



# 2023

## Annual Report

Cal/Amp®





Dear Fellow Stockholders,

Fiscal 2023 was both a challenging and a rewarding year. While the industry struggled through unprecedented global supply chain challenges, CalAmp drove our customers to successfully navigate the 3G to 4G transition and achieved key business transformation milestones. During the year, we have accelerated the pace of CalAmp's business transformation from being a telematics device provider to being a leading provider of subscription-based telematics solutions. As of fiscal year end, CalAmp has reduced our dependence on spot market purchases of key components and successfully converted 78% of our legacy hardware customers to recurring Software & Subscription Services (S&SS) contracts.

As we complete our transition from device to a full-stack solution provider, CalAmp's S&SS revenue increased 20% to \$185 million, or 63% of our total revenue. Additionally, our subscriber count grew 60% – from 1.0 million in FY22 to 1.6 million in FY23. These results demonstrate the success we have achieved during the initial stages of our transformation into a full-stack subscription-based solutions business model. These efforts will grow a predictable recurring revenue stream for CalAmp by generating increasing subscription revenues per device, as our customers derive value from utilizing our unique software applications and the edge computing capabilities of the CalAmp Telematics Cloud (CTC) platform. We ended the year with approximately \$80 million in recurring revenue from these high-margin software applications.

In our transition to a full-stack subscription-based telematics solutions, CalAmp continues to be a strong partner for our customers. We have recently renewed key business relationships with several customers, including a leading global package delivery customer, the Los Angeles Unified School District, and the City of Dallas, among others. Notable new customers added during the year include Ford North America, Brigham Young University, Grupo Salinas, Wabi/Santander, and BMW's MINI. In collaboration with BMW, CalAmp has also launched our new GPS-based vehicle tracking solution across Europe and recognized our first revenue from this partnership.

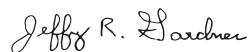
We continue to make significant R&D investments in our application software stack, and we believe that the turnkey solutions we have developed will offer distinct competitive advantages in the marketplace and further accelerate recurring revenue. As an example, we have introduced CalAmp Vision 2.0 – an AI-powered dash-cam and driver behavior solution. In addition, CalAmp introduced our Smart Trailer solution in 2023 and plans to launch additional Cargo Insights capabilities to complement our existing portfolio of leading solutions in the K-12, Commercial Fleet, and Transportation and Logistics sectors.

Another key element of CalAmp's business transformation was to strengthen our leadership team with industry and functional expertise. To this end, we have hired revenue-focused marketing and sales executives, Mark Gaydos and Brennen Carson, to join our Executive Leadership Team. Both have proven experience growing Software & Subscription Services sales and revenue. More recently, we have also appointed Jikun Kim as Chief Financial Officer. In his first few months at CalAmp, Jikun has already been instrumental in accomplishing a restructuring to reduce expenses and streamline our business processes – allowing rapid transformation and ensuring customer focus. Further, this restructuring enables us to lower our breakeven revenue level and expand investment in developing our recurring-revenue-based business model.

In closing, it has been a privilege working with the amazing group of colleagues at CalAmp. I am proud of all that we have accomplished and the progress we have made in positioning the Company for growth and profitability. I will support CalAmp and its Board of Directors with a smooth transition to the next CEO.

I would also like to thank our dedicated employees, customers, and suppliers for your continued support. CalAmp remains focused on advancing our business transformation by expanding the value we provide customers, while increasing profitability and cash flow for investors. We will focus on execution while advancing through the final stages of our transition to becoming a full-stack solution provider. We believe that this will be the most direct path to increasing shareholder value.

Sincerely,

A handwritten signature in black ink that reads "Jeff R. Gardner". The signature is written in a cursive, flowing style.

Jeff Gardner  
President & CEO

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**FOR THE FISCAL YEAR ENDED FEBRUARY 28, 2023**

☐ **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**

**Cal/Amp®**  
**CALAMP CORP.**

(Exact name of Registrant as specified in its Charter)

Delaware

95-3647070

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

15635 Alton Parkway, Suite 250

Irvine, California  
(Address of principal executive offices)

92618  
(Zip Code)

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

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

**TITLE OF EACH CLASS**  
**\$0.01 par value Common Stock**

**TRADING SYMBOL(S)**  
**CAMP**

**NAME OF EACH EXCHANGE**  
**The Nasdaq Stock Market LLC**  
**(The Nasdaq Global Select Market)**

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒.

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒  
If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Large accelerated filer ☐  
Non-accelerated filer ☐  
Emerging growth company ☐

Accelerated filer ☒  
Smaller reporting company ☐

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

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

As of August 31, 2022, the aggregate market value of shares held by non-affiliates of the registrant was approximately \$188.4 million. For purposes of calculating the aggregate market value of shares held by non-affiliates, we have assumed that all outstanding shares are held by non-affiliates, except for shares held by each of our executive officers, directors and 10% or greater stockholders. These assumptions should not be deemed to constitute an admission that all executive officers, directors and 10% or greater stockholders are, in fact, affiliates of our company. As of April 24, 2023, there were 37,424,904 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for the Annual Meeting of Stockholders to be held on July 27, 2023 are incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Form 10-K. This Proxy Statement will be filed within 120 days after the end of the fiscal year covered by this report.

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## PART I

### ITEM 1. BUSINESS

#### Company Overview

CalAmp Corp. (including its subsidiaries unless the context otherwise requires, “CalAmp”, “the Company”, “we”, “our”, or “us”) is a connected intelligence company that leverages a data-driven solutions ecosystem to help people and organizations improve operational performance. We solve complex problems for customers within the market verticals of transportation and logistics, commercial and government fleets, industrial equipment, K12 fleets, and consumer vehicles by providing solutions that track, monitor, and protect their vital assets. The data and insights enabled by CalAmp solutions provide real-time visibility into a user’s vehicles, assets, drivers, and cargo, giving organizations greater understanding and control of their operations. Ultimately, these insights drive operational visibility, safety, efficiency, maintenance, and sustainability for organizations around the world.

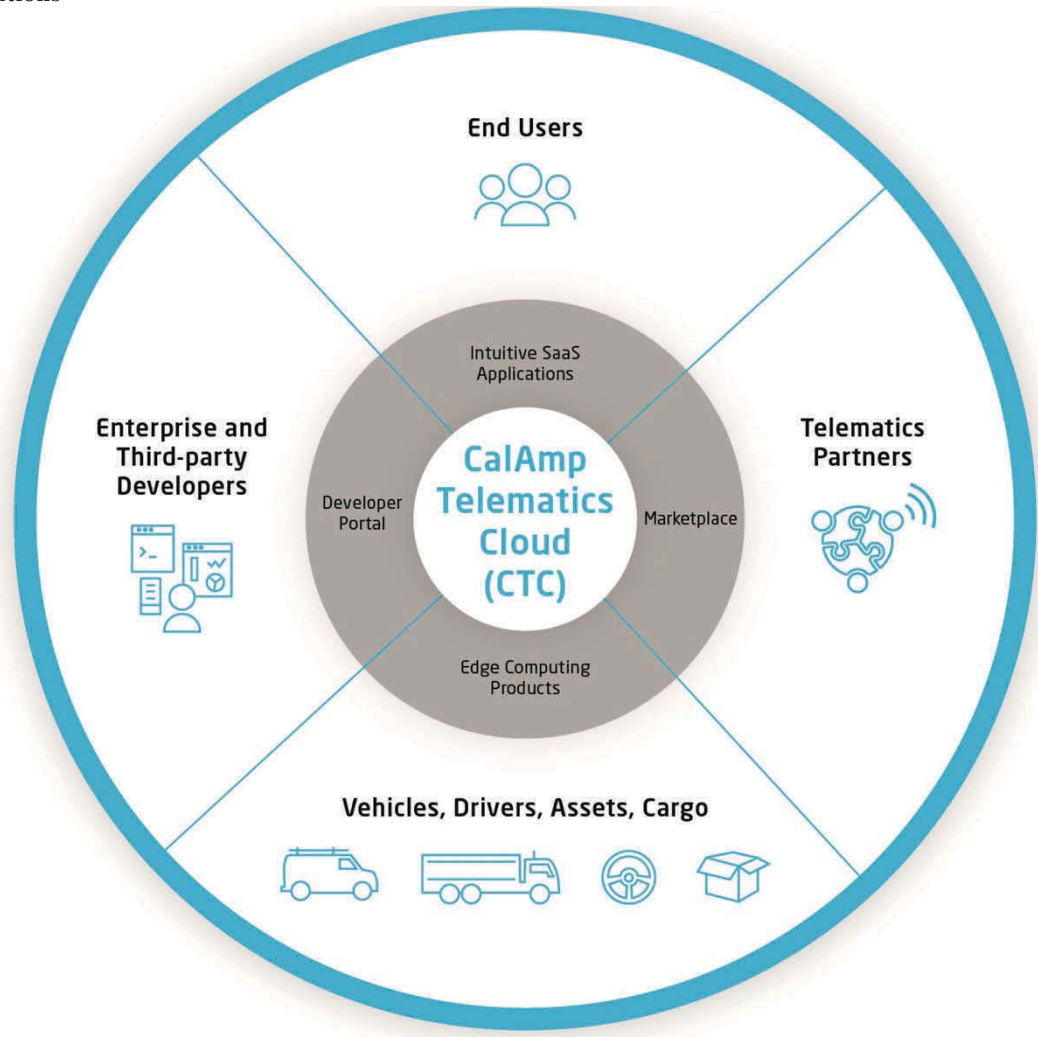
Currently, CalAmp is generating data for a global customer portfolio across an installed base of approximately 10 million devices reporting to our cloud-based platform. The magnitude and diversity of this data generation has played an instrumental role in the development of our flexible and scalable cloud platform, the CalAmp Telematics Cloud™ (“CTC”). CTC’s ability to ingest vast amounts and types of data is critical to the company’s long-term strategy of providing differentiated insights to customers with a wide variety of needs and use cases. The platform also serves as the backbone for CalAmp’s software applications, which offer user-friendly interfaces to interact with the data and insights produced at the edge and in the cloud. Finally, to better address customer needs and enable a focused investment strategy, CalAmp is focused on enabling partnerships with third-party organizations, integrating devices, services, and application features into our consolidated solutions.

CalAmp’s ability to provide a full stack solution to end-users across the globe uniquely positions the company to capitalize on an estimated \$62 billion total addressable market (“TAM”). The market in which we compete is highly fragmented, with the majority of competitors serving a range of subsets of CalAmp’s addressable market. We believe that this fragmentation will allow CalAmp to offer unparalleled value through a consolidated solution set. The company is focusing on transforming towards this vision by building out data-driven solutions, a robust portfolio of partners, and a world-class team of people.

The complexity that exists within CalAmp’s operating environment continues to be primarily driven by macro-economic conditions, competitive markets, global regulatory environments, technological evolution, global supply chain complications, the COVID-19 pandemic, and other macro-political and economic factors. We believe that the effect that these factors have on our customers further substantiates and augments the value of our solutions. As our customers’ operating complexity and costs continue to rise, the deployment of advanced telematics solutions becomes even more imperative. To maintain or enhance market share, revenue, profitability, and customer satisfaction, our customers require optimally efficient operating strategies, enabled by the visibility that CalAmp solutions provide.



## Our Solutions



**CalAmp Telematics Cloud (“CTC”).** Since not all customers’ needs are the same, CalAmp offers flexible solutions to meet the requirements of varying organizations, business processes and operational strategies. At the core of the CalAmp approach is the CTC platform. This dependable and highly scalable platform seamlessly integrates with CalAmp’s edge computing products to provide customers detailed information and insights via Application Programming Interfaces (“APIs”) or software applications built on this platform. The information captured here helps companies more efficiently manage their vital assets including fleet video intelligence, remote asset tracking, real-time crash response and driver behavior scoring, among others. Customers can choose to access this information via intuitive purpose-built Software-as-a-Service (“SaaS”) applications and/or they can programmatically integrate information from CTC with their own custom in-house applications and workflows using open APIs also offered by CalAmp. In this way, customers who want a complete turnkey solution can quickly leverage CalAmp’s information and insights while those customers wishing to integrate that information into their own applications and processes can easily do so, also.



**Intuitive SaaS Applications.** We provide our customers with intelligent analytics and reporting solutions that are accessible via a single view, user-friendly interface through a SaaS-based application designed to address market needs. The CalAmp application is purpose-built for fleets, transportation and logistics needs, and industrial equipment, turning multiple data feeds from previously unconnected networks of vehicles, drivers and associated assets into clear and actionable insights that optimize operations, increase productivity and deliver compelling return on investment for virtually any business challenge. The applications also deliver real-time visibility about the location and environmental status of pharmaceuticals, electronics, food or other perishables from the manufacturing plant or point of origin to the point of delivery, helping to manage quality and compliance across land, air or sea shipments. Our K-through-12 solutions include **Here Comes The Bus®**, an award-winning mobile application that provides real-time school bus location through push notifications and email alerts to help family members monitor bus arrival and keep students safe. **Bus Guardian™** enables contact tracing and hygiene verification to keep students, drivers and other school staff safe amid the COVID-19 pandemic.

**CalAmp Marketplace.** The CalAmp Marketplace provides enhanced contextual information from third party systems or partners that augment the core telematics data being captured by CTC to provide customers with improved understanding of their business. Examples of these value-added insights include crash detection and notifications that speed life-saving assistance to drivers and fleet operators, and predictive remote diagnostics that enable preemptive alerts about vehicle issues before critical failures occur. This valued-added information provided by all the CalAmp Marketplace offerings bolsters the value we provide customers while also improving customer retention rates.

**CalAmp Developer Portal.** The CalAmp Telematics Cloud is the core engine that enables seamless management of data through a diverse set of assets, from service vehicles to high-value equipment. CTC is an enablement platform that connects our customers to edge data and insights for a wide range of applications and software services. Through CTC CalAmp provides the Developer Portal to facilitate integration with third-party applications through open APIs. Our partners leverage the multiple APIs we've created to rapidly deliver full-featured telematics solutions available to our mutual customers and markets. Our proven CTC platform is architected to integrate with numerous global Mobile Network Operator account management systems and leverage these carrier backend systems to provide customers access to services that are essential for creating and managing flexible end-to-end solutions.

**Flexible Edge Computing Products.** We offer a series of telematics edge products that serve as the foundation of our mobile connected ecosystem by collecting data insights from vehicles, drivers, assets, and cargo. These wireless enabled devices--including asset tracking units, mobile telematics devices, fixed and mobile wireless gateways and routers--underpin our wide range of proprietary and third-party software applications and services for business-critical deployments demanding secure and reliable communications and controls anywhere in the world. Our customers select our products and solutions based on optimized feature sets, programmability, configurability, manageability, long-term support, reliability and, in particular, overall value.

## Growth Strategy – Capitalize on \$62B Total Addressable Market

Over the past several years, CalAmp has been focused on growing our subscription-based business through expanded data and application-driven solutions offerings. This transition has been driven by our desire to enhance the customer experience and maximize the value proposition that we provide our customers. By transforming our business model and solutions portfolio to focus on data-driven insights and the application experience, CalAmp offers customers the value and convenience of a consolidated full stack solution, while providing shareholders with the confidence that accompanies an increasingly recurring and predictable revenue model.

CalAmp operates at the nexus of several large market opportunities, including fleet, transportation and logistics, supply chain and connected-vehicle ecosystems, which includes tracking, monitoring, and recovering high-value vehicles, equipment, cargo and other vital assets in the markets around the world. We also operate at global scale, with a presence in the North American, EMEA, LATAM, and APAC regions, with plans to continue growing across the board. We believe these market opportunities constitute a TAM of approximately \$62 billion. To capitalize on this TAM, our growth strategy includes the following key elements:

- **Drive Ongoing Transformation to SaaS Business Model.** We are relentlessly pursuing our goal to grow our software and subscription services business. To accomplish this goal, our team is focused on continual innovation across our proprietary full stack solution. We believe that by leveraging our existing brand presence and customer base, we can drive growth through the adoption of our software applications and open API solutions. As CalAmp continues to drive significant subscriber growth, the increased volumes of data will drive our innovation roadmaps towards increasingly unique and differentiated solutions. This strategy begins with converting the legacy installed base to SaaS arrangements, while simultaneously ramping up SaaS sales volumes to both new and existing customers.
- **Launch New Innovative Software Solutions in the Emerging Connected Asset Market Worldwide.** Across the globe, CalAmp has established highly recognizable brands, as well as strong and unique relationships with the most reputable companies in each of our verticals. This is a direct result of the company's ability to consistently push the frontiers of innovation and develop customer-focused solutions. With innovation as a central component of our culture, CalAmp continues to develop new telematics solutions for the connected asset market such as our award-winning iOn™ application, Here Comes the Bus application and Bus Guardian solution.
- **Expand in Key Verticals and Target Geographies.** CalAmp continues to leverage our existing customer relationships and international subscribers to further expand into global markets including Latin America, Europe, Middle East & Africa, and Asia Pacific. Our global expansion strategy is focused on countries with anticipated demand for our full stack of SaaS applications and data services. The launch of iOn in EMEA demonstrates our commitment to execute on this strategy and extend the value of our CTC platform and applications into global markets. We expect this strategy to generate significant growth over time as our international solutions continue to mature and adjust to unique regional market needs.
- **Continue to Help Customers Realize the Value of Fully Connected Ecosystems.** Because CalAmp solutions are capable of connecting diverse asset portfolios and offering consolidated insights, the value of our solution grows as we become more embedded across customers' operational ecosystems. This value is not only attractive to new customers looking for a consolidated solution, but it is also the basis for our ability to upsell existing customers. As our teams continue to build out innovative data services and edge capabilities, we expect to see significant average revenue per unit ("ARPU") expansion and new customer growth.

## Customer Benefits

Our software and subscription services solutions and edge-computing products are deployed in a wide variety of applications across key market verticals ranging from small to large enterprises. Companies using CalAmp's solutions require constant communication with remote and/or mobile assets as they perform business-critical tasks

and services that are otherwise difficult to manage in real time. Our solutions provide a clear and demonstrable return on investment for these customers by:

- **Improving efficiency, cost savings and sustainability.** CalAmp's solutions enable customers to gain better control and visibility of how their drivers, cargo, assets and vehicles are operating. With this information they are better able to streamline and optimize their operations which reduces fuel usage, decreases labor costs and improves overall efficiency. Additionally, using less fuel reduces the carbon footprint of an organization and helps them in reaching their sustainability goals.
- **Improving tracking and transparency.** One of the most important benefits our customers receive by using CalAmp's solutions is gaining greater understanding of where and how their assets, vehicles, and cargo are being used. The insights we provide help organizations operate more effectively, provide better support to both their internal and external customers, and ensure that their resources are being properly deployed, used and delivered.
- **Increasing safety and compliance.** Because our solutions enable fleet operators to track, monitor and gain greater transparency of how their vehicles and assets are being used, they also allow customers to improve the behavior of employees which bolsters safety while also ensuring personnel are complying with governance policies. Additionally, for K-through-12 students all over the U.S. and Canada, our proprietary school bus tracking and mobile app provide pick-up and drop-off information to give parents and students peace of mind as they travel to and from school.
- **Better maintenance and increased uptime.** CalAmp's solutions provide visibility into maintenance, usage, and tracking of on- and off-road high-value assets including assets like vehicles, "yellow-iron" and attachments, forklifts and loaders to generators, compressors and other mission-critical equipment. The detailed insights into information like engine hours, impact and other diagnostics help our customers head off issues before they occur in order to improve overall equipment/fleet uptime.

## Manufacturing and Operations

While our products are largely designed in the U.S., we currently outsource our manufacturing to certain contract manufacturers in Taiwan, Vietnam, Malaysia and Mexico as well as some limited production in China and Hong Kong. The devices, components and assemblies used in our solutions and products can be obtained from these manufacturers, although a few components are obtained from sole source suppliers. Although we do not have any long-term purchase contracts, we have executed product supply agreements with these manufacturers, which provide for certain product quality requirements. We are not vertically integrated, which provides us with flexibility and an ability to adapt to changes in the market, product supply and pricing while keeping our fixed costs low. Our relationships with our manufacturers are critical to the success of our business. We have strong relationships with our manufacturers, helping us to meet supply and support requirements stipulated by our customers.

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

We and our contract manufacturers are certified to the ISO (International Organization for Standardization) 9001 quality management systems standard.

## Research and Development

We compete in markets characterized by industry disruption, rapid technological change, evolving industry standards and new product features. We believe that our future success depends upon our ability to develop innovative new products and solutions as well as enhancements to our existing products and solutions with advanced functionality and ease of use to drive customer demand and to further enhance our global brand and drive recurring revenue. We will continue to focus our research and development resources primarily on developing telematics products, services and software solutions for fleet management, heavy equipment monitoring and optimization, stolen vehicle recovery, consumer aftermarket telematics, trailer and asset tracking, transportation and logistics, and industrial monitoring. We have developed a technology platform that can be leveraged across many of our vertical markets, applications and geographic regions. This includes a cloud-based telematics application enablement platform and end-user software applications, a comprehensive purpose-built telematics edge platform, cellular and satellite communications network-based asset tracking units as well as 4G and 5G LTE and CatM edge devices primarily for mobile applications. In addition, our development resources have been allocated to rationalizing existing product lines, reducing product costs, and improving performance through product redesign efforts. Our research and development efforts have resulted in generating significant intellectual property in the telematics vertical as is evident in our broad patent portfolio. We continue to actively pursue developing innovative solutions that add to our intellectual property portfolio.

Our research and development expenses from continuing operations in fiscal years ended February 28, 2023, 2022 and 2021, were \$24.6 million, \$28.4 million, and \$25.8 million, respectively. During this three-year period, our research and development expenses have ranged between 8% and 10% of annual consolidated revenues.

## Sales and Marketing

We market and sell our solutions and services through our global direct sales organization, channel partner program and Original Equipment Manufacturers (“OEM”) sales organizations while driving awareness through our websites and digital presence. Our global direct sales organization consists of teams of field salespeople, key account managers and business development managers, who work closely with solutions and applications specialists and other internal sales support personnel. We have organized our field sales personnel, together with internal sales and field support personnel, into teams within each business group based on their specialized knowledge and expertise relating to specific solutions and service areas, geographies and customer groups. These sales teams are closely aligned with their respective solutions management, engineering and operations organizations.

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

We also actively sell our products in certain markets through independent sales representatives and distributors. In some cases, we have granted representatives and distributors exclusive authorization to sell certain products in specific geographic areas. These agreements generally have a term of one year, which automatically renews on an annual basis, and are generally terminable by either party following a specified notice period.

We will continue our investment in sales and marketing programs that further build brand awareness, improve revenue generation and foster long-term relationships with our customers. Our marketing programs are focused on supporting multi-channel product launches in new geographic markets.

Additionally, we are focused on maximizing our efficiency and the reach of our marketing spend by investing in product marketing, content development, public relations, social media and digital marketing programs. These programs are developed to educate our potential customers and other industry influencers to drive sales engagement around our products and services. Our activities around product marketing, content development, public relations, thought leadership, social media and digital marketing are aligned with our customary product launches, media campaigns and presence at tradeshow and high exposure venues focused in the transportation and logistics sector such as Technology and Maintenance Council (TMC), Management Conference & Exhibition (MCE) and other high-profile industry events, as such in-person events recommence amid easing of COVID-19 restrictions.

## **Competition**

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

The competitive landscape is incredibly fragmented, and most companies offer solutions to solve the needs of specific verticals, sub verticals, or asset classes. For instance, many companies specialize in cab and fleet visibility, such as Geotab and Verizon Connect, while others specialize in trailer visibility, like Phillips Connect, Sky Bitz, and Xirgo. However, we also encounter competitors like Keep Truckin' and Samsara, who specialize in multiple verticals.

## **Backlog**

Total consolidated backlog, comprised of our remaining performance obligations for software & subscription services and telematics devices backlog aggregated \$264 million at February 28, 2023, compared to \$285 million at February 28, 2022.

As of February 28, 2023, our remaining contractual performance obligations for software & subscription services were \$234.5 million as compared to \$202.0 million as of February 28, 2022. The majority of our growth in contractual performance obligations was driven by conversion of significant telematics products customers to multi-year subscription contracts and renewals in the fleet market. We expect to recognize approximately 49% of our remaining contractual performance obligations in Fiscal 2024.

Total backlog for our telematics devices as of February 28, 2023 and February 28, 2022 was \$29 million and \$83 million, respectively. Substantially all of the backlog at February 28, 2023 is expected to be shipped in Fiscal 2024. Our backlog for telematics devices decreased year-over-year as during Fiscal 2022, we experienced significant supply shortages due to the lingering impact of the COVID-19 pandemic. As we drive toward a SaaS business model, we expect that a significant portion of the February 28, 2023 telematics devices backlog will ultimately be bundled and fulfilled in connection with multi-year subscription contracts.

## **Intellectual Property**

Intellectual property is an important aspect of our business, and we seek protection for our intellectual property as appropriate. We rely upon a combination of patent, trade secret, and trademark laws and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. In addition, we often rely on inbound licenses of intellectual property for use in our business.

We own and utilize the tradename "CalAmp" as well as the related logos and trademarks on many of our products and solutions. We believe that having distinctive marks that are registered and readily identifiable is an important factor in identifying our brand. As of February 28, 2023, we have over 170 active trademark applications and registrations throughout the world, with approximately 24 pending and registered trademarks in the U.S.

As of February 28, 2023, we had nearly 300 patents worldwide. In addition to our awarded patents, we have approximately 50 patent applications in process. Although a number of these trademarks, and patents relate to software and products that are significant to our business and operations, we do not believe we are dependent on a single trademark, copyright or patent.

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



## Governmental Regulation

We are subject to a variety of U.S. and foreign laws and regulations in connection with our operations, including those governing discharges of pollutants into the air and water, the management and disposal of hazardous substances and the clean-up of contaminated sites, and close oversight of our products' material compliance including adherence to relevant EPA regulations under the Toxic Substances Control Act. While we believe that we are currently in material compliance with these regulatory requirements, the requirements may change or new requirements may be imposed that could require significant unanticipated expenditures by us.

We have established environmental management systems and continually update our environmental policies and standard operating procedures for our operations worldwide. We believe that our operations are in material compliance with applicable environmental laws, regulations and permits. We budget for operating and capital costs on an ongoing basis to comply with environmental laws.

## Corporate Responsibility and Sustainability

We believe responsible and sustainable business practices support our long-term success. As a company, we are deeply committed to protecting and supporting our people, our environment, and our communities. That commitment is reflected through various corporate initiatives as well as day-to-day activities, including our adoption of sustainability-focused policies and procedures, our publicly recognized focus on fostering an inclusive workplace, our constant drive toward more efficient use of materials and energy, our careful and active management of our supply chain, our services and products which help reduce carbon footprints and enhance road safety, and our impactful, globally integrated ethics and compliance program.

- *Customer Success* – We seek to understand, anticipate and respond to internal and external customer needs, and work to achieve total customer satisfaction to ensure their success and ours.
- *Innovation* – We are committed to transforming ideas into new and improved products and processes to advance, compete and differentiate ourselves and bring value to our customers and teams.
- *Execution* – We deliver results and exceed customer expectations with a can-do attitude that overcomes obstacles with solutions: we hold ourselves accountable, learn from errors and move forward productively.
- *Inclusion* – We believe in the integrity, honesty and trust of our employees, and are committed to building diverse teams that value differences of opinion and embrace positive, respectful collaboration.

## Human Capital and Company Culture

People are our greatest asset and we are committed to being an employer of choice in our industry.

CalAmp offers an engaging and diverse work environment where people take pride in their contributions and share in the company's success. We empower our employees to showcase their talent, sharpen their skills, develop new professional and leadership capabilities while being part of a global team that develops revolutionary technologies.

