

Pointer Telocation

Driven by technology

Outlook/FY17 results

Pointer Telocation (PNTR) has, to a significant extent, transformed itself into a proprietary technology company over the last 18 months, resulting in major contract wins in driver behaviour systems (DBS), connected car (CC) and sensor-based IoT monitoring systems. The group's ability to cross-sell new services to its extensive customer base as well as enter new markets and geographies, combined with high operating leverage, gives it above-average earnings growth potential. We now value PNTR at parity with the telematics sector, giving rise to a 6% increase in valuation to \$20.8 (NIS71.8) per share.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/16	64.4	6.6	81	0.0	13.0	18.9	N/A
12/17	78.2	10.4	116	0.0	9.1	13.2	N/A
12/18e	87.7	12.0	145	0.0	7.9	10.6	N/A
12/19e	98.6	14.1	169	42.3	6.8	9.1	2.8
12/20e	110.9	16.4	196	49.1	5.9	7.8	3.2

Note: *PBT and EPS (fully diluted) are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

That rare thing: Growth and balance sheet strength

PNTR's recent tech launches and more aggressive marketing strategy bore fruit in 2017 with a number of major contract wins, and 21% and 42% growth in revenue and EBITDA, respectively. Supported by acquisitions, management aims to double revenues and increase EBITDA margins by 7pp to 25% over the next 3-5 years. We believe this is highly achievable helped by growth from DBS, CC and IoT products, as well as ongoing growth in subscriber numbers. Margins expansion should be driven by the group's high operating leverage. With only \$2.7m net debt, the group is well positioned to continue its strong track record in value-accretive acquisitions.

New Nissan India contract opens door to new market

In December, Pointer won a contract to supply its connected car products to Nissan India, for installation in its new cars, as part of its Nissan Connect offering. Nissan sells c 13,000 cars in India pa and we see success in this contract as likely to open the door to business from other parts of the Nissan group and other auto OEMs.

Valuation: Peer valuation of \$20.8/NIS71.8

Pointer currently trades on a prospective 2018 EV/EBITDA of 7.9x, representing a 20% discount to the telematics sector. We believe that high 66% recurring revenues, 94% cash conversion and strong growth prospects in new, highly attractive product areas strongly add to the group's value proposition. Supported by a high free float in a rapidly consolidating sector, we see re-rating potential helped by continued increase in international institutional investment over the next 12 months. We have therefore cut the discount applied to sector multiples from a previous 7% to zero which, despite some softening of share prices in the sector, led us to increase our valuation from \$19.3 (NIS67.8) to \$20.8 (NIS71.8) per share.

Tech hardware & equipment

14 March 2018

Price* **\$15.35/NIS52.80**

Market cap **\$124m/NIS425m**

*Priced as of 8 March 2018

US\$/NIS3.45

Net debt (\$m) as of 31 December 2017 2.7

Shares in issue 8.1m

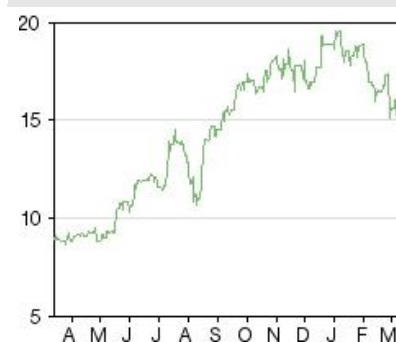
Free float 71.3%

Code PNTR

Primary exchange NASDAQ

Secondary exchange TASE

Share price performance



% 1m 3m 12m

Abs (10.1) (10.9) 68.7

Rel (local) (15.5) (15.2) 43.2

52-week high/low US\$19.6 US\$8.7

Business description

Pointer Telocation (PNTR) is a leading provider of MRM services and products to the automotive and insurance industries. Key services are asset tracking, fleet management and monitoring goods in transit/IoT. Its main markets are Israel, Brazil, Argentina, Mexico and Europe.

Next events

Roth Conference 11-14 March 2018

Q118 results May 2018

Q218 results August 2018

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Investment summary: Tech advances add to growth

Company description: Innovator with strong core business

Pointer Telocation has been transformed over the past 18 months by a stream of innovative product launches in the fast-growth areas of the internet of vehicles – CC and cloud-based sensor systems – and driver monitoring systems. In the core mobile resource management (MRM) business, PNTR is oriented towards underserved developing markets where telematics demand over the next 3-5 years should be driven by efficiency savings and regulatory catch-up. High operational gearing via its cloud solutions give this part of the business strong margin growth prospects. Helped by this and management's track record in acquisitions we expect management to achieve its target of doubling revenues and attaining 25% EBITDA margins over the next 3-5 years. High (66%) recurring cloud-SaaS revenue and a strong balance sheet underpin the group. We see good potential for PNTR's shares to re-rate over the next 12 months.

Financials: Benefits of operating leverage and top-line growth

Pointer reported a 21% increase in FY17 revenues to \$78.2m, with EBITDA up 42% to \$13.9m, supported by synergies from the Cielo acquisition in Brazil and ongoing benefits of operational leverage, leading to a 2.3pp increase in EBITDA margin to 17.5%. A drop in Q4 product revenues arose as fleet customers ran down stocks of 3G equipment in anticipation of the move to LTE in 2018. With sales of new LTE products to commence in H218, PNTR should see sales bounce back later in the year. We have trimmed our forecasts for 2018 on more conservative ARPU assumptions but increased our 2019 forecasts to reflect recent successes in the CC and driver monitoring space.

Exhibit 1: Forecast revisions

	Revenues (\$m)			EBITDA (\$m)			EPS (c)*		
	Old	New	% change	Old	New	% change	Old	New	% change
2017	79.3	78.2**	(1.4)	13.8	13.9**	0.5	95.8	116.0**	21.1
2018e	88.9	87.7	(1.3)	16.4	16.0	(2.2)	115.8	144.5	24.8
2019e	96.7	98.6	2.0	17.9	18.5	3.1	125.4	169.2	35.0

Source: Edison Investment Research. Note: *Normalised, fully diluted. **Reported.

Valuation: Multi-pronged innovation increases upside

Pointer Telocation's shares currently trade at an attractive 16% discount to the telematics sector on 2018e EBITDA multiples. With the transformation of the group into a multi-pronged technology growth stock, we believe that the shares should be rated in line with the sector, giving rise to a peer group-based valuation of \$20.8/share (NIS71.8/share). Our DCF model gives rise to a valuation of \$20.9/share (NIS72.2/share). We note that sector valuations are heavily influenced by M&A and see the potential for further expansion of PNTR's product range to continue to attract new investors.

Sensitivities: International and new tech exposures

MRM product sales are geared to new vehicle sales and replacement cycles, which are sensitive to interest rates and economic growth. Product lifecycles have fallen in recent years from 3-4 to 2-2.5 years, and products are growing more complex, requiring the company to spend more on R&D to maintain sales. Rising factory installations of CC and telematics products are likely to affect sales of the aftermarket products produced by PNTR. Nevertheless, as most fleets source vehicles from a variety of OEMs service aggregation demand should remain strong. PNTR reports in US dollars, but sources most revenues in Israel, Brazil, Argentina and Mexico, giving rise to currency risk. PNTR has an unprovisioned \$11.5m tax claim in Brazil, which its lawyers expect to be heavily negotiated down and take many years to resolve.

Company description: Multi-pronged growth story

PNTR is a leading provider of MRM products and services to the fleet management, automotive, insurance and logistics sectors. It also designs and sells products and technology on a B2B basis. These include devices for fleet management as well as for cargo tracking and monitoring and, following a 2017 launch, products for the CC space. The group has an emerging markets focus: key markets include Israel (46% of 2016 revenues), Brazil, Argentina and Mexico, Africa and India.

