

ORBCOMM INC.

Story on the Verge of Change; Initiate with BUY Rating and \$7 Price Target

ORBC (NASDAQ)

Company & Market Data

Closing Price (as of 03/13/2015):	\$5.65
Rating:	BUY
Price Target:	\$7.00
52 Week Range:	\$5.40 - \$7.91
Avg Daily Volume (M):	304.3
Shares Outstanding (MM):	68
Market Capitalization (MM):	\$385
Enterprise Value (MM):	\$392
Fiscal Year End:	Dec

Estimates

EPS, adjusted	2014A	2015E	2016E
1Q	\$(0.01)	\$(0.01)	\$0.03
2Q	\$0.03	\$0.00	\$0.04
3Q	\$0.00	\$0.02	\$0.05
4Q	\$(0.09)	\$0.01	\$0.06
Full Year	\$(0.07)	\$0.03	\$0.18
Revenue (MM)	2014A	2015E	2016E
1Q	\$19.3	\$43.6	\$48.5
2Q	\$24.3	\$44.9	\$51.9
3Q	\$23.1	\$48.5	\$54.0
4Q	\$29.5	\$48.5	\$56.1
Full Year	\$96.2	\$185.5	\$210.5

Ratios

P/E	(80.7)x	188.3x	31.4x
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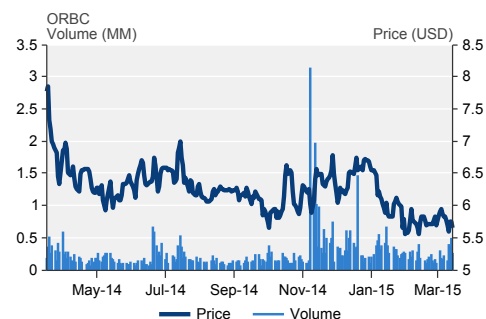


Chart data: Bloomberg

Highlights: We are initiating coverage of Orbcomm, Inc. (ORBC) with a BUY rating and \$7 price target. We see Orbcomm as the leading satellite M2M company with exposure to the rapidly growing IoT industry which is growing at a pace of 15-20% YoY. The company is in the midst of successfully launching its latest wave of satellites which they should be able to begin to monetize in 2015. With Orbcomm's recent acquisition of Skywave, it gives the company a stronger relationship with Inmarsat, expand the customer base and provide operating leverage. We believe that at a valuation of 1.7x forward price/sales the risk-reward is attractive.

Only M2M player that has end-to-end solutions. Orbcomm is the only company that has the complete supply chain which includes both the wireless connectivity part (satellite), the hardware (modules) and services (cloud, software). While only a leader in the satellite space, we believe that with the recent acquisition of Skywave the company can expand its offering to become an important player in the M2M market and expand its customer base. Orbcomm is at the center of the connectivity around the M2M space with a leading satellite position. We expect the M2M market to grow 15-20% a year in the next few years.

OG2 satellites could be a game changer. In the 1H15, Orbcomm is completing the roll out of 17 new OG2 satellites (six have been deployed in 2014). These satellites will provide better coverage, faster messaging, higher capacity and reduced power requirements compared to the current OG1 satellites. This is expected to lead to a significant increase in new subscribers and, now that the roll out is complete, to lower costs as well.

Low financial bar set. Post the Skywave acquisition, the company has incurred debt and is only marginally profitable. However, this acquisition raises the company to the next level in terms of revenues and capabilities. We believe that there is likely some upside to EBITDA. We are modeling revenues/EPS of \$185M/\$0.03 for 2015 with significant leverage into 2016 of \$210.5M and \$0.18.

New customers ramping despite Caterpillar issue which is a thing of the past. One of the investor concerns is around the loss of Caterpillar (CAT; \$80.44, Not Rated) (13% of sales in Q414) to a competitor (Iridium). However, Skywave is opening new customers and this last quarter the company announced a new significant customer in the transportation area that is to start ramping in Q415.

Valuation. Orbcomm is currently trading at 1.7x forward sales. While the company is only marginal profitable, we believe that the expectations on the Street are low with regard to the Skywave acquisition and potential growth. Given the company is close to its 52-week low and trading at a discount to its comparable US peers, we see upside from the current stock price. Our \$7 price target is based on 2x forward price to sales.

Disclosures and Analyst Certifications can be found in Appendix A.

570 Lexington Avenue 11th Floor • New York, New York 10022 • Telephone: 212-409-2000 • 800-LAD-THAL

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Investment Thesis

Initiating coverage of Orbcomm, Inc. (ORBC) with a BUY rating and \$7 price target.

Orbcomm is the leading player in the M2M and IoT. We believe that investors should own Orbcomm for the following reasons: 1) We expect the M2M market to grow revenues at a rate of at least 15% CAGR in the next three years as IoT devices rapidly increase; 2) Strong position in satellite and its relation with Inmarsat (ISAT.L, 892 GBp, Not Rated) gives it the capability to distribute satellite M2M solutions globally that other players cannot; 3) The recent acquisition of Skywave gives the company economy-of-scale, leverage the Inmarsat network and geographical expansion; 4) We see the company growing revenues by 93% and EPS becoming positive at \$0.03, respectively, in 2015; and 5) We believe that valuation at 1.7x forward sales is attractive given the potential upside to estimates and the stock positioned at close to its 52-week low.

