

MiX Telematics Reports First Quarter 2021 U.S. GAAP Financial Results

7/30/2020

First Quarter Highlights:

- Subscription revenues of \$25.9 million, representing 94% of revenue
- Net subscriber base of over 787,000 subscribers
- Net income of \$2.4 million
- Adjusted EBITDA of \$7.5 million, or a 27.1% Adjusted EBITDA margin
- Net cash provided by operating activities of \$9.4 million leading to positive free cash flow of \$7.2 million
- Cash and cash equivalents of \$24.5 million at quarter end

MIDRAND, South Africa & BOCA RATON, Fla.--(BUSINESS WIRE)-- MiX Telematics Limited (NYSE: MIXT)(JSE: MIX), a leading global provider of fleet and mobile asset management solutions delivered as Software-as-a-Service ("SaaS"), today announced financial results, in accordance with accounting principles generally accepted in the United States ("GAAP"), for the first quarter ended June 30, 2020.

"MiX Telematics' first quarter performance was relatively solid given the challenges presented by the COVID-19 pandemic. I am pleased by the progress we made on our three core goals this year of providing the best-in-class software and support to our customers, preserving profitability and continuing to invest in our strategic growth initiatives." said Stefan Joselowitz, Chief Executive Officer of MiX Telematics.

Joselowitz continued, "Although the near-term demand environment is difficult and uncertain, we are encouraged by the strong activity we see in our pipeline. We continue to believe that our comprehensive fleet management platform is a high-ROI and mission critical investment for many companies."

Financial Performance for the Three Months Ended June 30, 2020

Subscription Revenues: Subscription revenues were \$25.9 million, a decrease of 18.2% compared to \$31.6

million for the first quarter of fiscal 2020. Subscription revenues represented 94.1% of total revenues during the first quarter of fiscal 2021. Subscription revenues decreased by 6.1% on a constant currency basis, year over year. The decline in constant currency subscription revenue was primarily due to the impact of pricing concessions granted to customers combined with contraction in the Company's subscriber base as a result of economic conditions attributable to the COVID-19 pandemic. During the current quarter, the Company's subscriber base contracted by 30,700 subscribers.

The majority of our revenues and subscription revenues are derived from currencies other than the U.S. Dollar. Accordingly, the strengthening of the U.S. Dollar against these currencies (in particular against the South African Rand) following currency volatility arising from the economic disruption caused by COVID-19, has negatively impacted our revenue and subscription revenues reported in U.S. Dollars. Compared to the first quarter of fiscal year 2020, the South African Rand weakened by 25% against the U.S. Dollar. The Rand/U.S. Dollar exchange rate averaged R17.97 in the first quarter of fiscal year 2021 compared to an average of R14.38 during the first quarter of fiscal year 2020. The impact of translating foreign currencies to U.S. Dollars at the average exchange rates during the first quarter of fiscal 2020 led to a 12.1% reduction in reported U.S. Dollar subscription revenues.

Total Revenues: Total revenues were \$27.5 million, a decrease of 24.2% compared to \$36.3 million for the first quarter of fiscal 2020. Total revenues decreased by 13.4% on a constant currency basis, year over year. Hardware and other revenues were \$1.6 million, a decrease of 65.1%, compared to \$4.6 million for the first quarter of fiscal 2020 as a result of a global economic slowdown following the disruption caused by the COVID-19 pandemic.

The impact of translating foreign currencies to U.S. Dollars at the average exchange rates during the first quarter of fiscal 2020 led to a 10.8% reduction in reported U.S. Dollar revenues.

Gross Margin: Gross profit was \$18.9 million, compared to \$24.1 million for the first quarter of fiscal 2020. Gross profit margin was 68.8%, compared to 66.3% for the first quarter of fiscal 2020.

Income From Operations: Income from operations was \$2.7 million, compared to \$5.7 million for the first quarter of fiscal 2020. Operating income margin was 9.8%, compared to 15.7% for the first quarter of fiscal 2020. Operating expenses of \$16.2 million decreased by \$2.1 million, or 11.6%, compared to the first quarter of fiscal 2020.

