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FLEETMATICS | FLTX

INVESTMENT RESEARCH REPORT

"Navigating for Disaster"

RECOMMENDATION:

Strong Sell

PRESCIENCE POINT

RESEARCH GROUP

Fleetmatics Group PLC | Nasdaq: FLTX

We believe shares of Fleetmatics Group PLC ("the company", or "FLTX") are grossly overvalued, reflecting few, if any, of the serious risks that warrant questioning the credibility of the company's financial statements. In this report, we discuss the company's use of various accounting shenanigans that inflate profitability, the material weaknesses in its internal controls, the inexplicable discrepancies between related accounts in its financials, and Fleetmatics' founding backer's ties to a previous accounting fraud. According to our analysis, Fleetmatics' 2012 gross margin was inflated by 400bp and reported Adjusted EBITDA and Adjusted EPS were overstated by 27% and 33%, respectively. Going forward, we believe the company faces many headwinds, with its vehicle churn rate set to continue accelerating in 2H'13 and beyond; as churn picks up, FLTX is forced to accelerate its deferred costs, potentially resulting in both a revenue and a margin contraction problem, at the same time. We believe the company has presented itself to the investing public in a highly questionable manner and that, as a result, it has been successful in its efforts to inflate its stock price beyond any reasonable measure of valuation, enabling its insiders to cash out big before the cards come tumbling down. ***Based on our analysis, Fleetmatics' stock has an intrinsic value of ~$11-$12 per share, ~75% below current trading levels.***

Research Highlights

Conclusion:	Strong Sell
Current Price:	$46.00
Price Target:	~$11.00
Downside:	75%
Ticker:	FLTX
Exchange:	Nasdaq
Basic shares o/s	35.6
Net Options	2.0
Fully Dil. Shares	37.6
Market Cap:	$1,728.0
Unrestricted Cash:	136.8
Current Debt:	23.6
Enterprise Value:	$1,592.0

Fiscal Year Ended December 31,
$ in millions

St. Est.	LTM 6/30	2013E	2014E
Sales	$150	$172	$214
Adj. EBITDA	$47	$54	$66
Adj. EPS	$0.79	$0.81	$1.06

Valuation	LTM 6/30	2013E	2014E
EV/Sales	10.6x	9.2x	7.4x
EV/EBITDA	33.7x	29.6x	23.9x
P/EPS	58.1x	56.8x	43.4x
P/Tg. Book	12.7x		

Note: EBITDA/EPS Figures based on inflated are based on Street Estimates which do not adjust for the company's aggressive accounting assumptions

Well Diversified Balance of Accounting/Non-Accounting Red Flags is Concerning

- *Use of Aggressive Accounting Policies Inflates its Financials:* Uses several aggressive accounting policy levers in unison to inflate profitability. It appears Fleetmatics' 2012 gross margin was inflated by **400bp** and reported Adjusted EBITDA and Adjusted EPS were overstated by **27% and 33%**, respectively
- *It Reports a Deflated Churn Rate:* Management-disclosed gross churn rate of 8-9% is distortive because of how the business is structured. We estimate true **gross churn is 20-25%** via the appropriate cohort-based approach
- *It Exaggerates its Market Opportunity:* We believe FLTX's global market opportunity is a tiny fraction of its claim
- *Its Insiders Ran for the Exits:* We do not believe we have *ever* witnessed such a quick dash for the exit. Insiders sold ~$760m of FLTX stock, their entire stake, in **4 public offerings in less than 1 year**. The most recent secondary was transacted less than 2 months following the previous.
- *Hints of Dishonesty:* FLTX boasted its first ever FCF+ quarters in Q1 and Q2'13, just ahead of announcements for 2 secondaries. FCF was boosted by unexpected increases in deferred revenue balance as FLTX offered discounts in exchange for contract pre-pays, an action it previously guided the Street would stop
- *Something to Hide?:* Businessman Bill McCabe – FLTX founding shareholder, and former board member & consultant – is tied to frauds that occurred at a previous company he founded. He worked with FLTX through 2012; His entity's contract with FLTX was prematurely terminated on 8/20/2012, only 2 weeks prior to FLTX's 10/5/2012 IPO

How We Expect the Dominoes To Fall

- FLTX locks new customers into 3-year non-cancellable contracts and capitalizes & depreciates in-vehicle device and sales commission costs over a 6 year period. This mismatch results in artificially inflated GMs over the 3 year contract period
- If vehicle churn were to rise as a % of FLTX's entire vehicle base, and it has been, and revenue growth slowed, which we anticipate, the chickens come home to roost. When customers churn off after the 3 year contract term, FLTX is forced to write down the entirety of what remains of the capitalized costs – the remaining 3 years' worth. The negative effects fror the write downs begin to outweigh the margin benefits from signing new customers, resulting in **deflated margins**
- FLTX's *reported* gross churn rate rose from 6.7% to 8.4% in the 4 quarters from Q2'2012 to Q3'2013. Increasingly larger numbers of its customer contracts are beginning to expire relative to the size of its base

Founding Shareholder Tied to Previous Accounting Fraud

- FLTX was originally backed by Oyster Capital, the private investment entity of Irish businessman Bill McCabe. He had previously founded and served as CEO & Chairman of SmartForce PLC, an e-learning company that **twice** settled on charges alleging fraud. The lawsuits claimed that SmartForce capitalized expenses that dramatically inflated its financial results, backdated revenues, improperly booked revenues from multi-year contracts, and issued materially misleading statements to illicit gains from sales of stocks.

Fleetmatics equity is overvalued on almost every metric and from all perspectives

- We believe FLTX is priced for perfection, in light of our assessment of its fundamentals, trading at ~**9.5x and 30x** 2013E revenue and reported Adj. EBITDA, respectively. Adjusting FLTX's financial statements for aggressive accounting policies, it is selling at true **37x 2013E EBITDA**
- Recent IPO of MiX Telematics (NYSE MIXT), a superior operating/financial model, trades at a substantial discount, further highlighting FLTX's extreme valuation disconnect
- Fleetmatics' is incorrectly positioned as a SaaS company, and not with other mobile asset tracking and GPS service comps that trade at approximately **2.0x and 12.5x** 2013E revenue and EBITDA, respectively; a plethora of recent M&A deals in the sector also warrant dramatically lower average multiples – **2.6x and 9.1x LTM** revenue and EBITDA

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Executive Summary

We believe shares of Fleetmatics Group PLC ("the company", or "FLTX") are grossly overvalued, reflecting few, if any, of the serious risks that warrant questioning the credibility of the company's financial statements. In this report, we discuss the company's use of various accounting shenanigans that inflate profitability, the material weaknesses in its internal controls, the inexplicable discrepancies between related accounts in its financials, and Fleetmatics' founding backer's ties to a previous accounting fraud. According to our analysis, Fleetmatics' 2012 gross margin was inflated by 400bps and reported Adjusted EBITDA and Adjusted EPS were overstated by 27% and 33%, respectively. We believe the company faces many headwinds, with its vehicle churn rate set to continue accelerating in 2H'13 and beyond; as churn picks up, FLTX is forced to accelerate its deferred costs, potentially resulting in both a revenue and a margin contraction problem, at the same time.

We believe the company has presented itself to the investing public in a highly questionable manner and that, as a result, it has been successful in its efforts to inflate its stock price beyond any reasonable measure of valuation, enabling its insiders to cash out big before the cards come tumbling down. **Based on our analysis, Fleetmatics' stock has an intrinsic value today of ~$11 per share, ~75% below current trading levels.**

Accounting shenanigans distort Fleetmatics' true economics – FLTX appears to be inflating its GAAP and non-GAAP financial metrics with an aggressive cost capitalization strategy that results in a highly misleading reflection of its business model and economics, and that render its reported financials ineffective toward evaluating its business. Several accounting policy levers pulled in unison have enabled the company to report inflated reported Gross Margins, Adjusted EBITDA, EPS, and Operating Cash Flow. We also believe FLTX's reported vehicle churn rate is set to continue increasing in the back half of this year, resulting in the unwinding of financial statement benefits previously reaped through aggressive accounting policies (i.e. contracting revenue growth and, coincidentally, contracting margins).

FLTX's original backer and long-time board member is tied to a fraud perpetuated by his former company Smartforce PLC – FLTX was originally backed by Oyster Capital, the private investment entity of Irish businessman Bill McCabe. Mr. McCabe had previously founded and served as CEO & Chairman of SmartForce PLC an e-learning company that twice settled on charges alleging fraud. The lawsuits claimed that SmartForce capitalized expenses that dramatically inflated its financial results, backdated revenues, improperly booked revenues from multi-year contracts, and issued materially misleading statements to illicit gains from sales of stocks.

Mr. McCabe sold his FLTX stake to a private equity group and resigned from its board in 2010, but would continue his involvement with the company through 2012 via an opaquely structured Management Services Agreement executed by and between FLTX and a separate entity affiliated with him. This agreement was structured to terminate in 2014, but was prematurely terminated on August 20, 2012, immediately preceding FLTX's October 5, 2012 IPO; the timing indicates Fleetmatics sought to distance itself from McCabe so as not to draw the kind of scrutiny it might have drawn were he still associated with the company. Regardless, Fleetmatics' severing of ties with him immediately ahead of its IPO appears suspicious and begs the question: Is there anything to hide?

Beyond our study of the legal suits brought against him, we are neither certain as to how hands-on Mr. McCabe was in perpetuating any wrongdoing alleged upon him, nor have we formed any opinion; in light of the numerous allegations of accounting frauds committed, his close association with Fleetmatics since its very beginnings, and FLTX's choice to adopt aggressive accounting measures that obfuscate its profitability, we must acknowledge our belief that FLTX has an elevated risk profile.

Material weaknesses in internal controls leave open the door for frauds and improprieties – Based on experience from having been at the forefront of exposing scores of fraudulent, US-listed Chinese reverse-mergers, weaknesses in internal controls are amongst the most glaring warning signs in public companies; they leave the door wide open for frauds and other improprieties to be committed. Fleetmatics' deficiencies are significant enough to have necessitated the restatement of certain 2011 and 2012 statements of cash flows and to have been highlighted as one of the company's highest risk factors, something we find atypical. Further, we have identified significant inconsistencies between the company's PP&E and capital expenditure accounts. We are not certain of why the discrepancies exist, but in light of the company's choice to adopt aggressive accounting measures that obfuscate its profitability, we must acknowledge the risk of an attempt to artificially boost EPS.

Beyond the pitch – Management's investor pitch is in part centered on the claim of a $30 billion global market potential for fleet tracking solutions in the small and medium business (SMB) market; they also point to very low levels of current penetration for fleet telematics solutions, implying sustainability in the company's growth trajectory. These numbers provide little informational value toward understanding FLTX's prospects. The market penetration of fleet telematics services amongst SMBs is low for a reason, and it is likely to remain so: FLTX's primary end market of SMBs operates on thin margins, with high business failure rates, and low technology adoption rates. The results of a survey published by *Automotive Fleet* magazine indicate that of SMBs with less than 100 vehicles in their fleets, 80% are not considering telematics and only 15.7% who aren't current users are considering telematics. And FLTX faces a high risk of failure due to an intensifying competitive landscape characterized by low barriers to entry, limited product differentiation, and intensifying price pressure. FLTX's key hardware and network suppliers are now directly competing against the company.

Management's reported gross churn metric is distortive and understates true churn – In the first two quarters of 2013, Fleetmatics reported an annualized gross churn rate of 8-9%. They use an 'aggregate gross churn rate' calculation, which for a fast-growing aggregate customer base, like FLTX's, will understate the true churn rate compared to a cohort based approach to the calculation. Using the cohort approach we estimate the FLTX's 'true' gross churn to be 20-25%, indicating management's figure understates the churn rate by >50%. 20-25% gross churn seems far more appropriate than the reported figure for a company whose primary end market consists of SMBs. Our calculation implies FLTX's average customer life is 4-5 years, as opposed to the company's claim of a 6 year average customer life. Our 4-5 year customer life estimate also matches up with that claimed by FLTX's closest comparable MiX Telematics (MIXT), a pure-play fleet telematics company.

Churn set to acellerate, and Revenue Growth to Slow in 2H'2013
FLTX's reported gross churn rate rose from 6.7% to 8.4% in the 4 quarters from Q2'2012 to Q3'2013. We expect its reported gross churn rate to continue accelerating in 2H'13 as increasingly larger numbers of its customer contracts begin to expire relative to the size of its vehicle base. If vehicle churn were to increase as a percentage of FLTX's entire vehicle base without an accompanying acceleration in revenue growth (as we discuss in the sections that follow), the dodgy accounting that may have facilitated FLTX's easy VC exit comes back to haunt, as the negative effects from the capitalized cost write downs begin to outweigh the margin benefits from signing new customers: The benefits previously realized from these policies come unwound, resulting in a disproportionately negative impact on profitability, or deflated margins.

FLTX is overvalued, and on almost every metric – FLTX has gone to great lengths to dress up a capital-intense software company with low entry barriers as a high margin SaaS company. Sell-side analysts have obliged, with a consensus stock price target of $44.75 based on premium multiples. Regardless, FLTX's stock price has blown through the consensus target, currently trading in the $46 - $48 per share range, and appears on the surface to be very richly valued, trading at 9.5x and 30x 2013E revenue and reported Adj. EBITDA, respectively; but, because FLTX is aggressive in its use of cost capitalization accounting, its reported Adj. EBITDA calculation does not reflect the true costs of its business, meaning that its stock's nosebleed 30x EBITDA valuation is understated relative to its economic reality. By adjusting FLTX's financial statements for its aggressive accounting policies, we calculate that FLTX is selling at true 37x 2013E EBITDA… *truly preposterous*. Fleetmatics' comparables in the mobile asset tracking and GPS services markets trade at approximately 2.0x and 12.5x 2013E revenue and EBITDA, respectively – much lower valuations; a plethora of recent private deals in the sector also warrant dramatically lower average multiples – 2.6x and 9.1x LTM revenue and EBITDA, respectively.

