

CalAmp Corp.
Form 10-K
May 01, 2019
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2019

COMMISSION FILE NUMBER: 0-12182

CALAMP CORP.

(Exact name of Registrant as specified in its Charter)

Delaware 95-3647070
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

15635 Alton Parkway, Suite 250

Irvine, California 92618
(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (949) 600-5600

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE
None	None

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

\$.01 par value Common Stock (Title of Class)	Nasdaq Global Select Market (Name of each exchange on which registered)
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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

<input type="checkbox"/> Large accelerated filer	<input type="checkbox"/> Accelerated filer
<input type="checkbox"/> Non-accelerated filer	<input type="checkbox"/> Smaller reporting company
<input type="checkbox"/> Emerging growth company	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

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

As of August 31, 2018, the aggregate market value of shares held by non-affiliates of the registrant was approximately \$684.0 million. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 10% or greater stockholders. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 10% or greater stockholders are, in fact, affiliates of our company. As of April 25, 2019, there were 33,597,344 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on July 24, 2019 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K. This Proxy Statement will be filed within 120 days after the end of the fiscal year covered by this report.

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PART I

ITEM 1. BUSINESS

Company Overview

CalAmp Corp. (referred to herein as “CalAmp”, “the Company”, “we”, “our”, or “us”), incorporated in 1996, is a telematics solutions pioneer leading transformation in a global connected economy. We help reinvent businesses and improve lives around the globe with technology solutions that streamline complex mobile Internet of Things (“IoT”) deployments through wireless connectivity solutions and derived data intelligence. Our software applications, scalable cloud services, and intelligent devices collect and assess business-critical data anywhere in the world including industrial machines, commercial and passenger vehicles, their drivers and contents. We call this The New How, powering autonomous IoT interaction, facilitating efficient decision making, optimizing resource utilization, and improving road safety. We operate under two reportable segments: Telematics Systems and Software & Subscription Services.

Since our inception, we have sold over 20 million telematics devices and related products, and have built an industry-leading brand in the global connected vehicle and industrial Internet of Machines marketplace. Our products, software and services are sold into a broad array of market verticals including automotive, insurance, transportation and logistics, government, construction, and utilities to customers in the United States, Latin America, Western Europe, Asia Pacific, Middle East and Africa. Our brands and technological leadership have driven the adoption of our connectivity solutions with small to mid-size customers as well as large global enterprises such as Caterpillar, AT&T, Verizon, TransUnion, Trimble, and Omnitracs. With our global network of LoJack licensees and a strong ecosystem of industry partnerships, we bring intelligence to the edge in the mobile connected economy to help drive business efficiencies. CalAmp is headquartered in Irvine, California, and is growing rapidly with recent expansion in international markets spawned by our telematics technology.

Recent Acquisitions

In February 2019, CalAmp acquired Tracker Network (UK) Limited (“TRACKER”), a LoJack licensee and market leader in stolen vehicle recovery (“SVR”) and telematics services across the United Kingdom. This acquisition builds on our March 2016 acquisition of the LoJack® Corporation, establishing a strong position for CalAmp to drive the broad adoption of connected vehicle and Software-as-a-Service (SaaS) applications and solutions with customers worldwide. We believe TRACKER will be strategically aligned with LoJack Italia and help drive CalAmp’s European expansion by leveraging the Company’s complete, vertically integrated portfolio of telematics devices, and cloud and software services to develop advanced connected car solutions targeting auto dealers, OEMs, insurance providers and other enterprise customers. The acquisition brings strong brand awareness across the U.K. and extensive law enforcement relationships with an opportunity to create synergies by integrating two of Europe’s most advanced SVR and telematics solutions providers to support key enterprise customer opportunities on a pan-European basis.

In March 2019, we acquired Car Track, S.A. de C.V. (“Car Track”), the exclusive licensee of LoJack® technology for the Mexican market. Car Track, known under the LoJack Mexico brand will leverage CalAmp’s full stack of telematics and SaaS solutions to expand product offerings to its substantial subscriber base of consumers, auto dealers and original equipment manufacturers (“OEMs”), insurance providers and leasing companies throughout Mexico. This acquisition provides us with a profitable business and world-class brand with strong channels, consumer awareness

and law enforcement relationships in major cities across Mexico.

In April 2019, we acquired Synovia Solutions (“Synovia”), a North American market leader in fleet safety and management for K-12 school bus and state and local government fleets. Combined with the recent acquisitions of TRACKER and Car Track, the Synovia acquisition expands our fleet management and vehicle safety services portfolio. This acquisition also accelerates our transformation to high-value subscription-based services.

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Our Platform

Our core technology platform combines our intelligent telematics products and highly scalable and secure CalAmp Telematics Cloud Platform (“CTC”) with our vertically targeted SaaS applications, as well as subscription services such as Crashboxx instant crash notification that can be delivered through our applications or as discrete over the top services:

Connected telematics products. Our connected telematics product portfolio combines innovative technology with adaptable and customizable functionality and industry-leading reliability. We offer a series of telematics devices for the broader connected vehicle and emerging Internet of Machines marketplace, which enable customers to optimize their operations by collecting, monitoring and effectively reporting business-critical information and desired intelligence from high-value remote and mobile assets. These wireless networking devices include asset tracking units, mobile telematics devices, fixed and mobile wireless gateways and routers, which underpin a wide range of our own and third-party software applications and solutions for business-critical applications demanding secure and reliable communications and controls anywhere in the world. Our customers select our products and solutions based on optimized feature sets, configurability, manageability, long-term support, reliability and, in particular, overall value. Our deep understanding of machine-to-machine communications and the dynamic needs of our customers across a broad array of vertical markets, applications and business requirements remain key differentiators for us. As a result, we have secured an installed-base of over 20 million devices worldwide, establishing the CalAmp brand as a global telematics leader in the connected economy.

CalAmp Telematics Cloud platform (“CTC”). Our CTC applications enablement platform connects customers to a wide range of applications and software services, which enhances the value of our telematics products and offers flexibility and scale for small to medium-sized businesses as well as global enterprise corporations. Our cloud-based service enablement and telematics platform facilitates integration of our own applications, as well as those of third parties, through open Application Programming Interfaces (“APIs”), which our partners leverage to rapidly deliver full-featured IoT solutions to their customers and markets. Our proven CTC is architected to integrate with numerous global Mobile Network Operator (“MNO”) account management systems and to leverage the carrier backend systems to provide customers access to services that are essential for creating and managing flexible end-to-end solutions.

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SaaS applications. We have steadily grown our base of SaaS subscribers and continue to migrate towards becoming a pure-play of software and subscription services provider. Our technology platform combines customized programmable telematics devices and the CTC platform with a broad portfolio of SaaS applications and other subscription services such as CrashBoxx. These high-value solutions are delivered to our global customers through CalAmp iOn™, a tightly integrated cloud-based platform that enables seamless management of a diverse set of assets, from service vehicles to high-value equipment. Targeted vertical markets for these solutions include automotive, fleet and asset management, transportation and logistics, construction, utilities and government. In February 2019, we began offering fully integrated vehicle telematics with asset management, which allows enterprise fleet, construction, government and rental companies to better track their mobile workforce and high-value assets in a fully integrated fashion through the CalAmp iOn platform.

One feature of the CalAmp SC iOn Command™ platform provides customers in the pharmaceutical, healthcare, biotech, food and consumer goods industries with supply chain visibility and environmental condition monitoring as goods travel from manufacturing through distribution and on to the end consumer. Another feature, our iOn Tag™ smart sensors, delivers granular visibility into product temperature, humidity, light, shock and movement at the package and pallet-level as shipments travel through the global supply chain to prevent loss, maintain compliance with business rules and regulatory requirements, and secure brand integrity. We also deployed this technology for tracking pets being transported via air.

CalAmp iOn Hours™ allows long haul trucking markets to maintain compliance with the Electronic Logging Device (“ELD”) federal mandate.

We have also developed telematics applications under our LoJack brand with our LoJack® SureDrive™, connected car app for the consumer telematics segment and LoJack® LotSmart™, a vehicle inventory lot management solution, for the automobile dealer market.

Our broad range of applications combined with our CTC platform and services have enabled us to steadily grow our base of recurring revenue subscribers to over one million at fiscal year-end.

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Customer Engagement Model

Our connected telematics products streamline complex mobile IoT deployments and empower our customers to optimize their operations by collecting, monitoring and reporting business-critical information from mobile and remote assets. The broad distribution of our intelligent connected devices enhances our brand and generates revenue growth through product sales while expanding opportunities to sell SaaS applications and other subscription services that drive recurring revenue. This model enables us to create greater customer engagement and long-term enterprise relationships throughout our end-to-end telematics solutions.

As we steadily grow our base of SaaS subscribers we continue on a path to becoming a pure-play solution provider of subscription services by combining our core CTC cloud-based platform, programmable telematics devices and a broad portfolio of SaaS applications with and other subscription services such as CrashBoxx that can be delivered through our applications or as discrete over the top services. We recently introduced an innovative device-as-a-service (DaaS) subscription business model that enables enterprise customers to leverage more of our research and development investments and full portfolio of connected car software services to lower their business costs and drive new revenue streams from subscription services.

We sell our solutions directly to global enterprise, OEMs and small to medium-sized businesses across multiple vertical markets and geographic regions. In addition, we have an active Channel Sales Program that sells our portfolio of solutions to telematics service providers, value added resellers and systems integrators that in turn develop innovative telematics solutions based our technology stack. Substantially all of our telematics devices deployed utilize our cloud-based device management platform, providing us the opportunity to drive enhanced over-the-top services and data monetization in collaboration with our customers and partners. We believe this self-reinforcing cycle will increase our brand awareness and enhance the demand for our telematics products, our scalable cloud services and differentiated software-application services.

Our Solutions

Our connected telematics products, software solutions and other subscription services address a wide variety of applications across key vertical markets typically characterized by large enterprises with significant remote and/or mobile assets that perform business-critical tasks and services that are otherwise difficult to manage in real time. In such situations, our solutions provide a clear and demonstrable return on investment. Our products and solutions benefit our customers in the following ways:

- Increasing productivity, improving communications and optimizing performance of fleets and mobile workers. Applications include vehicle monitoring, dispatch and route optimization, fleet diagnostics and maintenance, workflow improvement, workforce communications, driver behavior monitoring, as well as training and work-alone safety initiatives.

Improving the automobile dealer, vehicle owner and vehicle insurer experience. Applications include connected car and insurance telematics solutions that expedite the claims process for insurers, improve lot management for automobile dealers and provide early warning alerts, accident reconstruction and other connected car and road safety services for consumers.

Enabling multi-modal supply chain visibility tracking and management services from the cab to the containers and cargo. Applications include local and long-haul trailer tracking, management and logistics, container tracking and status, refrigerated container monitoring and control, high-value asset, pet tracking solutions in air travel as well as environmental condition monitoring of cargo down to the product level and delivery assurance combined with local and intermodal pallet and cargo logistics and tracking.

Producing unparalleled stolen vehicle recovery for cars, trucks and SUVs, and new connected car services for businesses and consumers. Applications include stolen vehicle recovery directly integrated with law enforcement, vehicle safety and security technologies, alerts to emergency response personnel triggered by collisions, vehicle arrival alerts, speed alerts, driver behavior monitoring, and auto dealership inventory management, that improve the customer experience, give customer peace of mind and drive incremental revenue opportunities for automobile dealers.

Securing, tracking and managing financed vehicles and assets. Applications include asset tracking for sub-prime vehicle finance lenders and Buy Here Pay Here automobile dealers, rental equipment tracking and remote car start.

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•Facilitating comprehensive monitoring, tracking and telematics for heavy equipment and commercial trucking. Applications include heavy equipment maintenance, usage optimization and tracking, rental equipment tracking, high-value tools and asset tracking, yellow iron and attachment management, indoor/outdoor forklift and loader location, impact detection and telematics, as well as transportation industry regulatory compliance, such as hours of service and onboard electronic logging mandates.

•Enabling usage-based insurance, enhanced claims processing and delivery of comprehensive value-added services for the vehicle insurance industry. Applications include stolen vehicle recovery for insurance providers, driver behavior scoring and feedback, crash discrimination, collision alerts and reconstruction, damage assessment and estimation, teen driver tracking and management, roadside assistance and predictive maintenance.

•Delivering end-to-end visibility and regulatory compliance for supply chain management. Applications include granular visibility of product location and environmental status for temperature-sensitive drugs, perishable food and high-value consumer goods.

•Enabling rapid delivery of comprehensive managed services for machine and equipment OEMs. Applications include service, maintenance, tracking, monitoring and control for generators, turbines, compressors, small engines (e.g., outboard motors, ATVs and electric carts) and power tools.

•Providing reliable, easy-to-use wireless communications solutions for fixed, mobile and portable enterprise data applications. Examples include digital signage, kiosk/high-value vending and video surveillance.

Our Growth Strategy – Capitalize on \$30B Total Available Market

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We intend to grow our core business and expand into new markets and geographic regions. Our business resides at the nexus of several large market opportunities including the connected vehicle ecosystem, enterprise asset tracking, and fleet management product and services markets. We believe these market opportunities constitute a total available market (“TAM”) of approximately \$30 billion. In order to capitalize on this TAM, we have devised the following key elements to our growth strategy:

◆ **Drive SaaS and DaaS Applications Across Market Verticals.** We are relentlessly pursuing our goal to grow our software and subscription services business. To accomplish this goal, we are focused on continued product innovation coupled with providing value-added cloud-based, service enablement solutions. We believe that our existing brand presence and customer base in market verticals such as transportation, construction, government and automotive aftermarket presents a significant growth opportunity for us to drive growth in our SaaS applications. As we steadily grow our base of SaaS subscribers, we continue to migrate to a pure-play solution provider of subscription services by combining our core CTC cloud-based platform, programmable telematics devices and a broad portfolio of SaaS applications with micro services that can be delivered through applications or as discrete over the top services. Additionally, we plan to leverage our recently introduced DaaS subscription business model to enable enterprise customers to access more of our research and development investments and full portfolio of connected car software services to lower their business costs and drive new revenue streams from subscription services.

◆ **Create Innovative Solutions in the Emerging Connected Vehicle Market.** With the acquisition of LoJack licensees in the U.S., U.K., Italy and Mexico, we now have a highly recognizable, consumer-facing brand as well as strong and unique relationships with law enforcement agencies in the U.S. and other strategic geographic regions, auto dealerships, insurance companies, rental car agencies, regional and global transportation and logistics providers, heavy equipment OEMs and a network of global LoJack licensees. We plan to develop telematics applications for the connected vehicle market similar to our recently introduced solutions of LoJack SureDrive targeting the consumer telematics segment and LoJack LotSmart for automotive dealer inventory management solution. We plan to increase our investment in research and development to expand and enhance the features and capabilities of our products and solutions in the connected vehicle market and drive further innovation through synergies created among our Synovia acquisition, LoJack subsidiaries and other global licensees.

◆ **Expand Presence in Industrial IoT.** We believe that our current distribution footprint covers a significant portion of the global industrial telematics market due to our strong relationships with large enterprises such as Caterpillar. We believe there is an opportunity for us to leverage our core competencies of working with these global enterprises and expand our presence with other industrial OEMs.

◆ **Continue Expansion into International Markets.** We are leveraging our existing customer relationships, international subscribers, recent TRACKER and LoJack Mexico acquisitions and access to the network of international LoJack licensees to further expand into global markets including Latin America, Europe, Middle East, Africa and Asia Pacific. Our global expansion strategy is focused on countries with anticipated demand for our full stack of telematics devices, cloud technology, software applications and micro-services.

◆ **Create Opportunities to Monetize our Installed Base.** We believe that our strong and growing installed-base of over 10 million telematics devices using our cloud-based device management platform and over one million unique

subscribers provide us with an opportunity to create additional revenue streams by delivering high-value data sources, applications and other over the top subscription services to enterprises in large market such as automotive, insurance, transportation and logistics, government and construction.

