CalAmp Corp.
Form 10-Q
December 20, 2012

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

Form 10-Q

(Mark One)

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

For the quarterly period ended November 30, 2012

or

c **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.)
1401 N. Rice Avenue **Oxnard, California** (Address of principal executive offices)	**93030** (Zip Code)

(805) 987-9000
(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 x No c

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 x No c

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.

Large accelerated filer c	Accelerated filer x
Non-accelerated filer c (Do not check if a smaller reporting company)	Smaller reporting company c

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

The number of shares outstanding of the registrant s common stock as of December 19, 2012 was 29,820,451.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CALAMP CORP.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(IN THOUSANDS, EXCEPT PAR VALUE)

Assets	November 30, 2012	February 28, 2012
Current assets:		
Cash and cash equivalents	$ 13,560	$ 5,601
Accounts receivable, less allowance for doubtful accounts of $423 and $254 at November 30, 2012 and February 28, 2012, respectively	20,867	14,383
Inventories	13,237	10,057
Deferred income tax assets	6,459	5,425
Prepaid expenses and other current assets	3,371	4,323
Total current assets	57,494	39,789
Property, equipment and improvements, net of accumulated depreciation and amortization	2,614	1,761
Deferred income tax assets, less current portion	5,378	6,412
Goodwill and other intangible assets, net	6,191	2,738
Other assets	905	781
	$ 72,582	$ 51,481
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 2,539	$ 1,100
Accounts payable	13,046	9,523
Accrued payroll and employee benefits	4,254	4,405
Deferred revenue	5,794	6,305
Other current liabilities	3,048	2,268
Total current liabilities	28,681	23,601
Long-term debt	2,796	1,900
Other non-current liabilities	1,770	1,003
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; 29,813 and 28,722 shares issued and outstanding at November 30, 2012 and February 28, 2012, respectively	298	287
Additional paid-in capital	156,836	154,485
Accumulated deficit	(117,734)	(129,730)
Accumulated other comprehensive loss	(65)	(65)
Total stockholders equity	39,335	24,977
	$ 72,582	$ 51,481

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED INCOME STATEMENTS (Unaudited)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Revenues	$ 44,340	$ 32,752	$ 132,188	$ 101,107
Cost of revenues	30,308	22,583	90,345	69,681
Gross profit	14,032	10,169	41,843	31,426
Operating expenses:				
Research and development	3,564	2,622	10,393	8,405
Selling	2,982	2,731	8,963	8,175
General and administrative	2,699	2,606	8,849	8,135
Intangible asset amortization	475	310	1,267	972
Total operating expenses	9,720	8,269	29,472	25,687
Operating income	4,312	1,900	12,371	5,739
Non-operating expense:				
Interest expense, net	(129)	(71)	(316)	(1,216)
Foreign currency translation account write-off	-	-	-	(801)
Other expense, net	(9)	(101)	(14)	(103)
Total non-operating expense	(138)	(172)	(330)	(2,120)
Income before income taxes	4,174	1,728	12,041	3,619
Income tax provision	(19)	(28)	(45)	(43)
Net income	$ 4,155	$ 1,700	$ 11,996	$ 3,576
Earnings per share:				
Basic	$ 0.14	$ 0.06	$ 0.42	$ 0.13
Diluted	$ 0.14	$ 0.06	$ 0.40	$ 0.13
Shares used in computing earnings per share:				
Basic	29,210	27,869	28,537	27,583
Diluted	30,096	28,800	29,684	28,445

CALAMP CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(IN THOUSANDS)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Net income	$ 4,155	$ 1,700	$ 11,996	$ 3,576
Other comprehensive income, net of tax:				
Reclassification adjustment for foreign currency loss included in net income	-	-	-	801

Comprehensive income	$ 4,155	$ 1,700	$ 11,996	$ 4,377

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(IN THOUSANDS)

	Nine Months Ended November 30, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,996	$ 3,576
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Depreciation and amortization	1,995	1,899
Stock-based compensation expense	2,292	1,737
Amortization of debt issue costs and discount	248	733
Write-off of currency translation account of foreign subsidiary	-	801
Other	15	1
Changes in operating assets and liabilities:		
Accounts receivable	(6,484)	1,059
Inventories	(3,180)	(2,519)
Prepaid expenses and other assets	365	1,498
Accounts payable	3,523	(2,022)
Accrued liabilities	564	1,020
Deferred revenue	(511)	(284)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,823	7,499
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,396)	(681)
Navman Wireless asset purchase agreement	(1,000)	-
Collections on note receivable	430	431
Other	(8)	(1)
NET CASH USED IN INVESTING ACTIVITIES	(1,974)	(251)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of bank line of credit	-	(4,013)
Debt proceeds (repayments)	(960)	3,000
Repayment of subordinated notes payable	-	(5,000)
Payment of debt issue costs	-	(65)
Payment of withholding taxes on vested employee equity awards	(2,551)	(1,032)
Proceeds from exercise of stock options and warrants	2,621	14
NET CASH USED IN FINANCING ACTIVITIES	(890)	(7,096)
Net change in cash and cash equivalents	7,959	152
Cash and cash equivalents at beginning of period	5,601	4,241
Cash and cash equivalents at end of period	$ 13,560	$ 4,393

See accompanying notes to consolidated financial statements.

