

ITRN Earnings Call Transcript

Date: 2025-11-18

Quarter: 3

Kenny Green: Ladies and gentlemen, thank you for standing by. My name is Kenny Green. I am part of the Investor Relations team at Ituran Location and Control Ltd. I would like to welcome all of you to Ituran Location and Control Ltd.'s results Zoom webinar. And I would like to thank Ituran Location and Control Ltd.'s management for hosting this call. All participants other than the presenters are currently muted and following the formal presentation, I'll provide some instructions for participating in the live Q&A session. I would like to remind everyone that this conference call is being recorded and the recording will be available from the link in the earnings press release and on Ituran Location and Control Ltd.'s website from tomorrow. With me today on the call are Eyal Sheratzky, CEO, Mr. Udi Mizrahi, Deputy CEO and VP Finance, and Mr. Eli Kamer, CFO of Ituran Location and Control Ltd. Eli will begin with a summary of the quarter's results followed by Eyal with a summary of the financials. We will then open the call for the question and answer session. You should have all by now received the company's press release. If not, please view it on the company's website. I'd like to remind everyone that the Safe Harbor statement in today's press release also covers the contents of this conference call and the associated presentation. And now, Eyal, would you like to begin, please?

Eyal Sheratzky: Thank you, Kenny. I'd like to welcome all of you to our third quarter 2025 results call and thank you for joining us today. We are very happy with the results of the third quarter, which was strong across all key parameters. In particular, we are very pleased with the revenue growth. And we continue to grow, driven by our long-term efforts and success in bringing existing as well as new customer value-adding telematics and connected car products and services. In addition, we are also constantly bringing additional OEM partners to our growing roster, an example of which was Stellantis last quarter, and we are in active discussions with others. Our results show an ongoing expansion across our target geographies, in our large subscriber base of over 2,500,000 subscribers. In the third quarter, we added 40,000 net subscribers. We are on track to add between 220,000 and 240,000 net new subscribers in 2025, which will represent a very strong year of subscriber growth. We had a good third quarter. And I want to summarize some of our activities, which contribute to our growth and success. We continue to see solid demand for allocation-based products and telematics services in all our regions, as well as traction from our new initiatives and services. In Israel, the high car theft rate continued to provide strong demand for our services in the country, and we are reaching additional new subscribers from parts of the market that were previously untapped by us, such as lower-priced new vehicles or the second-hand car market. Our usage-based insurance business in Israel is also seeing good traction and bringing continued strong subscriber growth. In Latin America, we continue to expand our reach. Our new product targeting the motorcycle market is gaining strong traction across South America, especially on the back of our partnership with BMW Motorrad in Brazil. Motorcycles are a significant market opportunity, being the top mode of transportation in many parts of the world. It significantly increased our total addressable market. With Brazil as our starting point, we plan to scale into other high-growth motorcycle markets through partnerships with local OEMs as well as sales to the aftermarket. Our e2Run mob smart mobility platform is a unique technology and solution enabling remote vehicle access, real-time telematics, and efficient fleet management for shared mobility and rental fleet applications. Ituranmob was launched first in Brazil and has been gaining solid traction here, where it is being adopted by a growing number of fleet operators and rental companies. Based on the

strong market interest and success we've seen in Brazil, we are now introducing Ituranmob to the United States market. We recently established operations for Ituranmob in the United States. We have identified a strong need in the US for our solution, particularly among the thousands of small to medium car rental companies, which include hundreds of thousands of cars. These companies could benefit from this type of technological solution, making the rental process more user-friendly and efficient. This creates a new long-term avenue of growth alongside our core telematics and subscriber-based businesses. Ituran Location and Control Ltd. generated a high level of cash in the quarter amounting to \$21,300,000 in operating cash flow during the quarter. Due to our continued profitability and strong cash generation, we declared a dividend of \$10,000,000 to shareholders for the quarter. I remind you, at the end of last year, we increased our dividend policy by 25%, from issuing \$8,000,000 per quarter to \$10,000,000 per quarter. This represents \$0.50 per share. Our dividend yield on an annualized basis represents a return of around 5%, which is a very solid return from a strong and stable company. During the quarter, we purchased \$1,500,000 in shares under our buyback program. As of the end of the quarter, we had around \$5,200,000 still available under this program. We see our ongoing dividend and buyback as a reward to our shareholders, their loyalty, and long-term support of our company. In summary, we remain very pleased with Ituran Location and Control Ltd.'s performance in the third quarter and more generally, Ituran Location and Control Ltd.'s long-term and ongoing performance. At the same time, we look for more avenues to bring further growth to our business across all our regions, and the recent launch of Ituranmob is an example of this. We constantly aim to bring new products and services to both existing customers and new customers, as well as partnerships with new OEMs, new financing companies, and other leading companies. 2025 marks twenty years as a public company and thirty years as a company. We look forward to opening the nascent market on Tuesday next week, November 25, and we thank both the Nasdaq as well as our shareholders for the long-term support of our business. And with that, I hand over to Eli.

