CalAmp Corp.
Form 10-Q
December 20, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2012

or

c **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

COMMISSION FILE NUMBER: 0-12182

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CALAMP CORP.

(Exact name of Registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-3647070** (I.R.S. Employer Identification No.)
1401 N. Rice Avenue **Oxnard, California** (Address of principal executive offices)	**93030** (Zip Code)

(805) 987-9000
(Registrant s telephone number, including area code)

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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 x No c

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No c

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

Large accelerated filer c	Accelerated filer x
Non-accelerated filer c (Do not check if a smaller reporting company)	Smaller reporting company c

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

The number of shares outstanding of the registrant s common stock as of December 19, 2012 was 29,820,451.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CALAMP CORP.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(IN THOUSANDS, EXCEPT PAR VALUE)

Assets	November 30, 2012	February 28, 2012
Current assets:		
Cash and cash equivalents	$ 13,560	$ 5,601
Accounts receivable, less allowance for doubtful accounts of $423 and $254 at November 30, 2012 and February 28, 2012, respectively	20,867	14,383
Inventories	13,237	10,057
Deferred income tax assets	6,459	5,425
Prepaid expenses and other current assets	3,371	4,323
Total current assets	57,494	39,789
Property, equipment and improvements, net of accumulated depreciation and amortization	2,614	1,761
Deferred income tax assets, less current portion	5,378	6,412
Goodwill and other intangible assets, net	6,191	2,738
Other assets	905	781
	$ 72,582	$ 51,481
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 2,539	$ 1,100
Accounts payable	13,046	9,523
Accrued payroll and employee benefits	4,254	4,405
Deferred revenue	5,794	6,305
Other current liabilities	3,048	2,268
Total current liabilities	28,681	23,601
Long-term debt	2,796	1,900
Other non-current liabilities	1,770	1,003
Commitments and contingencies		
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; 29,813 and 28,722 shares issued and outstanding at November 30, 2012 and February 28, 2012, respectively	298	287
Additional paid-in capital	156,836	154,485
Accumulated deficit	(117,734)	(129,730)
Accumulated other comprehensive loss	(65)	(65)
Total stockholders equity	39,335	24,977
	$ 72,582	$ 51,481

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED INCOME STATEMENTS (Unaudited)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Revenues	$ 44,340	$ 32,752	$ 132,188	$ 101,107
Cost of revenues	30,308	22,583	90,345	69,681
Gross profit	14,032	10,169	41,843	31,426
Operating expenses:				
Research and development	3,564	2,622	10,393	8,405
Selling	2,982	2,731	8,963	8,175
General and administrative	2,699	2,606	8,849	8,135
Intangible asset amortization	475	310	1,267	972
Total operating expenses	9,720	8,269	29,472	25,687
Operating income	4,312	1,900	12,371	5,739
Non-operating expense:				
Interest expense, net	(129)	(71)	(316)	(1,216)
Foreign currency translation account write-off	-	-	-	(801)
Other expense, net	(9)	(101)	(14)	(103)
Total non-operating expense	(138)	(172)	(330)	(2,120)
Income before income taxes	4,174	1,728	12,041	3,619
Income tax provision	(19)	(28)	(45)	(43)
Net income	$ 4,155	$ 1,700	$ 11,996	$ 3,576
Earnings per share:				
Basic	$ 0.14	$ 0.06	$ 0.42	$ 0.13
Diluted	$ 0.14	$ 0.06	$ 0.40	$ 0.13
Shares used in computing earnings per share:				
Basic	29,210	27,869	28,537	27,583
Diluted	30,096	28,800	29,684	28,445

CALAMP CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(IN THOUSANDS)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Net income	$ 4,155	$ 1,700	$ 11,996	$ 3,576
Other comprehensive income, net of tax:				
Reclassification adjustment for foreign currency loss included in net income	-	-	-	801

Comprehensive income	$ 4,155	$ 1,700	$ 11,996	$ 4,377

See accompanying notes to consolidated financial statements.

CALAMP CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(IN THOUSANDS)

	Nine Months Ended November 30,	
	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 11,996	$ 3,576
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,995	1,899
Stock-based compensation expense	2,292	1,737
Amortization of debt issue costs and discount	248	733
Write-off of currency translation account of foreign subsidiary	-	801
Other	15	1
Changes in operating assets and liabilities:		
Accounts receivable	(6,484)	1,059
Inventories	(3,180)	(2,519)
Prepaid expenses and other assets	365	1,498
Accounts payable	3,523	(2,022)
Accrued liabilities	564	1,020
Deferred revenue	(511)	(284)
NET CASH PROVIDED BY OPERATING ACTIVITIES	10,823	7,499
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(1,396)	(681)
Navman Wireless asset purchase agreement	(1,000)	-
Collections on note receivable	430	431
Other	(8)	(1)
NET CASH USED IN INVESTING ACTIVITIES	(1,974)	(251)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of bank line of credit	-	(4,013)
Debt proceeds (repayments)	(960)	3,000
Repayment of subordinated notes payable	-	(5,000)
Payment of debt issue costs	-	(65)
Payment of withholding taxes on vested employee equity awards	(2,551)	(1,032)
Proceeds from exercise of stock options and warrants	2,621	14
NET CASH USED IN FINANCING ACTIVITIES	(890)	(7,096)
Net change in cash and cash equivalents	7,959	152
Cash and cash equivalents at beginning of period	5,601	4,241
Cash and cash equivalents at end of period	$ 13,560	$ 4,393

See accompanying notes to consolidated financial statements.