Manufacturing and Operations

While the vast majority of our products are designed in the U.S., we currently outsource a substantial portion of our manufacturing to certain contract manufacturers, which are located primarily in Hong Kong, mainland China, Malaysia and other Pacific Rim countries. Our electronic devices, components and made-to-order assemblies used in our products can be obtained from these manufacturers, although certain components are obtained from sole source suppliers. Although we do not have any long-term purchase contracts, we have executed product supply agreements with these manufacturers, which provide for certain product quality requirements. We are not vertically integrated,

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which provides us with flexibility and an ability to adapt to changes in the market, product supply and pricing while keeping our fixed costs low. Our relationships with our manufacturers are critical to new product introduction and the success of our business. We have strong relationships with our manufacturers, helping us meet our supply and support requirements. As we announced in the first quarter of our fiscal year 2019, we commenced a plan to streamline over global operations including further outsourcing of our manufacturing functions to increase supplier diversification and reduce operating expenses. This plan is in process at this time.

We focus on driving alignment of our product roadmaps with our manufacturers and determining what we can do collectively to reduce costs across the supply chain. Our operations team based in the U.S. coordinates with our manufacturers' engineers and quality control personnel to develop the requisite manufacturing processes, quality checks and testing as well as general oversight of the manufacturing activities. We believe this model has allowed us to effectively deliver high quality and innovative products while enabling us to minimize costs, manage inventory risk and maintain flexibility.

We are certified to the ISO (International Organization for Standardization) 9001: 2008 Quality management systems standard.

Research and Development

We compete in markets characterized by industry disruption, rapid technological change, evolving industry standards and new product features. We believe that our future success depends upon our ability to continue to develop innovative new products and solutions as well as enhancements to our existing products and solutions with advanced functionality and ease of use to drive customer demand and to further enhance our global brand and drive recurring revenue. We will continue to focus our research and development resources primarily on developing telematics products, services and software solutions for fleet management, heavy equipment, stolen vehicle recovery, consumer aftermarket telematics, trailer & asset tracking, transportation & logistics, and industrial monitoring & controls applications. We have developed technology platforms that can be leveraged across many of our vertical markets, applications and geographic regions. These include cloud-based telematics application enablement platforms and end-user software applications, cellular and satellite communications network-based asset tracking units, as well as 3G and 4G LTE broadband router products primarily for mobile applications. In addition, our development resources have been allocated to rationalizing existing product lines, reducing product costs, and improving performance through product redesign efforts.

Research and development expenses in fiscal years ended February 28, 2019, 2018 and 2017 were \$27.7 million, \$25.8 million and \$22.0 million, respectively. During this three-year period, our research and development expenses have ranged between 6% and 8% of annual consolidated revenues.

Sales and Marketing

We market and sell our products and services through our global direct sales organization, Channel Partner Program and an international network of licensees and sales representatives as well as our websites and digital presence. Our

global direct sales organization is comprised of teams of field sales people, key account managers and business development managers, who work closely with product and applications specialists and other internal sales support personnel based primarily at our U.S. locations. We have organized our field sales personnel, together with internal sales and field support personnel, into teams within each business group based on their specialized knowledge and expertise relating to specific product and service areas, geographies and customer groups. These sales teams are closely aligned with their respective product management, engineering and operations organizations.

We sell our products and services to large global enterprises, small to mid-size companies, channel accounts and distributors as well as industrial OEM customers. These categories of customers require very different selling approaches and support requirements, and we have organized our sales teams to address these different requirements. Additionally, certain customers often have unique technical requirements and manufacturing processes, and may request specific product configurations, feature sets and designs. Sales to large enterprise customers often involve complex program management and long sales cycles, and require close cooperation between sales, operations and engineering personnel. As such, we have developed teams of key account managers and business development managers to serve the unique requirements of these customers.

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We also actively sell our products in certain markets through our LoJack subsidiaries and network of international LoJack licensees, independent sales representatives and distributors. We have entered into agreements with substantially all of our licensees and distributors. In some cases, we have granted representatives and distributors exclusive authorization to sell certain products in a specific geographic area. These agreements generally have terms of one year, which automatically renew on an annual basis, and are generally terminable by either party for convenience following a specified notice period.

We expect that our reputation for providing innovative and high-quality products will continue to play a significant role in our growth and success, and that high customer satisfaction will continue to fuel referrals of our brand to new customers. Through our trademarked name – CalAmp – we have built a highly recognizable brand in the global enterprise asset tracking and fleet management market verticals. Also, in connection with the acquisition of LoJack, we acquired a highly recognizable consumer-facing brand in the global connected vehicle market.

In fiscal 2018, we embarked on an extensive brand refresh of the CalAmp and LoJack tradenames, which included a repositioning of both brands as well as a comprehensive communication and media outreach campaign. We believe this investment is focused on enhancing our brand awareness, continuing to build brand equity and driving market demand for our products. We also redesigned our websites and digital presence by launching a new corporate and investor relations website for CalAmp and a consumer-facing website for LoJack in order to drive consumer traffic and engagement with our new products and services.

We will continue our investment in sales and marketing programs that further build brand awareness, drive deeper customer engagement and foster long-term relationships with our customers. Our marketing programs are now focused on supporting multi-channel product launches in new geographic markets including launching our LoJack Beyond campaign into the dealer channels nationwide. The LoJack Beyond campaign was launched in March 2018 in an effort to modernize the dealer-consumer engagement platform beyond legacy SVR-only products and to digitize the LoJack sales experience – both of which are expected to increase and track customer engagement and return on investment. Driving additional sales through our TRACKER and LoJack Mexico subsidiaries will be a primary focus throughout the fiscal year 2020.

Additionally, we are focused on maximizing our efficiency and reach of our marketing spend by investing in public relations, social media and digital marketing programs. These programs are developed to educate our potential customers and other industry influencers to fuel active engagement with our products and services. Our activities around public relations, thought leadership, social media and digital marketing will be aligned with our customary product launches, media campaigns and presence at tradeshow and high exposure venues such as Mobile World Congress in Barcelona, Spain, Mobile World Congress Americas in Los Angeles among other high-profile industry events.

Our revenues derived from customers in the U.S. represented 73.8%, 72.6% and 74.0% of consolidated revenues in fiscal years ended February 28, 2019, 2018 and 2017, respectively.

Competition

Our markets are highly competitive. We face competition from small to large competitors some of which have greater financial, distribution, marketing and other resources as well as greater economies of scale than we do. We believe the principal competitive factors impacting the market for our products and services are global scale, innovation, reputation, customer service, product quality, functionality and reliability, time-to-market, responsiveness and price. We believe that we compete favorably in all of these areas. Our continued success in our vertical markets will depend

in part upon our ability to continue to innovate, design quality products and deploy solutions at competitive prices and with superior support services to our customers.

Some of the more established competitors for telematics systems and related connected products include Danlaw, Mobile Devices, Orbcomm, Quake Global, Queclink, Sierra Wireless, Spireon, Teltonika and Xirgo. Additionally, the market for Software and Subscription Services is also highly competitive and include well-established companies such as Geotab, Octo Telematics, Omnitrac, OnStar, Trimble, Verizon Connect and Zonar Systems as well as numerous small players.

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BACKLOG

Total backlog for our hardware products as of February 28, 2019 and 2018 was \$18.4 million and \$38.4 million, respectively. Substantially all of the backlog at February 28, 2019 is expected to be shipped in fiscal 2020. Our backlog for hardware products decreased year-over-year as we continue to grow our base of software SaaS subscribers and continue to migrate to becoming a pure-play solution provider of subscription services.

INTELLECTUAL PROPERTY

Intellectual property is an important aspect of our business, and we seek protection for our intellectual property as appropriate. We rely upon a combination of patent, trade secret, and trademark laws and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. In addition, we often rely on inbound licenses of intellectual property for use in our business. One approach to our risk management of patent infringement claims was to become a client of RPX Corporation (“RPX”). RPX helps companies reduce patent-related risks and expenses through its defensive patent aggregation, under which RPX acquires patents and licenses to patents that are being, or may be, asserted against its clients. The licenses for these patent assets are made available to RPX’s clients to protect them from potential patent infringement assertions.

We own and utilize the tradenames “CalAmp” and “LoJack” as well as the related logos and trademarks on all of our products and solutions. We believe that having distinctive marks that are registered and readily identifiable is an important factor in identifying our brand. We own 199 active trademark applications and registrations throughout the world, with 30 pending and registered trademarks in the U.S..

In addition to the foregoing protections, we generally control access to and the use of our proprietary and other confidential information through the use of internal and external controls, including contractual protections with employees, manufacturers, and others. We will continue to file and prosecute patent applications when appropriate to attempt to protect our rights in our proprietary technologies.

At February 28, 2019, we had 73 U.S. patents and 200 foreign patents. In addition to our awarded patents, we have 59 patent applications in process. Although a number of these trademarks, copyrights, and patents relate to software and products that are significant to our business and operations, we do not believe we are dependent on a single trademark, copyright or patent.

EMPLOYEES

At February 28, 2019, we had approximately 882 employees and approximately 49 contracted workers. None of our employees or contract workers are represented by a labor union. The contracted production workers are engaged through independent temporary labor agencies.

EXECUTIVE OFFICERS

Our executive officers are as follows:

NAME	AGE	POSITION
Michael Burdick	59	President and Chief Executive Officer

MICHAEL BURDIEK joined us as Executive Vice President in 2006 and was appointed President of our Wireless DataCom segment in 2007. Mr. Burdiek was appointed Chief Operating Officer in 2008 and was promoted to President and COO in 2010. In 2011, he was promoted to CEO and was appointed to our Board of Directors. Prior to joining CalAmp, Mr. Burdiek was the President and CEO of Telenetics Corporation, a publicly held manufacturer of data communications products. Earlier in his career, Mr. Burdiek held a variety of executive management positions with Comarco, Inc., a publicly held company. Mr. Burdiek began his career as a design engineer with Hughes Aircraft Company.

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KURTIS BINDER joined us in July 2017 and serves as our Executive Vice President and Chief Financial Officer. Prior to joining our company, he served as the Chief Financial Officer at VIZIO, Inc., a television and consumer electronics company headquartered in the United States since April 2010. Prior to joining VIZIO, Mr. Binder served as the Chief Accounting Officer for Applied Medical Resources, Inc. since December 2009. Mr. Binder was also employed in the assurance practice of Ernst & Young LLP from October 1997 to July 2009 and served as an Assurance and Advisory Business Services Partner.

Our executive officers are appointed by and serve at the discretion of the Board of Directors.

AVAILABLE INFORMATION

Our primary Internet address is www.calamp.com. We make our U.S. Securities and Exchange Commission (“SEC”) periodic reports (Forms 10-Q and Forms 10-K) and current reports (Forms 8-K) available free of charge through our website as soon as reasonably practicable after they are filed electronically with the SEC. Within the Investor Relations section of our website, we provide information concerning corporate governance, including our Corporate Governance Guidelines, Board committee charters and composition, Code of Business Conduct and Ethics, and other information. The content of our website is not incorporated by reference into this Annual Report on Form 10-K or into any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

Materials that we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information that we file electronically with the SEC.

ITEM 1A. RISK FACTORS

We operate in a rapidly changing environment that involves a number of risks and uncertainties, some of which are beyond our control. The following list describes several risk factors, which are applicable to our business and speaks as of the date of this document. These and other risks could have a material adverse effect on our business, results of operations, financial condition, and cash flows and the trading price of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us.

Our accelerated supply chain diversification program, component shortages and uncertainty in international trade relations with China may adversely impact us and have a material adverse effect on our financial condition or results of operations.

We accelerated our supply chain diversification program to transition our manufacturing to tier one global contract manufacturers with facilities outside of China. This program was initiated against the backdrop of the escalation of trade tensions between the U.S. and China. These factors attributed to various supply disruptions, including component shortages, in the third quarter of fiscal 2019. Although we are taking steps to address these matters, the related operational challenges and supply chain disruptions may persist for some time.

We generally do not have long-term contracts with customers and our customers may cease purchasing our products and services at any time, which could negatively affect our business, financial condition or results of operations.

We generally do not have long-term contracts with our customers. As a result, our agreements with our customers generally do not provide us with any assurance of future sales. These customers can cease purchasing products and services from us at any time without penalty, are free to purchase products and services from our competitors, may expose us to competitive price pressure on each order and are not required to make minimum purchases. Any of these actions taken by our customers could have a material adverse effect on our business, financial condition or results of operations.

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Because some of our components, assemblies and electronics manufacturing services are purchased from sole source suppliers or require long lead times, our business is subject to unexpected interruptions, which could cause our operating results to suffer.

Some of our key components are complex to manufacture and have long lead times. In the event of a reduction or interruption of supply, or degradation in quality, it could take up to six months to begin receiving adequate supplies from alternative suppliers, if any. As a result, product shipments could be delayed and revenues and profitability could suffer. Furthermore, if we receive a smaller allocation of component parts than is necessary to manufacture products in quantities sufficient to meet customer demand, customers could choose to purchase competing products and we could lose market share. Any of these events could have a material adverse effect on our business, financial condition or results of operations.

Because we depend on a few significant customers for a substantial portion of our revenues, the loss or significant decline or slowdown in growth in business of any of these customers could have an adverse affect on our business, financial condition or results of operations.

Our revenues depend on a small number of significant customers and some of them represent more than 10% of our total revenues in fiscal year 2019, 2018 and 2017 (see Note 3). They are also expected to represent a substantial portion of our revenues in the near future. As a result, the loss of any one of these customers, or decline or slowdown in the growth in business of these customers, could have a material adverse effect on our business, financial condition and results of operations. In addition, because service revenue depends either partially or entirely on the usage levels of data transmission by our customers and end users, the decline or slowdown in the growth of usage patterns of these customers, which has and could continue to occur at any time and with or without a reduction in the number of our subscriber basis could have a material adverse effect on our business, financial condition and results of operations.

Dependence on a limited number of contract manufacturers and suppliers of manufacturing services and critical components within our supply chain may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.

We operate a primarily outsourced manufacturing business model that utilizes contract manufacturers. We depend on a limited number of contract manufacturers to allocate sufficient manufacturing capacity to meet our needs, to produce products of acceptable quality at acceptable yields, and to deliver those products to us on a timely basis. In such circumstances, we may be unable to meet our customer demand and may fail to meet our contractual obligations. This could result in the payment of significant damages by us to our customers and our net revenue could decline, which could adversely affect our business, financial condition and results of operations. Any substantial disruption in our contract manufacturers' supply as a result of a natural disaster, trade wars, political unrest, economic instability, equipment failure or other cause, could materially harm our business, customer relationships and results of operations.

Because the markets in which we compete are highly competitive and some of our competitors have greater resources than us, we cannot be certain that our products and services will continue to be accepted in the marketplace or capture increased market share.

The markets for our products and services are intensely competitive and characterized by rapid technological change, evolving standards, short product life cycles, and price erosion. Given the highly competitive environment in which we operate, we cannot be sure that any competitive advantages currently enjoyed by our products and services will be sufficient to establish and sustain our products and services in the markets we serve. Any increase in price or other competition could result in erosion of our market share, to the extent we have obtained market share, and could have a negative impact on our financial condition and results of operations. We cannot provide assurance that we will have the financial resources, technical expertise or marketing and support capabilities to compete successfully. We expect competition to intensify in the future with the introduction of new technologies and market entrants and with the possible consolidation of competitors.

Information about our competitors is included in Part I, Item 1 of this Annual Report on Form 10-K under the heading "COMPETITION".

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If demand for our products and services fluctuates rapidly and unpredictably, it may be difficult to manage our business efficiently, which may result in reduced gross margins and profitability.

Our cost structure is based in part on our expectations for future demand. Many costs, particularly those relating to capital equipment and manufacturing overhead, are largely fixed. Rapid and unpredictable shifts in demand for our products and services may make it difficult to plan production capacity and business operations efficiently. If demand is significantly below expectations, we may be unable to rapidly reduce these fixed costs, which can diminish gross margins and cause losses. A sudden downturn may also leave us with excess inventory, which may be rendered obsolete if products and services evolve during the downturn and demand shifts to newer products and services. Our ability to reduce costs and expenses may be further constrained because we must continue to invest in research and development to maintain our competitive position and to maintain service and support for our existing customer base. Conversely, in the event of a sudden upturn, we may incur significant costs to rapidly expedite delivery of components, procure scarce components and outsource additional manufacturing processes. These costs could reduce our gross margins and overall profitability. Any of these results could adversely affect our business, financial condition or results of operations.

Any acquisitions we pursue could disrupt our business and harm our financial condition and results of operations.

