

FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
For the First Quarter Ended March 31, 2022
(\$ in thousands except per share amounts)

Coppell, Texas – May 12, 2022 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the first quarter ended March 31, 2022.

Financial Results for the Quarter Ended March 31, 2022

- Revenues of \$12,789, an 18.6% increase compared to the first quarter of 2021.
- Operating expenses were up 1.3% to \$4,423, compared to \$4,368 in the first quarter of 2021.
- GAAP net loss of (\$517) or (\$0.31) per diluted share, compared to GAAP net loss of (\$799), or (\$0.49) per diluted share, in the first quarter of 2021.
- Adjusted earnings of (\$299), or (\$0.18) per diluted share, compared to (\$481), or (\$0.29) per diluted share, for the quarter ended March 31, 2021. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of (\$16), compared to (\$118) for the quarter ended March 31, 2022. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company’s Interim Chief Executive Officer, stated, “The team did a great job in the first quarter of 2022 despite the first quarter typically being our softest quarter of the year, driving a \$2 million increase in sales and improving our record year-end backlog to \$8.5 million. Customer engagement has continued to rise, and we are taking actions to tackle the lingering supply chain challenges. We are confident we will be able to clear the backlog by the end of the year.”

Sarah Ryder, the Company’s Chief Financial Officer, went on to say, “In the first quarter, we made tremendous strides in driving operational progress by unifying our production and development centers and improving many internal processes. While the electronics industry continues to face material challenges, our teams have remained persistent and created solutions to meet customer demands. With a strong start to the year, solid backlog and strengthening in the security industry we are positioned to generate improved financial results in the coming quarters.”

The Company's 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.

Non-GAAP Financial Measures

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

	Quarter Ended 3/31/22	Quarter Ended 3/31/21
Adjusted Earnings	(299)	(481)
Less:		
Stock-Based Compensation	(4)	(4)
Intangible Amortization	(243)	(314)
Accrual of Employee Retention Credit	29	
Net Loss	(517)	(799)

	Quarter Ended 3/31/22	Quarter Ended 3/31/21
Adjusted EBITDA	(16)	(118)
Less:		
Interest	(221)	(245)
Income Taxes (Benefit)	(8)	(10)
Depreciation	(54)	(108)
Intangible Amortization	(243)	(314)
Stock-Based Compensation	(4)	(4)
Accrual of Employee Retention Credit	29	
Net Loss	(517)	(799)

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 40th largest company in a&s magazine's Security 50 for 2020. 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. AND SUBSIDIARIES

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

	March 31, 2022 (Reviewed)	December 31, 2021 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1	\$ 4
Accounts receivable, less allowance for doubtful accounts of \$221 and \$205, respectively	7,720	6,544
Inventories	15,676	15,069
Prepaid expenses and other current assets	3,534	3,562
Total current assets	26,931	25,179
Non-current assets		
Property and equipment, net	110	164
Intangible assets, net	5,031	5,274
Goodwill	5,574	5,574
Right of use assets, net	1,233	1,214
Other non-current assets	117	114
Total non-current assets	12,065	12,340
Total assets	\$ 38,996	\$ 37,519
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 6,871	\$ 6,935
Accrued expenses and other current liabilities	3,852	3,894
Line of credit	11,630	9,337
Current maturities of long-term debt, net of unamortized financing fees	2,610	2,807
Current maturities of lease liabilities	692	732
Total current liabilities	25,655	23,705
Long-Term liabilities		
Deferred tax liability	179	179
Non-current maturities of lease liabilities	645	608
Total long-term liabilities	824	787
Total liabilities	26,479	24,492
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,906	157,899
Accumulated deficit	(140,871)	(140,354)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	12,517	13,027
Total liabilities and stockholders' equity	\$ 38,996	\$ 37,519

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Three Months Ended March 31,	
	2022	2021
	(Reviewed)	(Reviewed)
Net revenues	\$ 12,789	\$ 10,782
Cost of revenues	8,688	6,962
Gross profit	4,101	3,820
Selling, general and administrative expenses	3,838	3,601
Engineering and development expense	585	767
	4,423	4,368
Loss from operations	(322)	(548)
Other income (expenses)		
Interest expense	(221)	(245)
Other income, net	34	4
Total other income (expenses), net	(187)	(241)
Loss before taxes	(509)	(789)
Income tax provision	8	10
Net loss	\$ (517)	\$ (799)
<u>Net loss per share:</u>		
Basic	\$ (0.31)	\$ (0.49)
Diluted	\$ (0.31)	\$ (0.49)
<u>Weighted average shares outstanding:</u>		
Basic	1,652	1,643
Diluted	1,652	1,643