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PRESENTATION

Operator

Welcome to CalAmp's Fourth Quarter and Fiscal Year 2023 Financial Results Conference Call. My name is Tia, and I will be your moderator for today's call. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. (Operator Instructions) 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 fourth quarter and fiscal year 2023 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, Jikun Kim.

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 are 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 regular 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 recent operational highlights, and then Jikun will provide a more detailed review of the financial results 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, and thanks to all of you for joining us on the call today. This is our first call with our new CFO, Jikun Kim. It's great to have you as part of my team. I just wanted to welcome him, while also thanking Cindy Zhang, reserving as Acting CFO during the transition period.

Fourth quarter revenue was $78.5 million, which was in line with our expectations and revenue for the full year was $295 million, flat with the prior year.

Software and Subscription services revenue in the quarter grew 4% sequentially and approximately 25% from the prior year to a record $51.4 million, representing 65% of total revenue.

Full year Software and Subscription services revenue grew 20% to $185 million and represented 63% of total revenue in 2023 compared to 52% in the prior year.

Another highlight of the quarter was our adjusted EBITDA performance, which increased 44% sequentially and 35% year-over-year to $6.8 million or approximately 9% of revenue.

This past year was a challenging one due to several factors, but I believe we have turned the corner. By the end of our fiscal year '24, macro factors aside, our target objective is to return to year-over-year revenue growth. We believe that the cost reductions we implemented last year, along with continued improvements in the supply chain, will by the end of the year, see non-GAAP gross margin return to historical norms and allow us to achieve improved EBITDA margin performance.

As we close out the conversion phase of our business transformation and enter the next phase of the process, I thought it might be constructive to provide you with a brief history of why and how we decided to transform CalAmp from a leading data capture and transmission, Telematics device provider to one providing software and data insights with sophisticated data analytics and AI capabilities, enabling enhanced visibility, maintenance, safety, compliance and efficiency.

These new applications are offered on a recurring subscription basis and become increasingly sticky as more and more data is generated and analyzed.

Today, with more than 10 million CalAmp IoT telematics hardware devices operational in the field and more than 1.6 trillion data points processed annually in our cloud platform, we clearly saw the value of this extensive hardware installed base.

We decided to seize the opportunity to monetize the valuable insights that our hardware generates by providing software applications, not only to our existing customers, but to new customers as well.

These new applications are offered on a recurring subscription basis and become increasingly sticky as more and more data is generated and analyzed, particularly with the industry's focus today on AI analytics, autonomous navigational features and electrification.

With these strategic objectives in mind, we began this journey more than 2 years ago to transform our hardware-only business to a solutions business, similar to our existing K-12, Commercial Fleet and Connected Car operations.

Since we started, 78% of our hardware-only customers have converted to a device management recurring application subscription model deployed on our cloud platform called DM-CTC.

In addition to the hardware revenue, this generates a modest monthly recurring fee. Clearly, this conversion process took some time and effort, but customers have come to appreciate the value of the new cloud platform and its edge computing features, particularly its enhanced capabilities to organize and manage devices, accounts and configurations with over-the-air firmware updates.

We have converted a large number of important customers like DCS, Platform Science, GPS Insight, Localiza, Trimble, Michelin, Navman and many others.

In addition, we also made significant R&D investments in our application software stack, and we believe the turnkey solutions we've developed are offering us a competitive advantage, and we anticipate accelerated adoption by our customers as we continue our transformation.

Using a baseball analogy to characterize our transitional strategy, I would say that we are in the middle innings of a 9-inning game.

During the initial innings over the past 2 years, we laid the foundation for establishing our vision and strategy, identifying the target customer segments for the conversion, developing the DM-CTC platform and defining the multi-layered software stack that would drive our application solutions business in the years ahead.

The multi-million-dollar investment we made in this initiative essentially linked our value-add as a software and systems company from the edge to the cloud. We also aligned our leadership team to function as a customer solutions-based organization and adjusted our cost structure to improve profitability.

