# February 17, 2019 NASDAQ: CAMP CALAMP CORP



Sector: Technology | Sub-Industry: Communications Equipment | Source: S&P

#### **CAMP BUSINESS DESCRIPTION**

CalAmp Corp. provides in telematics systems, and software and subscription services worldwide.

### STOCK PERFORMANCE (%)

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Price Change	-25.23	-40.62	-5.22

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## GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	-5.53	4.52	10.23
Net Income	-104.42	-86.19	-49.10
EPS	-106.06	-87.24	-50.68

#### **RETURN ON EQUITY (%)**

	CAMP	Ind Avg	S&P 500
Q3 2018	1.17	32.36	15.66
Q3 2017	8.52	8.19	13.23
Q3 2016	1.09	14.99	12.00

#### P/E COMPARISON



#### EPS ANALYSIS<sup>1</sup> (\$)



NA = not available NM = not meaningful

1 Compustat fiscal year convention is used for all fundamental data items.



#### RECOMMENDATION

We rate CALAMP CORP (CAMP) a SELL. This is driven by several weaknesses, which we believe should have a greater impact than any strengths, and could make it more difficult for investors to achieve positive results compared to most of the stocks we cover. The company's weaknesses can be seen in multiple areas, such as its generally disappointing historical performance in the stock itself, deteriorating net income, disappointing return on equity, weak operating cash flow and generally high debt management risk.

#### HIGHLIGHTS

Despite any intermediate fluctuations, we have only bad news to report on this stock's performance over the last year: it has tumbled by 40.62%, worse than the S&P 500's performance. Consistent with the plunge in the stock price, the company's earnings per share are down 106.06% compared to the year-earlier quarter. Although its share price is down sharply from a year ago, do not assume that it can now be tagged as cheap and attractive. The reality is that, based on its current price in relation to its earnings, CAMP is still more expensive than most of the other companies in its industry.

The company, on the basis of change in net income from the same quarter one year ago, has significantly underperformed when compared to that of the S&P 500 and the Communications Equipment industry. The net income has significantly decreased by 104.4% when compared to the same quarter one year ago, falling from \$11.81 million to -\$0.52 million.

Current return on equity is lower than its ROE from the same quarter one year prior. This is a clear sign of weakness within the company. Compared to other companies in the Communications Equipment industry and the overall market, CALAMP CORP's return on equity significantly trails that of both the industry average and the S&P 500.

Net operating cash flow has significantly decreased to \$11.26 million or 50.44% when compared to the same quarter last year. In addition, when comparing the cash generation rate to the industry average, the firm's growth is significantly lower.

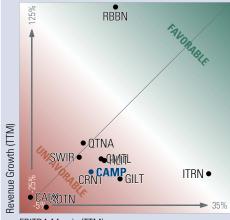
The debt-to-equity ratio of 1.35 is relatively high when compared with the industry average, suggesting a need for better debt level management. Despite the company's weak debt-to-equity ratio, the company has managed to keep a very strong quick ratio of 3.82, which shows the ability to cover short-term cash needs.

	5	Sector: Tec	hnology l	Communicatio	ns Equipment	Source: S&P
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<b>Annual Dividend Rate</b>	Annual Dividend Yield	Beta	Market Capitalization	52-Week Range	Price as of 2/14/2019
NA	NA	1.88	\$486.5 Million	\$10.91-\$25.41	\$14.20

#### PEER GROUP ANALYSIS

#### REVENUE GROWTH AND EBITDA MARGIN\*

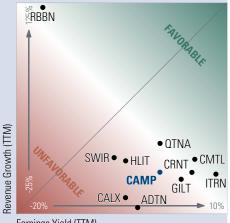


EBITDA Margin (TTM)

Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$378.5 Million and \$717.1 Million. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and

### REVENUE GROWTH AND EARNINGS YIELD



Earnings Yield (TTM)

Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -20.6% and 121.7%. Companies with NA or NM values do not appear.

#### INDUSTRY ANALYSIS

The US communications equipment industry is comprised of companies that manufacture communication equipments and products, including LANs, WANs, routers, telephones, switchboards and exchanges. The industry is highly competitive and characterized by rapidly changing technologies, evolving industry and government standards, changes in customer preferences, and new product introductions and enhancements

Companies compete on the basis of product performance, quality, customer service, technological innovation, delivery time and price. The industry is becoming increasingly concentrated and globalized, dominated by large players with significant financial resources and technological capabilities. Cisco Systems (CSCO), Nokia (NOK), Motorola Solutions (MSI), and Ericsson (ERIC) are large players.

Industry demand is dependent on the capital spending of cellular and broadband companies for constructing, rebuilding or upgrading their communications systems. The domestic market is evolving at a brisk pace as cable and telecom network operators expand their video, data and voice services, commonly known as the "triple play", to expand their subscriber base. Telecom operators are expanding their broadband networks and offering advanced video and data services using IPTV and PON technologies. Cable operators are responding by bundling voice-over-IP services and expanding their broadband data service through Data Over Cable Service Interface Specifications (DOCSIS).

