



## Small Talk – September 22, 2015

Ralph Futch - Rocky Mountain Chapter

## Disclaimer:

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The CalAmp logo features the company name in a bold, sans-serif font. A blue swoosh graphic starts under the 'C', curves over the 'i', and ends under the 'p'.

## Poll Question

- Have you completed a study of CalAmp?
  - Yes
  - No

A 3D white figure stands next to a grey ballot box, inserting a ballot. The figure is simple, with a round head and no facial features.

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The CalAmp logo features the company name in a bold, sans-serif font. A blue swoosh graphic starts under the 'C', curves over the 'i', and ends under the 'p'.

## A Brief Overview

- Founded in 1981; publicly traded since 1983 (NASDAQ: CAMP)
- Headquartered in Oxnard, California; 8 offices worldwide; 20% of business is outside U.S.
- Annual device run rate: 1.5M+ units
- More than 3 million devices under management on CalAmp platforms
- 400K+ unique software application subscribers, which is recurring revenue and about 15% of revenues

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# CalAmp

## What Does CalAmp Do?

- **Satellite** - Makes components for satellite receivers
- **Mobile Resource Management** – (MRM) – Makes devices that let machines communicate over wireless networks
- **Wireless Networks** – the software that owners use to track and manage their assets

**FY15 Revenue Breakdown**

Category	Percentage
MRM	49%
Wireless Networks	36%
Satellite	15%

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# CalAmp

## Products & Services

**Broad Portfolio - Products, Platform, Applications, Solutions**

**CORE APPLICATIONS**  
CalAmp SaaS Apps  
Device, Fleet, Lender, Gov

**3RD PARTY APPLICATIONS**  
...

**APP DELIVERY**  
CalAmp App Store

Tools	API Web Services	Data Management
Installation	Reporting	Contextual Interface
Account Management	Business Functions	Analytics & Processing
Network Management	Network Virtualization	Long Term Storage
Device Management	Device Virtualization	Store & Forward

**Communications Layer**  
Integrated Network Management Interface  
at&t, verizon, Sprint, T-Mobile, Iridium, ROGERS

**Telematics Devices**  
Vehicle Trackers, Trailer Trackers, Asset Trackers, On Board Diagnostics Devices, Vehicle Gateways, Rugged Routers, Mobile Data Terminal

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# CalAmp

## Industries Served

- **Construction**
- **Field service & delivery**
- **Local government**
- **Oil & gas**
- **Public safety**
- **Rail**
- **Small & medium sized business**
- **Utility**
- **Vehicle finance**
- **Water and wastewater**

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## Diversified Customer Base Across Verticals

**TRANSPORTATION**  
CAT, PARSONS, AnsaldoSTS

**ENERGY**  
Peppo Holdings Inc, CFE, Chesapeake Energy

**AUTOMOTIVE**  
Directad, GLOBALTRACKGPS, Holmes/Motors

**GOVERNMENT**  
U.S. Department of Defense, U.S. Department of Justice, U.S. Department of Homeland Security, U.S. Department of Agriculture, U.S. Department of State, U.S. Department of Education, U.S. Department of Health and Human Services, U.S. Department of Labor, U.S. Department of Treasury, U.S. Department of Veterans Affairs, U.S. Department of Commerce, U.S. Department of Housing and Urban Development, U.S. Department of Transportation, U.S. Department of the Interior, U.S. Department of the Environment, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, U.S. Department of the Coast Guard, U.S. Department of the Marine Corps, U.S. Department of the Navy, U.S. Department of the Army, U.S. Department of the Air Force, U.S. Department of the Coast Guard, U.S. Department of the Marine Corps

**MRM Products**  
NAVMAN, Fleetmatics, sascar, Telogis, masternaut, Numerex

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## Recent Acquisition

- Crashboxx – Software applications across the entire auto insurance lifecycle, from driver risk assessment through claims processing automation
- Has proprietary driver behavior, crash detection, crash notification and physical and bodily damage estimation technologies
- Innovations include automated first notification of loss, and near real time estimation of damages and bodily injury

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## Financials

- \$172m 1.625% convertible bond (May, 2015); net increase of \$152m
- GAAP vs. non-GAAP reporting
- 8% of revenues to R&D
- 20% of business is international
- Has a Net Operating Loss (NOL) carryforward

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## Competitors

Wireless Datacom:

Danlaw, Fleetmatics, Freewave, General Electric, GenX, Geotab, Meteorcomm, Novatel Wireless, Sierra Wireless, Spireon, Telogis, Xirgo and Zonar Systems.

Satellite:

Global Invacom  
Microelectronics Technology  
Sharp  
Wistron NeWeb Corporation

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## Growth Strategy

Large and Expanding Served Available Market

Core Wireless DataCom SAM Growing at 14% CAGR  
(Total SAM including strategic initiatives growing at 22% CAGR)

Category	2014 Actual	2017 Projected
Wireless DataCom	\$2.1	\$3.0
MRM	\$1.0	\$1.6
Satellite	\$0.4	\$0.4
<b>Total</b>	<b>\$3.5B</b>	<b>\$6.3B</b>

New SAM from strategic initiatives by 2017: \$1.3B

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## Management

- 7 member board; six independent; 2 female; experience in telecom, mergers & acquisitions, finance; directors can serve on max of two boards; directors must own company stock
- ISS Governance Quickscore rating is 2
  - Board, Shareholder rights (1); Compensation (5); Audit & Risk oversight (2)
- CEO & President roles combined (since 2011); has had progressively responsible roles with company since 2006