As part of our business strategy, we review and intend to continue to review acquisition opportunities that we believe would be advantageous or complementary to the development of our business. In fiscal 2017, we acquired LoJack. In fiscal 2019, we acquired Tracker Network (UK) Limited and in the first quarter of fiscal 2020, we acquired Car Track, S.A. de C.V. and Synovia Solutions, and we may acquire additional businesses, assets, or technologies in the future. If we make any acquisitions, we could take any or all of the following actions, any one of which could adversely affect our business, financial condition, results of operations or share price:

- use a substantial portion of our available cash;
- require a significant devotion of management's time and resources in the pursuit or consummation of any acquisition;
- incur substantial debt, which may not be available to us on favorable terms and may adversely affect our liquidity;
 - issue equity or equity-based securities that would dilute existing stockholders' ownership percentage;
- assume contingent liabilities; and
- take substantial charges in connection with acquired assets.

Acquisitions also entail numerous other risks, including, without limitation: difficulties in assimilating acquired operations, products, technologies and personnel; unanticipated costs; diversion of management's attention from existing operations; risks of entering markets in which we have limited or no prior experience; and potential loss of key employees from either our existing business or the acquired organization. Acquisitions may result in substantial accounting charges for restructuring and other expenses, amortization of purchased technology and intangible assets and stock-based compensation expense, any of which could materially and adversely affect our operating results. We may not be able to realize the anticipated benefits of or successfully integrate with our existing business the businesses, products, technologies or personnel that we acquire, and our failure to do so could harm our business and operating results.

Any acquisitions we make and industry consolidation could adversely affect our existing business relationships with our suppliers and customers.

If we make any acquisitions, our existing business relationships with our suppliers and customers could be adversely affected. Moreover, our industry is being affected by the trend toward consolidation and the creation of strategic

relationships. If we are unable to successfully adapt to this rapidly changing environment, we could suffer a reduction in the volume of business with our customers and suppliers, or we could lose customers or suppliers entirely, which could materially and adversely affect our financial condition and operating results.

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Our success depends on the attraction and retention of senior management and technical personnel with relevant expertise.

As a competitor in a highly technical market, we depend heavily upon the efforts of our existing senior management and technical teams. The loss of the services of one or more members of these teams could slow product and services development and commercialization objectives. Due to the specialized nature of our products and services, we also depend upon our ability to attract and retain qualified technical personnel with substantial industry knowledge and expertise. Competition for qualified personnel is intense, and we may not be able to continue to attract and retain qualified personnel necessary for the development of our business.

Our business is subject to many factors that could cause our quarterly or annual operating results to fluctuate and our stock price to be volatile.

Our quarterly and annual operating results have fluctuated in the past and may fluctuate significantly in the future due to a variety of factors, many of which are outside of our control. In fact, our customers usually request that a majority of our product orders be shipped in the final months of the quarter and a significant amount in the last two weeks of the quarter. Some of the other factors that could affect our quarterly or annual operating results include:

- the timing and amount, or cancellation or rescheduling, of orders for our products or services;
- our ability to develop, introduce, ship and support new products, services and enhancements, and manage product and services transitions;
- announcements of new product and service introductions and reductions in the price of products and services offered by our competitors;
- our ability to achieve cost reductions;
- our ability to obtain sufficient supplies of sole or limited source components for our products;
- our ability to achieve and maintain production volumes and quality levels for our products;
- our ability to maintain the volume of products and services sold and the mix of distribution channels through which they are sold;
- the loss of any one of our major customers or a significant reduction in orders from those customers;
- increased competition, particularly from larger, better capitalized competitors;
- fluctuations in demand for our products and services; and
- changes in telecommunications and wireless market conditions specifically and economic conditions generally.

Due in part to factors such as the timing of product release dates, purchase orders and product availability, significant volume shipments of products could occur close to the end of a fiscal quarter. Failure to ship products by the end of a quarter may adversely affect operating results. In the future, our customers may delay delivery schedules or cancel their orders without notice. Due to these and other factors, our quarterly revenue, expenses and results of operations could vary significantly in the future, and period-to-period comparisons should not be relied upon as indications of future performance.

If we do not meet product and services introduction deadlines, our business could be adversely affected.

In the past, we have experienced design and manufacturing difficulties that have delayed the development, introduction or marketing of new products, services and enhancements and which caused us to incur unexpected expenses and lost revenue. In addition, some of our existing customers have conditioned their future purchases of our products and services on the addition of new features. In the past, we have experienced delays in introducing some new product features. Furthermore, in order to compete in some markets, we will have to develop different versions of existing products and services that comply with diverse, new or varying governmental regulations in each market. Our

inability to develop new products, services, product features on a timely basis, or the failure of new products, services or features to achieve market acceptance, could adversely affect our business.

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If our introduction of a DaaS subscription model is not embraced by enterprise customers, our business could be adversely affected.

We recently introduced an innovative Device-as-a-Service (“DaaS”) subscription business model for certain products that enables enterprise customers to leverage more of our research and development investments and full portfolio of connected car software services to lower their business costs and drive new revenue streams from subscription services. If our enterprise customers do not broadly embrace this business model, it could adversely affect our business, financial condition, or results of operations.

Because we currently sell, and we intend to grow the sales of, certain of our products and services in countries other than the U.S., we are subject to different regulatory policies. We may not be able to develop products and services that comply with the standards of different countries, which could result in our inability to sell our products and services and further, we may be subject to political, economic, and other conditions affecting such countries, which could result in reduced sales of our products and services and which could adversely affect our business.

If our sales are to grow in the longer term, we believe we must grow our international business. Many countries require communications equipment used in their country to comply with unique regulations, including safety regulations, radio frequency allocation schemes and standards. If we cannot develop products that work with different standards, we will be unable to sell our products and services in those locations. If compliance proves to be more expensive or time consuming than we anticipate, our business would be adversely affected. Some countries have not completed their radio frequency allocation process and therefore we do not know the standards with which we would be required to comply. Furthermore, standards and regulatory requirements are subject to change. If we fail to anticipate or comply with these new standards, our business and results of operations will be adversely affected.

Sales to customers outside the U.S. accounted for 26.2%, 27.4% and 26.0% of our total sales for fiscal years ended February 28, 2019, 2018 and 2017, respectively. Assuming that we continue to sell our products and services to foreign customers, which is our expectation, we will be subject to the political, economic and other conditions affecting countries or jurisdictions other than the U.S., including those in Latin America, Africa, the Middle East, Europe and Asia. Any interruption or curtailment of trade between the countries in which we operate and our present trading partners, changes in exchange rates, significant shift in U.S. trade policy toward these countries, or significant downturn in the political, economic or financial condition of these countries, could cause demand for and sales of our products and services to decrease, or subject us to increased regulation including future import and export restrictions, any of which could adversely affect our business.

Additionally, a substantial portion of our products, components and subassemblies are currently procured from foreign suppliers located primarily in Hong Kong, mainland China, Malaysia and other Pacific Rim countries. Any significant shift in U.S. trade policy toward these countries or a significant downturn in the political, economic or financial condition of these countries could cause disruption of our supply chain or otherwise disrupt operations, which could adversely affect our business.

Our global operations expose us to risks and challenges associated with conducting business internationally.

We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, competition regulations, import and trade restrictions, economic sanctions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act, the UK Bribery Act 2010 and other local laws that prohibit payments to governmental officials or certain payments or remunerations to customers.

Given the high level of complexity of these laws there is a risk that some provisions may be breached by us, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, or prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products or services in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, ability to attract and retain employees, business or operating results.

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Disruptions in global credit and financial markets could materially and adversely affect our business and results of operations.

There is significant uncertainty about the stability of global credit and financial markets. Credit market dislocations could cause interest rates and the cost of borrowing to rise or reduce the availability of credit, which could negatively affect customer demand for our products and services if they responded to such credit market dislocations by suspending, delaying or reducing their capital expenditures. Moreover, since we currently generate more than 25% of our revenues outside the U.S., fluctuations in foreign currencies can have an impact on demand for our products and services for which the sales are generally denominated in U.S. dollars.

Changes to U.S. tax, tariff and import/export regulations may have a negative effect on global economic conditions, financial markets and our business.

We import certain products and components from suppliers in China. In 2018, the Office of the U.S. Trade Representative (the “USTR”) enacted tariffs on imports into the U.S. from China. In September 2018, the USTR enacted another tariff on the import of other Chinese products with an additional combined import value of approximately \$250 billion. The tariff became effective on September 24, 2018, with an initial rate of 10%. The current Administration has delayed a hike in the tariff rate to 25% originally planned for January 2019, although the tariff rate may be raised above 10% in the future. Although some of the products and components we import are included on this list, at this time, we do not expect these tariffs to have a material impact on our business, financial condition or results of operations. Additionally, the current Administration continues to signal that it may further alter trade agreements between China and the U.S. and may impose additional tariffs on imports from China. It is possible that further tariffs may be imposed on imports of our products, or that our business will be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs, causing us to raise prices or make changes to our operations, any of which could have a negative impact on our revenue or operating results. The announcement of the Referendum of the U.K.’s Membership of the European Union (referred to as Brexit), advising for the exit of the U.K. from the European Union, could cause disruptions to and create uncertainty surrounding our business, particularly given our recent efforts to expand our business throughout Europe through our acquisition of TRACKER. Brexit could affect our relationships with our existing and future customers, suppliers and employees, which could in turn have an adverse effect on our business, financial results and operations

We may not be able to adequately protect our intellectual property, and our competitors may be able to offer similar products and services that would harm our competitive position.

Our ability to succeed in wireless data communications markets may depend, in large part, upon our intellectual property for some of our wireless technologies. We currently rely primarily on patents, trademark and trade secret laws, confidentiality procedures and contractual provisions to establish and protect our intellectual property. However, these mechanisms provide us with only limited protection. We currently hold 73 U.S. patents and 200 foreign patents. As part of our confidentiality procedures, we enter into non-disclosure and invention assignment agreements with all employees, including officers, managers and engineers. Despite these precautions, third parties could copy or otherwise obtain and use our technology without authorization, or develop similar technology independently. Furthermore, effective protection of intellectual property rights is unavailable or limited in some foreign countries. The protection of our intellectual property rights may not provide us with any legal remedy should our competitors independently develop similar technology, duplicate our products and services, or design around any intellectual property rights we hold.

We rely on access to third-party patents and intellectual property, and our future results could be materially and adversely affected if we are unable to secure such access in the future.

Many of our products and services are designed to include third-party intellectual property, and in the future we may need to seek or renew licenses relating to such intellectual property. Although we believe that, based on past experience and industry practice, such licenses generally can be obtained on reasonable terms, there is no assurance that the necessary licenses would be available on acceptable terms or at all. Some licenses we obtain may be nonexclusive and, therefore, our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around a patent where we do not hold a license, we may be unable to sell some of our hardware solutions and services, and there can be no assurance that we would be able to design and incorporate alternative technologies, without a material adverse effect on our business, financial condition, and results of operations.

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Our competitors have or may obtain patents that could restrict our ability to offer our products, software and services, or subject us to additional costs, which could impede our ability to offer our products, software and services and otherwise adversely affect us. In addition, third parties may claim that we infringe their intellectual property and proprietary rights and may prevent us from manufacturing and selling some of our products and services and subject us to litigation over intellectual property rights or other commercial issues.

Several of our competitors have obtained and can be expected to obtain patents that cover products, software and services directly or indirectly related to those offered by us. There can be no assurance that we are aware of all existing patents held by our competitors or other third parties containing claims that may pose a risk of our infringement on such claims by our products, software and services. In addition, patent applications in the U.S. may be confidential until a patent is issued and, accordingly, we cannot evaluate the extent to which our hardware solutions, software and services may infringe on future patent rights held by others.

Even with technology that we develop independently, a third party may claim that we are using inventions claimed by their patents and may initiate litigation to stop us from engaging in our normal operations and activities, such as engineering and development and the sale of any of our products, software and services. Furthermore, because of rapid technological changes in the mobile resource management (“MRM”) and IoT marketplaces, current extensive patent coverage, and the rapid issuance of new patents, it is possible that certain components of our products, software, services, and business methods may unknowingly infringe the patents or other intellectual property rights of third parties. From time to time, we have been notified that we may be infringing such rights.

In the highly competitive and technology-dependent telecommunications field in particular, litigation over intellectual property rights is a significant business risk, and some third parties (referred to as non-practicing, or patent-assertion, entities) are pursuing a litigation strategy with the goal of monetizing otherwise unutilized intellectual property portfolios via licensing arrangements entered into under threat of continued litigation. These lawsuits relate to the validity, enforceability, and infringement of patents or proprietary rights of third parties. We may have to defend ourselves against allegations that we violated patents or proprietary rights of third parties.

Regardless of merit, responding to such litigation may be costly, unpredictable, time - consuming, and often involves complex legal, scientific, and factual questions, and could divert the attention of our management and technical personnel. In certain cases, we may consider the desirability of entering into such licensing agreements or arrangements, although no assurance can be given that these licenses can be obtained on acceptable terms or that litigation will not occur. If we are found to be infringing any intellectual property rights, we could lose our right to develop, manufacture, or market products and services, product and services launches could be delayed, or we could be required to pay substantial monetary damages or royalties to license proprietary rights from third parties. If a temporary or permanent injunction is granted by a court prohibiting us from marketing or selling certain products, software and services, or a successful claim of infringement against us requires us to pay royalties to a third party, our financial condition and operating results could be materially and adversely affected, regardless of whether we can develop non-infringing technology.

We may be subject to legal proceedings that could adversely affect our business.

We may be subject to legal claims or regulatory matters involving stockholder, consumer, antitrust, intellectual property infringement, product liability and other issues. Litigation is subject to inherent uncertainties, including increases in demands for attention on our management team, and unfavorable rulings could occur. An unfavorable ruling could include money damages. If an unfavorable ruling were to occur, it could have a material adverse effect on our business, financial condition and results of operations for the period in which the ruling occurred or future periods.

See also “Item 3 – Legal Proceedings” in Part I of this Annual Report on Form 10-K.

Evolving regulation and changes in applicable laws relating to the Internet may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.

As Internet commerce continues to evolve, increased regulation by federal, state or foreign agencies becomes more likely. We are particularly sensitive to these risks because the Internet is a critical component of our SaaS and DaaS business model. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business.

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Evolving regulation relating to data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.

Our products and solutions enable us to collect, manage and store a wide range of data related to fleet management such as vehicle location and fuel usage, speed and mileage and, in the case of our field service application, includes customer information, job data, schedule, invoice and other information. A valuable component of our solutions is our ability to analyze this data to present the user with actionable business intelligence. We obtain our data from a variety of sources, including our customers and third-party providers. The U.S. and various state governments (including the California Consumer Privacy Act of 2018) have adopted or proposed limitations on the collection, distribution and use of personal information. Several foreign jurisdictions, including the European Union and the United Kingdom, have adopted legislation (including directives or regulations) that increase or change the requirements governing data collection and storage in these jurisdictions. Proposed or new legislation and regulations could also significantly affect our business. There currently are a number of proposals pending before federal, state, and foreign legislative and regulatory bodies. In addition, the new European Union General Data Protection Regulation (“GDPR”) took effect in May 2018. The GDPR will include operational requirements for companies that receive or process personal data of residents of the European Union. For example, we may be required to obtain consent and/or offer new controls to existing and new users in Europe before processing data. In addition, the GDPR includes significant penalties for non-compliance.

Violations of these laws, or allegations of such violations, could subject us to litigation, regulatory investigations, cash and non-cash penalties for noncompliance, disrupt our operations, involve significant management distraction and result in a material adverse effect on our business, financial condition and results of operations. Moreover, if future laws and regulations limit our customers’ ability to use and share this data, or our ability to store, process and share data with our customers over the Internet, demand for our solutions could decrease, our costs could increase, and our results of operations and financial condition could be harmed.

We may be subject to breaches of our information technology systems, which could damage our reputation, vendor, and customer relationships, and our customers’ access to our services.