As we commence this conversion process, our subscriber count increased significantly. However, the modest device management recurring application subscription revenue we received from each new conversion actually put some pressure on blended RPU on a consolidated basis.

Our full stack solution businesses, which I mentioned above, namely K-12, Commercial Fleet and Connected Car offer high-ARPU, high-margin applications today, such as Here Comes The Bus, Fleet Management, Stolen Vehicle recovery and others.

With the hardware conversions complete, we will work to increase revenue across our higher-margin subscriber base by upselling them to more advanced software subscription solutions that we have developed, while also securing new software customers. We believe this will result in a more predictable, profitable and higher-growth software business on a consolidated basis.

Today, as we progress through the middle innings of the game, we have to complete the few remaining eligible hardware conversions. Focused on driving value in our full stack solutions businesses and increase the value provided to full-stack solution customers with our new applications such as AI-enabled Vision 2.0 video platform, Smart Trailer and Cargo Insights.

This is where our margins will expand, contributing to increased profitability and cash flow for our investors. In the past year alone, we recognized approximately $80 million in recurring application subscription revenue, and we are determined to increase the higher-margin revenue stream significantly in the years ahead. We expect to enter the final innings of the game sometime in our fiscal year '25 or early '26, during which a majority of our revenues will be on long-term recurring subscription contracts, excluding a few of our OEM and TSP-like customers.

Our market strategy will be based on a value-added hardware platform augmented with our application software and select third-party solutions. Any hardware development we choose at that point to do ourselves will be limited strictly to segments where value and margins are strong and sustainable.

I hope this summary helps provide a better understanding of where we've been and where CalAmp is going. I am pleased with our accomplishments, both operationally and financially this past year, as we have navigated this stage of the business transition.

Our top operating goal in the near term will be to maintain a high level of execution while advancing through the transition to move CalAmp ever closer to a software systems enterprise company.

We believe this will be the most direct path to generating strong recurring subscription-based cash flow and increasing shareholder value.

Though we are only halfway through the ball game, we've made great strides transforming our business thus far to a recurring revenue model. As we continue to advance through the rest of the game, I look forward to reporting our progress as we move further up the value chain with our ever-expanding full-stack application software portfolio. We believe this will lead us to our end goal of producing consistently profitable revenue growth for years to come.

I'd now like to turn the call over to Jikun who in his first 90 days has already made significant contributions to CalAmp. He will review the fourth quarter and fiscal year results, while also providing guidance for the first quarter of fiscal 2024. Jikun?

Jikun Kim - *CalAmp Corp. - Senior VP, Principal Financial Officer, Principal Accounting Officer & CFO*

Thank you, Jeff. I am glad to be here today and quite excited to join CalAmp, a global data analytics platform provider. I'd also like to thank Cindy and the rest of the accounting and finance team for a seamless transition.

Please note that during my commentary today, I will reference non-GAAP financial measures, including adjusted net income, adjusted EBITDA and margins. A full reconciliation of these non-GAAP measures to corresponding GAAP measures are included in the press release.

Fourth quarter revenues were $78.5 million, in line with our expectations. This was flat compared to the prior quarter and up 15% from $68.4 million a year ago.

Full year FY '23 revenues were $295 million compared to $296 million in the prior year. Software and Subscription Services segment revenues in the fourth quarter was a record $51.4 million, up 4% quarter-over-quarter and up 25% year-over-year.

The increase in our S&SS segment revenues reflect the continued transition of our Telematics Product segment customers to our Device Management -- CalAmp Telematics Cloud or DM-CTC, subscription business model and into our S&SS segment.

Full year S&SS revenues increased 20% to $185 million or 63% of total revenues compared to $154 million or 52% of total revenues in the prior year.

S&SS-based Remaining Performance Obligations in the fourth quarter was approximately $234 million, down 7% quarter-over-quarter from $252 million and up 17% year-over-year from $200 million.