Net Income and Earnings Per Share: Net income was \$2.4 million, compared to net income of \$5.0 million in the first quarter of fiscal 2020. Net income included a net foreign exchange loss of \$0.1 million before tax, as well as a \$0.7 million deferred tax credit on a U.S. Dollar intercompany loan between MiX Limited and MiX Investments, a wholly-owned subsidiary of the Company. During the first quarter of fiscal 2020, net income included a net foreign exchange gain of \$0.05 million and a \$0.5 million deferred tax credit on a U.S. Dollar intercompany loan between MiX Limited and MiX Investments.

Earnings per diluted ordinary share was 0.4 U.S. cents, compared to 1 U.S. cent in the first quarter of fiscal 2020. For the first quarter of fiscal 2021 the calculation was based on diluted weighted average ordinary shares in issue of 558.7 million compared to 579.2 million diluted weighted average ordinary shares in issue during the first quarter of fiscal 2020. On a ratio of 25 ordinary shares to one American Depositary Share (“ADS”), earnings per diluted ADS was 11 U.S. cents compared to 21 U.S. cents in the first quarter of fiscal 2020.

The Company's effective tax rate was 3.7%, compared to 18.6% in the first quarter of fiscal 2020. Ignoring the impact of net foreign exchange gains and losses net of tax, the tax rate which was used in determining non-GAAP net income below, was 30.2% compared to 27.4% in the first quarter of fiscal 2020.

Adjusted EBITDA: Adjusted EBITDA, a non-GAAP measure, was \$7.5 million, compared to \$10.1 million for the first quarter of fiscal 2020. Adjusted EBITDA margin, a non-GAAP measure, for the first quarter of fiscal 2021 was 27.1%, compared to 27.7% for the first quarter of fiscal 2020.

Non-GAAP Net Income and Net Income Per Share: Non-GAAP net income was \$1.8 million, compared to \$4.4 million for the first quarter of fiscal 2020. Non-GAAP net income per diluted ordinary share was 0.3 U.S. cents, compared to 1 U.S. cent in the first quarter of fiscal 2020. At a ratio of 25 ordinary shares to one ADS, the non-GAAP net income per diluted ADS was 8 U.S. cents compared to 19 U.S. cents in the first quarter of fiscal 2020.

Cash Flow: At June 30, 2020, the Company had \$24.5 million of cash and cash equivalents, compared to \$18.0 million at March 31, 2020.

Net cash provided by operating activities for the three months ended June 30, 2020 was \$9.4 million and the Company invested \$2.1 million in capital expenditures (including investments in in-vehicle devices of \$1.0 million), leading to free cash flow, a non-GAAP measure, of \$7.2 million in the quarter. The Company generated free cash flow of \$0.6 million for the first quarter of fiscal 2020 when the Company invested \$3.6 million in in-vehicle devices.

The Company utilized \$1.1 million in financing activities for the first quarter of fiscal 2021, compared to \$2.2 million utilized during the first quarter of fiscal 2020. The cash utilized in financing activities during the first quarter of fiscal 2021 mainly consisted of dividends paid of \$1.2 million. The cash utilized in financing activities during the first quarter of fiscal 2020 consisted of dividends paid of \$1.6 million and a repayment in short-term debt of \$0.6 million.

Quarterly Dividend

The most recent dividend payment of 4 South African cents (0.2 U.S. cents) per ordinary share and 1 South African Rand (6 U.S. cents) per ADS was paid on June 22, 2020 to shareholders on record on June 19, 2020. A dividend of 4 South African cents per ordinary share and 1 South African Rand per ADS will be paid on September 8, 2020 to shareholders on record as of the close of business on August 21, 2020.

The details with respect to the dividends declared for holders of our ADSs are as follows:

Ex dividend on New York Stock Exchange (NYSE)
Record date
Approximate date of currency conversion
Approximate dividend payment date

Thursday, August 20, 2020
Friday, August 21, 2020
Monday, August 24, 2020
Tuesday, September 8, 2020

Share Repurchases

No shares were repurchased during the three months ended June 30, 2020.

