

PowerFleet, Inc.

PWFL: NASDAQ

Current Price: \$2.46

Rating: MKT PERFORM

Range (52 wk): \$7.57 - \$2.16

Risk: Aggressive

Mkt Cap (mil): \$88.9

Target: NA

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| FY: Dec | EBITDA (\$=Mil) | TEV/ EBITDA |
|---------|--------------------|----------------|
| 2021A | 6.2 | 12.6 |
| 2022E | (1.8) | NA |
| 2023E | 9.8 | 7.9 |

Company Description

PowerFleet, Inc. engages in the provision of fleet management solutions for logistics, industrial, and vehicles. It offers wireless Internet of Things and machine to machine solutions for securing, controlling, tracking, and managing enterprise assets such as industrial trucks, tractor trailers, containers, cargo, and vehicle and truck fleets. It operates through the following geographical segments: United States, Israel, and Other. The company was founded in 1993 and is headquartered in Woodcliff Lake, NJ.

Key Highlights of PWFL's Investor Day in New York City

On June 14th, PWFL held an investor day led by Steve Towe, CEO along with key members of the company's new executive team. The agenda of the Investor Day included a deep dive into the company's product, software, and AI solutions strategy. Key highlights of the meeting are as follows:

- PWFL is a global SaaS leader in providing critical data insights and visibility to mobile assets and transportation supply chains focused on Logistics, Industrial, Fleet and Connected Car solutions. PWFL has a global footprint with over 8,000 enterprise customers and 595,000 subscribers, with 65% of 2021 revenue recurring and 93% customer retention, offering a solid foundation for future growth opportunities. New management believes that PWFL's SaaS and IoT solutions are ready to fuel consistent long-term growth in North America and Europe, representing a significant upside opportunity for shareholder value.
- On January 5th, PWFL appointed Steve Towe as the company's new CEO. Towe has a proven record of scaling high value global technology organizations. Most recently he served as President of Aptos, a global leader in unified commerce solutions in the retail enterprise SaaS market. Prior to Aptos he served for 16 years in the IoT telematics space, most notably as Chief Commercial Officer at a market-leading provider, Masternaut. Before that he held senior executive roles at Cybit and Fleetstar Information Systems.
- PWFL's senior management team has been revamped with new experienced senior executives that include a Chief Technology Officer, a Chief Revenue Officer and a Chief Transformation Officer, all of which have a track record of improving long-term shareholder value.
- Since taking over the helm at PWFL, Towe has begun implementing the initial phase of a long-term strategic roadmap designed to establish PWFL as a mission critical software provider for the global IoT market. PWFL's goal through this roadmap is to offer end users integrated data solutions that unify their business operations and provide full visibility across their supply chains.
- The TAM for SaaS and IoT solutions for fleet vehicle, logistics and other assets totals \$76 billion, and is growing at a 15% CAGR. The total Enterprise IoT market is anticipated to increase from \$158 billion in 2021, to \$525 billion in 2027. Within this large market opportunity, PWFL generated only \$126 million in revenue in 2021. Integration opportunities in terms of Pointer's product capabilities, technological expertise and its worldwide physical footprint should lead to improved sales growth, margin metrics and cash flow through 2026.

- PWFL is creating a unified platform experience with modular offerings specific to business problems through multiple software solutions. There are three core elements to PWFL’s go-to-market strategy that include the following: modular enterprise applications that solve business issues which are sold directly to the enterprise; collaborating with strategic (SaaS) partners on integrations within the supply chain; and a focus on monetizing data. PWFL is on track to unify its platforms to a single set of interfaces in 2022. This will enable PWFL’s customers to access information across their enterprise through a single point of entry as well as improve cross selling opportunities.
- PWFL’s modular enterprise application approach will allow customers to purchase elements of the company’s software capabilities creating upsell opportunities for the business. PWFL’s investments in deep integration capabilities into other operating systems across the business and supply chain will provide valuable data as well as insights into a customer’s business.
- PWFL’s Cognitive Data Engine within its digital and integrated AI and SaaS platform will play a key role in driving growth. Through its CDE and API integrations, PWFL will not only be able to support PWFL devices in its Industrial, Logistics and Vehicle segments with real time information, but will also support non-PWFL devices and facilitate offerings of modular advanced intelligence such as performance analytics, SaaS Enterprise applications for safety, driver monitoring and fleet management, as well as supply chain applications including billing and maintenance. To date, PWFL has completed 12 total integrations including 26 EV integrations.
- PWFL will transform the data it generates through its platform to drive business decisions for end users. Data will be generated through PWFL’s devices and sensors, 3rd party devices and sensors, vehicle and infrastructure OEMs, and integration data sources. Through its data processing engine, PWFL will then be able to supply insights through Business Applications (SaaS) and Unified Operation’s and Services (DaaS), examples of which are as follows:

| Business Applications | Unified Operations & Services |
|------------------------|-------------------------------|
| Business Optimization | Fleet Operations |
| Vehicle & Asset Health | Fuel Operations |
| Safety & Security | |
| Regulatory Management | |
| Resource Management | |

- Coupled with its traditional set of solutions for the U.S. market in logistics and industrial vertical markets, PWFL will also bring to market extended propositions around safety and driver behavior, enhance video camera telemetry, and deliver a new set of data capabilities in the electric vehicle space, while also providing an evolution of PWFL’s proposition for the connected car, vehicle rental and vehicle subscription space. These solutions have been developed and implemented in multiple countries and are poised to make good traction in the U.S. market. The connected car space has a current TAM of \$63 billion and is expected to increase to \$225 billion in 2027. Solutions for the connected car market will be targeted at insurance applications, the EV market, as well as safety, diagnostics, maintenance, and driver behavior.
- PWFL’s go to market strategy starts with a focus on its brand and messaging to educate the market on new data driven capabilities. Cross sales and upsells will be emphasized throughout the current customer base, totaling over 8,000 enterprise clients with lead generation and global account-based marketing driving new business development.

- Through its profit improvement initiative, PWFL is targeting the removal of \$5 million in annual expenses through system and platform integration, third party spending, its facilities footprint, and the redesign of products to reduce component costs.
- Targets for 2026 include \$200 million of annual revenue with 50% recurring, a gross profit margin of 55%, with an adjusted EBITDA margin of 25% generating at least \$25 million of adjusted EBITDA for the year.
- As PWFL progresses through 2022, product gross profitability should gradually improve upon realization of the benefits from operational and product reengineering initiatives. Long-term, these measures will give the company better control and cost management levers for its supply chain. PWFL continues to focus on expanding recurring revenues while reducing operating expenses.

Balance Sheet Analysis

- PWFL ended Q1/22 with \$20.6 million in cash and equivalents versus \$26.8 million at the end of 2021. Long-term debt at quarter end totaled \$16.3 million, convertible preferred stock totaled \$53.9 million and stockholders' equity of \$88.6 million.

Our Estimates & Rating

- 2022 will be a transition year for PWFL as a new CEO moves the company to a more SaaS centric model with a focus on data analytics and services concurrent with efforts to simplify the company's platform while also facilitating deeper integration with Pointer. On a short-term basis, the company will continue to grapple with supply chain issues and a competitive price environment that is expected to impact product margins throughout 2022. Our adjusted EBITDA estimates for 2022 and 2023 are \$(1.8) million and \$9.8 million.
- PWFL is making all of the right strategic moves to return to consistent growth and profitability through the development of a SaaS and AI platform with mission critical software to provide increased visibility across supply chains. We believe that the stock at its current price level has bottomed. We are awaiting a turn in the company's fortunes as the new strategic plan takes hold and begins to generate consistent sales growth with positive adjusted EBITDA generation. We have a **MARKET PERFORM** rating on the shares.

