

**FOR IMMEDIATE RELEASE**  
August 15, 2022

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**Costar Technologies, Inc. Announces Financial Results**  
**For the Second Quarter Ended June 30, 2022**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – August, 15, 2022 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the second quarter ended June 30, 2022.

**Financial Results for the Quarter Ended June 30, 2022**

- Revenues of \$12,393, a 15.8% decrease compared to the second quarter of 2021.
- Operating expenses were down 9.9% to \$4,159, compared to \$4,615 in the second quarter of 2021.
- GAAP net loss of (\$337) or (\$0.20) per diluted share, compared to GAAP net income of \$4,862, or \$2.94 per diluted share, in the second quarter of 2021.
- Adjusted earnings of (\$92), or (\$0.06) per diluted share, compared to \$371, or \$0.22 per diluted share, for the quarter ended June 30, 2021. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$194, compared to \$783 for the quarter ended June 30, 2021. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company’s Chief Executive Officer, stated “Costar continues to build momentum with strong demand for our products producing a steady stream of orders and increasing our backlog to a record high of \$11.2 million at the end of the second quarter. Further, we addressed many of the supply chain issues that will allow us to start working through the backlog in the third quarter. For the remainder of the year, we are focused on driving revenue, reducing leverage, and improving shareholder value.”

Sarah Ryder, the Company’s Chief Financial Officer, went on to say, “Supply chain challenges pushed potential second quarter revenue into the back half of the year resulting in revenues consistent with the prior quarter, but down from the prior year second quarter. Despite inflationary pressures we managed controllable costs, reducing operating expenses a quarter of million dollars compared to the first quarter. With a solid backlog and booking activity we are on track to deliver strong revenue and earnings growth in the second half of the year.”

The Company's independent auditors completed their analysis of the Company's financial condition. The Independent Accountant'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, amortization of acquisition-related intangible assets, PPP loan forgiveness 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, PPP loan forgiveness and accrual of Employee Retention Credit. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP income (loss):

	Quarter Ended 6/30/22	Quarter Ended 6/30/21	Six Months Ended 6/30/22	Six Months Ended 6/30/21
<b>Adjusted Earnings</b>	(92)	371	(391)	(110)
Less:				
Stock-Based Compensation	(3)	(31)	(7)	(35)
Intangible Amortization	(242)	(314)	(485)	(628)
PPP Loan Forgiveness		3,060		3,060
Accrual of Employee Retention Credit		1,776	29	1,776
<b>Net Income (Loss)</b>	<b>(337)</b>	<b>4,862</b>	<b>(854)</b>	<b>4,063</b>

	Quarter Ended 6/30/22	Quarter Ended 6/30/21	Six Months Ended 6/30/22	Six Months Ended 6/30/21
<b>Adjusted EBITDA</b>	194	783	178	665
Less:				
Interest	(252)	(255)	(473)	(500)
Income Taxes	(7)	(57)	(15)	(67)
Depreciation	(27)	(100)	(81)	(208)
Intangible Amortization	(242)	(314)	(485)	(628)
Stock-Based Compensation	(3)	(31)	(7)	(35)
PPP Loan Forgiveness		3,060		3,060
Accrual of Employee Retention Credit		1,776	29	1,776
<b>Net Income (Loss)</b>	<b>(337)</b>	<b>4,862</b>	<b>(854)</b>	<b>4,063</b>

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 40<sup>th</sup> 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)**

	June 30, 2022 (Reviewed)	December 31, 2021 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 3	\$ 4
Accounts receivable, less allowance for doubtful accounts of \$282 and \$205, respectively	5,923	6,544
Inventories	19,178	15,069
Prepaid expenses and other current assets	3,222	3,562
Total current assets	<u>28,326</u>	<u>25,179</u>
<b>Non-current assets</b>		
Property and equipment, net	82	164
Intangible assets, net	4,789	5,274
Goodwill	5,574	5,574
Right of use assets, net	1,060	1,214
Other non-current assets	117	114
Total non-current assets	<u>11,622</u>	<u>12,340</u>
Total assets	<u>\$ 39,948</u>	<u>\$ 37,519</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 8,948	\$ 6,935
Accrued expenses and other current liabilities	3,133	3,894
Line of credit	11,942	9,337
Current maturities of long-term debt, net of unamortized financing fees	2,414	2,807
Current maturities of lease liabilities	624	732
Total current liabilities	<u>27,061</u>	<u>23,705</u>
<b>Long-Term liabilities</b>		
Deferred tax liability	179	179
Non-current maturities of lease liabilities	525	608
Total long-term liabilities	<u>704</u>	<u>787</u>
Total liabilities	<u>27,765</u>	<u>24,492</u>
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,909	157,899
Accumulated deficit	(141,208)	(140,354)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	<u>12,183</u>	<u>13,027</u>
Total liabilities and stockholders' equity	<u>\$ 39,948</u>	<u>\$ 37,519</u>

**COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 12,393	\$ 14,717	\$ 25,182	\$ 25,499
Cost of revenues	8,325	9,728	17,013	16,690
<b>Gross profit</b>	<b>4,068</b>	<b>4,989</b>	<b>8,169</b>	<b>8,809</b>
Selling, general and administrative expenses	3,657	3,764	7,495	7,365
Engineering and development expense	502	851	1,087	1,618
	4,159	4,615	8,582	8,983
<b>Income (Loss) from operations</b>	<b>(91)</b>	<b>374</b>	<b>(413)</b>	<b>(174)</b>
Other income (expenses)				
Interest expense	(252)	(255)	(473)	(500)
Other income, net	13	4,800	47	4,804
Total other income (expenses), net	(239)	4,545	(426)	4,304
Loss before taxes	(330)	4,919	(839)	4,130
Income tax provision	7	57	15	67
<b>Net income (loss)</b>	<b>\$ (337)</b>	<b>\$ 4,862</b>	<b>\$ (854)</b>	<b>\$ 4,063</b>
<u>Net (income) loss per share:</u>				
Basic	\$ (0.20)	\$ 2.94	\$ (0.52)	\$ 2.47
Diluted	\$ (0.20)	\$ 2.94	\$ (0.52)	\$ 2.46
<u>Weighted average shares outstanding:</u>				
Basic	1,654	1,652	1,653	1,648
Diluted	1,654	1,655	1,653	1,650