

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

Coppell, Texas – May 9, 2023 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the fourth quarter and year ended December 31, 2022.

Financial Results for the Quarter Ended December 31, 2022

- Revenues of \$12,637, a 14.5% decrease compared to the fourth quarter of 2021.
- Operating expenses, excluding a fourth quarter 2022 impairment loss of \$2,063, were down 18.6% to \$3,636, compared to \$4,465 in the fourth quarter of 2021.
- GAAP net loss of (\$2,188) or (\$1.33) per diluted share, compared to GAAP net loss of (\$61), or (\$0.04) per diluted share, in the fourth quarter of 2021.
- Adjusted earnings of \$108, or \$0.07 per diluted share, compared to \$286, or \$0.17 per diluted share, for the quarter ended December 31, 2021. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$424, compared to \$665 for the quarter ended December 31, 2021. Adjusted EBITDA, a non-GAAP measure, is defined below.

Financial Results for the Year Ended December 31, 2022

- Revenues of \$54,184, a 2.4% increase compared to the prior year.
- Operating expenses, excluding a fourth quarter 2022 impairment loss of \$2,063, were down 6.2% to \$16,508, compared to \$17,600 in the prior year.
- GAAP net loss of \$2,377 or (\$1.44) per diluted share, compared to GAAP net income of \$4,366, or \$2.64 per diluted share, in the prior year.
- Adjusted earnings of \$749, or \$0.45 per diluted share, compared to (\$70), or (\$0.04) per diluted share, for the year ended December 31, 2021. Adjusted earnings, a non-GAAP measure, is defined below.

- Adjusted EBITDA of \$1,995, compared to \$1,395 for the year ended December 31, 2021. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company's Interim Chief Executive Officer, stated, "Year-over-year adjusted EBITDA improved 43% driven by modest revenue growth and continued discipline managing expenses. We were able to partially fulfill the backlog in the fourth quarter and still closed out the year with a healthy \$4.5 million backlog. As the majority of our end users are in retail, uncertainty due to inflation and rising interest rates created a softening in demand late in the year, with some retailers fearing a potential future economic slowdown. We are confident in our team and our strategy and excited about the opportunities ahead."

Sarah Ryder, the Company's Chief Financial Officer, went on to say, "We have made significant headway lowering our costs to improve future results, reducing operating expenses by 6% in 2022 during an elevated inflationary period. The reduction was due in part to the closure of our Duarte and Glendale offices in 2022. The company continues to evaluate what further actions are required to drive profitability, and made the decision not to renew the lease for its San Diego facility which terminates this month. Centralizing manufacturing operations in our Coppell, Texas facility provides future operational expense savings and cost synergies. Our focus remains on reducing leverage and maximizing shareholder value."

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 12/31/22	Quarter Ended 12/31/21	Year Ended 12/31/22	Year Ended 12/31/21
Adjusted Earnings	108	286	749	(70)
Less:				
Stock-Based Compensation	10	(123)	(92)	(178)
Intangible Amortization	(243)	(255)	(971)	(1,137)
Impairment Loss	(2,063)		(2,063)	
PPP Loan Forgiveness				3,060
Employee Retention Credits		31		2,691
Net Income (Loss)	(2,188)	(61)	(2,377)	4,366

	Quarter Ended 12/31/22	Quarter Ended 12/31/21	Year Ended 12/31/22	Year Ended 12/31/21
Adjusted EBITDA	424	665	1,995	1,395
Less:				
Interest	(384)	(236)	(1,193)	(976)
Income Taxes Benefit (Expense)	80	(69)	57	(120)
Depreciation	(12)	(74)	(110)	(369)
Intangible Amortization	(243)	(255)	(971)	(1,137)
Stock-Based Compensation	10	(123)	(92)	(178)
Impairment Loss	(2,063)		(2,063)	
PPP Loan Forgiveness				3,060
Employee Retention Credits		31		2,691
Net Income (Loss)	(2,188)	(61)	(2,377)	4,366

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, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1	\$ 4
Accounts receivable, less allowance for doubtful accounts of \$201 and \$205, respectively	6,016	6,544
Inventories	15,110	15,069
Prepaid expenses and other current assets	3,132	3,562
Total current assets	<u>24,259</u>	<u>25,179</u>
Non-current assets		
Property and equipment, net	52	164
Intangible assets, net	4,303	5,274
Goodwill	3,511	5,574
Right of use assets, net	1,110	1,214
Other non-current assets	21	114
Total non-current assets	<u>8,997</u>	<u>12,340</u>
Total assets	<u>\$ 33,256</u>	<u>\$ 37,519</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 4,460	\$ 6,935
Accrued expenses and other current liabilities	2,852	3,894
Line of credit	11,907	9,337
Current maturities of long-term debt, net of unamortized financing fees	2,021	2,807
Current maturities of lease liabilities	511	732
Total current liabilities	<u>21,751</u>	<u>23,705</u>
Long-Term liabilities		
Deferred tax liability	93	179
Non-current maturities of lease liabilities	667	608
Total long-term liabilities	<u>760</u>	<u>787</u>
Total liabilities	<u>22,511</u>	<u>24,492</u>
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,994	157,899
Accumulated deficit	(142,731)	(140,354)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	<u>10,745</u>	<u>13,027</u>
Total liabilities and stockholders' equity	<u>\$ 33,256</u>	<u>\$ 37,519</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,	
	2022	2021	2022	2021
Net revenues	\$ 12,637	\$ 14,779	\$ 54,184	\$ 52,924
Cost of revenues	8,821	10,101	36,901	35,580
Gross profit	3,816	4,678	17,283	17,344
Selling, general and administrative expenses	3,173	3,734	14,487	14,512
Engineering and development expense	463	731	2,021	3,088
Goodwill impairment loss	2,063		2,063	
	5,699	4,465	18,571	17,600
Income (Loss) from operations	(1,883)	213	(1,288)	(256)
Other income (expenses)				
Interest expense	(384)	(236)	(1,193)	(976)
Other income (expense), net	(1)	31	47	5,718
Total other income (expenses), net	(385)	(205)	(1,146)	4,742
Income (loss) before taxes	(2,268)	8	(2,434)	4,486
Current income tax (benefit) expense	6	6	29	57
Deferred income tax expense (benefit)	(86)	63	(86)	63
Net income (loss)	\$ (2,188)	\$ (61)	\$ (2,377)	\$ 4,366
<u>Net income (loss) per share:</u>				
Basic	\$ (1.33)	\$ (0.04)	\$ (1.44)	\$ 2.65
Diluted	\$ (1.33)	\$ (0.04)	\$ (1.44)	\$ 2.64
<u>Weighted average shares outstanding:</u>				
Basic	1,649	1,652	1,652	1,650
Diluted	1,649	1,652	1,652	1,655