During the quarter, our subscriber base increased 9% quarter-over-quarter to $1.6 million and increased 51% year-over-year.

Telematics Products revenue in the fourth quarter were $27.1 million, down 8% quarter-over-quarter from $29.6 million and flat year-over-year. We continue to convert these Telematic Product customers to a DM-CTC subscription arrangement. We ended the year with $29 million in Telematics Products backlog.

For the full year FY'23, Telematic Products revenues declined 22% to $110 million from $142 million. The decreased revenues reflect the ongoing supply shortages that have limited our ability to ship against firm backlog, combined with the transition of a large portion of our customers to a DM-CTC subscription model and hence moved into our S&SS segment revenues.

Within the Telematics Products segment, our largest OEM customer revenues increased 17% to $15 million quarter-over-quarter from $13 million and increased 95% year-over-year from $8 million. On a full year basis, our largest OEM customer accounted for $51 million of revenues, which was down from $54 million in the prior year. While we recovered in the second half of the year, supply constraints had negatively impacted our ability to fulfill demand for this customer in FY '23. As we moved into '24, supply has improved and demand from this customer remains strong.

Our annual Recurring Software Application Subscription revenue declined from $94 million to $80 million, driven primarily by the discontinuation of our auto leasing business and foreign exchange headwinds in our Connected Car business. This is somewhat offset by new customer logos and DM-CTC subscription revenues attributable to customers being converted from Telematic Products to the S&SS segment. Excluding the discontinued auto listing business, the recurring software application subscription revenues were flat quarter-over-quarter.

In FY '24, our plan is to focus and drive these recurring revenues with new applications like the Vision 2.0 solution that Jeff discussed. Beginning in Q1 FY '24, we will pivot our focus to the Recurring Application and Subscription Revenues.

Consolidated gross margin in the fourth quarter improved to 160 basis points sequentially to 35.3% but was down from 41% in the prior year. As expected, we had lower levels of spot buys in the fourth quarter, which resulted in a net reduction of PPV to $1 million compared to $5.7 million in the prior quarter. These PPV related improvements to gross margin were offset by unfavorable product mix shifts, interest rate impacts associated with capital lease deals and the customary year-end inventory adjustments. Full year FY '23 gross margin was 37% compared to 41% in the prior year. We anticipate continued improvements in our gross margins in 2024.

Fourth quarter operating expenses, excluding restructuring charges and intangible asset amortization decreased 2% quarter-over-quarter and 10% year-over-year. Full year operating expenses, excluding restructuring charges and intangible asset amortizations declined 5%. In late January, we announced a restructuring to address our cost structure and to realign our operations to be more consistent with the data analytics and insight-driven recurring revenue business model.

We expect these actions to result in an annualized cash savings of approximately $10 million to $12 million. These savings will be realized across our cost of goods sold, operating expenditures and capital expenditures. We will begin to see the benefits of these actions in the first quarter and full impact of benefits being realized in the second quarter and beyond.

Adjusted EBITDA in the fourth quarter increased 44% quarter-over-quarter to $6.8 million or approximately 9% of revenue from $4.7 million or 6% of revenues. Year-over-year, we saw a 35% increase from $5 million or 7% of revenue. Compared to the prior quarter, adjusted EBITDA benefited from slightly lower operating expenses, excluding restructuring charges, combined with improved gross margins. FY '23 adjusted EBITDA was $18.1 million or 6% of revenue compared to $24.7 million or 8% of revenue in the prior year.

At the end of the fourth quarter, we had total cash and cash equivalents of approximately $42 million as compared to $45 million in the prior quarter and had no outstanding borrowings under our $50 million asset-backed line.

Total net borrowing capacity on this line at the end of the year was $34 million. Our aggregate outstanding debt is approximately $232 million, including $230 million of the 2% Convertible Senior Notes due on August 1, 2025.

