



CalAmp

CalAmp Corp. (Nasdaq: CAMP)

Overview

CalAmp designs and manufactures products and develops solutions that give its customers the ability to wirelessly deliver information and content to end-users. Through long-term strategic relationships with its key customers, CalAmp seeks to cost effectively deliver products and services designed to increase productivity, improve satisfaction and drive higher revenue per end-user. In doing so, CalAmp works closely with its customers during the design stage and throughout the remainder of the life cycle of its products to create and grow profitable and recurring business opportunities. In a marketplace with an insatiable appetite for convenient and reliable access to critical information and entertainment content on an anytime/anywhere basis, CalAmp is well positioned to build on its leadership position in the markets it serves.

Today, CalAmp is a principal developer and supplier of outdoor equipment used to receive Direct Broadcast Satellite (DBS) television programming in the United States. These products, which are installed outside of the subscriber's premises, consist of a small satellite dish less than one meter in diameter and the electronics unit that receives, processes and amplifies television signals from orbiting satellites for distribution into the building. Drawing on its nearly 25 years of RF product design experience, CalAmp is a leading supplier of this equipment to the two U.S. DBS providers, DirecTV and Echostar (operator of the DISH Network). The Company believes that its share of the U.S. market for DBS outdoor customer premise equipment is approximately 50%. In addition, the Company is working closely with the DBS service providers to design and manufacture next-generation equipment required for new services that are expected to be widely deployed. Near term examples of new service offerings include expanded high-definition television (HDTV) programming, ethnic and sports programming and enhanced digital video recording features. Over the longer term, premium services will likely include integrated home media center capabilities that provide whole-house connectivity to multimedia systems and mobile devices.

CalAmp is also parlaying its core competencies in RF product design and high volume manufacturing to establish positions in emerging markets. For example, in the first quarter of fiscal 2006 the Company acquired Skybility, a privately held supplier of cellular transceivers for machine-to-machine (M2M) wireless communications, with a specific emphasis on applications for

Recent Price (1/6/06):	\$10.11
52-Week Range:	\$5.23 - \$12.59
Avg. Dil. Shares Out. (11/30/05):	23.6 MM
Market Cap (1/6/06):	\$240 MM
Cash/Share (11/30/05)	\$1.62
Price/Book (1/6/06):	1.36
Price/Revenue (1/5/06):	1.00
Debt-to-capitalization (11/30/05):	5%
Insider Ownership (6/27/05):	4%
Institutional Ownership (9/30/05):	28%
Analyst Coverage:	Ferris Baker Watts
Fiscal Year-End:	2/28

asset tracking, remote equipment monitoring and other forms of wireless control. CalAmp believes that the acquisition of Skybility and its suite of M2M products is an excellent fit with its existing wireless technology expertise and accelerates its entry into markets such as asset tracking and security that offer long-term growth potential.

CalAmp is also continuing to look for opportunities that leverage its strength in product design and development in conjunction with its flexible, high volume manufacturing capabilities. A prime example of this is the manufacturing agreement with EF Johnson for the production of modules for portable radios for federal, state and local agencies involved with homeland security and public safety applications. This product is a result of design and development effort begun by CalAmp's Solutions Division.

Underpinning CalAmp's growth objectives are strong financial resources, including approximately \$38 million in cash and low long-term debt. The Company has generated positive cash from operating activities for eight consecutive fiscal years from 1998 to 2005 (a total of \$54 million) and positive operating income in each of the last six fiscal years (a total of \$42 million). CalAmp intends to leverage the key strategic partnerships it has developed with forward thinking companies to continue to drive profitable growth in fiscal year 2006 and beyond.

