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PRESENTATION

Operator

Welcome to CalAmp's First Quarter 2022 Financial Results Conference Call. As a reminder, this call is being recorded. I would now like to introduce your host for today's conference call, Joel Achramowicz, Managing Director of Shelton Group, CalAmp's Investor Relations firm. Joel, you may begin.

Joel William Achramowicz - *Shelton Group - MD of IR*

Good afternoon, and welcome to CalAmp's Fiscal First Quarter 2022 Financial Results Conference Call. I'm Joel Achramowicz, Managing Director of Shelton Group, CalAmp's Investor Relations firm.

With us today are CalAmp's President and Chief Executive Officer, Jeff Gardner; and Chief Financial Officer, Kurt Binder. Before we begin, I'd like to remind you that this call may contain forward-looking statements. While these forward-looking statements reflect CalAmp's best current judgment, they're subject to risks and uncertainties that could cause actual results to differ materially from those implied by these forward-looking projections. These risk factors are discussed in our periodic SEC filings and in the earnings release issued today, which are available on our website. We undertake no obligation to revise or update any forward-looking statements to reflect future events or circumstances. Now Jeff will begin today's call with a review of the company's financial and operational highlights, then Kurt will provide additional details about the financial results and outlook, followed by a question-and-answer session.

With that, it's my great pleasure to turn the call over to CalAmp's President and CEO, Jeff Gardner. Jeff, please go ahead.

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Thank you, Joel. We started the 2022 fiscal year with solid results and total consolidated revenue of \$80.5 million, including \$0.8 million of revenue from the LoJack North America operation that was sold to Spireon back in March. Revenue from continuing operations was up 8% from the prior year. Software and subscription services revenue increased 26% over the prior year, including the shipment of approximately 15,000 devices to our large package delivery and transport customer, as part of our program to upgrade an additional 35,000 trailers to 4G technology and our CTC cloud platform. We believe the endurance and consistency of our relationship with this customer is a testament to the effectiveness and utility of our CTC technology. These installations represent almost 1/2 of the total deployment, so we still have additional upside with this retrofit, as well as other exciting potential projects with this important customer.

With the pivotal 3G to 4G upgrade cycle continuing in the U.S., we saw yet another strong quarter of demand, including our largest customer, Caterpillar. Our shipments were limited, unfortunately due to the continuing chip shortages across global supply chains. However, the continuous growth of our backlog to record levels demonstrates our clients' confidence in our products and the significant potential for a resumption of more rapid revenue growth as this bottleneck eases.

In the meantime, we are working closely with our suppliers to source as much inventory as we can to fulfill these orders. Importantly, we are also now seeing orders for our 4G devices outside the U.S. as many international accounts are beginning to accelerate their 3G to 4G transitions before the older cellular systems are shut down. These orders contributed to our international revenue, reaching 36% of revenue in the quarter. We expect a continued ramping of our orders for 4G solutions from both domestic and international accounts in the quarters ahead.

As part of our global expansion strategy, we recently announced the launch of a wholly owned subsidiary in Spain that opens the market for us to sell our cloud-based connected car SaaS solutions and services across that country, as well as across the Pan-European region. Spain is Europe's third largest market, with the highest vehicle theft rates, and we're excited about this opportunity to serve this lucrative region and other countries on the continent.

I'm also pleased with the increased activity we are seeing across our other international markets, such as Italy, the U.K. and Mexico. We're beginning to see a resurgence of activity across these regions as businesses slowly return to normal operating schedules. We're also working with a number of major new global accounts as a part of our expansion efforts in Europe and hope to be able to discuss these opportunities further in coming months.

At this time, I also want to discuss briefly an initiative that we've undertaken to upgrade our PULS device management software system, which customers recognize as our crown jewel and has been in use for over 10 years. We've started to transition customers to a new state-of-the-art SaaS platform we've developed, which we're currently calling CalAmp Telematics Cloud device management or CTC DM for short. This next-gen SaaS device management service, which we will be rebranding shortly leverages the same, infinitely scalable infrastructure and technology that powers the CalAmp Telematics Cloud platform, and it provides even more configurability and management of our devices, with over-the-air updating, device health alerts and new analytic dashboards providing actionable insights. New powerful web graphical dashboards and other features in this new platform will allow customers to get more from their investments in our telematics system solution, software and services. The system allows customers much more flexibility to innovate and manage their devices proactively, thus saving time and money. It includes advanced edge to cloud security technology, which, of course, is critical today more than ever. And it enables us to deliver expanded features and functionality to subscribers directly over the air. This major software development project reflects our continued focus as a SaaS solutions provider, and I'm proud of the work our product and engineering teams have put into this new platform. The transition to CTC DM will take some time to implement across the customer base. But the ultimate goal is to bundle all of our edge devices with our subscription services on this new device management platform.