Follow the money! Insiders cashing out – The truth is between the lines. FLTX's equity appears inflated beyond reasonable measure, explaining why its largest shareholder and management team have rushed to liquidate their holdings at prices ranging from $17 and $46 per share in 3 secondary offerings all having taken place in less than a year (January, July and September, 2013). In less than one years' time, the company's largest shareholder has liquidated $760m worth of shares, reducing its equity ownership to just 1.6% from 94.6% pre-IPO. Management has sold shares alongside its anchor shareholder, collectively reducing their ownership from 6.3% at IPO to 4.2%. The mirage of FLTX's reported gross margin, EBITDA, and EPS, has existed for long enough to keep the stock price levitated and for insiders to dump their holdings at inflated prices, leaving shareholders holding the bag just as the business appears to be peaking.

We have heeded the signal from insiders' departure and have connected the dots for shareholders. We are short share of FLTX.

Lipstick on a Pig: Accounting Shenanigans Obfuscate FLTX's True Economics

Fleetmatics has adopted an aggressive cost capitalization strategy that we believe results in a misleading portrayal of its true economics, rendering its reported financial statements useless toward evaluating its business. Based on our analysis, the company's reported Gross Margins, reported Adjusted EBITDA, and EPS are all significantly inflated: For example, 2012 gross margin was inflated by 400 basis points and reported Adjusted EBITDA and Adjusted EPS were overstated by 27% and 33%, respectively.[1] The table below contains the summation of all our adjustments to Fleetmatics' financial statements, each of which we detail in the sections that follow.

Prescience Point Adjusted Financial Statements
$ in millions

	2011	2012	2013E
Depreciation of PP&E	$7.6	$9.5	$11.9
Depreciation of Customer Owned Devices	$0.3	$0.7	$0.8
Total Depreciation @ 6yr Useful Life	**$7.9**	**$10.2**	**$12.8**
Est. Depreciation @ 4yr Useful Life	**$11.9**	**$15.3**	**$19.2**
Revenues	$92.3	$127.5	$172.4
Cost of Subscription Revenue	$28.6	$35.5	$47.2
(-) Deduct Reported D&A	($7.9)	($10.2)	($12.8)
(+) Adjusted Depreciation Expense	$11.9	$15.3	$19.2
Prescience Pt. Adj. Cost of Sub. Rev	**$32.6**	**$40.6**	**$53.6**
Prescience Pt. Adj Gross Profit	**$59.7**	**$86.8**	**$118.8**
Adj. Gross Margin	*64.7%*	*68.1%*	*68.9%*
FLTX Reported Gross Margin	*69.0%*	*72.1%*	*73.0%*
Gross Margin Overstatement	**4.3%**	**4.0%**	**4.1%**
Operating Expense Adjustments			
(-) Capitalized comissions cost	$5.2	$6.8	$8.8
(+) Amortized commissions expense	($3.6)	($4.7)	($6.1)
Net Effect of Expensing Sales Commissions	**$1.7**	**$2.1**	**$2.7**
FLTX Reported Adj. EBITDA	$21.7	$33.9	$53.8
(-) Net Effect of Adjusting Device Useful Life	($4.0)	($5.1)	($6.4)
(-) Net Effect of expensing sales commissions	($1.7)	($2.1)	($2.7)
Prescience Pt Adjusted EBITDA	**$16.1**	**$26.7**	**$44.7**
% margin	*17.4%*	*20.9%*	*25.9%*
EBITDA Overstatement	**$5.6**	**$7.2**	**$9.1**
% Overstatement	**35%**	**27%**	**20%**
FLTX Non-GAAP Adj. EPS	$0.29	$0.55	$0.82
(-) After-Tax Effect of Adjusting Device Useful Life (1)	($0.11)	($0.10)	($0.15)
(-) After-Tax Effect of Expensing Sales Comm. (1)	($0.04)	($0.04)	($0.06)
Prescience Pt. Adj. EPS	**$0.14**	**$0.41**	**$0.61**
EPS Overstatement	**$0.15**	**$0.14**	**$0.21**
% Overstatement	**109%**	**33%**	**35%**

(1) Assumes 23%, 42% and 15% tax rate (2011-2013E), ~99% of Capex attributed to device investment, 28.7m, 30.8m and 36.8m shares for 2011-2013E

Note: 2013E based on street consensus estimates and Prescience Pt. adjustments

[1] Fleetmatics defines Adjusted EBITDA as follows: net income (loss) plus provision for income taxes; interest (income) expense, net; foreign currency transaction (gain) loss, net; depreciation and amortization of property and equipment; amortization of capitalized in-vehicle devices owned by customers; amortization of intangible assets; share-based compensation; and other items as defined in "Non-GAAP Financial Measures."

Profitability Manipulation Shenanigan: Capitalizing Normal Operating Expenses

Fleetmatics aggressively capitalizes and defers its sales commission costs over a 6 year period, which inflates its EBITDA and profit margins. As a result of this policy in isolation, we estimate the company was able to inflate 2012 Adjusted EBITDA by 7% and Adjusted EPS by 8%.

FLTX's relevant accounting policy, along with its justification for using it, follows:

> *We capitalize commission costs that are incremental and directly related to the acquisition of customer contracts. We pay commissions in full when we receive the initial customer payment for a new subscription or a renewal subscription. Commission costs are capitalized upon payment and are amortized as expense ratably over the term of the related non-cancelable customer contract in proportion to the recognition of the subscription revenue. If a subscription agreement is terminated, the unamortized portion of any deferred commission costs is recognized as expense immediately.*
> …..
> *We believe that capitalizing commission costs is the preferable method of accounting as the commission charges are so closely related to the revenue from the non-cancelable customer contracts that they should be recorded as an asset and charged to expense over the same period that the subscription revenue is recognized.*

The capitalization of normal, recurring operating expenses is overtly aggressive, and the vast majority of SaaS companies do not do it, instead expensing their sales commission costs (Appendix I). Furthermore, as we discuss in the next section, FLTX is a young company that has a limited and incomplete basis to claim a 6 year average customer life, and that management's assumption here is self-serving to enhance its financial results.

In the table below, by expensing the full cost of same-period commission costs we isolate the degree to which this policy alone serves to inflate its profitability metrics. In 2012, the company incurred $6.8m in commission costs and expensed $4.7m, and in doing so, skirted running ~30% of its 2012 commission costs through the income statement and Adjusted EBITDA calculation. Based on our analysis, this practice alone resulted in the overstatement of Fleetmatics' reported 2012 Adjusted EBITDA and Adjusted EPS by 7% and 8%, respectively.

Prescience Point Estimated Adjustments for Expensing Capitalized Sales Commissions
$ in millions

	2011	2012	2013E
Capitalized Commissions Cost	$5.2	$6.8	$8.8
(-) Amortized Commissions Expense	($3.6)	($4.7)	($6.1)
Incremental Change to Sales & Marketing Expense	**$1.7**	**$2.1**	**$2.7**
After-Tax Impact of Commis. Expense (1)	$1.3	$1.2	$2.3
Shares outstanding	28.7	30.8	36.8
Impact on EPS of Expensing Commissions	$0.04	$0.04	$0.06
FLTX Non-GAAP Adj. Net Income	$8.4	$17.1	$30.2
Shares outstanding	28.7	30.8	36.8
FLTX Non-GAAP Adj. EPS	$0.29	$0.55	$0.82
Prescience Pt Adj. EPS for Commissions	**$0.25**	**$0.51**	**$0.76**
% Overstatement	***18.2%***	***7.7%***	***8.3%***
FLTX Reported Adj. EBITDA	$21.7	$33.9	$53.8
Less: Incremental Change	($1.7)	($2.1)	($2.7)
Prescience Pt Adj. EBITDA	**$20.1**	**$31.8**	**$51.1**
% Overstatement	***8.4%***	***6.6%***	***5.3%***

(1) Assumes 23%, 42%, 15% tax rate (2011-2013E). Note: 2013E based on street consensus and Prescience Pt. estimates

Profitability Manipulation Shenanigan: Amortizing Costs Too Slowly

Fleetmatics also capitalizes and defers the costs of the devices it installs in customers' vehicles using an unjustifiably long 6 year depreciation period. This inflates its gross, EBITDA, and profit margins and obfuscates the true economics of its own business. Per its filings,

> *We capitalize the cost of installed in-vehicle devices (including installation and shipping costs related to these devices) and depreciate these costs over the estimated useful life of the devices, which is currently six years, <u>or over the estimated average customer relationship period, which is currently six years</u>. <u>If a customer subscription agreement is canceled or expires prior to the end of the expected useful life of the device under contract, the depreciation period is accelerated resulting in the carrying value being expensed in the then-current period</u>. Should an installed in-vehicle device require replacement because it has become defective, we record as expense the cost of the replacement part or device when provided.*

The aggressiveness of Fleetmatics' decision to capitalize rather than expense, in this case, is debatable. Because the devices are never taken back at contract cancellation/ expiration, one could argue a sale has taken place upon installation and, hence, that these costs should be expensed. Some comparables offering analogous devices expense the entire device cost upon installation, and some do not. For example, LoJack Corp, a competitor in the fleet tracking industry, expenses the costs of its devices immediately upon installation as a cost of revenue; Sirius XM Satellite Radio expenses the cost of its in-vehicle devices. MiX Telecom (MIXT), a pure-play fleet telematics company and its closest publicly trade comparable, on the other hand, capitalizes similar costs.

What we find far more clear-cut is that FLTX's choice to adopt a 6 year depreciation schedule is egregious and founded on a baseless assertion, that its average customer life is 6 years. This is not in line with <u>its own history</u>, is more aggressive than the policy adopted by its <u>closest comp</u>, <u>cannot be justified</u> in light of FLTX's maturity as a company, and is <u>out of line with our estimate of FLTX's 'true' churn</u> rate.

1. **Its History**: Fleetmatics itself assumed a <u>4 year, instead of 6 year, depreciable life for its in-vehicle devices prior to 2009</u>. In a pre-IPO <u>SEC comment letter</u>, the company attempted to justify the increase from 4 to 6 by noting "technological improvements" that extended its device useful life. The portion of the SEC question follows:

    > *SEC: You disclose that you capitalize the cost of installed in-vehicle devices and depreciate these costs over the estimated useful life of six years. Your table on page F-9 indicates that you depreciate these costs over four to six years. Please reconcile this difference.*
    >
    > *RESPONSE: The Company supplementally advises the Staff that, as disclosed on page 49, the estimated useful life of in-vehicle devices currently purchased and installed is six years. That estimated useful life was <u>reassessed in early 2009 based on technological improvements</u> then made to the device, which management believed extended the estimated useful life of the newer device from four years to six years. Consequently, <u>as of January 1, 2009, the Company began to depreciate newly purchased and installed in-vehicle devices over six years</u>. However, the Company continued to depreciate in-vehicle devices purchased and installed prior to January 1, 2009 over their estimated useful life of four years. Those four-year assets are nearly fully depreciated at this time…*

2. **Its Closest Comp:** MiX Telematics (MIXT), FLTX's closest public comp and a fleet telematics pure-play, depreciates its in-vehicle device costs over a 3 - 5 year period, which is supportive of our concern that FLTX's 6 year depreciation period is aggressive.

3. **Lack of Justifiability:** FLTX appears to have no basis for assuming a 6 year average customer life. The company was only formed in 2004 and thus has an operating history of less than 9 years. While it has grown to have 388,000 vehicles under subscription, <u>at the end of 2005, it had only 9,000 vehicles under subscription</u>. The only annual vehicle subscription cohorts with a 6-yr potential life would be those from 2005 which represent less than 3% of the current total – hardly an adequate or representative sample set to claim that an "average" customer life is 6 years. MIXT, on the other hand, has a 17 year business history, and like FLTX structures contracts with a 3 year subscription plan. MIXT's device depreciation period of <u>3 - 5 years</u> appears to support our concern that FLTX's 6 year depreciation period is aggressive. MIXT's primary end market, enterprises, is

far more stable than FLTX's primary end market of SMBs. SMB failure rates are notoriously high, further demonstrating FLTX's assumed 6-yr depreciation schedule is extremely liberal.

4. **Out of Line With Our Estimate of FLTX's True Churn:** As we discuss later in the report, we estimate FLTX's churn rate to be 20-25%, vs. the 8-9% churn rate touted by management. Our calculation implies an average customer life of 4-5 years, which matches MiX Telematics depreciable life assumption and is in line with the depreciable life FLTX assumed prior to selling sock to the public.

We believe a 4 year depreciable life assumption is more justifiable and reflective of FLTX's reality than the apparently baseless 6 year assumption management has elected to use. In the table below, by reducing FLTX's depreciable life assumption from 6 years to 4 years, we isolate the degree to which FLTX's aggressive and apparently unrealistic depreciable life assumption has artificially boosted the company's profitability. Based on our estimates,

- FLTX is understating its in-vehicle device depreciation expense by ~50% annually
- This practice alone resulted Fleetmatics' reported 2012 Adjusted EBITDA and Adjusted EPS being overstated by 18% and 21%, respectively.

Prescience Point Adj. EPS Using 4 Year Useful Life Assumption
$ in millions

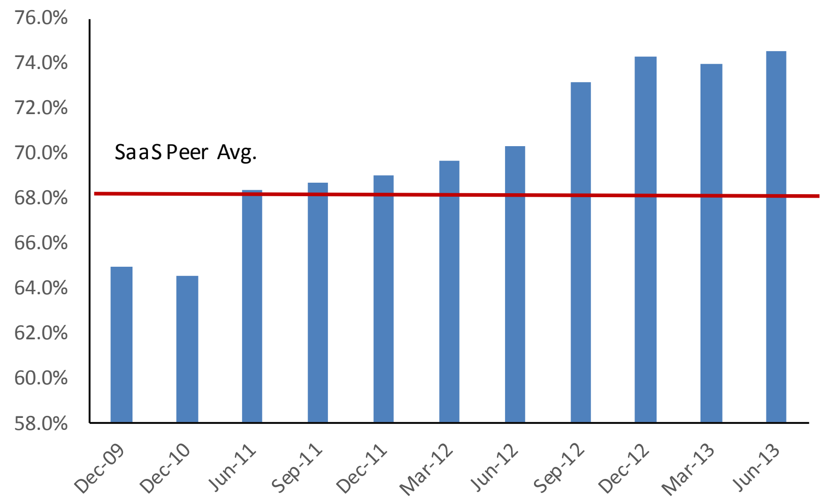
	2011	2012	2013E
Depreciation of PP&E	$7.6	$9.5	$11.9
Amortization of Customer Owned Devices	$0.3	$0.7	$0.8
Total Depreciation @ 6yr Useful Life	**$7.9**	**$10.2**	$12.8
Est. Depreciation @ 4yr Useful Life	**$11.9**	**$15.3**	**$19.2**
FLTX Non-GAAP Adj. Net Income	$8.4	$17.1	$30.2
Shares outstanding	28.7	30.8	36.8
FLTX Non-GAAP Adj. EPS	**$0.29**	**$0.55**	**$0.82**
After-Tax Impact of Added Depreciation (1)	$3.1	$3.0	$5.4
Prescience Pt Adj. Net Income	$5.3	$14.1	$24.8
Shares outstanding	28.7	30.8	36.8
Prescience Pt Adjusted EPS	**$0.19**	**$0.46**	**$0.67**
% Overstatment	***57%***	***21%***	***22%***

(1) Assumes 23%, 42% and 15% tax rate (2011-2013E)
Note: 2013E based on street consensus and Prescience Pt. estimates

The Textbook for Getting Rich (and then Losing it All)

We should note that the aggressively slow depreciation of device costs over a 6 year period has likely been the primary driver of the dramatic rise in FLTX's gross margins, which have risen from 64.5% in 2010 to 74% in the LTM period, although management would never reveal this. The company's gross margin is so high at this point that FLTX has become somewhat of an outlier relative to its SaaS comps set.