CalAmp continually strives to be a deeply inclusive employer with diversity reflected in our teams. We encourage employees to be truly themselves and thrive in an environment where their voices matter, differences are understood and valued, and where they are supported to express their unique ideas openly. We aim to foster a highly engaged and energized workplace, where everyone is treated with dignity and respect and is excited to achieve more.

Our employees engage in meaningful work with access to cutting-edge tools and technologies to develop solutions that disrupt entire industries.

CalAmp's strategic leadership comes from a solid base of worldwide experience in technology, from connected vehicles to networking to public safety to energy and beyond. The executive team has years of expertise in both start-up and enterprise environments designing software and hardware for a wide variety of applications.

Our company culture is driven by four core values:

- *Customer Success* – we seek to achieve total customer satisfaction by understanding what the customer wants and delivering it flawlessly. We communicate and collaborate effectively with others for the benefit of the customer. Satisfied customers are essential to our success.



- Innovation – we do not accept the status quo. We are committed to transforming ideas into new and improved solutions and processes. We respond resourcefully to demands and challenges in order to advance, compete and differentiate ourselves successfully in the marketplace and bring value to our customers.
- Execution – we make and meet our commitments. We deliver results in tight timeframes. Our can-do attitude supports us in overcoming obstacles with solutions, and we are accountable when errors are made. We learn from mistakes and move forward.
- Inclusion – we believe in the integrity, honesty and trust of our employees, and we value their diversity of thought and opinion. We embrace collaboration by listening to the opinions of others, valuing their differences and speaking in a positive, respectful manner. We take personal responsibility for our actions and are committed to building diverse teams with fairness and respect for all.

As of February 28, 2023, we had 644 employees. From time to time we also hire contracted workers that are generally engaged through independent temporary labor agencies. None of our employees or contract workers are represented by a labor union.

## AVAILABLE INFORMATION

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

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

## ITEM 1A. RISK FACTORS

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

### Summary of Risk Factors

Our business is subject to a number of risks of which you should be aware. Among others, including those described in more detail below, these risks include:

- We face several factors which may have a material adverse effect on our business, results of operations and financial condition, and effect our ability to continue as a going concern:
  - We are not cash flow positive and may not have sufficient cash to fund our long term planned operations. As of February 28, 2023, we had \$41.9 million of cash and cash equivalents, a decrease of \$37.3 million from February 28, 2022.
  - We may not be able to access additional funds under our asset-based revolving credit facility due, in part, to certain covenants regarding our fixed charge coverage ratio.

- We may not have sufficient cash flow from our business to fund conversions of the 2025 Convertible Notes in cash, or repay the 2025 Convertible Notes at maturity or repurchase them upon a fundamental change
  - We may not have the ability to raise the funds to pay our obligations under our 2025 Convertible Notes, or extend the maturity date of our 2025 Convertible Notes. Any adverse changes in our credit ratings could increase our borrowing costs and could adversely affect our ability to access the debt markets, and any equity financing could affect our stock price and be materially dilutive to existing stockholders.
- Our asset-based revolving credit facility contains covenant restrictions that may limit our ability to operate, including restrictions on our ability to incur additional debt, create liens, or make certain voluntary prepayments of specified debt.
- Component shortages and uncertainty in international trade relations with China may adversely impact us and have a material adverse effect on our business, results of operations and financial condition. A substantial portion of our products, components and subassemblies are currently procured from foreign suppliers located primarily in Hong Kong, Mainland China, Malaysia, Mexico and other Pacific Rim countries.
- The COVID-19 pandemic has disrupted our operations and the continued effects of the pandemic could have a material adverse impact on our business, results of operations and financial condition.
- Because some of our components, assemblies and electronics manufacturing services are purchased from sole source suppliers or require long lead times, our business is subject to unexpected interruptions, which may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.
- Because we depend on a few significant customers for a substantial portion of our revenues and we generally do not have long-term contracts with customers, the loss or significant decline or slowdown of sales to these customers could have an adverse effect on our business, financial condition or results of operations.
- Our operations are subject to the effects of a rising rate of inflation. If the inflation rate continues to impact the costs of our labor and supplies, and the costs of our suppliers, it will adversely affect our operating expenses.
- Because the markets in which we compete are highly competitive and some of our competitors have greater resources than us, we cannot be certain that our products and services will continue to be accepted in the marketplace or will maintain or capture increased market share.
- We have been subject to breaches of our information technology systems, and are at risk of future attacks, which could damage our reputation, vendor and customer relationships, and our customers' access to our services.
- If demand for our products and services fluctuates rapidly and unpredictably, it may be difficult to manage our business efficiently, which may result in reduced gross margins and profitability.
- If we do not meet product and services introduction deadlines or if we fail to predict carrier and end user customer preferences among the many evolving wireless industry standards, our business could be adversely affected.
- Any acquisitions we pursue could disrupt our business and harm our financial condition and results of operations.
- Our global operations and continued international expansion expose us to risks and challenges associated with conducting business internationally. The ongoing military action between Russia and Ukraine may amplify or precipitate these risks and the other risks described herein.
- Some of our products are subject to mandatory regulatory approvals in the U.S. and other countries that are subject to change, which could make compliance costly and unpredictable.
- Ongoing changes to U.S. tax, tariff and import/export regulations may have a negative effect on global economic conditions, financial markets and our business.

- We may not be able to adequately protect our intellectual property, and our competitors may be able to offer similar products and services that would harm our competitive position.
- We rely on access to third-party patents and intellectual property, and our future results could be materially and adversely affected if we are unable to secure such access in the future.
- We depend to some extent upon wireless networks owned and controlled by others, unproven business models, and emerging wireless carrier models to deliver existing services and to grow.
- The trading price of shares of our common stock may be affected by many factors and the price of shares of our common stock could decline.

## **Risks Related to Our Cash Flow and Liquidity**

***We are not cash flow positive and may not have sufficient cash to fund our long term planned operations, and we may not be able to access additional funds under our asset-based revolving credit facility due, in part, to certain covenants regarding our fixed charge coverage ratio, all of which could have a material adverse effect on our financial condition and ability to continue as a going concern.***

Our operations have consumed substantial amounts of cash during Fiscal 2023, and we may continue to incur substantial losses and negative cash flow from operations for the foreseeable future. As of February 28, 2023, we had \$41.9 million of cash and cash equivalents, a decrease of \$37.3 million from February 28, 2022. Our future performance is subject to economic, operational, financial, competitive and other factors, including the current inflationary environment, supply chain constraints and the impact of uncertain international trade relations.

We may not be able to access additional funds under our asset-based revolving credit facility. The credit facility contains certain negative and affirmative covenants, including financial covenants that, among other things, require us to maintain a fixed charge coverage ratio of not less than 1.10 to 1.00, measured as of the last day of each fiscal quarter, if our liquidity position (consisting of specified cash balances plus unused availability on the revolving credit facility) falls below \$40.0 million on such day. Our ability to comply with the financial covenants in the credit agreement and access our revolving credit facility will be materially affected if our liquidity position falls below \$40.0 million.

Additional funds may not be available on terms acceptable to us or at all. Specifically, we may be unable to secure additional debt financing without restrictive terms or issue additional equity without impacting our stock price or being materially dilutive to existing stockholders. If we are unable to generate sufficient cash flows or to access or raise adequate funds to finance our forecasted expenditures, we may have to make significant changes or reductions to our operations. We also may have to reduce sales, marketing, customer support or other resources devoted to our existing or new products, or we may need to cease operations. Any of these actions could materially impede our ability to achieve our business objectives and could materially harm our operating results. If our cash, cash equivalents and investments are insufficient to fund our projected operating requirements and we are unable to access additional funds under our credit facility or raise additional capital, it could have a material adverse effect on our business, financial condition and results of operations and prospects and ability to continue as a going concern.

***We may not have sufficient cash flow from our business to fund conversions of the 2025 Convertible Notes in cash, or repay the 2025 Convertible Notes at maturity or repurchase them upon a fundamental change, which could have a material adverse effect on our financial condition and ability to continue as a going concern. We cannot provide any assurances that we will be able to fund through operations the necessary amount of capital to repay these obligations.***

We have \$230.0 million aggregate principal amount of 2.00% convertible senior unsecured notes due in 2025 (“2025 Convertible Notes” or “Notes”) outstanding. As of February 28, 2023, we had \$41.9 million of cash and cash equivalents, a decrease of \$37.3 million from February 28, 2022.

Upon maturity of the 2025 Convertible Notes, we may be required to make cash payments in repayment of the notes. In addition, upon conversion of the 2025 Convertible Notes, we will satisfy part or all of our conversion obligation in cash unless we elect to settle conversions solely in shares of our common stock. Furthermore, holders of the 2025 Convertible Notes will have the right to require us to repurchase all or a portion of their 2025 Convertible Notes upon the occurrence of a fundamental change at a repurchase price equal to the principal amount of the 2025 Convertible Notes to be repurchased, plus accrued and unpaid interest, if any. We may not have enough available cash or be able to obtain financing at the time we are required to repurchase the 2025 Convertible Notes, to pay cash upon

maturity of the 2025 Convertible Notes or to pay any cash amounts due upon conversion of the 2025 Convertible Notes. Our ability to pay cash upon conversion of or at maturity of the 2025 Convertible Notes depends on our future performance, which is subject to economic, financial, competitive and other factors including the current inflationary environment, supply chain constraints and the uncertainties regarding international trade relations due in part to the armed conflict in Ukraine. Our business may not generate cash flow from operations in the future sufficient to service our debt and to fund capital expenditures or acquisitions. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive, which could have a material adverse effect on our financial condition and ability to continue as a going concern.

Our ability to repurchase or to pay cash upon conversions or at maturity of the 2025 Convertible Notes may be limited by law, regulatory authority or agreements governing our future indebtedness. Our failure to repurchase the notes at a time when the repurchase is required by the applicable indenture or to pay any cash payable on future conversions of the 2025 Convertible Notes as required by the applicable indenture would constitute a default under the applicable indenture. A default under the indenture governing the 2025 Convertible Notes or the fundamental change itself could also lead to a default under agreements governing our other indebtedness, which may result in that other indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under the other indebtedness and the notes.

Holders may convert their 2025 Convertible Notes into cash, shares of our common stock or a combination of cash and shares of common stock, at our election. The current conversion rate of the 2025 Convertible Notes is 32.5256 shares of common stock per \$1,000 principal amount of the convertible notes, which is equivalent to an initial conversion price of approximately \$30.75 per share of common stock. The conversion rate is subject to customary adjustments. Holders may convert their 2025 Convertible Notes at their option upon the occurrence of certain events, as defined in the indenture governing the 2025 Convertible Notes.

***We may not have the ability to raise the funds required to pay our obligations under our 2025 Convertible Notes, or extend the maturity date of the 2025 Convertible Notes, and any adverse changes in our credit ratings could increase our borrowing costs and could adversely affect our ability to access the debt markets, all of which could have a material adverse effect on our financial condition and ability to continue as a going concern.***

We may not be able to raise sufficient capital to repay our 2025 Convertible Notes at maturity. If we are unable to pay these obligations or otherwise unable to extend the maturity dates or refinance these obligations, we would be in default. We cannot provide any assurances that we will be able to fund through operations the necessary amount of capital to repay these obligations, or that we will be able to extend the maturity dates or otherwise refinance these obligations, which could have a material adverse effect on our financial condition and ability to continue as a going concern.

Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. Our 2025 Convertible Notes are rated by certain major credit rating agencies. These credit ratings impact our cost of borrowing and our ability to access the capital markets and are based on our financial performance and certain financial metrics including debt levels. There can be no assurance that we will be able to maintain our current credit ratings. Any downgrade of our credit rating by any of the major credit rating agencies could result in increased borrowing costs and could adversely affect our ability to access the debt markets to refinance our existing debt or finance future debt. Factors that we cannot control, such as disruption of the financial markets, including concerns regarding fiscal matters in the U.S. and other geographic areas, could also impair our ability to raise funding.

***Our asset-based revolving credit facility contains covenant restrictions that may limit our ability to operate our business.***

Our senior asset-based revolving credit facility contains, and any of our other future debt agreements may contain, certain affirmative and negative covenants, including covenants that restrict our ability to, among other things, incur additional debt or issue guarantees, create liens, repurchase stock, or make other restricted payments, and make certain voluntary prepayments of specified debt. As a result of these covenants, our ability to respond to changes in business and economic conditions and engage in beneficial transactions, including to obtain additional financing as needed, may be restricted.

Our revolving credit facility also contains a financial covenant that require us to maintain a fixed charge coverage ratio of not less than 1.10 to 1.00, measured as of the last day of each fiscal quarter if our liquidity position, consisting of specified cash balances plus unused availability on the revolving credit facility, falls below \$40.0 million on such day. Additionally, our revolving credit facility contains a cash dominion trigger whereby PNC Bank may direct domestic cash balances and receipts to pay down borrowings under the revolving credit facility should our liquidity position, consisting of specified cash balances plus unused availability on the revolving credit facility, fall below \$25.0 million at the end of any month. As of February 28, 2023, we were in compliance with our covenants under the revolving credit facility. However, if we are unable to comply with our covenants under the revolving credit facility in the future, our availability of cash resources may be reduced and our business may be adversely affected. Our ability to comply with these conditions will be materially affected if our liquidity position falls below \$40.0 million. Additionally, our ability to comply with these covenants may be affected by events and conditions beyond our control, including the factors discussed above. A breach of any of these covenants could result in a default under the credit agreement and related credit documents, which could cause all of the outstanding indebtedness under our revolving credit facility to become immediately due and payable. If any of our debt is accelerated, we may not have sufficient funds available to repay it.

### **Risks Related to Our Business Operations and Financial Condition**

***Component shortages and uncertainty in international trade relations with China may adversely impact us and have a material adverse effect on our business, results of operations and financial condition.***

A substantial portion of our products, components and subassemblies are currently procured from foreign suppliers located primarily in Hong Kong, mainland China, Malaysia, Mexico and other Pacific Rim countries. We accelerated our supply chain diversification program to transition our manufacturing to tier one global contract manufacturers with facilities outside of China. This program was initiated against the backdrop of the escalation of trade tensions between the U.S. and China. This transition contributed to various supply disruptions, including component shortages, beginning in the third and fourth quarter of Fiscal 2020. Additionally, during Fiscal 2022 and Fiscal 2023, we experienced supply shortages as a result of global supply imbalances initially driven by the global pandemic, which have negatively impacted all parts of our business. Although we are taking steps to address these matters, the related operational challenges and supply chain disruptions may persist for some time.

***The COVID-19 pandemic has disrupted our operations and the continued effects of the pandemic could have a material adverse impact on our business, results of operations and financial condition.***

The COVID-19 pandemic, including the continued spread of new variants and the measures taken to limit its spread has had, and other pandemics in the future could have, adverse repercussions across global economies and financial markets, as well as on us. Through Fiscal 2022, our revenues were negatively impacted by COVID-19 as various small-to-medium customers postponed their capital expenditure due to the pandemic and related macro-economic uncertainties. We have experienced supply shortages as a result of global supply imbalances driven by the global pandemic. These global supply imbalances have negatively impacted our business during Fiscal 2023. It is difficult to predict the extent to which the pandemic will continue to impact our future business or operating results, which are highly dependent on uncertain future developments, including the severity of the continuing pandemic, the actions taken or to be taken by governments and private businesses in relation to its containment and the resolution of supply chain issues and supply shortages. Because our business is dependent on telematics product sales, device installations and related subscription-based services, the ultimate effect of COVID-19 and the current supply shortages may not be fully reflected in our operating results until future periods.

To the extent that COVID-19 adversely affects our business, results of operations, financial condition and cash flows, it may also heighten many of the risk factors described in this “Risk Factors” section.



***Because some of our components, assemblies and electronics manufacturing services are purchased from sole source suppliers or require long lead times, our business is subject to unexpected interruptions, which may adversely affect our ability to bring products to market, damage our reputation and adversely affect our results of operations.***

We operate an outsourced manufacturing business model that utilizes contract manufacturers. We depend on a limited number of contract manufacturers to allocate sufficient manufacturing capacity to meet our needs, to produce products of acceptable quality at acceptable yields, and to deliver those products to us on a timely basis. Some of our key components are complex to manufacture and have long lead times. In the event of a reduction or interruption of supply, or degradation in quality, it could take up to six months to begin receiving adequate supplies from alternative suppliers, if any. As a result, product shipments could be delayed and revenues and profitability could suffer. Instances of continued supply chain disruptions and delays, as well as continued heightened inflation, could lead to inefficiencies and increased costs that could negatively impact our performance and our results of operations. In such circumstances, we may be unable to meet our customer demand and may fail to meet our contractual obligations. This could result in the payment of significant damages by us to our customers, a decline in net revenue and a loss of market share as our customers could choose to purchase competing products and services, all of which could adversely affect our business, financial condition and results of operations. Any substantial disruption in our contract manufacturers' supply as a result of a pandemic, natural disaster, trade wars, political unrest, economic instability, equipment failure, inflationary pressures, component shortage or other cause, could materially harm our business, customer relationships and results of operations.

***Because we depend on a few significant customers for a substantial portion of our revenues, the loss of or significant decline or slowdown of sales to these customers could have an adverse effect on our business, financial condition or results of operations.***

Our revenues depend on a small number of significant customers and some of them represented more than 10% of our total revenues in fiscal year 2023, 2022 and 2021 (see Note 3 to our consolidated financial statements). They are also expected to represent a substantial portion of our revenues in the near future. As a result, the loss of any one of these customers, or a decline or slowdown in purchases from any of these customers, could have a material adverse effect on our business, financial condition and results of operations. In addition, because service revenue depends either partially or entirely on the usage levels of data transmission by our customers and end users, the decline or slowdown in the growth of usage patterns of these customers, which has and could continue to occur at any time and with or without a reduction in the number of our subscriber base could have a material adverse effect on our business, financial condition and results of operations.

***Our operations are subject to the effects of a rising rate of inflation.***

The United States has recently experienced historically high levels of inflation. According to the U.S. Department of Labor, the annual inflation rate for the United States was approximately 6.5% for the 12 months ended December 31, 2022. If the inflation rate continues to increase and increase our costs of labor and supplies, it will affect our operating expenses. The current inflationary environment related to increased aggregate demand, supply chain constraints and the effects from the armed conflict in Ukraine (including the effects of the sanctions that were implemented in response to the conflict and the resulting impacts on the commodity market and supply chains) have also increased our operating expenses and may continue to affect our operating expenses. Our operational costs, including the cost of supplies, labor, manufacturing and our other operational costs are subject to market conditions and are being adversely affected by inflationary pressures. Economic conditions may also adversely affect the ability of our customers and suppliers to obtain the liquidity required to buy inventory or raw materials and to perform their obligations under agreements with us, which could disrupt our operations. Additionally, rising interest rates could impact financing availability and the cost of refinancing our existing debt, and exchange rate fluctuations. The United States is experiencing a workforce shortage, which in turn, has created a competitive wage environment that may increase our operating costs. To the extent inflation results in rising interest rates and has other adverse effects on the market, it may adversely affect our consolidated financial condition and results of operations. To the extent periods of high inflation are prolonged, these results may be exacerbated.

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



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

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

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

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

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

As part of our business strategy, we continually review acquisition opportunities that we believe would be advantageous or complementary to the development of our business. If we make any acquisitions, we could take any or all of the following actions, any one of which could adversely affect our business, financial condition, results of operations or share price:

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

Acquisitions also entail numerous other risks, including, without limitation: difficulties in assimilating acquired operations, products, technologies and personnel; unanticipated costs; diversion of management's attention from existing operations; risks of entering markets in which we have limited or no prior experience; potential loss of key employees from either our existing business or the acquired organization; and a negative effect on our existing relationships with suppliers and customers. Acquisitions may result in substantial accounting charges for restructuring and other expenses, amortization of purchased technology and intangible assets and stock-based compensation expense, any of which could materially and adversely affect our operating results. We may not be able to realize the anticipated benefits of or successfully integrate with our existing business the businesses, products, technologies or personnel that we acquire, and our failure to do so could harm our business and operating results. Our industry is being affected by the trend toward consolidation and the creation of strategic relationships. If we are unable to successfully adapt to this rapidly changing environment, we could suffer a reduction in the volume of business with our customers and suppliers, or we could lose customers or suppliers entirely, which could materially and adversely affect our financial condition and operating results.

***We may be unable to successfully implement a disposition or wind-down of business activities that no longer fit our strategic plan.***

We may engage in future dispositions or wind-downs of certain businesses. Key risks associated with exiting a business include:

- our ability to price a sale transaction appropriately and otherwise negotiate acceptable terms;
- our ability to identify and implement key customer, technology systems, and other transition actions to avoid or minimize negative effects on retained business activities;
- our ability to assess and manage any loss of synergies that the exited business activity had with our retained business activities;
- our ability to replace legacy earnings from the exited business or activity with new revenues; and
- our ability to manage capital, liquidity, and other challenges that may arise if an exit results in significant legacy cash expenditures or financial loss.

***We have been subject to breaches of our information technology systems, which could damage our reputation, vendor, and customer relationships, and our customers' access to our services.***

Our presence in the Internet of Things ("IoT") industry with offerings of telematics products and services, including vehicle telematics, could also increase our exposure to potential costs and expenses and reputational harm in the event of cyber-attacks impacting these products or services. Our business operations require that we use, collect, process, transmit and store, within our own systems and systems of third-party providers, sensitive data, including intellectual property, our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information. We face a number of threats to our data centers and networks in the form of unauthorized access, security breaches and other system disruptions. It is critical to our business strategy that our infrastructure remains secure and is perceived by customers and partners to be secure. Despite our security measures, our information technology ("IT") systems have been and will continue to be vulnerable to attacks by hackers or other disruptive problems.

In addition, we are subject to a variety of laws and regulations in the United States and abroad relating to cybersecurity and data protection. As a result, affected users or government authorities could initiate legal or regulatory actions against us in connection with any actual or perceived security breaches or improper access to or disclosure of data, which has occurred in the past and which could cause us to incur significant expense and liability or result in orders or consent decrees forcing us to modify our business practices.

Our measures to prevent, detect and mitigate these threats may not be successful in preventing a security incident or data breach or limiting the effects of such a breach. This is particularly so because attack methodologies change frequently or are not recognized until launched, and we also may be unable to investigate or remediate incidents because attackers are increasingly using techniques and tools designed to circumvent controls, to avoid detection, and to remove or obfuscate forensic evidence.

Any security breach may compromise information used or stored on our networks and may result in significant data losses or theft of our customers' or our business partners' intellectual property, proprietary business information or personally identifiable information. A cybersecurity breach could negatively affect our reputation by adversely affecting the market's perception of the security or reliability of our products or services. In addition, a cyber-attack could result in other negative consequences, including remediation costs, disruption of internal operations, increased cybersecurity protection costs, lost revenues or litigation, which could have a material adverse effect on our business, results of operations and financial condition.

***Repurposing of satellite spectrum by adjacent operators of L-band spectrum for terrestrial services could interfere with our GPS IoT products and services.***

In 2011, the U.S. Federal Communications Commission ("FCC") granted Ligado Networks (then known as Lightsquared) ("Ligado") a waiver to convert its L-band satellite spectrum to terrestrial use, including a 10 MHz band close to the spectrum that we use for all of our Global Positioning System ("GPS") products and services. That waiver was subsequently suspended in 2012 due to concerns about potential interference to GPS operations. Ligado sought another waiver in 2015, that it then amended in 2018, to modify its L-band mobile satellite service network with a terrestrial-only proposal designed to address GPS industry-wide concerns. In April 2020, the FCC granted Ligado's waiver request. We oppose this waiver grant out of concern for the interference that we believe Ligado's proposed operations would cause to our IoT GPS devices. Ligado's operations pursuant to the waiver would result in terrestrial use of L-band spectrum, and such operations may interfere with, and harmfully affect, the performance of the Global Navigation Satellite System ("GNSS") receivers in our IoT GPS devices that operate in the 1559-1610MHz band, which is adjacent to, and within range of, the L-band downlink allocation for GPS operations. Ligado's L-band terrestrial operations could impact our operations and impose costs on us to retrofit or replace affected GNSS receivers, which could have a material adverse effect on our business, results of operations, and financial condition.

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

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

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

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

***If we do not meet product and services introduction deadlines or if we fail to predict carrier and end user customer preferences among the many evolving wireless industry standards, our business could be adversely affected.***

In the past, we have experienced design and manufacturing difficulties that have delayed the development, introduction or marketing of new products, services and enhancements and which caused us to incur unexpected expenses and lost revenue. In addition, some of our existing customers have conditioned their future purchases of our products and services on the addition of new features. In the past, we have experienced delays in introducing some new product features. Furthermore, in order to compete in some markets, we will have to develop different versions of existing products and services that comply with diverse, new or varying governmental regulations and evolving wireless industry standards in each market. In our industry, it is critical to our success that we accurately anticipate evolving wireless technology standards and that our products and services comply with these standards in relevant respects. We are currently focused on engineering and manufacturing products and services that comply with several different wireless standards. Any failure of our products and services to comply with any one of these or future applicable standards could prevent or delay their introduction and require costly and time-consuming engineering changes. Additionally, if an insufficient number of wireless operators or subscribers adopt the standards to which we engineer our products and services, then sales of our new products and services designed to those standards could be materially harmed. Our inability to develop new products, services, product features on a timely basis, or the failure of new products, services or features to align with evolving wireless standards and achieve market acceptance, could adversely affect our business.

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

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

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

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

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

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

***We may experience significant disruptions in our operations resulting from our enterprise resource planning system initiatives.***

We depend on our IT systems for the efficient functioning of our global business, including accounting, billing, data storage, purchasing and inventory management. In order to integrate and enhance our global operations, we initiated the phased implementation of an enterprise resource planning (“ERP”) system across our global operating locations to support our operations. The implementation of this ERP system required, and will continue to require, the investment of human and financial resources. We have incurred, and expect to incur, additional expenses as we continue to implement, enhance and develop our ERP system. As a result of our ERP initiatives, we may encounter difficulties in operating our business, which could disrupt our operations, including our ability to timely ship and track customer orders, determine inventory requirements, manage our supply chain, manage customer billing and adequately service our customers. If we experience significant disruptions resulting from our ERP initiatives, our business and operations could be disrupted, including our ability to report accurate and timely financial results. Accordingly, such events may disrupt or reduce the efficiency of our global operations and have a material adverse effect on our operating results and cash flows.

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

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

Sales to customers from continuing operations outside the U.S. accounted for 37%, 33% and 35% of our total sales for fiscal years ended February 28, 2023, 2022 and 2021, respectively. Assuming that we continue to sell our products and services to foreign customers, which is our expectation, we will be subject to the political, economic and other conditions affecting countries or jurisdictions other than the U.S., including those in Latin America, Africa, the Middle East, Europe and Asia. Any interruption or curtailment of trade between the countries in which we operate and our present trading partners, changes in exchange rates, significant shift in U.S. trade policy toward these countries, or significant downturn in the political, economic or financial condition of these countries, could cause demand for and sales of our products and services to decrease, or subject us to increased regulation including future import and export restrictions, any of which could adversely affect our business.

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



## **Risks Related to Regulatory and Legal Matters**

***Our global operations and continued international expansion expose us to risks and challenges associated with conducting business internationally.***

We face several risks inherent in conducting business internationally, including compliance with international and U.S. laws and regulations that apply to our international operations. These laws and regulations include data privacy requirements, labor relations laws, tax laws, competition regulations, import and trade restrictions, economic sanctions, export requirements, U.S. laws such as the Foreign Corrupt Practices Act, the UK Bribery Act 2010 and other local laws that prohibit payments to governmental officials or certain payments or remunerations to customers. Given the high level of complexity of these laws there is a risk that some provisions may be breached by us, for example through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, or prohibitions on the conduct of our business. Any such violations could include prohibitions on our ability to offer our products or services in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, our business or operating results.