CALAMP CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED NOVEMBER 30, 2012 AND 2011

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

Description of Business

CalAmp Corp. ("CalAmp" or the "Company") develops and markets wireless technology solutions that deliver data connectivity products and services for critical networked communication and other applications. The Company's two business segments are Wireless DataCom, which serves commercial, industrial and government customers, and Satellite, which focuses on the North American Direct Broadcast Satellite market.

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal 2012 fell on February 25, 2012. Fiscal 2013, a 53-week year, will end on March 2, 2013. The actual interim periods ended on November 24, 2012 and November 26, 2011, both consisting of 13 weeks. In the accompanying unaudited consolidated financial statements, the 2012 fiscal year end is shown as February 28 and the interim period end for both years is shown as November 30 for clarity of presentation.

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 2012 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on April 26, 2012.

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 November 30, 2012 and its results of operations for the three and nine months ended November 30, 2012 and 2011. 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, 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 rights of return except for defective products returned during the warranty period. In the limited number of instances where customers have a right of return period, revenue is not recognized until the expiration of such period.

The Company defers the recognition of revenues for products that are sold with data communication services because the services are essential to the functionality of the products, and accordingly, the associated product costs are recorded as deferred costs. The deferred product revenue and deferred product cost amounts are recognized on a straight-line basis over the minimum contractual service period of one year. Revenues from renewals of data communication services after the initial one year term are recognized as the services are provided. When customers prepay data communication service renewals, such amounts are recorded as deferred revenues and are recognized over the renewal term.

The Company also undertakes projects that include the development of communication systems used for public safety and transportation applications that are designed to customers' specifications or that involve fixed site construction. Sales under such contracts are recorded under the percentage-of-completion method. Costs and estimated revenues are recorded as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs. If the current estimate of percentage complete and total estimated costs for a given contract indicates a loss, provision is made in the current period for the total anticipated loss on such contract. Costs and estimated earnings in excess of billings on uncompleted contracts arise when contract revenues have been recognized on the percentage-of-completion method in advance of when the amounts can be invoiced to the customers under the terms of the contracts. Such amounts are billable to the customers upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. Costs and estimated earnings in excess of billings on uncompleted contracts are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate:

Cash and cash equivalents, accounts receivable and accounts payable - The carrying amount is a reasonable estimate of fair value given the short maturity of these instruments.

Debt - The estimated fair value of the Company's bank debt approximates the carrying value of such debt because the interest rate is variable and is market-based.

Recent Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income . This guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. The Company adopted this pronouncement in the first quarter ended May 31, 2012.

NOTE 2 SUPPLY AGREEMENT AND ACQUISITION

On May 7, 2012, the Company entered into a five-year supply agreement (the Supply Agreement) to provide at least $25 million of fleet tracking products to Navman Wireless, a privately held company (Navman). In conjunction with the Supply Agreement, the Company also entered into an asset purchase agreement on May 7, 2012 with Navman (the Asset Purchase Agreement) and established a research and development center in Auckland, New Zealand with an initial staff of 14 employees who transferred from Navman s workforce.

The purchase price for the products and technologies acquired from Navman pursuant to the Asset Purchase Agreement was $4,902,000, comprised of $1,000,000 paid in cash at closing, a non-interest bearing note payable with a present value of $3,080,000 at the time of issuance, and the fair value of estimated contingent royalties consideration of $822,000 for sales by CalAmp during the first three years of certain products acquired from Navman under the Asset Purchase Agreement. The note payable has a face value of $4,000,000, and is payable in the form of a 15% rebate on certain products sold by the Company to Navman under the Supply Agreement.

The Company is accounting for this acquisition under FASB ASC Topic 805, Business Combinations , which provides guidance on the accounting and reporting for transactions that represent business combinations to be accounted for under the acquisition method. This method requires that, among other things, assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. The excess of the consideration transferred over those fair values is recorded as goodwill.

Following is the purchase price allocation (in thousands):

Purchase Price		$ 4,902
Fair value of net assets acquired:		
Property and equipment	$ 200	
Supply Contract	2,220	
Developed/core technology	500	
Customer lists	710	