With growing demand for advanced telematics and mobile resource management as a service (MaaS), a high degree of operational leverage and successful track record of acquisitions, the group was able to generate 21% revenue growth and a 42% increase in EBITDA on the back of a widening in EBITDA margin. PNTR has strongly delivered on milestone targets over the last 12-18 months. New product launches during this time are already translating into order flows. The group's advanced driver-monitoring technology has resulted in a contract for monitoring NYC ride-hail drivers together with Mobileye, as well as drivers of a major soft-drink distributor in Latin America. The group's CC offering has resulted in a contract in the OEM market with Nissan India as well as with an Israeli car importer for the aftermarket. IoT multi-sensor-based real-time cold supply chain monitor CelloTrack Nano recently announced a recurring \$2-3m pa order in the US. Successful innovation and focus on R&D and IT and ownership of its own IP are key drivers of client stickiness.

Exhibit 2: Pointer Telocation: Key products and services

MaaS	Products and technology	Advanced telematics	Vehicle IoT
Fleet management	Monitoring	Driver behaviour and vehicle safety	Business intelligence
Remote diagnostics	Security/assets	Advanced diagnostics	Goods in transit
Asset management	Eco-driving	Accident detection and reconstruction	Smart gateways
Stolen vehicle recovery	Safety and driver behaviour		CC
	Diagnostics	Business intelligence engine	

Source: Pointer Telocation

Strategy: Grow customers, services and leverage infrastructure

PNTR's management has a well-established group strategy. The key goals are: (i) to continue to develop cutting-edge technologies to provide actionable business intelligence with strong ROI potential to fleet management, mobile asset management and Internet of Vehicle (IoV) customers; (ii) pursue selective M&A opportunities to expand the group's market share and capabilities; and (iii) to continue to grow revenues organically while improving profit margins.

Encouraged by positive customer reaction and contract successes in what is still a new area for the group, management's goal is also to become a leading provider of IoV services, as well as MaaS. The group is also looking to add new services to its MaaS portfolio in 2018, oriented to providing greater value-added to goods distributors. With the high level of operational gearing of adding new cloud customers at low incremental costs and its ability to integrate local acquisitions into its existing infrastructure and remove cost layers, this strategy is a driver not only of the top-line but also margins, which have widened steadily under its influence in recent years. Taking ongoing acquisitions into account, management targets a doubling in revenues over the next 3-5 years, with EBITDA margins targeted to widen to 25% from 17.5% in 2017.

MRM: Subscriber growth and cross-selling prospects

Sector outlook: MRM as a service (MaaS) to show 24% CAGR to 2022

MRM is increasingly positioned at the centre of transportation and logistics, reflecting rising costs of commercial vehicles and the need for fleets to boost efficiency in highly competitive markets. A key driver is therefore ROI-led growth in penetration, but this is increasingly being driven further by new

regulatory requirements. Berg Insight forecasts that MRM penetration of non-privately owned commercial fleets in the US was only 23% in 2016 but will increase to 41.7% by 2021. The same numbers for Latin America are 10% to 17%, giving rise to 13% market CAGR over this period (vs 15% in the US). MarketsandMarkets forecasts the global fleet management market to grow at a CAGR of 15.8% between 2017 and 2022. Including MaaS, it forecasts a CAGR of 24% to \$34.6bn through to 2022.

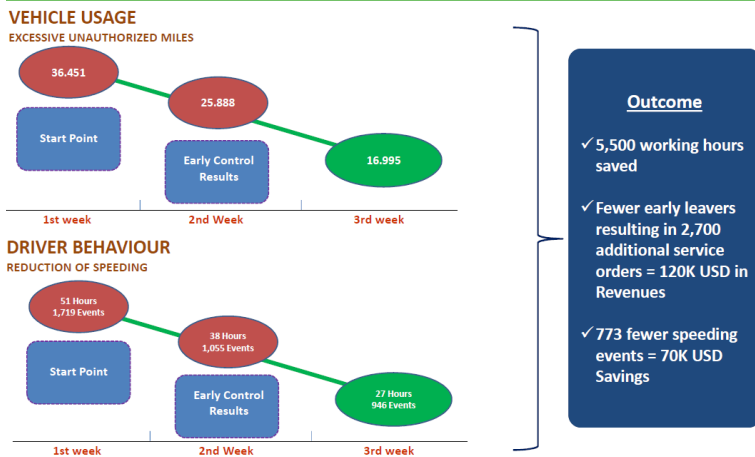
Regulation is being implemented at different speeds around the world and, while the EU and US tend to lead, emerging markets are starting to play regulatory leapfrog in a number of areas. For example, Indian regulators have recently implemented law AIS-140 requiring a vehicle tracking device and one or more emergency buttons in all existing and new public service vehicles, with a road map to expand to vehicle health monitoring, CCTV cameras and passenger systems, etc. In the US and EU regulators are also looking to require commercial vehicles to carry tracking devices, as well as regularising connected vehicle networks and tightening emissions and safety standards.

We identify increasing installation of telematics in fleet vehicles during their production as a potential threat to telematics service providers. Nevertheless, at the end of 2016, the leading three European OEMs had only a 4.4% share of European fleet management subscriptions (source [Berg Insight](#)). Apart from a few fleet managers who will decide to employ one OEM brand in their fleets, we expect most fleet operators to continue to use multiple vehicle brands and to therefore still need third-party telematics services to provide data aggregation and advanced analytics.

Pointer's MRM offering: Local market specialist with technology edge

Pointer has been active in MRM for 18 years, during which it has built major market positions in Israel, Brazil, Mexico, Argentina and Southern Africa. In total, the group has 258,000 MRM subscribers, to date having sold 1.3m telematics devices for commercial vehicles in 52 countries. The strength of the value proposition is the group's tailored services and its commitment to maintaining a cutting edge in technology. We see Pointer's combination of fleet management, driver monitoring, advanced diagnostics and stolen vehicle recovery and its continued expansion of these services as a powerful combination.

Companies can now ensure in real time that their vehicles are on their designated optimal route; they are being driven safely and in a fuel-efficient manner; fuel purchased by the driver is commensurate with distances travelled; drivers are not making unauthorised stops; and that the vehicle engine is running optimally with full details provided of oil levels, RPM and a host of other advanced diagnostics. If the vehicle is stolen, Pointer's systems ensure this is discovered quickly and location information is provided to recovery services. Similarly, if the vehicle is involved in a collision, the data collected from driver monitoring and advanced telematics protects the company from false claims. Pointer is also able to integrate its platform into new clients' existing systems to work with their ERP, CRM, staff planning software, etc. In specialist businesses such as cold chain distribution, the group's new sensor technology is also able to ensure optimum performance. This in turn leads to lower fleet running costs as well as savings in insurance and equipment downtime.

Exhibit 3: Pointer driver monitoring: Case study


Source: Pointer Telocation

Exhibit 4: Pointer connected car


Source: Pointer Telocation

Driver behaviour systems: Hitting the ground running

Sector outlook: Regulatory pressure likely to mount on fleets to use DBS

DBS technology in fleets monitors drivers' actions to increase safety, reduce costs and increase efficiency. It is already in quite widespread use with younger insured drivers in the UK and the US. In a fleet context, it has demonstrated significant benefits in the areas of driver safety, compliance with vehicle use/hours worked regulations, reduced fuel, maintenance and insurance costs and lower emissions (see Pointer's case study example, Exhibit 3). In the ride-hail industry, in addition to the above benefits its use to rate drivers is also a powerful marketing tool. We believe that these benefits make it almost certain to become a standard feature of fleet management and ride-hail networks over the next decade. Based on recent statements by EU and US regulators, we also see strong prospects for its use in fleets to start to become enshrined in regulation in major markets over the next few years, further boosting demand.

To date, in the year that the group has been marketing its driver-monitoring technology, Pointer has already gained three new significant contracts: a ride-hail contract for a US insurance company using its own and Mobileye technology, and driver-monitoring contracts using entirely its own technology for FEMSA, the largest global Coca-Cola bottler, located in Mexico, and Fibria, the global leader in hardwood pulp, located in Brazil.