Fleetmatics Reported Gross Margin



Source: Company Filings

Management claims the company's gross margin expansion resulted from revenue growth and cost efficiencies, driven by leveraging its scale to negotiate improved pricing on third-party costs coupled with improved economies of scale for certain infrastructure costs, such as hosting costs and internal configuration personnel costs. These factors probably did play some role, at least a small one.

FLTX's outlier status suggests there's more behind its gross margin story. We strongly believe *it's all about the accounting!* For accounting purposes, FLTX assumes an average customer life of 6 years. When a new customer signs up for its services, however, they are bound by a 3 year non-cancellable contract, resulting in a mismatch between the depreciable period and contractual term. FLTX depreciates the cost of capitalized in-vehicle devices and sales commissions over the 6 year customer life assumption. The significant mismatch coincides with an artificially inflated gross margin over the 3 year contract period, resulting in an inflated reported gross margin.

That is how it works if a company, as FLTX has been, is in an accelerating growth phase. But, once revenue growth slows, the chickens come home to roost. FLTX is forced to write down capitalized device costs and sales commission costs immediately if customers don't renew at contract expiry. So, for example, if a customer signs up for 3 years, FLTX capitalizes and defers the sales and in-vehicle device costs over a stretched out 6 year period, enjoying high gross margins over the contract period; but, if the customer chooses not to renew at the end of the 3 year term, FLTX is forced to write down the entirety of what remains of the capitalized costs – the remaining 3 years' worth.

If vehicle churn were to increase as a percentage of FLTX's entire vehicle base without an accompanying acceleration in revenue growth, suddenly the dodgy accounting that may have facilitated an easy VC exit comes back to haunt, as the negative effects from the write downs begin to outweigh the margin benefits from signing new customers: The benefits previously realized from these policies come unwound, resulting in a disproportionately negative impact on profitability, or deflated margins.

Churn Set to Rise and Revenue Growth to Slow in 2H'2013

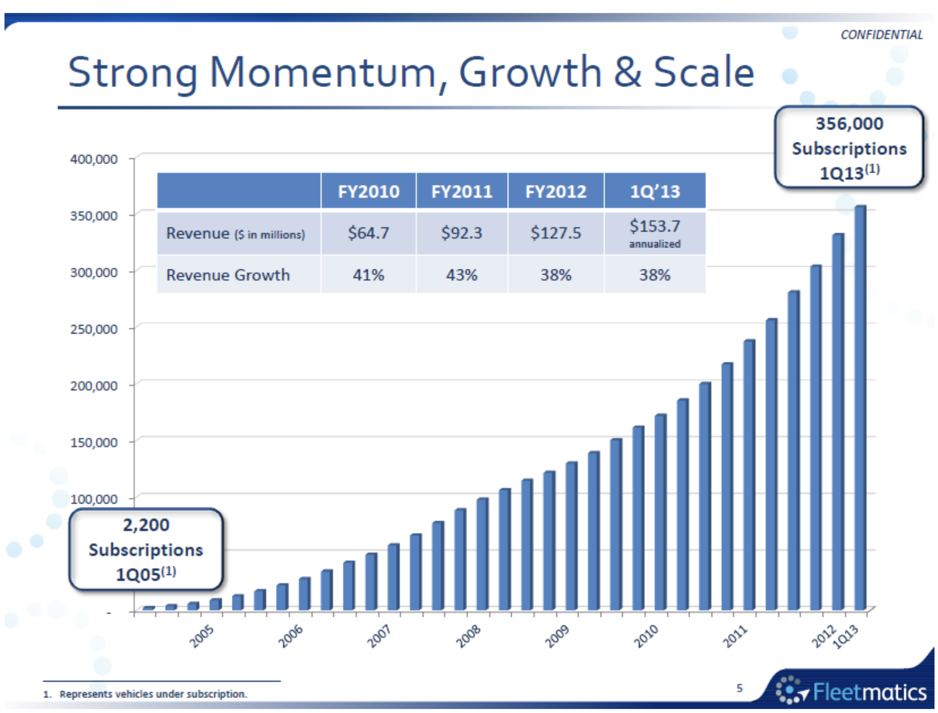
Fleetmatics appears to be pulling as many accounting levers as possible, but the resulting financial benefits reaped are likely to begin unwinding as its revenue growth rate slows in 2H'2013:

- Based on our analysis, Fleetmatics' reported vehicle churn metrics significantly understate its true churn / overstate average customer life
- We believe churn will continue rising into the back half of 2013 and beyond, resulting in a growing drag on revenue growth and contracting margins
- The competitive landscape is steadily intensifying, resulting in intensified pricing pressures

Fleetmatics' Reported Churn Understates its True Churn (Who'd Have Thought!)

We estimate Fleetmatics' reported gross churn figures understate the company's 'true' gross churn by >50%; our calculation of FLTX's true churn indicates that its average customer life is 4-5 years, whereas FLTX claims a 6 year average customer life.

In Q1' and Q2'2013, FLTX reported annualized gross churn rates of 8.8% and 8.4%, respectively; but closer analysis reveals that these rates dramatically understate its true gross churn rate. Since FLTX acquired the lion share of its customers in the last 3 years and since it locks each new customer into a 3-year non-cancelable agreement, the majority of the company's customers are not eligible to churn off. Given that the majority of FLTX's customer base consists of customers serving out their initial 3-year contracts, we assume that the vast majority of FLTX's churn results from customers who choose to churn off after having met the initial 3 year obligation (as opposed to customers who have used the company's services for years and are bound by rolling 1 year contracts). As such, management's gross churn number essentially compares vehicles churned off from the small base of new customers signed up 3 years ago against the relatively enormous denominator of the company's entire vehicle base; over the past few years, the company has invested significantly, at the expense of cash flowing, to accelerate customer acquisition growth, fattening the vehicle base. This has kept the reported churn rate low due to an ever-increasing denominator. The disclosed gross churn rate is really a comparison of 'apples to oranges.'



Looking at the churn rate for a fast-growing aggregate vehicle base will understate the true churn rate compared to a cohort based approach to the calculation. The cohort based approach also enables investors to calculate the company's true survival rate and average customer life, whereas the aggregate approach that management uses cannot be used to reliably calculate these two metrics.

So FLTX's 'true' gross churn should be calculated by matching the population of vehicles that actually do cancel to the original population of vehicles that are eligible to cancel. Because FLTX locks each new customers into 3-year non-cancelable agreements, churn should be calculated on a 3 year lag basis.

We assume the vast majority of cancellations come from customers who have satisfied the initial 3-year contractual term and estimate the company's 'true' gross churn to be 20-25%, indicating management's figure understates the churn rate by >50%. 20-25% gross churn seems far more appropriate a figure given FLTX primary SMB end market. Our calculation implies an average customer life of 4-5 years, as opposed to the company's claim of a 6 year average customer life.

Churn Set to Rise, Weighing on Revenue Growth & Contracting Margins

FLTX reported its gross churn rate to have risen from 6.7% to 8.4% in the 4 quarters from Q2'2012 to Q3'2013. We expect its reported gross churn rate to continue accelerating in 2H'13 as increasingly larger numbers of its customer contracts begin to expire relative to growth in its base. Churn generally increases with the size of a customer base, becoming increasingly difficult to overcome, especially as the ability to accelerate revenue growth becomes increasingly more difficult. As churn picks up, FLTX is forced to accelerate its deferred costs, resulting in both a revenue and a margin contraction problem, at the same time. We believe this, at least in part, explains why its venture partners are rushing to cash out.

The table below is a simplification meant only to demonstrate why churn would be expected to continue accelerating as increasingly larger numbers of customer contracts expire relative to growth in the vehicle base. The below numbers do not represent with precision Fleetmatics' reality because they inherently assume that if customers choose to renew at the end of the initial 3 year contractual term, that they would be locked into another 3 year contract. Fleetmatics' policy does not work in this manner; when customers renew their contracts after the initial 3 year period, they are subsequently locked in for 1 year intervals. Regardless, it conveys very well the challenge Fleetmatics is up against.

	2005	2006	2007	2008	2009	2010	2011	2012	2H'2013
Vehicle Subs	9,000	29,000	58,000	98,000	130,000	172,000	237,000	331,000	388,000
% growth		*222.2%*	*100.0%*	*69.0%*	*32.7%*	*32.3%*	*37.8%*	*39.7%*	*17.2%*
Contracts Eligible for Cancellation (1)				9,000	29,000	58,000	98,000	130,000	172,000
% of base				*9.2%*	*22.3%*	*33.7%*	*41.4%*	*39.3%*	*44.3%*

(1) Vehicle Subs three years prior

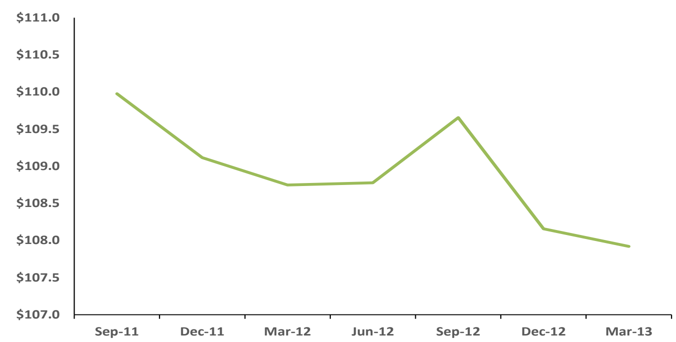
Further increases in churn will disproportionately hurt FLTX. Rising churn rates counterbalance revenue growth while, coincidentally, the same liberal accounting policies that inflated FLTX's profitability during the accelerating growth phase begin reversing, deflating the company's profitability. Because FLTX must write down capitalized device and sales commission costs when customers don't renew at contract expiry, in a rising churn rate environment, the negative effects of write downs are likely to outweigh the margin benefits from signing new customers.

Intensifying Competitive Landscape & Emergence of Pricing Pressures

Browsing the search engines for "fleet telematics" or "fleet tracking" companies yields dozens of companies trying to position themselves as a total solution provider for small, medium and large sized fleets. At its core, fleet telematics involves nothing more than a tracking device installed in a vehicle and a web-based application that allows companies to monitor and measure vehicle performance. The technology is not new or revolutionary, barriers to entry are low, and there is little in terms of product differentiation: Fleet telematics is a commodity service. The industry is rapidly crowding with competitors and price has become the primary lever for closing new business. We believe that the worsening competitive landscape is catching up with FLTX.

Consistent with this assessment, FLTX's average revenue per vehicle under subscription has been trending downward. We believe this metric will continue to decline over the long term as the result of FLTX having no competitive advantage.

Declining Average Revenue Per Vehicle Subscription



Source: Company filings

The table below, containing current service offerings and pricing plans for a variety of North American competitors, illustrates the difficulty FLTX will have in standing out amongst its competitors. Its service offering is a commodity product, with competition for new business primarily based on price and contract specifications. FLTX is also competing with much more well-capitalized businesses.

Selected Price Comparison Among Fleet Tracking Solutions

	Monthly Price	Activation Cost	Device Cost	Will Price Match	Asset Tracking	Fuel Efficiency	Web Based	Mobile Access	Safety/ Compliance	SMB Focus	Large Fleet Focus	Contract Lock
teletrac	$42.00	$0.00	$0.00	Yes	x	x	x	x	x	x	x	3yr
Fleetistics	$27.85	$0.00	$99.00	Yes	x	x	x	x	x	x	x	3yr
FleetLocate	$29.95	$27.95	$0.00	Yes	x	x	x	x	x	x	x	1yr
FieldLogix	$14.95	$35.0	$229.0	Yes	x	x	x	x	x	x	x	2yr
NexTraq	$57.95	$0.00	$0.00	Yes	x	x	x	x	x	x	x	2yr
ATTI	$23.95	$77.85	$0.00	Yes	x	x	x	x	x	x	x	3yr
Virtual Fleet Supervisor	$23.95	$15.00	$99.00	Yes	x	x	x	x	x	x	x	None
GoTrack	$16.67	$0.00	$199.00	Yes	x	x	x	x	x	x	x	1yr
FleetBoss GPS	$24.95	$0.00	$199.00	No	x	x	x	x	x	x	x	None
verizon	$29.95	$0.00	$330.00	Yes	x	x	x		x	x	x	1yr
at&t	$30.00	$0.00	$0.00	No	x	x	x	x	x	x	x	3yr
LoJack Fleet Management	$33.95	$0.00	$0.00	Yes	x	x	x	x	x	x	x	3yr
CalAmp Matrix	$32.00	$0.00	$0.00	Yes	x	x	x	x	x	x	x	3yr
Fleetmatics	$45.25	$0.00	$0.00	No	x	x	x	x	x	x	x	3yr

Note: Based on 10 vehicle fleet price quote. Source: Prescience Point Research LLC

A more recent competitive threat likely to impact the economics of many players in the industry concerns cellular companies, such as AT&T, Verizon, Sprint, and T-Mobile, now offering their own fleet tracking solutions. This carries particular relevance to Fleetmatics and others because they are dependent on the use of cellular networks to deliver their services. Further, the cellular providers can use their size and scale to institute deep price cuts, as AT&T did recently. AT&T is currently offering a $30/month plan, at no upfront cost, with the initiation of a 3 year contract, similar to Fleetmatics' plan.

