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Telit Communications

Half Year 2017 Financial Results Conference Call

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CORPORATE PARTICIPANTS

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Yosi Fait, *President, Finance Director*

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CONFERENCE CALL PARTICIPANTS

Paul Treiber, *RBC Capital Markets*

Shahar Cohen, *Lucid Capital*

James Lockyer, *Peel Hunt*

PRESENTATION

Operator:

Greetings and welcome to the Telit 2017 Half Year Financial Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero on your telephone keypad. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Miri Segal of MS-IR. Please go ahead, Ms. Segal.

Miri Segal:

Thank you, Operator. Good day everyone and thanks for joining us for Telit Communications 2017 first half financial results conference call. Joining us today on the call are Mr. Oozi Cats, CEO, and Mr. Yosi Fait, President & Finance Director. Following the prepared statements by Management, we will open the call to the question and answer session. Please note that an updated Company presentation, including the financial results, is available on our IR website, and we invite you to review the slides during and after the call.

I would like to remind our listeners that comments made today will contain forward-looking statements, and Management may make additional forward-looking statements in response to your questions. Such written and oral disclosures are made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. The results presented today include results that are on a non-GAAP basis. A full reconciliation table of the non-GAAP results to IFRS measures can be found in the Company press release issued earlier today.

With that, I'd like to hand the call over to Oozi Cats, CEO of Telit. Oozi, please go ahead.

Oozi Cats:

Thank you Miri, and thank you all for dialing in. Good afternoon and good morning to our European and U.S. investors and analysts.

Today we have announced our half-year results in which we have achieved solid growth of 6.9% to $177.6 million, up from $166.1 million in the first half of 2016. As expected, we see our financial performance heavily weighted to the second half of the financial year and we are still targeting another year of double digit revenue growth. Before I go into further detail, I would like to highlight a number of financial and operational areas from H1 2017.

Our IoT services business, in which we continued to invest significantly, continued to see notably strong revenue growth, up 25.5% to $17.2 million from $13.7 million dollars this time last year. It's clear that increasingly large industrial organizations are looking to deploy international IoT solutions to meet their IoT requirements.

Our products division revenue growth was not as strong as expected as a result of a number of factors, including delayed U.S. certifications predominantly for LTE CAT-1 with Voice Over LTE products. This resulted in our profitability dropping in the first half with Adjusted EBITDA being $14.7 million, down from $21.4 million.

On to our operational highlights, where we are now presenting our operational results in two business segments, IoT products and IoT services, to better reflect the changing shape of the business. Although the IoT services business unit is a small part of the group's revenues, our activities have significantly grown in recent years, and we are focusing more and more on IoT services and end-to-end IoT solutions as the future differentiator and growth engine for the group. It also increases our forward visibility, given its recurring revenue nature. Earlier this year, we acquired the ultra-low power Wi-Fi systems-on-chip and modules for battery and line-powered devices from GainSpan to enhance product portfolio and enrich our device-to-cloud capabilities; and finally, our automotive business unit within the IoT products saw the first purchase order from Tesla for all Model 3 cars they produce.

I think it would be useful at this juncture to give you a brief reminder of our strategy. Our strategy in recent years has been to focus on development of our IoT services and end-to-end IoT solutions and device-to-cloud capabilities in order to leverage our best-in-class product portfolio which, following the acquisition of GainSpan, now includes Smart Wi-Fi. GainSpan, as expected, had a negative impact on H1 results; however, after fully integrating the business, we expect this important asset to make a positive contribution in 2018 and to make both a material, financial and operational contribution in the longer term.

The combination of products and services needed to deliver end-to-end IoT solutions for global enterprises is now in place. All size companies as well as major corporations around the world are now poised to exploit this connected environment and IoT space to drive down their cost base, improve efficiencies and create new revenue streams.

A key part of our go-to-market strategy is to establish partnerships with global leaders in the IoT industry and industrial space. We are now working with the likes of SAP, Tech Mahindra, Cisco, Oberthur-Morpho, a number of MNO's as well as many others. This provides us with access to the biggest enterprises globally on top of the small and medium size customers which are being managed by our direct sales teams. We will continue to look for acquisition opportunities in the IoT services space, seeking both complementary technologies and market share.

Turning to our operational divisions, firstly IoT products. As you are probably aware, our modules are used in a wide range of applications in numerous vertical markets, and support 7,000 customers. They are set to continue to grow significantly during the next few years with substantial IoT projects already in advanced stages around the world. In order to cater to all of these verticals, we continue to invest in the development of a wide range of cellular LTE products, from the high-end Cat-11 for automotive, routers, and gateways, to Cat-1 for industrial verticals. We are also developing a wide range of Cat-M1 and narrow band IoT modules.

We continue to develop our multi-constellation GNSS and Dead Reckoning enabled modules. The new GNSS variants were released with improved performance, integrated antenna, LNA and DC blocking capacitor. We made significant progress in extending our portfolio of short range and Low Power Wide Area modules based on Bluetooth, BLE, Wi-Fi, and other technologies tailored to the unique requirements of different verticals. We also continued expanding our automotive portfolio, in particular our LTE high category modules.

Now, onto our IoT services division. Our IoT services business continued to focus on enhancing and expanding our IoT service offering and premium managed connectivity, as well as a range of complementary value-added services and AEPs. Our IoT portal is designed to enable customers to manage their IoT deployments through a single portal that makes IoT deployments easier and efficient and cuts the time to market. It provides customers with access to data management and facilitates interaction with mobile network operators, dashboarding tools, security and administration.

Our IoT platform, deviceWISE, integrates any device, production asset and remote sensor with web-based and mobile app together with any enterprise resource system. It reduces risk, time to market, complexity, and cost of deploying solutions for monitoring and control, industrial automation, asset tracking and field service operations across all industries and market segments around the world. Our IoT factory solutions business unit through deviceWISE connects easily production machines and processes with ERP, MRP and SCADA applications. It provides an easy way to collect, normalize and transport real-time manufacturing data to allow processing for improved uptime, better efficiency, predict failures, and improved compliance.

Our IoT remote access platform through secureWISE has been widely recognized as the leading solution for highly secured remote access. More OEMs are using secureWISE for secure, configurable end-to-end remote connectivity to securely connect high value fab equipment and tooling, to better service valuable assets and minimize down time. During H1, we celebrated its 100 300mm fab connected via secureWISE. This is out of 104 fabs exist worldwide.

Our investment in commercializing simWISE and partnership with Oberthur-Morpho to streamline the provisioning and subscription management process for next generation CAT-M and NB-IoT connectivity is laying the foundation for reduced provisioning cost and complexity. These initiatives will give our OEM customers and partners increased flexibility and choices geared for mass market low-cost device deployment.

Turning to our markets, the mega trend in IoT is creating a transformational business philosophy as its profile has grown significantly amongst businesses over the last two years. Businesses are now beginning to clearly understand the benefits of IoT across an increasing range of industries. There are a number of independent reports highlighting these phenomena. The ABI Research report, M2M and IoT Embedded Modules 2016, predicts that the number of units in all cellular technologies to be shipped globally will reach 365 million by 2021, representing a CAGR of 33%. Translated into monetary value, this will be a CAGR of 21% or $4.9 billion in 2021. As far as the IoT services for connectivity and platforms, the industry analyst firm Machina Research in its IoT Forecast report published in September 2016, claiming that in 2025, cellular will account for 2.2 billion connections, up from 334 million at the end of 2015, representing a CAGR of 21% in the period. The outlook for both Telit and the IoT sector overall, including all industrial sectors, continues to be very encouraging.

Our acquisitions over the past few years have materially enhanced our device-to-cloud platform and end-to-end solution capabilities, which is a key factor to increase recurring revenue from the IoT Services business unit. We are well positioned to exploit the numerous opportunities developing around the world in growing markets, as well as increase recurring revenues with our market-leading position in modules, connectivity, connectivity management, and Platform-as-a-Service, as well as our wide range of industry partners. Although we are confident of seeing an increase in recurring revenues and maintaining our double digit revenue growth in the current financial year, there are some uncertainties, including the timing of certifications for the LTE CAT-1 Voice Over LTE product and a handful of large-scale deployments, all of which could be deployed slower than planned.

Our revenue guidance for the financial year to 31 December 2017 is between $400 million to $430 million. We also predict based on already achieved design wins 15% to 20% growth in the 2018 financial year. Overall, we remain confident in a strong second half performance.

Now, let me hand over to Yosi Fait, Telit's President and Financial Director, to present our 2017 half-year results in more detail.

Yosi Fait:

Thank you, Oozi, and good morning and afternoon everyone. I am very pleased to present our financial results for H1 2017.

The results for the first half show solid growth in revenues which increased by 6.9% to $177.6 million, up from $166.1 million in the first half of 2016. As expected, the group's financial performance is weighted to the second half of the financial year, even more so in the current year. As Oozi said, we are targeting 2017 as another year of double digit revenue growth as we expect revenues for the full year to be between $400 million and $430 million, an increase of 8% to 16.1% year-over-year.

Turning to revenue performance across the regions, in the Americas we increased revenue by 14.1% to $76.8 million, which mainly came from ramping up different programs based on the LTE Cat-1 modules. We saw an increasing demand for the new technologies, including Cat-1 and Cat-1 VoLTE – Voice Over LTE. A delay in obtaining U.S. carrier certifications of LTE CAT-1 VoLTE chipsets by a blue chip supplier was the main factor in our reduced revenue growth in this region. The upcoming certifications by leading U.S. carriers of CAT-1 VoLTE chipsets of a blue chip supplier are expected to boost revenues during H2 and in 2018.

In EMEA, which we consider as a mature market, revenues increased by 8.3% to $68.2 million, underlining our strong presence in the region. The prevailing technology is still 2G, and the expected shift in technologies from 2G to LTE, both high end and low categories in the mid to long-term, will boost the growth in the region.

In APAC, we tripled our revenues during the last three years up to $84 million in full year 2016. During H1 this year, we experienced some delays in key programs that shifted the ramp-up towards H2. This resulted in H1 revenues of $32.6 million, 9% lower than H1 2016. We expect this region to return to double digit revenue growth in 2018.

I will turn now into the segmental information. The IoT Products business unit generated revenues of $160.4 million with an operating profit of $12.6 million, which represents a 7.9% operational profit margin compared to $24.1 million in H1 2016. The decline is a result of lower than expected revenue growth, a slight decrease in the gross margin, and the negative effect of the GainSpan integration. As previously announced, the GainSpan business will continue to negatively affect the operational results during H2.

Gross profit generated by IoT products business unit was $59.2 million, a gross margin of 36.9%. Our IoT services business unit generated a high double digit growth in H1 2017 of 25.5% to $17.2 million over $13.7 million in the first half of 2016. Gross profit generated by IoT services business unit was $10.4 million, reflecting a gross margin of 60.4%. As expected, this business unit continues to record an operating loss of $6.6 million in H1 2017. This result is due to the continued heavy investment in this growing opportunity. We plan to maintain a high level of investment in this business unit and expect to have similar level of growth in the foreseeable future.

Turning to the P&L, our gross margin in the first half of the year was 39.2%, a decline of 0.9%. The main reasons for the gross margin decline are the shift from 2G and CDMA technologies, both mature technologies with high gross margins, to LTE products which is a relatively new technology with lower margins at this stage. These are forecasted to improve as they mature and grow volumes of LTE products. Gross margin was also affected by the delay in certifications of CAT-1 VoLTE, which led us to sell certain customers higher cost LTE Cat-3 VoLTE products at the same selling price as CAT-1 VoLTE products. Gross profit increased by 4.5% to $69.6 million.

Let me now review the operating expenses. Overall, the group is meeting its expectations for operating expenses in H1 and is expecting to meet its operational expenditure expectations for H2. Our gross R&D operating expenses before capitalization and amortization of internally generated development costs increased to $35.4 million, 19.9% out of revenues over 17.3% in H1 2016. The growth in expenditure is mainly due to the acquisition of Stollmann in H1 2016 and GainSpan in H1 2017, and the acceleration in the 4G developments and new automotive projects. We expect gross R&D operating expenses as a percentage of revenues to decline during H2 and in 2018.

The amount capitalized in respect to internally generated development assets was $17.9 million, 10.1% of revenues in comparison to H1 2016 $15.3 million, 9.2% of revenues. This figure is mainly related to the development of the smart Wi-Fi GainSpan acquisition, 4G product lines for high and low categories including the Cat-M1 and narrow band IoT, the automotive products, and the IoT services. The amortization of internally generated development assets increased by 80.7% to $8 million, an increase from $4.4 million in H1 2016. This increase relates mainly to the release of 3G and 4G products to the market during the course of 2015, 2016 and H1 2017. Fifty-nine percent of the capitalized R&D assets are now being amortized, up from 48% in H1 2016.

Selling and marketing expenses increased by $5.2 million to $35.1 million, that represents 19.8% of revenues. The increase is mainly due to the recent acquisitions and the investments in catering a go-to-market for these businesses, Smart Bluetooth and Smart Wi-Fi. We expect this expense as a percentage of revenues to decline during H2 and in 2018.

General and administrative expenses increased by $1.4 million to $14.4 million, representing 8.1% of revenues. This increase reflects the continued expansion of our activities. Also here, we expect G&A as a percentage of revenues to decline during H2 and in 2018.

Net finance costs were $1.9 million, similar to $1.7 million in H1 2016. Following the fundraising completed in May 2017, we expect a decline in interest on loans and overdrafts during H2.

Adjusted EBITDA was $14.7 million, down from $21.4 million in H1 2016. Our adjusted EBIT was therefore $1.6 million compared to $13.1 million in H1 2016. The adjusted figures exclude a non-cash share-based payment charge of $3.3 million, a non-recurring expenses of $0.7 million, and amortization of intangible acquired assets of $2.4 million.

Adjusted basic loss per share was $0.008 and reported diluted loss per share was $0.033. We are not paying an interim dividend and will consider paying a dividend for the year, subject to the group's financial position at the year end.

I will move now to review the main balance sheet items. As at June 30, 2017, net debt was $9.3 million, compared to net debt of $17.7 million in December 2016. The change from December 31, 2016 is due mainly to $49.7 million raised by capital increase which was offset by the first half loss, and $8 million used for GainSpan acquisition, $6.5 million invested in cap ex, payment of $5.7 million as final dividend for 2016 financial year, and an increase in working capital mainly in the inventory. Net operating cash flow before movements in working capital items was $14 million compared to $21.2 million in H1 2016.

In summary, we believe Telit is well positioned in the IoT space with the best-in-class communication technologies and services, well defined go-to-market strategy to be able to capture a significant share in the fast growing IoT market across verticals and enterprises. We expect to boost revenues and return to profitability during the second half of the year. We are confident that the overall strategy we have presented during this call will positively be reflected in our results during H2, followed in 2018 and the following years.

Thank you all for joining us today. I will now transfer the call back to the Operator for the Q&A session.

Operator:

Thank you. At this time, we will be conducting a question-and-answer session. If you'd like to ask a question, please press star, one on your telephone keypad and a confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment please while we poll for questions.

Thank you. Our first question is from the line of Paul Treiber with RBC. Please proceed with your question.

Paul Treiber:

Thanks very much and good morning. I was just hoping you could speak to the linearity of revenue through the first half of the year, just considering that on the trading update on April 25, it appeared everything was in line with expectations, so did the delay in certification occur sometime in May and June and was a sizeable—and in a product that you can ship towards the end of the half? Thank you.

Yosi Fait:

Hi Paul, it's Yosi. Basically, you know, our budget for the first year was not far away from where we ended up. Our budget from the first place was leaned significantly to H2. We missed something like $12 million in revenues. As you can see, we have been optimistic in rebuilding our inventory to support the sale of around 190 while reaching only 178, unfortunately, so the delta is coming from different delays in different accounts. The delay in the chipset of LTE CAT-1 VoLTE, which unfortunately was promised to be ready month after month after month and now the scenario is that most probably it will be ready during August, so you know, for our internal plan which consists of about 430 for the full year and 190 for H1, what we missed is $12 million that are—unluckily are now in our inventory.

Paul Treiber:

Okay, thank you. That's helpful. Just in regards to certification expected in August, could you elaborate on potential reasons for the delay and your confidence in having the certification complete in August, and then are there other potential suppliers that you could possibly use?

Yosi Fait:

You know, you must remember the big restructuring Intel did, I think it was 18, 24 months ago, laying out 10% of Intel employees, then the delay started. It started with delays on CAT-1, and not CAT-1 VoLTE, only the CAT-1. You remember our H2 '15, which was also a weak one because of that reason at that point in time, recovering thereafter in 2016 when the CAT-1 was out there. Now, same story with VoLTE - many of our customers are in the security vertical. This vertical is using and needs to use VoLTE. They are all waiting to redeploy and rush and deploy more based on this product, and we took a decision to work with Intel, to work with (inaudible). Unfortunately our bet on them was not good enough, and we failed to get the product on time. Hopefully this time, August looks like it's really going to happen, but let's see.

Paul Treiber:

Okay. In regards to the financing, a potential use of proceeds was on potential acquisitions. You have—you know, how is that process progressing? How is your final looking? What type of businesses, IoT services business are you looking at?

Yosi Fait:

Yes, we have—the process is moving very, very fast. We are looking at many things, mainly in IoT services, of course. These things are from IoT connectivity, small MB&Os with revenues. We are not looking to buy small stuff for only technologies as we did in the past, and not loss-making businesses. We are looking to buy some healthy growing businesses in the IoT services space like connectivity business. In factory solution space, we have some opportunities in the location services, etc., so we are very much focused, looking at many opportunities. We have opportunities in different levels, different stages from meeting—introduction to more comprehensive due diligence. We are targeting to do something during the second half of the year, but you know, this is acquisition, this is binaric, or it will happen or it won't happen. We are doing all we can do to have something significant and profitable that will increase our IoT services business inorganically.

Paul Treiber:

Okay. Just one last one from me, just in regards to automotive. You announced a nice win with Tesla. Generally speaking, the automotive segment is quite competitive and pricing is quite intense. How do you look at the automotive segment? How do you pursue deals in that space?

Yosi Fait:

I suggest—Oozi, I suggest you take this question, please.

Oozi Cats:

Sure. We have grown our automotive business quite nicely in the last few years, and we are having actually a good year this year as well, and 2018 looks very bright, obviously including Tesla which helped quite a bit. It is true, your statement about margins, gross margins in the automotive, we've always said that they fall quite lower than our average, so if our average on hardware is—tends towards 40, then automotive is always around 30, and actually what's balanced that up is our Platform-as-a-Service which is around 60%. No change there, and Tesla falls right well into the already well known numbers in our automotive business.

Paul Treiber:

Okay, thank you. I'll pass the line.

Oozi Cats:

Can you repeat that again?

Operator:

Thank you. Our next question is from the line of Shahar Cohen with Lucid Capital. Please go ahead with your question.

Shahar Cohen:

Hi Oozi and Yosi. Regarding IoT services, we have seen both margin declines very, very close to the 60; and Oozi, in last call you mentioned that 60 should be the lower band if we look ahead. Also, the growth pace was decelerated, so is there any concerning trend there that we should be aware of?

Yosi Fait:

It's Yosi. I will answer your question. Yes, our gross margin for the IoT services declined from about 67, if I recall correctly, to 68 in H1 '16 to 60 this report. I don't think this is something we should be bothered about. Still a big chunk of our revenues is coming from one-time MREs, working with customers to create their solutions. These MRE fees are generating the future recurring revenues of course, the connected devices, the per-month per device, so at this half we had some impact on our margin from some big one-time that will be converted in the future to be recurring revenues, so we believe still that on our connectivity business with around 50% margin and our software business platform portal with about 80% margin, the 65% for the long term is the right assumption.

Shahar Cohen:

Okay, thank you. One further question about your marketing expenses, sales and marketing. We—in the previous call, you communicated that you see an increase in the R&D expenses following GainSpan, etc., but this half we saw a major uptick of 20% year-over-year of this S&M, though in the last call I think Oozi mentioned that you are going—the S&M going to be lower this year. So, what happened there?

Oozi Cats:

Yes, it's Oozi. Just to take you on this one, look, the cost increase we have in Telit due to GainSpan acquisition beginning of 2016, or actually mainly second half of '16 because it was bought during April, and—sorry, Stollmann acquisition in '16 and GainSpan in the beginning of this year, the analyst additional cost is about $13 million. Now, that is mainly divided between R&D and technical sales. Don't think about sales and marketing on a very generic aspect. Technical sales means the people that actually are doing the design in with the customer. That is a process of about a year and a half on BLE and Low Power Wi-Fi, and the R&D guys are the people that are actually developing the product and the platform to begin with. It's a little bit misleading thinking about the sales item as, you know, just sales efforts trying to find customers rather than this is a very technical work that is being done, and we should look at them more in conjunction rather than separate.

Shahar Cohen:

Okay, so then how should we think about the S&M looking to H2 and 2018?

Oozi Cats:

Yes, Yosi?

Yosi Fait:

You should expect a decline starting in H2 because the S&M, and generally our opex in H2 should be similar to the one we had on H1, so as expected in revenue growth in H2 we will see a decline, a significant decline. In 2018, as we mentioned, our confidence in 15% growth that year and no plans to increase costs again, we should see a fall in the numbers during '18.

Oozi Cats:

I want to add into that and say that my biggest debate every night now is should I actually restructure the cost of Telit and avoid 10% of it by releasing 10% of human resources, where 1,100 people, or be brave enough to actually lead the Company into the growth numbers that we see in 2018 while actually freezing the cost. So, two alternatives - either the cost you see right now change to this is a yearly cost pretty much and should not be expected to change in 2018, so this is frozen, and therefore any revenue increase minus obviously the COGS falls down into EBITDA, EBIT and (inaudible). That's basically the two options we have, and therefore if there will be growth as we believe there will be, then all those factors will improve because no additional cost will be put in place.

Shahar Cohen:

Okay, that's helpful. Thank you.

Operator:

As a reminder, to ask a question today, you may press star, one. We'll pause a moment to poll for questions.

Thank you. Our next question is coming from the line of James Lockyer with Peel Hunt. Please go ahead with your question.

James Lockyer:

Hi Oozi and Yosi. I just have a couple of questions for you, please. If you could talk more about your factory solution, such as where you see it going and what you think the addressable market is, and a bit more around your end-to-end IoT solution customers that you've gained over the period. Thanks.

Yosi Fait:

Thank you. With this—who was asking the question?

Oozi Cats:

James.

James Lockyer:

It's James Lockyer at Peel Hunt.

Yosi Fait:

Hi, hi James. Thank you for asking.

James Lockyer:

Hi, that's all right.

Yosi Fait:

You know, a general statement about factory solutions, this is a business line which is running through the industry 4.0 revolution, which is the fourth industrial revolution, talking about making the entire world a whole beautiful world, connecting production with the consumer and making everything more efficient in order to increase profits. Telit was buying ILF technologies back in September 2013 as the platform. These guys, which were spun off from IBM in 2000, were developing over almost 30 years a second-to-none platform that can connect factory lines, PLCs, robots, machines, collect the data, push it to the enterprise system, and push the instructions back to the production line. Back on this acquisition with an experience of 30 years, we have invested heavily converting this great platform to be also an IoT platform, so now we are running with this platform basically two lines of business. The first one is connecting factories, and we see a very strong demand of the big guys running 40 factories, 90 factories, over 100 factories to connect, collect the big data and make their production more efficient, and we see a lot of market differentiators in our product. We recently gained one of the biggest pharmaceutical customers, which unfortunately I cannot name its name at this stage, competing with all the big guys in the market between the Siemens and the Rockwells and the PTCs of the world. So, we are gaining a lot of traction and we have very nice success because our software is very easily connected to the different PLCs from one end and to different—to the different enterprise systems between the SAPs - Oracle, IBM, Microsoft, (inaudible), whatever it is on the other end, so the customer is getting ready-to-use software, no need for coding or a tough implementation.

The other line we run under the factory solutions is the secureWISE, which is the secured platform which enables companies that are building—OEMs, building very expensive machines for the fab, machines of $50 million value or $100 million value, to be able to remotely access this machine and help their customers maintain no downtime or minimal downtime as possible, and to have the best experts sitting everywhere in the world, the ability to access the factory from remote in a very, very secure way. Also in this business line, we see a very strong traction as IoT is getting bigger.

I think I answered all your questions, or I missed something?

James Lockyer:

No, no, I think that's fine. Thank you.

Oozi Cats:

Yosi, I would like to add, it's always quite difficult to announce the names, but we did have a great first half of the year in terms of winning new contracts. You could see one of our announcements that we won actually in automotive OEM that we're already being installed. Since 2013, they decided to deploy 19 of their U.S. factories now with our deviceWISE, and it's clearly described, including the brand, in our presentation, so you are welcome to look at the presentation and see who it is. We announced another Tier 1 player that gave us basically a mandate to deploy 30- of their factories, one of the biggest Tier 1's in the world for OEM.

Also, we signed a deal with a huge blue chip which will be jointly announced in IoT Mobile World Congress Barcelona on October 2. We will have a very significant announcement there with a very significant blue chip player where it's forecasted by 2020 to have millions of devices on our platform.

James Lockyer:

Thank you, very clear. Thanks.

Oozi Cats:

You're welcome.

Operator:

Our next question is a follow-up from the line of Shahar Cohen with Lucid Capital. Please go ahead with your question.

Shahar Cohen:

Hi, thank you for taking the follow-up. Two questions: A, we have seen Sierra acquire Numerex a few days ago. To what extent do you expect that to affect your business, if at all? Second one, are there plans to register Telit in the main list in London? It's still invalid for the first half of 2017 on NASDAQ?

Oozi Cats:

Yosi, are you taking this? Do you want me to take the first part?

Yosi Fait:

Yes sure, I will. About Numerex, you know, we have been looking at this company. They were on the shelf for a very long time. We were looking at this company at a certain stage. When we understood what they have, we got a decision not to continue, not to pursue this opportunity because of many reasons. I will not go into it, because it's all under an NDA and the information we got through the deal we did, but we decided it's not for Telit. It will not give us anything for the future we are looking for, except maybe significant revenue of about $70 million and maybe a nice EBITDA, so the synergies, but since we are managing our business from a strategic point of view and want to be very, very focused in what we do, we saw this as not the right acquisition for us, so we stepped out.

About the second question, was about the…

Oozi Cats:

London Stock Exchange, main market.

Yosi Fait:

Yes, yes. So, you know, our next opportunity to move to the main market will be first half of 2018. I think that generally we generated, we deserve to be there, and the Board will either take a decision about that, whether we do the move at the first half of 2018 post auditor report that we will publish somewhere in March, or not. My feeling is that it might be a positive decision this time.

Oozi Cats:

I would like also to add to the Numerex. Actually Sierra Wireless deserves the credit for this deal. This deal suits Sierra far better than Telit. You have to understand that Numerex basically have two main businesses, which is tank monitoring and mainly security. Those two businesses are basically selling boxes and a certain service for them that would be actually competing significantly with those two lines of business that we have with our customers. We are by far the largest player on security, and all my customers would see basically us competing with them if we had taken that business on board. Sierra, on the other hand, has far smaller business on telematics or telemetry in monitoring and security, and therefore they more—it fits better for them.

Shahar Cohen:

Thank you.

Operator:

Thank you. Ladies and gentlemen, this does conclude today's teleconference. Thank you for your participation. You may now disconnect your lines at this time.