Eli Kamer: Thanks, Eyal. I will provide a short summary of the financial results. You can find the more detailed results that we issued in the press release earlier today. Third quarter revenues were \$92,300,000, an 11% increase compared with \$83,500,000 in Q3 of last year. Subscription fees were \$67,600,000, up 13% year over year, and representing 73% of total revenues. Product revenues were \$24,700,000, up 4% year over year. Our subscriber base reached 2,588,000 at quarter end, an increase of 40,000 in the quarter. Year over year, the subscriber base grew by 219,000. The geographic breakdown of revenues in the third quarter was as follows: Israel 55%, Brazil 23%, rest of world 22%. EBITDA was \$24,600,000, 26.7% of revenues, up 6% year over year compared with EBITDA of \$23,300,000, 27.9% of revenues in the third quarter of last year. Net income for the third quarter was \$14,600,000 or diluted earnings per share of 74¢, an increase of 7% compared to \$13,700,000 or diluted earnings per share of 69¢ in the third quarter of last year. Cash flow from operations for 2025 was \$21,300,000. As of 09/30/2025, the company had net cash including marketable securities of \$93,100,000. This is compared with net cash including marketable securities of \$77,300,000 as of year-end 2024. The board of directors declared a dividend of \$10,000,000 for the quarter. The current dividend takes into account the company's continuing strong profitability, ongoing positive cash flow, and strong balance sheet. During the quarter, we purchased \$1,500,000 in shares under our buyback program. As of the end of the quarter, we had around \$5,200,000 available under this program. And with that, I'd like to open the call for the question and answer session. Operator?

Kenny Green: Thank you. At this time, we will begin the question and answer session. If you have a question, please raise your hand via the Zoom platform. I will introduce you and ask you to unmute after which you may ask your question. Take a few moments to poll for your questions. Our first question will be from Chris Reimer of Barclays. Chris, you may go ahead and ask your question.

Chris Reimer: Oh, hi. Thanks for taking my question. And, congratulations on the strong results. I was wondering if you could give a little more color on the launch in the U.S. What's the target market? Do you have any idea of how big it is, and when might you expect it to bear fruit?

Eyal Sheratzky: Okay. Absolutely. Thank you. Before we decided to go from Brazil directly to the U.S. market, which is, I think, the most lucrative market for this kind of solution, we did a survey, and we got information that in the United States, there are tens of thousands of rental companies. It's true that about five of them represent more than 60% of the market, and these are the big names. At first, in the

