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 product life cycle 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 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 45%. 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 continuing to pursue 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 several years ago.

Recent Price (7/31/06):	$6.30
52-Week Range:	$5.44 - $13.90
Avg. Dil. Shares Out. (5/31/2006):	23.1 MM
Market Cap (7/31/06):	$145 MM
Cash/Share (5/31/2006)	$1.30
Price/Book (7/31/06):	1.01
Price/Revenue (7/31/06):	0.68
Debt-to-capitalization (5/31/06):	21%
Insider Ownership (6/30/06):	1%
Institutional Ownership (6/30/06):	53%
Analyst Coverage:	Ferris Baker Watts
	Oppenheimer & Co.
	Tejas Securities Group
	Crystal Equity Research
Fiscal Year-End:	2/28

CalAmp is also parlaying its core competencies in RF product design and high volume manufacturing to establish positions in emerging markets that offer long-term growth potential. For example, 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. In May 2006, CalAmp acquired Dataradio Inc., a privately held Canadian company and leading supplier of proprietary advanced wireless data systems, products and solutions for public safety, critical infrastructure and industrial control applications. Also in May 2006, CalAmp acquired the Mobile Resource Management product line from privately held TechnoCom Corporation, which expands CalAmp's M2M business with automatic vehicle location and fleet management solutions. Combined with CalAmp's existing businesses that provide products and solutions for M2M and public safety applications, the Company anticipates its wireless data communications business will have an annual revenue run rate in excess of $65 million. CalAmp believes that these recent acquisitions will improve the Company's overall profit margins and are a significant step towards balancing its current industry and customer concentration.

Underpinning CalAmp's growth objectives are strong financial resources and a healthy balance sheet. The Company has generated positive cash from operating activities for eight consecutive fiscal years from 1999 to 2006 (a total of $73 million) and positive operating income in each of the last seven fiscal years (a total of $66 million). CalAmp intends to leverage the key strategic partnerships it has developed with leading companies to continue to drive profitable growth in fiscal year 2007 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 45%. 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 nearly 28 million subscribers, or one out of every four U.S. television households. DBS continues to add new customers at a rapid pace, with approximately 7 million new customers expected to be added in calendar year 2006 alone. After accounting for customer disconnects, or churn, this is expected to result in the addition of about 2 million net new customers for the DBS industry in 2006. 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. Historically, only a small percentage of outdoor customer premise equipment (CPE) has been refurbished and 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, usually 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 key supplier 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.

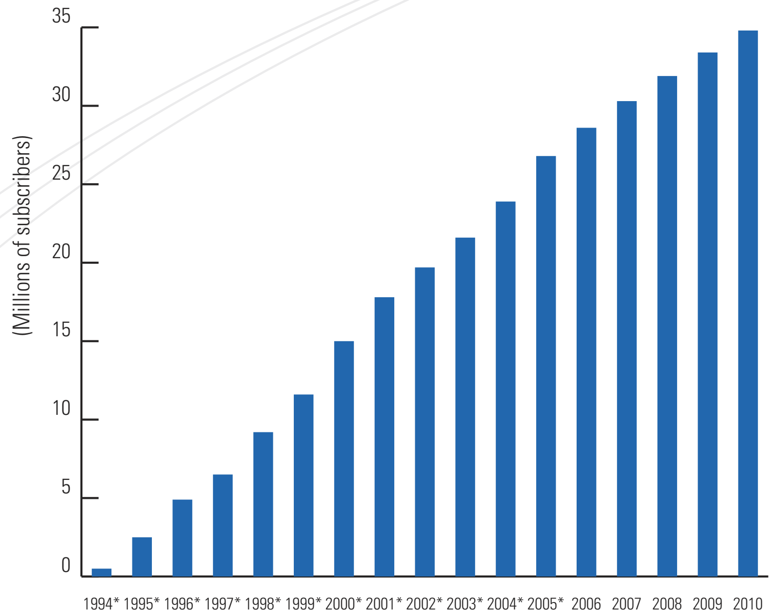
DBS Equipment Upgrade Cycle Expected to Drive Higher Average Selling Prices (ASPs)

Satellite television providers face substantial competition in the U.S. subscription television market from cable operators, Regional Bell Operating Companies and wireless carriers that offer video, audio, broadband, 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 continue introducing 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 latest generation equipment is deployed to enable these new services.