Key Investment Considerations

Leading Position as a Key Supplier to Growing U.S. DBS Industry

CalAmp has emerged as a leading supplier of outdoor customer premise equipment for the U.S. DBS subscription television industry with a current market share of approximately 50%. Since its inception in 1994, the DBS industry has been one of the fastest growing U.S. consumer electronics product markets in history and currently boasts approximately 27 million subscribers, or one out of every four U.S. television households. DBS continues to add new customers at a rapid pace, with more than 7 million new customers expected to be added in calendar year 2005 alone. After accounting for customer disconnects, or churn, this is expected to result in the addition of about 2.3 million net new customers for the DBS industry in 2005. According to the Carmel Group, total DBS subscribers are expected to reach 35 million by 2010. Given anticipated customer churn rates this translates into approximately 6 to 8 million gross customer additions per year through 2010 that will require outdoor DBS equipment. Outdoor customer premise equipment (CPE) is typically not reused when a subscriber "churns" away or the CPE is replaced as a result of a service upgrade. Thus, each new subscriber signed up by the two DBS service providers, and each service upgrade by an existing subscriber, represents a potential revenue opportunity for CalAmp. While CalAmp's competition in the DBS market remains strong, CalAmp's low cost, high volume manufacturing capabilities, combined with its unparalleled industry experience and RF design expertise, position the Company well for a continued leadership role in this core business.

Long Term Strategic Relationships with DBS Service Providers

As a strategic partner in the truest sense of the word, CalAmp works closely with both DirecTV and EchoStar to develop, design and produce superior value-added products at a competitive price. For example, CalAmp provided significant input to DirecTV to help design and develop new equipment that will deliver programming via multiple satellite frequency bands in a single unit in support

of DirecTV's expansion of its HDTV services. In addition, CalAmp is also working in conjunction with EchoStar to develop and deploy its next-generation outdoor CPE. The Company expects to continue working with both DirecTV and EchoStar in an ongoing effort to develop other value-added products, services and solutions.

Significant Near Term DBS Equipment Upgrade Cycle Expected to Drive Higher Average Selling Prices (ASPs) and Higher Gross Profit

Satellite television providers face substantial competition in the U.S. subscription television industry from cable operators, Regional Bell Operating Companies and wireless carriers that offer video, audio, data, telephony and other entertainment services. To continue to gain market share and drive subscriber growth, DirecTV and EchoStar have committed to significant investment in new services including enhanced digital video recording features, massive expansion of HDTV programming and home media gateway capabilities, which are based on whole-house connectivity to all multimedia systems along with mobility for wireless devices outside the home. To derive full benefit from these services, both DirecTV and EchoStar are expected to introduce next generation outdoor reception equipment. CalAmp is poised to benefit from this upgrade cycle since this advanced equipment has higher value added elements, carries higher ASPs, and produces higher gross profit for CalAmp than the older, less feature-rich equipment. Although it is difficult to predict the timing and rate of adoption of these expanded service offerings by both new and existing DBS subscribers, CalAmp is well positioned to continue its role as a leading supplier to this market as equipment to enable these new services is deployed.

Growth Initiatives in Emerging Markets Supported by Strong Financial Position

CalAmp is parlaying its core competencies in RF product design and high volume manufacturing along with its strong financial position to establish positions in emerging markets. CalAmp is working with technology partners to develop solutions and



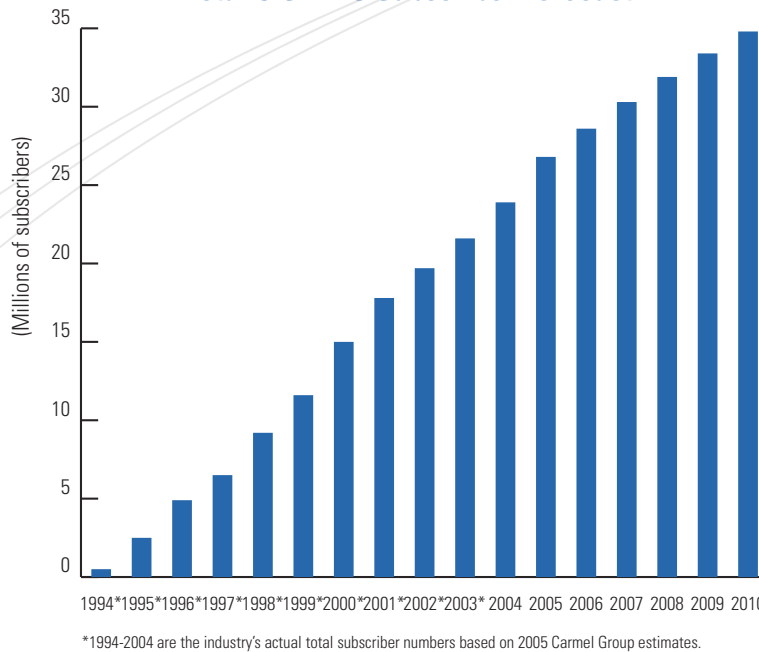
equipment for an array of wireless applications with near-term market potential. In addition, in April 2005 the Company acquired Skybility, a privately held supplier of cellular transceivers for machine-to-machine (M2M) wireless communications, with a specific emphasis on applications for asset tracking, remote equipment monitoring and other forms of wireless control. CalAmp believes that the acquisition of Skybility, with its suite of M2M products, is an excellent fit with its existing wireless technology expertise. It also accelerates CalAmp's entry into markets such as logistics and security that offer significant long-term growth potential as the technology becomes more widely adopted.

