

CalAmp Corp.
Form 10-Q
June 29, 2016

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

COMMISSION FILE NUMBER: 0-12182

CALAMP CORP.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

95-3647070

(I.R.S. Employer
Identification No.)

15635 Alton Parkway, Suite 250

Irvine, California

(Address of principal executive offices)

92618

(Zip Code)

(949) 600-5600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Edgar Filing: CalAmp Corp. - Form 10-Q

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer
Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock as of June 24, 2016 was 36,750,232.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CALAMP CORP.
CONSOLIDATED BALANCE SHEETS
(Unaudited; amounts in thousands, except par value)

	May 31, 2016	February 29, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 67,490	\$ 139,388
Short-term marketable securities	50,140	88,718
Accounts receivable, less allowance for doubtful accounts of \$680 and \$622 at May 31, 2016 and February 29, 2016, respectively	69,390	49,432
Inventories	27,650	16,731
Prepaid expenses and other current assets	7,221	4,498
Total current assets	221,891	298,767
Property, equipment and improvements, net of accumulated depreciation and amortization	19,306	11,225
Deferred income tax assets	28,076	30,213
Goodwill	66,880	16,508
Other intangible assets, net	78,740	17,010
Other assets	10,696	10,640
	\$ 425,589	\$ 384,363
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 36,141	\$ 24,938
Accrued payroll and employee benefits	10,833	6,814
Deferred revenue	16,823	9,438
Other current liabilities	18,843	8,375
Total current liabilities	82,640	49,565
1.625% convertible senior unsecured notes	141,499	139,800
Other non-current liabilities	12,624	5,551
Total liabilities	236,763	194,916
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value; 3,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$.01 par value; 80,000 shares authorized; 36,749 and 36,667 shares issued and outstanding at May 31, 2016 and February 29, 2016, respectively	367	367
Additional paid-in capital	231,704	229,159
Accumulated deficit	(42,512)	(39,853)
Accumulated other comprehensive loss	(733)	(226)
Total stockholders' equity	188,826	189,447
	\$ 425,589	\$ 384,363

See accompanying notes to consolidated financial statements.

CALAMP CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited; in thousands, except per share amounts)

	Three Months Ended		May 31,	
	2016		2015	
Revenues:				
Products	\$	76,421	\$	54,797
Application subscriptions and other services		14,726		10,632
Total revenues		91,147		65,429
Cost of revenues:				
Products		48,889		37,337
Application subscriptions and other services		7,424		4,566
Total cost of revenues		56,313		41,903
Gross profit		34,834		23,526
Operating expenses:				
Research and development		6,091		4,565
Selling		11,308		5,498
General and administrative		15,983		4,775
Intangible asset amortization		3,490		1,644
Total operating expenses		36,872		16,482
Operating income (loss)		(2,038)		7,044
Non-operating income (expense):				
Investment income		453		28
Interest expense		(2,424)		(648)
Other income (expense)		543		(11)
		(1,428)		(631)
Income (loss) before income taxes and equity in net loss of affiliate		(3,466)		6,413
Income tax benefit (provision)		1,119		(2,354)
Income (loss) before equity in net loss of affiliate		(2,347)		4,059
Equity in net loss of affiliate		(312)		-
Net income (loss)	\$	(2,659)	\$	4,059
Earnings (loss) per share:				
Basic	\$	(0.07)	\$	0.11
Diluted	\$	(0.07)	\$	0.11
Shares used in computing earnings (loss) per share:				
Basic		36,699		35,964
Diluted		36,699		36,666
Comprehensive income (loss):				
Net income (loss)	\$	(2,659)	\$	4,059
Other comprehensive income (loss):				
Foreign currency translation adjustment		(515)		-
Unrealized gain on equity investment in French licensee, net of tax		8		-
Total comprehensive income (loss)	\$	(3,166)	\$	4,059

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; amounts in thousands)

	Three Months Ended	
	2016	May 31, 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (2,659)	\$ 4,059
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	1,821	792
Intangible assets amortization expense	3,490	1,644
Stock-based compensation expense	1,984	1,220
Amortization of convertible debt issue costs and discount	1,699	450
Deferred tax assets, net	(1,494)	2,181
Equity in net loss of affiliate	312	-
Impairment of internal use software	1,364	-
Changes in operating assets and liabilities:		
Accounts receivable	4,779	2,845
Inventories	2,442	2,623
Prepaid expenses and other assets	(259)	9
Accounts payable	(1,032)	1,922
Accrued liabilities	(10,724)	(164)
Deferred revenue	6,599	(1,253)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,322	16,328
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities of marketable securities	38,578	4,389
Purchases of marketable securities	-	(87,084)
Capital expenditures	(1,620)	(1,264)
Acquisition of Crashboxx	-	(1,500)
Acquisition of LoJack, net of cash acquired	(116,982)	-
Advances to affiliate	(737)	-
Other	(20)	-
NET CASH USED IN INVESTING ACTIVITIES	(80,781)	(85,459)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of convertible senior notes	-	172,500
Payment of debt issuance costs	-	(5,276)
Purchase of convertible note hedges	-	(31,343)
Proceeds from issuance of warrants	-	15,991
Payment of acquisition-related note and contingent consideration	-	(625)
Taxes paid related to net share settlement of vested equity awards	(160)	(7)
Proceeds from exercise of stock options	721	137
NET CASH PROVIDED BY FINANCING ACTIVITIES	561	151,377
Net change in cash and cash equivalents	(71,898)	82,246
Cash and cash equivalents at beginning of period	139,388	34,184
Cash and cash equivalents at end of period	\$ 67,490	\$ 116,430

See accompanying notes to consolidated financial statements.