CALAMP CORP.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED NOVEMBER 30, 2012 AND 2011

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

CalAmp Corp. ("CalAmp" or the "Company") develops and markets wireless technology solutions that deliver data connectivity products and services for critical networked communication and other applications. The Company's two business segments are Wireless DataCom, which serves commercial, industrial and government customers, and Satellite, which focuses on the North American Direct Broadcast Satellite market.

The Company uses a 52-53 week fiscal year ending on the Saturday closest to February 28, which for fiscal 2012 fell on February 25, 2012. Fiscal 2013, a 53-week year, will end on March 2, 2013. The actual interim periods ended on November 24, 2012 and November 26, 2011, both consisting of 13 weeks. In the accompanying unaudited consolidated financial statements, the 2012 fiscal year end is shown as February 28 and the interim period end for both years is shown as November 30 for clarity of presentation.

Certain notes and other information are condensed or omitted from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these financial statements should be read in conjunction with the Company's 2012 Annual Report on Form 10-K as filed with the Securities and Exchange Commission on April 26, 2012.

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) considered necessary to present fairly the Company's financial position at November 30, 2012 and its results of operations for the three and nine months ended November 30, 2012 and 2011. The results of operations for such periods are not necessarily indicative of results to be expected for the full fiscal year.

All significant intercompany transactions and accounts have been eliminated in consolidation.

Revenue Recognition

The Company recognizes revenue from product sales when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection of the sales price is reasonably assured. Generally, these criteria are met at the time product is shipped, except for shipments made on the basis of "FOB Destination" terms, in which case title transfers to the customer and the revenue is recorded by the Company when the shipment reaches the customer. Customers generally do not have rights of return except for defective products returned during the warranty period. In the limited number of instances where customers have a right of return period, revenue is not recognized until the expiration of such period.

The Company defers the recognition of revenues for products that are sold with data communication services because the services are essential to the functionality of the products, and accordingly, the associated product costs are recorded as deferred costs. The deferred product revenue and deferred product cost amounts are recognized on a straight-line basis over the minimum contractual service period of one year. Revenues from renewals of data communication services after the initial one year term are recognized as the services are provided. When customers prepay data communication service renewals, such amounts are recorded as deferred revenues and are recognized over the renewal term.

The Company also undertakes projects that include the development of communication systems used for public safety and transportation applications that are designed to customers' specifications or that involve fixed site construction. Sales under such contracts are recorded under the percentage-of-completion method. Costs and estimated revenues are recorded as work is performed based on the percentage that incurred costs bear to estimated total costs utilizing the most recent estimates of costs. If the current estimate of percentage complete and total estimated costs for a given contract indicates a loss, provision is made in the current period for the total anticipated loss on such contract. Costs and estimated earnings in excess of billings on uncompleted contracts arise when contract revenues have been recognized on the percentage-of-completion method in advance of when the amounts can be invoiced to the customers under the terms of the contracts. Such amounts are billable to the customers upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. Costs and estimated earnings in excess of billings on uncompleted contracts are included in prepaid expenses and other current assets in the accompanying consolidated balance sheets.

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate:

Cash and cash equivalents, accounts receivable and accounts payable - The carrying amount is a reasonable estimate of fair value given the short maturity of these instruments.

Debt - The estimated fair value of the Company's bank debt approximates the carrying value of such debt because the interest rate is variable and is market-based.

Recent Accounting Pronouncements

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income . This guidance requires companies to present the components of net income and other comprehensive income either as one continuous statement or as two consecutive statements. It eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. The standard does not change the items which must be reported in other comprehensive income, how such items are measured or when they must be reclassified to net income. The Company adopted this pronouncement in the first quarter ended May 31, 2012.

NOTE 2 SUPPLY AGREEMENT AND ACQUISITION

On May 7, 2012, the Company entered into a five-year supply agreement (the Supply Agreement) to provide at least $25 million of fleet tracking products to Navman Wireless, a privately held company (Navman). In conjunction with the Supply Agreement, the Company also entered into an asset purchase agreement on May 7, 2012 with Navman (the Asset Purchase Agreement) and established a research and development center in Auckland, New Zealand with an initial staff of 14 employees who transferred from Navman s workforce.

The purchase price for the products and technologies acquired from Navman pursuant to the Asset Purchase Agreement was $4,902,000, comprised of $1,000,000 paid in cash at closing, a non-interest bearing note payable with a present value of $3,080,000 at the time of issuance, and the fair value of estimated contingent royalties consideration of $822,000 for sales by CalAmp during the first three years of certain products acquired from Navman under the Asset Purchase Agreement. The note payable has a face value of $4,000,000, and is payable in the form of a 15% rebate on certain products sold by the Company to Navman under the Supply Agreement.

The Company is accounting for this acquisition under FASB ASC Topic 805, Business Combinations , which provides guidance on the accounting and reporting for transactions that represent business combinations to be accounted for under the acquisition method. This method requires that, among other things, assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. The excess of the consideration transferred over those fair values is recorded as goodwill.

