

ITURAN LOCATION AND CONTROL LTD. PRESENTS RESULTS FOR THE FOURTH QUARTER AND FULL YEAR OF 2019

AZOUR, Israel – March 4, 2020 – Ituran Location and Control Ltd. (NASDAQ: ITRN), today announced its consolidated financial results for the fourth quarter and full year ended December 31, 2019.

Highlights of full year 2019

- Number of subscribers increased to 1,781,000 at year-end;
- Revenue of \$279.3 million;
- Adjusted EBITDA of \$76.7 million;
- Generated \$59.7 million in full year operating cash flow;
- Total dividends of \$20 million declared to shareholders for 2019;

Highlights of the fourth quarter of 2019

- Revenue of \$65.5 million;
- Adjusted EBITDA of \$16.5 million;
- Generated \$17.0 million in quarterly operating cash flow;
- Dividend of \$5 million declared for the quarter;
- Net increase in aftermarket subscribers of 22,000;

Management Comment

Eyal Sheratzky, Co-CEO of Ituran said, “We are pleased with the growth of 22,000 aftermarket subscribers in the quarter, which for the last three quarters now, has been at our longer-term expected growth rate. We expect that this continued recovery in the aftermarket subscriber growth will translate into continually improving operating results on a sequential basis throughout 2020.”

Continued Mr. Sheratzky, “Our OEM segment has been weak due to the difficult environment that the car manufacturers in Brazil and Argentina have faced throughout 2019. However, looking ahead to 2020, we believe the fourth quarter represents the bottom and we now expect to resume sequential growth in our results. This is due to the steps we have taken in reducing expenses in Brazil and Argentina, as well as the growth we expect in some of our other countries including Mexico, Ecuador and Columbia.”

The results include the consolidated non-GAAP financial results of Ituran, which exclude revenues and costs related to the purchase price allocation. For further details with regard to the reconciliation between the non-GAAP and GAAP results please see the financial tables with the press release.

Fourth Quarter 2019 Results

Revenues for the fourth quarter of 2019 were \$65.5 million. Non-GAAP revenues for the quarter were \$66.2 million, representing a decrease of 17% compared with Non-GAAP revenues of \$79.4 million in the fourth quarter of 2018.

76% of revenues were from location-based service subscription fees and 24% were from product revenues.

Non-GAAP revenues from subscription fees were \$50.3 million, representing a decrease of 9% over the same period last year.

The subscriber base amounted to 1,781,000 as of December 31, 2019, the same level as at the end of the prior quarter. During the fourth quarter, Ituran added 22,000 aftermarket subscribers, while the OEM subscriber base declined by 22,000.

Product revenues were \$15.8 million, representing a decrease of 34% compared with the same period last year.

Gross profit for the fourth quarter was \$30.5 million (46.6% of revenues). Non-GAAP gross profit for the quarter was \$31.2 million (47.1% of revenues). This represents a decrease of 22% compared with Non-GAAP gross profit of \$39.8 million (50.1% of revenues) in the fourth quarter of 2018.

The non-GAAP gross margin in the fourth quarter on subscription fees was 55.0% compared with 56.0% in the same period last year. The lower margin was due to the lower level of revenue as well as a decrease in the gross margin from Brazil and Argentina.

The non-GAAP gross margin in the quarter on products was 22.2% compared with 36.7% in the same period last year. The variance in the gross margin between quarters was due to the product mix sold during the various periods.

Operating loss for the quarter was \$16.4 million, which includes an impairment loss of \$26.2 million related to the acquisition of Road Track Holdings, which was acquired in the third quarter of 2018. Excluding this impairment loss, the operating profit would have been \$9.8 million (15.0% of revenues). It is important to note that this impairment is a non-cash charge.

Non-GAAP operating profit for the fourth quarter was \$11.8 million (17.8% of revenues). This is a 38% decrease compared with Non-GAAP operating profit of \$19.0 million (23.9% of revenues) in the fourth quarter of 2018.

Adjusted EBITDA for the fourth quarter was \$16.6 million (25.0% of revenues), a decrease of 34% compared to \$25.2 million (31.7% of revenues) in the fourth quarter of 2018. Similar to that of the prior quarters in 2019, the decline was fully due to the decline in the OEM business.

GAAP net loss in the fourth quarter of 2019 was \$15.3 million or loss per share of \$0.73.

Net income on a non-GAAP basis in the fourth quarter of 2019 was \$6.6 million (9.9% of revenues) or fully diluted earnings per share of \$0.31. This is a 45% decrease compared to non-GAAP net income of \$12.0 million (15.0% of revenues) or fully diluted earnings per share of \$0.56.

Ituran reported a net impermanent loss related to the acquisition of Road Track Holdings, amounting to \$20.2 million.

Cash flow from operations for the fourth quarter was \$17.0 million.

Full Year Results

Revenues for 2019 were \$279.3 million. Non-GAAP revenues for the year were \$283.0 million representing an increase of 12% compared with Non-GAAP revenues of \$253.6 million in 2018.

The higher average level of the US dollar exchange rate versus the Brazilian real and the Argentinean peso, during the 2019 versus 2018 reduced the overall revenue level in US dollar terms and had a negative impact on the reported year-over-year revenue growth rate. In local currency terms, non-GAAP revenue grew 16% year over year.

74% of non-GAAP revenues were from location-based service subscription fees and 26% were from non-GAAP product revenues.

