

FOR IMMEDIATE RELEASE
March 31, 2022

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Costar Technologies, Inc. Announces Financial Results
For the Fourth Quarter and Year Ended December 31, 2021
(\$ in thousands except per share amounts)

Coppell, Texas – March 31, 2022 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the fourth quarter and year ended December 31, 2021.

Financial Results for the Quarter Ended December 31, 2021

- Revenues of \$14,779, a 13.9% increase compared to the fourth quarter of 2020.
- Operating expenses were up 2.2% to \$4,465, compared to \$4,368 in the fourth quarter of 2020.
- GAAP net loss of (\$61) or (\$0.04) per diluted share, compared to GAAP net income of \$12, or \$0.01 per diluted share, in the fourth quarter of 2020.
- Adjusted earnings of \$286, or \$0.17 per diluted share, compared to (\$156), or (\$0.09) per diluted share, for the quarter ended December 31, 2020. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$665, compared to \$140 for the quarter ended December 31, 2020. Adjusted EBITDA, a non-GAAP measure, is defined below.

Financial Results for the Year Ended December 31, 2021

- Revenues of \$52,924, a 12.3% decrease compared to the prior year.
- Operating expenses, excluding a third quarter 2020 impairment loss of \$939 and restructuring costs of \$635, were down 17.6% to \$17,600, compared to \$21,368 in the prior year.
- GAAP net income of \$4,366 or \$2.64 per diluted share, compared to GAAP net loss of (\$8,971), or (\$5.60) per diluted share, in the prior year.

- Adjusted earnings of (\$70), or (\$0.04) per diluted share, compared to \$880, or \$0.55 per diluted share, for the year ended December 31, 2020. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$1,395, compared to \$2,264 for the year ended December 31, 2020. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company's Interim Chief Executive Officer, stated, "Our fourth quarter results demonstrate the successful execution of our One Costar initiative. We ended the year with a record backlog of over \$6 million that will ship throughout 2022. We believe our ability to adapt our business model to meet shifting customer demands helped drive our results, and more importantly, better positions us for when macroeconomic conditions and supply chain shortages improve. While we continue to face ongoing material and labor inflation, we are pleased with the progress made, the initiatives we are pursuing and our positioning for long-term, sustainable growth."

Sarah Ryder, the Company's Chief Financial Officer, went on to say, "We closed out 2021 with our strongest revenue quarter of the year. Although the overall inefficiencies produced by the global supply chain and labor conditions created some gross margin contraction during the quarter, continued expense management drove an additional \$0.4 million decrease to our overall debt position in the fourth quarter of 2021. As we enter 2022, I'm confident we will continue to drive revenue growth and improved profitability in the coming year."

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 Employee Retention Credits. 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 Employee Retention Credits. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income (loss):

	Quarter Ended 12/31/21	Quarter Ended 12/31/20	Year Ended 12/31/21	Year Ended 12/31/20
Adjusted Earnings	286	(156)	(70)	880
Less:				
Stock-Based Compensation	(123)	(73)	(178)	(185)
Intangible Amortization	(255)	(319)	(1,137)	(1,272)
Restructuring Costs				(635)
Impairment Loss				(939)
Revaluation of Deferred Tax Asset				(4,614)
Modification to Inventory Reserve Policy		560		(2,206)
PPP Loan Forgiveness			3,060	
Employee Retention Credits	31		2,691	
Net Income (Loss)	(61)	12	4,366	(8,971)

	Quarter Ended 12/31/21	Quarter Ended 12/31/20	Year Ended 12/31/21	Year Ended 12/31/20
Adjusted EBITDA	665	140	1,395	2,264
Less:				
Interest	(236)	(213)	(976)	(916)
Income Taxes (Benefit)	(69)	29	(120)	(4,624)
Depreciation	(74)	(112)	(369)	(458)
Intangible Amortization	(255)	(319)	(1,137)	(1,272)
Stock-Based Compensation	(123)	(73)	(178)	(185)
Restructuring Costs				(635)
Impairment Loss				(939)
Modification to Inventory Reserve Policy		560		(2,206)
PPP Loan Forgiveness			3,060	
Employee Retention Credits	31		2,691	
Net Income (Loss)	(61)	12	4,366	(8,971)

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)**

	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 4	\$ 480
Accounts receivable, less allowance for doubtful accounts of \$205 and \$175, respectively	6,544	8,579
Inventories	15,069	14,225
Prepaid expenses and other current assets	3,562	2,170
Total current assets	<u>25,179</u>	<u>25,454</u>
Non-current assets		
Property and equipment, net	164	533
Deferred financing costs, net		20
Intangible assets, net	5,274	6,411
Goodwill	5,574	5,574
Right of use assets, net	1,214	2,185
Other non-current assets	114	149
Total non-current assets	<u>12,340</u>	<u>14,872</u>
Total assets	<u>\$ 37,519</u>	<u>\$ 40,326</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 6,935	\$ 4,591
Accrued expenses and other current liabilities	3,894	5,141
Line of credit	9,337	13,024
Current maturities of long-term debt, net of unamortized financing fees	2,807	3,592
Current maturities of lease liabilities	732	1,049
Total current liabilities	<u>23,705</u>	<u>27,397</u>
Long-Term liabilities		
Payroll Protection Program loan		3,025
Deferred tax liability	179	116
Non-current maturities of lease liabilities	608	1,340
Total long-term liabilities	<u>787</u>	<u>4,481</u>
Total liabilities	<u>24,492</u>	<u>31,878</u>
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,899	157,686
Accumulated deficit	(140,354)	(144,720)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	<u>13,027</u>	<u>8,448</u>
Total liabilities and stockholders' equity	<u>\$ 37,519</u>	<u>\$ 40,326</u>

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2021	2020	2021	2020
Net revenues	\$ 14,779	\$ 12,972	\$ 52,924	\$ 60,367
Cost of revenues	10,101	8,408	35,580	40,857
Gross profit	4,678	4,564	17,344	19,510
Selling, general and administrative expenses	3,734	3,587	14,512	17,035
Engineering and development expense	731	781	3,088	4,333
Restructuring costs				635
Impairment loss				939
	4,465	4,368	17,600	22,942
Income (Loss) from operations	213	196	(256)	(3,432)
Other income (expenses)				
Interest expense	(236)	(213)	(976)	(916)
Other income, net	31		5,718	1
Total other income (expenses), net	(205)	(213)	4,742	(915)
Income (loss) before taxes	8	(17)	4,486	(4,347)
Current income tax (benefit) expense	6	(6)	57	(6)
Deferred income tax expense (benefit)	63	(23)	63	4,630
Net income (loss)	\$ (61)	\$ 12	\$ 4,366	\$ (8,971)
<u>Net income (loss) per share:</u>				
Basic	\$ (0.04)	\$ 0.01	\$ 2.65	\$ (5.60)
Diluted	\$ (0.04)	\$ 0.01	\$ 2.64	\$ (5.60)
<u>Weighted average shares outstanding:</u>				
Basic	1,652	1,625	1,650	1,603
Diluted	1,652	1,645	1,655	1,603