Following is the purchase price allocation (in thousands):

Purchase Price		$ 4,902
Fair value of net assets acquired:		
Property and equipment	$ 200	
Supply Contract	2,220	
Developed/core technology	500	
Customer lists	710	
Covenants not to compete	170	
Assumed liabilities	(10)	
Total fair value of net assets acquired		3,790
Goodwill		$ 1,112

The goodwill arising from this transaction is deductible for income tax purposes, and is assigned to the Company s Wireless DataCom segment. This goodwill is primarily attributable to the benefit of having an assembled workforce in New Zealand and the value that the Company expects to receive from the Supply Agreement beyond its five year term.

NOTE 3 - INVENTORIES

Inventories consist of the following (in thousands):

	November 30, 2012	February 28, 2012
Raw materials	$ 9,657	$ 8,648
Work in process	443	77
Finished goods	3,137	1,332
	$ 13,237	$ 10,057

NOTE 4 GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets are comprised as follows (in thousands):

		November 30, 2012			February 28, 2012		
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill	N/A	$ 1,112	$ -	$ 1,112	$ -	$ -	$ -
Supply Contract	5 years	2,220	248	1,972	-	-	-
Developed/core technology	2-7 years	3,001	2,367	634	2,853	2,154	699
Tradename	7 years	2,130	532	1,598	2,130	304	1,826
Customer lists	5-7 years	1,848	1,145	703	1,268	1,075	193
Covenants not to compete	5 years	262	111	151	115	114	1
Patents	5 years	41	20	21	41	22	19
		$ 10,614	$ 4,423	$ 6,191	$ 6,407	$ 3,669	$ 2,738

All intangible asset amortization expense was attributable to the Wireless DataCom business. Estimated amortization expense to be recognized in the future is as follows (in thousands):

Fiscal Year	
2013 (remainder)	$ 512
2014	1,336
2015	972
2016	926
2017	926
Thereafter	407
	$ 5,079

NOTE 5 - FINANCING ARRANGEMENTS

Bank Credit Facility

The Company has a credit facility with Square 1 Bank comprised of a term loan and a revolver that provides for aggregate borrowings of up to $12 million. The maturity date of the credit facility is August 15, 2014. The revolver borrowing limit is equal to the lesser of (a) $12 million minus the term loan principal outstanding at any point in time, or (b) 85% of eligible accounts receivable. At November 30, 2012, the Company had no outstanding borrowings under the revolver, and the amount available to borrow at that date amounted to $9,800,000. The term loan, which had an outstanding principal balance of $2,200,000 at November 30, 2012, is repayable at the rate of $100,000 per month. All borrowings under the credit facility bear interest at Square 1 Bank's prime rate plus 1.0% per annum, and are secured by substantially all assets of the Company. At November 30, 2012, the effective interest rate on the revolver and bank term loan was 4.25%. Interest on borrowings under the credit facility is payable monthly.

The bank credit facility contains a financial covenant that requires the Company to maintain minimum levels of earnings before interest, income taxes, depreciation, amortization, stock compensation and other noncash charges (commonly known as EBITDA or adjusted EBITDA) on a rolling six-month basis and a minimum debt coverage ratio. At November 30, 2012, the Company was in compliance with its debt covenants under the credit facility. The credit facility also provides for a number of customary events of default, including a provision that a material adverse change constitutes an event of default that permits the lender, at its option, to accelerate the loan. Among other provisions, the credit facility requires a lock-box and cash collateral account whereby cash remittances from the Company's customers are directed to the cash collateral account and which amounts are applied to reduce the revolving loan principal balance.

Debt

Debt is comprised of the following (in thousands):

	November 30, 2012	February 28, 2012
Bank term loan	$ 2,200	$ 3,000
Note payable to Navman	3,135	-
	5,335	3,000
Less portion due within one year	(2,539)	(1,100)
Long-term debt	$ 2,796	$ 1,900

The Navman note is payable in the form of a 15% rebate on certain products sold by the Company to Navman under the Supply Agreement. The unpaid balance of the Navman note would become immediately due and payable upon any termination of the Supply Agreement by the Company before the end of its five-year term (other than as a result of an uncured breach of the Supply Agreement by Navman), except that in the case of such acceleration the note balance would be subordinated to the Company s bank debt pursuant to the provisions of a debt subordination agreement. In the absence of an acceleration event, the Navman note is payable solely in the form of a rebate on products sold by CalAmp to Navman under the Supply Agreement. After all rebates have been applied to pay down the note balance, and assuming that an acceleration event has not occurred, any unpaid balance remaining on the Navman note would be forgiven at the later of May 7, 2017 or the final date to which the Supply Agreement is extended pursuant to a force majeure event. During the quarter ended November 30, 2012, the Company made a payment of $160,000 on the note.

Other Non-Current Liabilities

Other non-current liabilities consist of the following (in thousands):

	November 30, 2012	February 28, 2012
Deferred rent	$ 257	$ 279
Deferred revenue	1,143	724
Contingent royalties consideration payable to Navman	370	-
	$ 1,770	$ 1,003

The contingent royalties consideration in the aggregate fair value amount of $894,000 at November 30, 2012 is payable to Navman at approximately 15% of the revenue from the sale by CalAmp of certain products acquired from Navman under the Asset Purchase Agreement during the first three years. During the quarter ended November 30, 2012, the Company made a royalty payment of $8,000 to Navman.