Our presence in the IoT industry with offerings of telematics products and services, including vehicle telematics, could also increase our exposure to potential costs and expenses and reputational harm in the event of cyber-attacks impacting these products or services. Our business operations require that we use and store sensitive data, including intellectual property, proprietary business information and personally identifiable information, in our secure data centers and on our networks. We face a number of threats to our data centers and networks in the form of unauthorized access, security breaches and other system disruptions. It is critical to our business strategy that our infrastructure remains secure and is perceived by customers and partners to be secure. We require user names and passwords in order to access our information technology systems. We also use encryption and authentication technologies to secure the transmission and storage of data. Despite our security measures, our information technology systems may be vulnerable to attacks by hackers or other disruptive problems. Any such security breach may compromise information used or stored on our networks and may result in significant data losses or theft of our, our customers’, or our business partners’ intellectual property, proprietary business information or personally identifiable information. A cybersecurity breach could negatively affect our reputation by adversely affecting the market’s perception of the security or reliability of our products or services. In addition, a cyber-attack could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs, lost revenues or litigation, which could have a material adverse effect on our business, results of operations and financial condition.

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We depend to some extent upon wireless networks owned and controlled by others, unproven business models, and emerging wireless carrier models to deliver existing services and to grow.

If we do not have continued access to sufficient capacity on reliable networks, we may be unable to deliver services and our sales could decrease. Our ability to grow and achieve profitability partly depends on our ability to buy sufficient capacity on the networks of wireless carriers and on the reliability and security of their systems. Some of our wireless services are delivered using airtime purchased from third parties. We depend on these third parties to provide uninterrupted service free from errors or defects and would not be able to satisfy our customers' needs if such third parties failed to provide the required capacity or needed level of service. In addition, our expenses would increase and profitability could be materially and adversely affected if wireless carriers were to significantly increase the prices of their services. Our existing agreements with the wireless carriers generally have one- to three-year terms. Some of these wireless carriers are, or could become, our competitors.

Our failure to predict carrier and end user customer preferences among the many evolving wireless industry standards could hurt our ability to introduce and sell new products and services.

In our industry, it is critical to our success that we accurately anticipate evolving wireless technology standards and that our products and services comply with these standards in relevant respects. We are currently focused on engineering and manufacturing products and services that comply with several different wireless standards. Any failure of our products and services to comply with any one of these or future applicable standards could prevent or delay their introduction and require costly and time-consuming engineering changes. Additionally, if an insufficient number of wireless operators or subscribers adopt the standards to which we engineer our products and services, then sales of our new products and services designed to those standards could be materially harmed.

Our business could be adversely impacted by the interruption, failure or corruption of our proprietary Internet-based systems that are used to configure and communicate with the wireless tracking and monitoring devices that we sell.

Our telematics products and software services depend upon Internet-based systems that are proprietary to our business. These applications, which are hosted at independent data centers and are connected via access points to cellular networks, are used by our customers and by us to configure and communicate with wireless devices for purposes of determining location, speed or other conditions of vehicles and other mobile or fixed assets, and to deliver configuration code or executable commands to the devices. If these Internet-based systems failed or were otherwise compromised in some way, it could adversely affect the proper functioning of the wireless tracking and monitoring devices that we sell, and could result in damages being incurred by us as a result of the temporary or permanent inability of our customers to wirelessly communicate with these devices.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.

We are subject to the rules and regulations of the SEC, including those rules and regulations mandated by the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to include in their annual report a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting, together with an assessment of the effectiveness of those internal controls. Section 404 also requires the independent auditors of certain public companies to attest to, and report on, this management assessment. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be

evaluated frequently. Our failure to maintain the effectiveness of our internal controls in accordance with the requirements of the Sarbanes-Oxley Act could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

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We rely upon Amazon Web Services to operate certain aspects of our service and any disruption of or interference with our use of the Amazon Web Services operation would impact our operations and our business would be materially and adversely impacted.

Amazon Web Services (“AWS”) provides a distributed computing infrastructure platform for business operations, or what is commonly referred to as a “cloud” computing service. We have architected our software and computer systems so as to utilize data processing, storage capabilities, and other services provided by AWS. Certain of our SaaS platforms and applications are hosted by AWS. Given this, along with the fact that we cannot easily switch our AWS operations to another cloud service provider, any disruption of or interference with our use of AWS would impact our operations and our business would be materially and adversely impacted.

Some of our products are subject to mandatory regulatory approvals in the U.S. and other countries that are subject to change, which could make compliance costly and unpredictable.

Some of our products are subject to certain mandatory regulatory approvals in the U.S. and other countries in which it operates. In the U.S., the Federal Communications Commission (“FCC”) regulates many aspects of communication devices, including radiation of electromagnetic energy, biological safety and rules for devices to be connected to the telecommunication networks. Although we have obtained the required FCC and various country approvals for all products it currently sells, there can be no assurance that such approvals can be obtained for future products on a timely basis, or at all. In addition, such regulatory requirements may change or we may not in the future be able to obtain all necessary approvals from countries other than the U.S. in which it currently sell our products or in which we may sell its products in the future.

We may be subject to product liability, warranty and recall claims that may increase the costs of doing business and adversely affect our business, financial condition and results of operations.

We are subject to a risk of product liability or warranty claims if our products or services actually or allegedly fail to perform as expected or the use of our products or services results, or are alleged to result, in bodily injury and/or property damage. While we maintain what we believe to be reasonable limits of insurance coverage to appropriately respond to such liability exposures, large product liability claims, if made, could exceed our insurance coverage limits and insurance may not continue to be available on commercially acceptable terms, if at all. There can be no assurance that we will not incur significant costs to defend these claims or that we will not experience any product liability losses in the future. In addition, if any of our designed products are, or are alleged to be, defective, we may be required to participate in recalls and exchanges of such products. The future cost associated with providing product warranties and/or bearing the cost of repair or replacement of our products could exceed our historical experience and have a material adverse effect on our business, financial condition and results of operations.

Our inability to identify the origin of conflict minerals in our products could have a material adverse effect our business.

Many of our product lines include tantalum, tungsten, tin, gold and other materials that are considered to be “conflict minerals” under the SEC’s rules. Those rules require public reporting companies to provide disclosure regarding the use of conflict minerals sourced from the Democratic Republic of the Congo and adjoining countries in the manufacture of products. Those rules, or similar rules that may be adopted in other jurisdictions, could adversely affect our costs, the availability of minerals used in our products and our relationships with customers and suppliers.

Risks Relating to Our Convertible Notes and Indebtedness

We may not have the ability to raise the funds necessary to settle conversions of the convertible notes in cash, repay the convertible notes at maturity or repurchase the convertible notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the convertible notes.

We have two outstanding convertible senior unsecured notes – a \$122.5 million aggregate principal amount of 1.625% convertible senior unsecured notes due 2020 (“2020 Convertible Notes”) and a \$230.0 million aggregate principal amount of 2.00% convertible senior unsecured notes due 2025 (“2025 Convertible Notes”, and collectively with the 2020 Convertible Notes, the “Notes”).

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Holders of the 2020 Convertible Notes will have the right to require us to repurchase all or a portion of their convertible notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the convertible notes to be repurchased, plus accrued and unpaid interest, if any. The 2020 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of common stock, at our election, based on an initial conversion rate of 36.2398 shares of common stock per \$1,000 principal amount of the convertible notes, which is equivalent to an initial conversion price of \$27.594 per share of common stock, subject to customary adjustments. Holders may convert their notes at their option at any time prior to November 15, 2019 upon the occurrence of certain events in the future, as defined in the applicable indenture. During the period from November 15, 2019 to May 13, 2020, holders may convert all or any portion of their notes regardless of the foregoing conditions.

Holders of the 2025 Convertible Notes will have the right to require us to repurchase all or a portion of their convertible notes upon the occurrence of a fundamental change at a repurchase price equal to 100% of the principal amount of the convertible notes to be repurchased, plus accrued and unpaid interest, if any. The 2025 Convertible Notes will be convertible into cash, shares of our common stock or a combination of cash and shares of common stock, at our election, based on an initial conversion rate of 32.5256 shares of common stock per \$1,000 principal amount of the convertible notes, which is equivalent to an initial conversion price of \$30.7450 per share of common stock, subject to customary adjustments. Holders may convert their notes at their option upon the occurrence of certain events, as defined in the applicable indenture.

Upon conversion of one or both of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the convertible notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of the Notes surrendered therefor or pay cash with respect to the convertible notes being converted or at their maturity.

In addition, our ability to repurchase or to pay cash upon conversions or at maturity of the Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the Notes at a time when the repurchase is required by the applicable indenture or to pay any cash payable on future conversions of the convertible notes as required by the applicable indenture would constitute a default under the applicable indenture. A fundamental change under such indenture or a default under the indenture could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the convertible notes or make cash payments upon conversions thereof.

The conditional conversion feature of the convertible notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert the Notes at any time during specified periods at their option. If one or more holders elect to convert their convertible notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their convertible notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the convertible notes, could have a material adverse effect on our reported financial results.

Accounting Standards Codification Subtopic 470-20, Debt with Conversion and Other Options (“ASC 470-20”), requires an entity to separately account for the liability and equity components of convertible debt instruments (such as the convertible notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s non-convertible debt interest rate. Accordingly, the equity component of the convertible notes is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt

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component of the convertible notes. As a result, we are required to recognize a greater amount of non-cash interest expense in our consolidated income statements in the current and future periods presented as a result of the amortization of the discounted carrying value of the convertible notes to their principal amount over the term of the convertible notes. We report lower net income (or greater net losses) in our consolidated financial results because ASC 470-20 requires interest to include both the current period's amortization of the original issue discount and the instrument's non-convertible interest rate. This could adversely affect our reported or future consolidated financial results, the trading price of our common stock and the trading price of the convertible notes.

In addition, under certain circumstances, in calculating earnings per share, convertible debt instruments (such as the convertible notes) that may be settled entirely or partly in cash are currently accounted for utilizing a method in which the shares of common stock issuable upon conversion of the convertible notes, if any, are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the convertible notes exceeds their principal amount. Under this method, diluted earnings per share is calculated as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, were issued. We cannot be sure that the accounting standards in the future will continue to permit the use of this method. If we are unable to use this method in accounting for the shares issuable upon conversion of the convertible notes, if any, then our diluted consolidated earnings per share could be adversely affected.

The capped call, convertible note hedge and warrant transactions may adversely affect the value of our notes and our common stock.

In connection with the sale of the 2020 Convertible Notes, we entered into convertible note hedge transactions with certain financial institutions that we refer to as the option counterparties. The convertible note hedge transactions are expected to offset the potential dilution to our common stock upon any conversion of convertible notes and/or offset any cash payments we are required to make in excess of the principal amount upon conversion of any convertible notes. We also entered into warrant transactions with the option counterparties pursuant to which we sold warrants for the purchase of our common stock. The warrant transactions could separately have a dilutive effect if and to the extent that the market price per share of our common stock exceeds the applicable strike price of the warrants.

We have been advised that the option counterparties or their respective affiliates may modify their initial hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the convertible notes (and are likely to do so during any observation period related to a conversion of convertible notes or following any repurchase of convertible notes by us in connection with any fundamental change repurchase date or otherwise). This activity could suppress or inflate the market price of our common stock.

In connection with the sale of the 2025 Convertible Notes, we entered into privately negotiated capped call transactions with option counterparties. The capped call transactions are expected generally to reduce the potential dilution to our common stock upon any conversion of the notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted notes, as the case may be, with such reduction and/or offset subject to a cap. In connection with establishing any hedges of the capped call transactions, the option counterparties or their respective affiliates may enter into various derivative transactions with respect to our common stock and/or purchase shares of our common stock. This activity could increase (or reduce the size of any decrease in) the market price of our common stock or the notes at that time. In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the notes (and are likely to do so during any observation period related to a

conversion of notes). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the notes, which could affect your ability to convert the notes and, to the extent the activity occurs following conversion or during any observation period related to a conversion of notes, it could affect the amount and value of the consideration that investors will receive upon conversion of the notes.

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The effect, if any, of these activities, including the direction or magnitude, on the market price of our common stock will depend on a variety of factors, including market conditions, and cannot be ascertained at this time. Any of these activities could, however, adversely affect the market price of our common stock and the trading price of the convertible notes.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more option counterparties may default under the capped call and/or convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any of the option counterparties becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under those transactions. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in the market price of our common stock and in the volatility of the market price of our common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any of the option counterparties.

We may incur substantially more debt or take other actions that could diminish our ability to make payments on the convertible notes.

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our future debt instruments, some of which may be secured debt. We are not restricted under the terms of the indenture governing the convertible notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the convertible notes that could have the effect of diminishing our ability to make payments on the convertible notes when due.

Risks Relating to Our Common Stock and the Securities Market

The trading price of shares of our common stock may be affected by many factors and the price of shares of our common stock could decline.

As a publicly traded company, the trading price of our common stock has fluctuated significantly in the past. The future trading price of our common stock may be volatile and could be subject to wide price fluctuations in response to such factors, including:

- actual or anticipated fluctuations in revenues or operating results;
- failure to meet securities analysts' or investors' expectations of performance;
- changes in key management personnel;
- announcements of technological innovations or new products by us or our competitors;
- developments in or disputes regarding patents and proprietary rights;
- proposed and completed acquisitions by us or our competitors;
- the mix of products and services sold;
- the timing, placement and fulfillment of significant orders;
- product and service pricing and discounts;
- acts of war or terrorism; and

•general economic conditions.

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Our stock price has been highly volatile in the past and could be highly volatile in the future.

The market price of our stock can be highly volatile due to the risks and uncertainties described in this Annual Report, as well as other factors, including substantial volatility in quarterly revenues and earnings due to comments by securities analysts and our failure to meet market expectations.

Over the fiscal year ended February 28, 2019, the price of our common stock as reported on The Nasdaq Global Select Market ranged from a high of \$24.81 to a low of \$10.91. The stock market has from time to time experienced extreme price and volume fluctuations that were unrelated to the operating performance of particular companies. In the past, companies that have experienced volatility have sometimes subsequently become the subject of securities class action litigation. If litigation were instituted on this basis, it could result in substantial costs and a diversion of management's attention and resources.

Future issuances of shares of our common stock could dilute the ownership interests of our stockholders.

Any issuance of equity securities could dilute the interests of our stockholders and could substantially decrease the trading price of our common stock. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding options or for other reasons. In May 2015 and July 2018, we issued the Notes and, to the extent we issue common stock upon conversion of the convertible notes, that conversion would dilute the ownership interests of our stockholders.

Anti-takeover defenses in our charter and under Delaware law could prevent us from being acquired or limit the price that investors might be willing to pay for our common stock in an acquisition.

Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years from the time the person became an interested stockholder, unless specific conditions are met. In addition, we have in place various protections which would make it difficult for a company or investor to buy our business without the approval of our Board of Directors, including authorized but undesignated preferred stock and provisions requiring advance notice of board nominations and other actions to be taken at stockholder meetings. All of the foregoing could hinder, delay or prevent a change in control and could limit the price that investors might be willing to pay in the future for shares of our common stock.

Lack of expected dividends may make our stock less attractive as an investment.

We intend to retain all future earnings for use in the development of our business. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. In certain cases, stocks that pay regular dividends command higher market trading prices, and so our stock price may be lower as a result of our dividend policy.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

We are headquartered in Irvine, California with operations principally in the U.S., U.K. and Italy. We conduct engineering as well as research and development activities at our facilities in the United States, while our sales and administrative functions are performed in the U.S., U.K. and Italy. We also conduct some manufacturing activities at our Oxnard, California location. We periodically evaluate our facility requirements as necessary and believe our existing and planned facilities are sufficient for our needs for at least the next 12 months. All of our properties are leased facilities located in the following areas:

Location	Square Footage	Location	Square Footage
Irvine, California	23,000	Richardson, Texas	31,000
Oxnard, California	98,000	Milan, Italy	6,000
Carlsbad, California	26,000	Rome, Italy	2,200
Canton, Massachusetts	62,000	London, U.K.	5,700
Eden Prairie, Minnesota	7,000		

ITEM 3. LEGAL PROCEEDINGS

From time to time, various claims and litigation may be asserted or commenced against us arising from our ordinary course of business. In particular, we may receive claims concerning contract performance, or claims that our products or services infringe the intellectual property of third parties. Regardless of the outcome, litigation can have an adverse impact on us because of deferred costs, diversion of management resources and other factors. The following contains information regarding potentially material pending litigation.