Business Description

Orbcomm is a global provider of M2M (Machine-to-Machine) solutions. The company has an end-to-end approach to the market which includes connectivity, hardware and software. Orbcomm owns a network of low-Earth orbit satellites (LEO) that provide a reliable two-way data communications services track, monitor and control mobile and fixed assets in the company's core markets which include commercial transportation, heavy equipment, industrial fixed assets, marine and homeland security. Orbcomm is headquartered in Rochelle Park, New Jersey.

Investment Highlights

Only M2M company that provides the Service+Hardware piece in an in-house offering. In the crowded M2M landscape, we believe that companies need to differentiate in order to compete successfully. Orbcomm is the only company that can provide the connectivity piece (satellite) with the hardware component (modem modules). All other players have one or the other. In addition, Orbcomm is developing a software piece that goes with the hardware functionality. While not a leader in the hardware and software space we believe that having the full functionality and offer to a customer has its benefits in selling a complete solution. Others are usually dependent on cellular operators for the connectivity portion.

OG2 Satellite puts the company one step ahead. In the 1H15, the company expects to complete the second phase of the launch of OG2 satellites. Upon completion, the company will have an additional 17 next-generation satellites and will be able to offer a substantial improvement of service compared to the legacy OG1. These satellites offer 12 times higher capacity than the previous generation satellites, reduced power requirements and ability for Automated Identification Systems (AIS). This will likely cover close to 70% of overall network traffic and is expected to improve the service capability and pricing. We believe that this is to lead to new client engagements and will lower the cost to be more competitive against cellular. Finally, this satellite roll-out happens once in a long time and we believe that now that it will be complete in the 1H15, the level of profitability for the company is set to improve.

Alliance with Inmarsat is a notable positive. Inmarsat is one of the major satellite service providers. In November 2013, Orbcomm entered into an agreement with Inmarsat in which it offers joint cost effective M2M hardware while creating a satellite standard platform that will include Inmarsat/Orbcomm/Globalstar with identical mode factor. The combined solution will offer interchangeable modems that could work on OG2 VHF satellites from Orbcomm as well as Inmarsat's L-band network with smooth connectivity.

In addition, the acquisition of Skywave, which was the largest M2M service provider on the Inmarsat network, further strengthens the alliance and provides benefits to customers. The only challenge is that the satellite market is flattish in nature at the moment and the growth is unclear given its cost comparison to that of cellular.

Leading customer base though Caterpillar situation is a headwind. Orbcomm has a leading customer base which includes companies like Fedex, CSX, Target, Walmart and others. Caterpillar has been a big customer in recent years (>10%) but in Q314, Orbcomm lost the majority of the business at Caterpillar to Iridium (IRDM, \$9.39, Not Rated) for the network portion. While we believe this is largely baked into the stock at this point, we continue to track whether this is largely a one-off situation or a point for bigger concern. Nevertheless, the customer base for Orbcomm continues to expand and the recent Skywave and Insync acquisitions should help in that direction, in our view. In the last earnings call the company announced a new major OEM relationship in the transportation space which is the first time the company has penetrated that market. The company believes that deployment will start in Q415 with significant impact in 2016.

Skywave acquisition paves the way for a new Orbcomm. We believe the acquisition of Skywave by Orbcomm in Q414, paves the way for a much larger and broader company. Skywave is one of the largest enterprise M2M/IoT enterprise service providers under Inmarsat satellite network. It provides services to more than 250,000 subscribers and 400 channel partners. The benefits of the acquisition are the following: 1) The acquisition provides an addition of 250K subscribers to the Orbcomm network (total 1.2M subscribers) and \$62M in sales and \$12M in EBITDA; 2) The combined entity is to have one of the largest engineering teams in the industry (~200); 3) The acquisition expands the overall distribution presence to Eastern Europe, Russia and China, areas where Orbcomm was weak; 4) Provides opportunities in security and marine; and 5) Provides a strong satellite network along with Inmarsat to drive two-way short message service technology as a potential industry standard.

Satellite is strong in some high growth M2M markets. We believe that satellite is productive in some markets where cellular connectivity might not be as efficient. The markets we see success for satellite include: 1) commercial transportation – location, engine diagnostics, fuel consumption, temperature control, etc.; 2) Heavy machinery – M2M connectivity is used for enhancing productivity and profitability of heavy usage equipment for mining, agriculture, industrial and other markets; 3) Marine vessels – track ship movements, reporting and tracking functionality and security; 4) Government – M2M devices for communication applications for geographic security reasons; and 5) Fixed Assets – Gas and water monitoring, pipelines, drilling, generators, storage tanks, etc. Overall, we believe that the total size of these markets is greater than 40M units per year and provides a key differentiator compared to the competition.

Financial upside is possible if Skywave plays out well. We believe that the Skywave acquisition could lead to financial upside to the company if it materializes in the EBITDA margin expansion and strong synergy realization. We expect EBIT to increase from \$(1.56)M in 2014 on an adjusted basis to \$7.25M in 2015. In addition, the fact that historically 50% of total revenues of Skywave has been recurring in nature could lead to more stable revenue outlook.

Investment Risks

The risks in owning Orbcomm include but are not limited to:

The M2M market may not grow as fast as expected. The M2M industry is still in its early stages and adoption might take longer than expected given the different rate of adoption by the various industries. If the industry grows less than 10-15% per year then our revenue estimates might be at risk.