Global developments (including those related to the United Kingdom's withdrawal from the European Union or other similar global regulations), or the perception that additional developments could occur, have had and may continue to have a material adverse effect on global economic conditions and financial markets, and may significantly reduce global market liquidity, restrict the ability of key market participants to operate in certain financial markets or restrict our access to capital. Given our recent efforts to expand our business throughout Europe, these developments could affect our relationships with our existing and future customers, suppliers and employees. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

We import certain products and components from suppliers in China. In the past, the Office of the U.S. Trade Representative enacted tariffs on imports into the U.S. from China, resulting in ongoing trade tensions. Although some of the products and components we import are affected by the tariffs, at this time, we do not expect these tariffs to have a material impact on our business, financial condition or results of operations. However, it is possible that further tariffs may be imposed on imports of our products, or that our business will be impacted by retaliatory trade measures taken by China or other countries in response to existing or future tariffs, causing us to raise prices or make changes to our operations, any of which could have a negative impact on our revenue or operating results.

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

As Internet commerce continues to evolve, increased regulation by federal, state or foreign agencies becomes more likely. We are particularly sensitive to these risks because the Internet is a critical component of our SaaS business model. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may be imposed. Any regulation imposing greater fees



for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business.

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

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

### **Risks Related to Our Intellectual Property**

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

Our ability to succeed in wireless data communications markets may depend, in large part, upon our intellectual property for some of our wireless technologies. We currently rely primarily on patents, trademark and trade secret laws, confidentiality procedures and contractual provisions to establish and protect our intellectual property. However, these mechanisms provide us with only limited protection. We currently hold almost 300 patents worldwide. As part of our confidentiality procedures, we enter into non-disclosure and invention assignment agreements with all employees, including officers, managers and engineers. Despite these precautions, third parties could copy or otherwise obtain and use our technology without authorization, or develop similar technology independently. Furthermore, effective protection of intellectual property rights is unavailable or limited in some foreign countries. The protection of our intellectual property rights may not provide us with any legal remedy should our competitors independently develop similar technology, duplicate our products and services, or design around any intellectual property rights we hold.

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

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

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

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

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

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

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

## **Risks Related to Third Parties**

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

Our telematics products and software services depend upon Internet-based systems that are proprietary to our business. These applications, which are hosted at independent data centers and are connected via access points to cellular networks, are used by our customers and by us to configure and communicate with wireless devices for purposes of determining location, speed or other conditions of vehicles and other mobile or fixed assets, and to deliver configuration code or executable commands to the devices. If we do not have continued access to sufficient capacity on reliable networks, we may be unable to deliver services and our sales could decrease. Our ability to grow and achieve profitability partly depends on our ability to buy sufficient capacity on the networks of wireless carriers and on the reliability and security of their systems. Some of our wireless services are delivered using airtime purchased from third parties. We depend on these third parties to provide uninterrupted service free from errors or defects and would not be able to satisfy our customers' needs if such third parties failed to provide the required capacity or needed level of service. If these Internet-based systems failed or were otherwise compromised in some way, it could adversely affect the proper functioning of the wireless tracking and monitoring devices that we sell, and could result in damages to us as a result of the temporary or permanent inability of our customers to wirelessly communicate with these devices. In addition, our expenses would increase, and profitability could be materially and adversely affected if wireless carriers were to significantly increase the prices of their services. Our existing agreements with the wireless carriers generally have one- to three-year terms. Some of these wireless carriers are, or could become, our competitors.

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

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

## **Additional Risks Related to Our Convertible Notes and Indebtedness**

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

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

***The accounting method for the 2025 Convertible Notes, could have a material adverse effect on our reported financial results.***

Under applicable accounting standards that became effective March 1, 2022, the shares underlying the 2025 Convertible Notes will be reflected in our diluted earnings per share using the "if converted" method. Under that method, diluted earnings per share would generally be calculated assuming that all the 2025 Convertible Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. The application of the if-converted method may reduce our reported diluted earnings per share, and accounting standards may change in the future in a manner that may adversely affect our diluted earnings per share.

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

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

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

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

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

***We may incur substantially more debt or take other actions that could diminish our ability to make payments on the 2025 Convertible Notes.***

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our future debt instruments, some of which may be secured debt. We are not restricted under the terms of the indenture governing the 2025 Convertible Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the 2025 Convertible Notes that could have the effect of diminishing our ability to make payments on the Notes when due.

## **Risks Related to Our Common Stock and the Securities Market**

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

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

- actual or anticipated fluctuations in revenues or operating results;
- acts of, or escalations in, war or terrorism;

- failure to meet securities analysts' or investors' expectations of performance;
- sales of our common stock by us, or insiders or our other stockholders;
- changes in key management personnel;
- announcements of technological innovations or new products by us or our competitors;
- developments in or disputes regarding patents and proprietary rights;
- proposed and completed acquisitions by us or our competitors;
- the mix of products and services sold;
- the effects of the recent global COVID-19 pandemic;
- the timing, placement and fulfillment of significant orders;
- product and service pricing and discounts;
- fluctuations in interest rates and inflation rates; and
- general economic conditions.

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

Any issuance of equity securities could dilute the interests of our stockholders and could substantially decrease the trading price of our common stock. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy (including in connection with acquisitions, strategic collaborations or other transactions), to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding options or for other reasons. To the extent we issue common stock upon conversion of the 2025 Convertible Notes, that conversion could dilute the ownership interests of our stockholders. In circumstances other than at maturity, the 2025 Convertible Notes are convertible into cash, shares of our common stock or a combination of cash and shares of common stock, at our election, based on an initial conversion rate of 32.5256 shares of common stock per \$1,000 principal amount of the convertible notes, which is equivalent to an initial conversion price of \$30.7450 per share of common stock, subject to customary adjustments.

**General Risk Factors**

***Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.***

A severe or prolonged economic downturn, additional global financial crises, macroeconomic issues or trade imbalances caused by events such as the Russia-Ukraine conflict, inflation, rising interest rates, availability of capital markets, energy availability and costs or governmental initiatives to manage economic conditions could result in a variety of risks to our business, and our ability to raise additional capital when needed on acceptable terms, if at all. A weak or declining economy could also strain our suppliers, possibly resulting in further supply disruption.

We cannot predict changes in worldwide or regional economic conditions and government policies, as such conditions are highly volatile and beyond our control. If these conditions deteriorate for extended periods, however, our business, results of operations and financial condition could be materially adversely affected.

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

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

***Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America will be the exclusive forums for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees.***

Our amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by, or other wrongdoing by, any of our directors, officers, employees or agents to us or our stockholders;
- any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our restated certificate of incorporation, or our amended and restated bylaws;
- any action to interpret, apply, enforce or determine the validity of our restated certificate of incorporation or our amended and restated bylaws; and
- any action asserting a claim against us that is governed by the internal affairs doctrine;

provided, that with respect to any derivative action or proceeding brought on our behalf to enforce any liability or duty created by the Securities Exchange Act of 1934 or the rules and regulations thereunder, the exclusive forum will be the federal district courts of the United States of America. Our restated and amended bylaws further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees.

If securities or industry analysts issue an adverse or misleading opinion regarding our business or publish unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us ceases coverage of our Company or fails to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline. Moreover, if any of the analysts who cover us downgrade our stock or issue an adverse or misleading opinion regarding us, our business model or our stock performance, or if our operating results fail to meet the expectations of the investor community, our stock price could decline.

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

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



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

We are subject to the rules and regulations of the SEC, including those rules and regulations mandated by the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to include in their annual report a statement of management's responsibilities for establishing and maintaining adequate internal control over financial reporting, together with an assessment of the effectiveness of those internal controls. Section 404 also requires the independent auditors of certain public companies to attest to, and report on, this management assessment. Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Our failure to maintain the effectiveness of our internal controls in accordance with the requirements of the Sarbanes-Oxley Act could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

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

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

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

We may be subject to legal claims or regulatory matters involving stockholder, consumer, antitrust, intellectual property infringement, product liability and other issues. Litigation is subject to inherent uncertainties, including increases in demands for attention on our management team, and unfavorable rulings could occur. An unfavorable ruling could include money damages. If an unfavorable ruling were to occur, it could have a material adverse effect on our business, financial condition and results of operations for the period in which the ruling occurred or future periods. See also "Item 3 – Legal Proceedings" in Part I of this Annual Report on Form 10-K.

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

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

Over the fiscal year ended February 28, 2023, the price of our common stock as reported on The Nasdaq Global Select Market ranged from a high of \$7.62 to a low of \$2.96. The stock market has from time to time experienced extreme price and volume fluctuations that were unrelated to the operating performance of particular companies. In the past, companies that have experienced volatility have sometimes subsequently become the subject of securities class action litigation. If litigation were instituted on this basis, it could result in substantial costs and a diversion of management's attention and resources.

***We may not be able to generate sufficient future taxable income to utilize our net operating loss and tax credit carryforwards. In addition, our ability to utilize our federal net operating loss and tax credit carryforwards may be limited under Sections 382 and 383 of the Internal Revenue Code (the "Code").***

As discussed in Note 13, as of February 28, 2023, we maintained a valuation allowance with respect to certain of our deferred tax assets relating primarily to net operating losses and tax credits in U.S. and certain non-U.S. jurisdictions that we believe are not likely to be realized. We considered positive and negative evidence, including three years of cumulative losses considering forecasts of future profitability as of February 28, 2023, in assessing our ability to realize our domestic net deferred tax assets.

Also, as of February 28, 2023, we had net operating loss carryforwards of approximately \$80.6 million and \$87.8 million for federal and state tax purposes, respectively. The federal net operating loss (NOL) carryforwards are subject to various limitations under Section 382 of the Internal Revenue Code. The ability to utilize our NOL carryforwards to reduce taxable income in future years could become subject to significant limitations under Section 382 of the Internal Revenue Code if we undergo an ownership change.

The limitations apply if a corporation undergoes an “ownership change,” which is generally defined as a greater than fifty (50) percentage point change (by value) in its equity ownership by stockholders who own directly or indirectly, 5% or more of our common stock, over a three (3)-year period. Future changes in our stock ownership, which may be outside of our control, may trigger an ownership change and, consequently, Section 382 and 383 limitations. Similar provisions of state tax law may also apply to limit our use of accumulated state tax attributes. As a result, if we earn net taxable income, our ability to use our pre-change net operating loss carryforwards and other tax attributes to offset such taxable income may be subject to limitations, which could potentially result in increased future income tax liability to us. We continue to monitor stockholders who own directly or indirectly, 5% or more of our common stock to determine if we have experienced an ownership change pursuant to Section 382.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

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

Location	Square Footage	Location	Square Footage
Irvine, California	23,000	Guadalajara, Mexico	3,000
Richardson, Texas	24,000	Mexico City, Mexico	17,000
Carlsbad, California	29,000	Milan, Italy	10,000
Eden Prairie, Minnesota	7,000	Rome, Italy	2,000
		London, U.K.	6,000

We vacated our Indianapolis, Indiana facility as part of our plan to capture certain synergies and cost savings related to streamlining our global operations effective at the end of Fiscal 2021. This facility was used to support our Synovia operations. This facility is sublet through February 2024.

## ITEM 3. LEGAL PROCEEDINGS

From time to time, various claims and litigation may be asserted or commenced against us arising from our ordinary course of business. In particular, we may receive claims concerning contract performance, or claims that our products or services infringe the intellectual property of third parties. Regardless of the outcome, litigation can have an adverse impact on us because of deferred costs, diversion of management resources and other factors. See Note 18, *Commitments and Contingencies*, of the Notes to the accompanying Consolidated Financial Statements below for information regarding the legal proceedings in which we are involved.

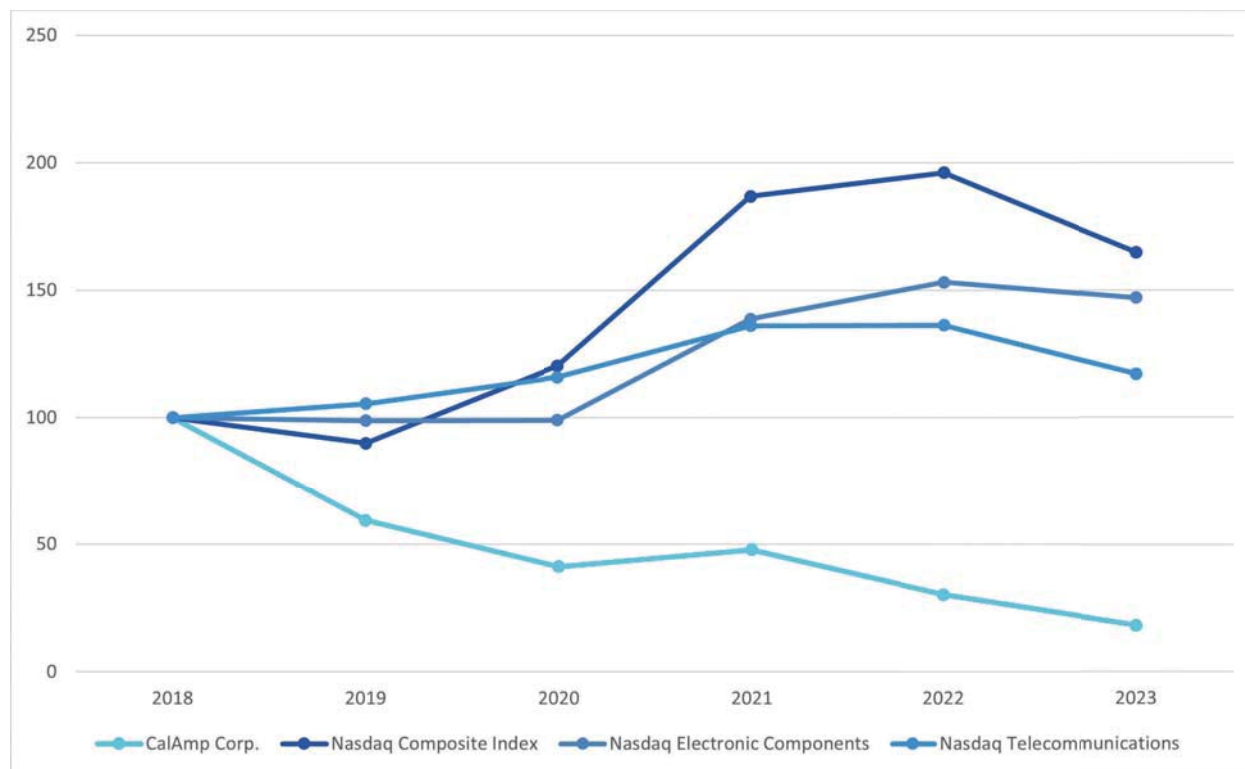
## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

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

Our Common Stock trades on the Nasdaq Global Select Market under the ticker symbol CAMP. The following graph and table compare our stock performance to three stock indices over a five-year period assuming \$100 investment was made on the last day of fiscal year 2018:



Years Ended February 28/29,	2018	2019	2020	2021	2022	2023
CalAmp Corp.	100	59	41	48	30	18
Nasdaq Composite Index	100	90	120	187	196	165
Nasdaq Electronic Components	100	99	99	139	153	147
Nasdaq Telecommunications	100	105	116	136	136	117

At April 24, 2023, we had approximately 1,200 stockholders of record. The number of stockholders of record does not include the number of persons having beneficial ownership held in “street name” which are estimated to approximate 14,000. We have never paid a cash dividend and have no current plans to pay cash dividends on our Common Stock. In addition, our revolving credit facility prohibits payment of dividends without the prior written consent of the lender under certain circumstances.

#### Securities Authorized for Issuance under Equity Compensation Plans

The information required by this Item will be included in our definitive proxy statement for the Annual Meeting of Stockholders to be held on July 27, 2023 and is incorporated herein by this reference.

#### Issuer Purchases of Equity Securities

For the twelve months ended February 28, 2023, there have been no shares repurchased by the Company.

#### Recent Sales of Unregistered Equity Securities

The Company did not sell any unregistered equity securities during the twelve months ended February 28, 2023.

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

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

### Overview

CalAmp Corp. (including its subsidiaries unless the context otherwise requires, “CalAmp”, “the Company”, “we”, “our”, or “us”), incorporated in 1981 and re-incorporated in Delaware in 1987, is a connected intelligence company that leverages a data-driven solutions ecosystem to help people and organizations improve operational performance. We solve complex problems for customers within the market verticals of transportation and logistics, commercial and government fleets, industrial equipment, government and consumer vehicles by providing solutions that track, monitor and recover their vital assets. The data and insights enabled by CalAmp solutions provide real-time visibility into a user’s vehicles, assets, drivers, and cargo, giving organizations greater understanding and control of their operations. Ultimately, these insights drive operational visibility, safety, efficiency, maintenance, and sustainability for organizations around the world. Headquartered in Irvine, California, we have an installed base of approximately 10 million devices reporting to our cloud-based platform and approximately 1.6 million software and subscription services subscribers worldwide.

### Reportable Segments

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

#### *Software & Subscription Services*

Our Software & Subscription Services segment offers solutions comprised of telematics devices bundled with cloud-based application enablement and telematics service platforms that facilitate integration of our own applications, as well as those of third parties, through open APIs to deliver full-featured mobile IoT solutions to a wide range of customers and markets. Our scalable proprietary applications and other subscription services enable rapid and cost-effective development of high-value solutions for customers all around the globe. Services include tracking and monitoring services within Fleet Management as well as Supply Chain Integrity and International Vehicle Location.

#### *Telematics Products*

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

### Recent Developments

#### *Transition of MRM Telematics Customers to Subscription Arrangements*

In the second half of Fiscal 2022, we prompted a strategic shift with customers who historically purchased Mobile Resource Management (“MRM”) telematics devices from us whereby many of these customers were to be transitioned to subscription-based arrangements by way of bundling services with telematics devices under multi-year (generally three years) subscription contracts. Beginning in Fiscal 2022 and through Fiscal 2023, we transitioned a substantial majority of the MRM business to multi-year subscription contracts. As a result, our financial results associated with such subscription arrangements is reported within our Software & Subscription Services reporting segment prospectively from the effective date of such underlying contracts which in Fiscal 2023 led to growth in our Software & Subscription Services business with a corresponding decline in our Telematics Products business. Long term we believe this shift will allow us to drive revenue growth as we generate incremental revenue from our existing customer base as well as new customers through current and anticipated broader future subscription service offerings.

## *Sale of LoJack North America Operations*

Effective March 15, 2021, we sold certain assets and transferred certain liabilities of the LoJack North America business. Accordingly, the LoJack North America operations are presented as discontinued operations in the accompanying consolidated financial statements for the years ended February 28, 2022, and 2021, respectively.

Unless otherwise indicated, the financial disclosures and related information provided herein relate to our continuing operations and we have recast prior period amounts to reflect discontinued operations.

## **Results of Operations and Financial Condition**

### **Revenues**

Revenues associated with our reportable segments are as follows:

**Software & Subscription Services (“S&SS”).** Our SaaS-based solutions provide our customers with the ability to wirelessly communicate with monitoring devices installed in vehicles and other mobile or remote assets via our cloud-based telematics platform and software applications. S&SS customer arrangements generally include a bundling of subscription services combined with the sale or lease of telematics devices necessary to provide the associated services. Depending upon the elements of a given contractual arrangement, it may contain one or multiple performance obligations that are individually recognized as revenue over a subscription period or at a point in time based upon how the performance obligation is fulfilled.

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

From time to time, we provide various professional services to customers including project management, engineering services, and installation services. Revenues for professional services are typically distinct from other performance obligations and are recognized as the related services are performed.

### **Cost of Revenues**

Our cost of revenues for application subscriptions and other services includes personnel costs and related benefits, consultants, software development activities, cellular network access costs, infrastructure costs for use of private networking services, and other costs that are required to deliver these services to our customers. Our cost of revenues for application subscriptions and other services also includes the cost of devices that are sold on an integrated basis with applicable subscriptions. If the subscription services and associated telematics devices are determined to represent a single combined performance obligation, the device costs are capitalized and are recognized ratably, on a straight-line basis, over the estimated average in-service lives of these devices.

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

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

### **Gross Profit**

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

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

### **Operating Expenses**

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

- Research and development expense consists of personnel related costs, professional services, certification fees and software licenses incurred to support our existing installed base of telematics devices through our field application engineers, software developers, program and product managers, as well as our effort to develop new products and technologies.
- Selling and marketing expense consists of personnel related costs including our incentive programs to support our global sales organization as well as advertising and marketing promotions of our brands and products, including media advertisement costs, merchandising and display costs, trade show and event costs, and sponsorship costs.
- General and administrative expense consists of personnel related costs to support our global enterprise as well as outside services for legal, accounting, insurance, information technology, investor relations and other costs associated with being a public company.
- Intangible asset amortization is attributable to our acquired identifiable intangible assets from business combinations. Our acquired intangible assets with definite lives are amortized from the date of acquisition over periods ranging from four to fifteen years.
- Restructuring expense consists of personnel and facility related costs resulting from our various cost savings initiatives. Personnel costs represent severance and employee related costs, and facility charges represent expenses for vacant office and manufacturing facility space under Corporate Expenses.
- Impairment losses consist of write-offs of long-lived tangible and intangible assets for which carrying value is determined to be in excess of realizable value.

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

### **Non-Operating Income (Expense)**

Non-operating income (expense) consists of (i) investment and interest income earned on our cash balances and investments, (ii) interest expense on our convertible senior unsecured notes including the amortization of note discount and debt issuance costs, and (iii) other income (expense) that includes but is not limited to transaction gains and losses and foreign currency gains and losses.

### **Income Tax Expense (Benefit)**

We are subject to income taxes in the U.S. and related states as well as foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different than the U.S. statutory tax rate. Accordingly, our effective tax rate will vary from the U.S. statutory income tax rate due to the amount of income allocable to each tax jurisdiction, tax credits, and changes in valuation allowances which are provided against net deferred tax assets when it is determined that it is more likely than not that the assets will not be realized.

### **Income (Loss) from Discontinued Operations, Net of Tax**

Effective March 15, 2021, a wholly owned subsidiary of the Company and Spireon entered into an agreement pursuant to which we sold certain assets and transferred certain liabilities of the LoJack North America business to Spireon and we received net proceeds from Spireon of \$6.6 million. On November 9, 2021, the purchase price was reduced by \$0.9 million, which was paid to Spireon, due to final working capital adjustments. We recognized a gain on the sale of the LoJack North America business of \$4.1 million during the fiscal year ended February 28, 2022.



Operations for LoJack North America are presented as *discontinued operations* in the accompanying consolidated financial statements for the fiscal years ended February 28, 2022, and 2021, respectively. For the fiscal year ended February 28, 2022, we have reported the operating results and cash flows related to the LoJack North America operations through March 14, 2021. See Note 2, *Discontinued Operations*, for additional information.

### **Adjusted EBITDA**

In addition to our U.S. GAAP results, we present Adjusted EBITDA as a supplemental non-GAAP measure of our performance. Our CEO, the Chief Operating Decision Maker (“CODM”), uses Adjusted EBITDA to evaluate and monitor segment performance. A non-GAAP financial measure is defined as a numerical measure of a company’s financial performance that excludes or includes amounts to be different than the most directly comparable measure calculated and presented in accordance with generally accepted accounting principles in the statements of comprehensive income (loss), balance sheets or statements of cash flows. We define Adjusted EBITDA as earnings before investment income, interest expenses, taxes, depreciation, amortization, net income (loss) from discontinued operations, stock-based compensation, acquisition and integration expenses, non-cash costs and expenses arising from purchase accounting adjustments, litigation and legal expenses, gains and losses from legal settlements, impairment losses and certain other adjustments. We believe this non-GAAP financial information provides additional insight into our ongoing performance and have therefore chosen to provide this information to investors for a more consistent basis of comparison to help investors evaluate our results of ongoing operations and enable more meaningful period-to-period comparisons. Pursuant to the rules and regulations of the U.S. Securities and Exchange Commission regarding the use of non-GAAP financial measures, we have provided a reconciliation of non-GAAP financial measures to the most directly comparable financial measure. See Note 19, *Segment and Geographic Data*, to the accompanying consolidated financial statements for additional information related to Adjusted EBITDA by reportable segments and reconciliation to net income (loss).

## OPERATING RESULTS

The following table sets forth the percentage of revenues represented by items included in our consolidated statements of income for the three most recent fiscal years:

	Year Ended February 28,		
	2023	2022	2021
Revenues	100.0%	100.0%	100.0%
Cost of revenues	63.0	58.8	60.3
Gross profit	37.0	41.2	39.7
Operating expenses:			
Research and development	8.3	9.6	8.4
Selling and marketing	16.1	16.4	15.0
General and administrative	17.6	17.7	15.9
Intangible asset amortization	1.8	1.8	1.5
Restructuring	1.6	0.2	0.8
Impairment losses	-	-	0.3
Operating loss	(8.4)	(4.5)	(2.2)
Non-operating expense, net	(2.3)	(5.6)	(4.5)
Loss from continuing operations before income taxes	(10.7)	(10.1)	(6.7)
Income tax provision from continuing operations	(0.4)	(0.4)	(0.2)
Net loss from continuing operations	(11.1)	(10.5)	(6.9)
Net income (loss) from discontinued operations, net of tax	-	1.1	(11.4)
Net loss	(11.1)	(9.4)	(18.3)

Unless otherwise indicated, the discussion on our results of operations provided below relates to our continuing operations and we have recast prior period amounts for purposes of historical comparisons. See Note 2, *Discontinued Operations*, to the accompanying consolidated financial statements for additional information.

### Fiscal year ended February 28, 2023 (“Fiscal 2023”) compared to fiscal year ended February 28, 2022 (“Fiscal 2022”):

#### Revenue by Segment

	Fiscal years ended February 28,					
	2023		2022			
(In thousands)	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
<b>Segment</b>						
Software & Subscription Services	\$ 184,728	62.6%	\$ 154,315	52.2%	\$ 30,413	19.7%
Telematics Products	110,221	37.4%	141,524	47.8%	(31,303)	(22.1%)
Total	<u>\$ 294,949</u>	<u>100.0%</u>	<u>\$ 295,839</u>	<u>100.0%</u>	<u>\$ (890)</u>	<u>(0.3%)</u>

Our Software & Subscription Services enable customers to gather and analyze critical data used to track, monitor and recover vital mobile assets with real-time visibility and insights. Our services focus on three principal end markets: (i) transportation and logistics, (ii) government and municipalities, and (iii) connected car services. As described above, in Fiscal 2022 we began entering into subscription-based arrangements with customers that historically have purchased MRM telematics hardware from us, a shift that favorably impacted revenues in our Software & Subscription Services segment and unfavorably impacted revenues in our Telematics Products segment. In Fiscal 2022, we began experiencing supply shortages driven by the global pandemic. These supply imbalances intensified during Fiscal 2023 and adversely impacted all parts of our business. We expect these supply shortages to continue and to diminish in the coming year as suppliers strive to create additional production capacity.

As of February 28, 2023, our remaining contractual performance obligations for software & subscription services were \$234.5 million as compared to \$202.0 million as of February 28, 2022. The majority of the growth in contractual performance obligations was driven by the conversion of telematics products customers to multi-year subscription contracts as well as new contracts within the government and municipality markets and connected car markets.

In Fiscal 2023, Software & Subscription Services revenue increased by \$30.4 million or 19.7% compared to Fiscal 2022 largely due to increased transportation and logistics revenues generated through the transition of MRM telematics hardware customers onto multi-year subscription arrangements. Active subscribers increased 50% as of the end of Fiscal 2023 when compared to Fiscal 2022. As mentioned above, supply shortages have impacted our ability to procure the devices we utilize to deliver our subscription services, which has constrained our ability to install our devices and initiate new subscription services.

Telematics Products revenue, comprised primarily of MRM telematics and OEM/network products, decreased by \$31.3 million or 22.1% in Fiscal year 2023 compared to Fiscal 2022. This decrease was largely driven by the conversion of certain MRM telematics hardware customers onto multi-year subscription contracts, and thus revenues generated after the contract effective dates for these customers are classified within Software & Subscription Services revenues to the extent they are associated with a subscription arrangement. Telematics Products revenues have also been negatively impacted by the supply shortages described above, thereby limiting our ability to fulfill customer orders.