NOTE 6 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and for income tax purposes. The Company evaluates the realizability of its deferred income tax assets and a valuation allowance is provided, as necessary. In assessing this valuation allowance, the Company reviews historical and future expected operating results and other factors, including its recent cumulative earnings experience, expectations of future taxable income by taxing jurisdiction and the carryforward periods available for tax reporting purposes, to determine whether it is more likely than not that deferred tax assets are realizable.

The Company is subject to filing income tax returns in the U.S. federal jurisdiction, various U.S. states, Canada, France and New Zealand. Income tax returns filed for fiscal years 2007 and earlier are not subject to examination by U.S. federal and state tax authorities. Certain income tax returns for fiscal years 2008 through 2012 remain open to examination by U.S. federal and state tax authorities. Income tax returns for fiscal years 2009 through 2012 remain open to examination by tax authorities in Canada and France. The Company believes that it has made adequate provision for all income tax uncertainties pertaining to these open tax years.

At November 30, 2012, the Company had a net deferred income tax asset balance of $11,837,000. The current portion of the deferred tax assets is $6,459,000 and the non-current portion is $5,378,000. The net deferred income tax asset balance is comprised of a gross deferred tax asset of $45.2 million and a valuation allowance of $33.4 million.

No income tax provision, other than minimum state income taxes in the U.S. and foreign income taxes, was recorded during the three and nine-month periods ended November 30, 2012 and 2011 because of the existence of net operating loss carryforwards that offset the pre-tax income for U.S. federal and state income taxes.

NOTE 7 - EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. In computing diluted earnings per share, the treasury stock method assumes that outstanding options are exercised and the proceeds are used to purchase common stock at the average market price during the period. Options will have a dilutive effect under the treasury stock method only when the Company reports net income and the average market price of the common stock during the period exceeds the exercise price of the options.

The following is a summary of the calculation of weighted average shares used in the computation of basic and diluted earnings per share (in thousands):

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Basic weighted average number of common shares outstanding	29,210	27,869	28,537	27,583
Effect of stock options, restricted stock, restricted stock units and warrants computed on treasury stock method	886	931	1,147	862
Diluted weighted average number of common shares outstanding	30,096	28,800	29,684	28,445

Shares underlying stock options of 411,000 at November 30, 2012 and shares underlying stock options and warrants of 1,737,000 at November 30, 2011 were excluded from the calculations of diluted earnings per share for the three and nine months then ended because based on the exercise prices of these derivative securities their inclusion would have been anti-dilutive under the treasury stock method.

NOTE 8 STOCK-BASED COMPENSATION

Stock-based compensation expense is included in the following captions of the unaudited consolidated income statements (in thousands):

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Cost of revenues	$ 39	$ 30	$ 98	$ 70
Research and development	121	107	330	283
Selling	51	55	198	148
General and administrative	409	446	1,666	1,236
	$ 620	$ 638	$ 2,292	$ 1,737

Changes in the Company's outstanding stock options during the nine months ended November 30, 2012 were as follows (options in thousands):

	Number of Options	Weighted Average Exercise Price
Outstanding at February 28, 2012	2,163	$ 4.78
Granted	84	7.01
Exercised	(417)	2.67
Forfeited or expired	(125)	3.90
Outstanding at November 30, 2012	1,705	$ 5.47
Exercisable at November 30, 2012	1,426	$ 5.74

In July 2012, the Company retained 93,691 option shares of 168,000 stock options held by a former executive officer of the Company that were exercised on a net share settlement basis. The retained shares were withheld to cover the option exercise price and minimum required statutory amount of withholding taxes.

Changes in the Company's unvested restricted stock shares and restricted stock units (RSUs) during the nine months ended November 30, 2012 were as follows (shares and RSUs in thousands):

	Number of Shares and RSUs	Weighted Average Grant Date Fair Value
Outstanding at February 28, 2012	1,929	$ 2.71
Granted	439	7.50
Vested	(913)	2.52
Forfeited	(110)	2.81
Outstanding at November 30, 2012	1,345	$ 4.40

During the nine months ended November 30, 2012, the Company retained 307,901 of the 912,850 shares that vested under restricted stock and RSU awards to cover the minimum required statutory amount of employee withholding taxes.

During the nine months ended November 30, 2012, the Company received cash of $1,889,000 from the exercise of 485,000 common stock purchase warrants that were held by non-affiliates of the Company. In addition, the Company retained 15,850 shares to pay for the exercise price of 32,500 warrants beneficially held by two officers and one director of the Company that were exercised on a net share settlement basis.

As of November 30, 2012, there was $5.8 million of total unrecognized stock-based compensation cost related to nonvested stock options, restricted stock and RSUs that is expected to be recognized as an expense over a weighted-average remaining vesting period of 2.9 years.

NOTE 9 - CONCENTRATION OF RISK

Because the Company sells into markets dominated by a few large service providers, a significant percentage of consolidated revenues and consolidated accounts receivable relate to a small number of customers. One customer of the Company's Satellite business unit accounted for 18% and 21% of consolidated revenues for the quarters ended November 30, 2012 and 2011, respectively, and accounted for 22% and 27% of consolidated revenues for the respective nine-month periods then ended. This customer accounted for 16% and 33% of consolidated net accounts receivable at November 30, 2012 and February 28, 2012, respectively.

