, cash equivalents, and restricted cash, end of period                            | <u>\$ 21,385</u>                | <u>\$ 34,129</u> |
| <b>Supplemental disclosure of cash flow information:</b>                              |                                 |                  |
| Cash paid for:  |                                 |                  |
| Taxes   | 42                              | 50               |
| Interest  | 1,463                           | 1,129            |
| Noncash investing and financing activities:   |                                 |                  |
| Value of shares withheld pursuant to exercise of stock options                        | <u>\$ 256</u>                   | <u>\$ 647</u>    |

See accompanying notes to unaudited condensed consolidated financial statements.





**POWERFLEET, INC. AND SUBSIDIARIES**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021**  
**In thousands (except per share data)**

**NOTE 1 - DESCRIPTION OF THE COMPANY AND BASIS OF PRESENTATION**

**Description of the Company**

On October 3, 2019, PowerFleet, Inc. (together with its subsidiaries, “PowerFleet,” the “Company,” “we,” “our” or “us”) completed the acquisition of Pointer Telocation Ltd. (the “Transactions”), as a result of which I.D. Systems, Inc. (“I.D. Systems”) and PowerFleet Israel Ltd. (“PowerFleet Israel”) each became direct, wholly-owned subsidiaries of the Company and Pointer Telocation Ltd. (“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 the Transactions. 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.

**Impact of COVID-19 and Supply Chain Disruptions**

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.

In addition, the Company has experienced a significant impact to its supply chain given COVID-19 and the related global semiconductor chip shortage, including delays in supply chain deliveries, extended lead times and shortages of certain key components, some raw material cost increases and slowdowns at certain production facilities. As a result of these supply chain issues, the Company has had to increase its volume of inventory to ensure supply. During the three-month period ended September 30, 2021, the Company incurred supply chain constraint expenses which lowered its gross margins and decreased its profitability. The supply chain disruptions and the related global semiconductor chip shortage have delayed and may continue to delay the timing of some orders and expected deliveries of the Company’s products. If the impact of the supply chain disruptions are more severe than the Company expects, it could result in longer lead times, inventory supply challenges and further increased costs, all of which could result in the deterioration of the Company’s results, potentially for a longer period than currently anticipated.

As of the date of these unaudited consolidated financial statements, the full extent to which the COVID-19 pandemic and the related supply chain issues 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 September 30, 2021, the consolidated results of its operations for the three- and nine-month periods ended September 30, 2020 and 2021, the consolidated change in stockholders’ equity for the three-month periods ended March 31, June 30, and September 30, 2020 and 2021 and the consolidated cash flows for the nine-month periods ended September 30, 2020 and 2021. The results of operations for the three- and nine-month periods ended September 30, 2021 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, 2020 included in the Company’s Annual Report on Form 10-K for the year then ended.

**Reclassifications**

Certain prior amounts have been reclassified to conform with the current year presentation for comparative purposes. These reclassifications had no effect on the previously reported results of operations.

## Liquidity

As of September 30, 2021, the Company had cash and cash equivalents of \$34,129 and working capital of \$49,369. 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 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) 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 our 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 since its inception and does not have any borrowings as of September 30, 2021. See Note 11 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 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, the Company entered into an equity distribution agreement for an "at-the-market offering" program (the "ATM Offering") with Canaccord Genuity LLC ("Canaccord") as sales agent, pursuant to which we issued and sold an aggregate of 810 shares of common stock for approximately \$4,200 in gross proceeds. The Company terminated the equity distribution agreement effective as of August 14, 2020.

On February 1, 2021, the Company closed an underwritten public offering (the "Underwritten Public Offering") of 4,428 shares of common stock (which included the full exercise of the underwriters' over-allotment option) for gross proceeds of approximately \$28,800, before deducting the underwriting discounts and commissions and other offering expenses. The offer and sale of common stock in the ATM Offering and the Underwritten Public Offering were made pursuant to the Company's shelf registration statement.

Because of the recent outbreak of COVID-19, there is significant uncertainty surrounding the potential impact on our results of operations and cash flows. During 2020 we proactively took steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures.

The Company believes that its available working capital, anticipated level of future revenues, expected cash flows from operations and available borrowings under its revolving credit facility with Hapoalim will provide sufficient funds to cover capital requirements through at least November 10, 2022.

## 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 September 30, 2021, 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, 2020 and September 30, 2021 consists of cash held in escrow for purchases from a vendor.

#### NOTE 4 - 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 12).

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 when the service is provided.

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. The 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 nine-months ended September 30, 2020 and 2021:

|          | Three Months Ended<br>September 30 |                  | Nine Months Ended<br>September 30, |                  |
|----------|------------------------------------|------------------|------------------------------------|------------------|
|          | 2020                               | 2021             | 2020                               | 2021             |
| Products | \$ 10,914                          | \$ 10,785        | \$ 33,516                          | \$ 37,671        |
| Services | 16,688                             | 18,461           | 50,650                             | 54,114           |
|          | <u>\$ 27,602</u>                   | <u>\$ 29,246</u> | <u>\$ 84,166</u>                   | <u>\$ 91,785</u> |

The balances of contract assets, and contract liabilities from contracts with customers are as follows as of December 31, 2020 and September 30, 2021:

|   | <u>December 31, 2020</u> | <u>September 30, 2021</u><br>(unaudited) |
|---|--------------------------|--|
| <b>Assets:</b>  |                          |  |
| Deferred contract costs   | \$ 2,157                 | \$ 2,567                                 |
| Deferred costs  | <u>\$ 5,361</u>          | <u>\$ 2,472</u>                          |
| <b>Liabilities:</b>   |                          |  |
| Deferred revenue- services (1)                                    | \$ 6,578                 | \$ 8,455                                 |
| Deferred revenue - products (1)                                   | <u>6,767</u>             | <u>3,147</u>                             |
|   | 13,345                   | 11,602                                   |
| Less: Deferred revenue and contract liabilities - current portion | <u>(7,339)</u>           | <u>(6,274)</u>                           |
| Deferred revenue and contract liabilities - less current portion  | <u>\$ 6,006</u>          | <u>\$ 5,328</u>                          |

- (1) The Company records deferred revenues when cash payments are received or due in advance of the Company's performance. For the three- and nine-month periods ended September 30, 2020 and 2021, the Company recognized revenue of \$2,381 and \$6,981, respectively, and \$2,547 and \$7,767, 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 2026, when the services are performed and, therefore, satisfies its performance obligation to the customers.

#### NOTE 5 – PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other current assets consist of the following:

|                              | <u>December 31, 2020</u> | <u>September 30, 2021</u><br>(Unaudited) |
|------------------------------|--------------------------|--|
| Finance receivables, current | \$ 692                   | \$ 697                                   |
| Prepaid expenses             | 2,979                    | 3,473                                    |
| Contract assets              | 767                      | 1,004                                    |
| Other current assets         | <u>1,746</u>             | <u>2,082</u>                             |
|                              | <u>\$ 6,184</u>          | <u>\$ 7,256</u>                          |

#### NOTE 6 - INVENTORY

Inventory, which primarily consists of finished goods and components used in the Company's products, is stated at the lower of cost or net realizable value using the "moving average" cost method or the first-in first-out (FIFO) method. Inventory is shown net of a valuation reserve of \$515 at December 31, 2020, and \$649 at September 30, 2021.