Lack of profitability and leverage. We expect the company to reach an EPS of \$0.03 for 2015 which is only slightly profitable following a loss of \$0.07 in 2014. The balance sheet doesn't "look" clean here with \$91M in cash and \$150M in debt for a company of this size, in our view. One slip up in the business model could lead to a potential financial downturn for the company, in our view.

Acquisition and integration risk. Orbcomm has recently made its largest acquisition in the history of the company when it bought Skywave for \$130M. Given the size of the company compared to Orbcomm's current size, successful integration in the next few quarters is key to delivering the expected cost and revenue synergies.

Model is dependent on the success of satellite. Orbcomm model is based on the success of the satellite model. Currently, there is a mixed view on the market on the cost of cellular versus the cost of satellite for connectivity of M2M devices. Cellular is much cheaper in areas where there is good cellular coverage so this limits the potential addressable market for Satellite. Nevertheless, satellite is the main differentiator of Orbcomm compared to its competitors. Lack of growth in satellite could lead to lower than expected results in the future.

Loss of Caterpillar to a competitor. In Q314, Orbcomm lost the majority of one of its key customers, Caterpillar, to a competitor, Iridium. While we believe this is already baked into the story, the risk exists that the company might lose further customers to competition. If that occurs, it could negatively impact the company's revenue prospects.

International exposure. There are numerous risks inherent to their international operations. Some of their international licensees and country representatives are experiencing significant operational and financial difficulties and have in the past defaulted on their obligations to the company. In addition, if international licensees and country representatives are not successful in establishing their businesses outside of the United States, the prospects for their business will be limited.

Financials

Most recent quarter was fairly solid. The company reported its quarter on 3/12/15. Overall it reported revenues and EPS of \$29.5M and (\$0.09). The revenue breakdown includes \$15.1M in services and \$14.3M in product sales. Shipped half of the product for a major fleet deployment. They shipped 17K hardware wireless devices in Q4 which was a record but at lower GM. Expect hardware GM to return to 25% range next quarter. In addition, the company added 39K subscribers to reach a total of 976K subscribers (not including 250K of Skywave).

Annual growth is conservative, likely potential upside. We are forecasting revenues and EPS in 2015 of \$185M and \$0.03, respectively. On a YoY basis this is a 93% revenue growth which includes the Skywave acquisition which has the majority of that impact. The company had guided for revenues to be \$174-194M for 2015 with a positive EBITDA of \$40-45M. We believe that the majority of the upside in the story lies in 2016 where we are

to see significant leverage in the model. For 2016 we expect revenues and EPS of \$210.5M and \$0.18, respectively.

Guidance. The company reported results on March 12 and while they did not provide specific revenue guidance we believe that the company, including the acquisitions, is performing well. We are forecasting revenues and EPS of \$43.6M and (\$0.01) for the quarter. The company said that there are 40K hardware devices that have yet to be turned on to services; the company expects that to happen in Q1 and Q2. The company believes that 60% of overall sales in 2015 will be service related.

Valuation

Stock is priced for minimum upside. We believe that following earnings and the acquisition of Skywave, there are low expectations on the stock at these levels. With the stock trading close to its 52-week low, we believe that if the company executes on the potential of the Skywave acquisition and starts hitting a growth phase there is certainly room for multiple expansion at these levels.

We believe that the correct metric to use at the moment is forward price/sales given the lack of real earnings in the near future. Based on the current comparable company analysis, the stock is trading at a slight discount to the peer group at 1.7x forward sales. However, when comparing it to the direct US comps of Sierra Wireless (SWIR, \$32.91, Neutral) and CalAmp (CAMP, \$18.61, BUY), we see that it is trading at a discount to those names. We therefore believe that on solid execution there is not only room for the company to trade at similar multiples to its US peers but also to a multiple expansion as well. Therefore, we are initiating coverage of Orbcomm with a BUY rating and a \$7 price target which is 2.1x forward sales and a 22.5% premium to the current stock price.

Exhibit 1: Valuation Comparables

Company	Ticker	Price 3/14/2015	Shares Out (M)	M Cap (\$M)	P/E		EV/Sales		P/Sales		Net Cash Per Share	Price/ Net Cash	P/Book	Rating	Target
					CY1E	CY2E	CY1E	CY2E	CY1E	CY2E					
CalAmp	CAMP	\$ 18.61	36	\$676	19.8x	16.5x	2.6x	2.2x	2.7x	2.4x	\$ 1.02	18.3x	4.7x	BUY	\$ 23.00
Sierra Wireless	SWIR	\$ 32.91	32	\$1,053	29.9x	22.5x	1.3x	1.2x	1.6x	1.4x	\$ 6.13	5.4x	3.0x	Neutral	\$ 40.00
Digi Intl	DGII	\$ 10.24	24	\$246	113.8x	39.4x	0.8x	0.8x	1.2x	1.1x	\$ 3.25	3.2x	0.9x	NR	NA
Numerex	NMRX	\$ 11.24	19	\$214	124.9x	62.4x	2.4x	2.0x	2.3x	1.9x	\$ 0.84	13.3x	2.4x	NR	NA
Telit	TCM LN	\$ 3.48	119	\$414	18.3x	12.9x	1.4x	1.2x	1.4x	1.1x	\$ 0.18	18.8x	4.2x	NR	NA
Gemalto	GTOMY	\$ 38.79	175	\$6,788	10.5x	8.4x	2.3x	1.9x	2.4x	2.0x	\$ 2.44	15.9x	23.0x	NR	NA
Median					24.9x	19.5x	1.8x	1.5x	2.0x	1.7x	1.7x	14.6x	3.6x		

