



**FOR IMMEDIATE RELEASE**  
August 15, 2019

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**Costar Technologies, Inc. Announces Financial Results**  
**For the Second Quarter Ended June 30, 2019**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – August 15, 2019 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the second quarter ended June 30, 2019 that have been reviewed by the independent accounting firm BKD, LLP.

**Financial Results for the Quarter Ended June 30, 2019**

- Revenues of \$20,425, a 70.4% increase compared to the prior year second quarter and a 13.1% increase excluding Arecont Vision Costar, LLC (“AVC”). AVC contributed \$6,867 in revenue during the quarter ended June 30, 2019.
- Operating expenses were \$7.564, compared to \$4,689 in the second quarter of 2019. AVC contributed \$3,031 to operating expenses during the second quarter of 2019.
- GAAP net income of \$561, or \$0.35 per diluted share, compared to a GAAP net loss of (\$38), or (\$0.02) per diluted share, in the second quarter of 2018. AVC contributed (\$49) towards the net loss for the second ended June 30, 2019.
- Adjusted earnings of \$972, or \$0.60 per diluted share, compared to \$834, or \$0.54 per diluted share for the quarter ended June 30, 2018. AVC contributed (\$28) in adjusted earnings for the quarter ended June 30, 2019. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$1,593 compared to \$1,062 for the quarter ended June 30, 2018. AVC contributed adjusted EBITDA of \$2 for the quarter ended June 30, 2019. Adjusted EBITDA, a non-GAAP measure, is defined below.

## COSTAR TECHNOLOGIES, INC.

President and Chief Executive Officer, James Pritchett stated, “We experienced a significant rebound in revenue from our unusually low first quarter, which was negatively impacted by severe weather conditions across the United States that postponed projects creating order delays for our CohuHD segment. Some of the delayed orders were shipped in the second quarter with the balance expected to be fulfilled in the second half of the year. Our Arecont Vision business recovered from the effects of its bankruptcy filing and delivered strong positive results, recording its first positive EBITDA since we acquired the business last year. We are excited about the remainder of 2019 as Arecont Vision’s financial performance continues to improve and we move into our historically strong second half of the year.”

Scott Switzer, Chief Operating Officer and Chief Financial Officer, stated, “While the turnaround has been labor-intensive, we are thrilled to report that AVC went from a loss of \$2.3 million dollars in the first quarter to nearly break even in the second quarter. It’s a real testament to the team moving from 28% gross profit margin to 43% over the same period. We look forward to the rest of the year where we expect AVC to be a significant contributor to the profitability of the Company.”

The Company’s outside independent auditors completed their analysis of the Company’s financial condition. The Independent Auditor’s Review Report, including financial statements and applicable footnote disclosures, is available on our website at [www.costartechnologies.com](http://www.costartechnologies.com).

### **Non-GAAP Financial Measures**

The Company defines adjusted earnings, a non-GAAP measure, as net income (loss) excluding stock-based compensation and amortization of acquisition-related intangible assets. The Company defines adjusted EBITDA, a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization and stock-based compensation. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income (loss):

	Quarter Ended 6/30/19	Quarter Ended 6/30/18	AVC 2019
<b>Adjusted Earnings</b>	972	834	(28)
Less:			
Stock-Based Compensation	(87)	(70)	
Intangible Amortization	(324)	(308)	(21)
Transaction and Related Expenses		(64)	
Payments Routed to a Non-Company Bank Account		(430)	
<b>Net Income (Loss)</b>	<b>561</b>	<b>(38)</b>	<b>(49)</b>
	Quarter Ended 6/30/19	Quarter Ended 6/30/18	AVC 2019
<b>Adjusted EBITDA</b>	1,593	1,062	2
Less:			
Interest	(348)	(103)	
Income Taxes	(157)	(39)	
Depreciation	(116)	(86)	(30)
Intangible Amortization	(324)	(308)	(21)
Stock-Based Compensation	(87)	(70)	
Transaction and Related Expenses		(64)	
Payments Routed to a Non-Company Bank Account		(430)	
<b>Net Income (Loss)</b>	<b>561</b>	<b>(38)</b>	<b>(49)</b>

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These reconciliations of GAAP to non-GAAP measures should be considered together with the Company's financial statements. These non-GAAP measures are not meant as a substitute for GAAP, but are included solely for informational and comparative purposes. The Company's management believes that this information can assist investors in evaluating the Company's operational trends, financial performance, and cash generating capacity. Management believes these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management. However, the non-GAAP financial measures should not be regarded as a replacement for (or superior to) corresponding, similarly captioned, GAAP measures.