Over time, we believe this will add significant incremental revenue to our software and subscription services business. On another note, CalAmp was recognized recently by the organization 50/50 Women on Boards for our continuing commitment to gender balance and diversity, while also representing a solid model for others in the industry. I'm proud of the strides we've made at the Board level to appoint a powerful slate of executives with varied gender, ethnic and professional backgrounds. Today, 3 of our members are women, including our Chair; and 2, are ethnically diverse directors. Since my appointment as CEO, the composition of our Board has been a key focus of mine, along with its continuing commitment to the environment, social issues and prudent corporate governance.

Even with the recent planned retirements of long-standing directors Bert Moyer and Larry Wolfe, we proactively managed the composition of our Board to retain a solid depth and breadth of attributes among our Board members, thus ensuring that we remain focused on key issues at the board level. The recent appointments of Henry Maier from FedEx and Kirsten Wolberg of DocuSign are a testament to this. At the same time, we value the decades of counsel we received from both Bert and Larry during their tenures. And we want to take this time to sincerely thank them for their tireless commitment to the company. I've worked with both of them for years and on behalf of the CalAmp family, I wish him all the best. With that, I'll now turn the call over to Kurt for a closer look at our fiscal first quarter financial results, and then we'll open the call to questions. Kurt?

Kurtis Joseph Binder - CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer

Thank you, Jeff. Today, my commentary will include reference to the non-GAAP financial measures of adjusted basis net income, adjusted EBITDA and adjusted EBITDA margin. A full reconciliation of these non-GAAP measures with the closest corresponding GAAP basis measures is included in the press release announcing our fiscal 2022 1st quarter earnings that was issued this afternoon. Also, as a reminder, the financial results of our LoJack North America business that was sold effective March 15 are being accounted for as discontinued operations. So the financial results I will review mainly reflect our continuing operations, except where noted, and we have provided prior periods for historical comparison purposes.

Total consolidated revenue in the first quarter was \$80.5 million, including \$800,000 of revenue from the LoJack North America discontinued operations. Revenue from continuing operations was up 8% year-over-year to \$79.7 million and down 3% from the prior quarter. The year-over-year revenue growth was attributable to solid performances in the industrial heavy equipment, government municipality and connected car market verticals. International revenue totaled \$28.5 million or 36% of total revenues for the quarter. This was driven by solid sequential revenue growth in the EMEA and APAC regions. Software and subscription services revenue was up year-over-year 26% to a record \$35 million or approximately 44% of revenue.

Our software and subscription services business is experiencing a strong recovery from the prior period low point at the onset of the pandemic, as growing demand for our software solutions has contributed to this revenue becoming an increasing portion of our total revenue. Although customer demand remains very strong for our telematics solutions, we are managing through our supply chain challenges and the lingering effects of the pandemic, which have impaired our ability to ship and activate devices, and we're doing everything reasonably possible to prioritize product allocations for our subscription-based customers.

In terms of performance metrics for our Software and Subscription Services business, annual recurring revenue for the trailing 12 months was up 9% in the first quarter of fiscal '22 to \$87.6 million from \$80.5 million in the prior year and up slightly sequentially. As mentioned last quarter, ARR represents revenue from recurring application subscriptions and services, which excludes revenue from the hardware devices and a bundled arrangement with the customer that is recorded at a point in time or upon installation. Remaining performance obligations rose 12% to \$137 million in the first quarter compared to \$123 million in the prior year's quarter and was also up slightly sequentially. This metric represents all contracted revenue, including deferred revenue and contracted but unbilled revenue related to bundled contracts with customers.