beginning, we are not aiming at them as our segment, but the others represent hundreds of thousands of rental cars. We are talking about small and medium rental companies from a one-family that holds 10 or 15 cars that they rent or some mid-sized companies with 100, 200, 300 cars. All of them are local. All of them are, or most of them are not nationwide. And they have a very strong demand for a solution that, first of all, will allow them to save their cost, and I will explain. In order today for a business that has 20, 30 cars to meet the customers, they have to go and meet each customer, give him the key of the car, then bring it back. It requires drivers, it requires service. Or in the worst case, they have to open an office, put a desk, put the people, put software, etcetera. And when you have 20, 30 cars, it's a dramatically high expense, and it's dramatically lowering the chance to make money from your rental company. What we provide is that you don't have to do almost anything except having the cars. Because everything is done on the streets, everything is done that you have a dashboard as a rental company owner, small rental company owner, so you can know every minute what is with the cars, who is driving the car, how much money this car will provide you, and that's done by having a smart key in the car, having the system that we developed through Ituranmob, our small subsidiary for this technology and innovation. And in Brazil, by the way, we have been doing it for almost three years. It's a very successful solution. Add to this that even in Israel, the largest leasing and rental company in Israel, Shlomo, Shlomo lease car, changed a technology that he found in the world because we didn't have it in the past. To our technology, he threw to the garbage about 2,000 hardware that he paid and installed in his rental cars, and now we are the partners in our units and services are also in Israel. I'm not talking about the U.S. because Israel, by definition, is a small market. It's maybe attractive, but it's not having a major influence on our future results. But the U.S. market, and it's important to mention, we are, I think, the first. I mean, we heard we know about companies that tried, they have a very not the same technology. Let me, I don't want to be arrogant. And when they tried, the technology didn't work. They tried to do it in a small city, one small city, but they are not really big technology or communication players that develop or represent it to the U.S. market. So we are in the beginning of this industry, I would say, in the States. There are companies that deal with remote renters, but not the renting the car itself. There are companies that provide services to rental companies, like integrators, software companies. That's good. This is, by the way, it's an advantage for us because we can partner with them. Before we do it, we have a solution which we can go independently by ourselves. We already have pilots in the area of Orlando and New York with some small rental companies that are very satisfied there. The response that we get is very, very good. I'm saying it's not something that will happen tomorrow. We are opening a new, I think, a new niche, a new segment, a new market. It also requires adaptations. But I think that the, let's say, the dream here is huge.

Chris Reimer: Got it. Got it. Thanks. That's really great color. Maybe just touching on, OpEx. What was driving the increase in operating expenses this quarter? And how should we be looking at margin expansion into next year?

Eli Kamer: Okay. If we are talking about the increase in the OpEx, the big majority of it is coming from the FX effect. As, and that, of course, increased the absolute numbers of the OpEx. And if we are talking about the margins, again, I don't see any reason that as long as we continue to increase our subscriber base, and this is exactly according to the guideline and I'm assuming next year, the same, that the margins will increase as well.

Chris Reimer: Got it. Thank you. And maybe if I could just one more. How do you feel the subscriber momentum is performing versus your original guidance for the year? And can you give any color on where you're seeing the most traction?

Eyal Sheratzky: As I said in my speech, we provide kind of guidance of 220,000 to 240,000. And according to the nine months, and add the current data that we have is that we will meet this range. It's the highest, I think, ever in the thirty years of Ituran Location and Control Ltd. And drivers are absolutely across all the regions, and it includes also from the OEM, it includes the aftermarket that we do in Brazil, which is including the insurance companies, and it's also including the financial solution that we provide to banks. And also, with a very major influence on the subscribers that we add during 2025 is Israel. And this is thanks to the requirement by insurance companies relatively to the cost of rate is very high, so more and more new cars, but more important is secondhand cars that in the past didn't require for the policy security system, now they required and Ituran Location and Control Ltd. is the first choice

in Israel by far of any other security solution, this allows us to grow in 2025 dramatically as well in Israel. And I will add that the UBI also has some volatility at 2023, we did a very high growth in subscribers. 2024, we had to expand the customers that we are approaching. And in 2025, we had another large insurance company that we developed for them a solution and they also during the sale 2025, start using our UBI solution in high numbers. So overall, these are the drivers.

Chris Reimer: Great. Great. Thanks. That's it for me, guys.

Kenny Green: Thank you. Thanks, Chris. Our next question is gonna be from Allen Klee of Maxim Group. Allen, you may go ahead and ask.

Allen Klee: Yes. Hi. Can you hear me?

Eyal Sheratzky: Yes. Yes.

Allen Klee: Oh, great. You talked about how motorcycles are important in South America and your partnership with BMW. How, where, where are you, could you talk about kind of how you're looking at increasing the uptake in this market?