Inventories consist of the following:

|                     | <u>December 31, 2020</u> | <u>September 30, 2021</u><br><u>(Unaudited)</u> |
|---------------------|--------------------------|---|
| Components          | \$ 7,697                 | \$ 9,212  |
| Work in process     | 237                      | 417   |
| Finished goods, net | <u>4,939</u>             | <u>6,568</u>                                    |
|                     | <u>\$ 12,873</u>         | <u>\$ 16,197</u>                                |

**NOTE 7 - FIXED ASSETS**

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

|   | <u>December 31, 2020</u> | <u>September 30, 2021</u><br><u>(Unaudited)</u> |
|---|--------------------------|---|
| Installed products                        | \$ 4,174                 | \$ 5,846  |
| Computer software                         | 5,882                    | 6,383   |
| Computer and electronic equipment         | 5,273                    | 5,515   |
| Furniture and fixtures                    | 1,828                    | 1,919   |
| Leasehold improvements                    | <u>1,353</u>             | <u>1,375</u>                                    |
|   | 18,510                   | 21,038  |
| Accumulated depreciation and amortization | <u>(9,706)</u>           | <u>(12,186)</u>                                 |
|   | <u>\$ 8,804</u>          | <u>\$ 8,852</u>                                 |

Depreciation and amortization expense of fixed assets for the three- and nine-month periods ended September 30, 2020 was \$777, and \$2,163, respectively, and for the three- and nine-month periods ended September 30, 2021 was \$865 and \$2,498, respectively. This includes amortization of costs associated with computer software for the three- and nine-month periods ended September 30, 2020 of \$128 and \$389, respectively, and for the three- and nine- month periods ended September 30, 2021 of \$106 and \$316, respectively.

**NOTE 8 - INTANGIBLE ASSETS AND GOODWILL**

The following table summarizes identifiable intangible assets of the Company as of December 31, 2020 and September 30, 2021:

| <b>September 30, 2021 (Unaudited)</b> | Useful Lives (In<br>Years) | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |
|---------------------------------------|----------------------------|--------------------------|-----------------------------|------------------------|
| <b>Amortized:</b>                     |                            |                          |                             |                        |
| Customer relationships                | 9-12                       | \$ 19,264                | \$ (3,951)                  | \$ 15,313              |
| Trademark and tradename               | 3-15                       | 7,553                    | (1,895)                     | 5,658                  |
| Patents                               | 7-11                       | 2,117                    | (1,728)                     | 389                    |
| Technology                            | 7                          | 10,911                   | (5,075)                     | 5,836                  |
| Favorable contract interest           | 4                          | 388                      | (388)                       | -                      |
| Covenant not to compete               | 5                          | 208                      | (172)                       | 36                     |
|                                       |                            | <u>40,441</u>            | <u>(13,209)</u>             | <u>27,232</u>          |
| <b>Unamortized:</b>                   |                            |                          |                             |                        |
| Customer List                         |                            | 104                      | -                           | 104                    |
| Trademark and tradename               |                            | 61                       | -                           | 61                     |
|                                       |                            | <u>165</u>               | <u>-</u>                    | <u>165</u>             |
| <b>Total</b>                          |                            | <u>\$ 40,606</u>         | <u>\$ (13,209)</u>          | <u>\$ 27,397</u>       |
|                                       |                            |                          |                             |                        |
| <b>December 31, 2020</b>              | Useful Lives<br>(In Years) | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net Carrying<br>Amount |
| <b>Amortized:</b>                     |                            |                          |                             |                        |
| Customer relationships                | 9-12                       | \$ 19,264                | \$ (2,732)                  | \$ 16,532              |
| Trademark and tradename               | 3-15                       | 7,553                    | (1,292)                     | 6,261                  |
| Patents                               | 7-11                       | 2,117                    | (1,661)                     | 456                    |
| Technology                            | 7                          | 10,911                   | (3,172)                     | 7,739                  |
| Favorable contract interest           | 4                          | 388                      | (331)                       | 57                     |
| Covenant not to compete               | 5                          | 208                      | (142)                       | 66                     |
|                                       |                            | <u>40,441</u>            | <u>(9,330)</u>              | <u>31,111</u>          |
| <b>Unamortized:</b>                   |                            |                          |                             |                        |
| Customer List                         |                            | 104                      | -                           | 104                    |
| Trademark and tradename               |                            | 61                       | -                           | 61                     |
|                                       |                            | <u>165</u>               | <u>-</u>                    | <u>165</u>             |
| <b>Total</b>                          |                            | <u>\$ 40,606</u>         | <u>\$ (9,330)</u>           | <u>\$ 31,276</u>       |

At September 30, 2021, the weighted-average amortization period for the intangible assets was 9.2 years. At September 30, 2021, 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, 9.6, 9.8, 4.3, 4.0 and 5.0 years, respectively.

Amortization expense for the three- and nine-month periods ended September 30, 2020 was \$1,331 and \$3,996 respectively, and for the three- and nine-month periods ended September 30, 2021 was \$1,282 and \$3,879, respectively. Estimated future amortization expense for each of the five succeeding fiscal years for these intangible assets is as follows:

| Year ending December 31: |                  |
|--------------------------|------------------|
| 2021 (remaining)         | \$ 1,275         |
| 2022                     | 5,080            |
| 2023                     | 5,035            |
| 2024                     | 2,622            |
| 2025                     | 2,495            |
| 2026                     | 2,413            |
| Thereafter               | 8,312            |
|                          | <u>\$ 27,232</u> |

There have been no changes in the carrying amount of goodwill from January 1, 2020 to September 30, 2021.

For the nine-month period ended September 30, 2021, the Company did not identify any indicators of impairment.

## NOTE 9 - STOCK-BASED COMPENSATION

### Stock Option Plans

#### [A] Stock options:

The following table summarizes the activity relating to the Company's stock options for the nine-month period ended September 30, 2021:

|                                  | Options      | Weighted- Average Exercise Price | Weighted-Average Remaining Contractual Terms | Aggregate Intrinsic Value |
|----------------------------------|--------------|----------------------------------|--|---------------------------|
| Outstanding at beginning of year | 3,624        | \$ 5.85                          |  |                           |
| Granted                          | 120          | 7.77                             |  |                           |
| Exercised                        | (146)        | 5.59                             |  |                           |
| Forfeited or expired             | (101)        | 6.23                             |  |                           |
| Outstanding at end of period     | <u>3,497</u> | <u>\$ 5.92</u>                   | 7.5 years                                    | <u>\$ 4,018</u>           |
| Exercisable at end of period     | <u>1,290</u> | <u>\$ 5.65</u>                   | 6.1 years                                    | <u>\$ 1,801</u>           |

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:

|  | September 30, |         |
|--|---------------|---------|
|  | 2020          | 2021    |
| Expected volatility  | 44.7%         | 50.2%   |
| Expected life of options (in years)                        | 6             | 7       |
| Risk free interest rate                                    | 1.17%         | 0.69%   |
| Dividend yield   | 0%            | 0%      |
| Weighted-average fair value of options granted during year | \$ 2.58       | \$ 3.81 |

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

The Company recorded stock-based compensation expense of \$366 and \$1,209 for the three- and nine-month periods ended September 30, 2020, respectively, and \$345 and \$1,061, for the three- and nine-month periods ended September 30, 2021, respectively, in connection with awards made under the stock option plans.

The fair value of options vested during the nine-month periods ended September 30, 2020 and 2021 was \$1,194 and \$508, respectively. The total intrinsic value of options exercised during the nine-month periods ended September 30, 2020 and 2021 was \$228 and \$470, respectively.