And as Jeff mentioned earlier, a primary focus in the first quarter was the shipment of almost 15,000 devices to one of our larger SaaS customers on our CTC cloud solution as they transition their devices to the newer 4G technology. Our total number of active subscribers at the end of the first quarter was 954,000 consistent with the prior quarter and due mainly to shipment limitations. Telematics products revenue in the first quarter was down 3% year-over-year and 6% sequentially to \$44.6 million, primarily due to constraints in the supply chain despite continued strength from the 3G to 4G upgrade cycle. Within the Telematics Products reporting segment, OEM products revenue decreased 13% sequentially, but increased 38% year-over-year to \$20.3 million, primarily due to our largest customer, Caterpillar. CAT represented \$17.3 million in revenue for the quarter. This was up over 50% from \$10.9 million during the prior year's quarter, although down from an all-time high of \$18.6 million in the prior quarter, due to the supply constraints previously mentioned.

We continue to expect solid demand from CAT for the remainder of the calendar year, along with many of our other telematics customers also engaged in the pivotal transition to 4G. Consolidated gross margin from continuing operations in the first quarter increased to 40.7% from 39.5% in the same quarter a year ago, and was down from 42.2% last quarter. Although we are pleased with the year-over-year progress in gross margin performance, the sequential decrease resulted from product mix coupled with cost increases by suppliers as a result of the supply chain challenges and component shortages. In response, we implemented price increases on customer purchase orders received in the quarter. However, since the price increases were imposed later in the quarter, we expect this action to have a more offsetting impact to costs and thus a benefit to gross margins in future quarters.

Our non-GAAP operating expenses as a percentage of revenue was approximately 36.2% for the first quarter. As we begin to see renewed operating activity in our markets and the easing of the pandemic lockdown, we are realigning our staffing to support the increased business activity and additional investments necessary to drive our future growth. Adjusted EBITDA in the first quarter was \$8.4 million with an adjusted EBITDA margin of 11%, compared to adjusted EBITDA of \$8.3 million or 11% in the prior year's quarter and \$9.9 million and an adjusted EBITDA margin of 12% in

the prior quarter. The decrease in adjusted EBITDA is primarily due to the lower revenue base and associated gross margin impact as we align our operations and navigate through the global supply chain challenges.

Now turning to our current liquidity position. At the end of the first quarter, we had total cash and cash equivalents of approximately \$96.2 million as compared to \$94.6 million last quarter. Our aggregate outstanding debt is approximately \$237 million, including \$230 million of the 2% convertible senior notes due August 2025. CalAmp expects to continue to maintain a strong financial position and balance sheet with significant cash for working capital going forward.

In reference to our outlook for the second quarter of 2022, we are maintaining our policy of not providing quarterly guidance, as visibility into product shipments remains uncertain due mainly to the global supply shortages.

With that, I'll turn the call back over to Jeff to provide some final comments before we open the call up for questions.

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

Thank you, Kurt. I'm excited with our start to the new year and the progress the team is making to further position the company as a SaaS telematics leader in the industry. We've made great progress particularly in the area of software development. Furthermore, with conditions opening up around the world, we remain encouraged with the prospects ahead. Nonetheless, we remain cognizant of uncertainties related to the continuing supply chain limitations discussed earlier and their temporary effect on our ability to fulfill growing demand for CalAmp solutions around the world. With that now, I would like to open the call to your questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question is from Mike Walkley with Canaccord Genuity.

Thomas Michael Walkley - Canaccord Genuity Corp., Research Division - MD & Senior Equity Analyst

Great. And congrats on the quarter. I guess first question for me is just, can you update us on how supply is shaping up for the remainder of the year and when you think you might reach supply-demand balance? And did I hear correct that Telematics Systems backlog increased from what you shared last year's near-record backlog, as you're saying now you have a record backlog, so maybe somewhere north of that \$65 million you shared last quarter?

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

Yes, it was incredible -- Mike, it was incredible, but we saw this quarter with the weekly booking, some of the best I've seen, some of the best we've ever seen at the company. So very strong orders from our customers interested in our products. Overall, market conditions were pretty difficult in the quarter and remain difficult today. I do think we'll see improvement each quarter throughout the year. Our team's being very innovative in terms of how we're trying to mitigate these issues with suppliers, doing everything from reengineering BOMs, looking for spot buys where we can do it, entering into longer-term purchase orders. So we're going to work really hard. The good news, I think the really good news is, as you pointed out, our backlog is stronger than it has ever been. We're right in the middle of this 3G to 4G migration.