Business Outlook

Due to the uncertainty surrounding the level of business disruption as a result of the spread of COVID-19, the Company is suspending its practice of issuing financial guidance for the full 2021 fiscal year and the second quarter of fiscal 2021.

Conference Call Information

MiX Telematics management will also host a conference call and audio webcast at 8:00 a.m. (Eastern Daylight Time) and 2:00 p.m. (South African Time) on Thursday, July 30, 2020 to discuss the Company's financial results and current business outlook:

- The live webcast of the call will be available at the "Investor Information" page of the Company's website, <http://investor.mixtelematics.com>.
- To access the call, dial +1-877-451-6152 (within the United States) or 0 800 983 831 (within South Africa) or +1-201-389-0879 (outside of the United States). The conference ID is 13706978.
- A replay of this conference call will be available for a limited time at +1-844-512-2921 (within the United States) or +1-412-317-6671 (within South Africa or outside of the United States). The replay conference ID is 13706978.
- A replay of the webcast will also be available for a limited time at <http://investor.mixtelematics.com>.

About MiX Telematics Limited

MiX Telematics is a leading global provider of fleet and mobile asset management solutions delivered as SaaS to customers managing over 787,000 assets in approximately 120 countries. The Company's products and services provide enterprise fleets, small fleets and consumers with solutions for safety, efficiency, risk and security. MiX Telematics was founded in 1996 and has offices in South Africa, the United Kingdom, the United States, Uganda, Brazil, Australia, Romania, Thailand and the United Arab Emirates as well as a network of more than 130 fleet partners worldwide. MiX Telematics shares are publicly traded on the Johannesburg Stock Exchange (JSE: MIX) and MiX Telematics American Depositary Shares are listed on the New York Stock Exchange (NYSE: MIXT). For more

information visit www.mixtelematics.com.

Forward-Looking Statements

This press release includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, statements regarding our position to execute on our growth strategy, and our ability to expand our leadership position. These forward-looking statements include, but are not limited to, Company's beliefs, plans, goals, objectives, expectations, assumptions, estimates, intentions, future performance, other statements that are not historical facts and statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” or words of similar meaning. Forward-looking statements also include statements regarding the projected impact of the recent global outbreak of COVID-19 on our business activities, operating results, cash flows and financial position. These forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in, or suggested by, these forward-looking statements are reasonable, we can give no assurance that the plans, intentions, expectations or strategies will be attained or achieved.

Furthermore, actual results may differ materially from those described in the forward-looking statements and will be affected by a variety of known and unknown risks and uncertainties, some of which are beyond our control including, without limitation:

- our ability to attract, sell to and retain customers;
- the severity and duration of the COVID-19 pandemic, the pandemic's economic impact on the geographical locations of our regional service organizations and central service organization, the impact of the pandemic on our customers' ability to meet their financial obligations, our ability to implement cost containment and business recovery strategies during the pandemic, local and foreign government regulations implemented to combat the pandemic and any future developments on the pandemic;
- our ability to improve our growth strategies successfully, including our ability to increase sales to existing customers;
- our ability to adapt to rapid technological change in our industry;
- competition from industry consolidation;
- loss of key personnel or our failure to attract, train and retain other highly qualified personnel;
- our ability to integrate any businesses we acquire;
- the introduction of new solutions and international expansion;
- our dependence on key suppliers and vendors to manufacture our hardware;
- our dependence on our network of dealers and distributors to sell our solutions;
- businesses may not continue to adopt fleet management solutions;
- our future business and system development, results of operations and financial condition;

- expected changes in our profitability and certain cost or expense items as a percentage of our revenue;
- changes in the practices of insurance companies;
- the impact of laws and regulations relating to the Internet and data privacy;
- our ability to protect our intellectual property and proprietary technologies and address any infringement claims;
- our ability to defend ourselves from litigation or administrative proceedings relating to labor, regulatory, tax or similar issues;
- significant disruption in service on, or security breaches of, our websites or computer systems;
- our dependence on third-party technology;
- fluctuations in the value of the South African Rand;
- economic, social, political, labor and other conditions and developments in South Africa and globally;
- our ability to issue securities and access the capital markets in the future; and
- other risks set forth in our filings with the U.S. Securities Exchange Commission.