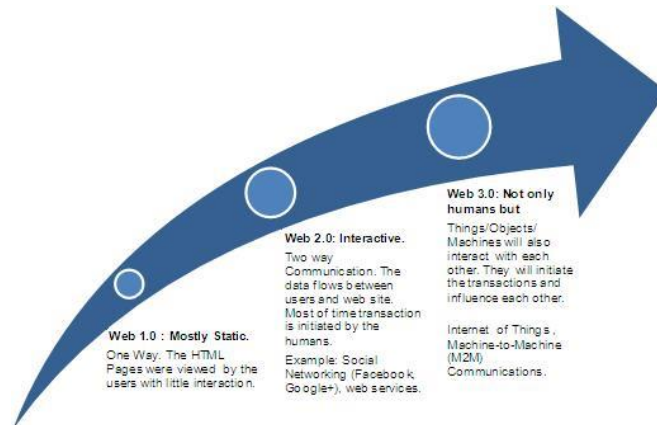
Orbcomm ORBC \$ 5.65 63 \$356 NM 26.9x 2.2x 2.0x 1.9x 1.7x \$ (0.94) NM 1.2x BUY \$ 7.00

Source: Thomson Reuters, Ladenburg Thalmann. Companies selected are direct publicly traded competitors of Orbcomm. Ladenburg Thalmann covers CalAmp, Orbcomm and Sierra Wireless. Mention of specific companies not covered by Ladenburg Thalmann & Co Inc. is not a recommendation to buy, hold or sell the securities mentioned. NR = Not Rated.

Industry Discussion

M2M is a system comprised of a device to capture data or control/actuate remote assets, communicating across a wide area network to a software application that provides operational control and translates data into useful information. The web market is on the verge of the next generation with the adoption of web 3.0 which is the interaction of the Internet with things, objects and machines.

Exhibit 2: WEB – M2M Evolution



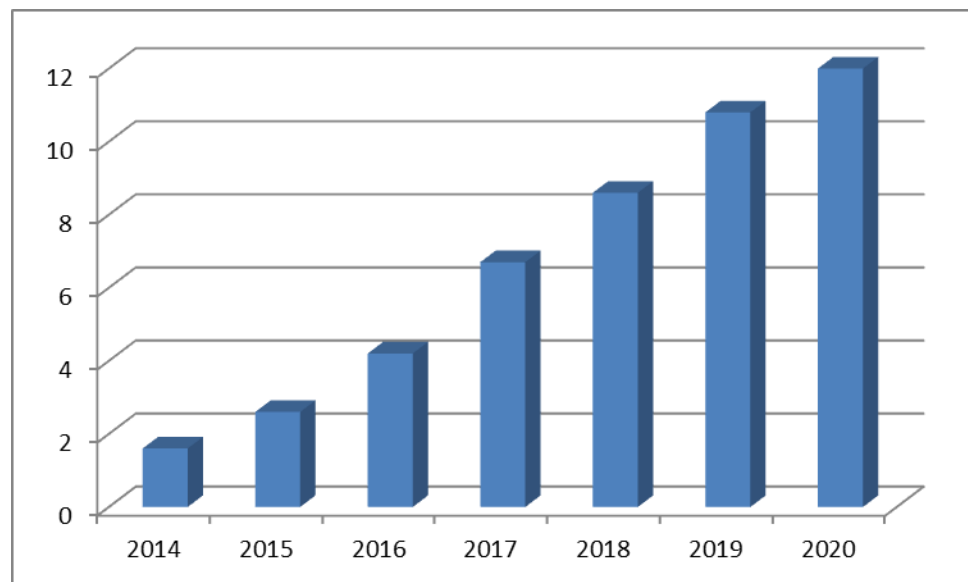
Source: ABI

The ecosystem of M2M includes four major parameters: Devices, Communication Network, Cloud based platforms and software.

Machine-to-Machine (M2M) communications represent an increasingly important revenue opportunity for service providers, and with the introduction of the Internet of Things (IoT), M2M is rapidly evolving with increasingly sophisticated applications across many industry verticals. At the same time, the emerging Wearable Technology ecosystem and Peer-to-Peer (P2P) communications via LTE Direct are poised to bring an entirely new dimension to IoT as autonomous communication becomes an increasingly accepted part of consumer lifestyles and enterprise operations.

In looking at the size of the market, we can focus on both the IoT market which is a much broader market size which by many expectations is supposed to be a multi-billion unit market in the next few years.