As of September 30, 2021, there was approximately \$3,089 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 3.76 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 nine-month period ended September 30, 2021 is as follows:

|   | <u>Number of Non-Vested Shares</u> | <u>Weighted-Average Grant Date<br/>Fair Value</u> |
|---|------------------------------------|---|
| Restricted stock, non-vested, beginning of year | 806                                | \$ 5.54   |
| Granted   | 450                                | 7.63  |
| Vested  | (253)                              | 5.75  |
| Forfeited or expired                            | (91)                               | 6.55  |
|   | <u>912</u>                         | <u>\$ 6.41</u>                                    |
| Restricted stock, non-vested, end of period     | <u>912</u>                         | <u>\$ 6.41</u>                                    |

The Company recorded stock-based compensation expense of \$593 and \$1,641, respectively, for the three- and nine-month periods ended September 30, 2020, and \$533 and \$1,908, respectively, for the three- and nine-month periods ended September 30, 2021, in connection with restricted stock grants. As of September 30, 2021, there was \$3,609 of total unrecognized compensation cost related to non-vested shares. That cost is expected to be recognized over a weighted-average period of 2.6 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 nine-month period ended September 30, 2021:

|   | <u>Number of<br/>Restricted<br/>Stock Units</u> | <u>Weighted-Average<br/>Grant Date<br/>Fair Value</u> |
|---|---|---|
| Restricted stock units, non-vested, beginning of year | 75  | \$ 5.60   |
| Granted   | -   | -   |
| Vested  | (34)  | 5.60  |
| Forfeited   | (4)   | 5.60  |
|   | <u>37</u>                                       | <u>\$ 5.60</u>  |
| Restricted stock units, non-vested, end of period     | <u>37</u>                                       | <u>\$ 5.60</u>  |

The Company recorded stock-based compensation expense of \$33 and \$228, respectively, for the three- and nine-month periods ended September 30, 2020, and \$51 and \$152, respectively, for the three- and nine-month periods ended September 30, 2021, in connection with the RSUs. As of September 30, 2021, there was \$99 total unrecognized compensation cost related to non-vested RSUs. That cost is expected to be recognized over a weighted-average period of 0.6 years.

**NOTE 10 - NET LOSS PER SHARE**

Net loss per share for the three- and nine-month periods ended September 30, 2020 and 2021 are as follows:

|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|------------|------------------------------------|-------------|
|  | 2020                                | 2021       | 2020                               | 2021        |
| <b>Basic and diluted loss per share</b>                          |                                     |            |                                    |             |
| Net loss attributable to common stockholders                     | \$ (1,749)                          | \$ (4,541) | \$ (10,064)                        | \$ (10,157) |
| Weighted-average common share outstanding - basic and diluted    | 30,143                              | 35,019     | 29,528                             | 34,398      |
| Net loss attributable to common stockholders - basic and diluted | \$ (0.06)                           | \$ (0.13)  | \$ (0.34)                          | \$ (0.30)   |

Basic loss per share is calculated by dividing net loss attributable to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding options and the proceeds thereof were used to purchase outstanding common shares. Dilutive potential common shares include outstanding stock options, warrants and restricted stock and performance share awards. We include participating securities (unvested share-based payment awards and equivalents that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of earnings per share pursuant to the two-class method. Our participating securities consist solely of preferred stock, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. For the nine-month periods ended September 30, 2020 and September 30, 2021, the basic and diluted weighted-average shares outstanding are the same, since the effect from the potential exercise of outstanding stock options, conversion of preferred stock, and vesting of restricted stock and restricted stock units totaling 12,070 and 11,939, respectively, would have been anti-dilutive due to the loss.

**NOTE 11 - SHORT-TERM BANK DEBT AND LONG-TERM DEBT**

|  | December 31, 2020 | September 30, 2021<br>(Unaudited) |
|--|-------------------|-----------------------------------|
| Short-term bank debt                     | \$ 280            | \$ 360                            |
| Current maturities of long-term debt     | \$ 5,299          | \$ 5,865                          |
| Long term debt - less current maturities | \$ 23,179         | \$ 19,025                         |

## Long-term debt

In connection with the Transactions, PowerFleet Israel incurred \$30,000 in term loan borrowings on the closing date of the Transactions (the "Closing Date") under the Credit Agreement, pursuant to which Hapoalim agreed to provide PowerFleet Israel with two senior secured term loan facilities in an 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 was required to deposit in a separate restricted deposit account the Israeli shekel ("NIS") equivalent of \$3,000. As of September 30, 2021, no amounts were outstanding under the Revolving 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 was approximately 4.73% for the Term A Facility and 5.89% for the Term B Facility. The interest rate for the Revolving Facility is, with respect to NIS-denominated loans, Hapoalim's prime rate + 2.5%, and with respect to US dollar-denominated loans, LIBOR + 4.6%. In addition, the Company agreed to pay a 1% commitment fee on the unutilized and uncanceled 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 September 30, 2021.

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

In connection with the Credit Facilities, the Company incurred debt issuance costs of \$742. For the three- and nine-month periods ended September 30, 2021, amortization of the debt issuance costs was \$68 and \$223, respectively. The Company recorded charges of \$371 and \$1,114 for the three- and nine-month periods ended September 30, 2020, respectively, and \$268 and \$821 for the three- and nine-month periods ended September 30, 2021, respectively, to interest expense on its consolidated statements of operations related to interest expense and amortization of debt issuance costs associated with the Credit Facilities.

Scheduled maturities of the long term debt as of September 30, 2021 are as follows:

| Year ending December 31: |                  |
|--------------------------|------------------|
| 2022                     | \$ 5,865         |
| 2023                     | 5,946            |
| 2024                     | 13,079           |
|                          | <u>24,890</u>    |
| Less: Current Portion    | 5,865            |
| Total                    | <u>\$ 19,025</u> |

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 12 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following:

|                           | December 31, 2020 | September 30, 2021<br>(Unaudited) |
|---------------------------|-------------------|-----------------------------------|
| Accounts payable          | \$ 9,877          | \$ 13,871                         |
| Accrued warranty          | 705               | 906                               |
| Accrued compensation      | 5,581             | 5,561                             |
| Government authorities    | 3,047             | 2,874                             |
| Other current liabilities | 1,015             | 1,443                             |
|                           | <u>\$ 20,225</u>  | <u>\$ 24,655</u>                  |

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, 2020 and September 30, 2021.

The following table summarizes warranty activity for the nine-month periods ended September 30, 2020 and 2021:

|  | Nine Months Ended September 30, |                 |
|--|---------------------------------|-----------------|
|  | 2020                            | 2021            |
| Accrued warranty reserve, beginning of year          | \$ 742                          | \$ 807          |
| Accrual for product warranties issued                | 639                             | 864             |
| Product replacements and other warranty expenditures | (565)                           | (305)           |
| Expiration of warranties                             | 19                              | (280)           |
| Accrued warranty reserve, end of period (a)          | <u>\$ 835</u>                   | <u>\$ 1,086</u> |

(a) Includes non-current accrued warranty included in other long-term liabilities at December 31, 2020 and September 30, 2021 of \$102 and \$180, respectively.

**NOTE 13 - STOCKHOLDERS' EQUITY****[A] Public Offering:**

On February 1, 2021, the Company closed an underwritten public offering of 4,428 shares of common stock (which included the full exercise of the underwriters' over-allotment option) for gross proceeds of approximately \$28,800, before deducting the underwriting discounts and commissions and other offering expenses.