We assume no obligation to update any forward-looking statements contained in this press release and expressly disclaim any obligation to do so, whether as a result of new information, future events or otherwise, except as required by law.

Use of Non-GAAP Financial Measures

This press release and the accompanying tables include references to Adjusted EBITDA, non-GAAP net income, non-GAAP earnings per share, free cash flow and constant currency, which are non-GAAP financial measures. For a description of these non-GAAP financial measures, including the reasons management uses these measures, please see Annexure A titled "Non-GAAP Financial Measures". A reconciliation of these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP is provided in Annexure A.

MIX TELEMATICS LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(Unaudited)

	March 31, 2020	June 30, 2020
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ASSETS

Current assets:

Cash and cash equivalents	\$ 17,953	\$ 24,513
Restricted cash	699	757
Accounts receivables, net	24,100	21,554
Inventory, net	3,271	3,674
Prepaid expenses and other current assets	7,375	6,774
Total current assets	53,398	57,272
Property and equipment, net	30,019	28,317
Goodwill	37,923	38,825
Intangible assets, net	15,007	15,772
Deferred tax assets	3,108	3,533
Other assets	4,200	4,009

Total assets	<u>\$143,655</u>	<u>\$147,728</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 2,367	\$ 2,550
Accounts payables	5,251	4,299
Accrued expenses and other liabilities	14,839	17,860
Deferred revenue	5,077	4,563
Total current liabilities	<u>27,534</u>	<u>29,272</u>
Deferred tax liabilities	11,436	10,537
Long-term accrued expenses and other liabilities	5,660	5,312
Total liabilities	<u>44,630</u>	<u>45,121</u>
Stockholders' equity:		
MiX Telematics Limited stockholders' equity		
Preferred stock: 100 million shares authorized but not issued	—	—
Common stock: 600.9 million and 601.0 million no-par value shares issued and outstanding as of March 31, 2020 and June 30, 2020, respectively	66,522	66,522
Less treasury stock at cost: 54 million shares as of March 31, 2020 and June 30, 2020	(17,315)	(17,315)
Retained earnings	67,482	68,687
Accumulated other comprehensive loss	(11,070)	(8,986)
Additional paid-in capital	(6,599)	(6,306)
Total MiX Telematics Limited stockholders' equity	<u>99,020</u>	<u>102,602</u>
Non-controlling interest	5	5
Total stockholders' equity	<u>99,025</u>	<u>102,607</u>
Total liabilities and stockholders' equity	<u>\$143,655</u>	<u>\$147,728</u>

MIX TELEMATICS LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,	
	2019	2020
Revenue		
Subscription	\$ 31,638	\$ 25,875
Hardware and other	4,645	1,622
Total revenue	<u>36,283</u>	<u>27,497</u>
Cost of revenue		
Subscriptions	9,295	7,349
Hardware and other	2,933	1,229
Total cost of revenue	<u>12,228</u>	<u>8,578</u>
Gross profit	24,055	18,919
Operating expenses		
Sales and marketing	3,581	2,746
Administration and other	14,786	13,491
Total operating expenses	<u>18,367</u>	<u>16,237</u>
Income from operations	5,688	2,682
Other income/(expense)	375	(98)
Net interest income/(expense)	73	(70)
Income before income tax expense	6,136	2,514
Income tax expense	1,140	92
Net income	<u>4,996</u>	<u>2,422</u>
Less: Net income attributable to non-controlling interest	—	—
Net income attributable to MiX Telematics Limited	<u>\$ 4,996</u>	<u>\$ 2,422</u>
Net income per ordinary share:		
Basic	\$ 0.01	\$ 0.004
Diluted	\$ 0.01	\$ 0.004
Net income per American Depositary Share:		
Basic	\$ 0.22	\$ 0.11
Diluted	\$ 0.21	\$ 0.11
Ordinary shares:		
Weighted average	562,060	547,124
Diluted weighted average	579,241	558,702
American Depositary Shares:		
Weighted average	22,482	21,885
Diluted weighted average	23,170	22,348

