

Pointer Telocation Ltd
Form 6-K
August 30, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August, 2007

POINTER TELOCATION LTD.

**1 Korazin Street
Givatayim, 53583
Israel**

**Indicate by check mark whether the registrant files or will file annual reports under
cover of Form 20-F or Form 40-F.**

Form 20-F Form 40-F

**Indicate by check mark whether by furnishing the information contained in this
Form, the registrant is also thereby furnishing the information to the Commission
pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.**

Yes No

**If "Yes" is marked, indicate below the file number assigned to the registrant in
connection with Rule 12g3-2(b): 82-**

For Immediate Release

**Pointer Telocation Reports Record Revenues of \$11.7 million for the second quarter of
2007**

**Gross Profit increased 18.3% in Q2 2007 over Q2 2006 to \$4.3 million
\$1.9 million EBITDA in Q2 2007**

Givatayim, Israel August 30, 2007. Pointer Telocation Ltd. (Nasdaq Capital Market: PNTR; Tel-Aviv Stock Exchange: PNTR), a leading provider of services to insurance companies and car owners, including road-side assistance, towing, stolen vehicle retrieval and fleet management services in Israel, Argentina and Mexico, today reported its financial results for the second quarter of 2007 and the six months ended June 30, 2007.

Yes No

Edgar Filing: Pointer Telocation Ltd - Form 6-K

During the quarter, Pointer continued with its growth strategy and continued to invest in marketing and business acquisitions. The company is targeting new businesses, technologies and on expanding its activities into new territories. A key element in its growth strategy is to build a global sales infrastructure and broaden the scope of its services. This strategy has resulted in operating improvements in Mexico and Argentina and increased total revenues during the six months ended June 30, 2007.

The Cellocator acquisition is expected to close during September 2007, upon the completion of certain closing conditions.

Financial Highlights:

Revenues: Pointer's revenues for the second quarter of 2007 increased by 15.5%, to \$11.7 million from \$10.1 million, in the comparable period in 2006. In the first six months of 2007, revenues were \$23 million, a 16.4% increase over the same period of 2006. Pointer's revenues from services in the second quarter and the first six months of 2007 were 75.8% and 74.9%, respectively, of total revenues, as compared with 78.5% and 79.1% in 2006. International activities for the second quarter of 2007 were 11.1% of total revenue compared to 10.2% in the comparable period in 2006.

Gross Profit: For the second quarter of 2007, gross profit increased 18.3% to \$4.3 million from \$3.6 million in Q2 2006. As a percentage of revenues, gross profit was approximately 36.8% in Q2 2007, as compared to approximately 35.9% in Q2 2006. In the first six months of 2007, gross profit increased 15.2% to \$8.4 million from \$7.3 million in the first six months of 2006. Gross margin for the first six months of 2007 was 36.3%, compared to 36.7% for the first six months of 2006.

Operating income: Pointer's operating income was \$842 thousand for the second quarter of 2007, compared to operating income of \$1.7 million for the second quarter of 2006. In the first six months of 2007, operating income was \$1.8 million, compared to \$2.7 million for the same period of 2006. The decrease is primarily attributable to one time other income of \$1.3 million associated with an agreement signed with a Latin American customer, offset by a \$350 thousand impairment of long-lived assets that were recorded in the second quarter of 2006. Excluding this one time income offset by the impairment, operating income in Q2 and first six months of 2007 increased 13% and 4%, respectively, compared to the same periods in 2006.

Minority share: For the second quarter of 2007 and six months ended June 30, 2007, Pointer reported a \$270 thousand and \$704 thousand minority share in the operations of Shagrir, compared to zero in both periods of 2006. Pointer holds 56.56% interest in Shagrir.

Net loss: Pointer recorded a loss of \$388 thousand during the second quarter of 2007, as compared to net income of \$665 thousand in the second quarter of 2006. For the first six months of 2007, Pointer recorded a net loss of \$568 thousand, compared to net income of \$686 thousand in the same period of 2006. The decrease in profitability is primarily attributable to the above mentioned one time net income of \$0.9 million.

EBITDA: Pointer's EBITDA for the second quarter of 2007 and for the first six months of 2007 was \$1.9 million and \$3.9 million, respectively, as compared to \$3.0 million and \$4.8 million in the comparable periods of 2006 in which periods the above mentioned one time net income of \$0.9 million was included.