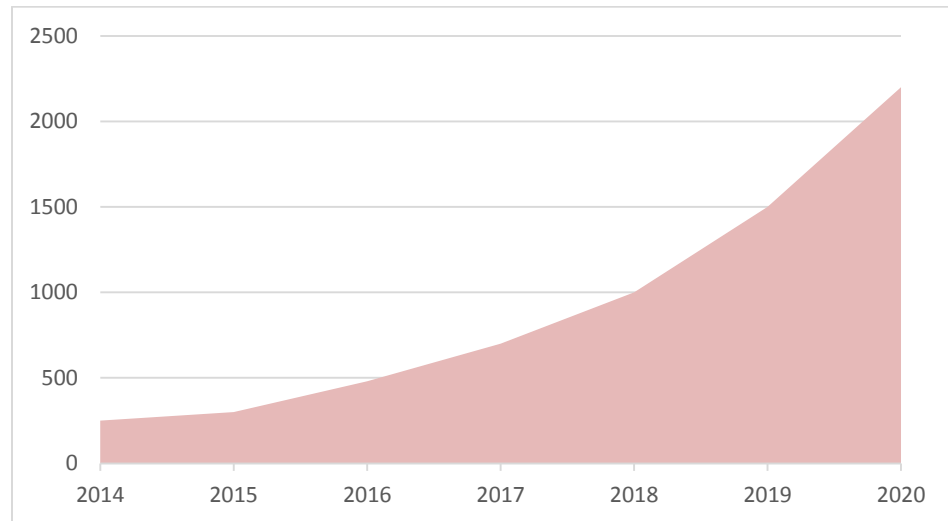
Exhibit 3: Connected Devices Market (IOT, M2M And More) in BB Units



Source: ABI and Ladenburg Thalmann estimates

Nevertheless, we believe that in order for investors to get a better snapshot of the market they should be looking at the M2M market specifically and the number of M2M devices that are connected. While this is a much smaller market than IoT potential, the market size is, according to Exhibit 3, still in the hundreds of millions of devices and is expected to quadruple in the next four years.

Exhibit 4: M2M Devices Market Size (MM Units)



Source: Sprint and Ladenburg Thalmann estimates

The case for M2M is really being driven by companies that are seeking to improve their visibility and management of fixed and mobile assets. In addition, there is a growing requirement by customers to access the asset's location, condition, operation and environment and ability to command and control the asset. Finally, M2M applications enhance operational efficiencies to increase safety and security, help end-users comply with new regulations and improve profitability.

The M2M market targets many different industries. It is very broad in nature and provides an opportunity to invest in an area that we believe has much potential. There are many applications that are now beginning to connect to each other as data analytics become more important and useful in terms of lowering the cost of operations and increasing overall revenue potential. Exhibit 5 highlights the different areas of M2M.

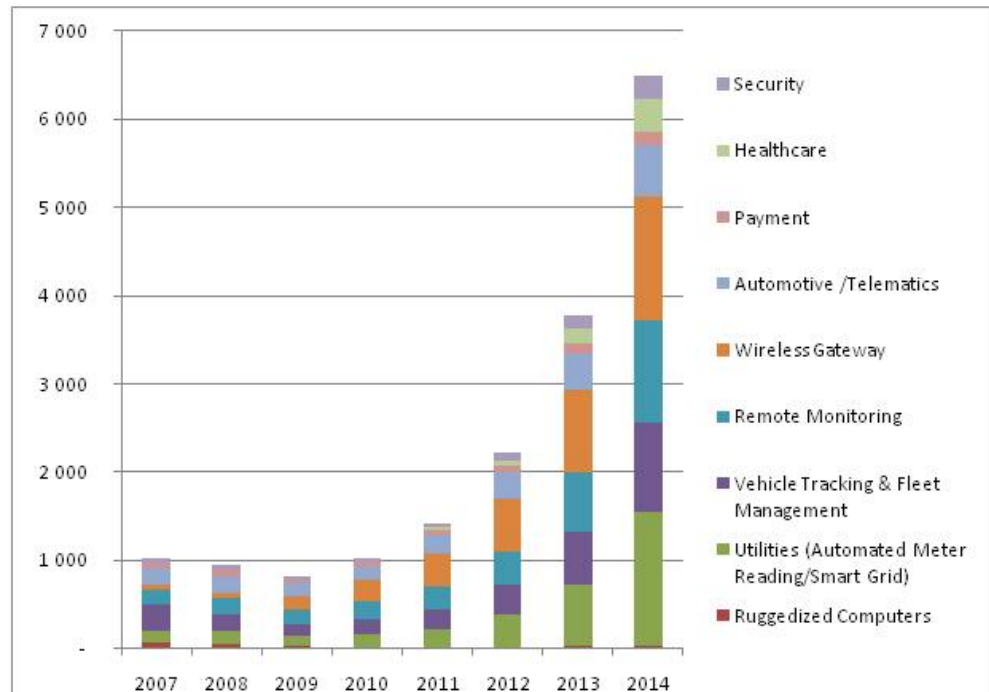
Exhibit 5: M2M Sectors

Resources	Energy	Industrial
Agriculture Equipment	Turbines	Pumps
Mining Machinery	Generators	Valves
Drilling Equipment	UPS	Pipelines
Pipeline	Meters	Motors
Tanks	Breakers	Packaging
Watering Equipment	Sockets	Assembly
	Switches	
Retail	Healthcare	IT&Network
POS Terminals	Imaging	Servers
Kiosks	Diagnostics	Storages
Cash Registers	Monitor	PCs
Vending machines	Beds	Routers
signs	Implants	Switches
tags	Pumps	Imaging
Buildings	Transportation	Safety and Security
HVAC	Vehicles	GPS system
Fire and Safety	Trains	Radar system
Lighting	Ships	Vision/Camera
Security	Planes	Sensors
Access Control	Tolls	Vehicles
	Parking Meters	Navigation systems

Source: Ladenburg Thalmann

As we look at the different sub-sectors, Exhibit 6 highlights the sizes of the different markets based in focusing on the module market which remains the area where most of our coverage universe of Sierra Wireless, Orbcomm and CalAmp are currently focused. Exhibit 6 shows that the major areas where we are currently seeing M2M penetration rates are wireless gateways, remote monitoring, fleet tracking, automated utilities monitoring, etc.