MIX TELEMATICS LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended June 30,	
	2019	2020
Cash flows from operating activities:		
Cash generated from operations	\$ 5,775	\$ 9,189
Interest received	218	112
Interest paid	(59)	(83)
Income tax (paid)/received	(203)	139
Net cash provided by operating activities	5,731	9,357
Cash flows from investing activities:		
Acquisition of property and equipment - in-vehicle devices	(3,605)	(992)
Acquisition of property and equipment - other	(231)	(84)
Proceeds from the sale of property and equipment	29	—
Acquisition of intangible assets	(1,340)	(1,044)
Net cash used in investing activities	(5,147)	(2,120)
Cash flows from financing activities:		
Cash paid on dividends to MiX Telematics stockholders	(1,554)	(1,216)
Movement in short-term debt	(596)	147
Net cash used in financing activities	(2,150)	(1,069)
Net (decrease)/increase in cash and cash equivalents, and restricted cash	(1,566)	6,168
Cash and cash equivalents, and restricted cash at beginning of the period	27,838	18,652
Effect of exchange rate changes on cash and cash equivalents, and restricted cash	376	450
Cash and cash equivalents, and restricted cash at end of the period	\$ 26,648	\$ 25,270

Segment Information

Our operating segments are based on the geographical location of our Regional Sales Offices (“RSOs”) and also include our Central Services Organization (“CSO”). CSO is our central services organization that wholesales our products and services to our RSOs who, in turn, interface with our end-customers, distributors and dealers. CSO is also responsible for the development of our hardware and software platforms and provides common marketing, product management, technical and distribution support to each of our other operating segments.

Each RSO’s results reflect the external revenue earned, as well as its performance before the remaining CSO and corporate costs allocations. Segment performance is measured and evaluated by the chief operating decision maker (“CODM”) using Segment Adjusted EBITDA, which is a measure which uses net income, determined under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board, as a starting point. Prior to the publication of the financial results for the year ended March 31, 2020, the Company published results under IFRS only, which is the reason for the CODM using a performance measure based on IFRS.

The segment information provided to the CODM is as follows (in thousands and unaudited):

	Three Months Ended June 30, 2019			
	Subscription Revenue	Hardware and Other Revenue	Total Revenue	Segment Adjusted EBITDA
Regional Sales Offices				
Africa	\$ 17,686	\$ 1,381	\$ 19,067	\$ 8,357

Europe	2,787	557	3,344	1,071
Americas	5,662	886	6,548	2,358
Middle East and Australasia	4,261	1,623	5,884	2,754
Brazil	1,217	161	1,378	623
Total Regional Sales Offices	31,613	4,608	36,221	15,163
Central Services Organization	25	37	62	(2,645)
Total Segment Results	\$ 31,638	\$ 4,645	\$ 36,283	\$ 12,518

	Three Months Ended June 30, 2020			
	Subscription Revenue	Hardware and Other Revenue	Total Revenue	Segment Adjusted EBITDA
Regional Sales Offices				
Africa	\$ 13,923	\$ 601	\$ 14,524	\$ 7,245
Europe	2,850	134	2,984	1,302
Americas	4,175	155	4,330	1,408
Middle East and Australasia	3,881	709	4,590	1,918
Brazil	1,031	23	1,054	410
Total Regional Sales Offices	25,860	1,622	27,482	12,283
Central Services Organization	15	—	15	(1,863)
Total Segment Results	\$ 25,875	\$ 1,622	\$ 27,497	\$ 10,420

The following table (unaudited and shown in thousands) reconciles total Segment Adjusted EBITDA to income before tax expense for the periods shown:

	Three Months Ended June 30,	
	2019	2020
Segment Adjusted EBITDA	\$ 12,518	\$ 10,420
Corporate and consolidation entries	(1,756)	(2,330)
Operating lease costs (1)	(308)	(392)
Product development costs (2)	(391)	(243)
Depreciation and amortization	(4,252)	(3,628)
Stock-based compensation costs	(111)	(293)
Increase in restructuring costs (3)	—	(844)
Net profit/(loss) on sale of property and equipment	316	(1)
Net foreign exchange gains/(losses)	47	(105)
Net interest income/(expense)	73	(70)
Income before tax expense	\$ 6,136	\$ 2,514