Growth Initiatives in Emerging Wireless Markets to Balance Industry and Customer Concentration

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 wireless markets. These initiatives are designed to position the Company in high-growth, higher margin markets. 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. In May 2006, CalAmp acquired Dataradio Inc., a privately held Canadian company and leading supplier of proprietary advanced wireless data systems, products and solutions for public safety, critical infrastructure and industrial control applications. Also in May 2006, CalAmp acquired the Mobile Resource Management product line from privately held TechnoCom Corporation, which expands CalAmp's M2M business with automatic vehicle location and fleet management solutions. Combined with CalAmp's existing businesses that provide wireless products and solutions for M2M and public safety applications, the Company anticipates its data communications business will have an annual revenue run rate in excess of $65 million. Importantly, these actions are a significant step towards CalAmp's strategy of balancing its current industry and customer concentration. Prior to the Dataradio and TechnoCom acquisitions, CalAmp's DBS product line accounted for approximately 78% of total revenues. However, including the recent acquisitions, this percentage drops to approximately 67% on a pro forma trailing twelve month basis.

Total U.S. DBS Subscriber Forecast



1994-2005 are the industry's actual total subscriber numbers; 2006-2010 are based on 2005 Carmel Group estimates.

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 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 seven fiscal years. From fiscal 2000 to fiscal 2006, revenues grew at a compounded annual growth rate of approximately 20%. 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.

Recent Financial Performance

Please also refer to the press release that CalAmp issued on July 13, 2006 announcing fiscal 2007 first quarter results.

- The Company reported that revenues for the first quarter of fiscal 2007 were $46.3 million, compared to $47.6 million for the first quarter of the last fiscal year.
- Gross profit for the first quarter of fiscal 2007 was $10.9 million, or 23.6% of revenues, as compared to $10.7 million, or 22.5% of revenues, for the same period last year. The increase in gross margin was primarily the result of improved operating efficiencies and increased sales of higher margin products of the Products Division.
- During the first quarter of fiscal 2007, the Company recorded a net loss of $34.1 million, or $1.47 per diluted share. During the fiscal 2007 first quarter, in connection with the acquisition of Dataradio, the Company recorded a non-cash charge of

$6.9 million for the write-off of in-process research and development (IPR&D) and recorded a non-operating gain of $689,000 associated with foreign currency hedging activities. In addition, as a result of the annual impairment test of the Solutions Division goodwill conducted during the fiscal 2007 first quarter, the Company recorded a non-cash impairment charge of $29.8 million. Excluding the effects of the IPR&D write-off, the foreign currency hedging gain and the Solutions Division impairment charge, in the fiscal 2007 first quarter the Company generated Adjusted Basis net income of $2.2 million, or $0.09 per diluted share, compared to GAAP basis net income of $2.0 million, or $0.09 per diluted share, in the first quarter of last year. *A reconciliation of the adjustments made to GAAP-basis earnings to compute Adjusted Basis net income and diluted earnings per share is contained at the end of this document.*

- 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 May 31, 2006, CalAmp had $30.1 million in cash and cash equivalents and $38.0 million in total outstanding debt.