## **[B] 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 Convertible Stock (“Series A Preferred Stock”) and 50 shares are undesignated.

### **Series A Preferred Stock**

In connection with the completion of the Transactions, on October 3, 2019, the Company issued 50 shares of Series A Preferred Stock to ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P and ABRY Investment Partnership, L.P. (the “Investors”). For the nine-month periods ended September 30, 2020 and September 30, 2021, the Company issued 1 and -0- additional shares of Series A Preferred Stock.

### **Liquidation**

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

### **Dividends**

Holders of Series A Preferred Stock are entitled to receive cumulative dividends at a minimum rate of 7.5% per annum (calculated on the basis of the Series A Issue Price), quarterly in arrears. The dividends are payable at the Company’s election, in kind, through the issuance of additional shares of Series A Preferred Stock, or in cash, provided no dividend payment failure has occurred and is continuing and that there has not previously occurred two or more dividend payment failures. Commencing on the 66-month anniversary of the date on which any shares of Series A Preferred Stock are first issued (the “Original Issuance Date”), and on each monthly anniversary thereafter, the dividend rate will increase by 100 basis points, until the dividend rate reaches 17.5% per annum, subject to the Company’s right to defer the increase for up to three consecutive months on terms set forth in the Company’s Amended and Restated Certificate of Incorporation (the “Charter”). During the nine-month period ended September 30, 2021, the Company paid dividends in the amounts of \$3,085 to the holders of the Series A Preferred Stock. As of September 30, 2021, 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.

On June 9, 2021, we entered into a preferred stock redemption right agreement (the "Redemption Right Agreement") with the Investors, pursuant to which we had the right to redeem 10 shares of Series A Preferred Stock at a price of \$1,450 per share plus all accrued and unpaid dividends, to be paid in cash. The Company did not exercise its redemption right and the Redemption Right Agreement automatically terminated on October 1, 2021.

## NOTE 14 - ACCUMULATED OTHER COMPREHENSIVE LOSS

Comprehensive income (loss) includes net loss and foreign currency translation gains and losses.

The accumulated balances for each classification of other comprehensive loss for the nine-month period ended September 30, 2021 are as follows:

|                               | Foreign currency translation<br>adjustment | Accumulated other<br>comprehensive income |
|-------------------------------|--|---|
| Balance at January 1, 2021    | \$ 399                                     | \$ 399                                    |
| Net current period change     | (423)                                      | (423)                                     |
| Balance at September 30, 2021 | \$ (24)                                    | \$ (24)                                   |

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

|                               | Foreign currency<br>translation adjustment | Accumulated other<br>comprehensive income |
|-------------------------------|--|---|
| Balance at January 1, 2020    | \$ 265                                     | \$ 265                                    |
| Net current period change     | (1,942)                                    | (1,942)                                   |
| Balance at September 30, 2020 | \$ (1,677)                                 | \$ (1,677)                                |

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 losses from the translation of foreign currency financial statements of \$(1,942) and \$(423) at September 30, 2020 and 2021, 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 (losses) gains for the three- and nine-month periods ended September 30, 2020 of \$296 and \$155, respectively, and for the three- and nine-month periods ended September 30, 2021 of \$(345) and \$(139) respectively, are included in selling, general and administrative expenses in the Consolidated Statement of Operations. Foreign currency translation gains (losses) related to long-term debt of \$(261) and \$151, respectively, for the three- and nine-month periods ended September 30, 2021 are included in interest expense in the Consolidated Statement of Operations.

#### NOTE 15 – SEGMENT INFORMATION

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

|               | Three Months Ended<br>September 30, |                  | Nine Months Ended<br>September 30, |                  |
|---------------|-------------------------------------|------------------|------------------------------------|------------------|
|               | 2020                                | 2021             | 2020                               | 2021             |
| United States | \$ 10,142                           | \$ 10,976        | \$ 34,095                          | \$ 36,186        |
| Israel        | 10,124                              | 10,655           | 28,999                             | 33,343           |
| Other         | 7,336                               | 7,615            | 21,072                             | 22,256           |
|               | <u>\$ 27,602</u>                    | <u>\$ 29,246</u> | <u>\$ 84,166</u>                   | <u>\$ 91,785</u> |

|   | December 31, 2020 | September 30, 2021<br>(Unaudited) |
|---|-------------------|-----------------------------------|
| Long lived assets by geographic region: |                   |                                   |
| United States                           | \$ 1,425          | \$ 1,181                          |
| Israel                                  | 3,282             | 3,455                             |
| Other                                   | 4,097             | 4,216                             |
|   | <u>\$ 8,804</u>   | <u>\$ 8,852</u>                   |

#### NOTE 16 - INCOME TAXES

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

The Company's global ETR for the nine months ended September 30, 2020 and 2021 was (21.6)% and (11.9)%, respectively. For the nine months ended September 30, 2020 and 2021 the effective tax rate differs from the statutory tax rates primarily due to the mix of domestic and foreign earnings amongst taxable jurisdictions and recorded valuation allowances to fully reserve against net operating loss carryforwards and other deferred tax assets in the United States and non-Israel foreign jurisdictions where realization of such tax attributes and deductible temporary differences remains uncertain at this time.

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 the 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 CARES Act did not have a material impact on the Company's consolidated financial statements.

On March 11, 2021, the President of the United States signed the American Rescue Plan Act (the "ARPA") into law as a continuing response to the COVID-19 pandemic. The ARPA implemented new entity taxation provisions as well as extended unemployment benefits and related incentives to provide further economic relief to US businesses. The passage of the ARPA did not have a material impact to the Company nor its calculated AETR for the year.

**NOTE 17 - LEASES**

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 has lease arrangements which are classified as short-term in nature. These leases meet the criteria for operating lease classification. Lease costs associated with the short-term leases are included in selling, general and administrative expenses on the Company's condensed consolidated statements of operations during the three- and nine-months ended September 30, 2020 and 2021.

Components of lease expense are as follows:

|                        | Three Months Ended<br>September 30, |        | Nine Months Ended<br>September 30, |        |
|------------------------|-------------------------------------|--------|------------------------------------|--------|
|                        | 2020                                | 2021   | 2020                               | 2021   |
| Short term lease cost: | \$ 92                               | \$ 117 | \$ 385                             | \$ 472 |

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

|  | Nine Months Ended<br>September 30, |          |
|--|------------------------------------|----------|
|  | 2020                               | 2021     |
| <b>Non-cash activity:</b>                                      |                                    |          |
| Right-of-use assets obtained in exchange for lease obligations | \$ 2,485                           | \$ 2,341 |

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

|  | September 30, 2021 |
|--|--------------------|
| Weighted-average remaining lease term (in years) | 3.6                |
| Weighted-average discount rate                   | 4.5%               |

Scheduled maturities of operating lease liabilities outstanding as of September 30, 2021 are as follows:

|                                    |           |
|------------------------------------|-----------|
| Year ending December 31:           |           |
| October - December 2021            | \$ 803    |
| 2022                               | 2,765     |
| 2023                               | 2,462     |
| 2024                               | 1,848     |
| 2025                               | 1,732     |
| Thereafter                         | 1,627     |
| Total lease payments               | 11,237    |
| Less: Imputed interest             | (1,199)   |
| Present value of lease liabilities | \$ 10,038 |



## NOTE 18 - 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.

|                | September 30, 2021 |            |
|----------------|--------------------|------------|
|                | Carrying Amount    | Fair Value |
| Long term debt | \$ 24,890          | \$ 24,890  |

## NOTE 19 - CONCENTRATION OF CUSTOMERS

For the nine-month periods ended September 30, 2020 and 2021, there were no customers who generated revenues greater than 10% of the Company's consolidated total revenues or generated greater than 10% of the Company's consolidated accounts receivable.