A substantial portion of the Company s inventory is purchased from one supplier which functions as an independent foreign procurement agent and contract manufacturer. This supplier accounted for 52% and 50% of Company's total inventory purchases in the nine months ended November 30, 2012 and 2011, respectively. As of November 30, 2012, this supplier accounted for 55% of the Company's total accounts payable.

Some of the Company's components, assemblies and electronic manufacturing services are purchased from sole source suppliers.

NOTE 10 - PRODUCT WARRANTIES

The Company generally warrants its products against defects over periods ranging from 3 to 24 months. An accrual for estimated future costs relating to products returned under warranty is recorded as an expense when products are shipped. At the end of each quarter, the Company adjusts its liability for warranty claims based on its actual warranty claims experience as a percentage of revenues for the preceding 12 to 24 months and also considers the impact of the known operational issues that may have a greater impact than historical trends. Activity in the accrued warranty costs liability for the nine months ended November 30, 2012 and 2011 is as follows (in thousands):

	Nine Months Ended November 30,	
	2012	2011
Balance at beginning of period	$ 994	$ 700
Charged to costs and expenses	744	664
Deductions	(346)	(356)
Balance at end of period	$ 1,392	$ 1,008

Accrued warranty costs are included in other current liabilities in the consolidated balance sheets at November 30, 2012 and February 28, 2012.

NOTE 11 OTHER FINANCIAL INFORMATION

"Net cash provided by operating activities" in the unaudited consolidated statements of cash flows includes cash payments for interest and income taxes as follows (in thousands):

	Nine Months Ended November 30,	
	2012	2011
Interest expense paid	$ 92	$ 696
Income tax paid	$ 153	$ 80

Following is the supplemental schedule of non-cash investing and financing activities (in thousands):

	Nine Months Ended November 30,	
	2012	2011
Acquisition of Navman Wireless product lines on May 7, 2012:		
Non-interest bearing $4,000 promissory note issued to Navman Wireless, less discount of $920	$ 3,080	$ -
Accrued liability for earn-out consideration payable to Navman Wireless	$ 822	$ -

NOTE 12 - SEGMENT INFORMATION

Segment information for the three and nine months ended November 30, 2012 and 2011 is as follows (dollars in thousands):

Three Months Ended November 30, 2012				Three Months Ended November 30, 2011			
Operating Segments				Operating Segments			
Wireless		Corporate		Wireless		Corporate	
DataCom	Satellite	Expenses	Total	DataCom	Satellite	Expenses	Total

Revenues	$ 36,334	$ 8,006		$ 44,340	$ 25,905	$ 6,847			$ 32,752
Gross profit	$ 12,612	$ 1,420		$ 14,032	$ 9,503	$ 666			$ 10,169
Gross margin	34.7%	17.7%		31.6%	36.7%	9.7%			31.0%
Operating income	$ 4,500	$ 498	$ (686)	$ 4,312	$ 2,999	$ (156)	$ (943)	$ 1,900

	Nine Months Ended November 30, 2012				Nine Months Ended November 30, 2011			
	Operating Segments				Operating Segments			
	Wireless		Corporate		Wireless		Corporate	
	DataCom	Satellite	Expenses	Total	DataCom	Satellite	Expenses	Total
Revenues	$ 102,178	$ 30,010		$ 132,188	$ 73,465	$ 27,642		$ 101,107
Gross profit	$ 36,786	$ 5,057		$ 41,843	$ 29,487	$ 1,939		$ 31,426
Gross margin	36.0%	16.9%		31.7%	40.1%	7.0%		31.1%
Operating income	$ 12,893	$ 2,327	$ (2,849)	$ 12,371	$ 9,528	$ (891)	$ (2,898)	$ 5,739

The Company considers operating income to be the primary measure of operating performance of its business segments. The amount shown for each period in the "Corporate Expenses" column above for operating income consists of expenses that are not allocated to the business segments. These non-allocated corporate expenses include salaries and benefits of certain executive officers and expenses such as audit fees, investor relations, stock listing fees, director and officer liability insurance, and director fees and expenses. Corporate expenses include stock-based compensation expense of $142,000 and $234,000 in the three-month periods ended November 30, 2012 and 2011, respectively, and $967,000 and $663,000, respectively, in the nine-month periods then ended.

The Wireless DataCom segment revenue for the nine months ended November 30, 2011 included a $3,000,000 patent sale for which there was no associated cost of revenue. Excluding the effects of this patent sale, the Wireless DataCom gross margin would have been 37.6% for the nine months ended November 30, 2011.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time as a normal consequence of doing business, various claims and litigation may be asserted or commenced against the Company. In particular, the Company in the ordinary course of business may receive claims that its products or services cause injury or infringe the intellectual property of third parties, or claims concerning contract performance. While the outcome of any such claims and litigation cannot be predicted with certainty, management does not believe that the outcome of any of such matters pending at the present time would have a material adverse effect on the Company's consolidated financial position or results of operations.

