

**FOR IMMEDIATE RELEASE**  
November 14, 2022

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

Coppell, Texas – November 14, 2022 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the third quarter ended September 30, 2022.

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

- Revenues of \$16,365, a 29.4% increase compared to the third quarter of 2021.
- Operating expenses were up 3.3% to \$4,290, compared to \$4,152 in the third quarter of 2021.
- GAAP net income of \$665, or \$0.40 per diluted share, compared to GAAP net income of \$364, or \$0.22 per diluted share, in the third quarter of 2021.
- Adjusted earnings of \$1,002, or \$0.60 per diluted share, compared to \$641, or \$0.39 per diluted share, for the quarter ended September 30, 2021. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$1,363, compared to \$74 for the quarter ended September 30, 2021. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company’s Chief Executive Officer, stated “Our team has done a tremendous job over the last quarter navigating supply chain issues and improving production capacity. The decreased lead times enabled us to not only satisfy our customers but exceed their expectations. During the quarter we attended one of our largest tradeshows where we gained valuable insights from our customers on what we are doing right and how we can better serve them in the future. As we close out the year, we will continue to focus on enhancing our customer experience and capitalizing on new opportunities with our existing customer base.”

Sarah Ryder, the Company’s Chief Financial Officer, went on to say, “With supply chain and logistics challenges beginning to ease, we delivered our strongest revenue quarter in over two years. We enter the fourth quarter with a \$6.3 million backlog and a continued focus on cost management and more efficiently utilizing our resources to decrease overall debt and deliver increased value to our shareholders.”

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 9/30/22	Quarter Ended 9/30/21	Nine Months Ended 9/30/22	Nine Months Ended 9/30/21
<b>Adjusted Earnings</b>	1,002	(237)	641	(357)
Less:				
Stock-Based Compensation	(94)	(29)	(102)	(54)
Intangible Amortization	(243)	(254)	(728)	(882)
PPP Loan Forgiveness				3,060
Accrual of Employee Retention Credit		884		2,660
<b>Net Income (Loss)</b>	<b>665</b>	<b>364</b>	<b>(189)</b>	<b>4,427</b>

	Quarter Ended 9/30/22	Quarter Ended 9/30/21	Nine Months Ended 9/30/22	Nine Months Ended 9/30/21
<b>Adjusted EBITDA</b>	1,363	74	1,571	729
Less:				
Interest	(336)	(240)	(809)	(740)
Income Taxes	(8)	16	(23)	(51)
Depreciation	(17)	(87)	(98)	(295)
Intangible Amortization	(243)	(254)	(728)	(882)
Stock-Based Compensation	(94)	(29)	(102)	(54)
PPP Loan Forgiveness				3,060
Accrual of Employee Retention Credit		884		2,660
<b>Net Income (Loss)</b>	<b>665</b>	<b>364</b>	<b>(189)</b>	<b>4,427</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 2022. 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, 2022 (Reviewed)	December 31, 2021 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1	\$ 4
Accounts receivable, less allowance for doubtful accounts of \$287 and \$205, respectively	9,629	6,544
Inventories	17,517	15,069
Prepaid expenses and other current assets	2,774	3,562
Total current assets	29,921	25,179
<b>Non-current assets</b>		
Property and equipment, net	65	164
Intangible assets, net	4,546	5,274
Goodwill	5,574	5,574
Right of use assets, net	899	1,214
Other non-current assets	117	114
Total non-current assets	11,201	12,340
Total assets	\$ 41,122	\$ 37,519
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 6,264	\$ 6,935
Accrued expenses and other current liabilities	3,543	3,894
Line of credit	15,000	9,337
Current maturities of long-term debt, net of unamortized financing fees	2,216	2,807
Current maturities of lease liabilities	513	732
Total current liabilities	27,536	23,705
<b>Long-Term liabilities</b>		
Deferred tax liability	179	179
Non-current maturities of lease liabilities	464	608
Total long-term liabilities	643	787
Total liabilities	28,179	24,492
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid-in capital	158,004	157,899
Accumulated deficit	(140,543)	(140,354)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	12,943	13,027
Total liabilities and stockholders' equity	\$ 41,122	\$ 37,519

**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,	
	2022	2021	2022	2021
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 16,365	\$ 12,646	\$ 41,547	\$ 38,145
Cost of revenues	11,067	8,789	28,080	25,479
<b>Gross profit</b>	5,298	3,857	13,467	12,666
Selling, general and administrative expenses	3,819	3,413	11,314	10,778
Engineering and development expense	471	739	1,558	2,357
	4,290	4,152	12,872	13,135
<b>Income (Loss) from operations</b>	1,008	(295)	595	(469)
Other income (expenses)				
Interest expense	(336)	(240)	(809)	(740)
Other income, net	1	883	48	5,687
Total other income (expenses), net	(335)	643	(761)	4,947
Income (Loss) before taxes	673	348	(166)	4,478
Income tax provision (benefit)	8	(16)	23	51
<b>Net income (loss)</b>	\$ 665	\$ 364	\$ (189)	\$ 4,427
<u>Net income (loss) per share:</u>				
Basic	\$ 0.40	\$ 0.22	\$ (0.11)	\$ 2.68
Diluted	\$ 0.40	\$ 0.22	\$ (0.11)	\$ 2.68
<u>Weighted average shares outstanding:</u>				
Basic	1,654	1,652	1,653	1,649
Diluted	1,674	1,655	1,653	1,652