### ***Gross Profit by Segment***

(In thousands) Segment	Fiscal years ended February 28,					
	2023		2022			
	\$	% of Revenue	\$	% of Revenue	\$ Change	% Change
Software & Subscription Services	\$ 79,478	43.0%	\$ 76,945	49.9%	\$ 2,533	3.3%
Telematics Products	29,533	26.8%	44,941	31.8%	(15,408)	(34.3%)
Gross profit	<u>\$ 109,011</u>	<u>37.0%</u>	<u>\$ 121,886</u>	<u>41.2%</u>	<u>\$(12,875)</u>	<u>(10.6%)</u>

Consolidated gross profit for Fiscal 2023 decreased by \$12.9 million or 10.6% versus Fiscal 2022 and consolidated gross margin decreased by 420 basis points in Fiscal 2023 compared to Fiscal 2022. These decreases were largely due to the continued supply constraints described above, which has in some cases prevented the sourcing of certain scarce essential semiconductors and electronics components at normal market prices. In particular, given aged backlog demand and critical backlog for customers impacted by Verizon's February 2023 3G network sunset, during the second half of Fiscal 2023 we sourced various components through electronics brokers at elevated prices. We anticipate that we may need to source certain semiconductors and electronics components through brokers in the coming year, but to a lesser extent. Gross margin was also negatively impacted in Fiscal 2023 by an unfavorable shift in customer and product mix. These negative impacts to gross profit and gross margin were partially offset by the increased proportion of overall sales occurring within Software & Subscription Services, which has a higher margin profile, in Fiscal 2023.

*Software & Subscription Services:* Gross profit increased by \$2.5 million or 3.3% in Fiscal 2023 compared to Fiscal 2022, as a result of increased revenues. Gross margin decreased by 690 basis points in Fiscal 2023 compared to Fiscal 2022 primarily driven by the increased cost of sourcing certain scarce essential components through electronics brokers predominantly in the second half of Fiscal 2023 as described above, as well as to a lesser extent, by customer and product mix.

*Telematics Products:* Gross profit decreased by \$15.4 million or 34.3% in Fiscal 2023 compared to Fiscal 2022, primarily due to decreased revenues as well as the cost impact of sourcing certain scarce essential components through electronics brokers predominantly in the second half of Fiscal 2023 as described above. Gross margin decreased 500 basis points in Fiscal 2023 compared to Fiscal 2022 primarily due to the increased cost of sourcing certain components through electronics brokers.

As described above, we are presently experiencing adverse impacts to revenues as a result of global supply shortages of certain components, which are also leading to cost increases on many of these components. As a result, we may continue to experience lower gross margins in the coming quarters if we are unable to effectively mitigate or offset the impacts of these cost increases.

## Operating Expenses

(In thousands)	Fiscal years ended February 28,					
	2023		2022		\$	%
	\$	% of Revenue	\$	% of Revenue		
Research and development	\$ 24,570	8.3%	\$ 28,444	9.6%	\$ (3,874)	(13.6%)
Selling and marketing	47,389	16.1%	48,564	16.4%	(1,175)	(2.4%)
General and administrative	51,819	17.6%	52,333	17.7%	(514)	(1.0%)
Intangible asset amortization	5,332	1.8%	5,415	1.8%	(83)	(1.5%)
Restructuring	4,586	1.6%	600	0.2%	3,986	664.3%
Total	<u>\$133,696</u>	<u>45.4%</u>	<u>\$135,356</u>	<u>45.7%</u>	<u>\$ (1,660)</u>	<u>(1.2%)</u>

Consolidated research and development expense decreased by \$3.9 million or 13.6% in Fiscal 2023 compared to Fiscal 2022 due to a reduction in research and development activities associated with our Telematics Products business, partially offset by increased development efforts focused on expanding our telematics services offering both domestically and internationally. We plan to continue to invest in research and development to supplement and expand our telematics solutions offerings.

Consolidated selling and marketing expense decreased by \$1.2 million or 2.4% in Fiscal 2023 compared to Fiscal 2022 and was approximately flat as a percentage of revenues. We expect to continue to make changes in the composition of our salesforce to drive sales of our subscription services.

Consolidated general and administrative expense decreased by \$0.5 million or 1.0% in Fiscal 2023 compared to Fiscal 2022 primarily driven by a reduction in outside professional fees in Fiscal 2023, partially offset by recording of \$1.9 million of incremental litigation reserves related to the final settlement of the Omega legal matter, which is described in Note 18, *Commitments and Contingencies - Legal Proceedings*, to the accompanying consolidated financial statements.

Amortization of intangibles decreased slightly in Fiscal 2023 compared to Fiscal 2022.

As described in Note 11, *Restructuring Charges*, to the accompanying consolidated financial statements, in the fourth quarter of Fiscal 2023, to further progress our strategy of driving growth in our software and subscription services business, we implemented certain cost savings and cost efficiency measures to reduce our expense structure, better align our personnel to a subscription services business model, and terminate non-core initiatives not deemed to be key to our strategic direction. As a result, we incurred restructuring charges of \$4.6 million in Fiscal 2023, which was comprised of \$1.5 million of severance and employee related costs and the write-off of \$3.1 million of amounts previously capitalized in connection with technology initiatives that we determined would no longer provide future benefit. In Fiscal 2022, we incurred \$0.6 million of severance and employee related costs in connection with a previous restructuring plan.

## Non-operating Income (Expense)

Investment income decreased by \$0.2 million to \$1.0 million in Fiscal 2023 from \$1.2 million in Fiscal 2022. The decrease was primarily driven by lower investment returns on invested funds.

Interest expense decreased \$9.1 million to \$6.3 million in Fiscal 2023 from \$15.3 million in Fiscal 2022 due to the adoption of ASU 2020-06 effective March 1, 2022 under which the conversion feature associated with our convertible notes is no longer separately accounted for as a debt discount and amortized to interest expense. The impacts of the adoption of ASU 2020-06 are more fully described in Note 1, under the caption “*Recently Adopted Accounting Pronouncements*”, to the accompanying consolidated financial statements.

Other non-operating expense was \$1.4 million in Fiscal 2023, compared to \$2.4 million in Fiscal 2022, and was largely comprised of costs incurred related to the wind down and transition of the LoJack North America business as well as, to a lesser extent, net foreign currency exchange rate gains and losses.

## Income Tax Expense (Benefit)

An income tax expense of \$1.2 million was recorded in Fiscal 2023, compared to \$1.1 million in Fiscal 2022. Income tax expense in both periods was attributable to foreign operations. The increase in income tax expense in Fiscal 2023 compared to Fiscal 2022 was primarily driven by an increase in pre-tax income attributable to our foreign

operations in the current period. See Note 13, *Income Taxes*, to the accompanying consolidated financial statements for additional information.

### ***Net Income (Loss) from Discontinued Operations, Net of Tax***

Net income from discontinued operations, net of tax, for Fiscal 2022 was \$3.2 million and related to the sale of the LoJack North America business that was completed on March 15, 2021. See Note 2, *Discontinued Operations*, to the accompanying consolidated financial statements for additional information.

### ***Overall Profitability Measures***

#### **Net Loss from Continuing Operations:**

Our net loss from continuing operations in Fiscal 2023 was \$32.5 million as compared to net loss of \$31.1 million in Fiscal 2022. The change in the net loss was largely driven by lower gross margins in the current year, partially offset by reduced operating expenses and reduced interest expense as a result of the implementation of ASU 2020-06 described above.

#### **Adjusted EBITDA:**

(In thousands)	Fiscal years ended February 28,		\$ Change	% Change
	2023	2022		
<b>Segment</b>				
Software & Subscription Services	\$ 25,374	\$ 32,979	\$ (7,605)	(23.1%)
Telematics Products	(4,275)	(3,990)	(285)	7.1%
Corporate Expense	(3,025)	(4,309)	1,284	(29.8%)
Total Adjusted EBITDA	<u>\$ 18,074</u>	<u>\$ 24,680</u>	<u>\$ (6,606)</u>	<u>(26.8%)</u>
Total Adjusted EBITDA Margin	6.1%	8.3%		

Adjusted EBITDA for Software & Subscription Services decreased \$7.6 million in Fiscal 2023 compared to Fiscal 2022 primarily due to higher operating expenses as a result of investments we are making to develop, market and sell our telematics solutions as well as lower gross margins, partially offset by higher revenues. Adjusted EBITDA for Telematics Products decreased \$0.3 million in Fiscal 2023 compared to Fiscal 2022 primarily due to lower revenues and lower gross margins, partially offset by lower operating expenses. Corporate Expenses decreased year-over-year.

See Note 19, *Segment and Geographic Data*, for a reconciliation of Adjusted EBITDA by reportable segment and a reconciliation to GAAP-basis net loss.

### **Fiscal 2022 compared to fiscal year ended February 28, 2021 (“Fiscal 2021”)**

For a discussion of our results of operations comparison for the Fiscal 2022 and Fiscal 2021, refer to our Annual Report on Form 10-K for Fiscal 2022, filed with the SEC on April 28, 2022.

### **Liquidity and Capital Resources**

In Fiscal 2023, our primary cash needs have been for working capital purposes, and to a lesser extent, capital expenditures. We have historically funded our principal business activities through cash flows generated from operations and cash on hand. As we continue to grow our customer base to a subscription model while increasing our revenues, there will be a need for working capital in the future. While our subscription arrangements create recurring multi-year revenue, they elongate the cash conversion cycle as we must outlay cash for the associated device but recover this cash outlay over a subscription period. Our operations have consumed substantial amounts of cash during Fiscal 2023, and we may continue to incur substantial losses and negative cash flow from operations for the foreseeable future. As of February 28, 2023, we had \$41.9 million of cash and cash equivalents, a decrease of \$37.3 million from February 28, 2022. While we expect to continue to finance our operations with cash on hand and cash generated from operations, our future performance is subject to economic, operational, financial, competitive and other factors, including the current inflationary environment, supply chain constraints and the impact of uncertain international trade

relations. See Note 1, *Description of Business and Summary of Significant Accounting Policies - Principles of Consolidation*, for additional information regarding the Company's liquidity.

#### *Available Borrowing Resources*

On July 13, 2022, we replaced our revolving credit facility with JP Morgan Chase Bank, N.A. and we entered into a new credit facility with PNC Bank, N.A., that provides for an asset-based senior secured revolving credit facility for borrowings up to an aggregate of \$50.0 million, subject to certain conditions, including borrowing base provisions that limit borrowing capacity to 80% of eligible accounts receivable and 50% of eligible inventory. The revolving credit facility will terminate, and all outstanding loans will become due and payable on the earlier of July 13, 2025 and the date that is ninety days prior to the maturity date of our 2025 Convertible Notes. Borrowings under this credit facility bear interest at either the Bloomberg short-term bank yield rate plus a margin of 2.50% per annum or an alternate base rate plus a margin of 1.50% per annum as selected by us on a periodic basis.

The revolving credit facility contains certain negative and affirmative covenants, including financial covenants that, among other things, require us to maintain a fixed charge coverage ratio of not less than 1.10 to 1.00, measured as of the last day of each fiscal quarter, if our liquidity position (consisting of specified cash balances plus unused availability on the revolving credit facility) falls below \$40.0 million on such day. Our ability to comply with the financial covenants in the credit agreement and access our revolving credit facility will be materially affected if our liquidity position falls below \$40.0 million. Additionally, our revolving credit facility contains a cash dominion trigger whereby PNC Bank may direct domestic cash balances and receipts to pay down borrowings under the revolving credit facility should our liquidity position, consisting of specified cash balances plus unused availability on the revolving credit facility, fall below \$25.0 million at the end of any month. As of February 28, 2023, there were no borrowings outstanding and \$2.6 million of outstanding letters of credit under this revolving credit facility, and total remaining borrowing availability was \$34.2 million.

In July 2018, we issued the 2025 Convertible Notes in the aggregate amount of \$230.0 million, which will come due in August 2025. Our ability to refinance the 2025 Convertible Notes on favorable terms, or at all, will depend on the capital markets and our financial condition. Any downgrade of our credit rating by any of the major credit rating agencies could result in increased borrowing costs and restrictive terms, which could adversely affect our ability to access the debt markets to refinance our existing debt or finance future debt. We also may be unable to issue additional equity without impacting our stock price or being materially dilutive to existing stockholders.

See Note 10, *Financing Arrangements*, for further information regarding our asset-based credit facility and the 2025 Convertible Notes.

#### *Sale of LoJack North America Operations*

On March 14, 2021, we entered into an agreement with Spireon pursuant to which we sold certain assets and transferred certain liabilities of the LoJack North America business for a purchase price of \$8.0 million. The transaction was completed effective March 15, 2021 and we received net proceeds of approximately \$6.6 million. Subsequently, on November 9, 2021, the purchase price was reduced by \$0.9 million, which was paid to Spireon, due to final working capital adjustments. We also entered into a Transition Service Agreement with Spireon on March 15, 2021 ("TSA") to support Spireon in the transition of LoJack North America customers and to provide recovery services to the existing installed base of LoJack North America customers as an agent of Spireon, which effectively terminated on March 31, 2022. During the service period, we invoiced Spireon for certain costs incurred in operating this business.

We also entered into a post-TSA Services Agreement with Spireon on March 15, 2021 ("SA"), that commenced April 1, 2022 upon the expiration of the TSA, under which we will continue to provide certain services related to the LoJack North America radio frequency tower infrastructure for a period of no longer than fifty-four months, as needed. As consideration for these services, Spireon will pay us a monthly service fee over the stipulated contract term.

#### *PPP Loan*

On April 16, 2020, we received proceeds from a loan in the amount of \$10 million (the "PPP Loan") from JPMorgan Chase Bank, N.A., as lender, pursuant to the Small Business Association ("SBA") Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act. At the time we applied for the PPP Loan, we believed that we qualified to receive the funds pursuant to the PPP. On April 23, 2020, the SBA, in consultation with the Department of Treasury, issued new guidance that created uncertainty regarding the qualification requirements for a PPP loan. Out of an abundance of caution and in light of the new guidance, we repaid in full the principal and interest on the PPP Loan on April 27, 2020.



### Material Cash Requirements

Following is a summary of our contractual cash obligations as of February 28, 2023 (in thousands):

Contractual Obligations	Future Estimated Cash Payments Due by Period				
	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Convertible senior notes principal	\$ -	\$ 230,000	\$ -	\$ -	\$ 230,000
Convertible senior notes stated interest	4,600	6,900	-	-	11,500
Operating leases	5,594	8,696	3,378	1,231	18,899
Purchase obligations	44,982	-	-	-	44,982
Total contractual obligations	\$ 55,176	\$ 245,596	\$ 3,378	\$ 1,231	\$ 305,381

Purchase obligations consist primarily of inventory purchase commitments.

### Other

We are a defendant in various legal proceedings involving intellectual property claims and contract disputes. In the patent infringement dispute involving Koninklijke Philips N.V. ("Phillips"), which is discussed in more detail below, the ITC affirmed the Final Initial Determination of the administrative law judge of no violation of Section 337 and terminated the investigation on July 6, 2022 and the deadline for any appeal has passed. The Delaware District Court cases in the Philips matter remain stayed but may be reinstated. In connection with this matter, we may be required to enter into a license agreement or other settlement arrangement that requires us to make a significant payment in the future. While it is not feasible to predict with certainty the outcome of this legal proceeding, based on currently available information, including the ITC's affirmation of no violation of Section 337, we believe that the ultimate resolution of this matter will not have a material adverse effect on our consolidated results of operations, financial condition and cash flow. See Note 18, *Commitments and Contingencies*, to the accompanying consolidated financial statements for additional information on legal proceedings.

### Cash flows from operating activities

Cash flows from operating activities consist of net loss adjusted for certain non-cash items, including depreciation, intangible asset amortization, stock-based compensation expense, amortization of debt issuance costs, deferred income taxes, amortization of certain revenue assignment arrangements and the effect of changes in components of working capital.

Our cash flows from operating activities are attributable to our net loss as well as management of our working capital, which is dictated by the volume of products we purchase from our manufacturers or suppliers and then sell to our customers along with the payment and collection terms that we negotiate with them. We purchase a majority of our products from significant suppliers located in Asia and Mexico that generally provide us 60-day payment terms for products purchased.

Our significant customers are located in the United States as well as certain foreign countries. We believe that our relationships with our key customers are good and that these customers are in good financial condition. We generally grant credit to our customers based on their financial viability and our historical collections experience with them. We typically require payment from our customers within 30 to 45 days of our invoice date with a few exceptions that extend the credit terms up to 90 days. Historically, since we paid our suppliers at or within 60 days of inventory purchase and our payment terms on our accounts receivable are generally within 45 days, we generated positive cash flows from operating activities. In the second half of Fiscal 2022, we began entering into subscription arrangements with key customers who previously purchased telematics devices from us. While these subscription arrangements create recurring multi-year revenue, they elongate the cash conversion cycle as we must outlay cash for the associated device but recover this cash outlay over a subscription period. Thus the conversion of customers onto subscription arrangements has had an unfavorable impact on cash flows.

For Fiscal 2023, net cash used in operating activities was \$22.9 million with a net loss of \$32.5 million. Our non-cash income and expenses from continuing operations comprised principally of depreciation, intangible assets amortization, stock-based compensation expense, amortization of debt issuance costs and discounts, non-cash operating lease costs and changes in deferred income tax assets totaled \$37.2 million. These non-cash expenses were partially offset by non-cash revenues of \$2.7 million related to acquired revenue assignment arrangements. Changes

in operating assets and liabilities from continuing operations used was \$25.0 million of cash, largely as a result of the increase in accounts receivable and contract assets, driven by differences in timing of collections under new subscription arrangements such that less cash is collected at contract inception. We have also experienced growth in lease receivables, which similarly is driven by differences in timing of collections and revenue recognition under subscription arrangements. These cash outflows were partially offset by the timing of payments on accounts payable as we have been able to extend payment terms with some of our key suppliers.

### ***Cash flows from investing activities***

In Fiscal 2023 and Fiscal 2022, our net cash used in investing activities was \$11.1 million and \$7.6 million, respectively. In both of these periods, our investing activities consisted of capital expenditures. We expect that we will make additional capital expenditures in the future, including devices that we lease to customers under subscription agreements, in order to support the future growth of our business.

Net cash provided by investing activities of discontinued operations was \$5.7 million in Fiscal 2022, which was comprised of cash proceeds received from the sale of the LoJack North America business.

### ***Cash flows from financing activities***

In Fiscal 2023 and Fiscal 2022, our net cash used in financing activities was \$0.9 million and \$2.6 million, respectively, driven primarily by payments for taxes related to the net share settlement of vested equity awards.

## **Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires us to make judgments, assumptions, and estimates that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. Note 1 to the Consolidated Financial Statements for Fiscal 2023 describes the significant accounting policies and methods used in the preparation of the Consolidated Financial Statements. The accounting policies described below are significantly affected by critical accounting estimates. Such accounting policies require significant judgments, assumptions, and estimates used in the preparation of the Consolidated Financial Statements, and actual results could differ materially from the amounts reported based on these policies.

The inputs into certain of our judgments, assumptions, and estimates considered the economic implications of the COVID-19 pandemic on our critical and significant accounting estimates. These estimates are listed in our Consolidated Financial Statements for Fiscal 2023, and include: revenue recognition, patent litigation and loss contingencies, goodwill and long-lived assets and income taxes, among other items. The actual results that we experience may differ materially from our estimates. Many of our estimates could require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve, our estimates may change materially in future periods.

## **Revenue Recognition**

We enter into contracts with customers that can include various combinations of products and services. As a result, our contracts may contain multiple performance obligations. In many customer arrangements subscription services are bundled with the sale or lease of telematics devices within the same contractual arrangement. To determine the performance obligations under these arrangements, we assess the contractual elements and, in particular, whether the telematics products within the arrangement are distinct. This is an area of judgment that includes the consideration of all elements of the arrangement. Significant factors in determining whether telematics devices are distinct are whether such devices are sold separately, as well as the degree of integration and interdependency between the subscription elements of the arrangement and the associated telematics devices. If we conclude that the telematics devices within a customer arrangement are distinct and therefore represent a separate performance obligation, the total expected consideration associated with the contract is allocated between the performance obligations based upon the relative stand-alone selling price associated with each performance obligation. We base stand-alone selling prices on pricing tables for the same or similar items.

For some customer arrangements, we have concluded that the subscription services and associated telematics devices are not distinct performance obligations and thus represent a single combined performance obligation. In these circumstances, we generally recognize the total expected consideration as revenue over the term of the subscription.

## Patent Litigation and Other Contingencies

We are subject to the possibility of various losses arising in the ordinary course of business. We consider the likelihood of impairment of an asset or the incurrence of a liability, as well as our ability to reasonably estimate the amount of loss, in determining loss contingencies. An estimated loss contingency is accrued when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. We regularly evaluate information available to us to determine whether such accruals should be made or adjusted and whether new accruals are required.

Third parties, including customers, have in the past and may in the future assert claims or initiate litigation related to exclusive patent, copyright, trademark, and other intellectual property rights to technologies and related standards that are relevant to us. These assertions may increase over time as a result of our growth and the general increase in the pace of patent claims assertions, particularly in the United States. If any infringement or other intellectual property claim made against us by any third party is successful, or if we fail to develop non-infringing technology or license the proprietary rights on commercially reasonable terms and conditions, our business, operating results, and financial condition could be materially and adversely affected.

We accrue for these intellectual property claims whenever we determine that an unfavorable outcome is probable and the liability is reasonably estimable. The amount of the accrual is estimated based on our review of each individual claim, including the type and facts of the claim and our assessment of the merits of the claim. Since these legal matters can be very complex and require significant judgment, we often utilize external legal counsel and other subject matter experts to assist us in defending against such claims. These accruals are reviewed at least on a quarterly basis and are adjusted to reflect the impact of recent negotiations, settlements, court rulings, advice from legal counsel and other events pertaining to the case. Although we believe that we take reasonable and considerable measures to mitigate our exposure in these matters, the outcome of litigation is inherently unpredictable. Nonetheless, we believe that we have valid defenses with respect to pending legal matters against us as well as adequate provisions for probable and estimable losses. All costs for legal services are expensed as incurred.

One recently resolved patent infringement lawsuit filed against us by Omega Patents, LLC (“Omega”) and one partially resolved patent infringement lawsuit filed against us by Philips are discussed in more detail below.

### *Omega*

The parties commenced a mediation on April 12, 2022, and on May 17, 2022, CalAmp and Omega executed an agreement for a settlement and release and a covenant not to sue under certain patents. On June 1, 2022, we paid \$4.9 million pursuant to this settlement agreement. The parties filed a Joint Stipulation of Dismissal With Prejudice on June 15, 2022, and on June 16, 2022, the court dismissed the case with prejudice.

### *Philips*

On April 1, 2022, the administrative law judge (“ALJ”) at the International Trade Commission (“ITC”) issued a Final Initial Determination on the question of the violation of section 337 (19 U.S.C. § 1337). The ALJ determined that a violation of section 337 has not occurred with respect to any of the asserted patents. On July 6, 2022, the ITC affirmed the Final Initial Determination of no violation of Section 337 and terminated the investigation and the deadline for any appeal has passed. While one of the district court cases filed by Philips in Delaware has been recently reopened for a status conference, the other two district court cases filed by Philips remain stayed. We believe that we have strong non-infringement and invalidity defenses in the Delaware district court cases. Also, we believe we have strong indemnification claims against our communication module suppliers, and are entitled to have our defense costs and any losses resulting from these proceedings paid by those suppliers, who are co-defendants in these proceedings. Currently, it is not feasible to predict with certainty the outcome of these three legal proceedings, and no specific amount of damages has been identified.

See Note 18, *Commitments and Contingencies*, to the accompanying consolidated financial statements for additional information.

## Goodwill and Long-lived Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment in accordance with the provisions of ASC 350, *Intangibles – Goodwill and Other*, (“ASC 350”). Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform an impairment test. The impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired. If, however, the fair value of the reporting unit is less than book value, then an impairment loss is recognized in an amount equal to the amount that the book value of the reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

The estimates of fair value of the reporting units are computed using either an income approach, a market approach, or a combination of both. Under the income approach, we utilize the discounted cash flow method to estimate the fair value of the reporting units. Significant assumptions inherent in estimating the fair values include the estimated future cash flows, growth assumptions for future revenues (including future gross margin rates, expense rates, capital expenditures and other estimates), and a rate used to discount estimated future cash flow projections to their present value (or estimated fair value) based on estimated weighted average cost of capital (i.e., the selected discount rate). We select assumptions used in the financial forecasts by using historical data, supplemented by current and anticipated market conditions, estimated growth rates, and management’s plans. Under the market approach, fair value is derived from metrics of publicly traded companies or historically completed transactions of comparable businesses (i.e. guideline companies). The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services.

Long-lived assets to be held and used, including identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans or changes in anticipated future cash flows. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets or asset group to future undiscounted net cash flows expected to be generated by the lowest level of asset group. If the assets or asset group are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Fair value is generally determined by estimates of discounted cash flows. The discount rate used in any estimate of discounted cash flows would be the rate required for similar investment of like risk.

The recoverability assessment with respect to each of the tradenames used in our operations requires us to estimate the fair value of the asset as of the assessment date. Such determination is made using discounted cash flow techniques (Level 3 determination of fair value). Significant inputs to the valuation model include future revenue and profitability projections associated with the tradename through a relief from royalty approach; estimated market royalty rates that could be derived from the licensing of our tradenames to third parties in order to establish the cash flows accruing to the benefit of the Company as a result of our ownership of our tradenames; and rates used to discount the estimated royalty cash flow projections to their present value (or estimated fair value).

As further described above, we have transitioned a substantial majority of customers who have historically purchased MRM telematics products from us onto long-term subscription contracts, which has resulted in growth in Software & Subscription Services revenues and a corresponding decline in Telematics Products revenues. As a result of this customer transition between reporting units, in the fourth quarter of Fiscal 2023, a portion of the goodwill previously associated with our Telematics Products reporting unit was re-allocated amongst the reporting units impacted by this customer transition.

At February 28, 2023, we had \$94.2 million in goodwill and \$26.6 million in other net intangible assets, recorded on our consolidated balance sheet. Additionally, we had three reporting units, one reporting unit under our Telematics Products segment and two reporting units under our Software and Subscription Services segment. Our Telematics Products segment includes \$16.2 million of goodwill and our Software & Subscription Service segment includes \$78.0 million.

See Note 7, *Property and Equipment*, and Note 8, *Goodwill and Other Intangible Assets*, to the accompanying consolidated financial statements for additional information.

## Income Taxes

We are subject to income taxes in the United States and numerous foreign jurisdictions. Our effective tax rates differ from the statutory rate, primarily due to the tax impact of state taxes, foreign operations, R&D tax credits, global intangible low-taxed income, nondeductible officer compensation, and transfer pricing adjustments. Our tax provision for income taxes is inherently difficult to estimate and record. This is due to the complex nature of the U.S. and International tax codes; earnings being different than anticipated in countries with different tax rates; changes in the valuation of our deferred tax assets and liabilities; changes in tax laws and regulations, treaties, or interpretations thereof, including changes to the taxation of earnings of our foreign subsidiaries, the deductibility of expenses attributable to foreign income, and the foreign tax credit rules.

Significant judgment is required in evaluating our uncertain tax positions and determining our provision for income taxes. We believe our reserves are reasonable and that our historical income tax provisions and accruals for these uncertain positions are sufficient. We adjust these reserves in light of changing facts and circumstances, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

Significant judgment is also required in determining any valuation allowance recorded against our net deferred tax assets in a particular jurisdiction. Currently we maintain a valuation allowance in the U.S. and certain foreign jurisdictions. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income, and the feasibility of tax planning strategies. In the event that we change our determination as to the amount of deferred tax assets that can be realized, we will adjust our valuation allowance with a corresponding impact to the provision for income taxes in the period in which such determination is made.