NOTE 14 SUBSEQUENT EVENT

On December 20, 2012, the Company signed a definitive agreement to acquire the operations of Wireless Matrix Corporation, a provider of fleet tracking applications and satellite communication services, for a cash payment of $53 million, subject to adjustment based on a closing net working capital target. CalAmp plans to finance the transaction using a combination of cash on hand and new debt and equity financing. For its fiscal year ended April 30, 2012, Wireless Matrix reported revenues of $33 million. The transaction is expected to close in March 2013.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Company's discussion and analysis of its financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, costs and expenses during the reporting periods. Actual results could differ materially from these estimates. The critical accounting policies listed below involve the Company s more significant accounting judgments and estimates that are used in the preparation of the consolidated financial statements. These policies are described in greater detail in Management s Discussion and Analysis (MD&A) under Part II, Item 7 of the Company s Annual Report on Form 10-K for the year ended February 28, 2012, as filed with the Securities and Exchange Commission on April 26, 2012, and include the following areas:

- Allowance for doubtful accounts;
- Inventory write-downs;
- Product warranties;
- Deferred income tax assets and uncertain tax positions;
- Impairment assessments of purchased intangible assets and other long-lived assets;
- Stock-based compensation expense; and
- Revenue recognition.

As discussed in Note 2 to the accompanying unaudited consolidated financial statements, the Company is accounting for Navman Wireless Asset Purchase Agreement under FASB ASC Topic 805, Business Combinations , which provides guidance on the accounting and reporting for transactions that represent business combinations to be accounted for under the acquisition method. This method requires that, among other things, assets acquired and liabilities assumed be recorded at their fair values as of the acquisition date. The excess of the consideration transferred over those fair values is recorded as goodwill.

RESULTS OF OPERATIONS

Overview

CalAmp Corp. ("CalAmp" or the "Company") develops and markets wireless technology solutions that deliver data connectivity products and services for critical networked communications and other applications. The Company's two business segments are Wireless DataCom, which serves commercial, industrial and government customers, and Satellite, which focuses on the North American Direct Broadcast Satellite market.

Wireless DataCom

The Wireless DataCom segment provides wireless communications technology, products and services for industrial Machine-to-Machine (M2M) and Mobile Resource Management (MRM) market segments for a wide range of applications. CalAmp has expertise in designing and providing applications involving various combinations of private and public (cellular infrastructure) networks, narrow-band and broad-band frequencies, licensed and unlicensed radio spectrum, and mobile and fixed-remote communications. The Company's Wireless DataCom segment is comprised of a Wireless Networks business and an MRM business.

Satellite

The Company's satellite products are sold primarily to Echostar, an affiliate of Dish Network, for incorporation into complete subscription satellite television systems.

Operating Results by Business Segment

The Company's revenue, gross profit and operating income by business segment are as follows:

REVENUE BY SEGMENT

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2012		2011		2012		2011	
Segment	$000s	% of Total	$000s	% of Total	$000s	% of Total	$000s	% of Total
Wireless DataCom	$ 36,334	81.9%	$ 25,905	79.1%	$ 102,178	77.3%	$ 73,465	72.7%
Satellite	8,006	18.1%	6,847	20.9%	30,010	22.7%	27,642	27.3%
Total	$ 44,340	100.0%	$ 32,752	100.0%	$ 132,188	100.0%	$ 101,107	100.0%

GROSS PROFIT BY SEGMENT

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2012		2011		2012		2011	
Segment	$000s	% of Total	$000s	% of Total	$000s	% of Total	$000s	% of Total
Wireless DataCom	$ 12,612	89.9%	$ 9,503	93.5%	$ 36,786	87.9%	$ 29,487	93.8%
Satellite	1,420	10.1%	666	6.5%	5,057	12.1%	1,939	6.2%
Total	$ 14,032	100.0%	$ 10,169	100.0%	$ 41,843	100.0%	$ 31,426	100.0%

OPERATING INCOME BY SEGMENT

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2012		2011		2012		2011	
Segment	$000s	% of Total Revenue	$000s	% of Total Revenue	$000s	% of Total Revenue	$000s	% of Total Revenue
Wireless DataCom	$ 4,500	10.1%	$ 2,999	9.2%	$ 12,893	9.8%	$ 9,528	9.4%
Satellite	498	1.1%	(156)	(0.5%)	2,327	1.8%	(891)	(0.9%)
Corporate expenses	(686)	(1.5%)	(943)	(2.9%)	(2,849)	(2.2%)	(2,898)	(2.9%)
Total	$ 4,312	9.7%	$ 1,900	5.8%	$ 12,371	9.4%	$ 5,739	5.7%

Revenue

Wireless DataCom revenue increased by $10.4 million, or 40%, to $36.3 million in the third quarter of fiscal 2013 compared to the fiscal 2012 third quarter. For the nine months ended November 30, 2012, Wireless DataCom revenue increased by $28.7 million, or 39%, to $102.2 million compared to the same period of the prior year. These improvements were due primarily to continued strong demand for the Company s MRM products.

Satellite revenue increased by $1.2 million, or 17%, to $8.0 million in the three months ended November 30, 2012 from $6.8 million for the same period in the previous fiscal year. For the nine months ended November 30, 2012, Satellite revenue increased by $2.4 million, or 9%, to $30.0 million from $27.6 million for the same period of the prior year. These increases in Satellite revenue were primarily due to the introduction of new products in the latter part of fiscal 2012.