Exhibit 6: Worldwide M2M Module Market By Vertical Application



Source: ISupply and Ladenburg Thalmann. Mention of specific sectors is not a recommendation to buy, hold or sell any of the sectors/securities mentioned.

Based on the previous exhibits we believe that we are on the verge of a market with significant growth that is still fairly fragmented at the moment. The market is largely divided into players that do modules and components, service providers and software. Some players do cross over but in general the players, as shown in Exhibit 7, largely stay in their own field.

Exhibit 7: M2M Competitive Landscape

Chip Providers	M2M Modules/Devices	Communications Network	Software
Qualcomm	CalAmp	AT&T	Fleetmatics
Intel	Orbcomm	Verizon	Numerex
Mediatek	Sierra Wireless	Iridium	Telogis
Broadcom	Cinterion	Vodafone	Navman
Analog Devices	SimCom	Sprint	masternaut
TI	Telit	Orbcomm	Sierra Wireless
Marvell	Huawei		Trimble
	Novatel		Jasper Wireless
	Motorola		Telit
	Gemalto		

Source: Ladenburg Thalmann. Mention of specific companies not covered by Ladenburg Thalmann & Co. Inc. is not a recommendation to buy, hold or sell those securities mentioned.

We believe that the trend in the next few years will be the merger between M2M modules/device market with that of software. The added value is in the software/cloud layer where the higher margins persist. However, the install base really lies with the module makers as they are close to customers. Therefore, it seems natural to us that this merging will occur and which started to happen in the past couple of years. We believe the communication network and chip providers will likely stay independent given the high barriers to entry in each one of those fields.

OrbComm

Historical & Projected Balance Sheet

(\$M, except per share data)

Last Updated: March 15, 2015

Orbcomm Balance Sheet	CY13					CY14					
	CY 2012	Q1 Mar-13	Q2 Jun-13	Q3 Sep-13	Q4 Dec-13	CY 2013	Q1 Mar-14	Q2 Jun-14	Q3 Sep-14	Q4 Dec-14	CY 2014
Assets											
Cash and ST investments	62.8	90.6	78.0	77.5	68.4	68.4	74.7	48.7	40.6	214.6	214.6
Accounts receivable	10.7	12.9	13.5	13.0	14.1	14.1	15.8	18.7	16.7	23.2	23.2
Restricted cash	3.2	3.3	50.4	3.5	0.0	0.0	0.0	0.0			0.0
Inventories	3.8	3.1	4.3	4.1	5.2	5.2	6.6	7.6	12.0	11.7	11.7
Prepaid expenses	1.5	1.7	2.4	2.0	1.8	1.8	2.5	2.9	3.7	2.3	2.3
Deferred Income Taxes	0.2	0.2	0.1	0.1	0.6	0.6	0.6	0.6	0.6	0.8	0.8
Total current assets	82.1	108.5	98.4	96.7	90.0	90.0	100.1	78.6	73.6	252.6	252.6
PP&E, net	101.2	111.4	119.9	129.2	133.0	133.0	136.5	167.6	179.2	180.6	180.6
Goodwill	14.7	14.7	19.9	19.8	20.3	20.3	40.7	40.2	39.9	39.9	39.9
Intangible assets	7.8	7.5	11.1	10.8	11.6	11.6	28.6	27.8	27.0	26.3	26.3
Deferred taxes	0.4	0.4	0.4	0.5	1.3	1.3	1.3	1.3	1.3	1.8	1.8
Other LT assets	3.8	5.3	4.9	5.4	5.2	5.2	4.6	5.0	5.5	7.1	7.1
Total assets	206.8	247.9	254.6	262.3	261.5	261.5	311.8	320.4	326.5	508.3	508.3
Liabilities and stockholders' equity											
Total current liabilities	16.6	14.1	15.7	20.4	15.5	15.5	18.2	23.6	29.4	32.6	32.6
Minority Interest	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)	(0.0)	0.0	0.0
Other Liabilities	2.5	2.7	3.8	4.5	4.0	4.0	7.4	8.1	8.1	8.3	8.3
Deferred Income Tax	0.4	0.5	0.6	0.6	2.4	2.4	7.1	7.3	7.3	7.4	7.4
Total Debt	4.9	46.5	46.5	46.5	46.6	46.6	46.6	46.6	46.5	151.4	151.4
Total liabilities	24.1	63.5	66.3	71.9	68.3	68.3	79.1	85.5	91.2	199.8	199.8
Stockholders' equity											
Total shareholders' equity	182.7	184.4	188.3	190.4	193.2	193.2	232.7	234.9	235.3	308.5	308.5
Total stockholders' equity and liab	206.8	247.9	254.6	262.3	261.5	261.5	311.8	320.4	326.5	508.3	508.3

Source: SEC and Company Reports

OrbComm

Daniel Amir 415-726-5900, damir@ladenburg.com

Income Model

(\$M, except per share data)