At February 28, 2023, our federal income tax loss carryforwards were approximately \$80.6 million, our state income tax loss carryforwards were approximately \$87.8 million, and our foreign income tax loss carryforwards were approximately \$61.3 million. Since these losses have varying degrees of carryforward periods, it requires us to estimate the amount of carryforward losses that we can reasonably expect to realize. Future changes in anticipated earnings could change the amount of carry forward losses that we expect to realize and the amount of valuation allowances we have recorded (see Note 13, *Income Taxes*, for additional information).

## Forward Looking Statements

Forward looking statements in this Form 10-K which include, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions, projections and other information regarding future performance, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “may”, “will”, “could”, “plans”, “intends”, “seeks”, “believes”, “anticipates”, “expects”, “estimates”, “judgment”, “goal”, and variations of these words and similar expressions, are intended to identify forward-looking statements. These forward-looking statements reflect our current views with respect to future events and financial performance and are subject to certain risks and uncertainties that are difficult to predict, including, without limitation, the impact of adverse and uncertain economic conditions in the U.S. and international markets, the sufficiency of our cash and cash equivalents to meet our liquidity needs and service our indebtedness, product demand, competitive pressures and pricing declines in our markets, the timing of customer approvals of new product designs, intellectual property infringement claims, interruption or failure of our Internet-based systems used to wirelessly configure and communicate with the tracking and monitoring devices that we sell, global component supply shortages due to ongoing supply chain constraints, the phased implementation of our ERP system, the effect of tariffs on exports from China and other countries, the ongoing effects of the COVID-19 pandemic (including its effect on the supply of labor), and other risks and uncertainties that are set forth in Part I, Item 1A of this Annual Report on Form 10-K (Risk Factors). Such risks and uncertainties could cause actual results to differ materially and adversely from historical or anticipated results. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be attained. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.



## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

### **Foreign Currency Risk**

We have international operations, giving rise to exposure to market risks from changes in currency exchange rates. A cumulative foreign currency translation loss of \$1.9 million related to our foreign subsidiaries is included in accumulated other comprehensive loss in the stockholders' equity section of the consolidated balance sheet at February 28, 2023. The aggregate foreign currency transaction exchange rate losses included in determining loss before income taxes were \$0.1 million, \$0.2 million and \$0.2 million in fiscal years ended February 28, 2023, 2022 and 2021, respectively.

### **Interest Rate Risk**

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

As the majority of our investment portfolio has a short-term nature, we do not believe an immediate increase or decrease in interest rate would have a material effect on the fair market value of our portfolio, and therefore, we do not expect our operating results or cash flows to be materially affected by a sudden change in market interest rates.

We do not believe our cash equivalents have significant risk of default or illiquidity. However, we cannot provide absolute assurance that in the future our investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits. We cannot be assured that we will not experience losses on these deposits.

Loans outstanding under our revolving credit facility bear interest at either the Bloomberg short-term bank yield rate plus a margin of 2.50% per annum or an alternate base rate plus a margin of 1.50% per annum. Changes in interest rates would impact our variable rate borrowings. There were no borrowings outstanding under this revolving credit facility at February 28, 2023.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of CalAmp Corp.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CalAmp Corp. and subsidiaries (the "Company") as of February 28, 2023 and 2022, the related consolidated statements of comprehensive loss, stockholders' equity, and cash flows, for each of the three years in the period ended February 28, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 28, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended February 28, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 28, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 27, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for convertible debt effective March 1, 2022, due to the adoption of Accounting Standards Update, 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, using the modified retrospective approach.

### Basis for Opinion

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

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

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Goodwill – Telematics Products Reporting Unit – Refer to Notes 1 and 8 to the Financial Statements*

### *Critical Audit Matter Description*

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using the discounted cash flow model and the market approach. The determination of the fair value using the discounted cash flow model requires management to make significant estimates and assumptions related to forecasts of future gross margin rates. Changes in this assumption could have a significant impact on the fair value of the reporting unit and the amount of any goodwill impairment charge. As a result of the customer transition between reporting units, in the fourth quarter of Fiscal 2023, a portion of the goodwill previously associated with the Telematics Products reporting unit was re-allocated amongst the reporting units impacted by this customer transition. The goodwill balance was \$94.2 million as of February 28, 2023 of which \$16.2 million was allocated to the Telematics Products Reporting Unit. The fair value of Telematics Products reporting unit exceeded its carrying value as of the measurement date and, therefore, no impairment was recognized.

We identified goodwill for Telematics Products as a critical audit matter because of the significant judgments made by management to estimate the fair value of Telematics Products reporting unit. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future gross margin rates and mostly notably, considerations related to the transition of customers from the Telematics Products reporting unit to a reporting unit under the Company's Software & Subscription Services operating segment.

### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the forecasts of future gross margin rates used by management to estimate the fair value of Telematics Products reporting unit included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation and reallocation of goodwill, including those over the determination of the fair value of Telematics Products reporting unit, such as controls related to management's forecasts of future gross margin rates.
- We evaluated management's ability to accurately forecast future gross margin rates by comparing projected gross margin rates to management's historical gross margin rates. This included management's evaluation of the customer transition from the Telematics Products reporting unit to a reporting unit under the Company's Software & Subscription Services operating segment and how that would, in turn, impact future gross margins rates.
- We evaluated the reasonableness of management's forecasted gross margin rates by comparing the forecasts to:
  - Historical gross margin rates.
  - Gross margin rates utilized in management's long-range strategic plan which was communicated to the Board of Directors

### ***Revenue Recognition — Refer to Note 1 to the financial statements***

#### *Critical Audit Matter Description*

In many customer arrangements within the Company's Software & Subscription Services segment, the subscription services are bundled with the sale or lease of telematics devices within the same contractual arrangement. To determine the performance obligations under these arrangements, the Company assesses the contractual elements and, in particular, whether the telematics products within the arrangement are distinct. This is an area of judgment that includes the consideration of all elements of the arrangement. Significant factors in determining whether telematics devices are distinct are whether such devices are sold separately, as well as the degree of integration and interdependency between the subscription elements of the arrangement and the associated telematics devices. If the Company concludes that the telematics devices within a customer arrangement are distinct, and therefore represent a separate performance obligation, the total expected consideration associated with the contract is allocated between the performance obligations based upon the relative stand-alone selling price associated with each performance obligation.

For some customer arrangements, the Company has concluded that the subscription services and associated telematics devices are not distinct promises and thus represent a single combined performance obligation. In these circumstances, the Company generally recognizes the total expected consideration as revenue over the term of the subscription.

Significant judgment is required to determine whether the performance obligations in these contracts are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. This judgment can have a significant impact on the timing of revenue recognition. Auditing these aspects include especially challenging auditor judgment due to the nature and extent of audit effort required to address this matter.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to management's evaluation of contracts with multiple promises included the following, among others:

- We tested the effectiveness of controls related to management's identification and assessment of performance obligations in contracts with customers.
- We performed an analysis of how each step within the accounting guidance was addressed for each revenue transaction selected in our substantive test of details.
- We tested management's identification of performance obligations by evaluating whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the underlying goods and services were highly interdependent and interrelated.
- We obtained and tested individual customer contracts to evaluate the appropriateness of management's identification of performance obligations.
- We verified that the timing of revenue recognition was appropriate based on the performance obligation identified by inspecting evidence supporting the transfer of control of telematics devices or services to the customer.

/s/ Deloitte & Touche LLP

Costa Mesa, CA

April 27, 2023

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

**CALAMP CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except par value)

	February 28,	
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 41,928	\$ 79,221
Accounts receivable, net	82,946	61,544
Inventories	23,902	18,269
Prepaid expenses and other current assets	26,019	22,348
Total current assets	174,795	181,382
Property and equipment, net	32,832	37,674
Operating lease right-of-use assets	12,293	12,327
Deferred income tax assets	3,275	4,165
Goodwill	94,214	94,436
Other intangible assets, net	26,633	31,965
Other assets	36,078	29,632
Total assets	\$ 380,120	\$ 391,581
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 705	\$ 2,585
Accounts payable	52,716	31,815
Accrued payroll and employee benefits	11,766	10,929
Deferred revenue	25,448	26,174
Other current liabilities	15,865	18,951
Total current liabilities	106,500	90,454
Long-term debt, net of current portion	227,416	189,703
Operating lease liabilities	12,314	13,382
Other non-current liabilities	19,583	22,640
Total liabilities	365,813	316,179
Commitments and contingencies (see Note 18)		
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; 37,388 and 36,052 shares issued and outstanding at February 28, 2023 and 2022, respectively	374	361
Additional paid-in capital	184,672	242,386
Accumulated deficit	(168,816)	(165,965)
Accumulated other comprehensive loss	(1,923)	(1,380)
Total stockholders' equity	14,307	75,402
Total liabilities and stockholders' equity	\$ 380,120	\$ 391,581

See accompanying notes to consolidated financial statements.

**CALAMP CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands, except per share amounts)

	Year Ended February 28,		
	2023	2022	2021
Revenues:			
Products	\$ 188,881	\$ 182,916	\$ 193,486
Application subscriptions and other services	106,068	112,923	115,101
Total revenues	294,949	295,839	308,587
Cost of revenues:			
Products	127,154	119,850	129,578
Application subscriptions and other services	58,784	54,103	56,604
Total cost of revenues	185,938	173,953	186,182
Gross profit	109,011	121,886	122,405
Operating expenses:			
Research and development	24,570	28,444	25,811
Selling and marketing	47,389	48,564	46,202
General and administrative	51,819	52,333	49,077
Intangible asset amortization	5,332	5,415	4,781
Restructuring	4,586	600	2,534
Impairment losses	-	-	825
Total operating expenses	133,696	135,356	129,230
Operating loss	(24,685)	(13,470)	(6,825)
Non-operating income (expense):			
Investment income	989	1,175	2,119
Interest expense	(6,260)	(15,323)	(15,487)
Other expense, net	(1,383)	(2,443)	(403)
Total non-operating expenses	(6,654)	(16,591)	(13,771)
Loss from continuing operations before income taxes	(31,339)	(30,061)	(20,596)
Income tax provision from continuing operations	(1,151)	(1,087)	(561)
Net loss from continuing operations	(32,490)	(31,148)	(21,157)
Net income (loss) from discontinued operations, net of tax	-	3,157	(35,152)
Net loss	<u>\$ (32,490)</u>	<u>\$ (27,991)</u>	<u>\$ (56,309)</u>
Loss per share - continuing operations:			
Basic	\$ (0.90)	\$ (0.88)	\$ (0.62)
Diluted	\$ (0.90)	\$ (0.88)	\$ (0.62)
Earnings (Loss) per share - discontinued operations:			
Basic	\$ -	\$ 0.09	\$ (1.02)
Diluted	\$ -	\$ 0.09	\$ (1.02)
Shares used in computing earnings (loss) per share:			
Basic	36,132	35,254	34,389
Diluted	36,132	35,254	34,389
Comprehensive loss:			
Net loss	\$ (32,490)	\$ (27,991)	\$ (56,309)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(543)	(395)	390
Total comprehensive loss	<u>\$ (33,033)</u>	<u>\$ (28,386)</u>	<u>\$ (55,919)</u>

See accompanying notes to consolidated financial statements.



**CALAMP CORP.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(In thousands)

	<b>Year Ended February 28,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Total stockholders' equity, beginning balances	\$ 75,402	\$ 95,085	\$ 137,919
Common stock and additional paid-in capital:			
Beginning balances	242,747	234,044	220,825
Cumulative-effect adjustment related to the adoption of ASU 2020-06	(67,003)		
Stock-based compensation expense	10,211	11,346	12,880
Shares issued on net share settlement of equity awards	(1,865)	(4,173)	(1,628)
Exercise of stock options and contributions to ESPP	956	1,530	1,967
Ending balances	185,046	242,747	234,044
Accumulated deficit:			
Beginning balances	(165,965)	(137,974)	(81,531)
Cumulative-effect adjustment related to the adoption of ASU 2020-06	29,639	-	(134)
Net loss	(32,490)	(27,991)	(56,309)
Ending balances	(168,816)	(165,965)	(137,974)
Accumulated other comprehensive income (loss):			
Beginning balances	(1,380)	(985)	(1,375)
Foreign currency translation adjustments	(543)	(395)	390
Ending balances	(1,923)	(1,380)	(985)
Total stockholders' equity, ending balances	\$ 14,307	\$ 75,402	\$ 95,085

See accompanying notes to consolidated financial statements.

**CALAMP CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	<b>Year Ended February 28,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (32,490)	\$ (27,991)	\$ (56,309)
Less: net income (loss) from discontinued operations, net of tax	-	3,157	(35,152)
Net loss from continuing operations	(32,490)	(31,148)	(21,157)
Adjustments to reconcile net loss from continuing operations to net cash (used in) provided by operating activities:			
Depreciation expense	16,426	17,389	17,221
Intangible asset amortization	5,332	5,415	4,781
Stock-based compensation	10,211	11,321	11,364
Amortization of debt issuance costs and discount	1,151	10,411	10,180
Impairment losses	-	-	825
Non-cash operating lease cost	3,433	3,713	421
Revenue assigned to factors	(2,680)	(4,566)	(6,291)
Deferred tax assets, net	676	465	(1)
Changes in operating assets and liabilities of continuing operations, excluding effects from acquisitions:			
Accounts receivable	(21,734)	1,436	1,624
Inventories	(5,772)	5,164	8,691
Prepaid expenses and other current assets	(10,213)	(219)	(7,311)
Accounts payable	20,533	(4,782)	10,166
Accrued liabilities	(1,305)	796	8,257
Deferred revenue	(1,911)	(14,228)	(6,199)
Operating lease liabilities	(4,663)	(5,585)	(297)
Other	74	595	723
Net cash (used in) provided by operating activities - continuing operations	(22,932)	(3,823)	32,997
Net cash used in operating activities - discontinued operations	-	(395)	(4,412)
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b>(22,932)</b>	<b>(4,218)</b>	<b>28,585</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from maturities and sale of marketable securities	-	-	6,264
Purchases of marketable securities	-	-	(6,264)
Capital expenditures	(11,100)	(13,298)	(11,356)
Net cash used in investing activities - continuing operations	(11,100)	(13,298)	(11,356)
Net cash provided by (used in) investing activities - discontinued operations	-	5,721	(2,338)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(11,100)</b>	<b>(7,577)</b>	<b>(13,694)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from Paycheck Protection Program Loan	-	-	10,000
Repayment of Paycheck Protection Program Loan	-	-	(10,000)
Proceeds from revolving credit facility, net of issuance costs	-	-	19,944
Repayment of 2020 Convertible Notes	-	-	(27,599)
Repayment of revolving credit facility	-	-	(20,000)
Taxes paid related to net share settlement of vested equity awards	(1,865)	(4,173)	(1,628)
Proceeds from exercise of stock options and contributions to employee stock purchase plan	956	1,530	1,967
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(909)</b>	<b>(2,643)</b>	<b>(27,316)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(2,352)</b>	<b>(965)</b>	<b>(355)</b>
Net change in cash and cash equivalents	(37,293)	(15,403)	(12,780)
Cash and cash equivalents at beginning of year	79,221	94,624	107,404
Cash and cash equivalents at end of year	<u>\$ 41,928</u>	<u>\$ 79,221</u>	<u>\$ 94,624</u>

See accompanying notes to consolidated financial statements.

**CALAMP CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Business**

CalAmp Corp. (including its subsidiaries unless the context otherwise requires, “CalAmp”, “the Company”, “we”, “our”, or “us”) is a connected intelligence company that leverages a data-driven solutions ecosystem to help people and organizations improve operational performance. We solve complex problems for customers within the market verticals of transportation and logistics, commercial and government fleets, industrial equipment, and consumer vehicles by providing solutions that track, monitor, and recover their vital assets. The data and insights enabled by CalAmp solutions provide real-time visibility into a user’s vehicles, assets, drivers, and cargo, giving organizations greater understanding and control of their operations. Ultimately, these insights drive operational visibility, safety, efficiency, maintenance, and sustainability for organizations around the world. We are a global organization that is headquartered in Irvine, California.

**Recent Events**

*Transition of MRM Telematics Customers to Subscription Arrangements*

In the latter half of Fiscal 2022, we prompted a strategic shift with customers who historically purchased MRM telematics devices from us whereby many of these customers were to be transitioned to subscription-based arrangements by way of bundling services with telematics devices under multi-year (generally three years) subscription contracts. Beginning in Fiscal 2022 and through Fiscal 2023, we transitioned a substantial majority of the MRM business to multi-year subscription contracts. As a result, our financial results associated with such subscription arrangements is reported within our Software & Subscription Services reporting segment prospectively from the effective date of such underlying contracts which in Fiscal 2023 led to growth in our Software & Subscription Services business with a corresponding decline in our Telematics Products business. Long term we believe this shift will allow us to drive revenue growth as we generate incremental revenue from our existing customer base as well as new customers through current and anticipated broader future subscription service offerings.

**Basis of Presentation**

Our consolidated financial statements include the accounts of CalAmp Corp. (a Delaware corporation) and all of our wholly-owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

Our consolidated financial statements have been prepared with the assumption that the Company will continue as a going concern. Based on our current and projected level of operations, we believe that our future cash flows from operating activities, our existing cash and cash equivalents and our credit facility will provide adequate funds for ongoing operations and working capital requirements for at least the next 12 months. However, our business is subject to various factors that could impact operations, and such impacts could be material.

As further discussed in Note 2, *Discontinued Operations*, the operating results and cash flows related to the LoJack North America business are presented as discontinued operations.

Certain prior period disclosures have been modified to conform to the current period presentation.

**Reportable Segments**

As further discussed in Note 19, *Segment and Geographic Data*, our two reportable segments are Software & Subscription Services and Telematics Products.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”) requires us to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates and assumptions. Significant items subject to such estimates and assumptions include allowances for doubtful accounts; charges for excess and obsolete inventory; deferred income tax asset valuation allowances; goodwill and other long-

lived assets; stock-based compensation; legal contingencies and revenue recognition. The current COVID-19 pandemic and general economic environment, and our supplier and customer concentrations also increase the degree of uncertainty inherent in these estimates and assumptions.

## Revenue Recognition

We enter into contracts with our customers to provide telematics solutions through various combinations of platform and application subscriptions and associated telematics devices. We recognize revenue when distinct promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. In determining revenue recognition we apply the following five-step approach:

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

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

Revenues from subscription services are recognized ratably on a straight-line basis over the term of the subscription, which generally ranges from two to five years.

We recognize revenue from telematics product sales upon the transfer of control of promised products to customers in an amount that reflects the transaction price. Customers generally do not have a right of return except for defective products returned during the warranty period. We record estimated commitments related to customer incentive programs as reductions of revenues.

From time to time, we provide various professional services to customers. These services include project management, engineering services and installation services, which are often distinct from other performance obligations and are recognized as the related services are performed. For certain professional service contracts, we recognize revenue based on the proportion of total costs incurred to-date over the estimated cost of the contract, which is an input method.

In many customer arrangements subscription services are bundled with the sale or lease of telematics devices within the same contractual arrangement. To determine the performance obligations under these arrangements, we assess the contractual elements and, in particular, whether the telematics products within the arrangement are distinct. This is an area of judgment that includes the consideration of all elements of the arrangement. Significant factors in determining whether telematics devices are distinct are whether such devices are sold separately, as well as the degree of integration and interdependency between the subscription elements of the arrangement and the associated telematics devices. If we conclude that the telematics devices within a customer arrangement are distinct and therefore represent a separate performance obligation, the total expected consideration associated with the contract is allocated between the performance obligations based upon the relative stand-alone selling price associated with each performance obligation. We base stand-alone selling prices on pricing tables for the same or similar items.

For some customer arrangements, we have concluded that the subscription services and associated telematics devices are not distinct performance obligations and thus represent a single combined performance obligation. For certain other customer arrangements under which devices are leased in combination with subscription services, we consider the arrangement to be predominately a subscription service and thus a combined single performance obligation for purposes of revenue recognition. In both of these circumstances, we generally recognize the total expected consideration as revenue over the term of the subscription. In customer arrangements for which the embedded lease is an operating lease, we utilize the practical expedient that allows for the combining of lease and nonlease components. Device related costs associated with arrangements in which title to the device is transferred to the customer under a single combined performance obligation are recorded as deferred costs on the balance sheet and are amortized into cost of revenues over the term of the subscription or the estimated in-service lives of the devices. In contractual arrangements under which we provide devices as part of the subscription contract but we retain control of the devices, the cost of the devices is capitalized as property and equipment and depreciated over the estimated useful life of three to five years.

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

The timing of revenue recognition may differ from the timing on our invoicing to customers. Contract assets are comprised of unbilled amounts for which we have transferred products or provided services to our customers and are classified as accounts receivable. As of February 28, 2023 and February 28, 2022, contract assets aggregated for \$28.3 million and \$11.1 million, respectively. Contract liabilities (deferred revenues) are comprised of payments received from our customers in advance of performance under the contract. During the fiscal year ended February 28, 2023, we recognized \$26.4 million in revenue from the deferred revenue balance of \$32.1 million as of February 28, 2022.

Incremental costs of obtaining a contract with a customer consist of sales commissions, which are recognized on a straight-line basis over the life of the corresponding contracts. Sales commissions included in prepaid expenses and other current assets and other assets were \$1.7 million and \$4.1 million, respectively, as of February 28, 2023.

We disaggregate revenue from contracts with customers into reportable segments, geography, type of goods and services and timing of revenue recognition. See Note 19, *Segment and Geographic Data*, for our revenue by segment and geography. The disaggregation of revenue by type of goods and services and by timing of revenue recognition is as follows (in thousands):

	Year Ended February 28,		
	2023	2022	2021
<b>Revenue by type of goods and services:</b>			
Telematics devices and accessories	\$ 188,881	\$ 182,916	\$ 193,486
Rental income and other services	25,856	19,265	17,844
Recurring application subscriptions	80,212	93,658	97,257
Total	<u>\$ 294,949</u>	<u>\$ 295,839</u>	<u>\$ 308,587</u>
<b>Revenue by timing of revenue recognition:</b>			
Revenue recognized at a point in time	\$ 206,447	\$ 195,399	\$ 209,902
Revenue recognized over time	88,502	100,440	98,685
Total	<u>\$ 294,949</u>	<u>\$ 295,839</u>	<u>\$ 308,587</u>

Telematics devices and accessories revenues presented in the table above include devices sold in customer arrangements that include both device and subscription services. Revenues related to recurring application subscriptions include subscription revenues as well as amortization of deferred revenue for contractual arrangements under which the subscription services and associated telematics devices were determined to be a single combined performance obligation.

Remaining performance obligations for Software & Subscription Services represents contracted revenue that has not yet been recognized, which includes deferred revenue on our consolidated balance sheets and unbilled amounts that will be recognized as revenue in future periods. As of February 28, 2023 and February 28, 2022, we have estimated remaining performance obligations for contractually committed revenues of \$234.5 million and \$202.0 million respectively. As of February 28, 2023, we expect to recognize approximately 49% of the revenue under these remaining performance obligations in Fiscal 2024 and 27% in Fiscal 2025. As of February 28, 2022, we expected to recognize approximately 47% of the then remaining performance obligations in Fiscal 2023 and 24% in Fiscal 2024. We exclude contracts that have original durations of less than one year from the aforementioned remaining performance obligation disclosure.

## Cash and Cash Equivalents

We consider all highly liquid investments with maturities at date of purchase of three months or less to be cash equivalents.

## **Concentrations of Credit Risk**

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash equivalents, marketable debt securities and trade accounts receivable.

Cash and cash equivalents as well as investments are maintained with several financial institutions. Deposits held with banks may exceed the federally insured limits. These deposits are maintained with reputable financial institutions and are redeemable upon demand. We have not experienced any losses in such accounts.

## **Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable consists of amounts due to us from sales arrangements executed in our normal business activities and are recorded at invoiced amounts or in some cases amounts expected to be invoiced. Our payment terms generally range between 30 to 60 days of our invoice date with a few exceptions that extend the credit terms up to 90 days, and we do not offer financing options. We present the aggregate accounts receivable balance net of an allowance for doubtful accounts. Generally, collateral and other security is not obtained for outstanding accounts receivable. Credit losses, if any, are recognized based on management's evaluation of historical collection experience, customer-specific financial conditions as well as an evaluation of current industry trends and general economic conditions. Past due balances are assessed by management on a periodic basis and balances are written off when the customer's financial condition no longer warrants pursuit of collection. Actual collections may differ from estimated amounts.

Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. Except for the increase in expected credit losses, we are not aware of any specific event or circumstances that would require an update to our estimates or assumptions or a revision of the carrying value of our assets or liabilities as of the date of this annual report. These estimates and assumptions may change as new events occur and additional information is obtained. As a result, actual results could differ materially from these estimates and assumptions.

We analyzed the credit risk associated with our accounts receivables and lease receivables. Since our historical loss rates have not shown any significant differences between customer industries or geographies, we have grouped all accounts receivables and lease receivables into a single portfolio. As described in Note 19, Segment and Geographic Data, we do not have significant international geographic concentrations of revenue, and as a result, we do not have significant concentrations of accounts receivables or lease receivables in any single geography outside of the United States.

## **Inventories**

Inventories are stated at the lower of cost (using the first-in, first-out method) or market (net realizable value). Inventories are reviewed for excess quantities and obsolescence based upon usage levels and demand forecasts for a specific time horizon. We record a charge to cost of revenues for the amount required to reduce the carrying value of inventory to estimated net realizable value. Ongoing changes in cellular carrier technology, supplier changes, changes in demand or significant reductions in product pricing may necessitate additional write-downs of inventory carrying value in the future, which could be material.

## **Property and equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the respective estimated useful lives of the assets ranging from two to seven years. Leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the estimated useful life of the assets. Maintenance and repairs are expensed as incurred.

We capitalize certain costs incurred in connection with developing or obtaining internal-use software and software embedded in our products. These costs are recorded as property and equipment in our consolidated balance sheets and are amortized over useful lives ranging from three to seven years. The devices leased to our customers under operating leases are capitalized as property and equipment and being depreciated over the life of the devices.



## Business Combinations

The purchase price of an acquisition is allocated to the underlying assets acquired and liabilities assumed based upon their estimated fair value at the date of acquisition. To the extent the purchase price exceeds the fair value of the net identifiable tangible and intangible assets acquired and liabilities assumed, such excess is allocated to goodwill. We determine the estimated fair values after review and consideration of relevant information, including discounted cash flows, quoted market prices and other estimates made by management. We may refine the preliminary purchase price allocation, as necessary, during the measurement period of up to one year after the acquisition closing date as we obtain more information as to facts and circumstances existing at the acquisition date impacting the asset valuations and liabilities assumed. Goodwill acquired in business combinations is assigned to the reporting unit expected to benefit from the combination as of the acquisition date. Acquisition-related costs are recognized separately from the acquisition and are expensed as incurred.

## Goodwill and Long-lived Assets

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment in accordance with the provisions of *ASC 350, Intangibles – Goodwill and Other*, (“ASC 350”). Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform an impairment test. The impairment test involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired. If, however, the fair value of the reporting unit is less than book value, then an impairment loss is recognized in an amount equal to the amount that the book value of the reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit.

The estimates of fair value of the reporting units are computed using either an income approach, a market approach, or a combination of both. Under the income approach, we utilize the discounted cash flow method to estimate the fair value of the reporting units. Significant assumptions inherent in estimating the fair values include the estimated future cash flows, growth assumptions for future revenues (including future gross margin rates, expense rates, capital expenditures and other estimates), and a rate used to discount estimated future cash flow projections to their present value (or estimated fair value) based on estimated weighted average cost of capital (i.e., the selected discount rate). We select assumptions used in the financial forecasts by using historical data, supplemented by current and anticipated market conditions, estimated growth rates, and management’s plans. Under the market approach, fair value is derived from metrics of publicly traded companies or historically completed transactions of comparable businesses (i.e. guideline companies). The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services.