So even though it would have been nice to get a lot more of that revenue in the first quarter, we could have had a much bigger number because we have the orders to support it. These orders are coming, and we're going to fill these, it's just going to be later in the year.

Thomas Michael Walkley - *Canaccord Genuity Corp., Research Division - MD & Senior Equity Analyst*

Great. And then just building on that, just based on what you see for visibility on the supply side, do you think you can get more supply, so you start eating away some of that backlog next quarter? Or should we kind of think of -- I know you're not giving guidance, but just any color you can talk about on supply to maybe start working down that record backlog so we can think about sequential modeling.

Kurtis Joseph Binder - *CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer*

Yes, Mike, this is Kurt. So I think that over the second half of this year, we'll start to see some rebalancing between supply and demand. I think next quarter, our second quarter may be a little bit difficult for us to actually eat into that backlog, but we're optimistic. A lot of the orders that are coming in now are actually [out for our Q4 and even] into Q1 of next year. So obviously, the 3G to 4G transition is real. Our customer base is realizing it and there's now this renewed sense of urgency to try to get ahead of it. But we're doing everything possible, as Jeff mentioned, to execute on the demand that we have and we have faith that our supply chain team will be pretty innovative to make it happen. But it will take a couple of quarters for us to get alignment between supply and demand.

Thomas Michael Walkley - *Canaccord Genuity Corp., Research Division - MD & Senior Equity Analyst*

Okay. Great. I'll ask one more question and then I'll pass the line. Just thinking about the software and services continues to grow in the mix, which is great to see. As the mix potentially changes more towards tracking and monitoring from recovery services, how should we think about just the potential uplift to ARPU over time? And as you talk about moving to the new platform, too, how should we think maybe about gross margins for this area of the business, one from the platform and then one from the potential ARPU changes over time.

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Certainly, Mike. So as we've noted in the past, the ARPUs associated with tracking and monitoring are higher than the ARPUs in our recovery business. You know that we recently announced the launch of our iOn suite here a quarter or 2 ago. That is generating solid ARPU right now. And so we're pleased with the results there. One thing though I do want to mention and as Jeff talked about in his earlier remarks, we are working very hard to transition our telematics device hardware customers onto our CTC cloud environment. And in so doing, that will mean that we will generate greater stickiness, move them onto our platform. But the mix in terms of ARPU may come down in that effort. But generally, we're extremely pleased with the way the tracking and monitoring or tracking monitoring services are coming along and the ARPU that we're generating from the iOn Suite.

Operator

Your next question is from Anthony Stoss with Craig-Hallum Capital.

Anthony Joseph Stoss - *Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst*

Maybe just a follow-up a little bit on the component charges. Do you think you'll get more componentry in the August quarter than you did in the May quarter?

Kurtis Joseph Binder - *CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer*

Right now, the -- again, we're not providing any guidance, but we think that our August quarter will probably be one of the more difficult quarters from the supply chain management standpoint. We had a very good, as you know, a very good Q4 when we started to see the effects of it. We've been pulling down our inventory and I think we did very well in Q1. But Q2, we probably will have some additional headwinds as it relates to getting the components in. We do see a rebound in the second half, but Q2 is probably the quarter that we'll see the greatest impact from the component shortage.

Anthony Joseph Stoss - *Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst*

Okay. We're hearing from a lot of companies, clearly the same thing. But some of them are starting to flip the page a little bit and talking about 2, 3, 4 months from now, seeing a lot more supply. Is there a light at the end of the tunnel here for you guys? Would you concur kind of that same time frame? Or how long do you think it will be before you guys start to see anything meaningful?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

No. We expect, over time, Kurt made some comments specifically really near term in the second quarter. We expect (inaudible) improvement through our fiscal year '22 and into '23. So it will get better each quarter. Our team is doing everything imaginable to work with these vendors. I'm actively involved in that, calling other CEOs trying to improve our allocation. We're not the only company in the world doing that, obviously today. But we're also -- we've had some good success with spot buys. And as I said, we're making some design changes that I think will help us along the way. So yes, I think it's going to get better. And we still see a very strong year on the equipment side as we really help our customers manage through this 3G to 4G transition. So we're bullish about that. Our -- As I said when we were looking at the weekly bookings this quarter were just amazing. And so it's good to see, there's some real strength in the business.