Omega patent infringement claim

As previously disclosed in our Form 10-Q for the third quarter ended November 30, 2018 that was filed with the U.S. Securities and Exchange Commission on December 20, 2018, on May 22, 2017, we filed motions with the court seeking judgment as a matter of law and for a new trial in response to the patent infringement lawsuit filed by Omega Patents, LLC, (“Omega”) that was decided against us in 2016. The court denied our motions on November 14, 2017. We then appealed to the Court of Appeals for the Federal Circuit (the “Federal Circuit”). The appeal was fully briefed, and the court heard our oral argument on January 9, 2019. On April 8, 2019, the Federal Circuit vacated the compensatory and enhanced damages and attorney’s fees awarded by the trial court to Omega. The Federal Circuit also set aside the jury’s verdict that CalAmp’s alleged infringement was willful, and remanded the case for a new trial. We also initiated ex parte reexamination proceedings filed in the U.S. Patent and Trademark Office seeking to invalidate a number of Omega’s patents involved in the litigation. Those proceedings currently remain pending. We continue to believe that our products do not infringe on any of Omega’s patents. While it is not feasible to predict with certainty the outcome of this litigation, we believe that its ultimate resolution would not have a material adverse effect on our consolidated results of operations, financial condition and cash flows.

EVE battery claim

On October 27, 2014, LoJack and LoJack Equipment Ireland DAC (“LJEI”), a wholly-owned subsidiary of LoJack, commenced arbitration proceedings against EVE Energy Co., Ltd. (“EVE”) by filing a notice of arbitration with a

tribunal (the “Tribunal”) before the Hong Kong International Arbitration Centre. LoJack and LJEI alleged that EVE breached representations and warranties made in supply agreements relating to the quality and performance of battery packs supplied by EVE. On June 2, 2017, we were notified that the Tribunal rendered a decision and awarded damages to us (the “Damage Award”) for EVE’s breach of contract. On June 9, 2017, we entered into a settlement agreement with EVE and its controlling shareholder and parent company, EVE Holdings Limited, to resolve the Damage Award, pursuant to which EVE Holdings Limited was obligated to make payments to us in the aggregate amount of \$46.6 million, which amount is net of attorneys’ fees and an insurance subrogation payment (the “Settlement”). As of February 28, 2019, we had received the entire Settlement, of which \$28.3 million was received in fiscal 2018 and \$18.3 million was received in fiscal 2019. The Settlement amounts were reported upon receipt as other non-operating income in our consolidated statement of comprehensive income (loss) for the fiscal years ended February 28, 2019 and 2018.

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Tracker Connect (Pty) LTD (“Tracker”)

On December 9, 2016, Tracker Connect (Pty) LTD (“Tracker”), LoJack’s international licensee in South Africa, commenced arbitration proceedings against LJEI by filing a notice of arbitration with the International Centre for Dispute Resolution. The filing alleges breaches of the parties’ license agreement, misrepresentations, and other violations. Tracker was seeking monetary damages and recovery of attorneys’ fees. On March 3, 2017, LJEI filed its response to Tracker’s notice, denying Tracker’s allegations against LJEI and filing counterclaims against Tracker for Tracker’s material breaches of the parties’ license agreement and bad faith conduct. The arbitral tribunal was selected and the arbitration hearing was conducted in March 2018. The closing arguments for this matter were heard on June 25, 2018. On December 6, 2018, the arbitral tribunal issued its confidential final ruling by awarding \$6.2 million to Tracker, which was paid on December 18, 2018.

At this time, we believe all outstanding legal matters related to the EVE and Tracker matters are complete.

For further detail on the matters described above, refer to “Note 19 – Legal Proceedings” in the accompanying consolidated financial statements.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND
5. ISSUER PURCHASES OF EQUITY SECURITIES

Our Common Stock trades on the Nasdaq Global Select Market under the ticker symbol CAMP. The following graph and table compares our stock performance to three stock indices over a five-year period assuming \$100 investment was made on the last day of fiscal year 2014:

Years Ended February 28,	2014	2015	2016	2017	2018	2019
CalAmp Corp.	100	60	57	51	73	43
Nasdaq Composite Index	100	117	108	140	177	159
Nasdaq Electronic Components	100	108	92	124	146	144
Nasdaq Telecommunications	100	113	120	134	129	136

At April 28, 2019, we had approximately 1,300 stockholders of record. The number of stockholders of record does not include the number of persons having beneficial ownership held in "street name" which are estimated to approximate 23,000. We have never paid a cash dividend and have no current plans to pay cash dividends on our Common Stock. In addition, our revolving credit facility prohibits payment of dividends without the prior written consent of the lender under certain circumstances.

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item will be included in our definitive proxy statement for the Annual Meeting of Stockholders to be held on July 24, 2019 and is incorporated herein by this reference.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table contains information with respect to purchases made by or on behalf of CalAmp or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common stock during the following months of our fourth quarter ended February 28, 2019:

	Total Number of Shares Purchased	Average Price Paid per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may be Purchased Under the Plans or Programs (2)
December 1 - December 31, 2018	75,000	\$ 12.96	75,000	\$19,028,173
January 1 - January 31, 2019	524,577	\$ 14.00	524,577	\$11,685,543
February 1 - February 28, 2019	116,042	\$ 14.53	116,042	\$10,000,013
Total	715,619	\$ 13.97	715,619	\$10,000,013

(1) Average price paid per share for shares purchased as part of our share repurchase program (includes brokerage commissions).

(2) On December 10, 2018, we announced that our Board of Directors authorized a new share repurchase program under which we may repurchase up to \$20.0 million of our outstanding common stock over the next 12 months. As of February 28, 2019, \$10.0 million of the \$20.0 million had been utilized. Our share repurchase program does not obligate us to acquire any specific number of shares. Under the program, shares may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Exchange Act.

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ITEM 6. SELECTED FINANCIAL DATA

	Year Ended February 28,				
	2019	2018	2017	2016	2015
	(In thousands except per share amounts)				
OPERATING DATA					
Revenues	\$363,800	\$365,912	\$351,102	\$280,719	\$250,606
Cost of revenues	216,036	215,022	207,750	177,760	163,202
Gross profit	147,764	150,890	143,352	102,959	87,404
Operating expenses:					
Research and development	27,656	25,761	22,005	19,803	19,854
Selling and marketing	49,892	50,096	49,044	23,380	20,442
General and administrative	31,070	52,089	57,119	25,065	15,578
Restructuring	8,015	-	-	-	-
Intangible asset amortization	11,436	14,989	15,061	6,626	6,590
Total operating expenses	128,069	142,935	143,229	74,874	62,464
Operating income	19,695	7,955	123	28,085	24,940
Non-operating income (expense), net	4,160	20,754	(8,306)	(5,744)	(140)
Income (loss) before income taxes and impairment loss and equity in net loss of affiliate	23,855	28,709	(8,183)	22,341	24,800
Income tax benefit (provision)	1,330	(10,681)	1,563	(4,572)	(8,292)
Income (loss) before impairment loss and equity in net loss of affiliate	25,185	18,028	(6,620)	17,769	16,508
Impairment loss and equity in net loss of affiliate	(6,787)	(1,411)	(1,284)	(829)	-
Net income (loss)	\$18,398	\$16,617	\$(7,904)	\$16,940	\$16,508
Earnings (loss) per share:					
Basic	\$0.53	\$0.47	\$(0.22)	\$0.46	\$0.46
Diluted	\$0.52	\$0.46	\$(0.22)	\$0.46	\$0.45

	February 28,				
	2019	2018	2017	2016	2015
	(In thousands except ratio)				
BALANCE SHEET DATA					
Current assets	\$403,497	\$275,885	\$206,705	\$298,767	\$116,054
Current liabilities	\$83,592	\$95,529	\$77,841	\$49,565	\$47,005
Working capital	\$319,905	\$180,356	\$128,864	\$249,202	\$69,049
Current ratio	4.8	2.9	2.7	6.0	2.5
Total assets	\$603,626	\$472,993	\$408,139	\$384,363	\$202,617
Long-term debt	\$275,905	\$154,299	\$146,827	\$139,800	\$-
Stockholders' equity	\$205,653	\$198,916	\$163,242	\$189,447	\$151,385

In the Selected Financial Data tables and elsewhere in this Form 10-K, our fiscal year end for all years is shown as February 28 for clarity of presentation. The actual period end date for fiscal 2016 was February 29, 2016.

Factors affecting the comparability of our Selected Financial Data are as follows:

On April 8, 2019, the U.S. Court of Appeals for the Federal Circuit (the “Federal Circuit”) vacated all compensatory and enhanced damages and attorney’s fees awarded by the trial court to the plaintiff in the Omega patent infringement lawsuit. The Federal Circuit also set aside the jury’s verdict that our alleged infringement was willful, and remanded the case for a new trial. As a result, we reversed substantially all of the \$19.1 million of the previously accrued legal reserve during the fourth quarter of the current fiscal year. The reversal of the loss contingency was recorded in general and administrative expense for the

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fiscal year ended February 28, 2019. See Note 19 to the accompanying consolidated financial statements for additional information on this matter.

As of February 28, 2019, we had made loans aggregating £5,700,000, or approximately \$7.6 million to Smart Driver Club, an equity method investee, which bear interest at an annual interest rate of 8% with all principal and all unpaid interest due in 2021. Our equity in the net loss of Smart Driver Club amounted \$1.8 million, \$1.4 million and \$1.3 million for the fiscal years ended February 28, 2019, 2018 and 2017. As of February 28, 2019, we determined that this investment is subject to other than temporary impairment of \$5.0 million, which is reported as part of impairment loss and equity in net loss of affiliate in our consolidated statement of comprehensive income. See Note 9 to the accompanying consolidated financial statements for additional information on this impairment.

On February 25, 2019, we completed the acquisition of Tracker Network (UK) Limited, a LoJack licensee and a market leader in SVR telematics services across the U.K., for a cash purchase price of £10.0 million, or approximately \$13.0 million. See Note 2 to the accompanying consolidated financial statements for additional information on this acquisition.

On July 20, 2018, we issued \$230.0 million aggregate principal amount of 2.00% convertible senior unsecured notes through a private placement. See Note 10 to the accompanying consolidated financial statements for additional information on the convertible notes.

Beginning in the first quarter of fiscal 2019, we commenced a plan that aligns with our strategy to integrate the global sales organization and further outsource manufacturing functions in order to drive operational efficiency, increase supplier geographic diversity and reduce operating expenses. For the fiscal year ended February 28, 2019, total restructuring charges were \$8.0 million, comprised of \$4.3 million in severance and employee related costs, and \$3.7 million for vacant office and manufacturing facility space. See Note 11 to the accompanying consolidated financial statements for additional information on this restructuring charge.

Effective December 22, 2017, the U.S. enacted tax reform legislation that included a broad range of changes impacting the corporate income tax provision, including the reduction of the U.S. federal statutory corporate tax rate from 35% to 21%. In the fourth quarter of fiscal 2018, we recognized an income tax charge of \$6.6 million for the re-measurement of our deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future. We completed our accounting for the income tax effects of the Tax Act in 2018, and no material adjustments were required to the provisional amounts initially recorded on our existing deferred tax balances and the one-time transition tax.

In fiscal 2018, we entered into a settlement agreement with a former LoJack supplier for \$46.6 million, which amount is net of attorneys' fees and insurance subrogation payment. We received \$18.3 million and \$28.3 million in fiscal 2019 and 2018, respectively, which are reported as other non-operating income in our consolidated statement of comprehensive income.

In fiscal 2017, we acquired LoJack Corporation.

We ceased operation of our legacy Satellite segment effective August 31, 2016. Between September 1, 2016 and August 31, 2017, our business operated under one reportable segment – Wireless DataCom. See Note 20 to the accompanying financial statements for additional information on the business segments.

In fiscal 2016, we issued \$172.5 million aggregate principal amount of 1.625% convertible senior unsecured notes through a private placement. See Note 10 to the accompanying consolidated financial statements for additional information on the convertible notes.

In fiscal 2016, we reduced our deferred tax assets valuation allowance by \$2.5 million and recognized federal research and development tax credits of \$1.0 million, which lowered our effective tax rate to 20.5% for the year.

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ITEM MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
7. OPERATIONS

Overview

CalAmp Corp. (referred to herein as “CalAmp”, “the Company”, “we”, “our”, or “us”) is a telematics solutions pioneer leading transformation in a global connected economy. We help reinvent businesses and improve lives around the globe with technology solutions that streamline complex mobile Internet of Things (“IoT”) deployments through wireless connectivity solutions and derived data intelligence. Our software applications, scalable cloud services, and intelligent devices collect and assess business-critical data anywhere in the world from industrial machines, commercial and passenger vehicles, their drivers and contents. With our global network of LoJack licensees and a strong ecosystem of industry partnerships, we bring intelligence to the edge in the mobile connected economy to help drive business efficiencies. We are headquartered in Irvine, California but expanding into international markets with our telematics technology solutions.

In February 2019, we acquired Tracker Network (UK) Limited, which brings us strong brand awareness across the United Kingdom and extensive law enforcement relationships with an ability to help drive our expansion in Europe. In March 2019, we acquired Car Track, S.A. de C.V., which will leverage our full stack of telematics and SaaS solutions to expand product offerings to our substantial subscriber base.

In April 2019, we acquired Synovia Solutions (“Synovia”), a North American market leader in fleet safety and management for K-12 school bus and state and local government fleets. Combined with the recent acquisitions of TRACKER and Car Track, the Synovia acquisition expands our fleet management and vehicle safety services portfolio and accelerates our transformation to high-value subscription-based services.

We operate under two reportable segments: Telematics Systems and Software & Subscription Services.

Telematics Systems

Our Telematics Systems segment offers a series of advanced telematics and SVR products for the broader connected vehicle and emerging Internet of Machines marketplace, which enable customers to optimize their operations by collecting, monitoring and effectively reporting business-critical information and desired intelligence from high-value remote and mobile assets. Our telematics products include asset tracking units, mobile telematics devices, fixed and mobile wireless gateways, and routers. These wireless networking devices underpin a wide range of solutions, and are ideal for applications demanding secure, reliable and business-critical communications.

Software & Subscription Services

Our Software & Subscription Services segment offers cloud-based application enablement and telematics service platforms that facilitate integration of our own applications, as well as those of third parties, through open Application Programming Interfaces (“APIs”) to deliver full-featured mobile IoT solutions to a wide range of customers and markets. Our scalable proprietary applications and other subscription services enable rapid and cost-effective development of high-value solutions for customers all around the globe.

Results of Operations and Financial Condition

Revenues

As described in Note 1 to the accompanying consolidated financial statements, in May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. We adopted the new standard effective March 1, 2018 using the modified retrospective method, which we applied to all contracts.

Products. Our products revenues consist primarily of sales of our telematics and SVR products or wireless networking devices to large global companies as well as small and medium-sized enterprises in the U.S. and internationally. Revenues from our products are reported net of sales returns and allowances, and incentives. The prices charged for telematics and SVR products are determined through negotiation with our customers as well as prevailing market conditions and are fixed and determinable upon shipment.

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Professional Services. Our professional services provided to customers include project management, engineering services, installation services and an on-going early warning automated notification service. Revenues are typically distinct from other performance obligations and are recognized as the related services are performed.

Software-as-a-Service (“SaaS”). Our SaaS-based subscriptions for our fleet management, vehicle finance and certain other verticals provide our customers with the ability to wirelessly communicate with monitoring devices installed in vehicles and other mobile or remote assets via our software applications. For our fleet management, vehicle finance and certain other customers, we sell highly customized devices that only function with our SaaS technology. Generally, we defer the recognition of revenue for the customized products that only function with our application and are sold on an integrated basis. The deferred product revenue amounts are amortized on a straight-line basis over the estimated average in-service lives of these devices, which are three years in the vehicle finance vertical and four years in the fleet management vertical. Revenues from subscription services are recognized ratably, on a straight-line basis, over the term of the subscription.

Cost of Revenues

Our cost of revenues for products represent the cost of finished goods sold to our customers. These costs include raw materials, manufacturing overhead and labor costs, as well as customs and duties, license royalties, recycling fees, insurance and other costs that are included in the price that we negotiate and pay to our contract manufacturers and component suppliers for the products. The cost of revenues also include charges related to excess and obsolete inventories and the cost of fulfilling product warranties.