## NOTE 20 - COMMITMENTS AND CONTINGENCIES

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

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

In August 2014, Pointer do Brasil Comercial Ltda. ("Pointer Brazil") received a notification of lack of payment of VAT tax (Brazilian ICMS tax) in the amount of \$195, plus \$979 of interest and penalty, totaling \$1,174 as of September 30, 2021. The Company is vigorously defending this tax assessment before the administrative court in Brazil, but in light of the administrative and judicial processes in Brazil, it could take up to 14 years before the dispute is finally resolved. In case the administrative court rules against the Company, the Company could claim before the judicial court, an appellate court in Brazil, a substantial reduction of interest charged, potentially reducing the Company's total exposure. The Company's legal counsel is of the opinion that the chance of loss is not probable and for this reason the Company has not made any provision.

In July 2015, Pointer Brazil received a tax deficiency notice alleging that the services provided by Pointer Brazil should be classified as "telecommunication services" and therefore Pointer Brazil should be subject to the state value-added tax. The aggregate amount claimed to be owed under the notice was approximately \$10,585 as of June 30, 2021. 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 \$189. 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 21 - RECENT ACCOUNTING PRONOUNCEMENTS

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 adoption of this standard did not have an impact on the Company's consolidated 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 updated 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.

## 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, 2020 and this quarterly report on Form 10-Q for the three months ended September 30, 2021.

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](http://www.powerfleet.com). The information contained in the Company’s website is not incorporated by reference into this report.

### Overview

PowerFleet, Inc. (together with its subsidiaries, “PowerFleet,” the “Company,” “we,” “our” or “us”) 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, trailers, containers, cargo, and light vehicles and heavy truck fleets.

On October 3, 2019, PowerFleet completed the acquisition of Pointer Telocation Ltd. (the “Transactions”), as a result of which I.D. Systems, Inc. (“I.D. Systems”) and PowerFleet Israel Ltd. (“PowerFleet Israel”) each became direct, wholly-owned subsidiaries of the Company and Pointer Telocation Ltd. (“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 the Transactions. 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.

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 developing mobility platforms that collect data from unique sensors and by being OEM agnostic and helping mixed fleets view and manage their assets homogeneously. All of our solutions are paired with software as a service, or SaaS and analytics platforms to provide an even deeper level of insights and understanding of how assets are utilized and how drivers and operators operate those assets. These insights include a full set of operational Key Performance Indicators, or KPI’s, to drive operational and strategic decisions. Our customers typically get a Return on their Investment in less than 12 months from deployment.

The analytics platform and machine learning capabilities, which are integrated into our customers’ management systems, are 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 pharmaceutical and medical distribution, logistics, shipping, freight transportation, heavy industry, wholesale distribution, manufacturing, aerospace and vehicle rental.

***PowerFleet for Industrial (part of our Supply Chain Solutions Product Group)***

Our PowerFleet for Industrial solutions are designed to provide on-premise or in-facility asset and operator management, monitoring, and visibility for industrial trucks such as forklifts, man-lifts, tuggers and ground support equipment at airports. These solutions are broken down into five groups: Essence, Expert, Enterprise, Safety, and Aviation and utilize a variety of communications capabilities such as Bluetooth®, WiFi, and proprietary RF.

- **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 (part of our Supply Chain Solutions Product Group)***

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, Bluetooth®, and satellite communications and web-based data management technologies, our Logistics Visibility 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 Logistics Visibility 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, workflow management, inspection reporting, 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. Our FreightCAM cargo sensor camera takes actual high definition pictures of the cargo in the dry van trailer and using machine learning can determine cube, floor space, how the trailer is loaded, identify load shifts, and help our customer's customer know how to unload the cargo.
- **Refrigerated Trailers / Containers:** Our reefer mobility platform is integrated with all major refrigeration unit brands and sensors to allow complete remote two-way control combined with powerful dashboard and in easy-to-read reports on the status of cold chain products and cargo. Our system allows our customers to proactively manage their reefer loads versus other solutions that merely monitor temperature.
- **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. Our new weight-on-axle sensor and our algorithms for determining if the chassis has a container on it or not enable our customers to better optimize chassis utilization and improve their billing for chassis rentals.
- **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. Our container solutions also integrate with our FreightCAM enabling our container customers to get the same benefits as our dry van customers.
- **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) and inspections for regulatory compliance, monitoring of asset pools and geofence violations, and various reporting insights that flag under-utilized assets, the closest assets, and alerts on 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 (includes automotive, rental, smaller service and delivery vans)***

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, email, mobile phone 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 Machine 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 machine learning system allows us to process images from our freight camera and other sources and identify key aspects of operations and geospatial information such as location, work being accomplished, type of cargo, how cargo is loaded and if there are any visible issues such as damage.

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 machine 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 or on a cloud platform provider's infrastructure (e.g., Azure, AWS). This approach helps us reduce support costs and improve quality control. It separates the system from the restrictions of the customers' local IT networks, which helps reduce their system support efforts and makes it easier for them to receive the benefits of system enhancements and upgrades. Our hosting services are typically offered with extended maintenance and support services over a multi-year term of service, with automatic renewals following the end of the initial term.

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

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

*Customer Support and Consulting Services.* 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 or the supply chain disruptions 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 and supply chain disruptions 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 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 September 30, 2021, we had cash (including restricted cash) and cash equivalents of \$34.1 million and working capital of \$49.4 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 through November 10, 2022.

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, 2020.

#### **Critical Accounting Policies**

For the three-month period ended September 30, 2021, 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, 2020.