PowerFleet, Inc. FINANCIAL DATA Barrington Research

PWFL-NASDAQ
FY: December

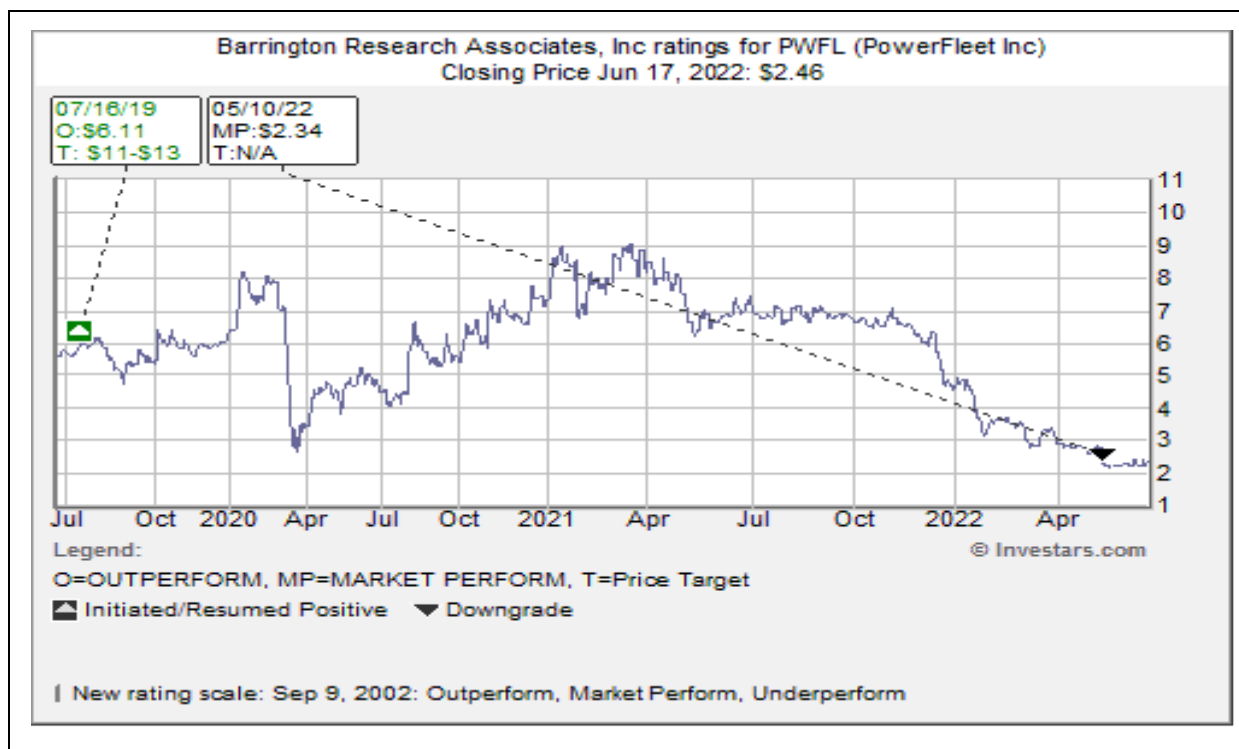
| | REVS | YR/YR REV CHG | GROSS INC | GROSS MGN | OPER INC | OPER MGN | ADJ. EBITDA | ADJ. EBITDA MGN | SHRS |
|----------|---------|---------------------|--------------|--------------|-------------|-------------|----------------|-----------------------|--------|
| | \$ | % | \$ | % | \$ | % | \$ | % | |
| 2017A | 40,958 | -2.0 | 20,927 | 51.1 | (4,091) | (10.0) | (577) | | 14,961 |
| 2018A | 53,064 | 29.6 | 25,798 | 48.6 | (5,736) | (10.8) | (23) | | 17,233 |
| 2019A | 81,915 | 54.4 | 38,364 | 46.8 | (10,183) | (12.4) | 3,202 | 3.9 | 22,305 |
| 2020-1QA | 30,799 | 126.3 | 14,866 | 48.3 | (3,409) | (11.1) | 152 | 0.5 | 35,547 |
| 2QA | 25,765 | 58.3 | 14,043 | 54.5 | (705) | (2.7) | 2,097 | 8.1 | 29,399 |
| 3QA | 27,602 | 63.5 | 14,923 | 54.1 | 752 | 2.7 | 3,595 | 13.0 | 30,143 |
| 4QA | 29,427 | -16.3 | 15,185 | 51.6 | (96) | (0.3) | 3,242 | 11.0 | 30,227 |
| F2020A | 113,593 | 38.7 | 59,017 | 52.0 | (3,458) | (3.0) | 9,086 | 8.0 | 31,329 |
| 2021-1QA | 28,991 | -5.9 | 14,470 | 49.9 | (1,883) | (6.5) | 1,363 | 4.7 | 35,332 |
| 2QA | 33,548 | 30.2 | 16,045 | 47.8 | (155) | (0.5) | 2,802 | 8.4 | 35,367 |
| 3QA | 29,246 | 6.0 | 14,265 | 48.8 | (2,429) | (8.3) | 1,004 | 3.4 | 35,019 |
| 4QA | 34,423 | 17.0 | 15,403 | 44.7 | (3,508) | (10.2) | 1,014 | 2.9 | 35,083 |
| F2021A | 126,208 | 11.1 | 60,183 | 47.7 | (7,975) | (6.3) | 6,183 | 4.9 | 35,200 |
| 2022-1QA | 33,161 | 14.4 | 14,399 | 43.4 | (3,742) | (11.3) | (993) | (3.0) | 35,332 |
| 2QE | 34,761 | 3.6 | 14,649 | 42.1 | (3,949) | (11.4) | (408) | (1.2) | 35,367 |
| 3QE | 31,063 | 6.2 | 14,207 | 45.7 | (2,971) | (9.6) | (342) | (1.1) | 35,403 |
| 4QE | 35,207 | 2.3 | 15,349 | 43.6 | (3,064) | (8.7) | (30) | (0.1) | 35,438 |
| F2022E | 134,192 | 6.3 | 58,603 | 43.7 | (13,726) | (10.2) | (1,774) | (1.3) | 35,474 |
| 2023-1QE | 35,958 | 8.4 | 15,797 | 43.9 | (3,261) | (9.1) | 1,683 | 4.7 | 35,474 |
| 2QE | 37,069 | 6.6 | 16,146 | 43.6 | (3,500) | (9.4) | 2,408 | 6.5 | 35,509 |
| 3QE | 33,977 | 9.4 | 15,808 | 46.5 | (2,540) | (7.5) | 2,763 | 8.1 | 35,545 |
| 4QE | 38,474 | 9.3 | 16,921 | 44.0 | (2,893) | (7.5) | 2,962 | 7.7 | 35,580 |
| F2023E | 145,478 | 8.4 | 64,672 | 44.5 | (12,194) | (8.4) | 9,816 | 6.7 | 35,527 |