Eyal Sheratzky: Yes. Brazil and especially, but also the rest of Latin America, is a very motorcycles, I'm talking about mid to heavy engine motorcycles, which is quite an expensive vehicle, is very popular. The ratio between four-wheel drive and a two-wheel drive is very different than, for example, in other countries in the Western world, many people use motorcycles. Ituran Location and Control Ltd. always has a solution, but our solution was a little bit, I would say, not reliable enough to provide insurance companies with a low premium to motorcycles. This is first. Second, even the motorcycles themselves, were in a situation that they didn't want to add cost to their motorcycles. But in the last two years, we developed, thanks to our innovative teams, a unit, which is a state-of-the-art for security system and application for the driver on a motorbike. And what we did first, we used our OEM capabilities and teams, we started to negotiate. As you remember, maybe the first one was with Yamaha. Yamaha is our first customer for almost two years, eighteen months. And then now as we publish, we sign an OEM deal with BMW Motorrad in Brazil. The idea is that this is an untapped market for telematic solutions. And we're talking about the potential of millions of motorbikes that fit these needs and can pay it compared to the price of the motorbike. So we started with an OEM, this allows us to create reliability, this allows us to partner with brands. The guys of motorbikes are like sports cars. If somebody is driving a BMW, you will be very loyal. The same Honda, Yamaha, etcetera, specifically in Brazil. So we knew that partnering with a big brand in the OEM will again provide reliability, what we see is traction also from the aftermarket. Because if someone comes to a dealer of BMW, to have some treatment to the motorbike or to buy something, now he's asking or you will see that there is a solution by Ituran Location and Control Ltd. So we really believe that we just started, I am expecting that it will bring us tens of thousands of subscribers of new subscribers starting 2026, and it will grow as we will expand the segment and our customer, whether it will be B2B with other motorbike manufacturers. There are other names that we are starting to talk with. I'm not saying whether it will finish with the deal or not, but we see traction. And a major portion of this market is the second market, the aftermarket, and this is something, again, that I believe that can be very important with influence again on the results, in two to three years from now.

Allen Klee: Thank you. I understand that Israel's an attractive market, but not that large. And you have a large opportunity in Latin America, South America. How do you think about, like, first, the size of the opportunity in South America, and then also is it possible over the next couple of years that there could be other geographies that might make sense?

Eyal Sheratzky: First of all, we are not passing any opportunity, but by talking about how we focus. So the Latin America market, whether it's Central or South America, it's a huge market, which is, by the way, it's kind of an emerging market. So there is still a growing segment that we couldn't penetrate, whether it's because of price, whether it's because of awareness. So for us, the first online is to expand and continue expanding our business in Latin America because of the synergy that we can create, the relationship, the brand, and we still, I think, in the beginning, of tapping this market. So this is regarding how we focus, but on an opportunistic way, of course, when we're going to some play when we look at the rest of the world, we are more looking to do it by M&A; by acquisition. Because for us, to start a new business from scratch, for example, in the UK or in Europe, it will require high resources, we have zero resources now there. Until the moment that we will turn it to a major revenue and major profits, it

will take a long time. At the size of Ituran Location and Control Ltd., the way that we are looking at other geographies is by M&A; but, of course, we are looking should be something that meets our DNA, meets our criteria, and our criteria is not a too small company. On the other end, the company that has assets that we can leverage such as partners, or customers, system of employees, control centers, etcetera. But to make the long story short, we still focus on Latin America, and in the U.S., as I said.

Allen Klee: Okay. Thank you very much.

Kenny Green: You're welcome.

Sergey Glinyanov: Our next question will be from Sergey Glinyanov from Freedom Capital Markets. Sergey, please go ahead.

Sergey Glinyanov: Good morning, Eyal, Udi, Eli. Can you hear me?

Eyal Sheratzky: Yes.

Sergey Glinyanov: Great. Great. So first of all, my applause to Ituran Location and Control Ltd. for another successful quarter. You guys beat market expectations with revenue and EPS. But now I'm interested in revenue dynamics. It seems your ARPU is increasing. Is it basically product and service mix or something more fundamental as a core?

Eli Kamer: Hi, Sergey. ARPU is going up due to the fact of the FX. FX has been better in Q3 this year. Therefore, the ARPU went up as well.

Sergey Glinyanov: Okay. And some kind of follow-up about your interim open North America. So do you have any expectation about revenue next year?

Eyal Sheratzky: We never provide guidance about revenues. But I must tell you that we do all we can to make more revenues than this year.

Sergey Glinyanov: Yeah. Sounds great. Sounds great. Thank you. Thank you. That's all for now.

Kenny Green: You're welcome. Thank you.

Sergey Glinyanov: Thanks, Sergey.

Kenny Green: Our next question will be from Evan Tindell of Byrene Capital. Evan, you may ask your question.

