

**FOR IMMEDIATE RELEASE**  
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**Costar Technologies, Inc. Announces Financial Results**  
**For the First Quarter Ended March 31, 2021**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – May 13, 2021 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the first quarter ended March 31, 2021.

**Financial Results for the Quarter Ended March 31, 2021**

- Revenues of \$10,782, a 36.7% decrease compared to the first quarter of 2020.
- Operating expenses were down 34.0% to \$4,368, compared to \$6,617 in the first quarter of 2020.
- GAAP net loss of \$799 or (\$0.49) per diluted share, compared to GAAP net loss of \$193, or (\$0.12) per diluted share, in the first quarter of 2020.
- Adjusted earnings of (\$481), or (\$0.29) per diluted share, compared to \$156, or \$0.10 per diluted share, for the quarter ended March 31, 2020. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of (\$118), compared to \$500 for the quarter ended March 31, 2020. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company’s Interim Chief Executive Officer stated, “Typically the first quarter is our slowest time of year and 2021 was no exception. While our sales were soft in the first quarter, we are starting to see the market return to pre-Covid activity, as opportunities open and sales activity increases. We continue to focus on aligning our product development to meet our customers’ needs. The expansion of our line of NDAA compliant cameras in the second quarter positions us to meet high demand in the marketplace. With our new camera line and increased activity in the retail vertical, we have high confidence in delivering significantly improved results in the coming quarters.”

Sarah Ryder, the Company’s Chief Financial Officer went on to say, “The slower than anticipated reopening of the economy negatively impacted our first quarter revenues. This, combined with an unusually strong first quarter in the prior year, drove the significant decline in year-over-year sales. Conversely, operating expenses were down \$2.25M from the prior year first quarter and project delays in the first quarter of 2021 contributed to strong April sales. With the rapid pace of the

vaccine rollout, return to work and improving economic conditions, we remain optimistic about our 2021 financial performance.”

The Company’s independent auditors completed their analysis of the Company’s financial condition. The Independent Auditor’s 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 and amortization of acquisition-related intangible assets. The Company defines adjusted EBITDA, a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization and stock-based compensation. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income (loss):

	Quarter Ended 3/31/21	Quarter Ended 3/31/20
<b>Adjusted Earnings</b>	(481)	156
Less:		
Stock-Based Compensation	(4)	(32)
Intangible Amortization	(314)	(317)
<b>Net Loss</b>	<b>(799)</b>	<b>(193)</b>

	Quarter Ended 3/31/21	Quarter Ended 3/31/20
<b>Adjusted EBITDA</b>	(118)	500
Less:		
Interest	(245)	(291)
Income Taxes (Benefit)	(10)	65
Depreciation	(108)	(118)
Intangible Amortization	(314)	(317)
Stock-Based Compensation	(4)	(32)
<b>Net Loss</b>	<b>(799)</b>	<b>(193)</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)

	March 31, 2021	December 31, 2020
	(Reviewed)	(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 88	\$ 480
Accounts receivable, less allowance for doubtful accounts of \$182 and \$175, respectively	5,768	8,579
Inventories	14,435	14,225
Prepaid expenses and other current assets	1,743	2,170
Total current assets	<u>22,034</u>	<u>25,454</u>
<b>Non-current assets</b>		
Property and equipment, net	425	533
Deferred financing costs, net	10	20
Intangible assets, net	6,097	6,411
Goodwill	5,574	5,574
Right of use assets, net	1,946	2,185
Other non-current assets	149	149
Total non-current assets	<u>14,201</u>	<u>14,872</u>
Total assets	<u>\$ 36,235</u>	<u>\$ 40,326</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,116	\$ 4,591
Accrued expenses and other current liabilities	5,511	5,141
Line of credit	9,250	13,024
Current maturities of long-term debt, net of unamortized financing fees	3,396	3,592
Current maturities of lease liabilities	939	1,049
Total current liabilities	<u>24,212</u>	<u>27,397</u>
<b>Long-Term liabilities</b>		
Payroll Protection Program loan	3,025	3,025
Deferred tax liability	116	116
Non-current maturities of lease liabilities	1,194	1,340
Total long-term liabilities	<u>4,335</u>	<u>4,481</u>
Total liabilities	<u>28,547</u>	<u>31,878</u>
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,725	157,686
Accumulated deficit	(145,519)	(144,720)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	<u>7,688</u>	<u>8,448</u>
Total liabilities and stockholders' equity	<u>\$ 36,235</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 March 31,	
	2021	2020
	(Reviewed)	(Reviewed)
Net revenues	\$ 10,782	\$ 17,028
Cost of revenues	<u>6,962</u>	<u>10,378</u>
<b>Gross profit</b>	3,820	6,650
Selling, general and administrative expenses	3,601	5,185
Engineering and development expense	<u>767</u>	<u>1,432</u>
	4,368	6,617
<b>Income (loss) from operations</b>	<u>(548)</u>	<u>33</u>
Other expenses		
Interest expense	(245)	(291)
Other income, net	4	
Total other expenses, net	<u>(241)</u>	<u>(291)</u>
Loss before taxes	(789)	(258)
Income tax provision (benefit)	<u>10</u>	<u>(65)</u>
<b>Net Loss</b>	<u>\$ (799)</u>	<u>\$ (193)</u>
<u>Net loss per share:</u>		
Basic	\$ (0.49)	\$ (0.12)
Diluted	\$ (0.49)	\$ (0.12)
<u>Weighted average shares outstanding:</u>		
Basic	1,643	1,586
Diluted	1,643	1,586