Long-lived assets to be held and used, including identifiable intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans or changes in anticipated future cash flows. If an impairment indicator is present, we evaluate recoverability by a comparison of the carrying amount of the assets or asset group to future undiscounted net cash flows expected to be generated by the lowest level of asset group. If the assets or asset group are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Fair value is generally determined by estimates of discounted cash flows. The discount rate used in any estimate of discounted cash flows would be the rate required for similar investment of like risk.

The recoverability assessment with respect to each of the tradenames used in our operations requires us to estimate the fair value of the asset as of the assessment date. Such determination is made using discounted cash flow techniques (Level 3 determination of fair value). Significant inputs to the valuation model include future revenue and profitability projections associated with the tradename through a relief from royalty approach; estimated market royalty rates that could be derived from the licensing of our tradenames to third parties in order to establish the cash flows accruing to the benefit of the Company as a result of our ownership of our tradenames; and rates used to discount the estimated royalty cash flow projections to their present value (or estimated fair value).

In the fourth quarter of Fiscal 2020 and throughout Fiscal 2021, we determined that the prolonged secular decline in revenues from our legacy LoJack U.S. stolen vehicle recovery (“SVR”) products coupled with the slower than anticipated market penetration of our telematics solutions in the U.S. automotive dealership channel represented determinate indications of impairment. These factors were further exacerbated by the continuing unfavorable impact that the COVID-19 pandemic has had on the automotive end markets over the past year. As a result, we initiated an assessment of the carrying amount of the related goodwill, intangible and long-lived assets supporting these products including the LoJack tradename and dealer and customer relationships in both fiscal years. Based upon our assessment of economic conditions, our expectations of future business conditions and trends, our projected revenues, earnings, and cash flows, we determined that goodwill and certain of our long-lived assets were impaired in fiscal year 2021 as follows (in thousands):

	<b>Year Ended February 28, 2021</b>
LoJack U.S. SVR Products goodwill	\$ 12,023
Other intangible assets:	
Developed technology	478
Tradenames	-
Dealer and customer relationships	1,005
Property and equipment and other assets	10,483
Operating lease right-of-use assets and related liabilities	658
<b>Total</b>	<b>\$ 24,647</b>

Of the above amounts, \$23.8 million was included in discontinued operations in the year ended February 28, 2021 (see Note 2, *Discontinued Operations*, for additional information).

### **Fair Value Measurements**

Our cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term maturities of these items. Our marketable securities are measured at fair value on a recurring basis.

The framework for measuring fair value and related disclosure requirements about fair value measurements are provided in ASC 820, *Fair Value Measurements* (ASC 820). This pronouncement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy proscribed by ASC 820 contains three levels as follows:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than quoted prices in active markets for identical assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Inputs that are generally unobservable and typically reflect management’s estimate of assumptions that market participants would use in pricing the asset or liability.

### **Convertible Senior Notes and Capped Call Transactions**

We account for our convertible senior notes as a single debt instrument measured at amortized cost, net of unamortized debt issuance costs. Debt issuance costs are amortized to interest expense over the term of the notes using the effective interest rate method. If a conversion of the underlying debt occurs prior to maturity a proportionate share of the unamortized amount is immediately expensed. We account for the cost of the capped calls as a reduction to additional paid-in capital.

### **Research and Development Costs**

Research and development costs are expensed as incurred. In certain cases, costs are incurred to purchase materials and equipment for future use in research and development efforts. In such cases, these costs are capitalized and expensed as consumed.

## **Product Warranty**

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

## **Patent Litigation and Other Contingencies**

We accrue for patent litigation and other contingencies whenever we determine that an unfavorable outcome is probable and a liability is reasonably estimable. The amount of the accrual is estimated based on a review of each claim, including the type and facts of the claim and our assessment of the merits of the claim. These accruals are reviewed at least on a quarterly basis and are adjusted to reflect the impact of recent negotiations, settlements, court rulings, advice from legal counsel and other events pertaining to the case. Such accruals, if any, are recorded as general and administrative expense in our consolidated statements of comprehensive loss. Although we take considerable measures to mitigate our exposure in these matters, litigation is unpredictable; however, we believe that we have valid defenses with respect to pending legal matters against us as well as adequate provisions for probable and estimable losses. All costs for legal services are expensed as incurred.

## **Income Taxes**

We use the asset and liability method when accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for future tax consequences attributable to the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We recognize the effect of income tax positions only if those positions are more likely than not to be sustained. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We recognize interest and/or penalties related to uncertain tax positions in income tax expense. Valuation allowances are provided against net deferred tax assets when it is determined that it is more likely than not that the assets will not be realized. In assessing valuation allowances, we review historical and future expected operating results and other factors, including cumulative earnings experience, expectations of future taxable income by jurisdiction and the carryforward periods available for reporting purposes.

## **Foreign Currency Translation**

We translate the assets and liabilities of our non-U.S. dollar functional currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized in foreign currency translation included in accumulated other comprehensive loss during the period. The aggregate foreign currency transaction exchange rate losses included in determining loss from continuing operations before income taxes were \$0.1 million, \$0.2 million and \$0.2 million in fiscal years 2023, 2022 and 2021, respectively.

## **Stock-Based Compensation**

Our stock-based compensation expense resulting from grants of employee stock options, restricted stock and restricted stock units is recognized in the consolidated financial statements based on the respective grant date fair values of the awards. We use the Black-Scholes option-pricing method for valuing stock options and shares granted under the employee stock purchase plan and recognize the expense over a requisite service (vesting) period using the straight-line method. Restricted stock units (RSUs), are valued based on the fair value of our common stock on the date of grant. The measurement of stock-based compensation is based on several criteria such as the type of equity award, the valuation model used and associated input factors including the expected term of the award, stock price volatility, risk free interest rate and forfeiture rate. Certain of these inputs are subjective and are determined based in part on management's judgment. We account for forfeitures as they occur, rather than estimating expected forfeitures over the course of a vesting period.

## **Other Comprehensive Income (Loss)**

Other comprehensive income (loss) consists of two components, net income (loss) and other comprehensive income (loss) ("OCI"). OCI refers to revenue, expenses and gains and losses that under U.S. GAAP are recorded as an element of stockholders' equity and excluded from net income (loss). Our OCI consists of foreign currency translation adjustments from those subsidiaries not using the U.S. dollar as their functional currency.

## **Recently Issued Accounting Standards Not Yet Adopted**

The Company has reviewed all other recently issued accounting pronouncements and concluded they were either not applicable or not expected to have a material impact on the Company's consolidated financial statements.

## **Recently Adopted Accounting Pronouncements**

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06, Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 814-40), which removes certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. Specifically, the new pronouncement removes the separation models for convertible debt with a cash conversion feature or convertible instruments with a beneficial conversion feature. We adopted ASU 2020-06 effective March 1, 2022, the beginning of Fiscal 2023, utilizing the modified retrospective approach whereby the cumulative effect of the change in accounting was recognized as an adjustment to the opening balance of retained earnings (accumulated deficit) at the date of adoption. Comparative information has not been restated and continues to be presented in accordance with accounting standards that were in effect for those periods.

Prior to the adoption of ASU 2020-06, we allocated the gross proceeds of the Convertible Notes between the liability and equity components under the cash conversion feature model using the accounting rules in GAAP (ASC 470-20). The carrying amount of the liability component was calculated based on the fair value of a similar debt instrument excluding the embedded conversion option at the issuance date. The carrying amount of the equity component representing the conversion option was calculated by deducting the carrying value of the liability component from the principal amount of the notes as a whole. This difference represented a debt discount and was being amortized to interest expense over the term of the notes using the effective interest rate method. The equity component of the notes was included in stockholders' equity and was not remeasured as long as it continued to meet the conditions for equity classification.

Effective March 1, 2022, we no longer separately present in equity an embedded conversion feature of such debt. Instead, we account for a convertible debt instrument wholly as debt unless (i) the convertible debt instrument contains features that require bifurcation as a derivative or (ii) the convertible debt instrument was issued at a substantial premium. Prior to the adoption of ASU 2020-06, debt issuance costs attributable to the liability component were amortized to interest expense using the effective interest method and debt issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption, the entire amount of debt issuance costs is reflected as a contra-liability and amortized as interest expense using the effective interest method over the respective term of the notes. We account for the cost of the capped calls as a reduction to additional paid-in-capital.

After adopting the new guidance, the use of the if-converted method is required when calculating diluted earnings per share ("EPS") for convertible instruments and the treasury stock method should no longer be used. Under the new guidance, convertible instruments that may be settled in cash or shares are to be included in the calculation of diluted EPS if the effect is more dilutive, with no option for rebutting the presumption of share settlement based on stated policy or past experience. If we make an irrevocable election to settle the principal of the Convertible Notes in cash and the excess conversion spread in shares, the if-converted method will result in a reduced number of shares issued to reflect only the excess conversion.

The below adoption adjustments were calculated based on the carrying amount of the Convertible Notes as if it had always been treated as a liability only. Furthermore, these adjustments address the debt issuance costs contra-liability and equity (additional paid-in capital) components under the same premise (i.e., as if the total amount of debt issuance costs had always been treated as a contra-liability only). Lastly, we derecognized the deferred income taxes associated with the debt discount and adjusted deferred income taxes relative to unamortized debt issuance costs associated with the Convertible Notes. This resulted in a net increase in gross deferred taxes of \$9.4 million but no impact to the net deferred tax asset balance due to the valuation allowance recorded against our domestic deferred tax assets. We expect lower interest expense related to the Convertible Notes to be recognized in future periods subsequent to the adoption as a result of accounting for the Convertible Notes as a single liability measured at amortized cost.

The following table summarizes the impact of the adoption of ASU 2020-06 on our consolidated balance sheet on March 1, 2022 (in thousands).

	February 28, 2022	ASU 2020-06	March 1, 2022
	As Reported	Adoption Impact	As Adjusted
Deferred income tax assets, net	\$ 4,165	\$ -	4,165
Total debt (1)	192,288	37,365	229,653
Additional paid-in-capital	242,386	(67,003)	175,383
Accumulated deficit	\$ (165,965)	\$ 29,639	\$ (136,326)

(1) Prior to adoption, the carrying value of the convertible debt represented the principal amount less the unamortized debt discount and unamortized debt issuance costs. After adoption, the carrying value of convertible debt represents the principal amount less the unamortized debt issuance costs.

## NOTE 2 – DISCONTINUED OPERATIONS

Effective March 15, 2021, a wholly owned subsidiary of the Company and Spireon entered into an agreement (“Sale Agreement”) pursuant to which we sold certain assets and transferred certain liabilities of the LoJack North America business (“LoJack Transaction”) for an upfront cash purchase price of approximately \$8.0 million. We received net proceeds of \$6.6 million, based on an estimate of certain adjustments to the gross purchase price as of the closing date. On November 9, 2021, the purchase price was reduced by \$0.9 million, which was paid to Spireon, due to final working capital adjustments. No further adjustments to the purchase price are expected. We recognized a gain on the sale of the LoJack North America business of \$4.1 million during the year ended February 28, 2022.

Concurrent with the closing of the transaction, we also entered into a Transition Services Agreement (the “TSA”) to provide support to Spireon in the transition of customers to its telematics solution and to provide recovery services to the existing installed base of LoJack North America customers, as an agent of Spireon, for a period of six months commencing March 15, 2021. Subsequently, the transition period was extended and then effectively terminated on March 31, 2022. As consideration for these services, Spireon reimbursed us for the direct and certain indirect costs, as well as certain overhead or administrative expenses related to operating the business. Additionally, we entered into a services agreement that commenced April 1, 2022 upon the expiration of the TSA, under which we will provide certain services related to the LoJack North America tower infrastructure for a period no longer than fifty-four months. As consideration for these services, Spireon will pay us a monthly service fee over the stipulated contract term. Further, we entered into a license agreement pursuant to which we license certain intellectual property rights related to the LoJack North America business in the U.S. and Canada to Spireon. In connection with the services provided to Spireon during the years ended February 28, 2023 and 2022, respectively, we incurred a total cost of \$3.0 million and \$4.4 million of which \$1.6 million and \$2.3 million was billed to Spireon for the services and the net amount of remaining of \$1.4 million and \$2.1 million was included within other income (expense) in the consolidated statements of comprehensive loss as these costs represent non-operating expenses.

The operating results and cash flows related to the LoJack North America operations are reflected as discontinued operations in the consolidated statements of comprehensive loss and the consolidated statements of cash flows for the years ended February 28, 2022 and 2021. For the year ended February 28, 2022, we have reported the operating results and cash flows related to the LoJack North America operations through March 14, 2021.

The amounts in the statements of operations that are included in discontinued operations are summarized in the following table (in thousands):

	<b>Year Ended February 28,</b>	
	<b>2022</b>	<b>2021</b>
Revenues	\$ 823	\$ 32,692
Cost of revenues	950	21,133
Gross profit	(127)	11,559
Operating expenses:		
Research and development	32	1,441
Selling and marketing	167	9,988
General and administrative	75	7,041
Intangible asset amortization	141	2,199
Restructuring	404	2,220
Impairment losses	-	23,822
Total operating expenses	819	46,711
Operating loss from discontinued operations	(946)	(35,152)
Gain on sale of discontinued operations	4,103	-
Net income (loss) from discontinued operations, net of tax	<u>\$ 3,157</u>	<u>\$ (35,152)</u>

The amounts in the statements of cash flows that are included in discontinued operations are summarized in the following table (in thousands):

	<b>Year Ended February 28,</b>	
	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) from discontinued operations, net of tax	\$ 3,157	\$ (35,152)
Adjustments to reconcile net income (loss) from discontinued operations to net cash provided by (used in) operating activities:		
Depreciation	-	2,260
Intangible asset amortization	141	2,199
Stock-based compensation	25	1,516
Impairment losses	-	23,822
Gain on sale of discontinued operations	(4,103)	-
Non-cash operating lease cost	-	4,901
Changes in operating assets and liabilities:		
Accounts receivable	452	2,584
Inventories	425	2,585
Prepaid expenses and other current assets	4	(123)
Accounts payable	(331)	(1,859)
Accrued liabilities	(135)	(1,363)
Deferred revenue	(30)	(428)
Operating lease liabilities	-	(5,354)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS</b>	<u>(395)</u>	<u>(4,412)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	-	(2,338)
Net proceeds from sale of discontinued operations	5,721	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS</b>	<u>5,721</u>	<u>(2,338)</u>
<b>Net change in cash and cash equivalents</b>	<u><u>5,326</u></u>	<u><u>(6,750)</u></u>



### NOTE 3 – CONCENTRATION OF CUSTOMERS AND SUPPLIERS

#### Significant Customers

We sell telematics products and services to large global enterprises in the industrial equipment, transportation, and automotive market verticals. One customer in the industrial equipment industry accounted for 17%, 18% and 19% of our consolidated revenue and 14%, 12% and 25% of our consolidated accounts receivable as of and for the years ended February 28, 2023, 2022 and 2021, respectively.

#### Significant Suppliers

We purchase a significant amount of our inventory from certain manufacturers or suppliers including components, assemblies and electronic manufacturing parts. These suppliers are located in Mexico and Asia, including China. The inventory is purchased under standard supply agreements that outline the terms of the product delivery. The title and risk of loss of the product generally pass to us upon shipment from the manufacturers' plant or warehouse. Some of these manufacturers accounted for more than 10% of our purchases and accounts payable as follows (rounded):

	Year Ended February 28,		
	2023	2022	2021
Inventory purchases:			
Supplier A	13%	14%	20%
Supplier B	19%	13%	14%
Supplier C	16%	15%	10%
Supplier D	10%	10%	22%

	As of February 28,		
	2023	2022	2021
Accounts Payable:			
Supplier A	10%	3%	17%
Supplier B	22%	15%	11%
Supplier C	12%	11%	8%
Supplier D	9%	7%	5%

We are currently reliant upon these manufacturers and suppliers for products. Although we believe that we can obtain products from other sources, the loss of a significant manufacturer or supplier could have a material impact on our financial condition and results of operations as the products that are being purchased may not be available on the same terms from another manufacturer or supplier.

### NOTE 4 – CASH, CASH EQUIVALENTS AND INVESTMENTS

The following tables summarize our financial instrument assets (in thousands):

As of February 28, 2023					
	Cost	Unrealized Gains (Losses)	Fair Value	Balance Sheet Classification of Fair Value	
				Cash and Cash Equivalents	Other Assets
Cash	\$ 41,903	\$ -	\$ 41,903	\$ 41,903	\$ -
Level 1:					
Money market funds	25	-	25	25	-
Mutual funds (1)	341	(3)	338	-	338
Total	\$ 42,269	\$ (3)	\$ 42,266	\$ 41,928	\$ 338

As of February 28, 2022

	Cost	Unrealized Gains (Losses)	Fair Value	Balance Sheet Classification of Fair Value	
				Cash and Cash Equivalents	Other Assets
Cash	\$ 28,394	\$ -	\$ 28,394	\$ 28,394	\$ -
Level 1:					
Money market funds	7,327	-	7,327	7,327	-
Mutual funds (1)	851	107	958	-	958
Level 2:					
Repurchase agreements	43,500	-	43,500	43,500	-
Total	<u>\$ 80,072</u>	<u>\$ 107</u>	<u>\$ 80,179</u>	<u>\$ 79,221</u>	<u>\$ 958</u>

(1) Amounts represent various equities, bonds and money market mutual funds held in a “Rabbi Trust” and are restricted for payment obligations to non-qualified deferred compensation plan participants. In addition to the mutual funds above, our “Rabbi Trust” also included Corporate-Owned Life Insurance (COLI) starting in Fiscal 2020. As of February 28, 2023, the cash surrender value of COLI was \$5.7 million. See Note 9 for discussion of the deferred compensation plan.

#### NOTE 5 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following (in thousands):

	February 28,	
	2023	2022
Accounts receivable	\$ 84,726	\$ 64,190
Allowance for doubtful accounts	(1,780)	(2,646)
	<u>\$ 82,946</u>	<u>\$ 61,544</u>

#### NOTE 6 – INVENTORIES

Inventories consist of the following (in thousands):

	February 28,	
	2023	2022
Raw materials	\$ 11,920	\$ 6,090
Finished goods	11,982	12,179
	<u>\$ 23,902</u>	<u>\$ 18,269</u>

## NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following (in thousands):

	Useful Life	February 28,	
		2023	2022
Leasehold improvements	5 - 10 years	\$ 6,856	\$ 6,853
Recovery system components and law enforcement tracking units	7 to 10 years	884	940
Leased devices	2 to 5 years	31,057	33,632
Plant equipment and tooling	2 - 5 years	10,409	8,960
Office equipment, computers and furniture	3 - 5 years	9,192	8,555
Software	3 - 7 years	47,152	40,885
		105,550	99,825
Less accumulated depreciation and amortization		(75,402)	(65,615)
		30,148	34,210
Fixed assets not yet in service		2,684	3,464
		<u>\$ 32,832</u>	<u>\$ 37,674</u>

Depreciation expense from continuing operations was \$16.4 million, \$17.4 million and \$17.2 million for the fiscal years ended February 28, 2023, 2022, and 2021, respectively.

A portion of the recovery system components and law enforcement tracking units above represent the software development for and equipment attached to our tower infrastructure. During fiscal year ended February 28, 2021, we recorded impairment losses aggregating \$9.0 million, which represented the net book value of property and equipment substantially related to the LoJack U.S. SVR operations. Impairment losses of \$8.9 million for the fiscal year ended February 28, 2021 are included within the net loss from discontinued operations shown separately in our consolidated statement of comprehensive loss.

Fixed assets not yet in service consist primarily of capitalized internal-use software and certain tooling and other equipment that have not been placed into service. During fiscal year ended February 28, 2023, we wrote-off \$0.4 million of fixed assets not yet in service that is included in restructuring charges in the consolidated statements of comprehensive loss as further discussed in Note 11, *Restructuring*.

## NOTE 8 – GOODWILL AND OTHER INTANGIBLE ASSETS

Changes in goodwill are as follows (in thousands):

	Software & Subscription Services	Telematics Products	Total
Balance as of February 28, 2022	\$ 55,256	\$ 39,180	\$ 94,436
Re-allocation	22,991	(22,991)	-
Effect of exchange rate change on goodwill	(222)	-	(222)
Balance as of February 28, 2023	<u>\$ 78,025</u>	<u>\$ 16,189</u>	<u>\$ 94,214</u>

As further described in Note 1, *Description of Business and Summary of Significant Accounting Policies*, we began entering into subscription arrangements with customers who historically purchased MRM telematics products from us, which has resulted in growth in Software & Subscription Services revenues and a corresponding decline in Telematics Products revenues as we have transitioned most of the MRM telematics business to long-term subscription contracts. This transition was substantially completed in the fourth quarter of Fiscal 2023. As a result of this customer transition between reporting units, in the fourth quarter of Fiscal 2023, a portion of the goodwill previously associated with our Telematics Products reporting unit was re-allocated amongst the reporting units impacted by this customer transition.

Other intangible assets are comprised as follows (in thousands, except years):

		Gross (2)			Accumulated Amortization (2)			Net	
	Useful Life	Feb. 28, 2022	Additions & Adjustments, net (1)	Feb. 28, 2023	Feb. 28, 2022	Amortization Expense	Feb. 28, 2023	Feb. 28, 2022	Feb. 28, 2023
Developed technology	4-6 years	\$ 26,958	(63)	\$ 26,895	\$ 25,470	1,265	\$ 26,735	\$ 1,488	\$ 160
	10 years	30,192	(146)	30,046	20,571	2,133	22,704	9,621	7,342
Tradenames	10-15 years	35,404	209	35,613	14,883	1,930	16,813	20,521	18,800
Customer relationships	5 years	589	-	589	254	4	258	335	331
Patents		\$ 93,143	\$ 0	\$ 93,143	\$ 61,178	\$ 5,332	\$ 66,510	\$ 31,965	\$ 26,633

(1) Amounts also include any net changes in intangible asset balances for the periods presented that resulted from foreign currency translation.

(2) This table excludes the gross value of fully amortized intangible assets totaling \$38.9 million and \$23.0 million at February 28, 2023 and February 28, 2022, respectively.

Intangible assets with finite lives are amortized on a straight-line basis over the expected period to be benefited by future cash flows. We monitor and assess these assets for impairment on a periodic basis. Our assessment includes various new product lines and services, which leverage the existing intangible assets as well as consideration of historical and projected revenues and cash flows. In Fiscal 2021, we determined that the prolonged secular decline in legacy LoJack US SVR products revenue coupled with the slower than anticipated market penetration of our telematics solutions in the U.S. automotive dealership channel represented determinate indications of impairment. As a result, we performed an assessment of the carrying amount of the related intangible assets supporting these products including the LoJack tradename and dealer and customer relationships. Our assessment of the future cash flows generated by these assets concluded that an impairment loss was present. For the fiscal year ended February 28, 2021, we recorded an impairment loss aggregating \$1.5 million, which was attributable to \$1.0 million of US Dealer relationships and \$0.5 million of developed technology. These impairment losses are included within net loss from discontinued operations for fiscal years ended February 28, 2021.

Amortization expense of intangible assets from continuing operations was \$5.3 million, \$5.4 million and \$4.8 million in fiscal years ended February 28, 2023, 2022 and 2021, respectively.

Estimated future amortization expense as of February 28, 2023 is as follows (in thousands):

2024	\$ 4,527
2025	4,412
2026	4,133
2027	2,513
2028	2,266
Thereafter	8,782
	<u>\$ 26,633</u>

## NOTE 9 – OTHER ASSETS

Other assets consist of the following (in thousands):

	February 28,	
	2023	2022
Deferred product cost	\$ 842	\$ 1,493
Deferred compensation plan assets	6,221	7,215
Lease receivables, non-current	22,006	15,118
Prepaid commissions	4,057	2,894
Other	2,952	2,912
	<u>\$ 36,078</u>	<u>\$ 29,632</u>

We have a non-qualified deferred compensation plan in which certain members of management and all non-employee directors are eligible to participate. Participants may defer a portion of their compensation until retirement or another date specified by them in accordance with the plan. We are funding the plan obligations through cash deposits to a Rabbi Trust that are invested in various equity, bond, COLI and money market mutual funds in generally the same proportion as investment elections made by the participants. The deferred compensation plan liability is included in other non-current liabilities in the accompanying consolidated balance sheets.

## NOTE 10 – FINANCING ARRANGEMENTS

Balances attributable to our financing arrangements consist of the following (in thousands):

	Maturity Date	Effective Interest Rate	February 28,	
			2023	2022
2025 Convertible Notes, 2.00% fixed rate (2)	August 1, 2025	2.49%	230,000	230,000
Due to factors under revenue assignments	2020 - 2024	4.70%	1,149	3,829
Total term debt			231,149	233,829
Unamortized discount and issuance costs (1)			(3,028)	(41,541)
Less: current portion of long-term term debt			(705)	(2,585)
Long-term debt, net of current portion			<u>\$ 227,416</u>	<u>\$ 189,703</u>

(1) The debt discount associated with the Convertible Notes and related unamortized debt issuance costs as of February 28, 2023 reflects the adoption impact of ASU 2020-06 effective March 1, 2022. See Note 1, *Description of Business and Summary of Significant Accounting Policies – Recently Adopted Accounting Pronouncements*, for further information regarding the adoption of ASU 2020-06.

(2) The effective interest rate was 7.56% prior to the adoption of ASU 2020-06.

The effective interest rates for the convertible notes include the interest on the notes and amortization of the debt issuance costs. As of February 28, 2023 and 2022, the fair value of the convertible notes, based on Level 2 inputs, was \$201.0 million and \$209.0 million, respectively.

## Revolving Credit Facility

On July 13, 2022, we replaced our revolving credit facility with JP Morgan Chase Bank, N.A. and we entered into a new revolving credit facility with PNC Bank, N.A., that provides for an asset-based senior secured revolving credit facility for borrowings up to an aggregate of \$50.0 million, subject to certain conditions, including borrowing base provisions that limit borrowing capacity to 80% of eligible accounts receivable and 50% of eligible inventory. At our election, the borrowings under this revolving credit facility bear interest at either the Bloomberg short-term bank yield rate plus a margin of 2.50% per annum or an alternate base rate plus a margin of 1.50% per annum. We also pay an unused line fee ranging from 0.50% to 0.75% per annum, based on the level of borrowings, payable quarterly in arrears. Amounts owed under the revolving credit facility are guaranteed by the Company and certain of its subsidiaries. We have also granted security interests in substantially all of our respective assets to secure these obligations. The revolving credit facility will terminate, and all outstanding loans will become due and payable on the earlier of July 13, 2025 and the date that is ninety days prior to the maturity date of our 2025 Convertible notes. The proceeds available under the revolving credit facility could be used for working capital and general corporate purposes, which could include acquisitions. Amounts available for borrowing under the revolving credit facility are reduced by the balance of any outstanding letters of credit. The revolving credit facility contains customary events of default, that upon our default may require us to pay all amounts outstanding and allow PNC Bank to foreclose on collateral. As of February 28, 2023, there were no borrowings outstanding and \$2.6 million of outstanding letters of credit under this revolving credit facility and total remaining borrowing availability was \$34.2 million.

The revolving credit facility contains certain negative and affirmative covenants, including financial covenants that require us to maintain a fixed charge coverage ratio of not less than 1.10 to 1.00, measured as of the last day of each fiscal quarter if our liquidity position, consisting of specified cash balances plus unused availability on the revolving credit facility, falls below \$40.0 million on such day. Additionally, the revolving credit facility contains a cash dominion trigger whereby PNC Bank may direct domestic cash balances and receipts to pay down borrowings under the revolving credit facility should our liquidity position, consisting of specified cash balances plus unused availability on the revolving credit facility, fall below \$25.0 million at the end of any month. As of February 28, 2023, we were in compliance with our covenants under the revolving credit facility.