Anthony Joseph Stoss - *Craig-Hallum Capital Group LLC, Research Division - Partner & Senior Research Analyst*

Got it. And then, Jeff, what I found really interesting was your comments about new global accounts in Europe. Maybe can you define those a little bit more? Are they hardware-only, hardware plus recurring revenue, kind of what industries if you could share? I'm curious if you can give us a little bit more on those.

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Well, we have something that began about 3 months ago, maybe a little before that called [One] CalAmp, where we were really trying to look like a single company across the globe. The Head of EMEA and the Head of LatAm now report directly to me. This is mostly Software-as-a-Service business that we're talking about. It ranges from large deals with OEMs that we'll be able to talk about later in this year. We've got a couple of really good things going there to really selling the iOn Suite for the first time outside of the U.S. and we're excited about that as well. We have an opportunity to really leverage all this country knowledge that we have with an excellent sales force, and our sales teams are doing a wonderful job working together to really form account strategies at the customer level that are going to really allow us to grow at a faster rate going forward. But most of it is going to be SaaS.

Operator

Your next question is from Mike Latimore with Northland Capital.

Michael James Latimore - *Northland Capital Markets, Research Division - MD & Senior Research Analyst*

Just on the topic of the component shortages and you highlighted maybe a little bit tougher next quarter. Would that have a similar effect on both Telematics Systems business and SaaS? Or does SaaS have less of an impact from that shortage?

Kurtis Joseph Binder - *CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer*

Well, as we mentioned, Mike, in the past, the -- every one of our SaaS solutions does involve the shipment and activation of a device in order to activate the services. So there will be some impact. Although, as I mentioned in my remarks, we are doing everything we possibly can to rationalize

the product allocations to our subscription-based customers. So yes, to answer your question, there is an impact to the SaaS business, although we're trying to mitigate by product allocation.

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

Yes. I'll add there. We are expecting a really good year as we kind of manage through this shortage in the near term. And so we've been investing in the business, adding salespeople, engineers and product people that are going to allow us to kind of hit the demand that we think is out there today. So it's not like we're frozen. It's really an odd time because things are going extremely well. And as I said, we could have put up much bigger numbers in the quarter, if not for this global supply chain. But Kurt said it earlier, we've got a very fine group of people running our global supply chain. So I still believe that we're doing as well as anyone in the industry in that regard.

Michael James Latimore - Northland Capital Markets, Research Division - MD & Senior Research Analyst

Great. And you talked about really strong bookings -- weekly bookings during the quarter and now this record backlog. Were those bookings skewed more towards your subscription business or both sides of the business?

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

They were mix. They were both. We have very strong bookings on the hardware side, MRM and OEM related to 3G and 4G and also some good things on the SaaS side.

Michael James Latimore - Northland Capital Markets, Research Division - MD & Senior Research Analyst

Got it. And just last question realigning...

Kurtis Joseph Binder - CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer

I was just saying, one of the things we are working extremely hard to do is, as we mentioned, navigate our device customers into a subscription-based model. And so as these bookings are coming in, we are having conversations with those customers to move them on to the CalAmp Telematics Cloud product. And those conversations are going very well.

Michael James Latimore - Northland Capital Markets, Research Division - MD & Senior Research Analyst

Great. And then just last question. You talked about realigning staff. I couldn't tell if you were moving people to sort of reprioritizing where people were or if you were like increasing staff as well?

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

We increased a bit. We definitely reprioritized towards those verticals that we expect to have the fastest growth. So as we've said before, we're really focused on transportation and logistics. So we made some changes there. But I think all of those to support verticals that we think will grow at a faster rate in the future.