Another major competitive threat has come in the form of CalAmp Corp's recent acquisition of Wireless Matrix in December 2012. The implications for FLTX are so significant that it recently updated its Risk Factors to include the following statement:

> ***Industry consolidation may result in increased competition, which could result in a loss of customers or a reduction in revenue.*** *Some of our competitors have made or may make acquisitions or may enter into partnerships or other strategic relationships to offer more comprehensive services than they individually had offered or achieve greater economies of scale. In addition, new entrants not currently considered to be competitors may enter our market through acquisitions, partnerships or strategic relationships. For example, CalAmp Corp., our primary supplier of in-vehicle devices, recently announced the acquisition of Wireless Matrix Corporation, which offers fleet tracking applications. We expect these trends to continue as companies attempt to strengthen or maintain their market positions. Many of the potential entrants, particularly those providing enterprise-level solutions and those who historically focused on the long-haul industry, may have competitive advantages over us, such as greater name recognition, longer operating histories, more varied services and larger marketing budgets, as well as greater financial, technical and other resources.*

CalAmp has already aggressively cut its prices for comparable services, offering a $32/month plan with no upfront costs, and a 3 year contract. Later in the report, we will illustrate that FLTX's capex costs per new subscriber recently increased dramatically. This further illustrate the pressure CalAmp may be exerting on the company.

In summary, we believe Fleetmatics offers no apparent competitive advantage over the competition; it provides commodity service in the midst of a worsening competitive landscape, while better capitalized companies enter the fray.

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Founding Shareholder Tied to Previous Accounting Fraud

Given that FLTX has adopted very aggressive expense accounting policies and taken to aggressive revenue tactics, we believe the involvement of its founding investor in a previous fraud warrants caution. As elaborated below, Bill McCabe of Oyster Capital sold his stake in FLTX in 2010 to a private equity group but would continue his involvement with the company through 2012 via an opaquely structured management services agreement executed by and between FLTX and an entity affiliated with him. This agreement was structured to terminate in 2014, but was ultimately settled prematurely and terminated in August 2012, immediately prior to FLTX's October 2012 IPO; while it is unclear exactly why the contract was terminated prematurely, in light of the questionable timing at which the termination occurred, it is possible Fleetmatics sought to avoid potential investor inquiries pertaining to the fraud as it prepared to IPO. Regardless, it doesn't add up.

While it is unclear exactly why the contract was terminated prematurely, one possible reason is that Fleetmatics wanted to distance itself from the SmartForce fraud in preparation for its October 2012 IPO. In 2010, we noticed FLTX reported an opaque "Related Party Transaction." It signed a Management Services Agreement with Privia Enterprises that resulted in $15M of fees for services we have yet to determine. Language from company filings and key tenets of the deal follow:

> *In November 2010, we entered into a consulting and non--compete agreement, or the Management Services Agreement, with Privia Enterprises Limited, or Privia, a company controlled by certain of our former shareholders, one of whom continued to serve as a member of our Board of Directors through February 2012. Pursuant to this agreement, in exchange for consulting services to be performed by Privia, we agreed to pay Privia up to $15.0 million in three separate installments if we sold a specified number of subscriptions, measured by unit installation, during each of the twelve months ending March 31, 2012, 2013 and 2014... On August 20, 2012, we paid Privia an aggregate of $7,800 in full satisfaction of all present and future amounts that are payable by us under the Management Services Agreement.*

Privia is registered at "Oyster Point" and is majority controlled by Oyster Capital, a private investment entity based in the Isle of Man that was Fleetmatics' original backer. Although Oyster would dispose of its FLTX stake in 2010, certain of Oyster's members would continue to advise the company through this Management Services Agreement through 2012.

Our research indicates Oyster Capital, and Privia by extension, is the private entity of Irish businessman William "Bill" McCabe, who formerly founded, and served as CEO and Chairman of SmartForce PLC (formerly known as CBT), an e-learning company from the dotcom era. In 1998, McCabe, CBT, and other defendants were the subject of class action lawsuits for allegedly issuing materially false statements regarding CBT's financial condition and business prospects in a scheme to artificially inflate the value of CBT shares. In 1999, CBT, McCabe, and other alleged perpetrators settled the suit for $32m. After that case was settled, improprieties appear to have continued at CBT / SmartForce. Six additional class actions were filed in 2002, some naming McCabe as a defendant, for more wrongdoing that allegedly occurred at SmartForce from 1999 to 2002. The company that had at the time just acquired SmartForce, SkillSoft, announced that SmartForce's accounting and financial results could not be relied upon, forcing a writedown and accounting restatements. Specifically, the lawsuits asserted that the SmartForce fraud consisted of the following shenanigans:

1. Improperly recognized revenue from software sales, including:
    a. Backdating of revenue
    b. Improper revenue recognition from multi-year contracts
    c. Improper revenue recognition from reseller and barter agreements
2. Improper capitalization of expenses
3. Improperly recording research and development costs and accounting for bad debt
4. Failure to write down assets that were permanently impaired
5. Issuance of materially misleading statements to illicit gains from sales of stocks

The defendants at SmartForce admitted to knowingly overstating SmartForce's revenues by at least $116 million and understating net income losses by at least $126 million during the time of the fraud. Ultimately, SkillSoft took a $255 million impairment charge for all its costs related to the failed acquisition.

Internal Controls Deficiencies – an Open Door for Committing Improprieties

As a cautious research firm, it goes without saying that we are always wary of companies that report internal financial control weaknesses. Fleetmatics is one such company. We go to great lengths and commit substantial resources to verify the claims companies make in their filings with the US Securities and Exchange Commission. Over the past several years, Prescience Point sat at the forefront of exposing frauds perpetuated by scores of Chinese reverse-merged firms trading on US exchanges. Based on our experience, weaknesses in internal controls are amongst the most glaring warning signs in public companies, as they leave an open door for frauds and other improprieties to be committed. Per Fleetmatics' initial Prospectus:

> *A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of annual or interim financial statements will not be prevented or detected on a timely basis.*

Fleetmatics had not undergone an audit until 2012 (just prior to the IPO) and when it did, it received a very bad grade from the auditor, which found material weaknesses in internal controls over financial reporting significant enough to warrant a restatement of certain statements of cash flows. The significance of FLTX's deficiencies are highlighted by the company having disclosed them as one of its highest risk factors, which is not typical.

In filing its initial F-1 in August 2012, the company issued the following warning:

1. *We did not have sufficient formalized policies and procedures to ensure that complete and accurate, consolidated financial information was prepared and reviewed timely in accordance with U.S. GAAP;*
2. *We lacked sufficient and timely formalized monthly, quarterly and annual financial data reviews and analysis;*
3. *We lacked sufficient integrated systems to consolidate multi-currency financial information in a complete, accurate and timely manner; and*
4. *We lacked a sufficient number of resources to completely and accurately record accounting transactions in accordance with U.S. GAAP as well as resources with the technical accounting expertise to completely and accurately account for complex and unique transactions in a timely manner, and to prepare and review financial statements and footnote disclosures*

As of the company's recent F-1, filed on September 30, 2013, weaknesses number 1 and 2 initially noted above were still noted as unrectified. And it appears problems continue to surface in Fleetmatics' financials. On January 18, 2013 the company filed an amended 6K which contained in Note 2 of the consolidated financial statements additional accounting problems affecting cash flow classification:

> *The Company has restated its Consolidated Statements of Cash Flows for the nine months ended September 30, 2012 and 2011 to correct certain errors. In 2012, the Company determined that its process for preparing its statement of cash flows for interim periods did not accurately reflect total purchases of property and equipment due to an error in the application of the non-cash adjustment between purchases of property and equipment and accounts payable, accrued expenses and other current liabilities. This error did not exist in the Company's annual statements of cash flows. The result of the correction of this error is an increase in cash flows provided by operating activities with a corresponding increase in cash flows used in investing activities. In addition, certain other errors impacting Loss on disposal of property and equipment and other assets, Prepaid expenses and other current and long-term assets, and Purchases of property and equipment were identified. No other financial statements are affected by these adjustments*.

Furthermore, as elaborated upon in the section that below, we have identified significant and inexplicable inconsistencies between the company's PP&E and capital expenditures accounts.

Unreconciled PP&E and Capital Expenditures, and Additional Problems Lurking

In the table below, we have carefully analyzed all financial reporting period changes in Fleetmatics' property, plant and equipment ("PP&E") account vis-à-vis the same period reported cash flow statement purchases of PP&E. Total period additions to the PP&E account on the balance sheet should approximate the reported purchases on the cash flow statement. A major discrepancy occurred in Q4 2012 when the PP&E account increased by just $6.4m, but the cash flow statement reported purchases of PP&E and capitalized software were $11.2 million. We are not certain of the drivers behind these discrepancies, but in light of the company's choice to adopt aggressive accounting measures that exaggerate its business economics, we must acknowledge the risk of an attempt to artificially boost current-period EPS, by keeping assets off its balance sheet and eliminating associated depreciation expenses.

Property and Equipment Accounts

			Quarter Ended Period				
$ in thousands	**FY2010**	**FY 2011**	**6/30/2012**	**9/30/2012**	**12/31/2012**	**3/31/2013**	**6/30/2013**
In-Vehicle Devices: Installed	$38,834.0	$51,454.0	$60,384.0	$65,459.0	$71,110.0	$77,527.0	$84,116.0
In-Vehicle Devices: Uninstalled	$1,146.0	$1,127.0	$2,453.0	$2,580.0	$2,843.0	$3,023.0	$3,543.0
Computer Equipment	$1,528.0	$3,088.0	$3,684.0	$3,812.0	$3,984.0	$4,219.0	$4,990.0
Internal-Use Software	$848.0	$1,462.0	$1,880.0	$2,113.0	$2,393.0	$2,711.0	$3,273.0
Furniture	$338.0	$579.0	$856.0	$952.0	$999.0	$1,064.0	$1,219.0
Leasehold improvements	$202.0	$343.0	$467.0	$635.0	$687.0	$773.0	$1,241.0
Total PP&E	$42,896.0	$58,053.0	$69,724.0	$75,551.0	$82,016.0	$89,317.0	$98,382.0
Accumulated Depreciation	($23,841.0)	($31,205.0)	($35,418.0)	($38,206.0)	($40,884.0)	($43,322.0)	($46,561.0)
Net PP&E	**$19,055.0**	**$26,848.0**	**$34,306.0**	**$37,345.0**	**$41,132.0**	**$45,995.0**	**$51,821.0**

Period Changes in PP&E Accounts

		6m Ended	3m Ended	3m Ended		3m Ended	3m Ended
$ in thousands	**FY 2011**	**6/30/2012**	**9/30/2012**	**12/31/2012**	**FY 2012**	**3/31/2013**	**6/30/2013**
In-Vehicle Devices: Installed	$12,620.0	$8,930.0	$5,075.0	$5,651.0	$19,656.0	$6,417.0	$6,589.0
In-Vehicle Devices: Uninstalled	($19.0)	$1,326.0	$127.0	$263.0	$1,716.0	$180.0	$520.0
Computer Equipment	$1,560.0	$596.0	$128.0	$172.0	$896.0	$235.0	$771.0
Internal-Use Software	$614.0	$418.0	$233.0	$280.0	$931.0	$318.0	$562.0
Furniture	$241.0	$277.0	$96.0	$47.0	$420.0	$65.0	$155.0
Leasehold improvements	$141.0	$124.0	$168.0	$52.0	$344.0	$86.0	$468.0
Total PP&E	**$15,157.0**	**$11,671.0**	**$5,827.0**	**$6,465.0**	**$23,963.0**	**$7,301.0**	**$9,065.0**

Capex As Reported on Cash Flow Statement

			Quarter Period Ended						
$ in thousands	**FY 2010**	**FY 2011**	**3/31/2012**	**6/30/2012**	**9/30/2012**	**12/31/2012**	**FY 2012**	**3/31/2013**	**6/30/2013**
Purchase of PP&E	$9,377	$15,083	$5,364	$3,669	$5,128	$11,060	$25,221	$8,530	$9,012
Capitalized software	$380	$686	$235	$237	$178	$233	$883	$400	$504
Total Capex	$9,757	$15,769	$5,599	$3,906	$5,306	$11,293	$26,104	$8,930	$9,516
Net Subscribers	42,000	65,000	19,000	25,000	22,000	28,000	94,000	25,000	32,000
Total Capex/Subscriber	**$232.31**	**$242.60**	**$294.68**	**$156.24**	**$241.18**	**$403.32**	**$277.70**	**$357.20**	**$297.38**
Capex-ex software/Subscriber	**$223.26**	**$232.05**	**$282.32**	**$146.76**	**$233.09**	**$395.00**	**$268.31**	**$341.20**	**$281.63**

Source: Company filings

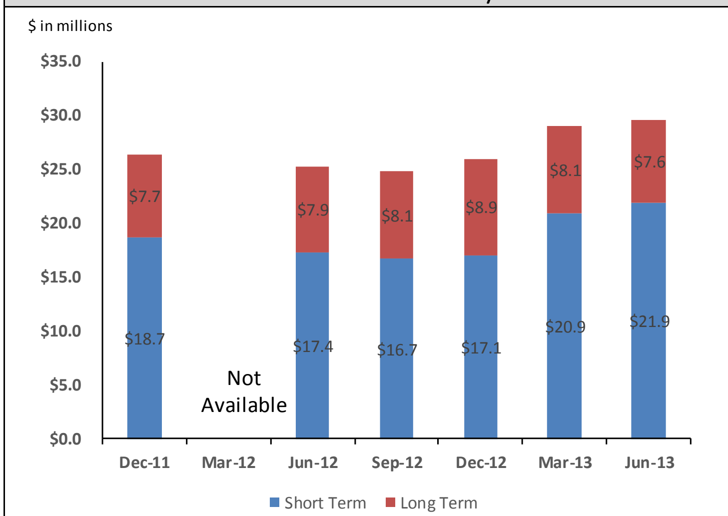
Putting on the Game Face Ahead of 3 Secondaries in 7 Months..?