Selected Financial Data

(Dollar amounts in thousands, except per share amounts)

	Fiscal 2007 Results	For the FY Ended February 28,			
	1st Qtr.	2006	2005	2004	2003
Results of Operations					
Revenues	$46,313	$217,493	$220,027	$128,616	$100,044
Cost of revenues	35,386	164,747	178,649	110,950	79,511
Gross profit	10,927	52,746	41,378	17,666	20,533
Operating expenses	44,248	28,853	28,330	11,683	12,323
Operating income (loss)	(33,321)	23,893	13,048	5,983	8,210
Non-operating income (expense), net	961	536	(120)	(243)	(215)
Income (loss) before income taxes	(32,360)	24,429	12,928	5,740	7,995
Income tax provision	(1,691)	(9,867)	(4,852)	(26)	(2,835)
Net income (loss)	$(34,051)	$14,562	$8,076	$5,714	$5,160
Net income (loss) per share (diluted)	$(1.47)	$0.62	$0.36	$0.37	$0.35
Other Operational Data					
Gross margin	23.6%	24.3%	18.8%	13.7%	20.5%
Capital expenditures	798	2,296	2,359	3,693	1,670
Balance Sheet Data					
Cash and cash equivalents	30,779	45,783	31,048	22,885	21,947
Total assets	218,790	204,346	196,755	98,619	89,597
Total debt	38,028	7,679	10,576	11,293	15,574
Weighted avg. diluted shares outstanding (thousands)	23,131	23,415	22,193	15,390	14,870

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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CalAmp Corp.
Consolidated Statements of Operations and Reconciliation of Non-GAAP Adjustments

(Unaudited, in thousands except per share amounts)

	Three months ended May 31, 2006 (a)			Three months ended May 31, 2005 (a)
	GAAP Basis	Non-GAAP Adjustments	Adjusted Basis	(GAAP Basis)
Revenues	$46,313		$46,313	$47,580
Cost of revenues	35,386		35,386	36,882
Gross profit	10,927		10,927	10,698
Operating expenses:				
Research and development	2,565		2,565	2,197
Selling	1,771		1,771	1,872
General and administrative	2,813		2,813	2,614
Intangible asset amortization	401		401	443
In-process research and development	6,850	$ (6,850) (b)	0	293
Impairment loss	29,848	(29,848) (c)	0	-
	44,248	(36,698)	7,550	7,419
Operating income (loss)	(33,321)	36,698	3,377	3,279
Non-operating income (expense), net:				
Interest income (expense), net	301		301	68
Other, net	660	(689) (d)	(29)	(25)
	961	(689)	272	43
Income (loss) before income taxes	(32,360)	36,009	3,649	3,322
Income tax provision	(1,691)	276 (e)	(1,415)	(1,345)
Net income (loss)	$ (34,051)	$ 36,285	$ 2,234	$ 1,977
Net income (loss) per share:				
Basic	$ (1.47)		$ 0.10	$ 0.09
Diluted	$ (1.47)		$ 0.09	$ 0.09
Shares used in per share calculations:				
Basic	23,131		23,131	22,492
Diluted	23,131		23,747	22,910

(a) Because of the Company's 52-53 week fiscal year, the three month periods ended May 31, 2006 and 2005 contain 14 weeks and 13 weeks, respectively.
(b) In-process r
(c) Solutions Division esti
the impairment test is expected to be completed in the fiscal 2007 second quarter, at which time the amount of the goodwill impairment charge will be finalized.
(d) Foreign currency hedging gain realized in connection with the acquisition of Dataradio.
(e) Tax expense associated with the foreign currency hedging gain.

"GAAP" refers to financial information presented in accordance with Generally Accepted Accounting Principles in the United States.

This document includes historical non-GAAP financial measures, as defined in Regulation G promulgated by the Securities and Exchange Commission, with repect to the three months ended May 31, 2006. CalAmp believes that its presentation of historical non-GAAP financial measures provides useful supplementary information to investors. The presentation of historical non-GAAP financial measures is not meant to be considered in isolation from or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States.

In this document, CalAmp reported the non-GAAP financial measures of Adjusted Basis net income and diluted earnings per share. CalAmp uses these non-GAAP financial measures to enhance the investor's overall understanding of the financial performance and prospects for the future of CalAmp's core business activities. Specifically, CalAmp believes that a report of Adjusted Basis net income and diluted earnings per share provides consistency in its financial reporting and facilitates the comparison of results of core business operations between its current, past and future periods.