Ride-hail contract in the US: Opening the door to the taxi and ride-hail market

In January 2017, Pointer Telocation, together with autonomous driving pioneer Mobileye, won a five-year driver behaviour monitoring contract in the US to provide driver-monitoring services to ride-hail companies in New York City. The client was the American Transit Insurance Company, the leading commercial insurance provider for hire vehicles in New York City. This was a significant achievement as that was Pointer's first major driver-monitoring contract and also its first significant US SaaS contract. To win the contract, Pointer integrated its intelligent fleet management, tracking and driver behaviour analysis technology with Mobileye's system which registers instances of dangerous driving (eg speeding/hard braking). In addition to providing real-time information and mapping the position of drivers, the system provides real-time alerts to dangerous driving and potential problems such as drivers working excess hours, etc. Pointer's system also generates driver scores based on the frequency and seriousness of alerts generated by Mobileye's system.

The contract should open the door to further work with ride-hail and taxi fleets. In the absence of acquiring its own camera-based, driver-monitoring technology, we expect Pointer to continue to partner with companies such as Mobileye to provide driver-rating services. This is because camera systems are able to detect some levels of poor driving, such as driving too close to the vehicle in front, which Pointer's telematics systems cannot at the present time. Nevertheless, with a number of companies besides Mobileye offering similar services and the potential for Pointer to team up with other partners with similar technology to Mobileye, we don't see Pointer as reliant on Mobileye for its future expansion in the area.

FEMSA and Fibria contracts show power of DBS to attract new clients

In February 2017, Pointer won a contract to provide advanced fleet management and driver monitoring system services to FEMSA, the world's largest Coca-Cola bottler. One year on, in February 2018, the company won a further contract for another advanced fleet management contract in Brazil with Fibria, the world's largest manufacturer of hardwood pulp for use in paper.

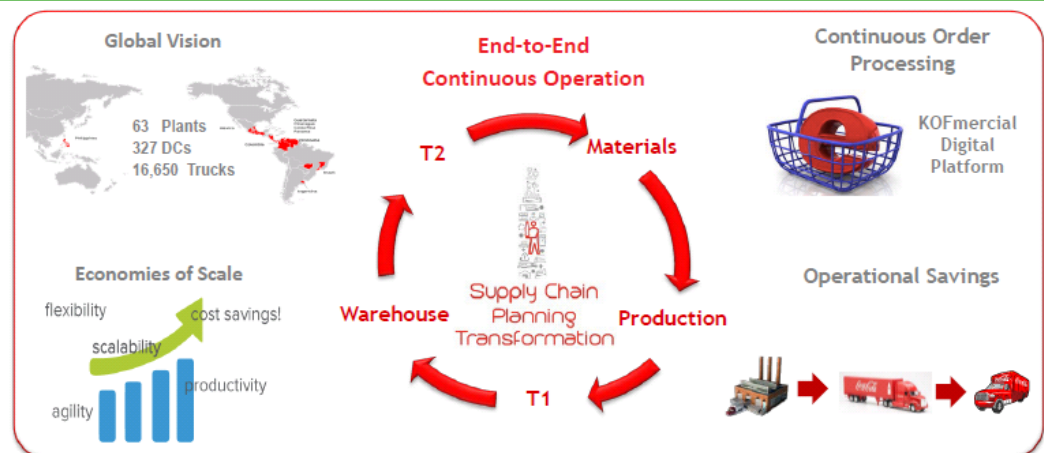
Coca-Cola FEMSA operates in four territories of Latin America, containing countries including Mexico, Brazil, Costa Rica, Columbia and Argentina, and the Philippines. It had, as of November 2016, a combined fleet of 16,650 trucks, serving 63 plants and 327 distribution centres. Pointer's work with FEMSA's Mexican operation helped the company to refine its fleet management tools, which was instrumental in the awarding of the pilot. Developments included:

- the addition of driver behaviour monitoring tools, for use in vehicle fleet management – with the aim of reducing the frequency of collisions while reducing fuel and maintenance costs; and
- improvements in the distribution process, with a focus on creating a smoother delivery process, allowing customers to track orders and increasing overall customer satisfaction.

The pilot contract commenced in Mexico but has been since rolled out to more operations across the group. The combination of a number of services means that the contract generates a higher than average revenue per user (ARPU) than Pointer's standard fleet management service.

For the more recently won Fibria contract, Pointer's systems are installed in trucks transporting wood to a manufacturing plant. The system monitors and analyses over 70 parameters. Savings in fuel and maintenance, as well as safety enhancements sit alongside targets for reductions in greenhouse gasses, which are a key focus for the client.

Exhibit 5: Coca-Cola FEMSA supply chain transformation plan



Source: Coca-Cola FEMSA Excellence in Innovation presentation, November 2016

Driver monitoring is a significant cross-selling opportunity

We see driver monitoring as a significant growth driver both from new contracts and RPU expansion in the core fleet management business. We understand that the addition of driver monitoring services has the potential to double service revenues per fleet management subscriber in those contracts, which we calculate at \$18.1 in 2017. At the same time, the inclusion of driver monitoring in the service bundles of new customers should lead to significantly higher new-customer RPUs. As the US ride-hail contract demonstrated in 2017, offering the right service over the cloud also enables the group to enter new markets on a profitable basis.

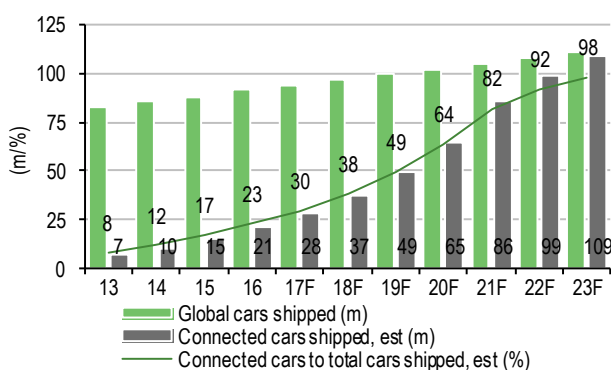
Internet of vehicles: Connected car

Connected Car hardware market: Demand-surge ahead

CC is the use of a device in a vehicle to connect it to the wireless ecosystem and provide services in the area of safety, navigation, infotainment, communication, vehicle diagnostics, autonomous driving and e-commerce/payments. Gartner predicts that 250m cars, or approximately one-in-three vehicles on the road will be connected by 2020. PWC estimates a 29% CAGR in the CC market in 2015-2020 to \$113bn, with CC responsible for \$1,800 or 6.9% of the cost of volume model cars by 2022. In December 2016, BI Intelligence forecast a 35% CAGR in the installation of CC technology in new cars to reach 94m by 2021, representing 82% of total car production.

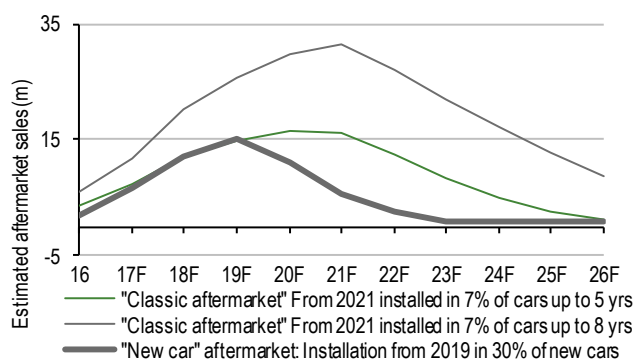
A recent survey by BearingPoint consultants showed that 32% of respondents saw the CC as an important or main reason to buy a particular car, with a further 27% saying that it contributed to the decision to purchase a car. Overall, while safety and navigation benefits of CC technology are fairly widely appreciated, this survey showed that there was a high degree of stickiness to services after they had been trialled. The implication from this is that demand is likely to take off very rapidly once a certain level of familiarity is reached. This stickiness point is perhaps demonstrated best by recent comments by GM, which was the first to introduce CC into vehicles in 1996, that in-vehicle technology is now proving more than three times as important as fuel economy for many customers. Government mandates to install telematics and the expansion of usage-based insurance should also add to demand in coming years.