CALAMP CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MAY 31, 2016 AND 2015

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

CalAmp Corp. (CalAmp or the Company) is a leading provider of wireless communications solutions for a broad array of applications to customers globally. The Company's business activities are organized into its Wireless DataCom and Satellite business segments.

In March 2016, the Company completed the acquisition of all outstanding common stock of LoJack Corporation (LoJack), a global leader in security and protection products and services for tracking and recovering cars, trucks and other valuable mobile assets. See Note 2 for a description of this acquisition.

The Company's satellite products are sold to EchoStar, an affiliate of Dish Network, for incorporation into complete subscription satellite television systems. In April, 2016, EchoStar notified us that it will stop purchasing products from CalAmp as a result of a consolidation of its supplier base and reduced demand for the products that we currently supply. Consequently, we expect that our Satellite business will cease operations at or around the end of August 2016.

Certain notes and other information are condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Company's 2016 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on April 20, 2016.

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position at May 31, 2016 and its results of operations for the three months ended May 31, 2016 and 2015. The results of operations for such periods are not necessarily indicative of results to be expected for the full fiscal year.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Revenue Recognition

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the sales price is reasonably assured. Generally, for product sales that are not bundled with an application service these criteria are met at the time product is shipped, except for shipments made on the basis of FOB Destination terms, in which case title transfers to the customer and the revenue is recorded by the Company when the shipment reaches the customer. Customers generally do not have a right of return except for defective products returned during the warranty period. The Company records estimated commitments related to customer incentive programs as reductions of revenues.

In addition to product sales, the Company provides Software as a Service (SaaS) subscriptions for its fleet management and automotive telematics applications through which customers are provided with the ability to wirelessly communicate with monitoring devices installed in vehicles and other mobile or remote assets via software applications hosted by the Company. Generally, the Company defers the recognition of revenue for the products that are sold with application subscriptions because the products are not functional without the application services. In such circumstances, the associated product costs are recorded as deferred costs in the balance sheet. The deferred product revenue and deferred product cost amounts are amortized to application subscriptions revenue and cost of revenue on a straight-line basis over minimum contractual subscription periods of one to five years. Revenues from renewals of data communication services after the initial contract term are recognized as application subscriptions revenue when the services are provided. When customers prepay application subscription renewals, such amounts are recorded as deferred revenues and are recognized ratably over the renewal term.

The Company generally recognizes revenue on LoJack product sales with no continuing obligations upon installation. Revenue relating to sales made to the Company's third party installation partners, who purchase the Company's products and perform installations themselves, is recognized upon shipment, which is prior to the installation of the related products in the consumer's vehicle. Revenue from the sales of products and components to international licensees is recognized upon shipment to the licensee or when payment becomes reasonably assured, whichever is later.

Revenue relating to the sale of LoJack service contracts is recognized over the life of the contract. The purchase of an initial service contract is a requirement at the time the consumer purchases a LoJack Unit in Italy. The service contracts, which are sold separately from the LoJack hardware, are offered in terms ranging from 12 to 60 months and are generally payable in full upon activation of the related unit or renewal of a previous service contract. Customers are also offered a month-to-month option.

The Company offers several types of contractual extended warranties. For those warranties for which an independent third party insurer, and not the Company, is the primary obligor, the Company recognizes payments for these contracts in revenue at the time of sale. For those warranty products to which the Company is the primary obligor, revenue is deferred and is recognized over the term of the warranties, determined to be equivalent to the estimated life of new vehicle ownership, which is estimated to be five years. For the majority of extended warranty contracts originated after 2011, the Company recognizes revenue upon delivery as opposed to deferring the revenue and recognizing it over the life of the contract.

For those warranties for which a third party, and not the Company, is the primary obligor, the Company records revenue on a gross basis, with related unit costs being included in cost of goods sold. The Company considered the factors for gross and net revenue recording and determined that despite not being the primary obligor for the majority of these arrangements, gross revenue reporting was appropriate based on the relevant accounting guidance. Specifically, the Company has latitude in establishing price; it can change the product offering; it has discretion in supplier selection; it is involved in the determination of product or service specifications; it bears the credit risk; and the amount that it earns on each contract is not fixed.

Cash and Cash Equivalents

The Company considers all highly liquid investments with remaining maturities at date of purchase of three months or less to be cash equivalents.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly manner