### **About Costar Technologies, Inc.**

Costar Technologies, Inc. develops, designs, manufactures and distributes a range of security solution products including surveillance cameras, lenses, digital video recorders and high-speed domes. The Company also develops, designs and distributes industrial vision products to observe repetitive production and assembly lines, thereby increasing efficiency by detecting faults in the production process. Headquartered in Coppell, Texas, the Company's shares currently trade on the OTC Markets Group under the ticker symbol "CSTI". Costar was ranked as the 36<sup>th</sup> largest company in a&s magazine's Security 50 for 2018. Security 50 is an annual ranking by the magazine of the world's largest security manufacturers in the areas of video surveillance, access control and intruder alarms, based on sales revenue.

### **Cautionary Statement Regarding Forward Looking Statements**

This press release contains forward-looking statements, including statements regarding the Company's ability to grow revenue and earnings, that are subject to substantial risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements, including but not limited to risks related to the ability to diversify business across vertical markets, secure new customer wins, and launch new products. You can often identify forward-looking statements by words such as "believe," "may," "estimate," "continue," "anticipate," "intend," "plan," "expect," "predict," "potential," or the negative of these terms or other comparable terminology. These forward-looking statements are based on management's current expectations but they involve risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of the risks and uncertainties.

You should not place undue reliance on any forward-looking statements. The Company assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable laws.

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# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	June 30, 2019 (Reviewed)	December 31, 2018 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1	\$ 189
Accounts receivable, less allowance for doubtful accounts of \$1,045 and \$859 in 2019 and 2018, respectively	13,275	9,333
Inventories, net of reserve for obsolescence of \$1,052 and \$1,101 in 2019 and 2018, respectively	21,028	20,618
Prepaid expenses and other current assets	1,946	1,531
Total current assets	36,250	31,671
<b>Non-current assets</b>		
Property and equipment, net	1,051	915
Deferred financing costs, net	79	99
Deferred tax asset, net	3,766	3,766
Trade names, net	2,379	2,561
Distribution agreements, net	853	905
Customer relationships, net	4,535	4,884
Covenants not to compete, net	75	92
Patents, net	185	200
Technology, net	302	335
Goodwill	6,513	6,513
Other non-current assets	149	109
Total non-current assets	19,887	20,379
Total assets	\$ 56,137	\$ 52,050
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 6,757	\$ 5,786
Accrued expenses and other	7,525	7,075
Line of credit	17,094	11,738
Current maturities of long-term debt, net of unamortized financing fees	777	773
Current portion of contingent purchase price	992	1,048
Current maturities of notes payable, unrelated party	1,000	
Current maturities of notes payable, related party	409	805
Total current liabilities	34,554	27,225
<b>Long-Term liabilities</b>		
Long-term debt, net of current maturities and unamortized financing fees	3,984	4,373
Contingent purchase price, net of current portion		992
Total long-term liabilities	3,984	5,365
Total liabilities	38,538	32,590
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,239	157,029
Accumulated deficit	(135,122)	(133,051)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	17,599	19,460
Total liabilities and stockholders' equity	\$ 56,137	\$ 52,050

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# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF OPERATIONS (AMOUNTS SHOWN IN THOUSANDS, EXCEPT NET INCOME (LOSS) PER SHARE)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 20,425	\$ 11,987	\$ 34,814	\$ 22,904
Cost of revenues	<u>11,796</u>	<u>7,192</u>	<u>21,473</u>	<u>13,974</u>
<b>Gross profit</b>	8,629	4,795	13,341	8,930
Selling, general and administrative expenses	6,024	3,772	12,537	7,063
Engineering and development expense	1,540	853	2,949	1,542
Transaction and related expense	<u>7,564</u>	<u>4,689</u>	<u>15,486</u>	<u>8,669</u>
<b>Income (loss) from operations</b>	<u>1,065</u>	<u>106</u>	<u>(2,145)</u>	<u>261</u>
Other expenses				
Interest expense	(348)	(103)	(656)	(192)
Other income (expense), net	<u>1</u>	<u>(2)</u>	<u>1</u>	<u></u>
Total other expenses, net	<u>(347)</u>	<u>(105)</u>	<u>(655)</u>	<u>(192)</u>
Income (loss) before taxes	718	1	(2,800)	69
Income tax provision (benefit)	<u>157</u>	<u>39</u>	<u>(729)</u>	<u>57</u>
<b>Net income (loss)</b>	<u>\$ 561</u>	<u>\$ (38)</u>	<u>\$ (2,071)</u>	<u>\$ 12</u>
<u>Net income (loss) per share:</u>				
Basic	\$ 0.36	\$ (0.02)	\$ (1.32)	\$ 0.01
Diluted	\$ 0.35	\$ (0.02)	\$ (1.32)	\$ 0.01
<u>Weighted average shares outstanding:</u>				
Basic	1,579	1,546	1,572	1,546
Diluted	1,611	1,546	1,572	1,589