Non-GAAP revenues from subscription fees were \$208.4 million, representing an increase of 15% over the same period last year. In local currency terms, subscription fees grew 21% over the same period last year.

The subscriber base amounted to 1,781,000 as of December 31, 2019, an increase of 12,000 over December 31, 2018. During 2019, the OEM subscriber base declined by 58,000, while the retail aftermarket subscriber base increased by 70,000, which increased at a rate of 20,000 or more in the past three quarters.

Product revenues were \$74.6 million, representing an increase of 4% compared with the same period last year.

Gross profit for the year was \$130.5 million (46.7% of revenues). Non-GAAP gross profit for the year was \$134.4 million (47.5% of revenues). This represents an increase of 4% compared with Non-GAAP gross profit of \$129.1 million (50.9% of revenues) in 2018.

The non-GAAP gross margin for the year on subscription fees was 56.7% compared with 61.3% last year. The lower margin was due a decrease in the gross margin on the OEM business in Brazil and Argentina throughout 2019.

The non-GAAP gross margin in the year on products was 21.7% compared with 24.7% last year. The variance in the gross margin between quarters was due to the product mix sold during the year.

Operating profit for 2019 was \$22.7 million (8.1% of revenues). The GAAP operating profit includes an impermanent loss amounting to \$26.2 million, related to the acquisition of Road Track Holdings, which was acquired in the third quarter of 2018. Excluding this impairment, the operating profit would have been \$48.9 million.

Non-GAAP operating profit for 2019 was \$57.1 million (20.2% of revenues). This is compared with None-GAAP operating profit of \$63.3 million (25.0% of revenues) in 2018. In local currency terms, the non-GAAP operating profit decreased by 4% compared with that of last year.

Adjusted EBITDA for the year was \$76.7 million (27.1% of revenues), a decrease of 3% compared to \$79.2 million (31.2% of revenues) in 2018. In local currency terms, the adjusted EBITDA increased by 3% year-over-year.

Net income in 2019 was \$6.9 million (2.5% of revenues) or fully diluted earnings per share of \$0.33. Net income on a non-GAAP basis was \$33.3 million (11.8% of revenues) or fully diluted earnings per share of \$1.58.

Net income in 2018 was \$60.7 million (24.0% of revenues) or fully diluted earnings per share of \$2.88. It is noted that the net income in 2018 included a one-time other income of \$13.8 million (net of transaction related expenses), related to an accounting gain from an acquisition following the gain of control of Ituran's joint venture with Road Track Holdings, which under GAAP rules was revalued to market value. The net income on a non-GAAP basis in 2018 was \$47.8 million (18.8% of revenues) or fully diluted earnings per share of \$2.27.

Cash flow from operations for the year was \$59.7 million.

As of December 31, 2019, the Company had cash, including marketable securities, of \$54.3 million and debt of \$67.9 million, amounting to a net debt of \$13.6 million. This is compared with cash, including marketable securities, of \$53.3 million and debt of \$73.2 million, amounting to a net debt of \$19.9 million, as of December 31, 2018.

Dividend

For the fourth quarter of 2019, a dividend of \$5.0 million was declared in line with the Company's stated current policy of issuing at least \$5 million on a quarterly basis.

Share Buy Back

On May 21, 2019, the board of directors approved a share buyback program, which Ituran has commenced. Under the program, the Company is able to repurchase Ituran shares in an amount up to \$25 million by December 31, 2020.

As of December 31, 2019, Ituran had repurchased a total of 227,800 shares amounting to approximately \$6.0 million.

Conference Call Information

The Company will also be hosting a conference call later today, March 4, 2020 at 9am Eastern Time.

On the call, management will review and discuss the results, and will be available to answer investor questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls a few minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Number: 1 888 407 2553

ISRAEL Dial-in Number: 03 918 0610

CANADA Dial-in Number: 1 866 485 2399

INTERNATIONAL Dial-in Number: +972 3 918 0610

at:

9:00am Eastern Time, 6:00am Pacific Time, 4:00pm Israel Time

For those unable to listen to the live call, a replay of the call will be available from the day after the call in the investor relations section of Ituran's website.

Certain statements in this press release are "forward-looking statements" within the meaning of the Securities Act of 1933, as amended. These forward-looking statements include, but are not limited to, our plans, objectives, expectations and intentions and other statements contained in this report that are not historical facts as well as statements identified by words such as "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates" or words of similar meaning. These statements are based on our current beliefs or expectations and are inherently subject to significant uncertainties and changes in circumstances, many of which are beyond our control. Actual results may differ materially from these expectations due to changes in global political, economic, business, competitive, market and regulatory factors.



About Ituran

Ituran is a leader in the emerging mobility technology field, providing value-added location-based services, including a full suite of services for the connected-car. Ituran offers Stolen Vehicle Recovery, fleet management as well as mobile asset location, management & control services for vehicles, cargo and personal security for the retail, insurance industry and car manufacturers. Ituran is the largest OEM telematics provider in Latin America. Its products and applications are used by customers in over 20 countries. Ituran is also the founder of the Tel-Aviv based DRIVE startup incubator to promote the development of smart mobility technology.

Ituran's subscriber base has been growing significantly since the Company's inception to approaching 2 million subscribers using its location based services with a market leading position in Israel and Latin America. Established in 1995, Ituran has approximately 3,000 employees worldwide, with offices in Israel, Brazil, Argentina, Mexico, Ecuador, Columbia, India, Canada and the United States.

For more information, please visit Ituran's website, at: www.ituran.com

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