## Results of Operations

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

|  | Three Months Ended<br>September 30, |               | Nine Months Ended<br>September 30, |               |
|--|-------------------------------------|---------------|------------------------------------|---------------|
|  | 2020                                | 2021          | 2020                               | 2021          |
| <b>Revenue:</b>                              |                                     |               |                                    |               |
| Products                                     | 39.5%                               | <b>36.9%</b>  | 39.8%                              | <b>41.0%</b>  |
| Services                                     | 60.5%                               | <b>63.1%</b>  | 60.2%                              | <b>59.0%</b>  |
|  | <u>100.0%</u>                       | <u>100.0%</u> | <u>100.0%</u>                      | <u>100.0%</u> |
| <b>Cost of Revenue:</b>                      |                                     |               |                                    |               |
| Cost of products                             | 24.3%                               | <b>27.9%</b>  | 26.2%                              | <b>29.6%</b>  |
| Cost of services                             | 21.7%                               | <b>23.3%</b>  | 21.8%                              | <b>21.6%</b>  |
|  | <u>45.9%</u>                        | <u>51.2%</u>  | <u>47.9%</u>                       | <u>51.2%</u>  |
| Gross profit                                 | 54.1%                               | <b>48.8%</b>  | 52.1%                              | <b>48.8%</b>  |
| Operating expenses:                          |                                     |               |                                    |               |
| Selling, general and administrative expenses | 42.2%                               | <b>47.7%</b>  | 46.2%                              | <b>44.7%</b>  |
| Research and development expenses            | 9.2%                                | <b>9.4%</b>   | 9.8%                               | <b>9.0%</b>   |
| Total operating expenses                     | <u>51.3%</u>                        | <u>57.1%</u>  | <u>56.1%</u>                       | <u>53.7%</u>  |
| Loss from operations                         | 2.7%                                | <b>-8.3%</b>  | -4.0%                              | <b>-4.9%</b>  |
| Interest income                              | 0.0%                                | <b>0.0%</b>   | 0.0%                               | <b>0.0%</b>   |
| Interest expense                             | -3.0%                               | <b>-2.6%</b>  | -2.6%                              | <b>-1.5%</b>  |
| Other income (expenses) net,                 | 0.0%                                | <b>0.0%</b>   | 0.0%                               | <b>0.0%</b>   |
| Net loss before income taxes                 | -0.2%                               | <b>-10.9%</b> | -6.5%                              | <b>-6.4%</b>  |
| Income tax benefit (expense)                 | -1.9%                               | <b>-0.6%</b>  | -1.4%                              | <b>-0.8%</b>  |
| Net loss before non-controlling interest     | -2.1%                               | <b>-11.5%</b> | -7.9%                              | <b>-7.2%</b>  |
| Non-controlling interest                     | 0.0%                                | <b>0.0%</b>   | 0.0%                               | <b>0.0%</b>   |
| Net loss                                     | -2.1%                               | <b>-11.5%</b> | -7.9%                              | <b>-7.2%</b>  |
| Accretion of preferred stock                 | -0.6%                               | <b>-0.5%</b>  | -0.6%                              | <b>-0.5%</b>  |
| Preferred stock dividend                     | -3.6%                               | <b>-3.5%</b>  | -3.5%                              | <b>-3.4%</b>  |
| Net loss attributable to common shareholders | <u>-6.3%</u>                        | <u>-15.5%</u> | <u>-12.0%</u>                      | <u>-11.1%</u> |



### Three Months Ended September 30, 2021 Compared to Three Months Ended September 30, 2020

*REVENUES.* Revenues increased by approximately \$1.6 million or 6.0%, to \$29.2 million in the three months ended September 30, 2021, from \$27.6 million in the same period in 2020.

Revenues from products decreased approximately \$0.1 million, or 1.2%, to 10.8 million in the three months ended September 30, 2021, from \$10.9 million in the same period in 2020. The decrease in product revenue is due to decreased product sales in the third quarter of 2021 versus the prior year due to supply chain issues.

Revenues from services increased approximately \$1.8 million, or 10.6%, to \$18.5 million in the three months ended September 30, 2021, from \$16.7 million in the same period in 2020. The increase in services revenue is principally due to an increase in revenue resulting from our PowerFleet for Vehicles solutions.

*COST OF REVENUES.* Cost of revenues increased by approximately \$2.3 million, or 18.1%, to \$15.0 million in the three months ended September 30, 2021, from \$12.7 million for the same period in 2020. Gross profit was \$14.3 million in three months ended September 30, 2021, compared to \$14.9 million for the same period in 2020. As a percentage of revenues, gross profit decreased to 48.8% in 2021 from 54.1% in 2020. The decrease in gross profit as a percentage of revenue was principally due to changes in product mix.

Cost of products increased by approximately \$1.5 million, or 22.0%, to \$8.2 million in the three months ended September 30, 2021, from \$6.7 million in the same period in 2020. Gross profit for products was \$2.6 million in the three months ended September 30, 2021, compared to \$4.2 million in the same period in 2020. As a percentage of product revenues, gross profit decreased to 24.2% in 2021 from 38.6% in 2020. The decrease in gross profit as a percentage of product revenues was primarily due to a \$400,000 one-time expense related to an incentive program to expand business with an existing customer that is one of the largest chassis lessors in North America. In exchange, the customer placed orders for approximately 3,000 units to be delivered in Q4 2021 and committed to ordering 10,000 to 15,000 additional units in 2022. Product gross profit was also impacted by product mix, higher costs associated with supply chain issues and electronic component shortages and inflation.

Cost of services increased by approximately \$0.8 million, or 13.9%, to \$6.8 million in the three months ended September 30, 2021, from \$6.0 million in the same period in 2020. Gross profit for services was \$11.7 million in the three months ended September 30, 2021, compared to \$10.7 million in the same period in 2020. As a percentage of service revenues, gross profit decreased to 63.1% in 2021 from 64.2% in 2020.

*SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.* Selling, general and administrative (“SG&A”) expenses increased by approximately \$2.4 million, or 20.0%, to approximately \$14.0 million in the three months ended September 30, 2021, compared to \$11.6 million in the same period in 2020 principally due to increased salaries due to the reversal of temporary cost reduction initiatives implemented during the first quarter of 2020 in response to the impact and uncertainty caused by COVID-19. As a percentage of revenues, SG&A expenses increased to 47.7% in the three months ended September 30, 2021, from 42.2% in the same period in 2020.

*RESEARCH AND DEVELOPMENT EXPENSES.* Research and development (“R&D”) expenses increased by approximately \$0.2 million or 7.9%, to approximately \$2.7 million in the three months ended September 30, 2021, compared to \$2.5 million in the same period in 2020 principally due to the reversal of temporary cost reduction initiatives implemented during the first quarter of 2020 in response to the impact and uncertainty caused by COVID-19. As a percentage of revenues, R&D expenses increased to 9.4% in the three months ended September 30, 2021 from 9.2% in the same period in 2020, primarily due to the increase in revenue from 2021 to 2020.

*NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS.* Net loss was \$4.5 million, or \$(0.13) per basic and diluted share, for the three months ended September 30, 2021 as compared to net loss of \$1.7 million, or \$(0.06) per basic and diluted share, for the same period in 2020. The decrease in the net loss was due primarily to the reasons described above.

## Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

*REVENUES.* Revenues increased by approximately \$7.6 million, or 9.1% to \$91.8 million in the nine months ended September 30, 2021 from \$84.2 million in the same period in 2020.

Revenues from products increased by approximately \$4.2 million, or 12.4%, to \$37.7 million in the nine months ended September 30, 2021, from \$33.5 million in the same period in 2020. The increase in product revenue is due to increased product sales for PowerFleet for Vehicles solutions during the nine months ended September 30, 2021 versus the prior year period, which was more significantly impacted by COVID-19.

Revenues from services increased by approximately \$3.5 million or 6.8% to \$54.1 million in the nine months ended September 30, 2021, from \$50.6 million in the same period in 2020. The increase in services revenue is principally due to an increase in revenue resulting from our PowerFleet for Vehicles solutions.

*COST OF REVENUES.* Cost of revenues increased by approximately \$6.7 million, or 16.5%, to \$47.0 million in the nine months ended September 30, 2021, from \$40.3 million for the same period in 2020. Gross profit was \$44.8 million in the nine months ended September 30, 2021, compared to \$43.8 million for the same period in 2020. As a percentage of revenues, gross profit decreased to 48.8% in 2021 from 52.1% in 2020. The decrease in gross profit as a percentage of revenue was principally due to changes in product mix.