Operator

Your next question is from George Notter with Jefferies.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

I was definitely interested in the conversation around the transition from the PULS product to -- I guess, rebranding of the PULS product to the CTC DM product. It sounds like you're adding a lot of features in there and now kind of pushing -- I assume you're pushing folks more into a SaaS model here. But can you just sort of bottom up kind of walk us through the difference in the selling motion, the difference in the product. I'm curious as to how it helps grow your SaaS business. Give us the before and after of PULS versus CTC DM?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Yes. Well, it's a much more robust tool that we think will enable our customers to be more successful in the marketplace. Some of the features that we mentioned, device health alerts so that they can get a sense for how their devices across their customer platforms are working. Improved easier over-the-air updates that they can do much faster than they ever had before. Dashboards providing real-time insights for their customers, a new UI, UX and enhanced edge capability. All of our customers are quite interested not just in the cloud, but in the edge capability. And so the CTC DM, where we spent a lot of resources too, I think it's going to be a very good thing for our customers. And as Kurt said, allows us to really convert our traditional hardware customers into more of a blended hardware/software customer.

George Charles Notter - *Jefferies LLC, Research Division - MD & Equity Research Analyst*

Got it. Okay. Any thoughts on what that might look like incrementally for you guys in terms of additional revenue or additional SaaS customers?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

It's a little early. I will tell you that our discussions with our customers are going well. We're having strategic level discussions with all of our customers. And so it will be implemented over time. But I think it's a very, very positive move for the company. You've been following us for a long time. It's been something we've been trying to accomplish for some time, and I think this is absolutely a product that is a win-win. It gives a lot of benefit to our customers. That's going to allow them to save money and build more revenue, and it's going to allow us to get more subscription business.

Operator

Your next question is from Scott Searle with ROTH Capital.

Scott Wallace Searle - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

Jeff, I apologize for going back to the supply chain questions. But I did want to follow up your questions or your commentary related to limitations in the quarter that you could have shipped a lot more. I was wondering if you could quantify that what the gross margin impact was in the quarter, having to go out and do more spot component pricing. You also referenced -- sorry, go ahead.

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Go ahead. I'm listening.

Scott Wallace Searle - *ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst*

No, I just going to -- and as well, it sounds like you started to implement some increased pricing in the quarter as well to offset some of that. So does that mean gross margins get better for MRM as we look forward into the next couple of quarters?

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

Yes. Yes. Most of the price increase impact will be felt in second quarter, we talked to our customers in the first quarter, but it was later in the quarter. And on the first part of your question, it's difficult for us to say how much. It's clear that our top line could have been much better. We've got a pretty big base -- cost base that supports that business. So I mean, I think the underlying financials would have been better as well because we weren't fully utilizing it. Having said that, we're not going to be able to give you precise numbers there. Kurt, I don't know if you would add anything to that.

Kurtis Joseph Binder - CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer

I'd just say that we were really pleased with the gross margin expansion year-over-year. But as we pointed out earlier, the sequential decline in gross margin shows that there was an impact by the supply chain challenges. In order to quantify that, Scott, I mean, I think that -- we're probably talking somewhere between 100 to 120 basis points of pressure. But that pressure was a combination of, say, 2/3 supply chain related, 1/3 may be mix related. What I would also say is that we were, I think, fairly proactive in instituting the price increases, although those price increases came towards the latter half of the quarter. So we do see that the benefit of that will probably be experienced more into Q2 and into Q3. So that being said, the supply chain is pretty volatile right now. And we're watching the cost factors that are coming in. And so we'll manage that through the remainder of the year.

Scott Wallace Searle - ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst

Okay. Very helpful.

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

I'll just say one more thing on that. The way I think about the quarter is we were very happy that we were able to get to consensus with all that pressure. We could have beaten it more significantly without the supply chain challenge. So That's how I think about it.

Scott Wallace Searle - ROTH Capital Partners, LLC, Research Division - MD & Senior Research Analyst

Okay. And 2 other follow-ups, if I could. Maybe on the PULS front, kind of what do you expect the attach rate and remind us what the pricing would be on that? And then in terms of the backlog, you've had a lot of new products, you've had with iOn and more Tracker applications. I'm wondering what the composition of that backlog looks by vertical or end market. Is that starting to morph a little bit? Maybe give us an idea of where you are today and what do you think that starts to look 6 or 12 months out?