As a result of the 2004 acquisition of Vytek, which now operates as CalAmp's Solutions Division, the Company expects to achieve growth by providing complementary software development, consulting and design capabilities for new and emerging wireless business opportunities. CalAmp is particularly encouraged with its TelAlert™ urgent messaging software that was part of the Vytek acquisition. TelAlert is currently used by more than 75% of Fortune 100 companies for mission-critical IT communications and CalAmp believes it can expand the TelAlert solution to address burgeoning demand for enterprise-wide urgent messaging applications in various vertical markets.

Flexible, High Volume, Low Cost Manufacturing Expertise

CalAmp obtains components, made-to-order assemblies and other hardware for its products from various suppliers with whom the Company has developed solid long-term relationships. To minimize time-to-market, reduce costs and improve flexibility, a significant amount of the manufacturing process is outsourced to several contract manufacturers in the Pacific Rim. Final assembly, test and packaging of most of its products is performed by CalAmp at its 100,000 square foot headquarters facility in Oxnard, California. CalAmp's use of low-cost contract manufacturers coupled with in-house final assembly and testing expertise has

Total U.S. DBS Subscriber Forecast



enabled the Company to efficiently produce RF devices at high volumes to meet its customers' requirements. At the same time, in-house final assembly and testing provides more effective control over product quality assurance. As a result, CalAmp has developed an industry reputation as a dependable high-volume supplier with a proven track record of delivering quality products.

Long History of Profitable Operations and Revenue Growth

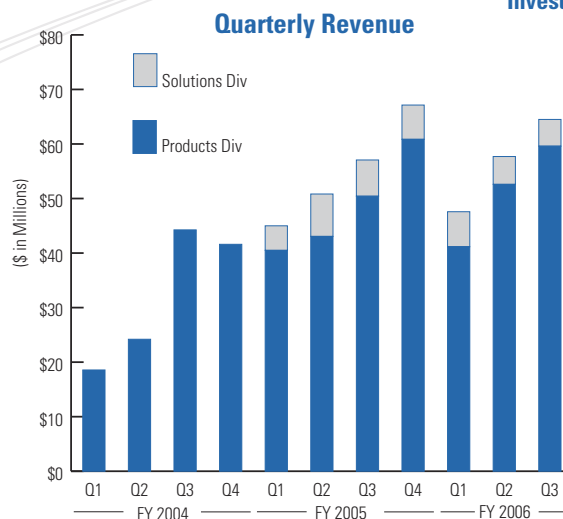
CalAmp has an excellent track record of growth and profitability. The Company has generated positive operating income for the past six fiscal years. From fiscal 2000 to fiscal 2005, revenues grew at a compounded annual growth rate of 37%. While management intends to continue to seek growth opportunities and further expand its business, CalAmp's approach will focus on profitable growth with a keen emphasis on managing expenses and maximizing cash flow.

Strong Recent Financial Performance

Please also refer to the press release that CalAmp issued on January 5, 2006 announcing fiscal 2006 third quarter results.