Last Updated: March 15, 2015

OrbComm			CY15E					CY16E				
FY End December	CY	CY	Q1E	Q2E	Q3E	Q4E	CYE	Q1E	Q2E	Q3E	Q4E	CYE
	2013	2014	Mar-15	Jun-15	Sep-15	Dec-15	2015	Mar-16	Jun-16	Sep-16	Dec-16	2016
Service Revenues	56.00	59.68	21.00	24.00	29.00	30.00	104.00	31.00	32.00	33.00	34.00	130.00
Product Revenues	18.20	36.49	22.61	20.92	19.51	18.51	81.56	17.51	19.91	20.99	22.15	80.56
Total Revenues	74.20	96.17	43.61	44.92	48.51	48.51	185.56	48.51	51.91	53.99	56.15	210.56
Cost of Services	22.00	20.35	7.14	7.92	9.43	9.45	33.94	9.92	10.24	10.56	10.64	41.36
Cost of Product	13.90	28.25	17.41	15.80	14.58	13.79	61.58	13.05	14.83	15.64	16.50	60.02
Total Cost of goods sold	35.90	48.60	24.55	23.72	24.00	23.24	95.51	22.97	25.07	26.20	27.14	101.38
Gross profit	38.30	47.57	19.06	21.21	24.51	25.27	90.05	25.55	26.84	27.79	29.01	109.18
Operating expenses												
R&D	2.80	2.89	1.10	1.10	1.50	1.50	5.20	1.53	1.55	1.56	1.58	6.21
SG&A	25.60	30.95	11.80	12.00	12.80	13.00	49.60	13.39	13.79	14.21	14.63	56.02
Depreciation and Amortizat	2.70	10.89	5.00	6.00	7.00	8.00	26.00	6.00	6.00	6.00	6.00	24.00
Acquisition related costs	1.70	4.41	0.50	0.50	0.50	0.50	2.00	0.50	0.50	0.50	0.50	2.00
Total operating expenses	32.80	49.13	18.40	19.60	21.80	23.00	82.80	21.42	21.84	22.27	22.71	88.23
Operating income (EBIT)	5.50	(1.56)	0.66	1.61	2.71	2.27	7.25	4.13	5.00	5.53	6.30	20.95
Other Income	0.43	(2.52)	0.40	0.10	0.10	0.10	0.70	0.10	0.10	0.10	0.10	0.40
Interest (expense), net	0.08	(0.17)	(1.00)	(1.00)	(1.00)	(1.00)	(4.00)	(1.00)	(1.00)	(1.00)	(1.00)	(4.00)
Total other income	0.51	(2.69)	(0.60)	(0.90)	(0.90)	(0.90)	(3.30)	(0.90)	(0.90)	(0.90)	(0.90)	(3.60)
Pretax income	6.01	(4.25)	0.06	0.71	1.81	1.37	3.95	3.23	4.10	4.63	5.40	17.35
Provision for income tax	(1.30)	(0.46)	(0.60)	(0.40)	(0.40)	(0.30)	(1.70)	(0.80)	(0.90)	(1.10)	(1.30)	(4.10)
Net Income from continuat	4.71	(4.71)	(0.54)	0.31	1.41	1.07	2.25	2.43	3.20	3.53	4.10	13.25
Minority Interest	0.20	0.05	0.04	0.04	0.04	0.04	0.16	0.04	0.04	0.04	0.04	0.16
Net Income	4.51	(4.76)	(0.58)	0.27	1.37	1.03	2.09	2.39	3.16	3.49	4.06	13.09
Pro Forma EPS	0.09	(0.07)	(0.01)	0.00	0.02	0.01	0.03	0.03	0.04	0.05	0.06	0.18
Diluted Shares Outstanding	48.68	57.05	70.00	70.50	71.00	71.30	70.70	72.00	72.50	72.80	73.10	72.60
Diluted Shares Outstanding	48.68	57.05	70.00	70.50	71.00	71.30	70.70	72.00	72.50	72.80	73.10	72.60

Source: SEC and Ladenburg Thalmann Estimates

APPENDIX A: IMPORTANT RESEARCH DISCLOSURES

ANALYST CERTIFICATION

I, Daniel L. Amir, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report, provided, however, that:

The research analyst primarily responsible for the preparation of this research report has or will receive compensation based upon various factors, including the volume of trading at the firm in the subject security, as well as the firm's total revenues, a portion of which is generated by investment banking activities.

Additional information regarding the contents of this publication will be furnished upon request. Please contact Ladenburg Thalmann, Compliance Department, 570 Lexington Avenue, 11th floor, New York, New York 10022 (or call 212-409-2000) for any information regarding current disclosures, and where applicable, relevant price charts, in regard to companies that are the subject of this research report.

COMPANY BACKGROUND

Orbcomm is a global provider of M2M solutions. The company has an end to end approach to the market which includes connectivity, hardware and software. Orbcomm owns a network of low-earth orbit satellites (LEO) that provide a reliable two-way data communications services track, monitor and control mobile and fixed assets in the company's core markets which include commercial transportation, heavy equipment, industrial fixed assets, marine and homeland security. Orbcomm is headquartered in Rochelle Park, New Jersey.

VALUATION METHODOLOGY

Our valuation methodology is based on forward price/sales and EV/sales.

RISKS

Risks to our recommendation and price target where applicable include but are not limited to the following: 1) The growth of the M2M and IoT market; 2) The success in integration of Skywave; 3) Further customer loss at the level of Caterpillar; 4) Price declines that would lead to margin pressure; 5) Lack of success with the new OG2 satellites; 6) competition with cellular for network services.