Description of reconciling items:

- For the purposes of calculating Segment Adjusted EBITDA, operating leases have been capitalized, except for leases with a term of no more than 12 months or leases of low value assets. Where operating leases are capitalized for segment purposes, the amortization of the right-of-use asset, and the interest on the operating lease liability are excluded from the Segment Adjusted EBITDA. Therefore, in order to reconcile Segment Adjusted EBITDA to income before taxes, the total lease expense in respect of operating leases needs to be deducted.
- For segment reporting purposes, product development costs, which do not meet the capitalization requirements under ASC 730 Research and Development or under ASC 985 Software, are capitalized and amortized. The amortization is excluded from Segment Adjusted EBITDA. In order to reconcile Segment Adjusted EBITDA to net income before taxes, product development costs capitalized for segment reporting purposes need to be deducted.
- \$0.6 million and \$0.2 million of the restructuring costs related to the Central Service Organization (CSO) and the Africa reporting segment, respectively.

Annexure A: Non-GAAP Financial Measures

We use certain measures to assess the financial performance of the business. Certain of these measures are termed “non-GAAP measures” because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measure calculated and presented in accordance with GAAP, or are calculated using financial measures that are not calculated in accordance with GAAP. These non-GAAP measures include Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income and non-GAAP net income per share, free

cash flow and constant currency.

An explanation of the relevance of each of the non-GAAP measures, a reconciliation of the non-GAAP measures to the most directly comparable measures calculated and presented in accordance with GAAP and a discussion of their limitations is set out below. We do not regard these non-GAAP measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with GAAP or those calculated using financial measures that are calculated in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA margin are two of the profit measures reviewed by the chief operating decision maker ("CODM"). We define Adjusted EBITDA as the income before income taxes, net interest income, net foreign exchange gains/(losses), depreciation of property and equipment including capitalized customer in-vehicle devices, amortization of intangible assets including capitalized internal-use software development costs and intangible assets identified as part of a business combination, stock-based compensation costs, restructuring costs and profits/(losses) on the disposal or impairments of assets or subsidiaries. We define Adjusted EBITDA margin as Adjusted EBITDA divided by total revenue.

We have included Adjusted EBITDA and Adjusted EBITDA margin in this press release because they are key measures that the Company's management and Board of Directors use to understand and evaluate its core operating performance and trends; to prepare and approve its annual budget; and to develop short and long-term operational plans. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA and Adjusted EBITDA margin can provide a useful measure for period-to-period comparisons of the Company's core business. Accordingly, the Company believes that Adjusted EBITDA and Adjusted EBITDA margin provide useful information to investors and others in understanding and evaluating its operating results.

A reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure presented in accordance with GAAP, for the periods shown is presented below (in thousands and unaudited):

	Three Months Ended June 30,	
	2019	2020
Net income	\$ 4,996	\$ 2,422
Plus: Income tax expense	1,140	92
(Less)/plus: Net interest (income)/expense	(73)	70
(Less)/plus: Foreign exchange (gains)/losses	(47)	105
Plus: Depreciation (1)	3,277	2,836
Plus: Amortization (2)	975	792
Plus: Stock-based compensation costs	111	293
(Less)/plus: Net (profit)/loss on sale of property and equipment	(316)	1
Plus: Restructuring costs	—	844
Adjusted EBITDA	\$ 10,063	\$ 7,455
Adjusted EBITDA margin	27.7%	27.1%

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1. Includes depreciation of owned property and equipment (including in-vehicle devices).
 2. Includes amortization of intangible assets (including intangible assets identified as part of a business combination).

Our use of Adjusted EBITDA and Adjusted EBITDA margin have limitations as analytical tools, and you should not consider these performance measures in isolation from, or as a substitute for, analysis of our results as reported under GAAP.

Some of these limitations are:

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the potentially dilutive impact of equity-based compensation;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to the Company;
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure; and
- certain of the adjustments (such as restructuring costs, impairment of long-lived assets and others) made in calculating Adjusted EBITDA are those that management believes are not representative of our underlying operations and, therefore, are subjective in nature.