Cost of products increased by approximately \$5.2 million, or 23.4%, to \$27.2 million in the nine months ended September 30, 2021, from \$22.0 million in the same period in 2020. Gross profit for products was \$10.5 million in the nine months ended September 30, 2021, compared to \$11.5 million in the same period in 2020. As a percentage of product revenues, gross profit decreased to 27.8% in 2021 from 34.3% in 2020. The decrease in gross profit as a percentage of product revenues was primarily due to a \$400,000 one-time expense related to an incentive program to expand business with an existing customer that is one of the largest chassis lessors in North America. In exchange, the customer placed orders for approximately 3,000 units to be delivered in Q4 2021 and committed to ordering 10,000 to 15,000 additional units in 2022. Product gross profit was also impacted by product mix, higher costs associated with supply chain issues and electronic component shortages and inflation.

Cost of services increased by approximately \$1.5 million, or 8.3%, to \$19.8 million in the nine months ended September 30, 2021 from \$18.3 million in the same period in 2020. Gross profit for services was \$34.3 million in the nine months ended September 30, 2021, compared to \$32.3 million in the same period in 2020. As a percentage of service revenues, gross profit decreased to 63.4% in 2021 from 63.9% in 2020.

*SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.* SG&A expenses increased by approximately \$2.1 million, or 5.4%, to approximately \$41.0 million in the nine months ended September 30, 2021, compared to \$38.9 million in the same period in 2020 principally due to increased salaries due to the reversal of temporary cost reduction initiatives implemented during the first quarter of 2020 in response to the impact and uncertainty caused by COVID-19. As a percentage of revenues, SG&A expenses decreased to 44.7% in the nine months ended September 30, 2021 from 46.2% in the same period in 2020.

*RESEARCH AND DEVELOPMENT EXPENSES.* R&D expenses remained at \$8.3 million in the nine months ended September 30, 2021, compared to \$8.3 million in the same period. As a percentage of revenues, R&D expenses decreased to 9.0% in the nine months ended September 30, 2021, from 9.8% in the same period in 2020.

*NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS.* Net loss was \$10.2 million or \$(0.30) per basic and diluted share, for the nine months ended September 30, 2021 as compared to net loss of \$10.1 million, or \$(0.34) per basic and diluted share, for the same period in 2020. The decrease 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 September 30, 2021, we had cash and cash equivalents of \$33.8 million and working capital of \$49.4 million.

On October 3, 2019, in connection with the completion of the Transactions, we issued and sold 50,000 shares of our Series A Convertible Preferred Stock, par value \$0.01 per share (the "Series A Preferred Stock"), to ABRY Senior Equity V, L.P., ABRY Senior Equity Co-Investment Fund V, L.P. and ABRY Investment Partnership, L.P. (the "Investors"), affiliates of ABRY Partners II, LLC, for an aggregate purchase price of \$50.0 million. The proceeds received from such sale were used to finance a portion of the cash consideration payable in our acquisition of Pointer.

On June 9, 2021, we entered into a preferred stock redemption right agreement (the "Redemption Right Agreement") with the Investors, pursuant to which we had the right to redeem 10,000 shares of Series A Preferred Stock at a price of \$1,450 per share plus all accrued and unpaid dividends, to be paid in cash. We did not exercise our redemption right and the Redemption Right Agreement automatically terminated on October 1, 2021.

In addition, PowerFleet Israel and Pointer (the “Borrowers”) 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 (the “Term A Facility”) and \$10 million (the “Term B Facility”)) and a five-year revolving credit facility to Pointer in an aggregate principal amount of \$10 million (the “Revolving Facility”). The proceeds of the term loan facilities were used to finance a portion of the cash consideration payable in our acquisition of Pointer. The proceeds of the revolving credit facility may be used by Pointer for general corporate purposes.

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

We have on file a shelf registration statement on Form S-3 that was declared effective by 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 for an “at-the-market offering” program (the “ATM Offering”) with Canaccord Genuity LLC (“Canaccord”) as sales agent, pursuant to which we issued and sold an aggregate of 809,846 shares of common stock for approximately \$4.2 million in gross proceeds. We terminated the equity distribution agreement effective as of August 14, 2020.

On February 1, 2021, we closed an underwritten public offering (the “Underwritten Public Offering”) of 4,427,500 shares of common stock (which includes the full exercise of the underwriters’ over-allotment option) for gross proceeds of approximately \$28.8 million, before deducting the underwriting discounts and commissions and other offering expenses. The offer and sale of common stock in the ATM Offering and the Underwritten Public Offering were made pursuant to our shelf registration statement.

As a result of the COVID-19 pandemic and the related supply chain disruptions, there is significant uncertainty surrounding the potential impact of such events on our results of operations and cash flows. We are proactively taking steps to increase available cash on hand including, but not limited to, targeted reductions in discretionary operating expenses and capital expenditures and borrowing under the revolving credit facility.

#### ***Capital Requirements***

As of September 30, 2021, we had cash (including restricted cash) and cash equivalents of \$34.1 million and working capital of \$49.4 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 November 10, 2022.

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 used in operating activities was \$1.2 million for the nine months ended September 30, 2021, compared to net cash provided by operating activities of \$5.3 million for the same period in 2020. The net cash used in operating activities for the nine months ended September 30, 2021 reflects a net loss of \$6.6 million and includes non-cash charges of \$3.4 million for stock-based compensation, \$6.4 million for depreciation and amortization expense and \$1.8 million for right of use asset amortization. Changes in working capital items included:

- an increase in accounts receivable of \$7.5 million;
- an increase in accounts payable of \$4.1 million; and
- an increase in inventory of \$3.7 million.

### ***Investing Activities***

Net cash used in investing activities was \$2.5 million for the nine months ended September 30, 2021, compared to net cash used in investing activities of \$2.0 million for the same period in 2020. The cash used in investing activities for the nine months ended September 30, 2021 was for the purchase of fixed assets. The cash used in investing activities in the same period in 2020 was primarily for the purchase of fixed assets.

### ***Financing Activities***

Net cash provided by financing activities was \$19.7 million for the nine months ended September 30, 2021, compared to net cash provided by financing activities of \$2.3 million for the same period in 2020. The change from the same period in 2020 was primarily due to the net proceeds from our stock offering of \$26.9 million offset by the repayment of long-term debt of \$4.0 million and the payment of preferred stock dividends of \$3.1 million.

### **Off-Balance Sheet Arrangements**

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

### **Contractual Obligations**

As of September 30, 2021, there have been no material charges in contractual obligations as disclosed under the caption “Contractual Obligations and Commitments” in Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, except as noted below.

On March 17, 2021, the Company entered into an office lease agreement for approximately 5,000 leasable square feet, in Frisco, Texas, to be used as administrative offices. The base rent for the leased premises is approximately \$0.1 million per year. The Company also will be responsible for its pro rata share of any operating expenses, taxes and insurance expenses incurred in connection with the office building in which the leased premises are located. The initial term of the lease agreement is for a period of five years and five months, which commenced on June 1, 2021 and will expire on October 31, 2026.

### **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 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 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 September 30, 2021, 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.

#### **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 September 30, 2021 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 20 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, 2020 and the risks 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 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.

*The inability of our supply chain to deliver certain key components, such as semiconductors, could materially adversely affect our business, financial condition and results of operations.*

Our products contain a significant number of components that we source globally. If our supply chain fails to deliver products to us in sufficient quality and quantity on a timely basis, we will be challenged to meet our customer order delivery timelines and could incur significant additional expenses for expedited freight and other related costs. Similarly, many of our customers are dependent on an ever-greater number of global suppliers to manufacture their products. These global supply chains have been, and may continue to be, adversely impacted by events outside of our control, including macroeconomic events, trade restrictions, economic recessions or natural occurrences, such as the ongoing disruptions from the COVID-19 pandemic. As a result of COVID-19, we have experienced delays in supply chain deliveries, extended lead times and shortages of key components, some raw material cost increases and slowdowns at certain production facilities. These disruptions have delayed and may continue to delay the timing of some orders and expected deliveries of our products. If the impact of the supply chain disruptions are more severe than we expect, it could result in longer lead times, inventory supply challenges and further increased costs, all of which could materially adversely affect our business, financial condition and results of operations.