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## SWOT Analysis

**Strengths** – Internal factors that may positively influence company performance

**Weaknesses** – Internal factors that may negatively influence company performance

**Opportunities** – External factors that may positively influence company performance

**Threats** – External factors that may negatively influence company performance

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## Strengths

- *Internet of Things (IoT) – rapidly growing*
- *Patents – 25 US, 6 foreign, 12 patents pending*
- *Additional patents with acquisition of Crashboxx*
- *Cash to pursue acquisitions*
- *Expanded customer base from Crashboxx acquisition – increases ability to serve insurance industry*
- *Expanding customer base in heavy equipment (TIE)*



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## Weaknesses


- *Small company < \$290m in revenues (est FY 2016)*
- *Minimal analyst coverage*
- *Concentrated customer risk – 15% of business with one customer in satellite; 11% of business with one customer in wireless datacom*



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## Opportunities

- Net Operating Loss (NOL) carry forward and investment tax credits
- Expanded customer base from Crashboxx acquisition – increases ability to serve insurance industry
- Acquisitions to expand services


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## Threats

- One customer accounts for 15% of sales; loss of this customer would effectively close the satellite division; customer could possibly drive margins in this section lower
- Competition - some of whom may have financial and technical resources substantially greater than CalAmp
- Not able to continue developing new products to keep up with competition
- A substantial portion of products, components and subassemblies are currently procured from foreign suppliers



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## Questions?



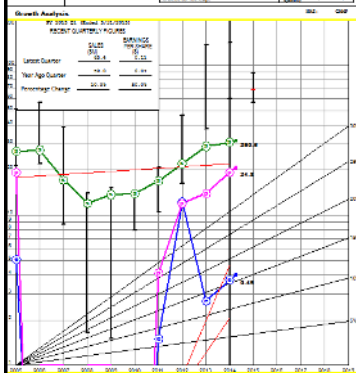
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## SSG

**Stock Study**



**2. QUALITY ANALYSIS**

Year	2008	2009	2010	2011	2012	2013	2014	2015
Revenue	11.5	18.7	25.0	32.5	40.0	48.0	55.0	62.0
Net Income	-1.5	1.5	3.0	4.5	6.0	7.5	9.0	10.5
EPS	-0.15	0.15	0.30	0.45	0.60	0.75	0.90	1.05

**3. PRICE PERFORMANCE RATIO AND DIVIDEND ANALYSIS**

Year	2008	2009	2010	2011	2012	2013	2014	2015
Price	15.0	10.0	12.0	18.0	22.0	25.0	28.0	30.0
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**4. FINANCIAL RATIOS AND P/E OVER THE LAST 5 YEARS**

Ratio	2008	2009	2010	2011	2012	2013	2014	2015
P/E Ratio	10.0	6.7	4.0	4.0	3.7	3.3	3.1	2.9
Debt to Equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0


**5. TOTAL RETURN ANALYSIS**

Year	2008	2009	2010	2011	2012	2013	2014	2015
Total Return	-10.0%	-20.0%	10.0%	20.0%	15.0%	12.0%	10.0%	8.0%

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## Estimated Sales Growth Rate

- 23.4% - 4 year historic sales growth
- 20.3% - 5 year historic sales growth
- 18.5% - 6 year historic sales growth
- 14.0% - Company growth expectation excluding SAM
- 10.9% - Most recent quarter




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**CalAmp** Poll

## Estimated Earnings Growth Rate

- 60.6% - Implied EPS growth rate (Toolkit)
- 50.0% - Most recent quarter
- 22.0% - Company growth rate w/ SAM
- 20.3% - Same as 5 year historic sales growth rate
- 14.0% - Company sales growth rate excluding SAM




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## Estimated High P/E

- 53.8 - 4 year average P/E (SSG)
- 44.6 - 52 week high P/E
- 37.6 - 4 year average P/E (SSG) with highest P/E removed
- 34.9 - Current P/E (a/o 9/17/15)
- 30.0 - BI "Suggested Max High P/E"




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**CalAmp** Poll

## Estimated Low P/E

- xx.x - 1x Estimated EPS growth rate (from poll)
- 19.5 - Average low P/E (SSG) 4 year
- 25.0 - Average low P/E (SSG) 4 year with extreme low p/e removed
- 28.7 - 52 week low P/E




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**CalAmp** Poll

## Estimated Low Price

- \$xx.xx – Forecast low price (from tonight's poll)
- \$ 6.50 – Average low price for last 5 years
- \$ 9.30 – Recent severe market low (2013)
- \$ 8.01 – Price Variant Quotient (PVQ)
- \$ 13.64 – 80% of current price (a/o 9.17.15)



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**CalAmp** Poll

## Would you consider buying?

- **Yes – CAMP has the ability to continue growing at a rapid rate**
- **Maybe – I need to do more research**
- **No - Unable to determine potential with confidence**
- **No - Does not fit a need in my portfolio**

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## Questions?



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## Sources

- Annual reports
- Proxy statements
- Analyst day presentations
- Conference calls
- News releases
- Investor Advisory Service (\$\$)
- Value Line

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**Thank you for attending Small Talk**

**Hope you learned something useful!**

**Next Small Talk: October 26, 2015**

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