Because of these limitations, you should consider Adjusted EBITDA and Adjusted EBITDA margin alongside other financial performance measures, including income from operations, net income and our other results.

Non-GAAP Net Income and Non-GAAP Net Income Per Share

Non-GAAP net income is defined as net income excluding net foreign exchange gains/(losses) net of tax.

We have included non-GAAP net income per share in this press release because it provides a useful measure for period-to-period comparisons of our core business by excluding net foreign exchange gains/(losses) net of tax and associated tax consequences from earnings. Accordingly, we believe that non-GAAP net income per share provides useful information to investors and others in understanding and evaluating our operating results.

The following tables (in thousands, except per share data, and unaudited) reconcile Net Income to Non-GAAP Net Income and Diluted Net Income Per Ordinary Share or ADS to Non-GAAP Net Income Per Ordinary Share or ADS for the periods shown:

	Three Months Ended June 30,	
	2019	2020
Net income	\$ 4,996	\$ 2,422
Net foreign exchange (gains)/losses	(47)	105
Income tax effect of net foreign exchange gains	(532)	(698)
Non-GAAP net income	\$ 4,417	\$ 1,829
Net income per ordinary share - diluted	\$ 0.01	\$ 0.004
Effect of net foreign exchange (gains)/losses to net income	#	#
Income tax effect of net foreign exchange gains	#	(0.001)
Non-GAAP net income per ordinary share - diluted	\$ 0.01	\$ 0.003
Net income per ADS - diluted	\$ 0.21	\$ 0.11
Effect of net foreign exchange (gains)/losses to net income	#	#
Income tax effect of net foreign exchange gains	(0.02)	(0.03)
Non-GAAP net income per ADS - diluted	\$ 0.19	\$ 0.08

Amount less than \$0.001 (2019: \$0.01)

Free Cash Flow

Free cash flow is determined as net cash provided by operating activities less capital expenditure for investing activities. We believe that free cash flow provides useful information to investors and others in understanding and evaluating the Company's cash flows as it provides detail of the amount of cash the Company generates or utilizes after accounting for all capital expenditures including investments in in-vehicle devices.

The following table (in thousands and unaudited) reconciles Net Cash Provided by Operating Activities to Free Cash Flow for the periods shown:

	Three Months Ended June 30,	
	2019	2020
Net cash provided by operating activities	\$ 5,731	\$ 9,357
Less: Capital expenditure payments	(5,176)	(2,120)
Free cash flow	\$ 555	\$ 7,237

Constant Currency

Constant currency information has been presented to illustrate the impact of changes in currency rates on the Company's results. The constant currency information has been determined by adjusting the current financial reporting period results to the prior period average exchange rates, determined as the average of the monthly exchange rates applicable to the period. The measurement has been performed for each of the Company's currencies, including the South African Rand and British Pound. The constant currency growth percentage has been calculated by utilizing the constant currency results compared to the prior period results.

The constant currency information represents non-GAAP information. We believe this provides a useful basis to measure the performance of our business as it removes distortion from the effects of foreign currency movements during the period.

Due to the significant portion of our customers who are invoiced in non-U.S. Dollar denominated currencies, we also calculate our subscription revenue growth rate on a constant currency basis, thereby removing the effect of currency fluctuation on our results of operations.

The following tables (in thousands, except year over year change) provide the unaudited constant currency reconciliation to the most directly comparable GAAP measure for the periods shown:

Subscription Revenue:

	Three Months Ended June 30,		Year Over Year Change
	2019	2020	
Subscription revenue as reported	\$ 31,638	\$ 25,875	(18.2)%
Conversion impact of U.S. Dollar/other currencies	—	3,833	12.1%
Subscription revenue on a constant currency basis	\$ 31,638	\$ 29,708	(6.1)%

Total Revenue:

	Three Months Ended June 30,		Year Over Year Change
	2019	2020	
Total revenue as reported	\$ 36,283	\$ 27,497	(24.2)%
Conversion impact of U.S. Dollar/other currencies	—	3,924	10.8%
Total revenue on a constant currency basis	\$ 36,283	\$ 31,421	(13.4)%

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