Fleetmatics appears to have dressed itself up to court investors ahead of its July and September 2013 secondary offerings. It reported positive free cash flow for the first time ever in Q1'2013 and again in Q2'2013, driven by an increase in its deferred revenue account that resulted from increasingly extending discounts to ramp customer acquisitions.

Deferred Revenue Games Played to Boost Cash Flow Ahead of Secondaries?

For the first time in its history as a public company, FLTX reported positive free cash flow in Q1'2013 and again in Q2'2013. A closer look, however, reveals the turn in free cash flow to be largely the result of an increase in its deferred revenue balance, driven primarily by more customers prepaying all or a portion of their contracted balances in exchange for a discount. We have attained evidence that this is continuing and it seems to be a central aspect of its sales pitch: In July 2013 we attained a customer contract (Appendix II) which prominently displays the discounts offered in exchange for prepayments. This directly contradicts management's claims, and its guidance to the Street going into its IPO less than 1 year ago, that these discounts would cease. FLTX is continuing to encourage its customers to prepay by dangling the discount carrot in what may have been an attempt to boost revenue growth and accelerate cash flow collection to dress the company up in courting investors for its two recent, back-to-back secondary offerings.

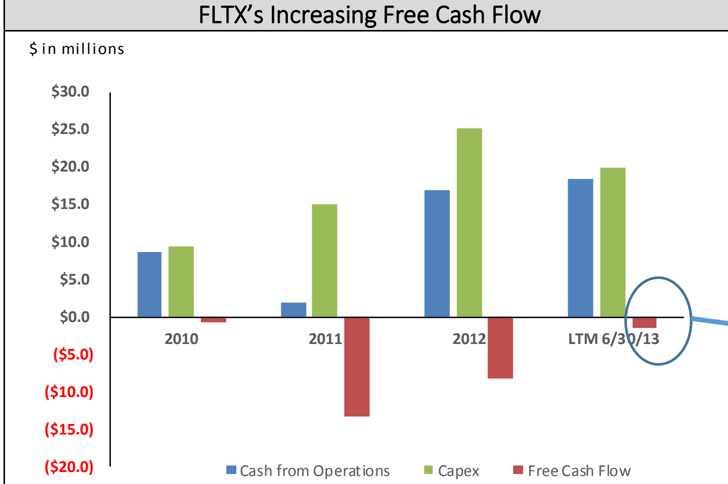
FLTX's Deferred Revenue Recently Increased



Driven By Heavy Prepayment Promotions

"Net cash provided by changes in our operating assets and liabilities primarily consisted of a $3.1 million increase in deferred revenue, $1.4 million increase in accounts payable, accrued expenses, and other current liabilities, and a $0.3 million increase in accrued income taxes, partially offset by a $1.2 million increase in prepaid expenses and other assets and $1.8 million increase in our accounts receivable from customers. __The increase in deferred revenue was attributable to a greater number of customers in 2013 than in 2012 prepaying for a portion of their subscription__. The increase in our accounts payable and accrued expenses resulted from our increased spending due to the growth of our business."
Source: P. 10, Q1 2013

FLTX's Increasing Free Cash Flow



Driven By A Change in Deferred Revenue

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
Cash flows from operating activities:		
Net income (loss)	$ 8,642	$ (366)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	6,065	4,475
Amortization of capitalized in-vehicle devices owned by customers	446	308
Amortization of intangible assets	934	1,166
Amortization of deferred commissions, other deferred costs and debt discount	2,989	2,328
Provision for (benefit from) deferred taxes	(73)	(53)
Provision for accounts receivable allowances	697	843
Unrealized foreign currency transaction (gain) loss	640	157
Loss on disposal of property and equipment and other assets	1,499	840
Loss on extinguishment of debt, non-cash portion	—	405
Share-based compensation	2,205	969
Changes in operating assets and liabilities:		
Accounts receivable	(3,094)	(2,786)
Prepaid expenses and other current and long-term assets	(4,288)	(5,956)
Accounts payable, accrued expenses and other current liabilities	2,252	4,360
Accrued income taxes	668	1,095
Deferred revenue	3,614	(1,193)
Net cash provided by operating activities	23,196	6,592

Going into its 2012 IPO, FLTX had led analysts to believe that because the company was no longer cash-strapped it didn't have much of an appetite for discounting contracts in exchange for upfront payments, and its deferred revenue balance would be declining in coming quarters, implying. Per the Q4'2012 conference call:

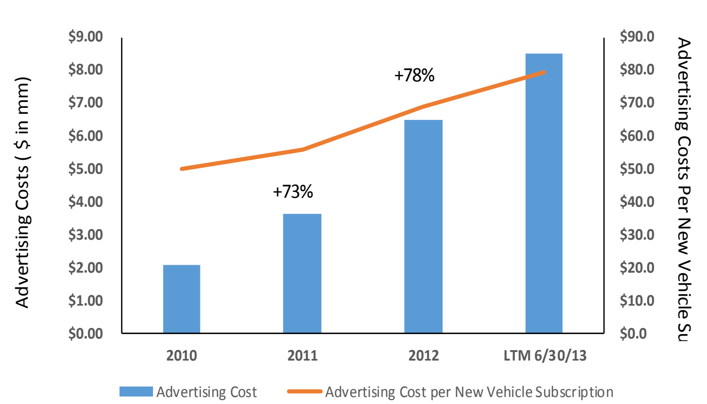
> *... we have historically allowed customers to prepay full or periodic amounts towards their subscription to improve our cash flow in exchange for a discount. And while upfront payments still occur, they have sharply declined in frequency as the cost of our capital and corresponding discounts has decreased.*

It can be assumed that Analysts' views were based on certain representations made by management about decreasing the frequency of discounting and the company's ability to grow free cash flow without growing the deferred revenue account. The following observation was related by a sell-side analyst in reports issued subsequent to FLTX's IPO.

Stifel Initiation Report, Oct 2012	William Blair, Oct 2012	Bank of America, Nov 2012
Although Fleetmatics' model has many of the attractive attributes of a SaaS model, most notably initial three-year contract terms and generally favorable upfront economics for its customers, one trait it does not share is a meaningful deferred revenue balance. We expect Fleetmatics deferred revenue balance to decline over the next couple of years for two primary reasons: (1) Fleetmatics previously engaged in fleet leasing services with its customers via third parties that resulted in upfront payments, but ceased doing so in January 2011 ($19 million expected drawdown); and (2) in response to macro conditions, FLTX had offered customers discounts of 3%-7% in exchange for paying their annual subscription fees upfront. The company engaged in this practice for a period of a few years, but stopped in 2012 once it was able to restructure its outstanding debt at a much lower rate	As we discussed in the "Contracts and Billing" section, on page 16, Fleetmatics' deferred revenue balance should continue to decline as the company recognizes revenue from the contracts paid up front by third-party leasing companies. Fleetmatics ended the relationships with these leasing companies in December 2010, but about 70% of the outstanding total deferred revenue balance (in our estimate) is related to these contracts. For this reason—and because the majority of customers (more than 90%) are billed monthly in advance—our billings proxy of revenue plus the sequential change in deferred revenue is not a relevant forward-looking metric. Deferred revenue decreased 20% year-over-year and 3% sequentially in the second quarter of 2012.	Deferred revenue drawdown: FleetMatics' customer base consists of SMBs that usually pay with a credit card on a monthly basis. It was among the first in the industry to pioneer a subscription model where customer do not have to pay upfront for the GPS unit and the cost is bundled into the monthly fee. This made it easier for the SMBs to adopt FleetMatics' service, but required them to incur upfront costs for purchasing the GPS unit. To fund these purchases and support growth of the business in its early years, FleetMatics used a third party to lease its receivables and get prepayments on its multi-year contracts.

Company Can't Hide that Customer Acquisition Costs are Growing Faster Than Revenues

FLTX states its key competitive advantage is its efficient lead generation and sales model. We have been closely following its trends in advertising expense, and in particular, how effective this expense has be in converting new vehicle subscriptions. The company has never fully disclosed customer acquisition costs, but we think our measure is a good proxy. The chart on the left indicates that advertising costs rose +73% in 2011 and +78% in 2012 – multiples of revenue growth. Meanwhile, costs per new vehicle subscription are also marching higher as the company desperately pays more for incremental growth.

Advertising Costs Per New Vehicle Addition	Risk Factor Warning on Rising Lead Generation Costs
	*Our dependence on various lead generation programs could adversely affect our operating results if we need to pay more for such programs or we are unable to attract new customers at the same rate.* We use a number of lead generation programs to promote our solutions. Significant increases in the pricing of one or more of our lead generation channels would increase our overall lead generation costs or cause us to choose less expensive and perhaps less effective channels. For example, a portion of our potential customers locate our website through search engines, such as Google, Bing, and Yahoo!, representing one of the most efficient means for generating cost-effective SMB customer leads. If search engine companies modify their search algorithms in a manner that reduces the prominence of our listing, or if our competitors' search engine optimization efforts are more successful than ours, fewer potential customers may click through to our website. In addition, the cost of purchased listings has increased in the past and may continue to increase in the future

Beyond the Pitch

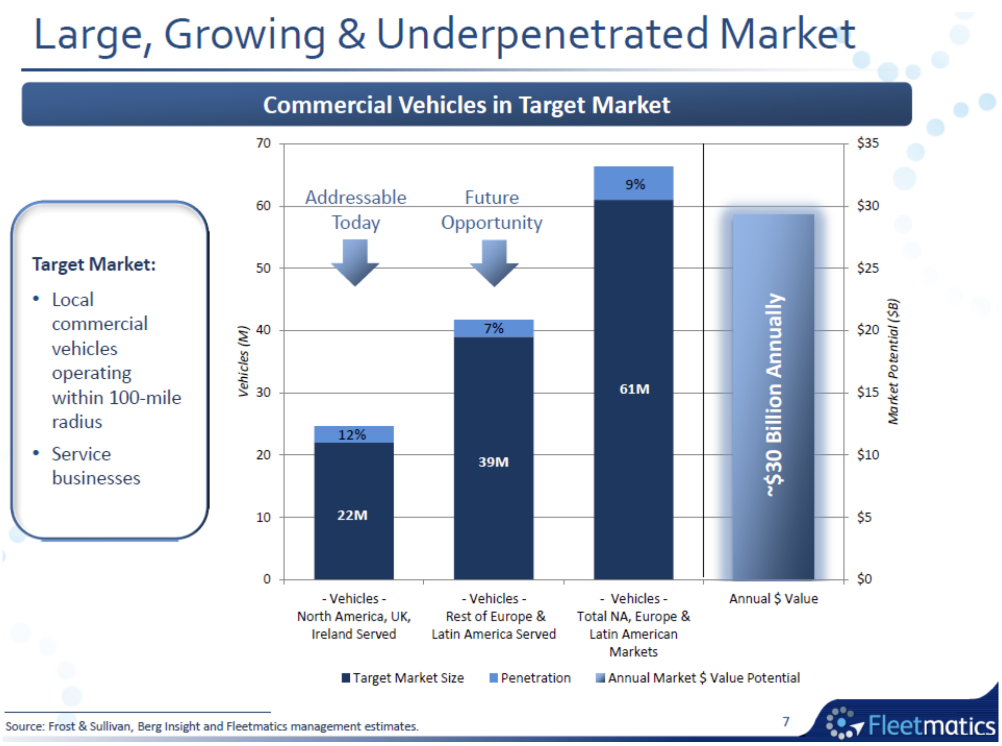
Fleetmatics and its bankers have gone to great lengths to pitch the company as a high margin SaaS business with an enormous global market opportunity. A deeper analysis reveals nothing more than a capital-intense software company that has low entry barriers and is structurally difficult to profitably scale.

The Reality of Fleetmatics' End Market

Fleetmatics' management guides investors to estimate its eligible market opportunity using the total number of worldwide vehicles in local commercial fleet markets as a basis; they also point to low levels of penetration to imply sustainability in the company's growth trajectory. Acting on this guidance, however, yields little in the form of valuable information needed to assess FLTX's prospects.

To demonstrate, per CEO James Travers (Q4'2012 conference call),

> *To start, the market for fleet management solutions is large, growing and underpenetrated. We estimate that the market we serve represents more than 61 million vehicles or an approximate $30 billion market opportunity. We also estimate the market to be only penetrated approximately 9%, which provides the company with significant opportunity to maintain our growth.*



But discussions focusing on the total number of vehicles operated by SMBs are useless diversions. The data point is far too broad and provides little to no informational value toward deriving an estimate for the quantity of vehicles currently open to fleet telematics service offerings, a data point necessary for getting to the bottom of FLTX's eligible market opportunity and understanding the company's long-term prospects.

And the market penetration of fleet telematics services amongst SMBs is low for a reason, and it is likely to remain so. As a point of reference, the average Fleetmatics customer has an 18-vehicle fleet, and according to Jim Travers (Q1'13 conference call), "*14, 15, 18 vehicle-sized customers… are what we really focus on.*" SMBs of this size operate on thin margins, have high failure rates and low technology adoption rates. Accordingly, the results of a survey published by *Automotive Fleet* magazine indicate that of SMBs with less than 100 vehicles in their fleets, 80% are not considering telematics and only 15.7% who aren't current users are considering telematics.

This alone indicates that a consideration of the total number of existing SMB-owned vehicles to assess FLTX' market opportunity would result in the vast overstatement its eligible market, and hence, true potential. It also indicates that a presenting the company's prospects in this manner is misdirecting.

FLTX is an Aggressive Telesales Organization, not a High-Tech SaaS Company

FLTX underwent a significant strategy change in 2010. An aggressive telesales operation was rolled out which converted most of the customer accounts to credit card and monthly billing from invoices and up---front annual payments. These changes can dramatically improve sales cycles and lower costs, but can also lead to unsustainable business practices. The most significant result of this change is the much smaller up-front monthly collection prior to account activation. It's much easier to convince an SMB to pay just $40 upfront for the first month than having to pay $500 for the year. However, if the SMB is not aware of the terms, than it's locked into $40/month for 3 years (as evidenced below). This could result in a tidal wave of cancellations in a few years. Additionally, customers must go through the hassle of shutting down an SMB credit card used for various expenses in order to stop payment. That friction alone might prevent some customers from disputing a contract.