Evan Tindell: Hi, guys. Thanks for taking my call. My question is I've heard that some theft insurance providers in Israel are not requiring tests to have your system. And I was just wondering, is that true? And then secondarily, like, a follow-up to that is, you know, over ten, you know, over like five to ten, fifteen years, something like that, do you guys worry that more manufacturers will be able to sort of figure out how to do the internal telematics systems and anti-theft systems well enough to disintermediate you guys? Thanks so much.

Eyal Sheratzky: Okay. So just to explain how is the process specifically in Israel, because there is a regulation, in Israel insurance companies cannot decide for their insurers or to require in their policy a specific brand, a specific solution. What they are allowed to do is, for example, if they want to have a location unit with a real-time alert, with a twenty-four seven center, that's what they put in the policy. Now as the insurer has to decide what company you choose. So never, never since the inception of Ituran Location and Control Ltd., insurance companies didn't say install Ituran Location and Control Ltd. or install another name. This is what is nice with Ituran Location and Control Ltd. We are not the chosen of the insurance company. We are the chosen of million subscribers in Israel. This is what the story and how we do it with our channels. And the channels in that case are car dealers, car importers. Just to remind you, in Israel, there are no manufacturers. But in Israel, there are car importers which represent manufacturers. So Ituran Location and Control Ltd. has very strong partnerships and relationships along the years. And this is the reason why twenty years ago, Ituran Location and Control Ltd. was declared as a monopoly in the telematics business in Israel, and this is why I can say and publish that Ituran Location and Control Ltd. has something like 85 to 90% market share. So it's saying that 10% of the industry by other companies. But for us, it's good. We have competition, but we lead the competition very, very strongly. So this is regarding this question. Regarding the second question, as we prove in the OEM business in Latin America, and General Motors is a very good example. Historically, we started by selling hardware and services. But Ituran Location and Control Ltd. always was built on a recurring revenue. Always, we were built as a service-oriented company. For us, the hardware in the car is a tool, is a tool to bring customers. But our, I would say, gold medal is to have a customer many years paying every month. For that, we don't need the hardware, but we need yes. We

need a car manufacturer or an Israeli car dealer or a shop to say, okay. I'm selling a car a telematics solution. But the company that can provide the services. And for example, when we talk about SVR, this is the market we are very active. Israel, Latin America, very hostile environments. No technology will recover the car. The recovery of the car is done by people sitting in a control center providing information to enforcement people on the field, intelligence. We have drones. Those things are aside the technology. So along as long as we can sell and specifically in emerging markets, our technology is the state-of-the-art. It's very the companies, for example, that sell cars in Israel, even the Chinese companies. They are not providing communication telematics solutions, for example, in Hebrew. They are not providing the data that's relevant, and then don't and they will not integrate it for those small markets. On the other hand, in Brazil, and in Mexico, we are connecting to those manufacturers from the first level. So I think that for us, it's more important to provide the service to have the recurring revenues. Today, 95% of our customers, which are car dealers, car manufacturers, and any other customers, still buy our hardware. But there are a few percentages. We choose their own hardware. We are willing, it's for us, it's okay. For us, it's okay. So it may grow. This percentage will grow. I agree with you. In the next decade. But still, it's not something that we see as an aiming the business of Ituran Location and Control Ltd.

Evan Tindell: Great. Thank you. Thank you for that. And one other question. Can you update us on your efforts in India?

Eyal Sheratzky: I didn't talk about India today, specifically because there were a few quarters that I mentioned this joint venture that we have in India, and since this growing market is very, very, very slow, I didn't find a reason to repeat things that I said in the past. But for you, I can say we have a joint venture in India. We signed a large contract with Mercedes Benz for commercial cars. But with low margins. The current problem in India is that the market is premature. They keep the financial capabilities of businesses as well as retail is very low. So we have to find very specific deals to make money, but India is for the long term. India has a lot of potential as we see it for the future, and we are the main telematics or one of the main telematics players that are on the ground.

Evan Tindell: Okay. Thank you.

Kenny Green: You're welcome. Thanks, Evan. So that will end our question and answer session. Eyal, if you would like to go make your concluding statements.

Eyal Sheratzky: On behalf of the management of Ituran Location and Control Ltd., I would like to thank you, our shareholders, for your continued interest and long-term support of our business. We look forward to continuing our accomplishments over the next decade. If you are interested in meeting or speaking with us, feel free to reach out to our investor relations team. With that, we end our call. Thank you, and have a good day.