Our guidance for the first quarter of FY '24 are as follows, we expect revenues in the first quarter to range between $72 million to $78 million, with adjusted EBITDA expected to be between $5 million and $9 million.

With that, I'll turn the call back over to Jeff for some final thoughts. Jeff?

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

Thank you, Jikun. Before opening the call for Q&A, I'd like to thank all of our people for their incredible work this past year. The CalAmp team has worked hard to position the company for growth and profitability going forward.

We believe we've turned the corner on the business transition we set out to implement and are thus well positioned today to seize the opportunities that lie ahead.

With years of experience in the telematics industry, we've developed a reputation for delivering high-quality products that lead to optimal asset operation and control. And now with this recent business transformation, we're using that experience to deliver software solutions to our customers that solve real mission-critical issues, while providing invaluable and actionable AI analytical tools and insights.

With that, we will now open the call to your questions. Operator?

QUESTIONS AND ANSWERS

Operator

We will now begin the Q&A session. (Operator Instructions) The first question comes from the line of George Notter with Jefferies.

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

Hi, guys. I guess, can you give us the recurring application subscription number? I know typically, you guys break it out in the Q and Ks. But did you have that number offhand?

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

For the fourth quarter, it was 19.4%, plus the rental revenues of $8.6.

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

Got it. Okay, great.

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

The K will be out here later this afternoon.

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

Okay. Great. So that $19.4 million number was about flat sequentially in the February quarter. I guess, obviously, it's a recurring revenue line item. We've seen that line item kind of decline for a few quarters now. I just want to make sure I understand the narrative there. Does that really have more to do with the discontinuance of the auto finance piece? Or is that fully out of the numbers now and we should be seeing some lift there? Or like -- what's your perspective on the trajectory of those numbers?

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

Yes. It was definitely impacted by 2 things. The auto finance business discontinuance as well as some foreign exchange pressure in our automotive business, George. But I mean, it's also affected by the fact that over the last year, we focused most of our resources on converting our base to DM-CTC.

What we're excited about in fiscal year '24, with that largely behind us is our sales team is 100% focused on driving recurring revenue businesses in K-12, Fleet, T&L and Automotive.

So, I think what investors have been looking at and anxious for us to really complete that turn of the conversion of the base and really focus on what's going to drive value going forward, which is those full stack recurring revenue businesses.

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

Got it. Okay. You mentioned the transition to DM-CTC. I think I saw in the press release a 78% number, and I think the base was 65 customers in total, you were trying to convert.

So, it sounds like the progress there is diminishing this past quarter. I think a quarter ago, you were 75%, 2 quarters ago, I think you were at 50%. So, is it fair to say the other 22% of the customers are just going to stand pat and not make that transition? Or how do you look at it?

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

No. No. I think what's more accurate there is that we have 2 larger -- large customers who have more complicated contractual issues that we want to make sure we get right for our customer and for us. But both these customers have a large, embedded base and do large volume with us.

So, we still expect to complete those in the near term. We were hopeful to get those done in the quarter, but we're making good progress. And we're working with our customers, so it's a seamless integration for them as well. But no, we're still on track.

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

Got it. Okay. Okay. Great. And then last one, I know you guys were talking about implementing some pricing increases to reflect higher supply chain costs. Any success in implementing those this past quarter? Was that part of the telematics number that we're looking at? Or what can you tell us there?

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

Yes. We had some PPV or purchase price variance, revenue items that we charged to customers in the quarter. If you saw sequentially our impact from pricing changes or because we reduced the number of spot buys really improved.

So, part of that was the fact that we were able to bill more of this PPV to our customers. And the other part was that because the supply chain has improved a great deal, our allocations have improved, our lead times have shortened. We're able to pay less in terms of additional spot buys in the market.

So again, that leads to us having a little bit more pricing flexibility, but also reducing the added cost and pressure on gross margin.

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

Got it. Okay. All right, I'll hand it over.

Operator

The next question comes from the line of Scott Searle from ROTH Capital Partners.