## Convertible Senior Unsecured Notes - 2025 Convertible Notes

On July 20, 2018, we issued debt of \$230.0 million aggregate principal amount of convertible senior unsecured notes due in August 2025 (“2025 Convertible Notes”). These notes were issued under an indenture, dated July 20, 2018 between us and The Bank of New York Mellon Trust Company, N.A., as trustee.

The proceeds from the sale of the 2025 Convertible Notes were \$222.7 million, after deducting issuance costs of \$7.3 million. We initially used approximately \$90.0 million of the net proceeds from this offering to (i) pay the cost of the capped call transactions of \$21.2 million; (ii) repurchase shares of our common stock of approximately \$15.0 million; and (iii) repurchase in privately negotiated transactions approximately \$50 million principal of our outstanding 2020 Convertible Notes for approximately \$53.8 million.

Prior to the adoption of ASU 2020-06, as further discussed in Note 1, *Description of Business and Summary of Significant Accounting Policies – Recently Adopted Accounting Pronouncements*, we accounted for our convertible debt as separate liability and equity components. The value assigned to the liability component was the estimated fair value, as of the issuance date, of a similar debt without the conversion feature. The difference between the principal amount of the debt and the estimated fair value of the liability component, representing the value of the embedded conversion option assigned to the equity component, was recorded as a debt discount on the issuance date. The fair value of the liability component was generally determined using a discounted cash flow analysis, in which the projected interest and principal payments are discounted back to the issuance date at a market interest rate that represents a Level 3 fair value measurement. The debt discount was amortized to interest expense using the effective interest method with an effective interest rate equal to the aforementioned market interest rate over the term of the debt. The remaining gross proceeds net of the liability component represented the fair value of the embedded conversion feature that was recorded as an increase in additional paid-in capital within the stockholders’ equity section. The associated deferred tax effect was recorded as a reduction of additional paid-in capital. Approximately \$51.9 million, net of tax, was allocated to additional paid-in-capital upon issuance of these notes. The equity component was not re-measured as the embedded conversion option continued to meet the conditions for equity classification.

Further, the issuance costs related to the debt were also allocated to the liability and equity components based on the relative fair values. Issuance costs attributable to the liability component were recorded as a direct deduction from the carrying value of the debt and were being amortized to expense over the term of the debt using the effective



interest method. The issuance costs attributable to the equity component were recorded as a charge to the additional paid-in capital within stockholders' equity. Lastly, the deferred tax effect related to the equity component of the issuance costs were also recorded to additional paid-in capital as such costs are deductible for tax purposes.

The table below summarizes the liability and equity components of the 2025 Convertible Notes, the issuance costs and the applicable assumptions used for the calculation (in millions except initial conversion rate and per share amounts):

Initial conversion rate (shares per \$1,000 principal amount)		32.5256
Initial conversion price per share	\$	30.7450
Fair value of liability component upon issuance	\$	160.8
Fair value measurement level		Level 3
Fair value of embedded equity component upon issuance	\$	69.2
Deferred tax asset effect	\$	17.3
Total issuance cost	\$	7.3
Equity component	\$	2.2
Deferred tax asset effect	\$	0.5

Upon adoption of ASU 2020-06 on March 1, 2022, we reversed the separation of the debt and equity components and accounted for the Convertible Notes wholly as debt. We also reversed the amortization of the debt discount, with a cumulative effect to accumulated deficit on the adoption date. Prior to the adoption of this pronouncement, debt issuance costs attributable to the liability component were being amortized to interest expense using the effective interest method and debt issuance costs attributable to the equity component were netted with the equity component in Stockholders' equity. Effective March 1, 2022, we reversed the debt issuance costs attributable to the equity component and account for the entire amount as debt issuance costs that will be amortized as interest expense using the effective interest method, with a cumulative effect adjustment to retained earnings (accumulated deficit) on the adoption date. See Note 1, *Description of Business and Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements*, for further information regarding the adoption of ASU 2020-06 and Note 15, *Earnings (Loss) Per Share*, for a description of the dilutive nature of the Convertible Notes.

In July 2018, in connection with the 2025 Convertible Notes, we entered into capped call transactions with certain option counterparties who were initial purchasers of the 2025 Convertible Notes. The capped call transactions are expected to reduce the potential dilution of earnings per share upon conversion of the 2025 Convertible Notes. Under the capped call transactions, we purchased options that in the aggregate relate to the total number shares of 7.48 million shares of common stock underlying the notes, with a strike price equal to the conversion price of the notes and with a cap price equal to \$41.3875. We paid \$21.2 million for the note hedges and as a result, approximately \$15.9 million, net of tax, was recorded as a reduction to additional paid-in capital within stockholders' equity.

We elected to integrate the note hedges and capped call with the Notes for federal income tax purposes pursuant to applicable U.S. Treasury Regulations. Accordingly, the cost of the note hedges and capped call will be deductible for income tax purposes as original issue discount interest over the term of Notes.

## 2025 Convertible Notes Terms

The 2025 Convertible Notes contain customary terms and conditions, including that upon certain events of default occurring and continuing, either the trustee, by notice to us, or the holders of at least 25% in aggregate principal amount of the then outstanding Notes, by notice to us and the trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the 2025 Convertible Notes then outstanding to become due and payable immediately. Such events of default include, without limitation, the default by us or any of our subsidiaries with respect to indebtedness for borrowed money in excess of \$10 million and the entry of judgments for the payment of \$15 million or more against us or any of our subsidiaries, which are not paid, discharged or stayed within 60 days.

The 2025 Convertible Notes bear interest at 2.00% per year payable semiannually in arrears in cash on February 1 and August 1 of each year, beginning on February 1, 2019. The 2025 Convertible Notes will mature on August 1, 2025, unless earlier converted, redeemed or repurchased by us in accordance with their terms. We may redeem the Notes at our option at any time on or after August 6, 2022 at a cash redemption price equal to the principal amount plus accrued interest, but only if the last reported sale price per share of our stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (ii) the trading day immediately before the date we send such notice. The 2025 Convertible Notes rank senior in right of payment to any existing or future indebtedness which is subordinated by its terms, ranks equally in right of payment to any indebtedness that is not so subordinated, is structurally subordinated to all indebtedness and liabilities of our subsidiaries and is effectively junior to our secured indebtedness to the extent of the value of the assets securing such indebtedness.

The 2025 Convertible Notes are convertible into cash, shares of our common stock or a combination of both, at our election, based on an initial conversion rate and initial conversion price as noted above. Holders may convert their 2025 Convertible Notes at their option upon the occurrence of certain events, as defined in the indenture.

Upon the occurrence of a “make-whole fundamental change”, we will in certain circumstances increase the conversion rate for a specific period of time. Additionally, upon the occurrence of a “fundamental change”, holders of the notes may require us to repurchase their notes at a cash repurchase price equal to the principal amount of the notes to be repurchased, plus any accrued and unpaid interest. As of February 28, 2023, none of the conditions allowing the holders of the 2025 Convertible Notes to convert have been met.

## **2020 Convertible Notes**

In May 2015, we issued \$172.5 million aggregate principal amount convertible notes that were senior unsecured obligations and with interest at a rate of 1.625% per year payable in cash on May 15 and November 15 of each year (“2020 Convertible Notes”).

In July 2018, we entered into separate, privately negotiated purchase agreements to repurchase approximately \$50 million in aggregate principal amount of our 2020 Convertible Notes for \$53.8 million including accrued interest, by using a portion of the net proceeds from the 2025 Convertible Notes. The repurchase was accounted for as an extinguishment of debt, not a modification of debt. We allocated the repurchase price of \$53.7 million between the fair value of the liability of \$47.6 million and the equity component of \$6.1 million. The fair value of the liability component was determined using a discounted cash flow analysis at a market interest rate for nonconvertible debt of 4.36% based on the remaining maturity of the 2020 Convertible Notes, which represented a Level 3 fair value measurement. The carrying value of the repurchased notes was \$45.6 million, resulting in a loss on extinguishment of debt of \$2.0 million. We also received proceeds of \$3.1 million from the unwinding of the note hedge and warrants, which was recorded as additional paid-in capital.

In October and November 2019, we entered into separate, privately negotiated purchase agreements to repurchase approximately \$94.9 million in aggregate principal amount of these notes for \$94.7 million. The repurchase was accounted for as an extinguishment of debt. The entire repurchase price of \$94.7 million was considered as the fair value of the liability as the equity component was de minimis. The fair value of the liability was determined using a discounted cash flow analysis at a market interest rate for nonconvertible debt based on the remaining maturity of the 2020 Convertible Notes, which represented a Level 3 fair value measurement. The carrying value of the repurchased notes was \$92.3 million, resulting in a loss on extinguishment of debt of \$2.4 million. On May 15, 2020, we repaid the remaining principal balance of \$27.6 million of the 2020 Convertible Notes.

### **Synovia Revenue Assignments**

In conjunction with the acquisition of Synovia on April 12, 2019, we assumed the rights and obligations under certain revenue assignment arrangements with several financial institutions (the "Factors"). Pursuant to the terms of the arrangements, Synovia sold to the Factors rights to all future revenues of certain subscription contracts on a non-recourse basis for credit approved accounts. The sales price paid represents a percentage of the total contract value (generally 80%) due to Synovia at the beginning of the contract, with the total customer contract balance to be paid by the customers to the Factors over the contract period. The cost of the transaction was recorded as a contra-liability, and was recognized as interest expense over the term of the subscription contract using the effective interest method, while the assigned customer obligation is amortized to subscription revenues using the straight-line method.

These arrangements with the Factors met the criteria in ASC 470-10-25, Sales of Future Revenues or Various Other Measures of Income ("ASC 470"), which relates to cash received from an investor in exchange for a specified percentage or amount of revenue or other measure of income of a contractual right for a defined period. Under this guidance, the arrangement qualified as a debt instrument for accounting purposes due to Synovia's significant continuing involvement in the generation of cash flows due to the Factors. Further, under ASC 805, Business Combination, we recorded the amounts due to the Factors as a debt obligation at fair value in the opening balance sheet and the outstanding amount is presented as part of our long-term debt in our consolidated balance sheet. The fair value of this debt of \$19.7 million was determined using a pre-tax cost of debt of 4.7% at the time of our acquisition of Synovia. The discount of \$1.5 million will be amortized under the interest method. During the fiscal year ended February 28, 2023, 2022 and 2021, we recognized \$0.1 million, \$0.2 million and \$0.5 million of interest expense related to this debt, respectively. The non-cash revenues recognized from this arrangement of \$2.7 million, \$4.6 million and \$6.3 million are included as a non-cash activity in our consolidated statements of cash flows for fiscal year ended February 28, 2023, 2022 and 2021, respectively.

### **Paycheck Protection Program**

On April 16, 2020, we received proceeds from a loan in the amount of \$10 million (the "PPP Loan") from JPMorgan Chase Bank, N.A., as lender, pursuant to the Small Business Association ("SBA") Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act. At the time we applied for the PPP loan, we believed that we qualified to receive the funds pursuant to the PPP. On April 23, 2020, the SBA, in consultation with the Department of Treasury, issued new guidance that created uncertainty regarding the qualification requirements for a PPP loan. Out of an abundance of caution and in light of the new guidance, we repaid in full the principal and interest on the PPP Loan on April 27, 2020.

### **NOTE 11 – RESTRUCTURING CHARGES**

In the fourth quarter of Fiscal 2023, to further progress our strategy of driving growth in our software and subscription services business, we implemented certain cost savings and cost efficiency measures to reduce our expense structure, better align our personnel to a subscription services business model, and terminate non-core initiatives not deemed to be key towards our strategic direction. The implementation of these measures resulted in a restructuring charge of \$4.6 million for the fiscal year ended February 28, 2023, which was comprised of \$1.5 million of severance and employee related costs and the write-off of \$3.1 million of amounts previously capitalized in connection with technology initiatives that were determined would no longer provide future benefit. \$2.3 million of these restructuring charges were attributable to the Telematics Products reportable segment, and \$2.3 million of these restructuring charges were attributable to the Software & Subscription Services reportable segment.

In Fiscal 2019, we commenced a plan to capture certain synergies and cost savings related to streamlining our global operations and sales organization, as well as rationalize certain leased properties that were not fully occupied. This plan was aligned with our strategy to integrate the global sales organization and further outsource manufacturing functions in order to drive operational efficiency, increase supplier geographic diversity, and reduce operating expenses. Through Fiscal 2022, total restructuring charges related to this plan aggregated \$17.9 million, and were comprised primarily of \$11.1 million in severance and employee related costs, and \$6.8 million for vacant office and manufacturing facilities as well as terminated tower infrastructure leases. Substantially all charges related to severance and employee costs were under the Telematics Products reportable segment.

The following table summarizes restructuring charges for the fiscal years ended February 28, 2023, 2022 and 2021 (in thousands):

	Year Ended February 28,									
	2023				2022			2021		
	Personnel	Facilities	Software	Total	Personnel	Facilities	Total	Personnel	Facilities	Total
Cost of revenue	\$ 127	\$ -	\$ -	\$ 127	\$ 218	\$ 376	\$ 594	\$ 530	\$ 850	\$1,380
Research and development	235	-	-	235	57	-	57	33	-	33
Selling and marketing	548	-	412	960	247	-	247	820	-	820
General and administrative	589	-	2,675	3,264	100	6	106	2,521	-	2,521
Total	\$ 1,499	\$ -	\$ 3,087	\$4,586	\$ 622	\$ 382	\$1,004	\$ 3,904	\$ 850	\$4,754

Restructuring charges of \$0.4 million, and \$2.2 million for fiscal years ended February 28, 2022, and 2021 were included within discontinued operations, respectively.

The following table summarizes changes in restructuring liabilities, which are reported within other current and non-current liabilities (in thousands):

	Personnel	Facilities	Total
Restructuring liabilities as of February 28, 2021	\$ 2,637	\$ 891	\$ 3,528
Charges	622	382	1,004
Payments	(3,129)	(424)	(3,553)
Restructuring liabilities as of February 28, 2022	<u>\$ 130</u>	<u>\$ 849</u>	<u>\$ 979</u>
Charges	1,499	-	1,499
Payments	(582)	(376)	(958)
Restructuring liabilities as of February 28, 2023	<u>\$ 1,047</u>	<u>\$ 473</u>	<u>\$ 1,520</u>

The restructuring liabilities related to personnel were included in accrued payroll and employee benefits in our consolidated balance sheets as of February 28, 2023 and 2022.

## NOTE 12 – LEASES

We have various non-cancelable operating leases for our offices in California, Texas, Massachusetts, Indiana and Minnesota in the United States, and Italy, Mexico and the United Kingdom. We also have various non-cancelable operating leases for towers and vehicles throughout the United States, Italy and Mexico. These leases expire at various times through 2033. Certain lease agreements contain renewal options, rent abatement, and escalation clauses that are factored into our determination of lease payments when appropriate.

The following table below presents lease-related assets and liabilities recorded on the consolidated balance sheet (in thousands):

		February 28,	
	Classification	2023	2022
Assets			
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 12,293	\$ 12,327
Liabilities			
Operating lease liabilities (current)	Other current liabilities	\$ 4,884	\$ 5,086
Operating lease liabilities (noncurrent)	Operating lease liabilities	12,314	13,382
Total lease liabilities		\$ 17,198	\$ 18,468

### ***Lease Costs***

The following lease costs were included in our consolidated statements of comprehensive income (loss) as follows (in thousands):

	Years ended February 28,		
	2023	2022	2021
Operating lease cost	\$ 4,330	\$ 4,741	\$ 6,842
Short-term lease cost	155	75	168
Variable lease cost	123	102	442
Total lease cost	\$ 4,608	\$ 4,918	\$ 7,452

### ***Supplemental Information***

The table below presents supplemental information related to operating leases (in thousands, except weighted-average information):

	Years ended February 28,	
	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 5,465	\$ 6,005
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 3,402	\$ 3,087
Weighted average remaining lease term	4.0 years	3.8 years
Weighted average discount rate	5.24%	5.17%

### Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating lease liabilities recorded on the consolidated balance sheet as of February 28, 2023 (in thousands):

2024	\$	5,594
2025		4,739
2026		3,957
2027		2,199
2028		1,179
Thereafter		1,231
Total minimum lease payments		18,899
Less imputed interest		(1,701)
Present value of future minimum lease payments		17,198
Less current obligations under leases		(4,884)
Long-term lease obligations	\$	<u>12,314</u>

### NOTE 13 – INCOME TAXES

Our loss from continuing operations before income taxes consists of the following (in thousands):

	Year Ended February 28,		
	2023	2022	2021
Domestic	\$ (25,352)	\$ (22,943)	\$ (16,964)
Foreign	(5,987)	(7,118)	(3,632)
Total loss before income taxes	<u>\$ (31,339)</u>	<u>\$ (30,061)</u>	<u>\$ (20,596)</u>

The components of income tax provision consists of the following (in thousands):

	Year Ended February 28,		
	2023	2022	2021
Current:			
State	\$ (172)	\$ (33)	\$ 40
Foreign	(303)	(589)	(602)
Total current	<u>(475)</u>	<u>(622)</u>	<u>(562)</u>
Deferred:			
Federal	(29)	(31)	(59)
State	3	(6)	(18)
Foreign	(650)	(428)	78
Total deferred	<u>(676)</u>	<u>(465)</u>	<u>1</u>
Income tax provision	<u>\$ (1,151)</u>	<u>\$ (1,087)</u>	<u>\$ (561)</u>



The income tax provision differs from the amount obtained by applying the statutory rate as follows (in thousands):

	<b>Year Ended February 28,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Income tax benefit at U.S. statutory federal rate	\$ 6,581	\$ 6,313	\$ 4,325
State income tax benefit, net of federal income tax effect	580	730	602
Foreign tax benefit (provision) exclusive of valuation allowance change	428	(1,385)	900
U.S. taxes on foreign income	-	-	(306)
Valuation allowance increases	(9,199)	(7,672)	(5,825)
Research and other tax credits	1,485	1,544	1,322
Tax expense on vested and exercised equity awards	(1,095)	(112)	(851)
Non-deductible expenses	(48)	(791)	(655)
Other, net	117	286	(73)
Total income tax provision	<u>\$ (1,151)</u>	<u>\$ (1,087)</u>	<u>\$ (561)</u>

The components of net deferred income tax assets for income tax purposes are as follows (in thousands):

	<b>February 28,</b>	
	<b>2023</b>	<b>2022</b>
Net operating loss carryforwards	\$ 37,772	\$ 33,379
Depreciation, amortization and impairments	(3,346)	(5,001)
Research and development credits	24,632	23,484
Stock-based compensation	1,466	1,795
Other tax credits	2,137	2,211
Capitalized research costs	8,741	2,657
ROU asset	(3,032)	(3,122)
Lease liabilities	4,228	4,667
Payroll and employee benefit accruals	2,007	1,906
Allowance for doubtful accounts	377	677
Other accrued liabilities	356	3,365
Convertible debt	1,966	(6,573)
Capitalized interest	7,124	5,399
Other, net	619	2,837
Total deferred tax assets	85,047	67,681
Valuation allowance	(82,014)	(63,732)
Net deferred tax assets	<u>\$ 3,033</u>	<u>\$ 3,949</u>
Reported as:		
Deferred tax assets	\$ 3,275	\$ 4,165
Deferred tax liabilities	(242)	(216)
Net deferred tax assets	<u>\$ 3,033</u>	<u>\$ 3,949</u>

As of February 28, 2023, we maintained a valuation allowance with respect to certain of our deferred tax assets relating primarily to net operating losses and tax credits in domestic and certain foreign jurisdictions for which we cannot assert that they are more likely than not going to be realized. For Fiscal year 2023, we increased the valuation allowance against our domestic and foreign net deferred tax assets by approximately \$16.2 million and \$2.1 million, respectively. For Fiscal year 2022, we considered positive and negative evidence, in assessing our ability to realize our domestic and foreign net deferred tax assets and concluded that it is more likely than not that our domestic and many of our foreign net deferred tax assets will not be realized. As such, we increased the valuation allowance against our domestic and foreign net deferred tax asset by approximately \$5.6 million and \$1.3 million, respectively, for Fiscal year 2022. The amount of the net deferred tax assets considered realizable, however, could be adjusted in future periods in the event sufficient evidence is present to support a conclusion that it is more likely than not that all or a portion of our domestic deferred tax assets will be realized.

At February 28, 2023, we had net operating loss carryforwards of approximately \$33.6 million, \$87.8 million and \$24.0 million for federal, state and foreign purposes, respectively, expiring at various dates through fiscal year 2040. Approximately \$47.0 and \$37.3 million of federal and foreign net operating loss carryforwards do not expire, respectively. The federal net operating loss carryforwards are subject to various limitations under Section 382 of the Internal Revenue Code. If substantial changes in our ownership were to occur, there may be certain annual limitations on the amount of the NOL carryforwards that can be utilized.

As of February 28, 2023, we had R&D tax credit carryforwards of \$12.1 million and \$12.6 million for federal and state income tax purposes, respectively. The federal R&D tax credits expire at various dates through fiscal year 2043. A substantial portion of the state R&D tax credits have no expiration date. As of February 28, 2023, we had foreign tax credit carryforwards of \$1.8 million for federal income tax purposes which expire beginning in fiscal year 2024 through fiscal year 2033.

We accounted for stock-based compensation pursuant to ASU 2016-09 and we have tax deductions on exercised stock options and vested restricted stock awards that did not exceed stock compensation expense amounts recognized for financial reporting purposes in Fiscal 2023 and 2022. The gross shortfall was \$1.3 million and \$0.7 million in Fiscal 2023 and 2022, respectively. We follow ASC Topic 740, *Income Taxes*, which clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. Management determined based on our evaluation of our income tax positions that we have uncertain tax benefit of \$1.4 million, \$1.6 million, and \$1.8 million at February 28, 2023, 2022 and 2021, respectively, for which we have not yet recognized an income tax benefit for financial reporting purposes.

At February 28, 2023, we decreased the uncertain tax benefits related to certain foreign net operating loss carryforwards and domestic tax credits by \$0.2 million. At February 28, 2022, we decreased the uncertain tax benefits related to certain foreign net operating loss carry forwards and domestic tax credits by \$0.1 million. If total uncertain tax benefits were realized in a future period, it would result in a tax benefit of \$0.7 million. As of February 28, 2023 and 2022, our liabilities for uncertain tax benefits were netted against our deferred tax assets on our consolidated balance sheet. It is reasonably possible the amount of unrecognized tax benefits could be reduced within the next 12 months by at least \$0.5 million.

We recognize interest and/or penalties related to uncertain tax positions in income tax expense. No amounts of interest and/or penalties have been accrued as of February 28, 2023.

	Year Ended February 28,		
	2023	2022	2021
Gross amounts of unrecognized tax benefits as of the beginning of the period	\$ 1,647	\$ 1,750	\$ 2,172
Decreases related to prior period tax positions	(155)	(45)	(2)
Decreases from lapse in statute of limitations	-	-	(550)
Foreign currency translation adjustment	(45)	(58)	130
Gross amounts of unrecognized tax benefits as of the end of the period	<u>\$ 1,447</u>	<u>\$ 1,647</u>	<u>\$ 1,750</u>

We file income tax returns in the U.S. federal jurisdiction, various U.S. states, Canada, Ireland, Italy, United Kingdom, the Netherlands, Brazil, Spain, Mexico, Japan, Hong Kong and New Zealand. Certain income tax returns for the years 2018 through 2021 remain open to examination by U.S. federal and state tax authorities. To the extent allowed by law, the tax authorities may have the right to examine prior periods in which net operating losses or tax credits were generated and carried forward, and to make adjustments up to the net operating loss or tax credit carryforward amount. Our tax returns in the foreign jurisdictions remain open for examination for varying years by jurisdiction with certain jurisdictions being open for examination from 2017 to the present.

For the fiscal years ended February 28, 2023 and 2022, we assert our intention to indefinitely reinvest foreign earnings in all our non-U.S. subsidiaries and accordingly, recorded no deferred income taxes on outside basis differences.

## **NOTE 14 – STOCKHOLDERS' EQUITY**

### **Employee Stock Purchase Plan**

On June 7, 2018, our Board of Directors adopted the CalAmp Corp. 2018 Employee Stock Purchase Plan (the “ESPP”), which was approved by our stockholders on July 25, 2018. The ESPP provides for the issuance of 1.75 million shares of our common stock. The first enrollment under the ESPP Plan commenced in February 2019. There are two enrollment periods each year that commence on February 1st and August 1st and lasts for six months. Stock-based compensation expense related to the ESPP Plan for the years ended February 28, 2023, 2022 and 2021 were \$0.4 million, \$0.4 million and \$0.7 million respectively.

## Stock-Based Compensation

Our Board of Directors adopted the 2004 Incentive Stock Plan (the 2004 Plan) effective July 30, 2004, which provides for the granting of qualified and non-qualified stock options, restricted stock, performance stock units (PSUs), restricted stock units (RSUs), phantom stock and bonus stock to employees and directors. The primary purpose of the 2004 Plan is to enhance our ability to attract, motivate, and retain the services of qualified employees, officers and directors. Any stock options under the 2004 Plan will have a term of not more than 10 years and the vesting of the awards will be at the discretion of the Human Capital Committee of the Board of Directors but is not expected to exceed four years. We treat equity awards with multiple vesting tranches as a single award for expense attribution purposes and recognize compensation expense on a straight-line basis over the requisite service period of the entire award. As of February 28, 2023, there were 1.1 million award units in the 2004 Plan that were available for grant.

The following table summarizes our stock option activity (number of options and aggregate intrinsic value in thousands):

	Number of Options	Weighted Average Exercise Price	Weighted average remaining contractual life (years)	Aggregate intrinsic value
Outstanding at February 29, 2020	1,071	\$ 14.65	6.2	
Granted	-	-		
Exercised	(141)	4.07		
Forfeited or expired	(152)	17.52		
Outstanding at February 28, 2021	778	\$ 16.01	6.0	
Granted	-	-		
Exercised	(33)	7.53		
Forfeited or expired	(81)	16.45		
Outstanding at February 28, 2022	664	\$ 16.38	5.4	
Granted	-	-		
Exercised	-	-		
Forfeited or expired	(158)	17.52		
Outstanding at February 28, 2023	<u>506</u>	<u>\$ 16.02</u>	<u>4.0</u>	<u>\$ -</u>
Exercisable at:				
February 28, 2021	507	\$ 15.80	5.2	\$ 123
February 28, 2022	556	\$ 15.98	5.2	\$ 33
February 28, 2023	477	\$ 15.74	4.0	\$ -

No options were granted in fiscal years 2023, 2022, and 2021.

Changes in our outstanding restricted stock shares, PSUs and RSUs for the fiscal years ended February 28, 2023, 2022 and 2021 were as follows (shares in thousands):

	Number of Restricted Shares, PSUs and RSUs	Weighted Average Grant Date Fair Value	Shares Retained to Cover Statutory Minimum Withholding Taxes
Outstanding at February 29, 2020	2,215	\$ 14.47	
Granted	1,885	7.91	
Vested	(656)	15.07	214
Forfeited	(391)	11.95	
Outstanding at February 28, 2021	3,053	\$ 10.61	
Granted	1,629	11.09	
Vested	(994)	12.01	343
Forfeited	(748)	10.63	
Outstanding at February 28, 2022	2,940	\$ 10.39	
Granted	2,542	4.66	
Vested	(1,045)	11.07	397
Forfeited	(931)	7.72	
Outstanding at February 28, 2023	3,506	\$ 6.75	

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

	Year Ended February 28,		
	2023	2022	2021
Cost of revenues	\$ 120	\$ 125	\$ 501
Research and development	2,397	3,005	2,690
Selling and marketing	2,600	2,369	2,333
General and administrative	5,094	5,782	4,833
Restructuring	-	40	1,007
	\$ 10,211	\$ 11,321	\$ 11,364

As of February 28, 2023, there was \$15.1 million of unrecognized stock-based compensation cost related to non-vested equity awards, which is expected to be recognized over a weighted-average remaining vesting period of 1.8 years.