- The Company reported that revenues for the third quarter of fiscal 2006 were \$64.5 million, compared to \$57.1 million for the third quarter of the last fiscal year.
- Gross profit for the third quarter of fiscal 2006 was \$16.5 million, or 25.5% of revenues, as compared to \$10.3 million, or 18.1% of revenues, for the same period last year. The 60% increase in gross profit dollars is mainly due to a change in product mix sold in the Products Division along with recent actions taken to improve the cost structure and gross margins of the Solutions Division.

- The Company reported net income of \$5.4 million for the third quarter of fiscal 2006, or \$0.23 per diluted share, compared to \$1.8 million, or \$0.08 per diluted share, for the third quarter of fiscal 2005.
- Liquidity: The Company's strong balance sheet coupled with its ability to access additional capital sources if necessary puts CalAmp in an excellent position to fund its initiatives to grow its business. In addition, CalAmp has generated positive cash flow from operations for each of the last eight fiscal years. As of November 30, 2005, CalAmp had \$38.2 million in cash and cash equivalents and \$8.4 million in total outstanding debt.



Selected Financial Data

(Dollar amounts in thousands, except per share amounts)

	Fiscal 2006 Results			For the Fiscal Year Ended February 28,			
	3 rd Qtr	2 nd Qtr	1 st Qtr.	2005	2004	2003	2002
Results of Operations							
Revenues	\$64,463	\$57,661	\$47,580	\$220,027	\$128,616	\$100,044	\$100,715
Cost of revenues	47,999	44,246	36,882	178,649	110,950	79,511	78,342
Gross profit	16,464	13,415	10,698	41,378	17,666	20,533	22,373
Operating expenses	7,581	7,319	7,419	28,330	11,683	12,323	17,114
Operating income	8,883	6,096	3,279	13,048	5,983	8,210	5,259
Non-operating income (expense), net	162	26	43	(120)	(243)	(215)	(1,078)
Income before income taxes	9,045	6,122	3,322	12,928	5,740	7,995	4,181
Income tax provision	(3,606)	(2,441)	(1,345)	(4,852)	(26)	(2,835)	(1,307)
Net income	\$5,439	\$3,681	\$1,977	\$8,076	\$5,714	\$5,160	\$4,464
Net income per share (diluted)	\$0.23	\$0.16	\$0.09	\$0.36	\$0.37	\$0.35	\$0.32
Other Operational Data							
Gross margin	25.5%	23.3%	22.5%	18.8%	13.7%	20.5%	22.2%
Capital expenditures	495	687	373	2,359	3,693	1,670	1,534
Balance Sheet Data							
Cash and cash equivalents	38,205	33,099	29,186	31,048	22,885	21,947	23,156
Total assets	206,642	196,317	199,911	196,755	98,619	89,597	56,688
Total debt	8,389	9,107	9,845	10,576	11,293	15,574	4,545
Weighted avg. diluted shares outstanding (thousands)	23,592	23,314	22,910	22,193	15,390	14,870	13,979

Please refer to CalAmp's Forms 10-K, 10-Q and other SEC filings for additional information on the Company, including financial information and risk factors.

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Forward-looking statements in this Investment Profile which include, without limitation, statements relating to CalAmp's 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 "believes", "seeks", "expects", "intends," "could", "will likely", and variations of these words and similar expressions, are intended to identify forward-looking statements. These forward-looking statements reflect the Company's current views with respect to future events and financial performance and are subject to certain risks and uncertainties, including, without limitation, product demand, market growth, new competition, competitive pricing, supplier constraints, manufacturing yields, the ability to manage cost increases in inventory materials including raw steel, timing and market acceptance of new product introductions, new technologies, the Company's ability to eliminate operating losses in its Solutions Division and make this business segment profitable, and other risks and uncertainties that are set forth under the heading "Risk Factors" in the Company's registration statement on Form S-3 (number 333-119858) as filed with the Securities and Exchange Commission on October 20, 2004. Such risks and uncertainties could cause actual results to differ materially from historical results or those anticipated. Although the Company believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be attained. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.