Gross Profit and Gross Margins

Wireless DataCom gross profit increased by $3.1 million to $12.6 million in the fiscal 2013 third quarter compared to $9.5 million in the third quarter of last year due mainly to increased MRM hardware revenue, and gross margin decreased to 34.7% in the third quarter of fiscal 2013 from 36.7% in the third quarter of fiscal 2012 primarily due to MRM revenues constituting a greater proportion of overall Wireless DataCom revenues in the latest quarter. MRM products tend to have lower gross profit margins than other Wireless DataCom products and services.

Wireless DataCom gross profit increased 25% to $36.8 million in the nine months ended November 30, 2012, compared to $29.5 million for the same period of the prior year. Gross margin decreased to 36.0% in the nine months ended November 30, 2012 from 40.1% for the same period of the prior year due primarily to the last year s patent sale of $3.0 million for which there was no associated cost of revenue. Excluding the effects of last year s patent sale, the Wireless DataCom nine-month gross margin was down 1.6 points year-over-year.

Satellite gross profit increased by $0.8 million to $1.4 million in the fiscal 2013 third quarter compared to the third quarter of last year. Satellite's gross margin increased to 17.7% in the fiscal 2013 third quarter from 9.7% in the third quarter of last year. These increases are due to higher revenue, change in product mix, and the conversion to a variable cost operating model in which substantially all of the satellite products are now manufactured by off-shore subcontractors.

The Satellite segment had gross profit of $5.1 million for the nine months ended November 30, 2012, compared with gross profit of $1.9 million for the same period last year. Satellite gross margin was 16.9% for the nine months ended November 30, 2012, compared to 7.0% for the

same period last year. These increases are attributable to the same factors cited above for the three month periods.

See also Note 12 to the accompanying unaudited consolidated financial statements for additional operating data by business segment.

Operating Expenses

Consolidated research and development (R&D) expense increased by $1.0 million to $3.6 million in the third quarter of fiscal 2013 from $2.6 million in the third quarter of last year. For the nine-month year-to-date periods, R&D expenses increased by $2.0 million from $8.4 million last year to $10.4 million this year. These increases were due primarily to increased salaries expense from additional R&D personnel in the MRM business and higher consulting and outside services.

Consolidated selling expenses increased by $0.3 million to $3.0 million in the third quarter of this year from $2.7 million last year. For the nine-month year-to-date periods, selling expenses increased by $0.8 million from $8.2 million last year to $9.0 million this year. These year-over-year increases are due primarily to higher payroll expense as a result of additional sales personnel and higher sales commission expense.

Consolidated general and administrative expenses ("G&A") were relatively unchanged in the third quarter of this year compared to the prior year. For the nine-month periods, consolidated G&A increased by $0.7 million to $8.8 million for fiscal 2013 from $8.1 million last year due to higher stock-based compensation. The stock-based compensation increased by $430,000 due primarily to the remeasurement and acceleration of expense recognition of the equity awards held by the Company s former CEO. These equity awards vested on July 31, 2012 pursuant to an amendment on March 1, 2012 of the former CEO s employment agreement.

Amortization of intangibles increased from $310,000 in the third quarter of last year to $475,000 in the third quarter of this year. For the nine-month periods, amortization of intangibles increased to $1,267,000 this year from $972,000 last year. These increases are attributable to the current year amortization expense related to the intangibles acquired pursuant to the Navman Wireless Asset Purchase Agreement, partially offset by some intangible assets that became fully amortized in fiscal 2012.

Non-operating Expense, Net

Non-operating expense decreased slightly from the third quarter of last year to the third quarter of this year. Non-operating expense was $330,000 in the nine months ended November 30, 2012, compared to non-operating expense of $2,120,000 in the nine months ended November 30, 2011. This decrease is attributable to lower interest expense in the current year due to lower debt balances and borrowing rates, and the fact that last year s non-operating expense included $801,000 of cumulative foreign currency translation account losses related to the Company s investment in its French subsidiary that were written off as a result of the decision to shut down this subsidiary and a $462,000 write-off of the remaining unamortized debt discount and issue costs on the 12% subordinated notes payable that were repaid last year.

Income Tax Provision

No income tax provision, other than minimum state income taxes in the U.S. and foreign income taxes, was recorded during the three and nine-month periods ended November 30, 2012 and 2011 because of the existence of net operating loss carryforwards (NOLs) that offset the pre-tax income for U.S. federal and state income taxes. The Company currently has a valuation allowance that offsets the future tax benefits associated with unutilized NOLs. As a result of the Company s return to profitability starting last fiscal year, this valuation allowance is being reduced as taxable income is generated and NOLs are utilized. In addition, at the end of the current fiscal year the Company expects to recognize an income tax benefit of roughly $25 million that represents the tax savings associated with the remaining NOLs and tax credit carryforwards that are expected to be utilized in future years. Beginning next fiscal year, the Company expects that its effective income tax rate will revert to a more typical level of around 40% based on full federal and state statutory tax rates.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a credit facility with Square 1 Bank comprised of a term loan and a revolver that provides for aggregate borrowings of up to $12 million. The maturity date of the credit facility is August 15, 2014. The revolver borrowing limit is equal to the lesser of (a) $12 million minus the term loan principal outstanding at any point in time, or (b) 85% of eligible accounts receivable. At November 30, 2012, the Company had no outstanding borrowings under the revolver, and the amount available to borrow at that date amounted to $9,800,000. The term loan, which had an outstanding principal balance of $2,200,000 at November 30, 2012, is repayable at the rate of $100,000 per month. All borrowings under the credit facility bear interest at Square 1 Bank's prime rate plus 1.0% per annum, and are secured by substantially all assets of the Company. At November 30, 2012, the effective interest rate on the revolver and bank term loan was 4.25%. Interest on borrowings under the credit facility is payable monthly.

The bank credit facility contains a financial covenant that requires the Company to maintain minimum levels of earnings before interest, income taxes, depreciation, amortization and other noncash charges (commonly known as EBITDA or adjusted EBITDA) on a rolling six-month basis and a minimum debt coverage ratio. At November 30, 2012, the Company was in compliance with its debt covenants under the credit facility. The credit facility also provides for a number of customary events of default, including a provision that a material adverse change constitutes an event of default that permits the lender, at its option, to accelerate the loan. Among other provisions, the credit facility requires a lock-box and cash collateral account whereby cash remittances from the Company's customers are directed to the cash collateral account and which amounts are applied to reduce the revolving loan principal balance.

The Company's primary sources of liquidity are its cash and cash equivalents, which amounted to $13,560,000 at November 30, 2012, and the revolving line of credit with Square 1 Bank. During the nine months ended November 30, 2012, cash and cash equivalents increased by $7,959,000. During this period, cash was provided by operations in the amount of $10,823,000, proceeds from the exercise of stock options and warrants of $2,621,000, and collections on a note receivable of $430,000, partially offset by $1,000,000 cash paid pursuant to the Navman Wireless Asset Purchase Agreement, capital expenditures of $1,396,000, debt repayments of $960,000, and payment of employee withholding taxes on the net share settlement of vested equity awards and option exercises of $2,551,000.

On December 20, 2012, the Company signed a definitive agreement to acquire the operations of Wireless Matrix Corporation, a provider of fleet tracking applications and satellite communication services, for a cash payment of $53 million, subject to adjustment based on a closing net working capital target. CalAmp plans to finance the transaction using a combination of cash on hand and new debt and equity financing. The transaction is expected to close in March 2013. The Company does not expect that the consummation of this transaction will adversely affect its liquidity.

FORWARD LOOKING STATEMENTS

Forward looking statements in this Form 10-Q which include, without limitation, statements relating to the Company'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 "may", "will", "could", "plans", "intends", "seeks", "believes", "anticipates", "expects", "estimates", "judgment", "goal", 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, competitive pressures and pricing declines in the Company's wireless and satellite markets, the timing of customer approvals of new product designs, intellectual property infringement claims, the effects of the proposed automatic federal budget cuts if the scheduled sequester were to take effect in early 2013, interruption or failure of our Internet-based systems used to wirelessly configure and communicate with the tracking and monitoring devices that we sell, and other risks and uncertainties that are set forth under the caption "Risk Factors" in Part I, Item 1A of the Annual Report on Form 10-K for the year ended February 28, 2012 as filed with the Securities and Exchange Commission on April 26, 2012. Such risks and uncertainties could cause actual results to differ materially from historical or anticipated results. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Risk

The Company has international operations, giving rise to exposure to market risks from changes in foreign exchange rates. A cumulative foreign currency translation loss of $65,000 related to the Company's Canadian subsidiary is included in accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet at November 30, 2012. Foreign currency losses included in the consolidated income statements are as follows (in thousands):

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012	2011	2012	2011
Foreign currency losses	$ 9	$ 103	$ 12	$ 116

In addition, during the second quarter of fiscal 2012, the Company wrote off $801,000 of cumulative foreign currency translation losses related to its French subsidiary as a result of the decision to shut down this subsidiary.

Interest Rate Risk

The Company has variable-rate bank debt. A fluctuation of one percent in the interest rate on the $12 million credit facility with Square 1 Bank would have an annual impact of approximately $120,000 on the Company's consolidated income statement assuming that the full amount of the facility was borrowed.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company's principal executive officer and principal financial officer have concluded, based on their evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, (the "Exchange Act")) as of the end of the period covered by this Report, that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed in reports that are filed or submitted under the Exchange Act is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission.

Internal Control Over Financial Reporting

There has been no change in the Company's internal control over financial reporting that occurred during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not currently involved in any material pending legal proceedings.

ITEM 1A. RISK FACTORS

The reader is referred to Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended February 28, 2012, for a discussion of factors that could materially affect the Company's business, financial condition or future results.

ITEM 6. EXHIBITS

Exhibit 31.1	-	Chief Executive Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	-	Chief Financial Officer Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32	-	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS		XBRL Taxonomy Extension Instance Document
101.SCH		XBRL Taxonomy Extension Schema Document
101.CAL		XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB		XBRL Taxonomy Extension Label Linkbase Document
101.PRE		XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF		XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

December 20, 2012
Date

/s/ Richard Vitelle
Richard Vitelle
Vice President Finance & CFO
(Principal Financial Officer and
Chief Accounting Officer)