It should be telling that the top-listed item in the "Our Key Competitive Strengths" section of Fleetmatics' prospectus is its telesales model and not its product:

> *Efficient and scalable customer acquisition model. We have developed a scalable sales and marketing model that is focused on the efficient generation of a large number of customer leads, primarily through digital advertising, such as search engine marketing and optimization and email marketing as well as targeted outbound sales efforts. These techniques provide us with a flow of low-cost, qualified leads, both in the U.S. and internationally. We believe our marketing approach provides us with a cost-efficient and highly effective means of targeting and accessing the vast and geographically diverse SMB market and converting leads into paying subscribers.*

The prospectus also states that Fleetmatics has only 1 issued US patent on its technology, which bolsters our argument that Fleetmatics is not a dynamic technology company, and merely a sales organization. The company's organizational structure also supports this view. Per the table below, three of eight members of the executive management team occupy sales or business development positions – the Chief Marketing Officer (CMO), SVP of Global Business Development, and EVP of Global Sales. The EVP of Global Sales is the second highest paid executive at the company. We note that the original CMO, Karen Leavitt, abruptly resigned post-IPO in Nov 2012 according to her LinkedIn bio, but the company never announced this executive departure, and announce her replacement until August 2013.

Name	Role	Yr Joined	Base	Target Bonus	Total Comp
James Travers	CEO	2006	$350,000	$225,000	$575,000
Stephen Lifshatz	CFO	2010	$300,000	$150,000	$450,000
John Goggin	EVP Sales	2004	$233,000	$303,000	$536,000
Peter Mitchell	CTO	2004	$214,000	$94,000	$308,000
Dennis Abrahms	COO	2010	$290,000	$101,500	$391,500
Karen Leavitt	Chief Mktg	2012	$250,000	$125,000	$375,000
Andrew Reynolds	SVP, Biz Dev	2011	$250,000	$125,000	$375,000
Jorge Diaz	SVP, HR	2012	$20,000	$100,000	$120,000

Source: Prospectus

There are over a dozen fleet telematics companies that leverage the same core third party components: GPS Satellites, Mapping Data, and Cellular bandwidth. Again, why are SMBs (80% first time telematics users) signing up for a 3-year non-cancellable contract with FLTX, amounting to $1500/vehicle? A big reason is that FLTX telesales reps get full 3-year commissions paid upfront so there is a large incentive to do "whatever it takes" in order to sign up a customer and then let FLTX's customer service and legal departments deal with any misunderstandings. Finally, while Internet review and complaint boards can't be relied upon literally, they can reveal company insights if certain recurring practices are revealed. We have included and underlined key statements from both employees and customers from different geographic regions that portray a "boiler room" type environment.

Fleetmatics Employee Reviews	
<u>Current Employee</u> – US Existing Account Executive in Rolling Meadows, IL SUBMITTED: December 5, 2012 **Pros –** The only pro's are that there are some great people that work for Fleetmatics and they do promote from within. **Cons –** The <u>current customer base has been lied to while being locked up in a contract for 3-4 years.</u> The management does not manage or lead. <u>The price is TOO high for what it offers and the add on features do not work well</u>. This is the first sales team I have ever seen where people outcast the new hires and make it known they are making fun of them. There is no training program at all There are no defined processes for almost anything. If you ask 3 people how to do one thing you'll get three answers. I can go on and on **(Source: Glassdoor.com)**	**Employee – Vlad K - Charlotte (United States of America)** SUBMITTED: Monday, February 27, 2012 Managers encourage criminal activity: I was constantly told by my manager that dishonesty is an art and thats how you make money at Fleetmatics. <u>He said lie to these idiots no matter what we have to get their credit card numbers</u>. They are criminals. **(Source: Glassdoor.com)**

Fleetmatics Customer Reviews	
AUTHOR: Yevgen P. - Manhattan (United States of America) SUBMITTED: October, 2011 Over the phone when I called them everything was nice. I said to myself what a great company, but when the service was down for many times and <u>I said I want to close my account, they said no, because I signed up the agreement for 36 months with Mr. Lawrence Pritchett.</u> <u>When I spoke with him over the phone and asked, what if I want to cancel my agreement? He said, No problem at any time. He lied to me.</u> Now I am stuck with this agreement. I don't have anymore my two cars on the road, but they still want my money. My advice. Don't sign up! until you read very carefully their agreement. On the phone they can tell you anything, but then when they fax to you an agreement they ask immediately to sign and fax them back. I will fight for my rights. I will file a complaint everywhere about this Fleetmatics gps global positioning tracking devices company. **(Source – yelp.com)**	**AUTHOR: Anonymous - Dayton (United States of America)** SUBMITTED: March 13, 2012 Our company subscribed to Fleetmatics vehicle tracking system almost two years ago with a three year contract. The first few months were fine - there were no issues and circumstances were status quo. As soon as we had an instance where we needed some customer service resolution, the account went downhill fast. There are several issues that we attempted to address with Fleetmatics and we were ignored on all items. We couldn't get an answer to numerous phone call and email requests. One of our requests was to remove our account from auto-pay and send monthly invoice so we could pay by check. We wanted to discontinue using the credit card that was being billed. That request was ignored along with the rest of our issues. Eventually, we closed the credit card anyways. We decided that would surely get some attention. Instead of calling to check on the payments or answering our numerous requests to send invoices, <u>Fleetmatics sent us to collections AND turned off the internet access</u>. We have been dealing with this for well over a year and still have no resolution for any of the issues. <u>We will be forced to pay the entire contract</u> despite the fact that the service is not available to us and has not been for months. **(Source - Ripoffreport.com)**

The employee examples above suggest that sales reps are instructed not to disclose that contracts are non-cancellable in order to get a customer's credit card information and initiate billing. The first customer example states a sales person was deceptive in giving assurance that the contract could be cancelled prior to expiration; the second customer example suggests the post-sales customer care (typically a cost center) is sufficiently lacking.

Finally, early evidence of suspicious call center activity emerged in the final months prior to FLTX's IPO. As detailed in the filings below, FLTX is the defendant in a class action lawsuit stating that it failed to notify customers that they were being recorded. Notifying the customer of recorded calls is a potential impediment to sales and suggests that FLTX was willing to skirt "Call Center 101" rules:

> *August 14, 2012, a putative class action complaint was filed in the Sixth Judicial Circuit in Pinellas County, Florida, entitled U.S. Prisoner Transport, et. al. v. Fleetmatics USA, LLC, et. al., Case No. 1200-9933 CI-20. The complaint alleges that we recorded thousands of telephone calls in violation of Florida Statutes Section 934.03. The complaint seeks certification of a putative class of all individuals and businesses residing in Florida who spoke with any representatives of our offices in Florida on the telephone and had their telephone conversations recorded without their consent or advance notice, from the date of the earliest recording by us through the present. The complaint seeks statutory damages, injunctive relief, attorney fees, costs and interest. Florida Statutes Section 934.10 permits an aggrieved person to recover "liquidated damages computed at the rate of $100 a day for each day of violation or $1,000, whichever is higher." We removed the case to the United States District Court for the Middle District of Florida on September 13, 2012, U.S. Prisoner Transport, et. al. v. Fleetmatics USA, LLC, et. al., Case No. 8:12-CV-2079. We moved to dismiss the complaint on September 20, 2012. This matter is in its very early stages, but there can be no assurance that this matter will not have a material adverse effect on our business, operating results or financial condition."*

Valuation and Price Target

Street Analysts' Incorrect SaaS Peer Set Artificially Inflates FLTX Price Target

The consensus price target of $44.75 values FLTX at 59x 2013E normalized earnings, a metric that, as discussed previously, is inflated by the company's aggressive accounting practices and fails to capture the true economics of FLTX's business.

Analyst	Price	Rating
Stifel Nicolaus	$44.00	Buy
William Blair	--	Outperform
Barclays Capital	$48.00	Overweight
Bank of America / ML	--	Buy
RBC Capital Markets	$45.00	Outperform
Pacific Crest Securities	$42.00	Outperform

Wall St. analysts not only take the company's financials at face value without adjusting for the egregious accounting we've previously highlighted, but also mistakenly position the company as a high growth SaaS stock without taking into consideration any of the fundamental industry attributes likely to ultimately constrain the company's future success. To illustrate, Bank of America attempts to convince investors to view Fleetmatics' valuation in relation to Saleforce.com (CRM), NetSuite (N) and Constant Contact (CTCT) all of which are companies with broad software solutions that are applicable to companies of any size and industry.

Chart 5: FleetMatics trades roughly in-line with comps despite having a higher revenue growth rate

	10/30/2012	Market	Enterprise	P/E			Rev Y/Y Growth			EV/Revenue		
SaaS companies	**Price**	**Cap ($mn)**	**Value ($mn)**	**CY12E**	**CY13E**	**CY14e**	**CY12E**	**CY13E**	**CY14e**	**CY12E**	**CY13E**	**CY14E**
Salesforce.com	146.7	21,439	20,144	97.8x	73.7x	58.7x	34%	23%	12%	6.6x	5.4x	4.8x
Concur	66.1	3,747	3,514	70.3x	55.0x	NM	26%	25%	23%	7.5x	6.0x	4.9x
Cornerstone	28.2	1,403	1,341	NM	NM	123.7x	57%	42%	41%	11.4x	8.1x	5.7x
NetSuite	65.4	4,654	4,489	269.1x	206.3x	222.4x	30%	29%	26%	14.6x	11.4x	9.0x
Constant Contact	11.9	369	296	21.7x	17.6x	13.3x	17%	14%	13%	1.2x	1.0x	.9x
Responsys	8.8	471	373	39.6x	30.3x	24.7x	24%	20%	19%	2.3x	1.9x	1.6x
Log Me In	24.8	627	428	37.2x	30.6x	25.6x	16%	19%	20%	3.1x	2.6x	2.2x
SPS Commerce	36.4	506	474	93.6x	71.7x	50.6x	32%	27%	20%	6.2x	4.9x	4.0x
Overall group Average				89.9x	69.3x	74.2x	30%	25%	22%	6.6x	5.2x	4.1x
Companies with Infra cost												
Carbonite	7.3	186	120	NM	NM	NM	38%	32%	25%	1.4x	1.1x	.9x
Rackspace	63.1	8,882	8,816	75.1x	56.3x	45.4x	28%	24%	20%	6.7x	5.4x	4.5x
Overall group Average				87.3x	67.1x	73.4x	30%	25%	22%	6.1x	4.8x	3.9x
EV/REV Average ex-outliers (N, CARB)										5.6x	4.4x	3.6x
FleetMatics	21.40	792	728	42.8x	34.5x	26.1x	32%	27%	27%	6.0x	4.7x	3.7x

Source: FleetMatics, BofA Merrill Lynch Global Research

Bofa Initiation, Oct 2012

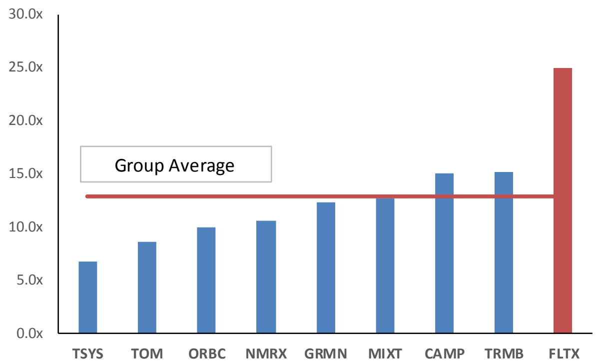
Sell-side valuation assumptions fail to recognize that FLTX's software solutions are narrowly focused on companies that have automotive fleets and mobile assets to track. <u>Numerous companies exist that offer similar tracking solutions, are more directly comparable, generate positive free cash flow, and trade at significant valuation discounts to Fleetmatics</u>.

Based on our analysis, Fleetmatics' is far better defined against a peer set consisting of Mix Telematics (MIXT), CalAmp (CAMP), Numerex (NMRX), Garmin (GRMN), Trimble (TRMB), TomTom (TOM), Lojack (LOJN), Ituran Location and Control (ITRN), ID Systems (IDSY), Orbcomm (ORBC) and TeleCommunication Systems (TSYS). This peer set represents a broad range of companies in fleet, mobile resource, and machine-to-machine tracking solutions. Growth investors looking for leverage to these industries can get much cheaper exposure by investing in any of these other companies.