Companies are regulated by the United States Federal Communications Commission (FCC) and other global governmental communication regulators. The International Telecommunications Union (ITU) adopts cellular wireless access standards for cellular industry infrastructure.

The industry faces investment risks related to the introduction of new products for the transmission of telephony and high-speed data over hybrid fiber coaxial cable systems. Research and development is a complex and uncertain process, requiring high levels of innovation and an accurate understanding of market trends. The industry has witnessed consolidation in order to facilitate product breadth and improve technologies.

### **PEER GROUP: Communications Equipment**

		Recent	Market	Price/	Net Sales	Net Income
Ticker	Company Name	Price (\$)	Cap (\$M)	Earnings	TTM (\$M)	TTM (\$M)
CAMP	CALAMP CORP	14.20	486	236.67	373.82	2.37
ITRN	ITURAN LOCATION & CONTROL	33.60	717	11.91	231.57	59.17
ADTN	ADTRAN INC	14.61	696	NM	529.28	-19.34
QTNA	QUANTENNA COMMUNICATIONS	3 17.61	659	220.13	220.46	3.08
CMTL	COMTECH TELECOMMUN	26.95	644	18.59	609.86	34.90
RBBN	RIBBON COMMUNICATIONS INC	5.67	604	NM	557.22	-90.70
GILT	GILAT SATELLITE NETWORKS LTD	8.72	478	29.07	279.31	16.52
HLIT	HARMONIC INC	5.40	470	NM	403.56	-21.04
CALX	CALIX INC	8.03	427	NM	441.32	-19.30
SWIR	SIERRA WIRELESS INC	11.33	409	NM	793.60	-24.61
CRNT	CERAGON NETWORKS LTD	4.83	379	20.13	344.81	18.66

The peer group comparison is based on Major Communications Equipment companies of comparable size.

February 17, 2019
NASDAQ: CAMP
CALAMP CORP

	Sector: Te	chnology   Communications	Equipment   Source: S&P		
Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta 1.88	Market Capitalization \$486.5 Million	52-Week Range <b>\$10.91-\$25.41</b>	Price as of 2/14/2019 <b>\$14.20</b>

### **COMPANY DESCRIPTION**

CalAmp Corp. provides in telematics systems, and software and subscription services worldwide. The company provides mobile resource management telematics devices for the Internet of Things market, which enable customers to optimize their operations by collecting, monitoring, and reporting business-critical information and desired intelligence from remote and mobile assets. It also offers a portfolio of wireless networking products, including asset tracking units, mobile telematics devices, and fixed and mobile wireless gateways and routers; telematics cloud platform applications; and software as a service applications. The company sells its products and services to customers in the transportation, government, construction, and automotive markets through direct sales organization, a network of licensees, and sales representatives, as well as through Websites and digital presence. CalAmp Corp. was founded in 1981 and is headquartered in Irvine, California

CALAMP CORP

15635 Alton Parkway, Suite 250

Irvine, CA 92618

USA

Phone: 949-600-5600 Fax: 805-856-3857 http://www.calamp.com

#### STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of CAMP shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
Growth	1.0 out of 5 stars	*	☆	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$
Measures the growth of both the company's income sta cash flow. On this factor, CAMP has a growth score bet the stocks we rate.		weak				strong
Total Return	1.0 out of 5 stars	*	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$
Measures the historical price movement of the stock. The performance of this company has beaten 10% of the corcover.		weak				strong
Efficiency	2.0 out of 5 stars	*	*	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$
Measures the strength and historic growth of a compan invested capital. The company has generated more incocapital than 30% of the companies we review.	•	weak				strong
Price volatility	1.0 out of 5 stars	*	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$
Measures the volatility of the company's stock price his stock is less volatile than 10% of the stocks we monitor.	torically. The	weak				strong
Solvency	2.5 out of 5 stars	*	*	1	$\Rightarrow$	$\Rightarrow$
Measures the solvency of the company based on severa company is more solvent than 40% of the companies we		weak				strong
Income	0.5 out of 5 stars	<b>1</b>	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$	$\Rightarrow$
Measures dividend yield and payouts to shareholders. T pays no dividends.	his company	weak				strong

#### THESTREET RATINGS RESEARCH METHODOLOGY

The Street Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

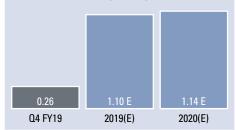
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e.how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

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#### Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



#### **INCOME STATEMENT**

	Q3 FY18	Q3 FY17
Net Sales (\$mil)	88.50	93.67
EBITDA (\$mil)	7.63	10.21
EBIT (\$mil)	2.48	4.53
Net Income (\$mil)	-0.52	11.81

#### **BALANCE SHEET**

	Q3 FY18	Q3 FY17
Cash & Equiv. (\$mil)	301.76	151.24
Total Assets (\$mil)	608.05	475.40
Total Debt (\$mil)	272.42	152.38
Equity (\$mil)	201.55	201.08