Exhibit 6: Connected Car market outlook



Source: OICA, Edison Investment Research, AlixPartners, BI Intelligence

Exhibit 7: CC aftermarket hardware unit sales estimates



Source: Edison Investment Research. Forecasts based on annual rate of installation of CC aftermarket products from 2018 in cars manufactured without CC technology.

We see three distinct market segments for CC technology: OEMs (vehicle manufacturers), the 'new car' aftermarket, where the technology is offered to buyers of new cars by dealers or manufacturers, and the 'classic' aftermarket where the product is installed after the car has left the showroom.

Two factors hindering the implementation of CC technology in new cars are the long lead-time required to retool auto lines, and the fact that the typical new car buyer in the US is over 50 years old ([CE Survey](#)) and therefore significantly less interested in CC technology than younger drivers. We have forecast sales of CC modules to OEMs based on 2016 forecasts by BI Intelligence of penetration of CC technology rising to 82% of total car production by 2021, our own forecast of this rising to 98% by 2023 as consumers put greater value on the technology, updated OICA car sales data and AlixPartners' car sales growth forecasts (see Exhibit 6). This gives rise to estimates of a 24% CAGR in CC units shipped to OEMs from an estimated 37m in 2018 to 109m in 2023.

We have estimated 'new car' aftermarket demand employing an assumption, reflecting the age of new car buyers and the high proportion of sales in less developed markets, that 30% of new car buyers will choose to upgrade new vehicles (built without CC technology) to CC technology (see Exhibit 7). This assumption leads to an estimate of the market peaking at c15m units in 2019 before falling away sharply after, as fewer cars leave auto production lines without CC technology.

For the 'classic' aftermarket, we see the high proportion of used car buyers of millennial and younger ages as a key driver. This segment is most interested in CC technology but the least able to afford new cars so they should be a source of major demand for upgrading used cars. Our two demand scenarios in Exhibit 7 assume that each year consumers update 7% of all cars built without CC technology that are up to five or eight years old with aftermarket CC products. This results in sales in this segment of the market peaking in around 2021 at c 15m and c 30m units, respectively, and falling back out to 2026 as the long tail of unconverted cars is processed.

CC app: The battle for recurring revenue

At present, the market for CC software is fragmented and there is no clear prospective leader. Nevertheless, we expect many consumers to opt for systems that integrate the data from their CC devices into their smartphones, given the increasing numbers of devices managed through smartphone apps. This is likely to give the gateway firms such as Apple, Google and Baidu strong positions in the consumer subscription market and make it difficult for non-B2C-oriented firms such as Pointer to compete.

Nevertheless, this does not preclude Pointer from reaching a supply arrangement with one of these conglomerates, given its CC expertise or building market share for its app in less smart-phone dominated B2B spaces such as fleet vehicles used by employees in and outside the workplace.

Pointer's CC: Five months, two major contracts

In 2017, Pointer added CC to its Internet of Vehicles offering. The product consists of a hardware unit containing software and wireless connectivity, which is connected to the vehicle's electronics and an app for linking output to mobile devices as well as an optional screen for installation in-vehicle. Pointer's system provides access to Wi-Fi, radio and access to a library of approved apps, location-based services, navigation, accident detection and real-time support, parking, 24-hour access to services and an emergency control room and car maintenance. In future, we expect the group to add further services such as driver monitoring, which it already offers fleet users.

At present, PNTR's two CC contracts fall into the 'new car aftermarket' segment and the company has already won two major contracts on this basis in Israel and India for its technology (see below). Management is nevertheless actively looking to expand into the supply of systems directly to OEMs for factory installation in new cars, which will dramatically increase sales potential, while also bringing in more competition from larger players. We also see the potential for Pointer to expand sales in the classic aftermarket as it grows. However, in the absence of concrete indications of OEM interest in PNTR's systems, we have not incorporated assumptions of sales to OEMs into our forecasts. Based on our forecasts of the unit sales potential of each contract and using a notional

\$80-100 charge for the hardware unit, we estimate potential annual sales of \$1.9m by 2020, rising to \$2.3m in 2022 helped by growing sales to India.

Israel car importer aftermarket: In September 2017, Pointer won a contract to provide its hardware and app CC solution to the Israeli car importer, the David Lubinski Group, the sole importer of Peugeot, Citroen, DS and MG vehicles. The use of Pointer's app means that it is looking to generate dollar-based, double-digit monthly subscriptions revenue from users (paid three years upfront) as well as revenues from hardware sales of c \$100/unit. According to the trade association of Israeli car importers, the David Lubinski Group imported over 14,000 vehicles into Israel in 2016. We estimate that Pointer could achieve annual sales of 3,400 units in 2018 assuming that 60% of Lubinski's cars are imported without CC installed by the OEM (in line with the global assumptions above) and 30% of buyers choose to take the CC option. This proportion of buyers taking up CC is higher than the 30% global assumption employed in Exhibit 7, reflecting the relative affluence and youth of consumers in Israel and our belief that they have reason to place a higher premium on in-built security systems and emergency assistance services as well as having above-average propensity to adopt new technology.

Nissan India: In December 2017, Pointer announced a contract to supply a CC hardware unit to Nissan India for installation in its new cars as an optional add-on. Branded Nissan Connect, the system connects with the driver's mobile phone to provide a range of services including car location services (such as tracking, alerting when outside a set area or used outside a set time), service and roadside assistance, trip planning, voice assistance alerts, fuel efficiency and car maintenance features. Nissan sold 12,600 cars in India in 2017 (source: Team-BHP), but 2017 was a difficult year for the manufacturer, with sales declining 12% and its market share shrinking from 0.52% to 0.37%. Nissan sells a range of sports, SUVs, commercial and 4x4 vehicles and is heavily promoting Nissan Connect as a sales feature. In our forecasts we assume 70% take up this year, rising to 80% in 2019 and 2020 as the feature becomes more standard. This gives rise to sales of 9,000 units this year and 10,700 and 11,200, respectively, in 2019 and 2020, translating into total CC forecast revenues of c \$1.5m in 2019. We note that in the Nissan contract there is no ongoing revenue component for Pointer, as the app, which will be the interface with the driver's mobile device, is to be provided by InfoTrack Telematics, a Singapore-based specialist in telematics mobile applications.

Internet of Vehicles: IoT sensor remote monitoring

Sector outlook: IoT sensor demand to grow 15-22% to 2022

The use of connected sensors to track, monitor and protect cargoes has been transformed over the past three years by the increasing sophistication and range of available sensors and advances in the functionality of cloud-based interfaces.