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

Good afternoon. Nice job on the quarter, guys. Maybe to quickly dive in on a couple of clarifications. From an OpEx and restructuring standpoint, I want to clarify in terms of the current quarter, how much of the restructuring that got announced was implemented in this quarter. I think the non-GAAP OpEx was around $25-plus million. It sounds like there's another $8 million to $10 million to come out annually. So, by the end of this fiscal year, we're expecting another $2-plus million to be coming out on a quarterly basis?

And then on the gross margin front, I just want to clarify a couple of things. You talked about normalization as we get to the end of this fiscal year. I wonder if you could recap that for us by segment in terms of product and Software and Subscription Services, what that should look like? And what's the long-term target for gross margins on the Software and Subscription Services side, particularly now as you're pursuing higher-end applications, higher dollar and value added, just overall better blended mix?

Jikun Kim - *CalAmp Corp. - Senior VP, Principal Financial Officer, Principal Accounting Officer & CFO*

Yes. So let me make sure we got your questions. First question was on the impact of cost reductions on OpEx going into the future. Second was on gross margins, what we think normalized gross margins look like and what the long-term gross margin would be. Is that -- did I get that right?

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

Correct.

Jikun Kim - *CalAmp Corp. - Senior VP, Principal Financial Officer, Principal Accounting Officer & CFO*

Yes. Okay. OpEx, the cost reductions were implemented very late in Q4, and they continue to be implemented in Q1. So, you will not see the full impact of those reductions until really Q2. But you are correct. It's roughly $8 million to $10 million a year. And so, we will see some of that in Q1 and most of the balance and starting in Q2, and we should be fully costed-down at that point in time.

In terms of gross margins, if you look at 2021 and '22, I think you'll see that blended gross margin is roughly 41%, 40% -- 40% to 41%. That is where we're trending back towards. However, long-term wise, when we have our recurring software and application revenues up higher as a portion of the overall business, we are looking for a 50% blended gross margin from a long-term basis.

The -- below that product line where you talk about S&SS versus hardware, we really don't break that out any lower at that level.

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

Okay. And maybe if I could follow up, now that you're going through the forced conversion process and you're largely done, you still have a couple of laggards. What is going to be the organic growth rate that you guys are targeting in terms of connected devices? How should we be thinking about ARPU, it sounds like that's bottoming out? And the overall target revenue growth number for S&SS?

Jikun Kim - *CalAmp Corp. - Senior VP, Principal Financial Officer, Principal Accounting Officer & CFO*

Yes. So overall, long-term goal on S&SS. We really -- let's say it differently, Scott, for recurring revenue growth is 10%. So, what you guys have been looking for is that clear recurring revenue growth, which is driven by more of our sales of our full stack solutions.

We won't get there all the way this year, but we'll definitely make progress. As you saw in my remarks, we're going to return to revenue growth and see significant -- I mean we really did some significant restructuring to align the company better with our long-term goal of being a Software and Subscriptions provider, which is going to mean better margins in the long run.

We really expect that software business to be much more in the 50% range. Our first step with the DM-CTC conversion, those are relatively lower RPUs. They're definitely helpful and everything that we ship going forward has a recurring component.

But I think what you'll see in 2024 is a greater percentage of our units will go out on the full stack solution, higher gross margin area.

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

Great. I'll get back in the queue.

Operator

The next question comes from the line of Michael Latimore with Northland Capital Markets.

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

Great. Yes. Nice quarter there. On the Software and Subscription business, is it fair to assume that should continue to grow sequentially throughout the year?

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

Yes, absolutely. That's the goal. I mean we have good pipelines in -- well in K-12 we've always had a good pipeline. I'd say that in terms of our focus on our CalAmp app and our T&L product, we've got very good pipelines going into the year.

In the automotive business, you may remember, last year, we signed a long-term deal with BMW that's actually being implemented. So, we've got a lot -- many good things on the momentum side for our full stack businesses.