Pointer uses EBITDA as a non-GAAP financial performance measurement. EBITDA is calculated by adding back to net income interest, taxes, depreciation, amortization and minority interest. EBITDA is provided to investors to complement results provided in accordance with GAAP, as management believes the measure helps illustrate underlying operating trends in the Company's business and uses the measure to establish internal budgets and goals, manage the business and evaluate performance. EBITDA should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. A reconciliation of EBITDA to GAAP measures is included in the financial tables accompanying this press release.

Total Shareholder's Equity increased during the second quarter of 2007 to \$28.7 million, mainly as a result of the proceeds from two private placements.

Danny Stern, Pointer CEO, said: We are proceeding with our efforts to increase revenues and broaden our technological solutions offerings. These are necessary steps in order to build a strong company with an expanding global presence. We hope to conclude the Cellocator acquisition before the end of the third quarter.

Conference Call Information:

Pointer's management will host two conference calls with the investment community today, August 30, 2007.

The Hebrew conference call will start at 15:30 Israel time (GMT +2, 8:30 EST)

Edgar Filing: Pointer Telocation Ltd - Form 6-K

The English conference call will start at 9:30 EST (16:30 Israel time)

To listen to the conference calls, please dial:

From USA: +1-888-642-5032

From Israel: 03-918-0688

A replay of the conference call will be available through August 31st, 2007 on the Company's website at www.pointer.com.

About Pointer Telocation:

Pointer Telocation Ltd www.pointer.com provides range of services to insurance companies and automobile owners, including road-side assistance, vehicle towing, stolen vehicle retrieval, fleet management and other value added services. Pointer Telocation provides services, for the most part, in Israel, through its subsidiary Shagrir and in Argentina and Mexico through its local subsidiaries. Independent operators provide similar services in Russia and Venezuela utilizing Pointer's technology and operational know-how.

Safe Harbor Statement

This press release contains forward-looking statements with respect to the business, financial condition and results of operations of Pointer and its affiliates. These forward-looking statements are based on the current expectations of the management of Pointer, only, and are subject to risk and uncertainties relating to changes in technology and market requirements, the company's concentration on one industry in limited territories, decline in demand for the company's products and those of its affiliates, inability to timely develop and introduce new technologies, products and applications, and loss of market share and pressure on pricing resulting from competition, which could cause the actual results or performance of the company to differ materially from those contemplated in such forward-looking statements. Pointer undertakes no obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. For a more detailed description of the risks and uncertainties affecting the company, reference is made to the company's reports filed from time to time with the Securities and Exchange Commission.

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands

| | June 30, 2007 | December 31, 2006 |
|--|--------------------------|------------------------------|
| | Unaudited | |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 12,552 | \$ 5,850 |
| Trade receivables, net | 10,217 | 8,315 |
| Other accounts receivable and prepaid expenses | 1,906 | 1,368 |
| Inventories | 1,117 | 1,447 |
| | <hr/> | <hr/> |
| Total current assets | 25,792 | 16,980 |
| | <hr/> | <hr/> |
| LONG-TERM ASSETS: | | |
| Long-term accounts receivable | 187 | 183 |
| Severance pay fund | 3,952 | 3,794 |
| Property and equipment, net | 7,710 | 7,346 |
| Goodwill | 38,200 | 38,707 |
| Other intangible assets, net | 7,871 | 8,612 |

Safe Harbor Statement

| | June 30, 2007 | December 31, 2006 |
|-------------------------------|------------------|----------------------|
| Deferred income taxes | 761 | 777 |
| Total long-term assets | 58,681 | 59,419 |
| Total assets | \$ 84,473 | \$ 76,399 |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

| | June 30, 2007 | December 31, 2006 |
|---|------------------|----------------------|
| | <u>Unaudited</u> | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Short-term bank credit and current maturities of long-term loans | \$ 11,107 | \$ 11,801 |
| Trade payables | 5,798 | 5,378 |
| Deferred revenues and customer advances | 8,280 | 6,584 |
| Other accounts payable and accrued expenses | 3,870 | 4,091 |
| Total current liabilities | 29,055 | 27,854 |
| LONG-TERM LIABILITIES: | | |
| Long-term loans from banks | 13,729 | 15,833 |
| Long-term loans from shareholders & others | 6,210 | 7,490 |
| Accrued severance pay | 4,814 | 4,650 |
| | 24,753 | 27,973 |
| MINORITY INTEREST | 1,996 | 1,142 |
| SHAREHOLDERS' EQUITY: | | |
| Share capital - | | |
| Ordinary shares of NIS 3 par value: | | |
| Authorized - 8,000,000 shares at June 30, 2007 and December 31, 2006, respectively; Issued and outstanding: 4,452,875 and 3,222,875 shares at June 30, 2007 and December 31, 2006, respectively | 3,021 | 2,140 |
| Additional paid-in capital | 115,484 | 103,880 |
| Receipt on account of shares | - | 2,586 |

Edgar Filing: Pointer Telocation Ltd - Form 6-K

| | June 30, 2007 | December 31, 2006 |
|---|------------------|----------------------|
| Accumulated other comprehensive income | 6 | 98 |
| Accumulated deficit | (89,842) | (89,274) |
| Total shareholders' equity | 28,669 | 19,430 |
| Total liabilities and shareholders' equity | \$ 84,473 | \$ 76,399 |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

U.S. dollars in thousands (except share and per share data)

| | Six months ended June 30, | | Three months ended June 30, | | Year ended December 31, 2006 |
|-----------------------------------|------------------------------|---------------|--------------------------------|---------------|------------------------------------|
| | 2007 | 2006 | 2007 | 2006 | |
| | Unaudited | | | | |
| Revenues: | | | | | |
| Products | \$ 5,772 | \$ 4,132 | \$ 2,823 | \$ 2,180 | \$ 9,701 |
| Services | 17,263 | 15,662 | 8,867 | 7,937 | 32,211 |
| Total revenues | 23,035 | 19,794 | 11,690 | 10,117 | 41,912 |
| Cost of revenues: | | | | | |
| Products | 3,666 | 2,482 | 1,760 | 1,210 | 5,602 |
| Services | 11,000 | 10,051 | 5,631 | 5,273 | 20,786 |
| Total cost of revenues | 14,666 | 12,533 | 7,391 | 6,483 | 26,388 |
| Gross profit | 8,369 | 7,261 | 4,299 | 3,634 | 15,524 |
| Operating expenses: | | | | | |
| Research and development, net | 675 | 544 | 343 | 288 | 1,170 |
| Selling and marketing | 2,243 | 1,789 | 1,131 | 978 | 3,927 |
| General and administrative | 2,811 | 2,275 | 1,551 | 1,152 | 4,749 |
| Amortization of intangible assets | 847 | 930 | 432 | 471 | 1,740 |
| Other income, net | - | (1,292) | - | (1,292) | (1,292) |
| Impairment of long lived assets | - | 350 | - | 350 | 372 |

Edgar Filing: Pointer Telocation Ltd - Form 6-K

| | Six months ended June 30, | | Three months ended June 30, | | Year ended December 31, 2006 |
|--|------------------------------|----------------|--------------------------------|----------------|------------------------------------|
| Total operating expenses | 6,576 | 4,596 | 3,457 | 1,947 | 10,666 |
| Operating income | 1,793 | 2,665 | 842 | 1,687 | 4,858 |
| Financial expenses, net | 1,385 | 1,581 | 860 | 803 | 2,577 |
| Other income (expenses), net | 15 | (5) | 5 | (11) | 14 |
| Income before taxes on income | 423 | 1,079 | (13) | 873 | 2,295 |
| Taxes on income | 287 | 393 | 105 | 208 | 82 |
| Net income (loss) before minority interest | 136 | 686 | (118) | 665 | 2,213 |
| Minority interest | 704 | - | 270 | | 1,044 |
| Net income (loss) | \$ (568) | \$ 686 | \$ (388) | \$ 665 | \$ 1,169 |
| Basic net earnings (loss) per share | \$ (0.14) | \$ 0.24 | \$ (0.09) | \$ 0.22 | \$ 0.39 |
| Diluted net earnings (loss) per share | \$ (0.25) | \$ 0.24 | \$ (0.12) | \$ 0.22 | \$ 0.31 |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands

| | Number of shares | Share capital | Additional paid-in capital | Deferred stock-based compensation | Receipts on account of shares | Accumulated other comprehensive income (loss) | Accumulated deficit | Total comprehensive income (loss) | Total shareholders' equity |
|--|---------------------|------------------|----------------------------------|---|-------------------------------------|--|------------------------|--|----------------------------------|
| Balance as of January 1, 2006 | 2,479,020 | \$ 1,680 | \$ 100,707 | \$ (1) | \$ - | \$ (1,138) | \$ (90,443) | | \$ 10,805 |
| Deferred stock-based compensation | - | - | (1) | 1 | - | - | - | - | - |
| Stock-based compensation expenses | - | - | 153 | - | - | - | - | - | 153 |
| Exercise of warrants and stock options | 743,855 | 460 | 3,021 | - | - | - | - | - | 3,481 |
| Receipt on account of shares | - | - | - | - | 2,586 | - | - | - | 2,586 |
| Comprehensive income: | | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | - | 1,236 | - | \$ 1,236 | 1,236 |
| Net income | - | - | - | - | - | - | 1,169 | 1,169 | 1,169 |
| Total comprehensive income | | | | | | | | \$ 2,405 | |

Edgar Filing: Pointer Telocation Ltd - Form 6-K

| | Number of shares | Share capital | Additional paid-in capital | Deferred stock-based on account compensation of shares | Receipts on account of shares | Accumulated other comprehensive income (loss) | Accumulated deficit | Total comprehensive income (loss) | Total shareholders' equity |
|---|---------------------|------------------|----------------------------------|--|-------------------------------------|--|------------------------|--|----------------------------------|
| Balance as of December 31, 2006 | 3,222,875 | 2,140 | 103,880 | - | 2,586 | 98 | (89,274) | | 19,430 |
| Issuance of shares | 1,230,000 | 881 | 8,712 | - | - | - | - | | 9,593 |
| Stock-based compensation expenses | - | - | 306 | - | - | - | - | | 306 |
| Receipt on account of shares | - | - | 2,586 | - | (2,586) | - | - | | - |
| Comprehensive income: | | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | - | (92) | - | \$ (92) | (92) |
| Net loss | - | - | - | - | - | - | (568) | (568) | (568) |
| Total comprehensive loss | | | | | | | | \$ (660) | |
| Balance as of June 30, 2007 (unaudited) | 4,452,875 | \$ 3,021 | \$ 115,484 | \$ - | \$ - | \$ 6 | \$ (89,842) | | \$ 28,669 |
| Balance as of April 1, 2007 | 3,222,875 | \$ 2,439 | \$ 108,192 | \$ - | - | \$ 397 | \$ (89,454) | | \$ 21,574 |
| Issuance of shares | 1,230,000 | 582 | 7,158 | - | - | - | - | | 7,740 |
| Stock-based compensation expenses | - | - | 134 | - | - | - | - | | 134 |
| Comprehensive loss: | | | | | | | | | |
| Foreign currency translation adjustments | - | - | - | - | - | (391) | - | \$ (391) | (391) |
| Net loss | - | - | - | - | - | - | (388) | (388) | (388) |
| Total comprehensive loss | | | | | | | | \$ (779) | |
| Balance as of June 30, 2007 (unaudited) | 4,452,875 | \$ 3,021 | \$ 115,484 | \$ - | | \$ 6 | \$ (89,842) | | \$ 28,669 |

POINTER TELOCATION LTD. AND ITS SUBSIDIARIES

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

U.S. dollars in thousands

| Six months ended June 30, | | Three months ended June 30, | | Year ended December 31, |
|------------------------------|------|--------------------------------|------|----------------------------|
| 2007 | 2006 | 2007 | 2006 | 2006 |
| | | | | |

Unaudited

Edgar Filing: Pointer Telocation Ltd - Form 6-K

| | Six months ended June 30, | | Three months ended June 30, | | Year ended December 31, 2006 |
|---|---|--------------|--------------------------------|--------------|------------------------------------|
| | | | | | |
| Cash flows from operating activities: | | | | | |
| Net income (loss) | \$ (568) | \$ 686 | \$ (388) | \$ 665 | \$ 1,169 |
| Adjustments required to reconcile net income (loss) to net cash provided by operating activities: | | | | | |
| Depreciation ,amortization and impairment | 2,319 | 2,351 | 1,125 | 1,070 | 4,490 |
| Accrued interest and exchange rate changes of convertible debenture and long-term loans | 185 | 382 | 199 | 212 | 137 |
| Accrued severance pay, net | 9 | (23) | 63 | 79 | (166) |
| Gain from sale of property and equipment, net | (139) | 74 | (59) | 212 | (563) |
| Amortization of deferred stock-based compensation | 306 | 69 | 134 | 34 | 251 |
| Minority interest in earning of subsidiary | 854 | - | 311 | | 1,044 |
| Decrease (increase) in trade receivables, net | (1,994) | (609) | (660) | 1,375 | (1,167) |
| Decrease (increase) in other accounts receivable and prepaid expenses | (548) | (152) | (12) | 287 | (36) |
| Decrease (increase) in inventories | 131 | 55 | 13 | (265) | (490) |
| Decrease (increase) in long-term accounts receivable | (2) | 51 | (1) | 42 | 60 |
| Write-off of inventories | 15 | 69 | - | 69 | 127 |
| Increase in deferred income taxes | - | - | - | - | (99) |
| Increase in trade payables | 463 | 285 | 138 | 53 | 1,049 |
| Increase (decrease) in other accounts payable and accrued expenses | 1,563 | 1,003 | 5 | (405) | (400) |
| | <u>2,594</u> | <u>4,241</u> | <u>883</u> | <u>3,428</u> | <u>5,406</u> |
| Net cash provided by operating activities | | | | | |
| Cash flows from investing activities: | | | | | |
| Purchase of property and equipment | (1,770) | (874) | (950) | (438) | (2,277) |
| Proceeds from sale of property and equipment | 501 | 426 | 247 | 210 | 1,026 |
| Acquisition of other intangible assets | (135) | - | (135) | - | - |
| | <u>(1,404)</u> | <u>(448)</u> | <u>(838)</u> | <u>(228)</u> | <u>(1,251)</u> |
| Net cash used in investing activities | | | | | |
| Cash flows from financing activities: | | | | | |
| Receipt of long-term loans from banks | - | - | - | - | 2,243 |
| Repayment of long-term loans from banks | (1,946) | (1,227) | (1,446) | (833) | (2,949) |
| Receipt of long-term loans from shareholders and others | - | 131 | - | 36 | 131 |
| Repayment of long-term loans from shareholders and others | (1,340) | (2,997) | (684) | (2,476) | (4,529) |
| Proceeds from issuance of shares and exercise of warrants, net | 9,593 | 2,712 | 7,742 | 551 | 3,481 |
| Receipt on account of shares | - | - | - | - | 2,586 |
| Short-term bank credit, net | (847) | (592) | 501 | 434 | (973) |
| | <u>Net cash provided by (used in) financing</u> | | | | |

Edgar Filing: Pointer Telocation Ltd - Form 6-K

| | Six months ended June 30, | | Three months ended June 30, | | Year ended December 31, 2006 |
|--|------------------------------|----------|--------------------------------|----------|------------------------------------|
| activities | 5,460 | (1,973) | 6,113 | (2,288) | (10) |
| Effect of exchange rate on cash and cash equivalents | 52 | (30) | 33 | (55) | 9 |
| Increase in cash and cash equivalents | 6,702 | 1,790 | 6,191 | 857 | 4,154 |
| Cash and cash equivalents at the beginning of the period | 5,850 | 1,696 | 6,361 | 2,629 | 1,696 |
| Cash and cash equivalents at the end of the period | \$ 12,552 | \$ 3,486 | \$ 12,552 | \$ 3,486 | \$ 5,850 |

Reconciliation of GAAP to NON-GAAP Operating Results

To supplement the consolidated financial statements presented in accordance with generally accepted accounting principles (GAAP), the Company uses EBITDA as a non-GAAP financial performance measurement. EBITDA is calculated by adding back to net income interest, taxes, depreciation, amortization and minority interest. EBITDA is provided to investors to complement results provided in accordance with GAAP, as management believes the measure helps illustrate underlying operating trends in the Company s business and uses the measure to establish internal budgets and goals, manage the business and evaluate performance. EBITDA should not be considered in isolation or as a substitute for comparable measures calculated and presented in accordance with GAAP. Reconciliation the GAAP to non-GAAP operating results:

CONDENSED EBITDA
US dollars in thousands

| | Six months ended June 30, | | Three months ended June 30, | |
|--|------------------------------|-------|--------------------------------|-------|
| | 2007 | 2006 | 2007 | 2006 |
| | Unaudited | | | |
| Net income (loss) GAAP results (as reported) | (568) | 686 | (388) | 665 |
| Non GAAP adjustment: | | | | |
| Financial expenses, net | 1,385 | 1,581 | 860 | 803 |
| Taxes on income | 287 | 393 | 105 | 208 |
| Deprecation and amortization | 2,060 | 2,156 | 1,044 | 1,332 |
| Minority interest | 704 | - | 270 | - |
| EBITDA | 3,868 | 4,816 | 1,891 | 3,008 |

Edgar Filing: Pointer Telocation Ltd - Form 6-K

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POINTER TELOCATION LTD.

By: /s/ Yossi Ben Shalom

Yossi Ben Shalom
Chairman of the Board of Directors

Date: August 30, 2007