STOCK RATING DEFINITIONS

Buy: The stock's return is expected to exceed 12.5% over the next twelve months.

Neutral: The stock's return is expected to be plus or minus 12.5% over the next twelve months.

Sell: The stock's return is expected to be negative 12.5% or more over the next twelve months.

Investment Ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk, or a change in target price. At other times, the expected returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review.

RATINGS DISPERSION AND BANKING RELATIONSHIPS AS OF (March 16, 2015)

Rating	%	IB %
BUY	74.5	58.9
NEUTRAL	25.5	36.7
SELL	0.0	0.0

COMPANIES UNDER DANIEL'S COVERAGE

CalAmp Corp. (CAMP)	Clearfield, Inc. (CLFD)
DSP Group Inc. (DSPG)	Mellanox Technologies (MLNX)
Marvell Technology Group Ltd. (MRVL)	Micron Technology, Inc. (MU)
Orbcomm Inc. (ORBC)	Silicon Motion Technology Corp. (SIMO)
SanDisk Corporation (SNDK)	Sierra Wireless, Inc. (SWIR)

COMPANY SPECIFIC DISCLOSURES

Ladenburg Thalmann & Co. Inc. makes a market in Orbcomm Inc., CalAmp Corp. and Sierra Wireless, Inc..

OTHER COMPANIES MENTIONED

CalAmp Corp. (CAMP - \$18.02)
Sierra Wireless, Inc. (SWIR - \$32.91)

INVESTMENT RATING AND PRICE TARGET HISTORY

Orbcomm Inc. Rating History as of 03/13/2015

powered by: BlueMatrix



B=Buy N=Neutral S=Sell D=Drop Coverage I=Initiate NR=Not Rated

CalAmp Corp. Rating History as of 03/13/2015

powered by: BlueMatrix



B=Buy N=Neutral S=Sell D=Drop Coverage I=Initiate NR=Not Rated

Sierra Wireless, Inc. Rating History as of 03/13/2015

powered by: BlueMatrix



B=Buy N=Neutral S=Sell D=Drop Coverage I=Initiate NR=Not Rated

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Additional Information Available Upon Request

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EQUITY RESEARCH

ENERGY, POWER & INFRASTRUCTURE

Power & Electric Utilities

Brian J. Russo, CFA	(646) 432-6312	brusso@ladenburg.com
Vinod Srinivasaraghavan	(212) 409-2085	vsrin@ladenburg.com

Energy Exploration & Production, Master Limited Partnerships, Upstream

Noel A. Parks	(212) 409-2023	nparks@ladenburg.com
Michael Schmitz, CFA	(212) 409-2028	mschmitz@ladenburg.com

Master Limited Partnerships, Midstream & Closed-End Energy MLP & REIT Funds

Eduardo Seda	(212) 409-2034	eseda@ladenburg.com
Hilary Cauley	(212) 409-2072	hcauley@ladenburg.com

Master Limited Partnerships, Downstream & Others

Richard A. Verdi	(212) 409-2060	rverdi@ladenburg.com
------------------	----------------	----------------------

Water & Sustainable Infrastructure

Richard A. Verdi	(212) 409-2060	rverdi@ladenburg.com
------------------	----------------	----------------------

HEALTHCARE

Biotechnology

Matthew L. Kaplan	(212) 891-5247	mkaplan@ladenburg.com
-------------------	----------------	-----------------------

Biotechnology (BioPharmaceuticals)

Robert (Bert) C. Hazlett, III	(212) 409-2062	rhazlett@ladenburg.com
-------------------------------	----------------	------------------------

Biotechnology (Personalized Medicine)

Kevin DeGeeter	(212) 409-2027	kdegeeter@ladenburg.com
James Colby	(212) 409-2058	jcolby@ladenburg.com

Healthcare Equipment & Medical Technologies

Jeffrey S. Cohen	(305) 572-4110	jcohen@ladenburg.com
------------------	----------------	----------------------

FINANCIAL INSTITUTIONS

Financial Services – Business Development Cos. & Specialty Finance

Mickey M. Schleien, CFA	(305) 572-4131	mschleien@ladenburg.com
-------------------------	----------------	-------------------------

Financial Services – Equity REITs

Daniel P. Donlan	(212) 409-2056	ddonlan@ladenburg.com
John J. Massocca	(212) 409-2543	jmassocca@ladenburg.com

Financial Services – Mortgage REITs

David Walrod, CFA	(212) 409-2031	dwalrod@ladenburg.com
-------------------	----------------	-----------------------

TECHNOLOGY

Internet & Software Services

Jon R. Hickman	(510) 918-4045	jhickman@ladenburg.com
----------------	----------------	------------------------

Hardware

Daniel L. Amir	(415) 726-5900	damir@ladenburg.com
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Software and Services

Glenn G. Mattson	(212) 409-2073	gmattson@ladenburg.com
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TECHNICAL ANALYSIS

Adolfo R. Rueda, CMT	(212) 409-2039	arueda@ladenburg.com
----------------------	----------------	----------------------

ADDITIONAL CONTACTS

Kenneth Brush, Head of Trading	(212) 409-2011	kbrush@ladenburg.com
Eric Novotny	(212) 409-2011	enovotny@ladenburg.com

570 Lexington Avenue 11th Floor New York, NY 10022 (212) 409-2000