BALANCE SHEET DATA

| | | Q1/22 | 2021 | 2020 |
|---------------------|---------|-------|-------|-------|
| Total Assets | (mil\$) | 226.0 | 229.0 | 208.0 |
| Cash & Rest Cash | (mil\$) | 21.0 | 26.0 | 18.1 |
| Receivables | (mil\$) | 32.0 | 32.0 | 24.1 |
| Current Assets | (mil\$) | 85.0 | 88.0 | 64.8 |
| Current Liabilities | (mil\$) | 45.0 | 44.0 | 35.9 |
| Working Capital | (mil\$) | 40.0 | 44.0 | 28.9 |
| Long-Term Debt | (mil\$) | 16.0 | 18.0 | 23.2 |
| Shrhldrs Equity | (mil\$) | 89.0 | 92.0 | 78.9 |
| Debt/Capital | (%) | 15.2 | 16.4 | 22.7 |

SELECTED DATA

| | |
|----------------------|------------|
| Book Value | (\$/Share) |
| Cash | (\$/Share) |
| Earnings | (\$/Share) |
| Cash Flow (Ops) | (\$/Share) |
| Free Cash Flow | (\$/Share) |
| EBITDA | (\$/Share) |
| Return on Avg Equity | (%) |



EQUITY RATING SYSTEM:

- (1) **OUTPERFORM** Expected to outperform the market (S&P 500) over the next 12 months. Sound or improving company fundamentals. Potential exists for a near-term catalyst. Undervalued at current levels.
- (2) **MARKET PERFORM** Expected to perform roughly in line with the market (S&P 500) over the next 12 months. Long-term potential exists, but no near-term catalyst apparent. Fairly valued at current levels.
- (3) **UNDERPERFORM** Expected to underperform the market (S&P 500) over next 12 months. Company fundamentals may be deteriorating. Fully valued or over-valued at current levels

PRICE TARGET METHOD/RISKS: The analyst does not maintain a price target for this stock.

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