## **PROFITABILITY**

	Q3 FY18	Q3 FY17
Gross Profit Margin	43.67%	42.87%
EBITDA Margin	8.62%	10.90%
Operating Margin	2.80%	4.84%
Sales Turnover	0.61	0.75
Return on Assets	0.38%	3.60%
Return on Equity	1.17%	8.52%

#### DEBT

	U3 FY18	U3 FY17
Current Ratio	4.29	2.76
Debt/Capital	0.57	0.43
Interest Expense	5.13	2.57
Interest Coverage	0.48	1.76

## SHARE DATA

	Q3 FY18	Q3 FY17
Shares outstanding (mil)	34	36
Div / share	0.00	0.00
EPS	-0.02	0.33
Book value / share	5.88	5.65
Institutional Own %	NA	NA
Avg Daily Volume	451,764	389,826

2 Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

#### **FINANCIAL ANALYSIS**

CALAMP CORP's gross profit margin for the third quarter of its fiscal year 2018 is essentially unchanged when compared to the same period a year ago. Sales and net income have dropped, although the growth in revenues underperformed the average competitor within the industry, the net income growth did not. CALAMP CORP is extremely liquid. Currently, the Quick Ratio is 3.82 which clearly shows the ability to cover any short-term cash needs. The company's liquidity has increased from the same period last year.

During the same period, stockholders' equity ("net worth") has remained unchanged from the same quarter last year. Overall, the key liquidity measurements indicate that the company is very unlikely to face financial difficulties in the near future.

STOCKS TO BUY: The Street Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit www.The Street Ratings.com.

# February 17, 2019 NASDAQ: CAMP

# CALAMP CORP

Sector: Technology   Communications Equipment   Source: S&P							
Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta 1.88	Market Capitalization \$486.5 Million	52-Week Range <b>\$10.91-\$25.41</b>	Price as of 2/14/2019 <b>\$14.20</b>		

#### **RATINGS HISTORY**

Our rating for CALAMP CORP was recently downgraded from Hold to Sell on 1/3/2019. As of 2/14/2019, the stock was trading at a price of \$14.20 which is 44.1% below its 52-week high of \$25.41 and 30.2% above its 52-week low of \$10.91.



#### **MOST RECENT RATINGS CHANGES**

Date	Price	Action	From	To
1/3/19	\$13.14	Downgrade	Hold	Sell
10/22/18	\$19.96	Downgrade	Buy	Hold
6/28/18	\$22.62	Upgrade	Hold	Buy
4/27/18	\$19.76	Downgrade	Buy	Hold
10/2/17	\$24.27	Upgrade	Hold	Buy
2/14/17	\$15.54	No Change	Hold	Hold

Price reflects the closing price as of the date listed, if available

#### **RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET RATINGS**

(as of 2/14/2019)

39.53% Buy - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

34.26% Hold - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

26.21% Sell - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

## **TheStreet Ratings** 14 Wall Street, 15th Floor New York, NY 10005 www.thestreet.com

Research Contact: 212-321-5381 Sales Contact: 866-321-8726

#### VALUATION

SELL. CALAMP CORP's P/E ratio indicates a significant premium compared to an average of 23.46 for the Communications Equipment industry and a significant premium compared to the S&P 500 average of 21.06. To use another comparison, its price-to-book ratio of 2.41 indicates a discount versus the S&P 500 average of 3.18 and a significant discount versus the industry average of 6.40. The price-to-sales ratio is well below both the S&P 500 average and the industry average, indicating a discount.

\$25	Price/Earnings
l 	CAMP 236.67
<del></del> \$20	<ul> <li>Premium. A high</li> </ul>
I I	signify a more e
\$15	expectations.
W V V V	<ul> <li>CAMP is trading</li> </ul>

her P/E ratio than its peers can expensive stock or higher growth

1 2 3

g at a significant premium to its peers.

Price/Projected Earnings	1	2	3	4	5
	prem	ium		dis	count

#### **CAMP 12.51** Peers 18 45

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- CAMP is trading at a significant discount to its peers.

Price/Book 1 2 3 4 5 premium discount	04140 0 44					~ 40
Price/Book 1 2 3 4 5		prem	ium		dis	count
	Price/Book	1	2	3	4	5

#### Peers 6.40 **CAMP 2.41**

- · Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- · CAMP is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
	prem	ium		dis	count

#### **CAMP 1 30** Peers 3.74

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- · CAMP is trading at a significant discount to its industry on this measurement.

# Price/CashFlow 1 2

#### **CAMP 8.72**

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- . CAMP is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5
9	premi	ium		dis	count

#### **CAMP 1.70** Peers 0.20

- Premium. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- CAMP trades at a significant premium to its peers.

arnings Growth	1	2	3	4	5
_	lower	r		ŀ	

#### **CAMP -87.24** Peers 557.52

- · Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- · However, CAMP is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1 lower	2	3	4	5 nighe
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#### **CAMP 4.52** Peers 5.66

- · Lower. A sales growth rate that trails the industry implies that a company is losing market share.
- CAMP trails its peers on the basis of sales growth.

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