And then keep in mind that for our TSP customers who are hugely important to us, and we're very focused on making sure our customer service to them is excellent. We've been rolling out DM-CTC.

So, while lower ARPU, everything that we're selling to our TSP customers also have a recurring revenue component. So, all of those things point to growing recurring revenue over the long run.

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

Yes. And for the customers that you converted to DM-CTC early on, say, this time last year, first half of last calendar year, how have been the upsell pattern there so far? I know that hasn't been a big emphasis yet, but any color on just upsell to those early customers?

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

I mean I think that, one, our customers are realizing the value of DM-CTC. It's early days on, the big technology advantage with DM-CTC is the edge computing capability. So, it's early days on that, but I think a lot of opportunity position our TSP customers to compete better against their competitive landscape and position us well to sell additional features. So more of that.

And I think the way I think about next year is more on these full-stack recurring revenue business is driving more of the top line.

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

Okay. Got it.

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

Yes. And then one other thing that I'd like to mention there. In Q3, we spent a lot of time building out a customer success organization that is focused on taking care of our existing customers to lowering churn, selling additional features to our existing customers.

But most importantly, as we were getting a lot of questions about top line revenue, what that does is free up our experienced sales force in T&L fleet, automotive K-12 to focus exclusively on new logos.

Operator

The next question comes from the line of Jerry Revich with Goldman Sachs.

Adam Samuel Bubes - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Hi. This is Adam Bubes on for Jerry today. Wondering if you could help us think about the path and timing around a positive inflection in free cash flow during your transition here?

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

Yes. So, I think you can see from the cash flow reduction implement project that we implemented late in Q4 that those should start contributing, as well as the enhanced or improving gross margins, those will both impact.

From a free cash flow standpoint, I think we still have a bit of ways to go from a working capital clearance standpoint. But if you take it up before working capital adjustments, I think you'll see that we should be able to do much better in the second half of the year.

Adam Samuel Bubes - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Great. And then I think the revenue outlook for the quarter implies down around 4.5% sequentially. Just wondering if you can parse that out between the 2 segments.

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

Yes. We didn't -- we're not going to unpack the guidance at that level. If you have additional questions, I might be able to provide additional clarity, but we're not going to go below the aggregate level.

Adam Samuel Bubes - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

All right.

Operator

The next question comes from the line of Martin Yang with Oppenheimer.

Martin Yang

Hi, good afternoon. One question on the cost saving plans. Is there any way for you to give us more details on where is the most savings coming from across OpEx and CapEx? And also, where do we see more concentrated headcount reduction?

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

Yes. I think that what we tried to do, and Jikun will add some more color across the various aspects of the income statement. But we definitely focused on reducing expenses in our legacy hardware business.

Jikun Kim - *CalAmp Corp. - Senior VP, Principal Financial Officer, Principal Accounting Officer & CFO*

Yes. So, we spoke about roughly $8 million to $10 million of annual cash flow reduction. And it spans across cost of goods sold, OpEx and CapEx. I would say roughly about 20% is in cost of goods sold and CapEx and 80% is in OpEx.

In terms of headcount, it's -- it was pretty widely spread across sales and marketing, G&A, as well as a small amount in R&D.

Martin Yang

Got it. Thanks for the additional details.

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

Sure.

Operator

(Operator Instructions) There are no additional questions at this time. I will now hand it back to Jeffery Gardner for any closing remarks.

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

I want to thank you all again for joining us today on the call and for your continued support of CalAmp. As a final note, we will be participating in Oppenheimer's Emerging Growth Conference on May 11, which is a virtual conference Jikun and I will be speaking, answering questions. So please schedule a meeting with us if you plan to attend. We look forward to updating you on our progress during our first quarter of 2024 earnings call, which we expect to be in June. Operator, you may now disconnect the call. Thank you, guys.

Operator

That concludes today's conference call. Thank you. You may now disconnect your lines.