Our cost of revenues for application subscriptions and other services includes personnel costs and related benefits, consultants, software development activities, cellular network access costs, infrastructure costs for use of private networking services, and other costs that are required to deliver these services to our customers. Our cost of revenues for application subscriptions and other services also includes cost of customized devices that only function with our applications and are sold on an integrated basis with applicable subscriptions. The costs are recognized ratably, on a straight-line basis, over the estimated average in-service lives of these devices. The estimated average in-service lives are three years in the vehicle finances and four years in the fleet management verticals.

We continually negotiate to reduce the cost we pay to our suppliers in order to maintain consistent low prices for our customers. We accomplish this by working with our suppliers to find alternative, less expensive sources of raw materials and components as well as eliminating excess costs throughout our supply chain.

Gross Profit

Our gross profit and gross profit as a percentage of revenues, or gross margin, is influenced by several factors including sales volume, product and service mix, and changes in product costs. We expect gross margin to fluctuate over time based on how we control the mix of product and services and manage our inventory using sales incentives granted to our customers. Additionally, although we primarily procure and sell our products in U.S. dollars, we are susceptible to exchange rate fluctuations with other currencies. To the extent that exchange rates move unfavorably

this may have an impact on our future selling prices and unit costs. Gross profit and gross margin may fluctuate over time based on the factors described above.

Operating Expenses

Our operating expenses consist principally of personnel related costs, including salaries and bonuses, fringe benefits and stock-based compensation as well as the cost of professional services, information technology, facilities and other administrative expenses. We classify our operating expenses into the following four categories:

Research and development expense consists of personnel related costs, professional services, certification fees and software licenses incurred to support our existing install-base of telematics devices through our field application engineers, software developers, program and product managers, as well as our effort to develop new products and technologies.

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• Selling and marketing expense consists of personnel related costs including our incentive programs to support our global sales organization as well as advertising and marketing promotions of our brand and products, including media advertisement costs, merchandising and display costs, trade show and event costs, and sponsorship costs.

• General and administrative expense consists of personnel related costs to support our global enterprise as well as outside services for legal, accounting, insurance, information technology, investor relations and other costs associated with being a public company.

• Restructuring expense consists of personnel and facility related costs resulting from our cost savings initiative commenced in the first quarter of fiscal 2019. Personnel costs represent severance and employee related costs, and facility charges represent expenses for vacant office and manufacturing facility space under Corporate Expenses.

• Intangible asset amortization is attributable to our acquired identifiable intangible assets from business combinations. Our acquired intangible assets with definite lives are amortized from the date of acquisition over periods ranging from two to ten years.

We expect our operating costs will increase in absolute dollars due to the anticipated growth of our business and related infrastructure as well as expansion into new geographic regions. Operating expense may fluctuate as a percentage of revenues throughout the year due to discrete quarterly events and seasonal trends.

Non-Operating Income (Expense)

Non-operating income (expense) consists of (i) investment and interest income earned on our cash balances and investments, (ii) interest expense on our convertible senior unsecured notes including the amortization of note discount and debt issue costs, (iii) the gain on a legal settlement, (iv) the loss from extinguishment of debt and (v) other income (expense) that includes but is not limited to transaction gains and losses and foreign currency gains and losses. We recognize the gain on legal settlement on a cash basis due to the lack of certainty of collection as we received the settlement payments from a former LoJack supplier, which is further explained in “Note 19 – Legal Proceedings” to the accompanying consolidated financial statements. Loss from extinguishment of debt is further explained in “Note 10 – Financing Arrangements” to the accompanying consolidated financial statements.

Income Tax Expense (Benefit)

We are subject to income taxes in the U.S. and related states as well as foreign jurisdictions in which we do business. Our effective tax rate will approximate the U.S. statutory income tax rate plus the apportionment of state income taxes coupled with our foreign statutory rate based on the portion of taxable income allocable to each tax jurisdiction.

Impairment Loss and Equity in Net Loss of Affiliate

We have an investment in a technology and insurance startup company called Smart Driver Club Limited, which represents a minority ownership interest that is accounted for under the equity method of accounting since we have significant influence over the investee. As a result, we record our portion of the losses incurred by this entity and impairment charges related to these investments as equity in net loss of affiliate.

Adjusted EBITDA

In addition to our U.S. GAAP results, we present Adjusted EBITDA as a supplemental non-GAAP measure of our performance. A non-GAAP financial measure is defined as a numerical measure of a company's financial performance that excludes or includes amounts to be different than the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the statements of comprehensive income (loss), balance sheets or statements of cash flows. We define Adjusted EBITDA as Earnings Before Investment Income, Interest Expenses, Taxes, Depreciation, Amortization, stock-based compensation, acquisition and integration expenses, non-cash costs and expenses arising from purchase accounting adjustments, litigation provision, gain from legal settlement and certain other adjustments. Our CEO, the CODM, uses Adjusted EBITDA to evaluate and monitor

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(In thousands)	\$	% of Revenue	\$	% of Revenue	\$	% Change	% Change
Segment							
Telematics Systems	\$287,370	79.0 %	\$302,126	82.6 %	\$(14,756)	(4.9 %)	
Software & Subscription Services	76,430	21.0 %	63,786	17.4 %	12,644	19.8 %	
Total	\$363,800	100.0 %	\$365,912	100.0 %	\$(2,112)	(0.6 %)	

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Telematics Systems revenue decreased by \$14.8 million or 4.9% for the fiscal year ended February 28, 2019 compared to the same period last year. The decrease was primarily attributed to reduced sales of our MRM telematics and legacy LoJack SVR products and partially offset by increased demand in OEM products. During the fiscal year, we initiated our supply chain diversification program to transition our manufacturing to tier one global contract manufacturers with facilities outside of China. In connection with this program, we experienced various operational challenges and extended lead times on certain components thereby impacting our ability to delivery on customer orders for MRM telematics products. Additionally, our legacy LoJack SVR revenue continued its secular decline due to a technology transition from proprietary radio frequency technology to GPS-based telematics solutions. This decline is expected to be offset by future growth in our telematics solutions, such as SureDrive and LotSmart, over time. OEM products sales increased as demand from our customers, including our top customer, increased due to more favorable conditions in the heavy equipment markets.

Software & Subscription Services revenue increased by \$12.6 million or 19.8% for the fiscal year ended February 28, 2019 compared to the same period last year. The increase was due to growth driven by our fleet management and LoJack subscription services.

Cost of Revenues and Gross Profit

	Fiscal years ended February 28,				\$	%
	2019	2018				
(In thousands)	\$	% of Revenue	\$	% of Revenue	Change	Change
Revenues	\$363,800	100.0 %	\$365,912	100.0 %	\$(2,112)	(0.6 %)
Cost of Revenues	216,036	59.4 %	215,022	58.8 %	1,014	0.5 %
Gross profit	\$147,764	40.6 %	\$150,890	41.2 %	\$(3,126)	(2.1 %)

Consolidated gross profit for the fiscal year ended February 28, 2019 decreased by \$3.1 million or 2.1% over the prior year due to lower revenue in our Telematics Systems business. Gross profit in fiscal year 2019 was adversely impacted by higher excess and obsolete inventory charges as we transition suppliers and contract manufacturers, and manage the closure of our manufacturing facilities.

Cost of revenues above excludes restructuring related costs, which are shown separately in the operating expenses in our condensed consolidation statement of comprehensive income (loss).

Operating Expenses

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Fiscal years ended February 28,
2019 2018

(In thousands)	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Research and development	\$27,656	7.6 %	\$25,761	7.0 %	\$1,895	7.4 %
Selling and marketing	49,892	13.7 %	50,096	13.7 %	(204)	(0.4 %)
General and administrative	31,070	8.5 %	52,089	14.2 %	(21,019)	(40.4 %)
Restructuring	8,015	2.2 %	-	0.0 %	8,015	100.0 %
Intangible asset amortization	11,436	3.1 %	14,989	4.1 %	(3,553)	(23.7 %)
Total	\$128,069	35.1 %	\$142,935	39.0 %	\$(14,866)	(10.4 %)

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Consolidated research and development expense increased by \$1.9 million or 7.4% for the fiscal year ended February 28, 2019 compared to the same period last year. The increase was primarily driven by increased employee compensation and benefits due to increased headcount. Consolidated research and development expense as a percentage of revenues increased to 7.6% for the fiscal year ended February 28, 2019 compared to 7.0% in the same period last year. We are investing in research and development of new products and technologies to be sold through the U.S. and international sales channels.

Consolidated selling and marketing expense decreased by \$0.2 million or 0.4% for the fiscal year ended February 28, 2019 compared to the same period last year. The decrease was primarily driven by a decrease in professional services and web design costs, as we substantially completed our CalAmp and LoJack brand refresh initiatives during the prior fiscal year. The decrease was partially offset by increases in marketing expenses to support various business developments in international territories.

Consolidated general and administrative expense decreased by \$21.0 million or 40.4% for the fiscal year ended February 28, 2019 compared to the same period last year. The decrease was primarily driven by a decline in litigation provisions and expenses related to existing legal matters (see Note 19). The decrease was partially offset by increased professional services coupled with service fees related to a new cloud-based ERP system that we are implementing to support the growth in our global operations. Certain implementation costs on the new ERP system were capitalized as Property and Equipment in our consolidated balance sheets.

As described in Note 11 to the accompanying consolidated financial statements, during the fiscal quarter ended May 31, 2018, we commenced a plan to capture certain synergies and cost savings related to streamlining our global operations and sales organization as well as rationalize certain leased properties that are partially vacant. For the fiscal year ended February 28, 2019, we recorded approximately \$4.3 million in severance and employee related costs as well as \$3.7 million in rent and related costs associated with office and manufacturing plant facilities where we have ceased use.

Amortization of intangibles decreased by \$3.6 million or 23.7% for the fiscal year ended February 28, 2019 compared to the same period last year due to completion of amortization on certain intangible assets.

Non-operating Income (Expense), Net

Investment income increased by \$3.0 million to \$5.3 million for the fiscal year ended February 28, 2019 from \$2.3 million for the same period last year. The increase was due primarily to an increase in interest income resulting from increased investments in various cash equivalent and short-term marketable securities primarily as a result of the net proceeds from our 2025 Convertible Notes and operating cash flows.

Interest expense increased \$6.4 million to \$16.7 million for the fiscal year ended February 28, 2019 from \$10.3 million for the same period last year due to additional interest expense and debt discount and issue costs relating to the 2025 Convertible Notes issued in July 2018 that are being amortized on the effective interest method.

See Note 19 to the accompanying consolidated financial statements for information concerning the \$18.3 million gain on the legal settlement with a former supplier of LoJack.

See Note 10 to the accompanying consolidated financial statements for information on the \$2.0 million loss on extinguishment of debt.

Other non-operating income for the fiscal year ended February 28, 2019 increased \$1.1 million from net non-operating expense for the same period last year due to unfavorable fluctuations in foreign currency exchange rates, primarily Euros to U.S. dollars.

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Income Tax Expense (Benefit)

An income tax benefit of \$1.3 million was recorded in fiscal 2019, compared to an income tax expense of \$10.7 million in fiscal 2018. The change in the income tax expense (benefit) compared to the prior year was primarily driven by the \$9.0 million provisional tax charge related to the Tax Cuts and Jobs Act recorded in fiscal 2018 and a decrease in our valuation allowances against non-US deferred tax assets in the amount of \$4.4 million. See Note 12 to the accompanying consolidated financial statements for additional information.

Profitability Measures

Net Income:

Our net income in the fiscal year ended February 28, 2019 was \$18.4 million as compared to net income of \$16.6 million in the same period last year. The increase is due to a \$11.7 million increase in operating income, \$3.0 million increase in investment income and \$12.0 million decrease in income tax provision. The increase in operating income was primarily attributable to \$21.0 million decrease in general and administrative expense due to reduced legal provision and related costs as further discussed in Note 19 and partially offset by \$8.0 million of restructuring expense.

Adjusted EBITDA:

(In thousands)	Fiscal years ended		\$	%	
	2019	2018			
Segment					
Telematics Systems	\$40,821	\$48,943	\$(8,122)	-17	%
Software & Subscription Services	13,093	8,233	4,860	59	%
Corporate Expense	(5,699)	(4,794)	(905)	19	%
Total Adjusted EBITDA	\$48,215	\$52,382	\$(4,167)	-8	%

Adjusted EBITDA for Telematics Systems in the fiscal year ended February 28, 2019 decreased \$8.1 million compared to the same period last year due to lower revenues as described above and the impact of high margin revenue earned on a strategic technology partnership arrangement in fiscal 2018. These factors were coupled with higher operating expenses in Telematics Systems as a result of increased headcount and outsourced professional service fees. Adjusted EBITDA for Software and Subscription Services increased \$4.9 million compared to the same

period last year due primarily to continued growth in revenues and gross profit from our Italia market and higher gross profit from our fleet management services.

See Note 20 for reconciliation of Adjusted EBITDA by reportable segments and a reconciliation to GAAP-basis net income (loss).

Fiscal year ended February 28, 2018 compared to fiscal year ended February 28, 2017:

Revenue by Segment

(In thousands)	Fiscal years ended February 28,		2017		\$	%
	2018	% of	\$	% of		
Segment	\$	Revenue	\$	Revenue	Change	Change
Telematics Systems	\$302,126	82.6 %	\$274,314	78.1 %	\$27,812	10.1 %
Software & Subscription Services	63,786	17.4 %	61,719	17.6 %	2,067	3.3 %
Satellite	-	0.0 %	15,069	4.3 %	(15,069)	(100.0 %)
Total	\$365,912	100.0 %	\$351,102	100.0 %	\$14,810	4.2 %

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Telematics Systems revenue increased by \$27.8 million or 10.1% for the fiscal year ended February 28, 2018 compared to the same period last year. The increase was due to an increase in sales volume for our MRM telematics products and OEM products as demand from our top customers increased due to more favorable conditions in the fleet management, asset tracking and heavy equipment markets. The increase in units sold in fiscal 2018 was partially offset by a decrease in the average selling prices of our products during the year.

Software & Subscription Services revenue increased by \$2.1 million or 3.3% for the fiscal year ended February 28, 2018 compared to the same period last year. The increase was due to growth in our Italian operations along with a more favorable Euro to U.S. dollar exchange rate compared to the same period last year.

Satellite revenue decreased by \$15.1 million or 100% as this business ceased to exist in fiscal 2017.

Cost of Revenues and Gross Profit

(In thousands)	Fiscal years ended February 28, 2018		Fiscal years ended February 28, 2017		\$ Change	% Change
	\$	% of Revenue	\$	% of Revenue		
Revenues	\$365,912	100.0 %	\$351,102	100.0 %	\$14,810	4.2 %
Cost of Revenues	215,022	58.8 %	207,750	59.2 %	7,272	3.5 %
Gross profit	\$150,890	41.2 %	\$143,352	40.8 %	\$7,538	5.3 %

Consolidated gross profit for the fiscal year ended February 28, 2018 increased by \$7.5 million or 5.3% over the prior year. The increase was due to higher revenue in the Telematics Systems business partially offset by the decline in our Satellite segment as this segment was shutdown effective August 31, 2016.

Operating Expenses

Fiscal years ended February 28, 2018		Fiscal years ended February 28, 2017	
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(In thousands)	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Research and development	\$25,761	7.0 %	\$22,005	6.3 %	\$3,756	17.1 %
Selling and marketing	50,096	13.7 %	49,044	14.0 %	1,052	2.1 %
General and administrative	52,089	14.2 %	57,119	16.3 %	(5,030)	(8.8 %)
Intangible asset amortization	14,989	4.1 %	15,061	4.3 %	(72)	(0.5 %)
Total	\$142,935	39.0 %	\$143,229	40.9 %	\$(294)	(0.2 %)

Consolidated research and development expense increased by \$3.8 million or 17.1% for the fiscal year ended February 28, 2018 compared to the same period last year. The increase was primarily driven by increased employee compensation and benefits due to increased headcount. Consolidated research and development expense as a percentage of revenues increased to 7.0% for the fiscal year ended February 28, 2018 compared to 6.3% in the same period last year. We are investing in research and development of software applications and products technologies to be sold through the U.S. and international sales channels.