#### Tax Benefits from Exercise of Stock Options and Vesting of Restricted Stock and RSU Awards

The aggregate fair value of stock options exercised and vested restricted stock and RSU awards as of the exercise date or vesting date was \$5.6 million, \$13.0 million and \$9.4 million for fiscal years ended February 28, 2023, 2022, and 2021, respectively. In connection with these equity awards, the excess stock compensation tax deductions were \$0 for fiscal years presented.

#### NOTE 15 – EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period plus the dilutive effect of outstanding stock options and restricted stock-based awards using the treasury stock method. The following table sets forth the computation of basic and diluted loss per share (in thousands, except per share amounts):

	Year Ended February 28,		
	2023	2022	2021
Net loss from continuing operations	\$ (32,490)	\$ (31,148)	\$ (21,157)
Net income (loss) from discontinued operations, net of tax	-	3,157	(35,152)
Net loss	<u>\$ (32,490)</u>	<u>\$ (27,991)</u>	<u>\$ (56,309)</u>
Basic and diluted weighted average number of common shares outstanding	<u>36,132</u>	<u>35,254</u>	<u>34,389</u>
Basic and diluted net income (loss) per common share:			
Loss from continuing operations	\$ (0.90)	\$ (0.88)	\$ (0.62)
Income (loss) from discontinued operations	-	0.09	(1.02)
Net loss	<u>\$ (0.90)</u>	<u>\$ (0.79)</u>	<u>\$ (1.64)</u>

Shares subject to anti-dilutive stock options and restricted stock-based awards were excluded from the computation of diluted earnings per share for the fiscal years presented which included outstanding stock options in the amount of 0.5 million, 0.7 million and 0.8 million as well as restricted stock based awards in the amount of 3.5 million, 2.9 million and 3.1 million for all fiscal years ended February 28, 2023, 2022, and 2021, respectively.

We have the option to pay cash, issue shares of common stock or any combination thereof for the aggregate amount due upon conversion of the convertible senior notes. It is our intent to settle the principal amount of these notes with cash. From the time of the issuance of the notes, the average market price of our common stock has been less than the initial conversion price of the notes, and consequently no shares have been included in diluted earnings per share for the conversion value of the notes.

We adopted ASU 2020-06 on March 1, 2022 under the modified retrospective method and applied the new guidance to our 2025 Convertible Notes outstanding as of that date. We have not changed previously disclosed amounts or provided additional disclosures for comparative periods. ASU 2020-06 requires the if-converted method to be applied for all convertible instruments when calculating diluted earnings per share. Under the if-converted method, diluted earnings per share will be calculated assuming that all the Convertible Notes were converted solely into shares of common stock at the beginning of the reporting period, unless the result would be anti-dilutive. Since we had a net loss for the year ended February 28, 2023, the 2025 Convertible Notes were determined to be anti-dilutive and therefore had no impact to basic or diluted net loss per share as a result of adopting the new pronouncement.

#### NOTE 16 – EMPLOYEE RETIREMENT PLAN

We maintain a 401(k) defined-contribution plan allowing eligible U.S.-based employees to contribute up to an annual maximum amount as set periodically by the Internal Revenue Service. The current matching contribution to the plan is equal to 100% of the first 3% of participants' compensation contribution plus 50% of the next 2% contributed by the participant. We recorded expense for the matching contributions of \$1.8 million, \$1.6 million and \$1.9 million in fiscal years ended February 28, 2023, 2022 and 2021, respectively.



## NOTE 17 – OTHER FINANCIAL INFORMATION

### Supplemental Balance Sheet Information

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

	February 28,	
	2023	2022
Operating lease liabilities	\$ 4,884	\$ 5,086
Omega litigation reserve	-	3,000
Customer deposits	2,492	2,586
Warranty reserves	1,868	1,823
Other	6,621	6,456
	<u>\$ 15,865</u>	<u>\$ 18,951</u>

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

	February 28,	
	2023	2022
Deferred revenue	\$ 11,104	\$ 13,496
Deferred compensation plan liability	5,727	6,800
Deferred tax liability	242	216
Other	2,510	2,128
	<u>\$ 19,583</u>	<u>\$ 22,640</u>

### Supplemental Income Statement Information

Interest expense consists of the following (in thousands):

	Year Ended February 28,		
	2023	2022	2021
Interest expense on 2020 Convertible Notes:			
Stated interest at 1.625% per annum	\$ -	\$ -	\$ 93
Amortization of discount and issuance costs	-	-	289
	-	-	382
Interest expense on 2025 Convertible Notes:			
Stated interest at 2.00% per annum	4,600	4,600	4,587
Amortization of discount and issuance costs	1,053	10,134	9,378
	5,653	14,734	13,965
Other interest expense	607	589	1,140
Total interest expense	<u>\$ 6,260</u>	<u>\$ 15,323</u>	<u>\$ 15,487</u>

### Supplemental Cash Flow Information

“Net cash (used in) provided by operating activities” in the consolidated statements of cash flows includes cash payments for interest and income taxes. The following is our supplemental schedule of cash payments for interest and income taxes and non-cash investing and financing activities (in thousands):

	Year Ended February 28,		
	2023	2022	2021
Cash payments for interest and income taxes:			
Interest expense paid	\$ 4,910	\$ 4,803	\$ 5,320
Income tax paid, net of refunds	\$ 67	\$ 508	\$ 643
Non-cash investing and financing activities:			
Accrued liability for capital expenditures	\$ 803	\$ 1,074	\$ (604)

## Valuation and Qualifying Accounts

Following is our schedule of valuation and qualifying accounts for the last three years (in thousands):

	Balance at beginning of year	Charged (credited) to costs and expenses	Deductions	Balance at end of year
<b>Allowance for doubtful accounts:</b>				
Fiscal 2021	\$ 2,264	\$ 2,163	\$ (769)	\$ 3,658
Fiscal 2022	3,658	156	(1,168)	2,646
Fiscal 2023	2,646	(272)	(594)	1,780
<b>Warranty reserve:</b>				
Fiscal 2021	\$ 987	\$ 2,729	\$ (2,459)	\$ 1,257
Fiscal 2022	1,257	2,239	(1,673)	1,823
Fiscal 2023	1,823	1,676	(1,631)	1,868
<b>Deferred tax assets valuation allowance:</b>				
Fiscal 2021	\$ 45,560	\$ 11,288	-	\$ 56,848
Fiscal 2022	56,848	6,884	-	63,732
Fiscal 2023	63,732	18,282	-	82,014

## NOTE 18 – COMMITMENTS AND CONTINGENCIES

### Legal Proceedings

#### *Omega patent claim*

In December 2013, a patent infringement lawsuit was filed against us by Omega Patents, LLC (“Omega”), a non-practicing entity. Omega alleged that certain of our vehicle tracking products infringed on four patents owned by Omega. The parties commenced a mediation on April 12, 2022, and on May 17, 2022, CalAmp and Omega executed an agreement for a settlement and release and a covenant not to sue under certain patents. On June 1, 2022, we paid \$4.9 million pursuant to this settlement agreement. The parties filed a Joint Stipulation of Dismissal With Prejudice on June 15, 2022, and on June 16, 2022, the court dismissed the case with prejudice.

#### *Philips patent claim*

On December 17, 2020, Koninklijke Philips N.V. (“Philips”) filed four separate legal actions against us, and several other companies, accusing the companies of infringing Philips’s 3G and 4G wireless standard-essential patents: (1) first, in the U.S. District Court, District of Delaware, Philips v. Quectel Wireless Solutions Co. Ltd. (“Quectel”), CalAmp, Xirgo Technologies, LLC (“Xirgo”), and Laird Connectivity, Inc. (“Laird”), Philips alleges that our location monitoring units infringe certain claims of U.S. Patent No. 7,831,271 (“the ’271 patent”), U.S. Patent No. 8,199,711 (“the ’711 patent”), U.S. Patent No. 7,554,943 (“the ’943 patent”), and U.S. Patent No. 7,944,935 (“the ’935 patent”) (all four patents collectively, the “Patents”); (2) second, in the U.S. District Court, District of Delaware, Philips v. Telit Wireless Solutions, Inc., Telit Communications Plc, (collectively, “Telit”), and CalAmp, Philips alleges that our location monitoring units and certain modules therein infringe certain claims of the Patents; (3) third, in the U.S. District Court, District of Delaware, Philips v. Thales DIS AIS USA LLC (F/K/A Gemalto IoT LLC “Gemalto”) F/K/A Cinterion Wireless Modules NAFTA LLC (“Cinterion”), Thales DIS AIS Deutschland GmbH (F/K/A Gemalto M2M GmbH), Thales USA, Inc., Thales S.A., (collectively, “Thales”), CalAmp, Xirgo, and Laird, Philips alleges that our location monitoring units infringe certain claims of the Patents, and (4) fourth, before The International Trade Commission (“ITC”), Philips v. Quectel, CalAmp, Xirgo, Laird, Thales, Gemalto, Cinterion, and Telit, Philips alleges violations of section 337 of the U.S. Tariff Act based upon our importation into the United States, the sale for importation, and the sale within the United States after importation of certain UMTS (Universal Mobile Telecommunications System) and LTE (Long Term Evolution) cellular communication modules and products containing the same by reason of our location monitoring units that allegedly infringe on certain claims of the Patents.

On April 1, 2022, the administrative law judge (“ALJ”) at the ITC issued a Final Initial Determination on the question of violation of section 337 (19 U.S.C. § 1337). The ALJ determined that a violation of section 337 has not occurred with respect to any of the Patents. On July 6, 2022, the ITC affirmed the Final Initial Determination of no violation of Section 337 and terminated the investigation and the deadline for any appeal has passed.

While the district court case against Thales was recently reopened to set a status conference, the district court cases against Quectel and Telit are currently stayed. Considering the ITC’s determination of no infringement of any of the Patents we believe that we have strong defenses in the Delaware district court cases. Also, we believe we have strong indemnification claims against our communication module suppliers, and are entitled to have our defense costs and any losses resulting from these proceedings paid by those suppliers, who are co-defendants in these proceedings, should the stays be removed in the three district court cases. Currently, it is not feasible to predict with certainty the outcome of the three district court cases, and no specific amount of damages has been identified. Additionally, we believe the ultimate resolution of the proceedings, including indemnification and defense by our module suppliers, will not have a material adverse effect on our consolidated results of operations, financial condition, or cash flows.

In addition to the foregoing matters, from time to time as a normal consequence of doing business, various claims and litigation may be asserted or commenced against us. In particular, we may receive claims concerning contract performance or claims that our products or services infringe the intellectual property of third parties which are in the ordinary course of business. While the outcome of any such claims or litigation cannot be predicted with certainty, management does not believe that the outcome of such matters existing at the present time will have a material adverse effect on our consolidated results of operations, financial condition or cash flows.

## NOTE 19 – SEGMENT AND GEOGRAPHIC DATA

We operate under two reportable segments: Software & Subscription Services and Telematics Products. Our organizational structure is based on a number of factors that our CEO, the Chief Operating Decision Maker (“CODM”), uses to evaluate and operate the business, which include customer base, homogeneity of products, and technology for the fiscal years presented.

Our Software & Subscription Services segment offers cloud-based, application enablement and telematics service platforms that facilitate integration of our own applications, as well as those of third parties, through open Applications Programming Interfaces (“APIs”) to deliver full-featured IoT solutions to a wide range of customers and markets. Our scalable proprietary SaaS offerings enable rapid and cost-effective deployment of high-value solutions for customers all around the globe. Software & Subscription Services segment revenues includes SaaS, professional services, devices sold with monitoring services and amortization of revenues and costs for customized devices functional only with application subscriptions that are not sold separately.

Our Telematics Products segment offers a portfolio of wireless data communications products, which includes asset tracking units, mobile telematics devices, fixed and mobile wireless gateways and routers. These wireless networking devices underpin a wide range of our own and third party software and service solutions worldwide and are critical for applications demanding secure, reliable and business-critical communications. Telematics Products segment revenues consist primarily of distinct product sales.

Information by business segment is as follows (in thousands):

Year ended February 28, 2023					
Operating Segments					
	Software & Subscription Services	Telematics Products	Corporate Expenses	Total	
Revenues	\$ 184,728	\$ 110,221		\$ 294,949	
Gross profit	\$ 79,478	\$ 29,533		\$ 109,011	
Gross margin	43.0%	26.8%		37.0%	
Adjusted EBITDA	\$ 25,374	\$ (4,275)	\$ (3,025)	\$ 18,074	

Year ended February 28, 2022					
Operating Segments					
	Software & Subscription Services	Telematics Products	Corporate Expenses	Total	
Revenues	\$ 154,315	\$ 141,524		\$ 295,839	
Gross profit	\$ 76,945	\$ 44,941		\$ 121,886	
Gross margin	49.9%	31.8%		41.2%	
Adjusted EBITDA	\$ 32,979	\$ (3,990)	\$ (4,309)	\$ 24,680	

Year ended February 28, 2021				
Operating Segments				
	Software & Subscription Services	Telematics Products	Corporate Expenses	Total
Revenues	\$ 129,933	\$ 178,654		\$ 308,587
Gross profit	\$ 65,411	\$ 56,994		\$ 122,405
Gross margin	50.3%	31.9%		39.7%
Adjusted EBITDA	\$ 32,226	\$ 4,854	\$ (4,974)	\$ 32,106

The amount shown for each period in the “Corporate Expenses” column above consists of expenses that are not allocated to the business segments. These unallocated corporate expenses include salaries and benefits of certain corporate staff and expenses such as audit fees, investor relations, stock listing fees, director and officer liability insurance, and director fees and expenses.

Our CODM evaluates each segment based primarily on revenue and Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (“Adjusted EBITDA”), and we therefore consider Adjusted EBITDA to be a primary measure of operating performance of our operating segments. We define Adjusted EBITDA as earnings before investment income, interest expense, taxes, depreciation, amortization and stock-based compensation, impairment loss and other adjustments as identified below. The adjustments to our financial results prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) to calculate Adjusted EBITDA are itemized below (in thousands):

	Year Ended February 28,		
	2023	2022	2021
Net loss from continuing operations	\$ (32,490)	\$ (31,148)	\$ (21,157)
Investment income	(989)	(1,175)	(2,119)
Interest expense	6,260	15,323	15,487
Income tax provision	1,151	1,087	561
Depreciation and amortization	21,758	22,804	22,002
Stock-based compensation	10,211	11,321	10,357
Non-recurring legal expenses, net of reversal of litigation provision	5,158	2,518	2,262
Restructuring	4,586	600	2,534
Impairment losses	-	-	825
Costs incurred in transition of LoJack North America business to acquiror	1,347	2,103	-
Other	1,082	1,247	1,354
Adjusted EBITDA	<u>\$ 18,074</u>	<u>\$ 24,680</u>	<u>\$ 32,106</u>

Our CODM does not obtain identifiable assets by segment because our businesses share resources, functions and facilities. We do not have significant long-lived assets outside the United States.

Revenues by geographic area are as follows (in thousands):

	Year Ended February 28,		
	2023	2022	2021
United States	\$ 185,468	\$ 197,178	\$ 200,665
EMEA	54,695	51,771	58,470
LATAM	32,010	24,760	27,110
APAC	18,450	19,028	16,820
All other	4,326	3,102	5,522
	<u>\$ 294,949</u>	<u>\$ 295,839</u>	<u>\$ 308,587</u>

Revenues by geographic area are based upon the country of billing. The geographic location of distributors and OEM customers may be different from the geographic location of the ultimate end users of the products and services provided by us. No single non-U.S. country accounted for more than 10% of our revenue in fiscal years ended February 28, 2023, 2022 and 2021.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Not applicable.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Our 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) of the Exchange Act) as of February 28, 2023, that our disclosure controls and procedures are effective, at the reasonable assurance level, 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 to allow such information to be recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities Exchange Commission.

#### **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

Our management has assessed the effectiveness of our internal control over financial reporting as of February 28, 2023. In making this assessment, management used criteria set forth in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment, we have concluded that as of February 28, 2023 our internal control over financial reporting is effective based on those criteria.

The effectiveness of our internal control over financial reporting as of February 28, 2023 has been audited by Deloitte & Touche, LLP, an independent registered public accounting firm, as stated in their report, which is included below.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fourth quarter of Fiscal 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of CalAmp Corp.

### Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of CalAmp Corp. and subsidiaries (the “Company”) as of February 28, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 28, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended February 28, 2023, of the Company and our report dated April 27, 2023, expressed an unqualified opinion on those financial statements.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Costa Mesa, California  
April 27, 2023



**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item will be included in our 2023 Proxy Statement, which will be filed with the SEC and is incorporated herein by reference.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item will be included in our 2023 Proxy Statement, which will be filed with the SEC and is incorporated herein by this reference.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item will be included in our 2023 Proxy Statement, which will be filed with the SEC and is incorporated herein by this reference.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item will be included in our 2023 Proxy Statement, which will be filed with the SEC and is incorporated herein by this reference.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item will be included in our 2023 Proxy Statement, which will be filed with the SEC and is incorporated herein by this reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Report:

1. The following consolidated financial statements of CalAmp Corp. and subsidiaries are filed as part of this report under Item 8 – Financial Statements and Supplementary Data:

	<b>Form 10-K Page No.</b>
Reports of Independent Registered Public Accounting Firm (PCAOB ID No. 34) .....	47
Consolidated Balance Sheets .....	50
Consolidated Statements of Comprehensive Loss .....	51
Consolidated Statements of Stockholders' Equity .....	52
Consolidated Statements of Cash Flows .....	53
Notes to Consolidated Financial Statements.....	54

2. *Financial Statements Schedules:*

Schedule II – Valuation and Qualifying Accounts information is included in Note 18 to the consolidated financial statements which are filed as part of this report under Item 8 – Financial Statements and Supplementary Data.

All other financial statement schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. *Exhibits*

Exhibits required to be filed as part of this report are:

<b>Exhibit Number</b>	<b>Description</b>
2.1	Agreement and Plan of Merger, dated as of February 1, 2016, by and among LoJack Corporation, the Company, and Lexus Acquisition Sub, Inc. (incorporated by reference to Exhibit 2.1 on Form 8-K dated February 2, 2016).
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q for the period ended August 31, 2014).
3.2	Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed on April 20, 2023)
4.1	Indenture, dated July 20, 2018 between the Company and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.1 of the Company's Report on Form 8-K filed on July 20, 2018).
4.2	Form of 2.00% Convertible Senior Notes due August 1, 2025 (incorporated by reference as Exhibit A to Exhibit 4.1 of the Company's Report on Form 8-K filed on July 20, 2018).
4.3	Description of Registrant's Securities Registered Pursuant to Section 12 of The Securities Exchange Act of 1934 (incorporated by reference to Exhibit 4.5 of the Company's Annual Report on Form 10-K for the year ended February 29, 2020).
10.	Material Contracts:
	(i) Other than Compensatory Plans or Arrangements:
10.1	Form of Directors and Officers Indemnity Agreement (incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the year ended February 28, 2018).

Exhibit Number	Description
10.2	Credit Agreement, dated as of March 30, 2018, among the Company, the lenders from time to time party thereto, and JPMorgan, N.A. as Agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated April 5, 2018).
10.3	First Amendment to Credit Agreement, dated as of July 16, 2018, among the Company, the lenders from time to time party thereto, and JPMorgan, N.A. as Agent (incorporated by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K for the period ended February 28, 2022)
10.4	Second Amendment to Credit Agreement, dated as of March 27, 2020, among the Company, the lenders from time to time party thereto, and JPMorgan, N.A. as Agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 27, 2020).
10.5	Third Amendment to Credit Agreement, dated as of March 30, 2022, among the Company, the lenders from time to time party thereto, and JPMorgan N.A. as Agents (incorporated by reference to Exhibit 10.5 of the Company's Annual Report on Form 10-K for the period ended February 28, 2022)
10.6	Confirmation of Base Call Option Transaction, dated July 17, 2018, between the Company and Nomura Global Financial Products Inc. (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.7	Confirmation of Base Call Option Transaction, dated July 17, 2018, between the Company and Jefferies International Limited. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.8	Confirmation of Base Call Option Transaction, dated July 17, 2018, between the Company. and Deutsche Bank AG, London Branch. (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.9	Confirmation of Base Call Option Transaction, dated July 17, 2018, between the Company. and Goldman Sachs & Co, LLC. (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.10	Confirmation of Additional Call Option Transaction, dated July 17, 2018, between the Company. and Nomura Global Financial Products, Inc. (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.11	Confirmation of Additional Call Option Transaction, dated July 17, 2018, between the Company. and Jefferies International Limited. (incorporated by reference to Exhibit 10.6 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.12	Confirmation of Additional Call Option Transaction, dated July 17, 2018, between the Company. and Deutsche Bank AG, London Branch. (incorporated by reference to Exhibit 10.7 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.13	Confirmation of Additional Call Option Transaction, dated July 17, 2018, between the Company. and Goldman Sachs & Co, LLC. (incorporated by reference to Exhibit 10.8 of the Company's Current Report on Form 8-K filed on July 20, 2018).
10.14	<p>Revolving Credit and Security Agreement dated as of July 13, 2022, among the Company, CalAmp Wireless Networks Corporation, Synovia Solutions, LLC, and PNC Bank (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed July 15, 2022)</p> <p>(ii) Compensatory Plans or Arrangements required to be filed as Exhibits to this Report pursuant to Item 15 (b) of this Report:</p>
10.15	Offer Letter, executed on August 21, 2020, by and between the Company and Kirsten Wolberg (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 26, 2020).

<b>Exhibit Number</b>	<b>Description</b>
10.16	CalAmp Corp. Amended and Restated 2018 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.7 of the Company's Quarterly Report on Form 10-Q for the period ended May 31, 2020).
10.17	CalAmp Corp. Amended and Restated 2004 Incentive Stock Plan (incorporated by reference to Exhibit A of the Company's Definitive Proxy Statement filed June 21, 2021).
10.18	Employment Agreement between the Company and Kurtis Binder, dated December 17, 2021 (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q for the period ended November 30, 2021).
10.19	Employment Agreement between the Company and Anand Rau, dated December 16, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended November 30, 2021).
10.20	Employment Agreement between the Company and Jeffery Gardner, dated December 18, 2021 (incorporated by reference to Exhibit 10.3 of the Company's Quarterly Report on Form 10-Q for the period ended November 30, 2021).
10.21	Offer Letter, dated April 2, 2021, by and between the Company and Henry Maier (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed April 7, 2021).
10.22	Employment Agreement between the Company and Jeffrey Clark, dated November 1, 2021 (incorporated by reference to Exhibit 10.23 of the Company's Annual Report on Form 10-K for the period ended February 28, 2022)
10.23	Employment Agreement between the Company and Monica Van Berkel, dated November 1, 2021 (incorporated by reference to Exhibit 10.24 of the Company's Annual Report on Form 10-K for the period ended February 28, 2022)
10.24	Employment Agreement between the Company and Nathan Lowstuter, dated November 1, 2021 (incorporated by reference to Exhibit 10.25 of the Company's Annual Report on Form 10-K for the period ended February 28, 2022)
10.25	Employment Agreement between the Company and Richard Scott, dated November 1, 2021 (incorporated by reference to Exhibit 10.26 of the Company's Annual Report on Form 10-K for the period ended February 28, 2022)
10.26	Employment Agreement between the Company and Brennan Carson dated June 16, 2022 (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the period ended May 31, 2022)
10.27	Letter Agreement between the Company and Kurtis Binder, dated August 17, 2022 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed August 23, 2022)
10.28	Employment Agreement between the Company and Jikun Kim dated January 9, 2023
21	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

- 101 Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets as of February 28, 2023 and February 28, 2021, (ii) Consolidated Statements of Comprehensive Income for the years ended February 28, 2023, February 28, 2021 and February 29, 2020, (iii) Consolidated Statement of Stockholders' Equity for the years ended February 28, 2023, February 28, 2021 and February 29, 2020, (iv) Consolidated Statements of Cash Flows for the years ended February 28, 2023, February 28, 2021 and February 29, 2020, and (v) Notes to Consolidated Financial Statements.
- 104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

**ITEM 16. FORM 10-K SUMMARY**

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on April 27, 2023.

CALAMP CORP.

By: /s/ Jeffery Gardner

Jeffery Gardner President and Chief Executive  
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Henry Maier</u> Henry Maier	Chair of the Board of Directors	<u>April 27, 2023</u>
<u>/s/ Scott Arnold</u> Scott Arnold	Director	<u>April 27, 2023</u>
<u>/s/ Jason Cohenour</u> Jason Cohenour	Director	<u>April 27, 2023</u>
<u>/s/ Wesley Cummins</u> Wesley Cummins	Director	<u>April 27, 2023</u>
<u>/s/ Roxanne Oulman</u> Roxanne Oulman	Director	<u>April 27, 2023</u>
<u>/s/ Jorge Titinger</u> Jorge Titinger	Director	<u>April 27, 2023</u>
<u>/s/ Kirsten Wolberg</u> Kirsten Wolberg	Director	<u>April 27, 2023</u>
<u>/s/ Jeffery Gardner</u> Jeffery Gardner	President, Chief Executive Officer and Director (principal executive officer)	<u>April 27, 2023</u>
<u>/s/ Jikun Kim</u> Jikun Kim	Senior Vice President, Chief Financial Officer (principal accounting and financial officer)	<u>April 27, 2023</u>

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## Corporate Information

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### Board of Directors

Henry J. Maier

Chairman of the Board, CalAmp

Scott Arnold

President and CEO, AuditBoard

Jason Cohenour

Director Of CalAmp

Wes Cummins

President of B. Riley Asset Management

Jeff Gardner

President and Chief Executive Officer, and Director Of CalAmp Corp.

Roxanne Oulman

Former CFO Of Medalia, Inc

Jorge Titinger

CEO, Titinger Consulting and former President,  
CEO and Director, Silicon Graphics International Corporation

Kirsten Wolberg

Former Chief Technology & Operations Officer of DocuSign

### Leadership

Jeff Gardner\*

President and Chief Executive Officer

Jikun Kim\*

Chief Financial Officer

Brennen Carson\*

Chief Revenue Officer

Jeff Clark\*

Chief Product Officer

Maurizio Iperiti

President, EMEA

Mark Gaydos

Chief Marketing Officer

Nathan Lowstuter\*

Chief Supply Chain Officer

Richard Scott\*

Chief Legal Officer

Monica Van Berkel\*

Chief People Officer

## Investor Information

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CalAmp (Nasdaq: CAMP) is a connected intelligence company that leverages a data-driven solutions ecosystem to help people and organizations improve operational performance. We solve complex problems in transportation and logistics, commercial and government fleet, industrial equipment and consumer vehicle marketplaces by providing solutions that track, monitor and recover vital assets. The insights enabled by our cloud platform, applications and edge computing devices drive operational visibility, safety, efficiency, maintenance and sustainability. Headquartered in Irvine, California, CalAmp has over one million software and services subscribers and 10 million edge devices deployed worldwide. For more information, visit [calamp.com](http://calamp.com), or LinkedIn, Facebook, Twitter, YouTube or CalAmp Blog.

### Primary IR Contact

Logan Lucas & Jikun Kim

[ir@calamp.com](mailto:ir@calamp.com)

### Auditors

Deloitte & Touche LLP

### Legal Counsel

Latham & Watkins LLP

### Transfer Agent and Registrar

American Stock Transfer & Trust Co.

*\*Executive Officer*



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