

FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
For the Third Quarter Ended September 30, 2021
(\$ in thousands except per share amounts)

Coppell, Texas – November 15, 2021 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the third quarter ended September 30, 2021.

Financial Results for the Quarter Ended September 30, 2021

- Revenues of \$12,646, a 19.6% decrease compared to the third quarter of 2020.
- Operating expenses, excluding a third quarter 2020 impairment loss of \$939, were down 18.0% to \$4,152, compared to \$5,062 in the third quarter of 2020.
- GAAP net income of \$364 or \$0.22 per diluted share, compared to GAAP net loss of \$8,292, or (\$5.17) per diluted share, in the third quarter of 2020.
- Adjusted earnings of (\$237), or (\$0.14) per diluted share, compared to \$372, or \$0.23 per diluted share, for the quarter ended September 30, 2020. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$74, compared to \$974 for the quarter ended September 30, 2020. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company’s Interim Chief Executive Officer, stated, “Increased customer order activity throughout the second and third quarters of 2021 contributed to one of our strongest backlogs entering the fourth quarter, which we began to realize in the month of October. The Costar transformation of providing compelling products, leveraging strengths across the organization, reducing debt, and driving profitability remains on track.”

Sarah Ryder, the Company’s Chief Financial Officer, went on to say, “Sustained cost and cash flow management drove decreases in operating expenses, allowing us to further reduce our debt position by \$800 over the prior quarter. We addressed the difficult global supply chain environment in two primary ways: by limiting expenses and standardizing demand planning across our organization to provide better visibility of inventory. With product demand improving, as reflected in our quotation and bookings activity, we are actively managing supply chain challenges to fulfill existing orders and meet strengthening customer demand.”

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 income (loss) excluding stock-based compensation, amortization of acquisition-related intangible assets, restructuring costs, impairment loss, revaluation of deferred tax asset, modification to inventory reserve policy, 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, restructuring costs, impairment loss, modification to inventory reserve policy, PPP loan forgiveness and accrual of Employee Retention Credit. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income (loss):

	Quarter Ended 9/30/21	Quarter Ended 9/30/20	Nine Months Ended 9/30/21	Nine Months Ended 9/30/20
Adjusted Earnings	(237)	372	(357)	1,036
Less:				
Stock-Based Compensation	(29)	(27)	(54)	(112)
Intangible Amortization	(254)	(318)	(882)	(953)
Restructuring Costs				(635)
Impairment Loss		(939)		(939)
Revaluation of Deferred Tax Asset		(4,614)		(4,614)
Modification to Inventory Reserve Policy		(2,766)		(2,766)
PPP Loan Forgiveness			3,060	
Accrual of Employee Retention Credit	884		2,660	
Net Income (Loss)	364	(8,292)	4,427	(8,983)

	Quarter Ended 9/30/21	Quarter Ended 9/30/20	Nine Months Ended 9/30/21	Nine Months Ended 9/30/20
Adjusted EBITDA	74	974	729	2,124
Less:				
Interest	(240)	(205)	(740)	(703)
Income Taxes (Benefit)	16	(4,896)	(51)	(4,653)
Depreciation	(87)	(115)	(295)	(346)
Intangible Amortization	(254)	(318)	(882)	(953)
Stock-Based Compensation	(29)	(27)	(54)	(112)
Restructuring Costs				(635)
Impairment Loss		(939)		(939)
Modification to Inventory Reserve Policy		(2,766)		(2,766)
PPP Loan Forgiveness			3,060	
Accrual of Employee Retention Credit	884		2,660	
Net Income (Loss)	364	(8,292)	4,427	(8,983)

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)

	September 30 2021	December 31, 2020
	(Reviewed)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5	\$ 480
Accounts receivable, less allowance for doubtful accounts of \$217 and \$175, respectively	6,581	8,579
Inventories	13,889	14,225
Prepaid expenses and other current assets	3,829	2,170
Total current assets	<u>24,304</u>	<u>25,454</u>
Non-current assets		
Property and equipment, net	238	533
Deferred financing costs, net		20
Intangible assets, net	5,529	6,411
Goodwill	5,574	5,574
Right of use assets, net	1,461	2,185
Other non-current assets	109	149
Total non-current assets	<u>12,911</u>	<u>14,872</u>
Total assets	<u>\$ 37,215</u>	<u>\$ 40,326</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 6,204	\$ 4,591
Accrued expenses and other current liabilities	3,819	5,141
Line of credit	9,502	13,024
Current maturities of long-term debt, net of unamortized financing fees	3,003	3,592
Current maturities of lease liabilities	843	1,049
Total current liabilities	<u>23,371</u>	<u>27,397</u>
Long-Term liabilities		
Payroll Protection Program loan		3,025
Deferred tax liability	116	116
Non-current maturities of lease liabilities	764	1,340
Total long-term liabilities	<u>880</u>	<u>4,481</u>
Total liabilities	<u>24,251</u>	<u>31,878</u>
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,775	157,686
Accumulated deficit	(140,293)	(144,720)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	<u>12,964</u>	<u>8,448</u>
Total liabilities and stockholders' equity	<u>\$ 37,215</u>	<u>\$ 40,326</u>

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 12,646	\$ 15,727	\$ 38,145	\$ 47,395
Cost of revenues	8,789	12,917	25,479	32,449
Gross profit	3,857	2,810	12,666	14,946
Selling, general and administrative expenses	3,413	4,065	10,778	13,448
Engineering and development expense	739	997	2,357	3,552
Restructuring costs				635
Impairment loss		939		939
	4,152	6,001	13,135	18,574
Loss from operations	(295)	(3,191)	(469)	(3,628)
Other income (expenses)				
Interest expense	(240)	(205)	(740)	(703)
Other income, net	883		5,687	1
Total other income (expenses), net	643	(205)	4,947	(702)
Income (loss) before taxes	348	(3,396)	4,478	(4,330)
Income tax provision (benefit)	(16)	4,896	51	4,653
Net income (loss)	\$ 364	\$ (8,292)	\$ 4,427	\$ (8,983)
<u>Net income (loss) per share:</u>				
Basic	\$ 0.22	\$ (5.17)	\$ 2.68	\$ (5.63)
Diluted	\$ 0.22	\$ (5.17)	\$ 2.68	\$ (5.63)
<u>Weighted average shares outstanding:</u>				
Basic	1,652	1,603	1,649	1,596
Diluted	1,655	1,603	1,652	1,596