MiX Telematics Ltd. (MIXT) ($8.34)

- Delivered 4Q outperformance and projects to be free cash flow positive and provide revenue growth in fiscal 2021
- Current global macro headwinds represent a *“long-term opportunity”* for *“undervalued”* shares

(MIXT 2.5-Yr Chart)

William Blair analyst Bhavan Suri highlights a favorable *“long-term opportunity”* in the *“undervalued”* Mix Telematics (NASDAQ: MIXT), resulting in an *‘Outperform’* rating on the shares.

MIXT offers fleet and mobile asset management solutions through a SaaS delivery model, providing access to secure information, monitoring and tracking about drivers and vehicles. The company provides both fleet managers and consumers with driver communication, collision prevention & reduction, satellite communication, telematics, track & react bureau, road driver management, driving monitoring, field services management, driver engagement, and driver identification solutions, as well as voice kits and keypads, and in-vehicle camera solutions.

The extremely negative economics of oversupply in crude oil markets, coupled with worldwide demand destruction of energy consumption due to the COVID-19 pandemic, has created a historically challenging global macro environment for the energy and transportation sectors. Despite significant headwinds in sectors representing the majority of MIXT’s client base, management continues to expand its global footprint into the Americas and position itself for growth over the long-term. MIXT’s technology-driven offerings for fleet management solutions are becoming more critical for the company’s customers, forced to prioritize safety and efficiency in the post-virus operating environment.

Following presentations by MIXT president & CEO Stefan Joselowitz, as well as CFO John Granara, at the William Blair Annual Growth Conference, the William Blair analyst reaffirmed the *"long-term opportunity remains intact"* for MIXT, even as challenges for the company over the next few quarters persist due to *"limited fleet expansions, fleet contractions, customer churn and reduced customer wins."* In March, the pausing of customer buying decisions, forced MIXT management to navigate one of the few negative subscriber growth months in the company's nearly 25 year history, after a *"strong start in calendar 2020."*

Yet, MIXT still reported fourth quarter outperformance in late May, fueled by revenues and adjusted EBITDA results above consensus. Management also outlined steps to maintain profitability and cash flow, but still removed fiscal 2021 guidance due to macro headwinds. MIXT projects to be free cash flow positive and growing revenues by 15-20% in fiscal 2021, as management *"expects revenue to pick back up once economies open again,"* with fleet operators around the world, increasingly prioritizing safety and efficiency moving forward, thus offering investors long-term upside on the shares.

MIXT shares closed yesterday at $8.34, providing investors with long-term value on the shares, supported by expectations for revenue growth and free cash flows in fiscal 2021. The William Blair analyst Bhavan Suri notes, *"MiX got off to a strong start in calendar 2020; however, in March, prospects paused buying decisions and some customers' fleets contracted… management believes these customers will rebound once the price of oil rebounds. In bus and coach, shelter-in-place directives have driven reduced demand for public transportation. As a result, MiX reduced subscription fees for some of its bus and coach customers but expects this revenue to pick back up once economies reopen. Management has experience managing through similar disruption, as in 2015 and 2016 the decline in oil prices negatively impacted the energy segment. Further, fleet contractions can quickly reverse and become tailwinds."*

The analyst maintains an *'Outperform'* rating.