Consolidated selling and marketing expense increased by \$1.1 million or 2.1% for the fiscal year ended February 28, 2018 compared to the same period last year. The increase was primarily driven by an increase in employee benefit expenses and incentive compensation as well as an increase in professional services as we completed our CalAmp and LoJack brand refresh initiatives during fiscal 2018.

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Consolidated general and administrative expense decreased by \$5.0 million or 8.8% for the fiscal year ended February 28, 2018 compared to the same period last year. The decrease was primarily driven by a decline in legal expenses related to a patent infringement lawsuit.

Amortization of intangibles decreased by \$0.1 million or 0.5% for the fiscal year ended February 28, 2018 compared to the same period last year due to completion of amortization on certain older intangible assets.

Non-operating Income (Expense), Net

Investment income increased by \$0.6 million to \$2.3 million for the fiscal year ended February 28, 2018 from \$1.7 million for the same period last year. The increase was due primarily to an increase in investment income on Rabbi Trust assets that serve to informally fund our non-qualified deferred compensation plan and an increase in dividend income from a minority owned international licensee.

Interest expense increased \$0.4 million to \$10.3 million for the fiscal year ended February 28, 2018 from \$9.9 million for the same period last year due to increased amortization of the debt discount and issuance costs associated with the convertible notes issued in May 2015.

See Note 19 to the consolidated financial statements for information on the \$28.3 million gain on the legal settlement with a former supplier of LoJack.

Other non-operating income for the fiscal year ended February 28, 2018 increased \$0.5 million from net non-operating expense for the same period last year due to favorable fluctuations in foreign currency exchange rates, primarily Euros to U.S. dollars.

Profitability Measures

Net income:

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The net income in the fiscal year ended February 28, 2018 was \$16.6 million as compared to a net loss of \$7.9 million in the same period last year. The increase is primarily the result of the \$28.3 million non-operating gain from the legal settlement with a former supplier of LoJack, which was recognized during fiscal 2018. This gain was partially offset by higher tax expense in fiscal 2018 due to U.S. and foreign taxes on the \$28.3 million legal settlement gain as well as the revaluation of our net deferred income tax assets that occurred in the fourth quarter of fiscal 2018 as we adopted the provisions of the Tax Cuts and Jobs Act which was enacted on December 22, 2017.

Adjusted EBITDA:

(In thousands) Segment	Fiscal years ended February 28,		\$ Change	% Change	
	2018	2017			
Telematics Systems	\$48,943	\$47,432	\$1,511	3.2	%
Software & Subscription Services	8,233	3,075	5,158	167.7	%
Satellite	-	2,447	(2,447)	(100.0)	%
Corporate Expense	(4,794)	(3,586)	(1,208)	33.7	%
Total Adjusted EBITDA	\$52,382	\$49,368	\$3,014	6.1	%

Adjusted EBITDA for Telematics Systems in the fiscal year ended February 28, 2018 increased \$1.5 million compared to the same period last year due to higher MRM products revenue. Adjusted EBITDA for Software and

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Subscription Services increased \$5.2 million compared to the same period last year due primarily to lower selling and marketing expenses and lower general and administrative expenses.

See Note 20 for a reconciliation of Adjusted EBITDA by reportable segments and a reconciliation to GAAP-basis net income (loss).

Liquidity and Capital Resources

In fiscal 2019, our primary cash needs have been for acquisition related costs, working capital purposes and, to a lesser extent, capital expenditures and investments in and advances to affiliates. We have historically funded our principal business activities through cash flows generated from operations. As we continue to grow our customer base and increase our revenues, there will be a need for working capital in the future. Our immediate sources of liquidity are cash, cash equivalents, marketable securities and our revolving credit facility. As of February 28, 2019, our cash, cash equivalents and marketable securities totaled \$274.0 million.

On March 30, 2018, we entered into a revolving credit facility with JPMorgan Chase Bank, N.A. that provides for borrowings of up to \$50 million. This revolving credit facility expires on March 30, 2020. Borrowings under this revolving credit facility bear interest at either a Prime or LIBOR-based variable rate as selected by us on a periodic basis. This revolving credit facility contains financial covenants that require us to maintain a minimum level of earnings before interest, income taxes, depreciation, amortization and other noncash charges (EBITDA) and minimum debt coverage ratios. Throughout fiscal 2019 and as of February 28, 2019, there were no borrowings outstanding on this revolving credit facility.

Historically, we have used funding from external sources to finance general corporate expenditures and other strategic initiatives including acquisitions and share repurchases. In May 2015, we issued \$172.5 million in aggregate principal amount of 1.625% convertible senior notes which are due in May 2020 (the "2020 Convertible Notes"). The 2020 Convertible Notes will be convertible into cash, shares of common stock or a combination of cash and common stock at our election. We intend to settle the principal amount of the notes in cash and we believe that we will have adequate cash available to repay the notes by its maturity date. We used the net proceeds from the 2020 Convertible Notes to fund the acquisition of LoJack as well as a stock repurchase program authorized by our Board of Directors in June 2016. The acquisition of LoJack resulted in us funding a purchase price of approximately \$122 million, net of cash acquired. The stock repurchase program resulted in us repurchasing 1.8 million shares of our outstanding common stock from June 2016 through January 2017 at an average cost of \$14.20 per share, which accounts for the cash outflow of \$25 million in fiscal 2017.

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On July 20, 2018, we issued 2.00% Convertible Senior Notes due 2025, (the “2025 Convertible Notes”), with a principal amount of \$230.0 million. The net proceeds from our sale of the 2025 Convertible Notes were \$222.7 million, net of issuance costs of \$7.3 million. We used approximately \$90.0 million of the net proceeds from this offering to pay (i) the cost of the capped call transactions of \$21.2 million; (ii) repurchase shares of our common stock of approximately \$15.0 million, and (iii) repurchase principal of our outstanding 2020 Convertible Notes for approximately \$53.8 million including accrued interest. As part of the repurchase of the 2020 Convertible Notes, we also unwound the related note hedges and warrants, which provided us proceeds of \$3.1 million. We expect to use the remainder of the proceeds from the 2025 Convertible Notes for working capital or other general corporate purposes, which may include but not limited to, additional repurchases of the 2020 Convertible Notes, repurchases of shares of our common stock, and acquisitions or other strategic transactions. We also intend to settle the principal amount of the 2025 Convertible Notes in cash upon conversion and we believe that we will have adequate cash available to repay the notes by the maturity date.

As described in Note 2 to the accompanying consolidated financial statements, in February 2019, we acquired Tracker Network (UK) Limited, a LoJack licensee, which was funded from our cash on hand. The total purchase price was £10.0 million, or approximately \$13.0 million. In the same month, we also entered into an agreement to acquire Car Track, S.A. DE C.V., the exclusive licensee of LoJack technology for the Mexican market. The agreement was to purchase the 87.5% of the Car Track shares not currently owned by us for a purchase price, net of cash on hand, of approximately \$13.0 million. We completed the acquisition in March 2019. In April 2019, we acquired Synovia Solutions, a North American market leader in fleet safety and management for K-12 school bus and state and local government fleets. The total purchase price was approximately \$50 million.

We are a defendant in various legal proceedings involving intellectual property claims and contract disputes matters whereby the final settlement has not been determined at this time. In connection with these matters, we may have to enter into license agreements or other settlement arrangements that could require us to make significant payments in the future. Based on current information available, we do not believe that there are any claims that would have a material adverse effect on our financial condition, results of operations, or liquidity. See Note 19 to the accompanying consolidated financial statements for additional information on legal proceedings.

Cash flows from operating activities

Cash flows from operating activities consist of net income (loss) adjusted for certain non-cash items, including depreciation, intangible asset amortization, stock-based compensation expense, amortization of convertible debt issue costs and discount, deferred income taxes and other investment related matters as well as the effect of changes in working capital and other activities.

Our cash flow from operating activities are attributable to our net income as well as how well we manage our working capital, which is dictated by the volume of product we purchase from our manufacturers or suppliers and then sell to our customers along with the payment and collection terms that we negotiate with them. We purchase a majority of our product from significant suppliers located in Asia that generally provide us 60 day payment terms for products purchased. Our significant customers are located in the U.S. as well as certain international locations. We believe that our relationship with our customers is very good and that these customers are in good financial condition. We generally grant credit to our customers based on their financial viability and our historical collection experience with them. We typically require payment from them within 30 to 45 days of our invoice date. Since we are paying our suppliers at or within 60 days of inventory purchase and our payment terms on our accounts receivable are within 45 days, we have historically generated positive cash flows from operating activities.

For the fiscal year ended February 28, 2019, net cash provided by operating activities was \$47.7 million. Net income was \$18.4 million which benefited by a \$18.3 million gain from a legal settlement with a former supplier of LoJack that was realized as non-operating income during the fiscal year. Our non-cash expenses, comprised principally of depreciation, intangible assets amortization, stock-based compensation expense, amortization of convertible debt issue costs and discount, deferred income taxes and impairment loss and equity in net loss of affiliate was a \$51.3 million source of cash in fiscal 2019. Changes in operating assets and liabilities represented a \$22.3 million usage of cash, primarily driven by changes in working capital including a decrease in accrued liabilities and an increase in accounts receivable but partially offset by a decrease in inventory and increases in accounts payable and deferred revenue.

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For the years ended February 28, 2018 and 2017, net cash provided by operating activities was \$66.9 million and \$25.8 million, respectively. Our cash flows from operations were impacted by our net income (loss) of \$16.6 million and \$(7.9) million, respectively, as well as similar activities within other non-cash items and changes in working capital as noted above.

Cash flows from investing activities

For the years ended February 28, 2019, 2018 and 2017, our net cash used in investing activities was \$21.8 million, \$26.5 million, and \$45.6 million, respectively. In each of these periods, our primary investing activities consisted of the purchase and sale of marketable securities in accordance with our corporate investment policy as well as strategic initiatives including certain investments in and advances to our affiliate and acquisitions. In fiscal 2019, we completed the acquisition of TRACKER for approximately \$13.0 million, and in fiscal 2017, we completed the acquisition of LoJack for approximately \$117.0 million, net of cash acquired.

Our investing activities include capital expenditures to support our increased employee headcount and overall growth in our business. We expect that we will make additional capital expenditures in the future, including the further build-out of our corporate offices and IT infrastructure, all of which will be done to support the future growth of our business.

Cash flows from financing activities

For the years ended February 28, 2019, 2018 and 2017, our net cash (used in) provided by financing activities was \$98.5 million, \$(2.3) million and \$(25.8) million, respectively. In each of these periods, we incurred payments for taxes related to the net share settlement of vested equity awards and the proceeds for the exercise of stock options. In fiscal 2019, we issued \$230.0 million of the 2025 Convertible Notes and used the net proceeds to pay the cost of the capped call transactions; repurchase shares of our common stock for \$49 million, and repurchase a portion of our outstanding 2020 Convertible Notes as discussed above for \$53.7 million. We also received proceeds of \$3.1 million from the unwinding of the note hedges and warrants related to the 2020 Convertible Notes.

On May 7, 2018, our Board of Directors authorized a share repurchase program, under which we may repurchase up to \$30.0 million of our outstanding common stock. On July 16, 2018, our Board of Directors increased it to \$39.0 million. As of February 28, 2019, the entire \$39.0 million authorized by our Board of Directors had been utilized.

On December 10, 2018, we announced a new share repurchase program, under which we may repurchase up to \$20.0 million of our outstanding common stock over the next 12 months. As of February 28, 2019, \$10.0 million has been

utilized.

We believe that our existing cash and cash equivalents, marketable securities, funds anticipated to be generated from our operations and available borrowing on our revolving credit facility will be sufficient to meet our working capital needs for at least the next 12 months. Our future capital requirements may vary from those currently planned and will depend on many factors, including our rate of sales growth, the timing and extent of spending on various business initiatives, our international expansion, the timing of new product introductions, market acceptance of our products and overall economic conditions. To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of the Securities and Exchange Commission Regulation S-K.

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Contractual Obligations

Following is a summary of our contractual cash obligations as of February 28, 2019 (in thousands):

	Future Estimated Cash Payments Due by Period				
	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Contractual Obligations					
Convertible senior notes principal	\$-	\$122,527	\$-	\$230,000	\$352,527
Convertible senior notes stated interest	6,591	10,196	9,200	6,900	32,887
Operating leases	7,565	12,628	12,325	7,659	40,177
Purchase obligations	39,390	-	-	-	39,390
Total contractual obligations	\$53,546	\$145,351	\$21,525	\$244,559	\$464,981

Purchase obligations consist primarily of inventory purchase commitments.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the U.S.. The preparation of these consolidated financial statements requires us to make estimates, assumptions and judgments that can significantly impact the amount we report as assets, liabilities, revenues, costs and expenses and the related disclosures. We base our estimates on historical experience and other assumptions that we believe are reasonable under the circumstances. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity.

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (“ASC 606”). The new revenue recognition standard provides a five-step analytical framework for transactions to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In order to adhere to this core principle, we apply the following five-step approach:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when (or as) we satisfy a performance obligation.

We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for goods or services we transfer to the customer.

The two permitted transition methods under the new standard are the full retrospective method or the modified retrospective method. We adopted the new standard effective March 1, 2018 using the modified retrospective method, which we applied to all contracts that were not completed on adoption date. We applied the provisions of ASC 605 to revenue recognized during each of the fiscal years ended February 28, 2018 and 2017. In the section titled Recently Issued Accounting Standards below, we have presented a comparison of the results under ASC 606 and ASC 605 for the year ended February 28, 2019.

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Products. In accordance with ASC 606, we recognize revenue from product sales upon transfer of control of promised products to customers in an amount that reflects the transaction price, which is generally the stand-alone selling prices of the promised goods. For product shipments made on the basis of “FOB Destination” terms, revenue is recorded when the products reach the customer. Customers generally do not have a right of return except for defective products returned during the warranty period. We record estimated commitments related to customer incentive programs as reductions of revenues.

Professional Services. We also provide various professional services to customers. These include project management, engineering services, installation services and an on-going early warning automated notification service, which are typically distinct from other performance obligations and are recognized as the related services are performed. For certain professional service contracts, we recognize revenue based on the proportion of total costs incurred to-date over the estimated cost of the contract, which is an input method.

Software-as-a-Service (“SaaS”). Our SaaS-based subscriptions for our fleet management, vehicle finance and certain other verticals provide our customers with the ability to wirelessly communicate with monitoring devices installed in vehicles and other mobile or remote assets via our software applications. The transaction price for a typical SaaS arrangement includes the price for the hardware, accessories, installation and application subscriptions. Generally, we defer the recognition of revenue for the customized devices that only function with our applications and are sold on an integrated basis with applicable subscriptions. Such customized devices and the application services are not sold separately. In such circumstances, the associated product costs are recorded as deferred costs in the balance sheet. The upfront fees for the devices are not distinct from the subscription service and are combined into the subscription service performance obligation. Generally, these service arrangements do not provide the customer with the right to take possession of the software supporting the subscription service at any time. Revenues from subscription services are recognized ratably, on a straight-line basis, over the term of the subscription. Subscription renewal fees are recognized ratably over the term of the renewal. The deferred product revenue and deferred product cost amounts are amortized to Application Subscriptions and Related Products and Other Services revenue and cost of revenue, respectively, on a straight-line basis over the estimated average in-service lives of these devices, which are three years in the vehicle finance and four years in the fleet management verticals. Our deferred contract revenue under ASC 606 does not include future subscription fees associated with customers’ unexercised contract renewal rights.

In certain customer arrangements, we also sell devices together with monitoring services, for which revenues for the sales of the devices are recognized upon transfer of control to the customer and monitoring services are recognized over the service period as the devices and services are customarily part of one customer contractual arrangement. The allocation of the transaction price is based on the estimated stand-alone selling prices for the devices and the monitoring services. The revenues under these arrangements are included within Application Subscription and Related Products and Other Services revenues and costs of revenues in our statement of comprehensive income (loss).

Sales taxes. We exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by us from a

customer.

Contract Balances. Timing of revenue recognition may differ from the timing on our invoicing to customers. Contract liabilities are comprised of billings or payments received from our customers in advance of performance under the contract. We refer to these contract liabilities as “Deferred Revenues” in the accompanying condensed consolidated financial statements. Certain incremental costs of obtaining a contract with a customer consist of deferred costs of hardware and sales commissions. The deferred costs of hardware are capitalized and amortized over the estimated useful life of the device on a straight-line basis. We determined that sales commissions are generally recognized within one year. Therefore, we have elected the practical expedient to expense sales commission costs as incurred.