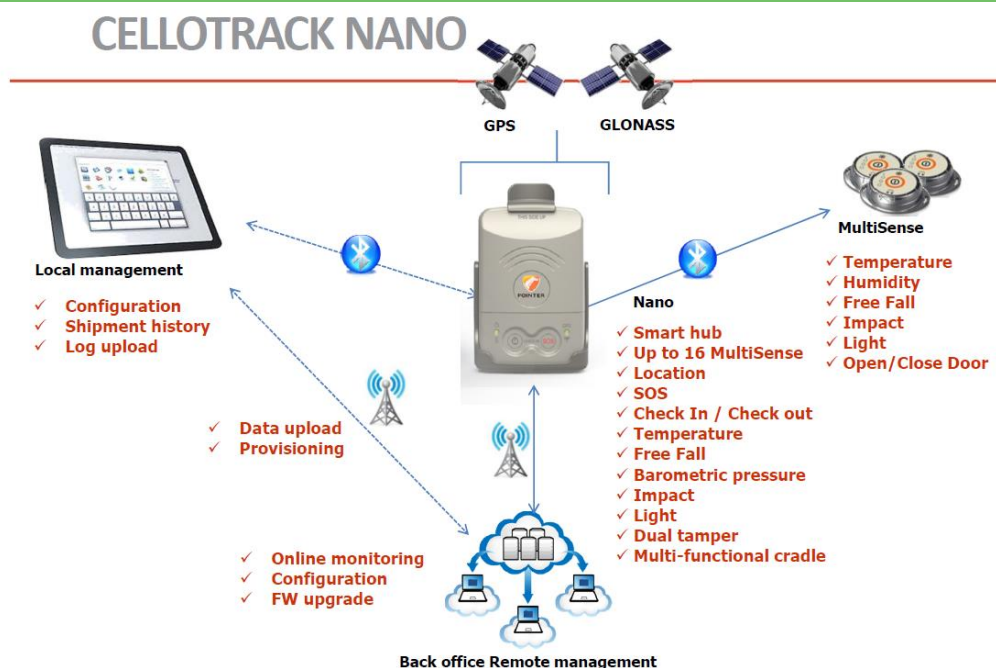
MarketsandMarkets estimates the market for tracking and monitoring solutions to reduce inventory and stock management costs reached \$9.4bn in 2015 and forecasts it to grow at a CAGR of 15.2% to \$25.6bn by 2022. Mobile Experts forecasts a 22.7% CAGR in the revenues from cloud-based IoT asset-tracking devices to reach \$7.5bn in 2022, based on the expectation that approximately half of the forecast 70m devices in use will transmit their data through a cloud-based service.

CelloTrack Nano: Pointer's highly flexible IoT solution

In early 2016, Pointer officially launched CelloTrack Nano, which provides sensor-based, real-time monitoring of cargoes and personnel. Multiple sensors wirelessly communicate with a local hub, which transmits the collected data via satellite, 2G or 3G cellular networks to Pointer's remote back-office management. Actionable data is then delivered to customers' platforms (see Exhibit 8).

The systems can be adapted for use in a wide range of situations, but four broad use cases are worth discussing at present. **Cold chain monitoring** provides real-time updates of temperature and humidity levels for sensitive cargoes, which, in the case of CelloTrack Nano, comply with the strictest level of cold chain regulations (EN 12830 for food and GDP for pharmaceuticals). In **logistics and security**, the systems can provide real-time verification that high-value goods in transit are not deviating from a planned route, not being accessed at the wrong address and have not been dropped or shaken. In **rental equipment monitoring**, the sensors provide actionable feedback on asset location, shocks to rented equipment, equipment being moved unexpectedly (sensing movement/vibrations) and changing door status. In **lone worker protection**, the system monitors staff well-being through the use of panic buttons, accelerometer and inactivity detectors to detect falls by personnel. These systems can also monitor worker location, health and general activity.

Exhibit 8: CelloTrack Nano – how it works



Source: Pointer Telocation

Savings generated by the systems include reduced stock loss and product wastage, reduced insurance costs and/or product rental charges, lower costs of managing and securing assets and increasing employee safety/reducing downtime.

There are currently more than a dozen major players in the segment, although the majority are not able to offer the range of sensors and therefore services provided by the CelloTrack Nano system (see Exhibit 9). For this reason, we see the adaptability of PNTR's technology to provide services across a wide range of use cases as a key competitive advantage. It also offers a high level of certification including compliance with FAA and IATA rules on airborne asset tracking and US certification for cold chain logistics, which speaks for its reliability in critical shipment.

In its logistics and security service, the addition of anti-tampering and fall detection and geo-fencing gives it advantages over a number of players in the field, as can be seen from the comparison of sensor features offered in Exhibit 7. CelloTrack Nano also supports third-party sensors, giving it the ability to further tailor the service to the needs of the client.

Pointer has been encouraged by the development of sales of CelloTrack Nano. Despite not being present in the US market, Pointer was recently awarded an ongoing \$2-3m order for its systems from the US. Pointer's highly successful mobile assets management franchise gives it a track

record of remote data management and back office services, which should support the offering of CelloTrack Nano-as-a-Service, which the group intends to launch this year. Helped by this, we see the potential for 2018 to see a significant growth in CelloTrack Nano's revenues as the group's two years of track record and marketing efforts translate into new orders and larger order sizes.

Exhibit 9: Competitive field – IoT sensors with online tracking

Company (country)	Sensor range	Target market
Pointer Telocation (Israel)	L, T, H, G, Li, A, F, M, Ma, O, S, Ta	Cold chain, pharma, logistics, security, high value items, airborne asset tracking, lone worker protection
AgoraBee (Swiss)	L, T, G, M, S, T, trip information	Container distribution
Axwan (France)	T, Li, Acc, IR, S, V	Trailers, containers, property security, turn-key solutions
OnAsset (US)	L, T, H, Li, D, M, P, S, V (feature: flight safe mode)	Cold chain, security, air cargo, logistics
Seemoto (Finland)	L, T, H, P	Healthcare, cold chain, food, logistics, storage
SenseAware (US)	L, T, H, Li, P, G, S	Security, logistics, pharma, high value items
Sensitech/UTC (US)	L, T, M, GPS	Cold chain, cargo, goods protection, turnkey solutions
Starcom (Israel)	L, T, Li, F, G, M, Acc (protocol encryption provided)	Goods protection (security)
Telit	L, T, H, G, Li, A, F, M, Ma, O, S, Ta	IoT specialist, incl. cold chain, pharma, logistics, security, alarms
Globe Tracker	L, T, H, Li, various gases, GF, M, O	Turnkey asset tracking
ORBCOMM (US)	L, T, H, G, O, M, S + tyre pressure, ABS functions, GPS, door lock	Cold chain monitoring
Sendum (Canada)	L, T, H, Li, F, IR, M, P, S, V, jamming, battery, signal, safe flight mode	Airborne asset tracking
Moog (US)	L, T, H, Li, GF, GPS, IR, P, S, Ti	Airborne asset tracking (branded Crossbow)

Source: Pointer Telocation. Note: sensor acronyms: A: altitude; Acc: accelerometer; D: detection; F: falling detection; G: geo fences; GF: G-force; GPS: global positioning system; H: humidity; IR: infra-red; L: location; Li: light; M: motion; Ma: magnetism (to detect door open or closed); O: open/closed door; P: pressure; S: shock; T: temperature; Ta: tampering; Ti: tilt; V: vibration.

Management

The management team at Pointer Telocation is headed by **David Mahlab**, who has been president and CEO since 2011. Mr Mahlab was the co-founder, CEO and chairman of Scopus Video Networks and holds an MSc in electrical engineering as well as an LLB and an MBA from Tel Aviv University. CFO **Yaniv Dorani** joined Pointer in 2008 and was appointed CFO in April 2017. Prior to joining Pointer he had been employed at Medis Technologies, Delta Galil Industries and KPMG. CIO **Rami Peled** has been with Pointer since its foundation in 1998 and served as VP IT of Shagrir Systems (divested in June) as well as being a specialist in organisational systems including ERP, CRM and billing. VP sales and marketing **Joshua Rozanski** is responsible for the sales, marketing and technical support teams as well as Pointer's subsidiaries in the US and India. A qualified electrical engineer and MBA, Mr Rozanski has a background in sales at analytics and optimisation software firm TEOCO and fibre-connectivity firm Packetlight Networks.

Sensitivities

We summarise the key sensitivities for Pointer as follows:

- **Interest rates/economic growth:** Demand for MRM product sales (37% of 2015 revenue) is geared to new vehicle sales and replacement cycles, which are sensitive to interest rates and economic growth.
- **Currency sensitivity:** PNTR's US dollar earnings from operations in Israel, Brazil, Argentina and South Africa are affected by translation effects from currency volatility, which the company does not hedge. IT expenses and hardware/equipment are predominantly priced in US dollars. We assume 2% blended currency weakness against the US dollar in 2018 and 2019.
- **Shortening product lifecycle/increasing product complexity:** In recent years the product lifecycle for its MRM equipment has fallen from 3-4 years to 2-2.5 years, driven by the fast pace of product innovation. At the same time, colocation products have become more complex, requiring not only GPRS but also 3G and LTE connectivity. This increased R&D requirements.

- **Aftermarket for telematics threatened by increased integration of telematics by OEMs:** PNTR nevertheless plans to increase sales to OEMs, particularly with its CC product, which should lessen the negative impact. With fleets sourcing vehicles from a range of manufacturers, this should lead to an ongoing need for data aggregation and analytics.
- **Regulatory pressures favour company:** Increasing requirements to install telematics in fleet vehicles should lead to increased penetration in markets such as Brazil in coming years.
- **Litigation risk:** Tax authorities have made an \$11.5m claim against Pointer Brazil on the basis that the company is a telecoms company. On legal advice PNTR has not made any provision.

Valuation

Exhibit 10: Peer group valuation comparison

\$m	Main focus	Share price (LC)	Market cap (\$m)	EV/sales 1FY (x)	EV/sales 2FY (x)	EV/EBITDA 1FY (x)	EV/EBITDA 2FY (x)	P/E 1FY (x)	P/E 2FY (x)	EV/sub (\$)	Last div yield (%)	Net debt (cash)/equity
Pointer Tel.	Isr, Latam, SA, US	15.4	124	1.4	1.3	7.9	6.8	10.6	9.1	490	0.0	4.3
CalAmp	NAM	24.8	882	2.4	2.3	16.7	14.5	21.3	19.0	1,281.9	0.0	0.7
ID Systems	NAM	6.9	120	2.0	1.8	43.1	14.6	45.9	15.1	N/A	0.0	(19.1)
Ituran	Isr, Brzl, Arg	35.3	739	2.8	2.6	9.1	8.3	16.4	14.3	621.1	2.7	(30.3)
MiX Telematics	SA	166.4	338	2.3	2.1	9.2	7.7	693.5	554.8	496.4	N/A	(17.1)
ORBCOMM	US/Europe	10.4	775	3.3	3.1	17.4	12.2	(61.0)	88.6	494.0	0.0	85.9
Sierra Wireless	NAM	16.4	586	0.7	0.7	9.8	7.7	17.7	13.1	N/A	0.0	(6.1)
Trakm8 Holdings	UK	1.0	48	1.1	1.0	7.3	6.0	13.3	9.6	338.4	0.0	11.4
QUALCOMM	NAM	62.5	92,508	3.4	3.3	11.6	10.7	18.4	16.6	N/A	3.5	(55.3)
Quartix Holdings	UK	3.6	238	6.3	6.0	21.9	21.0	28.8	27.1	2,166.3	1.9	(37.6)
Telit	Global	2.4	311	0.8	0.7	9.7	7.7	58.0	19.8	N/A	3.1	12.5
Median			338	2.3	2.1	9.8	8.3	18.4	16.6	496	0.0	(6.1)
Average/median* – MCAP <\$300m			157	1.7	1.6	11.5	7.7	21.1	12.4	493	0.0	(6.4)
PNTR premium/(discount) to peers				(37.8)	(38.8)	(19.4)	(17.5)	(42.4)	(45.3)	(1.3)	N/A	N/A
PNTR premium/(discount) to peers MCAP <\$300m				(16.1)	(17.6)	(31.4)	(11.3)	(49.6)	(26.7)	(0.6)	N/A	N/A

Source: Edison Investment Research, Bloomberg. Note: *Applying median to valuation ratios to eliminate outliers, averages to all else. Priced as at 8 March 2018.

Pointer's shares currently trade on a prospective 2018 EV/EBITDA of 7.9x, or a 19% discount to the telematics sector. We have increased our valuation for Pointer based on peer comparison from \$19.3 (NIS67.8) to \$20.8 (NIS71.8) per share. This has arisen from a cut in the discount applied to median market EV/EBITDA multiples for FY1 and FY2 from 7% to zero, offset by some softening of share prices in the sector since our last valuation. Applying the median EV/EBITDA multiples of 9.8x (FY1e) and 8.3x (FY2e), respectively, to the group metrics and averaging them, gives rise to our revised valuation. Our reduced discount rate reflects our belief in the improvement in Pointer's earnings prospects over the last year as well as its underlying quality of earnings arising from the deployment of more advanced services in the market. We also believe that the stock is likely to attract increasing interest from institutional investors in the coming year as contract wins arising from new products attract more attention.

In our DCF valuation, we have maintained our previous WACC (10.2%), TGR (2.5%) and RFR (6.6%) assumptions but our valuation has increased from \$18.1 (NIS63.6) to \$21.0 (NIS72.5) per share as a result of the increase in our cash flow forecasts arising from our earnings revisions.

Financials

Earnings: Tech growth drivers and operational gearing

During 2017, SaaS subscriber numbers grew 16% to 258,000, with organic net additions growing from 26,000 in 2016 to 35,600 and the addition of 2,400 subscribers in Q417 from an acquisition

(2016: 16,000). Recurring service revenues grew 25% to \$52m, or 66% of total group revenues. This reflected acquisitions in core markets in 2016 and 2017 and a 2.6% increase in average revenues per user (ARPU), helped by increased numbers of services sold to customers and currency appreciation against the dollar in Israel, Brazil and Argentina. Product revenues grew 15% to \$26m after a weak Q4 in which revenues dropped 6% y-o-y to \$5.5m on destocking by US customers of 3G connected units, ahead of the move to LTE this year.

The gross margin on service revenues widened 2.7 percentage points to reach 57.8% in 2017 reflecting the impact of operating leverage under the cloud-based model.

Earnings outlook: CC and DBS to have an impact from 2019

Exhibit 11: Change in earnings forecast									
\$m	Revenues (\$m)			EBITDA* (\$m)			EPS (c)**		
	Old	New	% change	Old	New	% change	Old	New	% change
2018e	88.9	87.7	(1.3)	16.4	16.0	(2.2)	115.8	144.5	24.8
2019e	96.7	98.6	2.0	17.9	18.5	3.1	125.4	169.2	35.0

Source: Edison investment forecast. Note: *Normalised. **Normalised, fully diluted.

We have trimmed our revenue and EBITDA forecasts for 2018 on more conservative service ARPU assumptions reflecting the potential for the positive currency trends in 2017 to turn mildly negative. We have nevertheless increased our EPS assumption on the back of an expected reduction in the effective tax rate arising from the expected use of deferred tax assets created in 2017. We have increased our 2019 revenues and EBITDA forecasts to incorporate our assumptions of increased revenues in the CC and driver monitoring space following successful order generation in 2017.

Strategic 3-5 year revenue and EBITDA target

Pointer Telocation's management recently announced a 3-5 year target of a doubling in revenues (including acquisitions) and an increase in the group EBITDA margin to 25%. Our revised forecasts, which do not take potential acquisitions into account, anticipate revenues growing by a lower 72% between 2017 and 2022 (a CAGR of 11.4%). We nevertheless see good potential for management to achieve its targets through a continuation of its existing record of value-accretive acquisitions. In terms of the group's capacity for acquisition, with only \$2.7m in net debt at the end of 2017, there is significant potential to fund acquisitions with debt. We note that the group could spend \$29m in outlays on acquisitions, and still keep gearing at a moderate 50%. Assuming acquisitions can be achieved in line with current sector EV/revenue multiples of 1.7x for stocks with market capitalisations below \$300m, this would have the potential to add \$50m to group revenue. This in itself would give rise to an additional 64% uplift from 2017 revenues, giving a total of 136% over the next five years (a CAGR of 18.7%) or 106% over the next three years (a CAGR of 27.2%) based on our existing forecasts. We would expect synergies from the acquisitions and operating leverage from the resulting subscriber growth to provide an additional boost to EBITDA margins.

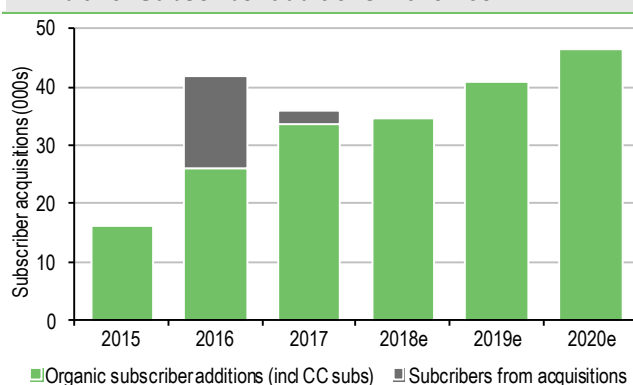
Exhibit 12: Five-year revenue forecasts incorporating Connected Car assumptions

\$m	2016	2017	2018e	2019e	2020e	2021e	2022e
CC assumptions							
Unit sales	0.0	0.0	12,390	16,893	18,162	17,909	21,076
Weighted average price (\$ per unit)	0.0	0.0	93	89	85	80	76
Change (%)	0.0	0.0	N/A	(4)	(5)	(5)	(6)
CC revenues	0.0	0.0	1.1	1.5	1.5	1.4	1.6
Change (%)	0.0	0.0	N/A	30.8	2.4	(6.7)	11.0
Product revenues, excluding CC	22.8	26.2	28.7	31.9	35.0	38.2	41.3
Change (%)	2.3	14.9	9.4	11.2	10.0	9.0	8.0
Total product revenues	22.8	26.2	29.8	33.4	36.6	39.6	42.8
Change (%)	2.3	14.9	13.8	12.0	9.7	8.3	8.1
Services revenues	41.6	52.0	57.9	65.2	74.3	82.8	91.5
Change (%)	8.5	25.0	11.4	12.6	14.0	11.3	10.6
Total group revenues	64.4	78.2	87.7	98.6	110.9	122.4	134.4
Change (%)	6.3	21.4	12.2	12.4	12.5	10.3	9.8
EBITDA normalised	9.8	13.9	16.0	18.5	21.3	23.9	26.5
EBITDA margin (%)	15.2	17.8	18.3	18.7	19.2	19.5	19.7

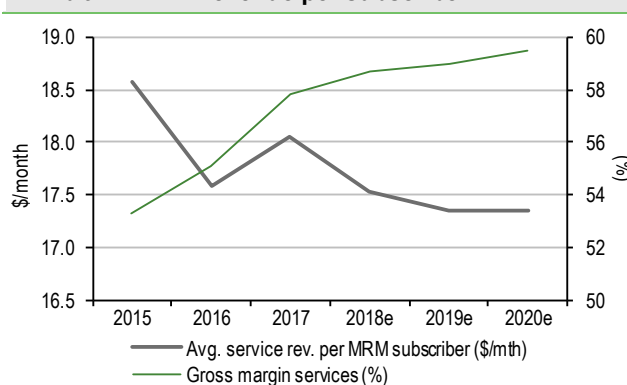
Source: Edison Investment Research

We see the key earnings drivers for the group in 2018-20 as:

- revenue per user (RPU) uplift from upselling subscriptions to driver behaviour software (DBS) to existing fleet management customers, partly offset by dilution from lower RPU subscription streams from connected car and the ride-hail market;
- Reduced pricing pressure in the product division, reflecting the increased level of analytics and ROI improvement capabilities in the product mix and the planned increase in penetration of the OEM market.
- subscriber growth impetus from recruitment of fleets to DBS/rating software, sign-ups to the CC app;
- entry into new markets outside the group's established geographies with ride-hail driver rating and CC technology to OEMs, using the cloud to onboard customers at low cost;
- the launch of new services – prospective areas are CelloTrack Nano IoT sensors as a service and also distribution logistics, which formed a part of the contract for FEMSA Coca-Cola;
- increasing EBITDA margins from high operational gearing arising from use of the cloud, giving rise to low costs per incremental subscriber addition;
- R&D averaging 5% of revenues and selling and marketing 17-20% over the next five years, reflecting the group focus on new products and their effective marketing; and
- the potential to make value-accretive acquisitions, assisted by a strong balance sheet.

Exhibit 13: Subscriber additions: 2015-20e


Source: Pointer Telocation, Edison Investment Research forecasts

Exhibit 14: MRM revenue per subscriber


Source: Pointer Telocation, Edison Investment Research forecasts

Cash flow: Core cash generation covers organic expansion

Pointer generated \$10.7m in net operating cash flow before interest expense in 2017, up from \$10.1m the previous year. With a fallback in outlays on acquisitions to zero (excluding \$1.2m in assets and subscribers acquired from a competitor) after \$8.5m in 2016, and PPE/intangible outlays of \$3.3m (2016: \$ 4.2m) easily financed by operating cash flows, the group was able to generate \$6.7m in free cash flow and repay \$5.1m in debt. Barring acquisitions (which we do not build into our model), we expect the group to remain cash-generative over our forecast period to 2020, helped by rising cash generation from subscriber growth, the benefits of operating leverage and broadly maintained levels of capex.

Balance sheet: Well positioned for value-accretive acquisitions

Pointer Telocation has a strong balance sheet, with net debt of \$2.7m at end 2017, representing a debt/equity ratio of 4%, helped by restrained acquisition activity in 2017 and strong cash flow generation in the core business. We believe that this and the group's disciplined approach to acquisitions, makes it well positioned in the event of a downturn in markets to generate free cash flows and to potentially generate additional value for shareholders by acquiring businesses from distressed competitors. In the absence of major acquisitions, we have assumed that the group will commence paying dividends in 2019 to eliminate surplus cash on the balance sheet. Naturally, if the group undertakes significant acquisitions in the meantime that reduce surplus cash balances, we will adjust our dividend expectations accordingly.