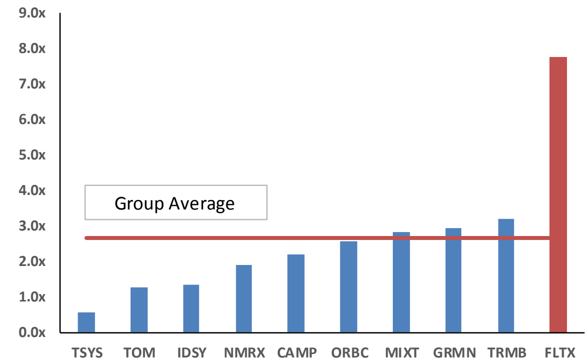
I.D. Systems	I.D. Systems has pioneered the use of RFID (radio frequency identification) technology for wireless vehicle management and fleet tracking. I.D. Systems is a leading global provider of wireless solutions for securing, tracking and managing high-value enterprise assets, including industrial vehicles such as forklifts, airport ground support and handling equipment, transportation assets including trailers and containers and rental car fleets.
GARMIN	Provider of navigation, communication and information devices and applications, which are enabled by global positioning system (GPS) technology. Garmin designs, develops, manufactures and markets a diverse family of hand-held, portable and fixed-mount GPS-enabled products and other navigation, communications and information products for the automotive/mobile, outdoor, fitness, marine, and general aviation markets.
ORBCOMM	ORBCOMM is a leading provider of global satellite and cellular data communications solutions for asset tracking, management, and remote control. Whether you've got a fleet of five or 5,000, you can't afford to lose touch with your vehicles or the assets they're transporting. That's why ORBCOMM lets you communicate with your vehicles anywhere in the world – even when they're outside cellular coverage areas
ITURAN With you all the way	Since 1995, ITURAN has been recognized as the global leader in vehicle tracking, asset protection, recovery and personalized customer service. Our comprehensive suite of products and services cover the full gamut - Driveit for Automobiles, Manageit for Fleet Management, Controlit for BHPH and Finance Companies, and Rideit for Motorcycles.
Trimble	By applying Trimble's advanced positioning solutions, productivity increases and safety improvements are being realized. Though best known for GPS technology, Trimble integrates a wide range of positioning technologies including GPS, laser, optical and inertial technologies with application software, wireless communications, and services to provide complete commercial solutions.
LOJACK	Premier worldwide provider of wireless tracking and recovery systems for mobile assets, is the leader in global stolen vehicle recovery, with its unrivaled, proven solutions and direct integration with law enforcement. LoJack understands the complexities that are associated with managing a fleet. LoJack Fleet Management Powered by TomTom delivers a smarter and more secure fleet for any business.
Numerex	Provider of business services, technology, and products used in the development and support of machine-to-machine (M2M) solutions for the enterprise and government markets worldwide. The Company offers Numerex DNA(R) that includes hardware and smart Devices, cellular and satellite network services, and software applications that are delivered through Numerex FAST (Foundation Application Software Technology).
TOMTOM	TomTom is a leading provider of navigation and location-based products and services. TomTom maps, traffic information and navigation technology power automotive in-dash systems, mobile devices, web based applications and government and business solutions. TomTom also designs and manufactures its own location-based products including portable navigation devices and fleet management solutions
POINTER Pointer Telocation Ltd.	Cellocator™, a Pointer Products Division is a leading AVL (Automatic Vehicle Location) solutions provider for fleet management, car and driver safety, public safety, vehicle security, M2M wireless data communications, asset management and more. Cellocator's systems are used by transportation companies, security forces, service companies, and enterprises
TCS TeleCommunication Systems Enabling Convergent Technologies®	TCS' industry-leading wireless and telematics technologies provide the benefits of positioning and mobile communications in automobiles for improved safety, security, maintenance, convenience, and cost savings. In addition, our innovative solutions improve an organizations asset management, enhance and secure both networks and mobile communications.
CalAmp	Provider of wireless communications solutions that enable anytime/anywhere access. CalAmp's Wireless DataCom Division services the public safety, industrial monitoring and controls, and mobile resource management market segments with wireless solutions built on communications technology platforms that include proprietary licensed narrowband, standards-based unlicensed broadband and cellular networks.

The charts and table below illustrate the extreme valuation disconnect between Fleetmatics, and what other telematic solution providers trade for. Our analysis suggests that Fleetmatics should be valued closer to 2x, 11x, and 20x 2014E revenues, EBITDA, and EPS, respectively.

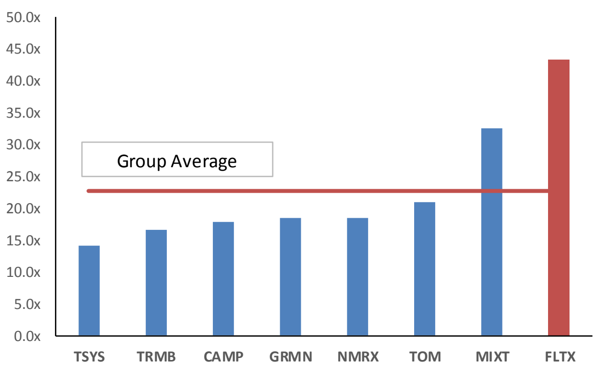
Enterprise Value / 2014E EBITDA



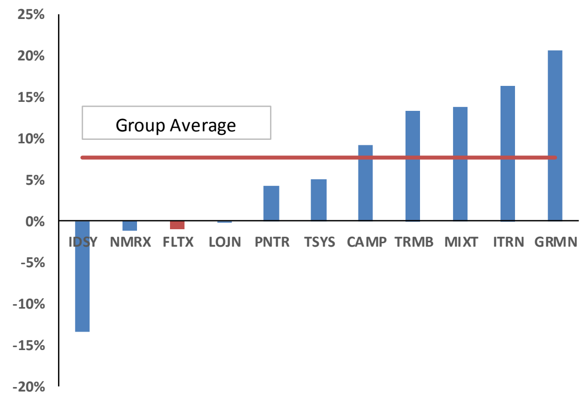
Enterprise Value / 2014E Revenues



Price / 2014E EPS



LTM Free Cash Flow Margin



Source: CapitalIQ, public information

Note: Averages exclude multiples based on FLTX adjusted figures

Telematics Trading Comparisons

($ in millions, except per share figures)

Name	Ticker	Stock Price 9/17/2013	% of 52-wk High	Ent. Value	'13E-'14E Revenue Growth	'13E-'14E EPS Growth	LTM Gross Margin	LTM EBITDA Margin	LTM FCF Margin	P / E LTM	P / E 2013E	P / E 2014E	Enterprise Value / EBITDA LTM	Enterprise Value / EBITDA 2013E	Enterprise Value / EBITDA 2014E	Enterprise Value / Revenue LTM	Enterprise Value / Revenue 2013E	Enterprise Value / Revenue 2014E
Trimble	TRMB	$28.40	89%	$8,078	11%	17%	55.1%	19.1%	13.3%	38.4x	19.3x	16.5x	19.6x	17.3x	15.2x	3.8x	3.6x	3.2x
Garmin	GRMN	$44.42	99%	$7,449	-2%	0%	52.2%	24.0%	20.7%	16.5x	18.5x	18.4x	11.6x	12.3x	12.4x	2.8x	2.9x	2.9x
TomTom	AMS:TOM2	$7.14	99%	$1,576	-2%	10%	53.7%	15.8%	25.4%	9.3x	23.0x	21.0x	7.3x	8.7x	8.6x	1.2x	1.2x	1.3x
CalAmp	CAMP	$17.24	96%	$578	15%	26%	32.4%	9.9%	9.1%	12.9x	22.4x	17.8x	30.6x	18.5x	15.0x	3.0x	2.5x	2.2x
Mix Telematics	MIXT	$15.84	78%	$414	9%	17%	65.2%	24.8%	13.8%	37.5x	38.0x	32.5x	13.0x	14.1x	12.7x	3.2x	3.1x	2.8x
Ituran Location	ITRN	$18.40	98%	$357	NA	NA	50.5%	30.7%	16.3%	17.2x	NA	NA	7.3x	NA	NA	2.2x	NA	NA
Telecom Sys	TSYS	$2.67	99%	$251	7%	-5%	33.5%	8.0%	5.0%	14.1x	13.4x	14.1x	6.8x	5.7x	6.8x	0.5x	0.6x	0.6x
Orbcomm	ORBC	$5.10	94%	$210	14%	-33%	51.7%	19.5%	NM	34.0x	NM	NM	15.9x	13.5x	10.0x	3.1x	2.9x	2.6x
Numerex	NMRX	$10.36	75%	$174	21%	300%	40.9%	4.7%	-1.1%	27.3x	74.0x	18.5x	52.6x	23.5x	10.6x	2.5x	2.3x	1.9x
I.D. Systems	IDSY	$6.42	96%	$71	30%	NA	50.8%	-6.9%	-13.5%	NM	NA	NA	NM	NA	NA	1.6x	1.8x	1.4x
Pointer Telocation	PNTR	$4.45	75%	$47	NA	NA	32.7%	12.1%	4.2%	9.3x	NA	NA	4.9x	NA	NA	0.5x	NA	NA
Lojack	LOJN	$3.14	84%	$23	NA	NA	53.9%	0.1%	-0.2%	NM	NA	NA	2.4x	NA	NA	0.2x	NA	NA
				Max	29.5%	300.0%	65.2%	30.7%	25.4%	38.4x	74.0x	32.5x	52.6x	23.5x	15.2x	3.8x	3.6x	3.2x
				Average	11.3%	41.4%	47.7%	13.5%	8.4%	21.6x	29.8x	19.8x	15.7x	14.2x	11.4x	2.1x	2.3x	2.1x
				Min	-2.1%	-33.3%	32.4%	-6.9%	-13.5%	9.3x	13.4x	14.1x	2.4x	5.7x	6.8x	0.2x	0.6x	0.6x
Fleetmatics	**FLTX**	**$48.00**	**92%**	**$1,666**	**24.3%**	**30.9%**	**74.0%**	**31.5%**	**-1.0%**	**60.7x**	**59.3x**	**45.3x**	**35.3x**	**31.0x**	**25.0x**	**11.1x**	**9.7x**	**7.8x**

Source: Company financials, Wall St. estimates.

Recent IPO of Direct Comp MiX Telematics Indicates FLTX' Valuation Dislodged from Reality

On August 9, 2013 Mix Telematics (NYSE: MIXT), FLTX's closest public company comparable, priced its IPO on the NYSE at $16.00 per share and raised $65 million. A global provider of fleet and mobile asset management solutions delivered as a SaaS solution, MIXT has failed to garner anywhere near the valuation achieved by Fleetmatics despite having a superior operating financial model, comparable growth rate, and more conservative accounting assumptions. MIXT trades at 3x, 14x, and 38x 2013E revenue, EBITDA, and EPS, respectively. FLTX trades at 9.7x, 31x, and 59x 2013E revenue, EBITDA, and EPS, respectively.

To illustrate, MIXT has a globally diversified customer base in 112 countries and serves more than 4,000 fleet operators at the enterprise level. In contrast, FLTX derives 96% of its revenues from just three countries, serves more than 19,000 customers, and focuses on the SMB market. The costs of targeting SMBs can be observed by the dramatically different Sales and Marketing costs between the two companies. FLTX reports a Sales & Marketing Expense margin of 31.4% vs. MIXT's 10.4%; this significant variance in cost structures does not even account for the relative benefit FLTX derives by aggressively capitalizing and amortizing sales commissions.

LTM 6/30/13 $ in millions	FleetMatics	MiX Telematics
Vehicle Subs	388,000	376,900
% growth (1)	*39.1%*	*31.8%*
Revenue	$150.0	$128.4
Gross Margin (2)	*74.0%*	*65.2%*
In Vehicle Device Depreciation (yrs)	6 yrs	2 - 5 yrs
Sales/Marketing Costs	$47.1	$13.4
% margin	*31.4%*	*10.4%*
Accounting for Sales Commissions	Capitalized and Amortized	Expensed as Incurred
Adj. EBITDA	$47.1	$31.9
% margin	*31.4%*	*24.8%*
Free Cash Flow	($1.5)	$17.7
% margin	*-1.0%*	*13.8%*

(1) YoY growth as of 3/31/13

(2) MIXT's subscription and hardware gross margin were ~74% and 55%

LTM 6/30/13 $ in millions	FleetMatics	MiX Telematics
Stock Price	$48.00	$15.84
Shares o/s	37.6	30.8
Market Cap	**$1,802.6**	**$488.0**
Cash	$136.8	$81.4
Debt	$23.6	$7.3
Enterprise Value	**$1,689.4**	**$413.8**
EV / Revenues		
LTM	11.3x	3.2x
2013E	9.7x	3.1x
2014E	7.8x	2.8x
EV / EBITDA		
LTM	35.8x	13.0x
2013E	31.0x	14.1x
2014E	25.0x	12.7x
Price / EPS		
LTM	60.7x	37.5x
2013E	59.3x	38.0x
2014E	45.3x	32.5x

As previously discussed, another key difference relates the each company's treatment of installed hardware devices and operating cash flow. MIXT is significantly more cash generative than FLTX, selling its hardware to its customers upon contract initiation; FLTX, on the other hand, essentially gives its devices away in anticipation of recouping its cost over the life of the contract.

MIXT's gross margin is lower than FLTX's, as it reflects both product and service hardware sales. We should again point out that FLTX's gross margin is also artificially inflated by the aggressive assumption that its average customer life is 6 years, which it uses to justify a 6 year depreciation schedule for its devices. MIXT has a 17 year business history, and structures contracts with a 3 year subscription plan, and a default month-to-month or yearly auto renewal. MIXT's device depreciation period of 3 – 5 years appears to support our concern that FLTX's 6 year depreciation period is aggressive.

Overall, MIXT's model generates significantly more free cash flow than FLTX, has more conservative accounting, but is trading at a substantial valuation discount. This discount is not justified by the relative size or growth differentials between both companies.

Private M&A Deal Values Support our Comps Analysis, Imply a Dramatically Lower Valuation

It's also instructive to look at private M&A deals in the fleet and mobile asset tracking industry. A flurry of activity in the past few years provides a sample set sizeable enough to draw useful insights toward assessing FLTX's intrinsic value. Very recent deals include Avista Capital's acquisition of Telular, Danaher's acquisition of Navman Wireless, and Calamp's acquisition of Wireless Matrix.

Per the table below, M&A transactions support the results of our public comps analysis, with average transaction revenue and EBITDA multiples of 2.3x and 9.1x, respectively.