We adopted ASC 606 under the modified retrospective method on March 1, 2018, and therefore we did not present comparative information for the years ended February 28, 2018 and 2017.

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Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consists of amounts due from sales arrangements executed in our normal business activities and are recorded at invoiced amounts. We maintain an allowance for doubtful accounts for uncollectible receivables. We determine the sufficiency of the accounts receivable allowance based upon historical experience and an evaluation of current industry trends and economic conditions. If our actual collection experience varies significantly from our estimates, we may be required to adjust our allowance for doubtful accounts. Historical variances of these amounts from our estimates have not resulted in material adjustments to our financial statements.

Inventories

We evaluate the carrying value of inventory on a quarterly basis to determine if the carrying value is recoverable at estimated selling prices. To the extent that estimated selling prices do not exceed the associated carrying values, inventory carrying amounts are written down. In addition, we generally treat inventory on hand or committed with suppliers, that is not expected to be sold in the near term, as excess and thus appropriate write-downs of the inventory carrying amounts are established through a charge to cost of revenues. Estimated usage in the next 12 months is based on firm demand represented by orders in backlog at the end of the quarter and management's estimate of sales beyond existing backlog, giving consideration to customers' forecasted demand, ordering patterns and product life cycles. A large portion of our inventory was purchased within the last two years, which we believe mitigates our exposure to material excess or obsolescence at this time, although ongoing changes in cellular carrier technology, supplier changes, closure of our warehouse facilities, changes in demand or significant reductions in product pricing may necessitate additional write-downs of inventory carrying value in the future, which could be material.

Product Warranty

Our products generally have a one- or two-year limited warranty against manufacturing defects and workmanship. We estimate the future costs relating to product returns subject to our warranty and record a reserve upon shipment of our products. We periodically adjust our estimates for actual warranty claims, historical claims experience as well as the impact of the known product operational issues.

While we engage in extensive product quality programs and processes, our warranty obligation can be affected by product, material and workmanship failures which may be outside of our control. If the actual factors leading to a product failure differ from management's assumptions, revisions to our estimated product warranty provision would be required and recorded to our consolidated statement of comprehensive income (loss) at the time of the change in estimate.

Patent Litigation and Other Contingencies

We operate in an industry where there may be certain claims made against us related to patent infringement and other matters. We accrue for these claims whenever we determine that an unfavorable outcome is probable and the liability is reasonably estimable. The amount of the accrual is estimated based on our review of each individual claim,

including the type and facts of the claim and our assessment of the merits of the claim. Since these legal matters can be very complex and require significant judgement, we often utilize external legal counsel and other subject matter experts to assist us in defending against such claims. These accruals are reviewed at least on a quarterly basis and are adjusted to reflect the impact of recent negotiations, settlements, court rulings, advice from legal counsel and other events pertaining to the case. Although we believe that we take reasonable and considerable measures to mitigate our exposure in these matters, the outcome of litigation is inherently unpredictable. Nonetheless, we believe that we have valid defenses with respect to pending legal matters against us as well as adequate provisions for probable and estimable losses.

Income Taxes

We use the asset and liability method when accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect

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on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. Valuation allowances are provided against tax assets when it is determined that it is more likely than not that the assets will not be realized. In assessing valuation allowances, we review historical and future expected operating results and other factors, including cumulative earnings experience, expectations of future taxable income by jurisdiction, and the carryforward periods available for income tax purposes. We make estimates, assumptions and judgments to determine our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowances recorded against our deferred tax assets. In relation to The Tax Cuts and Jobs Act, the U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118, allowed companies to record provisional amounts related to the tax effects of the Tax Act during a measurement period not to extend beyond one year of the enactment date. We completed our accounting for the income tax effects of the Tax Act in 2018, and no material adjustments were required to the provisional amounts initially recorded on our existing deferred tax balances and the one-time transition tax

Business Combinations

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition. To the extent the purchase price exceeds the aggregate fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. We determine the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and other estimates made by management. We adjust the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as we obtain more information as to facts and circumstances existing at the acquisition date impacting the asset valuations and liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date, these estimates are uncertain and subject to refinement. As a result, we may record adjustments to the fair value of the assets and liabilities with a corresponding adjustment to goodwill during the measurement period. Upon conclusion of the measurement period, the impact of any subsequent adjustments is included in our consolidated statement of comprehensive income (loss).

Goodwill acquired in business combinations is assigned to the reporting unit expected to benefit from the combination as of the acquisition date. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

Goodwill and Other Intangible Assets

At February 28, 2019, we had \$80.8 million in goodwill and \$47.2 million in other net intangible assets, recorded on our consolidated balance sheet.

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in a business combination and consists primarily of goodwill from the LoJack acquisitions. Goodwill has been allocated to each of our two operating segments, which also represent our reporting units. Goodwill is not amortized but we perform an annual qualitative assessment of our goodwill during the fourth quarter of each calendar year, or at other reporting periods within the fiscal year as may be required, to determine if any events or circumstances exist, such as an adverse change in our stock price, significant differences in our forecasts compared to actual results, changes in our business climate or a decline in overall industry demand, that would indicate that it would more likely than not reduce the fair value of a reporting unit below its carrying amount, including goodwill. If

events or circumstances do not indicate that the fair value of a reporting unit is below its carrying amount, then goodwill is not considered to be impaired and no further testing is required. If further testing is required, we perform a two-step process. The first step involves comparing the fair value of our reporting unit to its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the second step of the test is performed by comparing the carrying value of the goodwill in the reporting unit to its implied fair value. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value. For the purpose of impairment testing, we estimated the fair value of each of our reporting units to be higher than the book value as of February 28, 2019. As a result, we have determined that there has been no impairment of goodwill for all periods presented.

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Acquired intangible assets with definite lives consist primarily of asset acquired in the LoJack acquisition, including tradenames, dealer relationships and developed technology and are amortized on a straight-line basis over the remaining estimated economic life of the underlying products, technologies or relationships. We review our definite lived long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. Recoverability of an asset group is measured by comparing its carrying amount to the expected future undiscounted cash flows that the lowest level of asset group is expected to generate. Given the interdependencies of revenues across our segments, product and service verticals and geographies, our asset groups are generally our two operating segments. If it is determined that an asset group is not recoverable, an impairment loss is recorded in the amount by which the carrying amount of the asset group exceeds its fair value. There has been no impairment of long-lived assets for any periods presented.

Impairment of Equity Method Investments

We assess whether there are indicators that the value of our equity method investments may be impaired. An impairment charge is recognized only if we determine that a decline in the value of the investment below our carrying value is other-than-temporary. The assessment of impairment is highly subjective and involves the application of significant assumptions and judgments about our intent and ability to recover our investment given the nature and operations of the underlying investment, including the level of our involvement therein, among other factors. To the extent an impairment is deemed to be other-than-temporary, the loss is measured as the excess of the carrying amount of the investment over the estimated fair value of the investment. Impairment losses are included in Impairment loss and equity in net loss affiliate.

Stock-Based Compensation Expense

Our stock-based compensation expense results from grants of employee and non-employee equity awards and is recognized in our consolidated financial statements based on the respective grant date fair values of the awards. The measurement of stock-based compensation expense is based on several criteria, including the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and forfeiture rate. We recognize the compensation expense on a straight-line basis for our graded-vesting awards. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. However, the cumulative compensation expense recognized at any point in time must at least equal the portion of the grant-date fair value of the award that is vested at that date.

The assumptions used in calculating the fair value of stock-based awards represent our best estimates. These estimates involve inherent uncertainties and the application of management judgment. If any of these assumptions used in the valuation model were to change significantly, stock-based compensation for future awards could differ materially from the previously granted equity awards.

Forward Looking Statements

Forward looking statements in this Annual Report on Form 10-K which include, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “may”, “will”, “could”, “plans”, “intends”, “seeks”, “believes”, “anticipates”, “expects”, “estimates”, “judgment”, “variations of these words and similar expressions, are intended to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and financial performance and are subject to certain risks and uncertainties that are difficult to predict, including, without limitation, product demand,

competitive pressures and pricing declines in our wireless data communications markets, the timing of customer approvals of new product designs, intellectual property infringement claims, interruption or failure of our Internet-based systems used to wirelessly configure and communicate with the tracking and monitoring devices that we sell, our potential needs for additional capital, and other risks and uncertainties that are set forth under the caption in Part I, Item 1A of this Annual Report on Form 10-K (Risk Factors). Such risks and uncertainties could cause actual results to differ materially and adversely from historical or anticipated results. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be attained. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

We have international operations, giving rise to exposure to market risks from changes in currency exchange rates. A cumulative foreign currency translation loss of \$0.7 million related to our foreign subsidiaries is included in accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet at February 28, 2019. The aggregate foreign currency transaction exchange rate losses included in determining income (loss) before income taxes and equity in net loss of affiliate were \$(0.4) million, \$0.5 million and \$0.1 million in fiscal years ended February 28, 2019, 2018 and 2017, respectively.

Interest Rate Risk

Our exposure to market rate risk for changes in interest rates relates primarily to our marketable securities investment portfolio. The primary objective of our investment activities is to preserve principal and liquidity while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we maintain our investments portfolio in a variety of available-for-sale fixed debt securities, including both government and corporate obligations and money market funds. Investments in fixed rate interest bearing instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in prevailing interest rates. Due in part to these factors, we may suffer losses in principal if we need the funds prior to maturity and choose to sell securities that have declined in market value due to changes in interest rates or perceived credit risk related to the securities' issuers.

On March 30, 2018, we entered into a revolving credit facility with JPMorgan Chase Bank, N.A. that provides for borrowings of up to \$50 million. This revolving credit facility expires on March 30, 2020. Borrowings under this revolving credit facility bear interest at a Prime or LIBOR-based variable rate as selected by us on a periodic basis. There were no borrowings outstanding under this revolving credit facility at February 28, 2019.

ITEM 8. FINANCIAL STATEMENTS AND
SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of

CalAmp Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CalAmp Corp. and subsidiaries (the "Company") as of February 28, 2019 and 2018, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows, for each of the two years in the period ended February 28, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2019 and 2018, and the results of their operations and their cash flows for each of the two years in the period ended February 28, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 28, 2019, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 30, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for Revenue in fiscal year 2019 due to the adoption of Accounting Standards Update ASU 2014-09, Revenue from Contracts with Customers.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Costa Mesa, CA

April 30, 2019

We have served as the Company's auditor since fiscal 2018.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

CalAmp Corp.

Irvine, California

We have audited the accompanying consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows of CalAmp Corp. (the "Company") for the year ended February 28, 2017. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of CalAmp Corp. for the year ended February 28, 2017, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Los Angeles, California

May 12, 2017, except for Note 20, which is as of May 9, 2018

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CALAMP CORP.

CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	February 28,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$256,500	\$132,603
Short-term marketable securities	17,512	23,400
Accounts receivable, net	78,079	71,580
Inventories	32,033	36,302
Prepaid expenses and other current assets	19,373	12,000
Total current assets	403,497	275,885
Property and equipment, net	27,023	21,262
Deferred income tax assets	22,626	31,581
Goodwill	80,805	72,980
Other intangible assets, net	47,165	52,456
Other assets	22,510	18,829
	\$603,626	\$472,993
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$39,898	\$35,478
Accrued payroll and employee benefits	8,808	10,606
Deferred revenue	24,264	17,757
Other current liabilities	10,622	31,688
Total current liabilities	83,592	95,529
Convertible senior unsecured notes, net	275,905	154,299
Other non-current liabilities	38,476	24,249
Total liabilities	397,973	274,077
Commitments and contingencies (see Notes 18 and 19)		
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;		
33,555 and 35,718 shares issued and outstanding		
at February 28, 2019 and 2018, respectively	336	357
Additional paid-in capital	208,205	218,217
Accumulated deficit	(2,227)	(19,459)
Accumulated other comprehensive loss	(661)	(199)

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Total stockholders' equity	205,653	198,916
	\$603,626	\$472,993

See accompanying notes to consolidated financial statements.

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CALAMP CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share amounts)

	Year Ended February 28,		
	2019	2018	2017
Revenues:			
Products	\$285,883	\$301,700	\$291,685
Application subscriptions and related products and other services	77,917	64,212	59,417
Total revenues	363,800	365,912	351,102
Cost of revenues:			
Products	175,009	181,889	178,012
Application subscriptions and related products and other services	41,027	33,133	29,738
Total cost of revenues	216,036	215,022	207,750
Gross profit	147,764	150,890	143,352
Operating expenses:			
Research and development	27,656	25,761	22,005
Selling and marketing	49,892	50,096	49,044
General and administrative	31,070	52,089	57,119
Restructuring (see Note 11)	8,015	-	-
Intangible asset amortization	11,436	14,989	15,061
Total operating expenses	128,069	142,935	143,229
Operating income	19,695	7,955	123
Non-operating income (expense):			
Investment income	5,258	2,256	1,691
Interest expense	(16,726)	(10,280)	(9,896)
Gain on legal settlement (see Note 19)	18,333	28,333	-
Loss on extinguishment of debt (see Note 10)	(2,033)	-	-
Other income (expense), net	(672)	445	(101)
	4,160	20,754	(8,306)
Income (loss) before income taxes and impairment loss and equity in net loss of affiliate	23,855	28,709	(8,183)
Income tax benefit (provision)	1,330	(10,681)	1,563
Income (loss) before impairment loss and equity in net loss of affiliate	25,185	18,028	(6,620)
Impairment loss and equity in net loss of affiliate (see Note 9)	(6,787)	(1,411)	(1,284)
Net income (loss)	\$18,398	\$16,617	\$(7,904)
Earnings (loss) per share:			
Basic	\$0.53	\$0.47	\$(0.22)
Diluted	\$0.52	\$0.46	\$(0.22)
Shares used in computing earnings (loss) per share:			
Basic	34,589	35,250	35,917
Diluted	35,294	36,139	35,917
Comprehensive income (loss):			

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Net income (loss)	\$18,398	\$16,617	\$(7,904)
Other comprehensive income (loss):			
Foreign currency translation adjustments, net of tax	(33)	(122)	(280)
Unrealized income (loss) on available-for-sale securities, net of tax	(429)	464	(35)
Total comprehensive income (loss)	\$17,936	\$16,959	\$(8,219)

See accompanying notes to consolidated financial statements.

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CALAMP CORP.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Shares	Stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balances at February 28, 2016	36,667	367	229,159	(39,853)	(226)	189,447
Net loss				(7,904)		(7,904)
Stock-based compensation expense			7,833			7,833
Issuance of shares for restricted stock awards	149	1	(1)			-
Shares issued on net share settlement of equity awards	150	2	(1,782)			(1,780)
Exercise of stock options	125	1	960			961
Repurchase of common stock	(1,761)	(18)	(24,982)			(25,000)
Other comprehensive loss, net of tax					(315)	(315)
Balances at February 28, 2017	35,330	353	211,187	(47,757)	(541)	163,242
Cumulative adjustment upon adoption of ASU 2016-09 (Note 2)				11,681		11,681
Net income				16,617		16,617
Stock-based compensation expense	-		9,298			9,298
Issuance of shares for restricted stock awards	107	1	(1)			-
Shares issued on net share settlement of equity awards	141	2	(2,596)			(2,594)
Exercise of stock options	140	1	329			330
Other comprehensive income, net of tax					342	342
Balances at February 28, 2018	35,718	357	218,217	(19,459)	(199)	198,916
Cumulative adjustment upon adoption of ASC 606, net of tax				(1,595)		(1,595)
Cumulative adjustment upon adoption of ASU 2016-01, net of tax				429	(429)	-
Net income				18,398		18,398
Purchase of capped call of 2025 Convertible Notes, net of tax			(15,870)			(15,870)
Equity component of 2025 Convertible Notes, net of tax			51,902			51,902
Debt issuance costs allocated to equity component of 2025 Convertible Notes, net of tax			(1,649)			(1,649)
Unwind of note hedges and warrants of 2020 Convertible Notes			3,122			3,122
			(6,088)			(6,088)

Equity component of the repurchased 2020

Convertible Notes

Stock-based compensation expense

11,029