Jeffery R. Gardner - CalAmp Corp. - President, CEO & Director

Well, in terms of the attach rate on the CTC DM, we think that's going to be very high. In terms of pricing, it's too early. We're still working this out with our customers. So we want this to be a win-win for our customers. And so we're continuing to work through that with them. But it's going to be a very positive development. The biggest way we can increase value with this company is to drive more towards SaaS, and this gets us there with a product that provides huge benefits to our customers. And Kurt, could you have the second part on the backlog?

Kurtis Joseph Binder - CalAmp Corp. - Executive VP, CFO & Principal Accounting Officer

Yes. So the backlog is obviously broken down by our 4 market verticals, transportation logistics, connected car, industrial heavy equipment and government municipal fleet. I would say there's more of a heavy concentration in that backlog around transportation and logistics and industrial

heavy equipment. Those make up a larger portion of our MRM and OEM customer base. And they're the ones that certainly are now proceeding quickly or with a sense of urgency as a result of this 3G to 4G transition that's now upon us.

Operator

(Operator Instructions) Your next question is from Jerry Revich with Goldman Sachs.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

Jeff, I'm wondering if you could talk about the cadence of subscribers in the quarter. Over the past couple of quarters, you folks have been steadily growing the subscriber count and that obviously slowed this quarter. Can you just talk about the puts and takes? And are there parts of the platform that are growing?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Yes. We had -- we definitely had some impact in a couple of areas like in the U.K. where COVID-related impacts on subscribers in the quarter that had some impact. And we also had -- when we did our conversion to the iOn Suite, we have a little bit of churn of some smaller customers there, Jerry, but I think we'll get right back on track. We know what it's going to take to grow -- create value here, and that's to drive subscribers, ARPU and reduce churn.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

And Jeff, is the cadence as we think about what the August quarter could look like for the subscription business? Are you expecting a return to subscriber growth? Could you say a bit more about maybe how things are tracking in June or just provide a bit more context on a return to growth that you just talked to?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Yes. We're definitely expecting a return to subscriber growth in the next quarter. When you look across our connected car business, which there's quite a few subscribers in that, they were particularly hit with the supply chain issues. And then in the U.K., we had that COVID issue that I discussed earlier. So we expect those to get a lot better in 2Q.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

Got it. And then as we think about for the hardware business, price cost going forward, can you just say more? So we've got price increases that are going in, are they enough to essentially offset the inflation that you're seeing? And then as you think about what price cost looks like a couple of quarters out from now once the chip shortage is hopefully resolved. Where do you expect your price cost to look like compared to before the shortage?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Yes. I think we were pretty prescriptive about our price increases, and we think we did a nice job estimating our -- what our additional cost was without overburdening our customers on that. So I think we hit that pretty precisely. We did a lot of work on that.

Going forward, I mean, before the supply chain problem, Jerry, we were making a ton of progress on BOM reduction. And we still haven't stopped doing that. So long term, I'm very bullish on our ability to continue to drive cost out of our products in more of a regular routine methodical way.

We are still working on that. It gets kind of covered up with what's happening in the broader shortage arena. But yes, I expect that to continue to be an area. We're very focused on improving our margins over time.

Jerry David Revich - *Goldman Sachs Group, Inc., Research Division - VP*

Okay. And lastly, can you talk about any changes in customer behavior as a result of the chip shortage or you're seeing any of your customers or potential customers moving from single source to dual source? And is that creating any opportunities or any potential headwinds that we should be aware of as we think about how the customers are responding to the shortage?

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Yes. Yes, I think we definitely had the opportunity to get some new logos in, which was nice. With our customers I'll say I'm particularly pleased with -- our customers have chosen us because we help them solve complex problems, and we're pretty sticky. So even though some of these supply dates are pushed out, I believe, by far, the majority of our customers are sticking with us.

Operator

There are no further questions at this time. I'll turn the call back over to Mr. Jeff Gardner for closing remarks.

Jeffery R. Gardner - *CalAmp Corp. - President, CEO & Director*

Thank you for joining us on the call today, and for your continued interest in CalAmp. One final note, Kurt and I will be attending the upcoming Canaccord Conference on August 12 and the Jefferies Semi, IT Infrastructure Conference on August 31. If you'd like to request a meeting with us, please contact the respective firms or the Shelton Group. I look forward to discussing our continued progress during our fiscal second quarter call in September. Have a great day. Operator, you may disconnect the call.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.

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