Many of the products we supply are reliant on semiconductors. Globally, there is an ongoing significant shortage of semiconductors. The semiconductor supply chain is complex, with capacity constraints occurring throughout. We have and will continue to work closely with our suppliers and customers to minimize any potential adverse impacts of the global semiconductor chip shortage and monitor the availability of semiconductor chips and other key components, customer production schedules and any other supply chain inefficiencies that may arise. However, if we are not able to mitigate the impact of the semiconductor chip shortage semiconductor shortage impact, any direct or indirect supply chain disruptions may have a material adverse impact on our business, financial condition and results of operations.

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

#### Purchases of Equity Securities by the Issuer

The following table provides information regarding our shares withheld activity for each month of the quarterly period ended September 30, 2021 (in thousands). These shares were withheld to satisfy minimum tax withholding obligations in connection with the vesting of restricted stock.

|  | Total Number of<br>Shares<br>Purchased | Average Price<br>Paid by Share | Total Number of<br>Shares<br>Purchased as<br>Part of Publicly<br>Announced<br>Plans or<br>Programs | Approximate<br>Dollar Value of<br>Shares that May<br>Yet Be<br>Purchased<br>Under the Plans<br>or Programs |
|--|--|--------------------------------|--|--|
| July 1, 2021 - July 31, 2021           | -                                      | \$ -                           | -  | \$ -   |
| August 1, 2021 - August 31, 2021       | 3(1)                                   | 6.90                           | -  | -  |
| September 1, 2021 - September 30, 2021 | -                                      | -                              | -  | -  |
| Total                                  | <u>3</u>                               | <u>\$ 6.90</u>                 | <u>-</u>   | <u>\$ -</u>  |

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

## Item 6. Exhibits

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

### Exhibits:

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 10.1                  | <a href="#"><u>PowerFleet, Inc. 2018 Incentive Plan, as amended (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on July 21, 2021).</u></a>  |
| 10.2                  | <a href="#"><u>Amendment No. 1, effective as of January 7, 2020, to the Credit Agreement, dated August 19, 2019, by and among Powerfleet Israel Ltd., Pointer Telocation Ltd. and Bank Hapoalim B.M.</u></a>   |
| 10.3                  | <a href="#"><u>Amendment No. 2, effective as of August 1, 2021, to the Credit Agreement, dated August 19, 2019, by and among Powerfleet Israel Ltd., Pointer Telocation Ltd. and Bank Hapoalim B.M. (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of PowerFleet, Inc., filed with the SEC on August 25, 2021).</u></a>  |
| 31.1                  | <a href="#"><u>Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u></a>  |
| 31.2                  | <a href="#"><u>Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</u></a>  |
| 32                    | <a href="#"><u>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.*</u></a>   |
| 101                   | The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of December 31, 2020 and September 30, 2021; (ii) Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2021; (iii) Condensed Consolidated Statements of Comprehensive Loss for the three and nine months ended September 30, 2020 and 2021; (iv) Condensed Consolidated Statement of Changes in Stockholders' Equity for the periods January 1, 2020 through September 30, 2020 and January 1, 2021 through September 30, 2021; (v) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2021; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements. |
| 104                   | The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021, formatted in Inline XBRL (included as Exhibit 101).  |

\* Furnished herewith.

### Signatures

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

POWERFLEET, INC.

Date: November 10, 2021

By: /s/ Chris A. Wolfe  
Chris A. Wolfe  
Chief Executive Officer  
(Principal Executive Officer)

Date: November 10, 2021

By: /s/ Ned Mavrommatis  
Ned Mavrommatis  
Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**Amendment to the Credit Agreement**

This Amendment to the Credit Agreement, as defined below (the “**Amendment**”) is made and entered into as of 7 January 2020, by and among, **Powerfleet Israel Holding Company Ltd., Pointer Telocation Ltd.** (the “**Borrowers**”) and **Bank Hapoalim B.M.** (the “**Lender**”).

**Whereas** On 19 August, 2019 the Borrowers and the Lender entered into a credit agreement, as supplemented on October 3, 2019, and as may be amended, restated, varied, novated or supplemented from time to time (the “**Credit Agreement**”);

**Whereas** the parties to the Credit Agreement mutually desire to make certain changes to the terms and conditions of the Credit Agreement, further as detailed in this Amendment.

**Now therefore**, the parties hereto represent, warrant, covenant and agree as follows:

**1. Amendment**

Clause 10.1(a) to the Credit Agreement shall be amended and restated in its entirety and replaced with the following:

“Subject to paragraph (b) below, the Interest Periods for any Loan under the Term Loan Facilities shall be 3 (three) months, and shall end on March 25, June 25, September 25 and December 25 of each Financial Year (if applicable), except that (1) the first Interest Period may be shorter than 3 (three) months and (2) the last Interest Period shall end on the Final Maturity Date.”

**2. Miscellaneous**

- 2.1. Save to the extent expressly amended in the preceding paragraph of this Amendment, all other provisions of the Credit Agreement shall remain un-amended and continue to apply in full force and effect among the parties to the Credit Agreement, as amended hereby.
- 2.2. This Amendment shall be governed by the terms and conditions of the Credit Agreement.
- 2.3. Each capitalized term used in this Amendment and not explicitly defined otherwise herein, shall have the meaning ascribed thereto in the Credit Agreement.

*[Signature pages follow]*



IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date and year first above written.

**The Borrowers**

**PowerFleet Israel Holding Company Ltd.**

By: /s/ David Mahlab

By: /s/ Yaniv Dorani

**Attorney Confirmation**

I, the undersigned, legal counsel of PowerFleet Israel Holding Company Ltd. (the "**Company**"), hereby confirm that Mr. Mahlab and Mr. Dorani are duly authorized to sign this Amendment for and on behalf of the Company, and that his signature together with the printed name of the Company is binding the Company for all purposes in relation to this Amendment.

/s/ Shy Baranov

Date: January 7, 2020

**Pointer Telocation Ltd.**

By: /s/ David Mahlab

By: /s/ Yaniv Dorani

Attorney Confirmation

I, the undersigned, legal counsel of Pointer Telocation Ltd. (the “**Company**”), hereby confirm that Mr. Mahlab and Mr. Dorani are duly authorized to sign this Amendment for and on behalf of the Company, and that his signature together with the printed name of the Company is binding the Company for all purposes in relation to this Amendment.

/s/ Shy Baranov

Date: January 7, 2020

**The Lender**

*/s/ Bank Hapoalim B.M.*

**Bank Hapoalim B.M.**

By:

By:

## 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: November 10, 2021

*/s/ Chris A. Wolfe*

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

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## 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: November 10, 2021

*/s/ Ned Mavrommatis*

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Ned Mavrommatis  
Chief Financial Officer  
(Principal Financial Officer)

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**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 September 30, 2021, 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 September 30, 2021, 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: November 10, 2021

By: /s/ Ned Mavrommatis  
Ned Mavrommatis  
Chief Financial Officer  
(Principal Financial Officer)  
Date: November 10, 2021

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 September 30, 2021 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.

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