$ in millions

Announced	Acquiror	Target	Target Description	Enterprise Value	LTM Sales	LTM EBITDA	EBITDA Margin	Enterprise Value / LTM Revenues	Enterprise Value / LTM EBITDA	Price/ EPS	30d Share Premium
8/2/2013	Danaher	Teletrac	GPS tracking and fleet management software company	--	--	--	--	--	--	--	--
4/29/2013	Avista Capital	Telular	Monitoring and asset tracking solutions for businesses	$253.0	$89.7	$20.2	22.5%	2.8x	12.5x	30.8x	30%
1/29/2013	Danaher	Navman Wireless	GPS-based fleet optimization products and services	$12.0	$11.0	--	--	1.1x	--	--	--
12/20/2012	CalAmp	Wireless Matrix	SaaS solution provider for the fleet management industry	$53.0	$32.3	$0.5	1.5%	1.6x	NM	NM	22%
7/17/2012	Telogis	NavTrak	Mobile resource and fleet management solutions	--	~$14	--	--	--	--	--	--
6/18/2012	Sierra Wirless	Sagemcom	Machine-to-machine business	$56.1	$49.9	--	--	1.1x	--	--	--
6/1/2012	Verizon	Hughes Telematics	Vehicle information-based technologies	$612.0	$77.4	($44.7)	-57.8%	7.9x	NM	NM	179%
12/5/2011	SkyBitz	Telular	Mobile resource management ("MRM") solutions focusing on tracking and management of transportation assets	$42.0	$35.0	--	--	1.2x	--	--	--
7/28/2011	INRIX Inc	ITIS Holdings PLC	UK-based traffic information company	$60.0	$27.0	--	--	2.2x	--	--	--
6/14/2011	Descartes Sys.	Telargo	SaaS provider of MRM telematics solutions to monitor and manage mobile assets such as vehicles	$9.3	--	--	--	--	--	--	--
2/24/2011	Orbcomm	StarTrak Systems	Provider of tracking, monitoring and control services for the refrigerated transport market	$19.2	$16.0	--	--	1.2x	--	--	--
8/24/2010	Fleetmatics	SageQuest	Vehicle tracking solutions	$37.0	$15.4	$0.8	5.1%	2.4x	47.0x	--	--
7/7/2010	ID Systems	GE Asset Intelligence	Telematics solutions for supply chain asset mgmt. These solutions help secure and optimize the performance of trailers, railcars, containers	$17.0	$25.5	--	--	0.7x	--	--	--
6/2/2010	Vector Capital	TrafficMaster	Intelligent vehicle services to enhance the driving experience and improve business performance	$135.9	$87.3	$18.5	21.2%	1.6x	7.3x	10.4x	--
12/1/2009	TCS	Networks In Motion	Provider of wireless navigation solutions for GPS-enabled mobile phones	$170.0	$70.0	$22.5	32.1%	2.4x	7.6x	--	--
12/10/2006	Trimble	@Road	Provider of solutions designed to automate the management of mobile resources	$417.0	$101.5	$1.6	1.6%	4.1x	NM	NM	12%
							Average	2.3x	9.1x	20.6x	77%

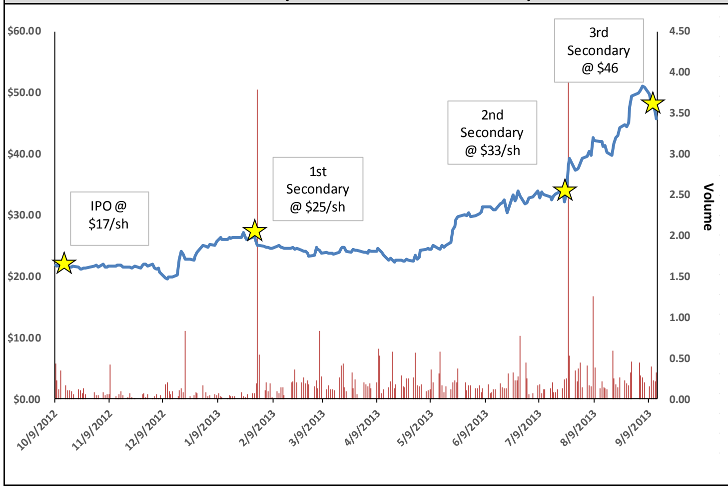
Source: Public Information

Note: Average EBITDA exludes 47x paid for SageQuest

Follow the Money: Insiders Cashing Out

FLTX equity appears inflated beyond reasonable measure, explaining why its largest shareholder and management team have rushed to liquidate their holdings at prices ranging from $17 and $46 per share in 3 secondary offerings all having taken place in less than a year (January, July and September, 2013). In less than one years' time, the company's largest shareholder has liquidated $760m worth of shares, reducing its equity ownership to just 1.6% from 94.6% pre-IPO. Management has sold shares alongside its anchor shareholder, collectively reducing their ownership from 6.3% at IPO to 4.2%.

Insiders Have Liberally Sold Stock in Under 1yr Since its IPO



...And Its Largest Shareholder Has Reaped Enormous Gains

Date	Public Price Offer	Price to Sellers	Shares Sold	Ownership Pre-Offer	Ownership Post-Offer	Value Sold
10/11/2012	$17.00	$15.81	2,734,375	94.6%	70.2%	$43,230,469
1/31/2013	$25.00	$23.88	7,700,000	70.2%	46.3%	$183,837,500
7/25/2013	$33.00	$31.68	8,310,000	46.3%	22.1%	$263,260,800
9/17/2013	$46.79	$45.39	5,976,443	17.9%	1.6%	$271,248,635
Total Sales		**$30.81**	**24,720,818**			**$761,577,404**

Price Target and Conclusion

The mirage of FLTX's reported gross margin, EBITDA, and EPS, has existed for long enough to keep the stock price levitated and for insiders to dump their holdings at inflated prices, leaving shareholders holding the bag just as the business appears to be peaking.

Based on our analysis, FLTX's stock price is at risk of significant downside from current levels:

1. The company's current financial statements dramatically overstate its earnings and cash flow potential due to the company having adopted aggressive accounting policies. It capitalizes, rather than expenses, sales commission costs and amortizes them over a 6 year period – this is a highly aggressive policy and has the effect of inflating its EBITDA and EPS. It capitalizes and depreciates in-vehicle device costs over an unjustifiably long 6 year average customer life, another aggressive policy that significantly inflates the company's gross margin, EBITDA and EPS. Overall, we believe Fleetmatics' 2012 gross margin was inflated by 400 basis points and reported Adj. EBITDA and Adj. EPS were overstated by 27% and 33%
2. The company reports an aggregate Gross Churn rate that appears to understate the true gross churn rate by >50%. Based on our analysis, its true gross churn rate is 20-25%
3. Our findings of the involvement of its founding investor and former board member (up to 2010) in a previous fraud raises red flags. Although he sold his equity stake in 2010 to a private equity group, he would continue his involvement with the company through 2012 via an opaquely structured management services agreement executed by and between FLTX and an entity affiliated with him. This agreement was structured to terminate in 2014, but was terminated prematurely in August 2012, just one month ahead of FLTX' 2012 IPO; the timing indicates Fleetmatics likely sought to distance itself from him to avoid any potential incremental scrutiny the affiliation may have provoked while courting investors for its IPO

4. Weaknesses in internal controls are amongst the most glaring warning signs in public companies; they leave the door wide open for frauds and other improprieties to be committed. Fleetmatics' deficiencies are significant enough to have necessitated the restatement of certain 2011 and 2012 statements of cash flows. Further, we have identified significant inconsistencies between the company's PP&E and capital expenditure accounts. We are not certain of why the discrepancies exist, but in light of the company's choice to adopt aggressive accounting measures that obfuscate its profitability, we must acknowledge the risk of an attempt to artificially boost EPS
5. Fleetmatics' management guides investors to estimate its eligible market opportunity using the total number of worldwide vehicles in local commercial fleet markets as a basis, which would indicate a $30bn opportunity; they also point to low levels of penetration to imply sustainability in the company's growth trajectory. Their guidance, however, is misdirecting and exaggerates its eligible market opportunity by multiples. The total number of vehicles operated by SMBs carries little in informational value in deriving an estimate for the quantity of vehicles currently open to fleet telematics service offerings, an estimate necessary in calculating FLTX' eligible market opportunity. The results of a survey indicate that of SMBs with less than 100 vehicles in their fleets, 80% are not considering telematics and only 15.7% who aren't current users are considering it
6. The competitive landscape is intensifying, with suppliers and cellular carriers becoming direct competitors and forcing price compression in the industry. Ultimately, with little in technological and competitive advantage or product differentiation, the likelihood of increasing customer churn, and lower future profits is a very real risk
7. Street analysts focus on positioning the SaaS attributes of the company to justify a high valuation multiples, but fail to mention the numerous comparable companies in the asset tracking space or point to M&A deals, each of which points to a much lower valuation. The very recent IPO of MiX Telematics underscores FLTX's extreme valuation disconnect with sector peers

Given our concerns regarding the unsustainable financial condition of its business and accounting and financial control issues, we see an above average risk of further financial restatements or SEC enforcement. We believe FLTX should be valued closer to its mobile asset tracking and GPS products and services peers at 1.5x - 2.5x 2013E revenues and 8.0x - 13.0x our 2013E Adj. EBITDA of $44.7m, implying an intrinsic value in the range of $11 - $12 per share (~75% downside).

$ in millions

	Sales Multiple Range				EBITDA Multiple Range		
	1.5x	**--**	**2.5x**		**8.0x**	**--**	**13.0x**
2013E Revenues	$172.4	--	$172.4	2013E Adj. EBITDA(1)	$44.7	--	$44.7
Ent. Value	$258.6	--	$431.0	Ent. Value	$357.6	--	$581.1
Less: Debt	($23.6)	--	($23.6)	Less: Debt	($23.6)	--	($23.6)
Plus: Cash	$136.8	--	$136.8	Plus: Cash	$136.8	--	$136.8
Equity Value	$371.8	--	$544.2	Equity Value	$470.8	--	$694.3
Fully Dil. Shares	37.6	--	37.6	Fully Dil. Shares	37.6	--	37.6
Price Target	$9.90	--	$14.49	Price Target	$12.54	--	$18.49
Current Price	$48.00	--	$48.00	Current Price	$48.00	--	$48.00
% Downside	*-79.4%*	--	*-69.8%*	% Downside	*-73.9%*	--	*-61.5%*

(1) Based on Prescience Pt. Adjusted Estimates

Appendix I: Characteristics For Select Public SaaS Vendors

Company / Ticker	Typical Billing Period	Avg. Contract. Length	Customer Type	No. of Customers	Renewal Rate Disclosure	Defers Sales Commissions	Architecture
BazaarVoice (BV)	Monthly, quarterly, annual	1 year	Enterprise[1]	737 [2]	Active client retention rate of 89.7% in FY2011	No	Multi-tenant; uses SQL (we believe)
Carbonite (CARB)	Annual	1-3 years	85% Consumer; 15% SMB[3]	1,279,000 [4]	82% annual customer retention rate	No	Online backup; proprietary file system and commodity H/W
Concur (CNQR)	Monthly	3-5 yrs	Enterprise	15,000	Dollar value customer retention rates in the high 90%s	No	Uses SQL (we believe)
Constant Contact (CTCT)	Monthly	Mnth-to-Mnth	Micro-SMB	510,000	Monthly retention rate of unique paying customers of 97.8±0.5%	No	Single instance, multi-tenant; does not use Oracle RAC
Cornerstone OnDemand (CSOD)	Annual	3 years	Enterprise	805	Annual dollar retention rate of 94.9% in 2011	Yes	Multi-tenant
DemandWare (DWRE)	Monthly or quarterly	3 years	Mostly SMB	101	Subscription dollar retention rates >100% in 2011	No	Uses Oracle RAC; single-instance code-base across multiple DCs
ExactTarget (ET)	Monthly, quarterly, annual	1 year	30% enterprise; 35% mid-market; remainder mostly SMB	4,700	Annual dollar subscription revenue renewal rates >100%	No	Uses SQL Server; Multi-tenant
Jive Software (JIVE)	Annual	1 year	Enterprise	667	~90% renewal rates (excl. upsells) for customers spending >$50K ann.	No	Single code base; private and public cloud offerings
Kenexa (KNXA)	Quarterly	2 years	Enterprise (>2,000 employee)	8,970	Dollar renewal rate (excl. upsells) of 86% in 2011	No	Multi-tenant
LogMeIn (LOGM)	Annual	1 year	85–90% SMB; 10–15% enterprise	385,000 [5]	Dollar retention rate of ~80%	No	Unique peer-to-peer; uses T/SQL
Netsuite (N)	Annual or quarterly	1 year	Medium-sized and divisions of large companies	>12,000	Trend in combined dollar churn/downsell rate	Yes	Single instance, multi-tenant; Uses Oracle
Real Page (RP)	Mostly monthly; some annual	1 year	Varies	7,800	6% annualized customer churn; corresponding loss of 1% ACV	No	Single instance, multi-tenant
Responsys (MKTG)	Monthly or quarterly	1-year	Enterprise and large mid-market	346	Subscription dollar retention rate >100%	No	Multi-tenant; uses Oracle RAC
Salesforce.com (CRM)	Mostly annual billing (2/3 today)	1-2 years	2/3 SMB, 1/3 enterprise	>100,000	Low-teens dollar attrition rate excluding upsells	Yes	Multi-tenant; uses Oracle RAC
Ultimate (ULTI)	Quarterly	2 years	Serves both enterprise and SMB	2,300	Annual revenue retention rate on recurring revs. of 96% in 2011	Yes	Uses SQL Server; Multi-tenant

Source: J.P. Morgan estimates, Company data.

1. BV will have an SMB presence pro forma for PowerReviews acquisition (May 2012).
2. BV will have over 1,800 customers pro forma for PowerReviews acquisition (May 2012).
3. Based on last nine months' bookings as of March 31, 2012.
4. Number of paying customers shown for CARB.
5. LOGM discloses the number of non-Ignition customers.

Appendix II: Fleetmatics Customer Agreement

Fleetmatics

FleetMatics USA, LLC.
70 Walnut Street
Wellesley Hills, MA 02481

Phone: 866-227-1100

AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS
Direct Debit (ACH) & Credit Card

Company Name: [redacted]
Phone: [redacted]
Email:

Billing Address: [redacted]

Subscription Services Payment Options:

Monthly Payments	$452.50		
Annual Payments	$5,294.25	You Save $11.31	per Month (2.5%)
Full-Term One-Time Payment	$15,475.50	You Save $22.63	per Month (5%)
Total One-Time Fees:	$0.00		

(above amounts exclude applicable taxes and fees)

I (we) hereby authorize FleetMatics USA, LLC. to initiate debit entries to my (our):

(Please Select One Payment Method):

Bank via ACH: X

(select one) **Checking** **Savings**

Bank Name:
Routing Number:
Account Number:

Credit Card:

(select one) **Visa** **Mastercard**
American Express **Discover**

Card Number:
Expiration Date:
Security Code:
Cardholder Name:
Cardholder Street:
Cardholder City:
Cardholder State: Cardholder Zip:

I/We authorize FleetMatics USA,LLC ("FleetMatics") to begin deductions as per my/our instructions for regular recurring payments and/or one-time payments from time to time, for payment of all charges arising under my/our FleetMatics account(s) including applicable taxes and fees. Regular recurring payments for the full amount of services delivered will be debited/charged to my/our specified accounts each payment cycle. This authority is to remain in effect for the duration of the Service Term as defined in the signed Services Order Form or until FleetMatics has received written notification from me/us of termination. This notification must be received at least fifteen (15) days before the next debit is scheduled at the address provided below.

Signature: Date: