



NEWS RELEASE

CalAmp Reports Fiscal 2019 Third Quarter Financial Results

12/20/2018

Q3 Software and Subscription Services revenue of \$19.9 million, up 25% year-over-year

Q3 operating cash flow of \$11.3 million

IRVINE, Calif., Dec. 20, 2018 /PRNewswire/ -- **CalAmp** (Nasdaq: CAMP), a technology solutions pioneer leading transformation in a global connected economy, today reported its financial results for its fiscal 2019 third quarter ended November 30, 2018.

"Our Software and Subscription Services (SaaS) business continued to perform well as our SaaS revenue increased 25% year-over-year. We continue to focus on accelerating our efforts towards a more comprehensive recurring revenue model," said Michael Burdick, President and Chief Executive Officer. "Although we were disappointed in the short-term execution around our supply chain diversification efforts as previously announced, we are taking steps to address our operational challenges. As we look to the future, we believe we can capitalize on our SaaS pipeline and achieve our long-term growth targets."

Q3 2019 Financial & Business Highlights

- Consolidated revenue of \$88.5 million, down 6% year-over-year, due to supply chain execution challenges.
- Gross margin was 41.1%, up from 40.8% in the prior year.
- Telematics Systems revenue for the third quarter was \$68.6 million, down 12% year-over-year, principally due to a decline in legacy LoJack SVR product sales.
- Software & Subscription Services revenue for the third quarter was \$19.9 million or 23% of consolidated revenue. Revenue growth was driven by freight transport subscriber additions and LoJack subscription services.



- GAAP net loss of \$0.5 million or a loss of \$0.02 per share due to a \$1.2 million restructuring charge for vacant offices, severance and employee related costs.
- Adjusted basis net income of \$8.9 million or \$0.25 per diluted share.
- Operating cash flow of \$11.3 million, with Adjusted EBITDA of \$11.4 million and Adjusted EBITDA margin of 13%.
- We entered into a multi-million dollar SaaS contract with a public cloud service provider for a high value asset tracking solution.
- We entered into a global supply agreement with Telefónica, to provide intelligent telematics devices for fleet and asset management applications in Mexico with anticipated expansion across other Latin American and European markets.
- We announced a partnership with **Overhaul Group, Inc.**, a supply chain integrity solutions company, to enable global transportation service providers with actionable intelligence and predictive analytics to improve supply chain efficiency.
- Our Board of Directors authorized a new one year share repurchase program under which we may repurchase up to \$20 million of outstanding common stock.

Summary Financial Information:

(In thousands except per share amounts)

Description	Three Months Ended	
	November 30,	
	2018	2017
Revenues:		
	\$ 68,552	\$ 77,775
Telematics Systems	19,943	15,894
Software & Subscription Services	\$ 88,495	\$ 93,669
Gross profit	\$ 36,381	\$ 38,187
Gross margin	41 %	41 %
Net income (loss)	\$ (522)	\$ 11,806

Net income (loss) per diluted share	\$	(0.02)	\$	0.33
Non-GAAP measures:				
	\$	8,905	\$	11,241
Adjusted basis net income	\$	0.25	\$	0.31
Adjusted basis net income per diluted share	\$	11,423	\$	13,838
Adjusted EBITDA		13 %		15 %
Adjusted EBITDA margin				

Description	As of November 30,		As of February 28,	
	2018		2018	
Cash and marketable securities	\$	301,761	\$	156,003
Working capital		321,556		180,356
Deferred revenue		46,595		34,520
Convertible senior unsecured notes (carrying value)		272,420		154,299

Fiscal 2019 Fourth Quarter Business Outlook

(In thousands except per share amounts)

We are incorporating into our guidance factors including ongoing supply chain challenges, risks associated with the timing of Chinese New Year as well as a cautious macroeconomic outlook, particularly in our international markets where we have experienced some recent weakness.

Description	Range			
	Low		High	
GAAP financial information:				
	\$	86,000	\$	92,000
Revenues	\$	(0.02)	\$	0.04
Net income (loss) per diluted share				
Non-GAAP financial information:				

	\$	10,000	\$	14,000
Adjusted EBITDA				
	\$	0.23	\$	0.29
Adjusted basis net income per diluted share				

Effective March 1, 2018, we adopted the new revenue recognition standard entitled Accounting Standards Update 2014-09, Revenue from Contracts with Customers ("ASC 606"). The Fiscal 2019 Fourth Quarter Business Outlook reflects the effects of adopting this new accounting standard. In the fourth quarter and fiscal year 2019, we do not expect ASC 606 to have a material impact on our revenue.

The fourth quarter GAAP-basis net income outlook above includes the expected gain of approximately \$2.5 million related to the legal settlement with a former LoJack supplier. This expected fiscal 2019 fourth quarter non-operating gain is excluded from the Non-GAAP Adjusted EBITDA and Adjusted basis net income per diluted share guidance range above.

Conference Call and Webcast

We are hosting a conference call for analysts and investors to discuss our fiscal 2019 third quarter results and outlook for our fourth quarter at 1:30 p.m. Pacific Time on December 20, 2018. Participants can listen in via webcast by visiting the Investor Relations section of our website at www.calamp.com. Please go to the website at least 15 minutes early to register, download and install any necessary audio software. A replay of the webcast will be available for 30 days after the call. The conference call can also be accessed by dialing 855-302-8830 (+1-330-871-6073 for international callers) and using the Conference ID# 6069225. Following the call, an audio replay will also be available by calling 855-859-2056 or +1-404-537-3406 and entering the Conference ID# 6069225. The audio replay will be available through January 3, 2019.

About CalAmp

CalAmp (Nasdaq: CAMP) is a technology solutions pioneer transforming the global connected economy. We help reinvent businesses and improve lives around the globe with technology solutions that streamline complex IoT deployments and bring intelligence to the edge. Our software applications, scalable cloud services, and intelligent devices collect and assess business-critical data from mobile assets, cargo, companies, cities and people. We call this The New How, powering autonomous IoT interaction, facilitating efficient decision making, optimizing resource utilization, and improving road safety. CalAmp is headquartered in Irvine, California and has been publicly traded since 1983. LoJack is a wholly owned subsidiary of CalAmp. For more information, visit calamp.com, or [LinkedIn](#), [Facebook](#), [Twitter](#), [YouTube](#) or [CalAmp Blog](#).

Forward-Looking Statements

This press release contains forward-looking statements (including within the meaning of Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and Section 27A of the U.S. Securities Act of 1933, as amended) concerning CalAmp. These statements include, but are not limited to, statements that address our expected future business and financial performance and statements about (i) our plans, objectives and intentions with respect to future operations and products, (ii) our competitive position and opportunities, and (iii) other statements identified by words such as "may", "will", "expect", "intend", "plan", "potential", "believe", "seek", "could", "estimate", "judgment", "targeting", "should", "anticipate", "predict", "project", "aim", "goal", "outlook" and similar words, phrases or expressions. These forward-looking statements are based on management's current expectations and beliefs, as well as assumptions made by, and information currently available to management, current market trends and market conditions, and involve risks and uncertainties, many of which are outside our control, and which may cause actual results to differ materially from those contained in forward-looking statements. Accordingly, you should not place undue reliance on such statements. Particular uncertainties that could materially affect future results include any risks associated with global economic conditions and concerns; competitive pressures; pricing declines; rates of growth in our target markets; prolonged disruptions of our or our contract manufacturers' manufacturing facilities or other significant operations; our dependence on outsourced service providers for certain key business services and their ability to execute to our requirements; our ability to maintain or improve gross margins; our ability to protect our intellectual property and the unpredictability of any associated litigation expenses; any expenses or reputational damage associated with resolving customer product, warranty and indemnification claims; our ability to sell to new types of customers and to keep pace with technological advances; and other events and trends on a national, regional and global scale, including those of a political, economic, business, competitive, and regulatory nature. Other risks and uncertainties are detailed in our periodic public filings with the U.S. Securities and Exchange Commission ("SEC"), including but not limited to, our Annual Report on Form 10-K for the fiscal year ended February 28, 2018, filed with the SEC on May 10, 2018 and our Quarterly Report on Form 10-Q for the quarter ended November 30, 2018 filed with the SEC on December 20, 2018. You may obtain these filings at the SEC's website at <http://www.sec.gov>. We undertake no intent or obligation to publicly update or revise any of these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Non-GAAP Financial Measures

"GAAP" refers to financial information presented in accordance with U.S. Generally Accepted Accounting Principles. This announcement includes non-GAAP financial measures, as defined in Regulation G promulgated by the SEC. We believe that our presentation of non-GAAP financial measures provides useful supplementary information to

investors. These non-GAAP financial measures are provided in addition to, and not as a substitute for measures of financial performance prepared in accordance with GAAP.

In this announcement, we report the non-GAAP financial measures of Adjusted Basis net income, Adjusted Basis net income per diluted share, Adjusted EBITDA (Earnings Before Interest Income, Interest Expense, Income Taxes, Depreciation, Amortization, stock-based compensation, non-cash costs and expenses arising from purchase accounting adjustments, litigation provisions, gain from legal settlement, restructuring charges and certain other adjustments as detailed in the accompanying non-GAAP reconciliation), and Adjusted EBITDA margin. Adjusted Basis net income excludes the impact of intangible asset amortization expense, stock-based compensation, non-cash interest from amortization of debt discount, non-cash costs and expenses arising from purchase accounting adjustments, litigation provisions, gain on legal settlement, restructuring charges and certain other adjustments as shown in the non-GAAP reconciliation provided in the table at the end of this press release. We use these non-GAAP financial measures to enhance the investor's overall understanding of the financial performance and future prospects of our core business activities. Management does not believe that these items are reflective of our underlying performance. However, internally, these non-GAAP measures are significant measures used by management for purposes of evaluating our core operating performance, establishing internal budgets, calculating return on investment for development programs and growth initiatives, comparing performance with internal forecasts and targeted business models, strategic planning, evaluating and valuing potential acquisition candidates and how their operations compare to our operations, and benchmarking our performance against our competitors. We believe this non-GAAP financial information provides additional insight into our ongoing performance and have therefore chosen to provide this information to investors for a more consistent basis of comparison and to help them evaluate our results of ongoing operations and enable more meaningful period-to-period comparisons. The reconciling adjustments in our non-GAAP financial results should not be interpreted as implying that these items are non-recurring, infrequent, or unusual.

CALAMP CORP.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands, except per share amounts)

(Unaudited)

Three Months Ended

Nine Months Ended

November 30,

November 30,

	2018	2017	2018	2017
Revenues	\$ 88,495	\$ 93,669	\$ 279,420	\$ 271,517
Cost of revenues	52,114	55,482	165,127	159,049
Gross profit	36,381	38,187	114,293	112,468
Operating expenses:				
	7,177	6,296	21,377	18,853
Research and development	12,746	12,981	37,766	38,167
Selling and marketing	11,719	10,993	37,146	38,159
General and administrative	1,247	-	5,196	-
Restructuring	2,893	3,710	8,534	11,278
Intangible asset amortization	35,782	33,980	110,019	106,457
Operating income	599	4,207	4,274	6,011
Non-operating income (expense):				
	1,398	619	3,258	1,348
Investment income	(5,134)	(2,573)	(11,566)	(7,658)
Interest expense	2,500	13,301	15,833	28,333
Gain on legal settlement	-	-	(2,033)	-
Loss on extinguishment of debt	(218)	12	(721)	442
Other income (expense)	(1,454)	11,359	4,771	22,465
Income (loss) before income taxes and equity in net loss of affiliate	(855)	15,566	9,045	28,476
Income tax benefit (provision)	778	(3,351)	(496)	(5,970)
Income (loss) before equity in net loss of affiliate	(77)	12,215	8,549	22,506
Equity in net loss of affiliate	(445)	(409)	(1,414)	(1,122)
Net income (loss)	\$ (522)	\$ 11,806	\$ 7,135	\$ 21,384
Earnings (loss) per share:				
	\$ (0.02)	\$ 0.33	\$ 0.20	\$ 0.61

Basic	\$	(0.02)	\$	0.33	\$	0.20	\$	0.59
Diluted								
Shares used in computing earnings								
(loss) per share:								
Basic		34,561		35,347		34,950		35,206
Diluted		34,561		36,247		35,769		36,064

CALAMP CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)
(Unaudited)

	November 30, 2018	February 28, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 271,613	\$ 132,603
Short-term marketable securities	30,148	23,400
Accounts receivable, net	72,426	71,580
Inventories	31,515	36,302
Prepaid expenses and other current assets	13,733	12,000
Total current assets	419,435	275,885
Property and equipment, net	23,192	21,262
Deferred income tax assets	21,859	31,581

Goodwill	73,284	72,980
Other intangible assets, net	43,518	52,456
Other assets	26,759	18,829
	\$ 608,047	\$ 472,993
Liabilities and Stockholders' Equity		
Current liabilities:		
	\$ 31,556	\$ 35,478
Accounts payable	8,314	10,606
Accrued payroll and employee benefits	20,030	17,757
Deferred revenue	37,979	31,688
Other current liabilities	97,879	95,529
Total current liabilities		
Convertible senior unsecured notes, net	272,420	154,299
Other non-current liabilities	36,195	24,249
Stockholders' equity:		
	343	357
Common stock	215,340	218,217
Additional paid-in capital	(13,485)	(19,459)
Accumulated deficit	(645)	(199)
Accumulated other comprehensive loss	201,553	198,916
Total stockholders' equity	\$ 608,047	\$ 472,993

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CALAMP CORP.
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

(Amounts in thousands)

(Unaudited)

Nine Months Ended

November 30,

2018 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

	<u>2018</u>	<u>2017</u>
	\$ 7,135	\$ 21,384
Net income	6,602	5,953
Depreciation expense	8,534	11,278
Intangible assets amortization expense	8,088	6,664
Stock-based compensation expense	7,999	5,551
Amortization of convertible debt issue costs and discount	2,033	-
Loss on extinguishment of debt	326	-
Impairment loss on cost method investment	591	328
Tax benefits on vested and exercised equity awards	(716)	2,873
Deferred tax assets, net	397	(404)
Unrealized foreign currency transaction losses (gains)	1,414	1,122
Equity in net loss of affiliate	(32)	59
Other	5,722	3,923
Changes in operating assets and liabilities		
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>48,093</u>	<u>58,731</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

	36,461	11,273
Proceeds from maturities and sale of marketable securities	(43,103)	(17,209)
Purchases of marketable securities	(8,884)	(5,970)
Capital expenditures	(1,519)	(1,312)

Advances to equity method investee	(103)	(152)
Other		
NET CASH USED IN INVESTING ACTIVITIES	<u>(17,148)</u>	<u>(13,370)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
	230,000	-
Proceeds from issuance of 2025 Convertible Notes	(7,305)	-
Payment of debt issuance costs of 2025 Convertible Notes	(21,160)	-
Purchase of capped call on 2025 Convertible Notes	(53,683)	-
Repurchase of 2020 Convertible Notes	3,122	-
Proceeds from unwind of note hedges and warrants on 2020 Convertible Notes	(3,520)	(2,452)
Taxes paid related to net share settlement of vested equity awards	124	145
Proceeds from exercise of stock options	(39,000)	-
Repurchases of common stock		
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>108,578</u>	<u>(2,307)</u>
EFFECT OF EXCHANGE RATE CHANGE ON CASH	(513)	1,335
Net change in cash and cash equivalents	<u>139,010</u>	<u>44,389</u>
Cash and cash equivalents at beginning of period	132,603	93,706
Cash and cash equivalents at end of period	<u>\$ 271,613</u>	<u>\$ 138,095</u>

CALAMP CORP.
RECONCILIATION OF NON-GAAP MEASURES TO GAAP
(Unaudited)

GAAP refers to financial information presented in accordance with U.S. Generally Accepted Accounting Principles. This press release includes historical non-GAAP financial measures, as defined in Regulation G promulgated by the SEC. We believe that our presentation of historical non-GAAP financial measures provides useful supplementary information to investors. The presentation of historical non-GAAP financial measures is not meant to be considered in isolation from or as a substitute for results prepared in accordance with GAAP.

In this press release, we report the non-GAAP financial measures of Adjusted basis net income, Adjusted basis net income per diluted share, Adjusted EBITDA (Earnings Before Interest Income, Interest Expense, Income Taxes,

Depreciation, Amortization and stock-based compensation, loss on extinguishment of debt, gain on legal settlement, restructuring charges and other adjustments as identified below), and Adjusted EBITDA margin. We use these non-GAAP financial measures to enhance the investor's overall understanding of the financial performance and future prospects of our core business activities. Specifically, we believe that the use of these non-GAAP measures facilitates the comparison of results of our core business operations between current and past periods.

The reconciliation of GAAP basis net income (loss) to Adjusted basis (non-GAAP) net income is as follows (in thousands except per share amounts):

	Three Months Ended		Nine Months Ended	
	November 30,		November 30,	
	2018	2017	2018	2017
GAAP basis net income (loss)	\$ (522)	\$ 11,806	\$ 7,135	\$ 21,384
Intangible assets amortization expense	2,893	3,710	8,534	11,278
Stock-based compensation expense	2,941	2,620	8,088	6,664
Non-cash interest expense from amortization of debt discount	3,157	1,661	7,224	4,924
GAAP basis income tax provision (benefit)	(778)	3,351	496	5,970
Equity in net loss of affiliate	445	409	1,414	1,122
Loss on extinguishment of debt	-	-	2,033	-
Realized gain on investment of equity securities	-	-	629	-
Gain on legal settlement	(2,500)	(13,301)	(15,833)	(28,333)
Litigation provision	633	324	1,520	6,810
Legal expense for LoJack battery performance issue	1,483	652	3,733	1,579
Restructuring	1,247	-	5,196	-
Impairment loss on equity investment	-	-	326	-
Other	106	159	472	514
Adjusted basis income before income taxes	9,105	11,391	30,967	31,912
Income tax provision (non-GAAP basis) (a)	(200)	(150)	(600)	(700)

Adjusted basis net income	\$ 8,905	\$ 11,241	\$ 30,367	\$ 31,212
Adjusted basis net income per diluted share	\$ 0.25	\$ 0.31	\$ 0.85	\$ 0.87
Weighted average common shares outstanding on diluted basis	35,153	36,247	35,769	36,064

(a) The non-GAAP income tax provision represents cash taxes paid or payable for the period after giving effect to the utilization of net operating losses and tax credit carryforwards.

The reconciliation of GAAP-basis net income (loss) to Adjusted EBITDA and the calculation of Adjusted EBITDA margin are as follows (dollars in thousands):

	Three Months Ended		Nine Months Ended	
	November 30,		November 30,	
	2018	2017	2018	2017
GAAP basis net income (loss)	\$ (522)	\$ 11,806	\$ 7,135	\$ 21,384
Investment income	(1,398)	(619)	(3,258)	(1,348)
Interest expense	5,134	2,573	11,566	7,658
Income tax provision (benefit)	(778)	3,351	496	5,970
Depreciation	2,261	1,970	6,602	5,953
Amortization of intangible assets	2,893	3,710	8,534	11,278
Stock-based compensation	2,941	2,620	8,088	6,664
Equity in net loss of affiliate	445	409	1,414	1,122
Loss on extinguishment of debt	-	-	2,033	-
Legal expense for LoJack battery performance issue	1,483	652	3,733	1,579
Litigation provision	633	324	1,520	6,810

Gain on legal settlement	(2,500)	(13,301)	(15,833)	(28,333)
Restructuring	1,247	-	5,196	-
Other	(416)	343	63	583
Adjusted EBITDA	<u>\$ 11,423</u>	<u>\$ 13,838</u>	<u>\$ 37,289</u>	<u>\$ 39,320</u>
Revenue	<u>\$ 88,495</u>	<u>\$ 93,669</u>	<u>\$ 279,420</u>	<u>\$ 271,517</u>
Adjusted EBITDA margin	13 %	15 %	13 %	14 %

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