Exhibit 15: Financial summary

	\$'m	2015	2016	2017	2018e	2019e	2020e
31 December		US GAAP	US GAAP	US GAAP	US GAAP	US GAAP	US GAAP
INCOME STATEMENT							
Revenue		60.57	64.35	78.16	87.71	98.58	110.93
Cost of Sales		(31.31)	(32.58)	(37.99)	(42.47)	(47.64)	(53.43)
Gross Profit		29.25	31.78	40.17	45.24	50.93	57.50
EBITDA		8.80	9.76	13.89	16.01	18.47	21.31
Normalised operating profit		7.10	7.64	11.43	12.79	14.61	16.77
Amortisation of acquired intangibles		(0.54)	(0.47)	(0.46)	(0.41)	(0.36)	(0.33)
Exceptionals		(0.91)	(0.60)	(0.28)	(0.10)	0.00	0.00
Share-based payments (incl. in COGS)		(0.31)	(0.32)	(0.38)	(0.39)	(0.40)	(0.40)
Reported operating profit		5.34	6.25	10.31	11.90	13.85	16.04
Net Interest		(0.73)	(1.05)	(1.00)	(0.81)	(0.51)	(0.34)
Joint ventures & associates (post tax)/other		(0.01)	(0.01)	(0.01)	0.00	0.00	0.00
Exceptionals		0.00	0.00	0.00	0.00	0.00	0.00
Profit before tax (norm)		6.36	6.59	10.42	11.99	14.11	16.44
Profit before tax (reported)		4.60	5.19	9.30	11.09	13.35	15.71
Reported tax		(1.13)	(1.85)	7.22	(2.44)	(2.94)	(3.46)
Profit after tax (norm)		5.23	6.46	9.43	11.99	14.11	16.44
Profit after tax (reported)		3.47	3.35	16.52	8.65	10.41	12.25
Minority interests		0.08	(0.02)	0.00	0.00	0.00	0.00
Discontinued operations		0.33	0.15	0.00	0.00	0.00	0.00
Net income (normalised)		5.30	6.44	9.43	11.99	14.11	16.44
Net income (reported)		3.87	3.48	16.52	8.65	10.41	12.25
Basic average number of shares outstanding (m)		7.73	7.82	8.00	8.06	8.06	8.06
EPS – basic normalised (\$)		0.69	0.82	1.18	1.49	1.75	2.04
EPS – diluted normalised (\$)		0.67	0.81	1.16	1.45	1.69	1.96
EPS – basic reported (\$)		0.50	0.44	2.07	1.07	1.29	1.52
Dividend (\$)		0.00	0.00	0.00	0.00	0.42	0.49
Revenue growth (%)		N/A	6.25	21.45	12.23	12.38	12.53
Gross margin (%)		48.30	49.38	51.40	51.58	51.67	51.83
EBITDA margin (%)		14.52	15.16	17.78	18.25	18.74	19.21
Normalised operating margin (%)		11.71	11.87	14.63	14.59	14.82	15.12
BALANCE SHEET							
Fixed assets		68.78	51.61	64.01	63.44	62.19	60.36
Intangible assets		31.83	40.29	42.95	42.74	42.58	42.25
Tangible assets		3.28	5.61	5.85	7.67	9.23	10.85
Investments & other		33.67	5.71	15.22	13.04	10.39	7.26
Current assets		34.66	25.28	30.45	38.47	53.02	66.93
Stocks		4.70	5.24	6.55	7.32	8.22	9.21
Debtors		9.49	11.46	13.66	15.33	17.23	19.39
Cash & cash equivalents		7.25	6.07	7.38	12.86	24.54	35.20
Other		13.21	2.50	2.87	2.95	3.04	3.13
Current liabilities		(30.45)	(19.83)	(21.20)	(22.12)	(24.33)	(26.84)
Creditors		(9.82)	(13.96)	(15.21)	(17.04)	(19.13)	(21.49)
Short-term borrowings		(4.82)	(4.84)	(5.10)	(4.08)	(4.08)	(4.08)
Other		(15.81)	(1.04)	(0.89)	(1.00)	(1.12)	(1.26)
Long-term liabilities		(17.95)	(14.36)	(9.85)	(7.05)	(7.26)	(7.48)
Long-term borrowings		(8.39)	(10.18)	(5.02)	(2.02)	(2.02)	(2.02)
Other long-term liabilities		(9.57)	(4.18)	(4.83)	(5.03)	(5.24)	(5.46)
Net assets		55.04	42.69	63.42	72.74	83.62	92.98
Minority interests		1.07	(0.16)	(0.28)	(0.28)	(0.28)	(0.28)
Shareholders' equity		56.10	42.53	63.13	72.45	83.34	92.69
CASH FLOW							
Operating cash flow before WC and tax		8.80	10.23	14.36	16.42	18.83	21.63
Working capital		0.77	0.41	(2.14)	(0.59)	(0.67)	(0.74)
Exceptional & other		3.12	(0.43)	(0.71)	(0.51)	(0.36)	(0.33)
Tax		0.18	(0.12)	(0.80)	0.00	0.00	0.00
Net operating cash flow		12.87	10.08	10.71	15.33	17.80	20.56
Capex		(3.62)	(4.13)	(3.03)	(5.23)	(5.89)	(6.69)
Acquisitions/disposals		0.00	(8.65)	(0.23)	(0.20)	(0.20)	0.00
Net interest		(0.89)	(1.05)	(1.00)	(0.81)	(0.51)	(0.34)
Equity financing		0.02	0.10	0.39	0.00	0.00	0.00
Dividends		0.00	0.00	0.00	0.00	0.00	(3.41)
Other, incl. PPE sales		1.26	1.11	(0.10)	0.42	0.47	0.54
Net cash flow		9.63	(2.54)	6.74	9.50	11.68	10.66
Opening net debt/(cash)		11.90	5.95	8.95	2.74	(6.76)	(18.44)
FX		(0.71)	(0.46)	(0.53)	0.00	0.00	0.00
Other non-cash movements		(2.97)	0.00	0.00	0.00	0.00	0.00
Closing net debt/(cash)		5.95	8.95	2.74	(6.76)	(18.44)	(29.10)

Source: Edison Investment Research, Pointer Telocation

Contact details	Revenue by geography (2017)
4 Hamelacha Street Rosh Ha'ayin Israel 48091 +972-3-5723111 www.pointer.com	N/A
Management team	
Chairman: Yossi Ben-Shalom	CEO: David Mahlab
Yossi Ben-Shalom has served as chairman of the board of directors since April 2003. He was executive vice president and chief financial officer of Koor Industries (KOR) from 1998 through 2000, before that serving as CFO of Tadiran. Mr Ben-Shalom was an active director in numerous boards, such as at NICE Systems (NICE) (computer telephony), Machteshim Agan (chemistry), and Investec Bank, among others, and has been an active chairman in successful turnaround programmes, such as Eurocar Israel, and American Express Israel. He is also a cofounder of DBSI Investments. Mr Ben-Shalom holds a BA in economics and an MA in business management from Tel Aviv University.	David Mahlab has served as CEO since January 2011. Prior to this, he served as an independent business developer. Mr Mahlab is the cofounder of Scopus Video Networks, a company formerly traded on the NASDAQ market, and served as its CEO from 1995 until January 2007 and its chairman of the board from January 2007 until March 2009. Mr Mahlab holds a BSc and an MSc in electrical engineering from the Technion Israel Institute of Technology, an MBA from Tel Aviv University and an LLB from Tel Aviv University.
CFO: Yaniv Dorani	CIO: Rami Peled
Yaniv Dorani, was appointed CFO in April 2017, having joined Pointer in 2008. He served as VP Finance of the Cellocator division and Pointer Israel from 2014, prior to which he served as the finance manager of the Cellocator division. Prior to joining Pointer, Mr Dorani served as corporate controller at Medis Technologies and assistant controller at Delta Galil Industries. Before joining Delta Galil, Mr Dorani was a senior auditor for accounting firm KPMG in Israel. Mr Dorani has a BA in economics and accounting, CPA certification and an MBA from Bar Ilan University in Tel Aviv.	Chief Information Officer Rami Peled has been with Pointer in Israel since its foundation in 1998. He has fulfilled various positions, the last as VP IT of Shagrir Systems (Now Pointer Israel). Rami is a graduate of Tel Aviv Uni., and specializes in Organizational Systems including ERP, CRM & Billing at Operation Companies such as the Cable Television Industry which Rami has been one of its CIO pioneers.
VP sales and marketing: Joshua Rozanski	
Joshua (Shuki) Rozanski joined Pointer as VP sales and marketing in September 2014. Mr Rozanski is responsible for the sales, marketing and technical support teams as well as the subsidiaries in the US and India. Prior to joining Pointer, Mr Rozanski held VP worldwide sales positions in TEOCO and in Packetlight Networks and prior to that served in various sales, marketing and BD positions in TTI Telecom and ECI Telecom. Mr Rozanski holds a BSc in electronics engineering from the Jerusalem College of Technology and an MBA from Bar Ilan University.	
Principal shareholders	(%)
DBSI Investments	28.9%
Noked Capital	8.5%
Yelin Lapidot Holdings Mgmt	4.5%
Gandyr Investments	4.2%
Renaissance Technologies LLC	2.9%
More Asset Management	2.3%
Delek Group	2.0%
Companies named in this report	
CalAmp, ID Systems, Ituran, MiX Telematics, Orbcomm, Sierra Wireless, Trakm8 Holdings, Qualcomm, Quartix Holdings, Telit	

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