



**FOR IMMEDIATE RELEASE**  
August 15, 2017

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**Costar Technologies, Inc. Announces Financial Results**  
**For the Second Quarter Ended June 30, 2017**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – August 15, 2017 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its financial results for the quarter ending June 30, 2017 that have been reviewed by the independent accounting firm RSM US LLP.

**Summary Results for the Quarter Ended June 30, 2017**

- GAAP net income of \$112, or \$0.07 per share based on 1,567 weighted average diluted shares outstanding. This compares to GAAP net income of \$135, or \$0.09 per share based on 1,541 weighted average diluted shares outstanding for the quarter ended June 30, 2016.
- The Company incurred \$471, or \$0.31 per share in amortization and fair value adjustment expenses. Innotech’s amortization expense was \$214, or \$0.14 per share, and CohuHD’s was \$81, or \$0.05 per share, while a fair value adjustment to the contingent consideration relating to the Innotech acquisition was \$184, or \$0.12 per share.
- Consolidated revenue increased approximately \$1,200, or 13%, from the prior year due to a \$1,100 contribution from the Company’s recently acquired subsidiary, Innotech.

James Pritchett, President and Chief Executive Officer of the Company, stated, “Despite the first six months being uncharacteristically slow, the Company had a solid second quarter generating over \$10M in revenue. Costar Video Systems has large retail projects scheduled for the third and fourth quarter combined with CohuHD’s strengthening backlog and anticipated launch of its new thermal product position the Company for a strong finish to the year.”

Mr. Pritchett went on to say, “CohuHD’s dual headed thermal and visual camera, slated to launch in the fourth quarter, continues to generate attention within the marketplace, winning the

## **COSTAR TECHNOLOGIES, INC.**

2017 GSN Airport, Seaport, Border Security Award for Best Long Range/High Resolution Camera and contributing to the strongest CohuHD backlog in history.”

### **Financial Results, Second Quarter of 2017 Compared to Second Quarter of 2016**

Revenue for the second quarter of 2017 totaled \$10,282, as compared to revenue of \$9,082 for the second quarter of the prior year, an increase of approximately 13%. The majority of the increase, \$1,100, was due to the acquisition of Innotech.

Gross profit for the second quarter of 2017 totaled \$4,379. This compares to gross profit of \$3,431 for the second quarter of 2016, an increase of 28%. The increase in gross profit is largely attributable to the increase in revenue.

Operating expenses for the second quarter of 2017 totaled \$4,064. This compares to operating expenses of \$3,172 for the second quarter of 2016, an increase of 28%. The majority of the increase is due to the inclusion of Innotech operating expenses in the second quarter of 2017 and the fair value change in the contingent consideration relating to the Innotech acquisition.

Other expense was \$124 for the second quarter of 2017 compared to \$30 for the second quarter of 2016. The increase is primarily due to an increase in interest expense.

Net income for the second quarter of 2017 was approximately \$112, or \$0.07 fully diluted earnings per share. This compares to net income for the second quarter of 2016 of \$135, or \$0.09 fully diluted earnings per share.

### **Financial Results, Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016**

Revenue for the six months ended June 30, 2017 totaled \$19,853, an increase of 3% compared to revenue of \$19,212 for the same period in 2016. Innotech accounted for approximately \$2,000 of the increase.

Gross profit for the six months ended June 30, 2017 totaled \$8,093. This compared to gross profit of \$7,295 for the six months ended June 30, 2016. The 11% increase in gross profit was due to Company-wide revenue growth.

Operating expenses for the six months ended June 30, 2017 totaled \$7,905. This compares to operating expenses of \$6,498 for the six months ended June 30, 2016, an increase of 22%. Expenses incurred in relation to the Innotech acquisition accounted for \$68 of the increase, the fair value change in contingent consideration accounted for \$184 of the increase, amortization of intangibles accounted for \$427. The remaining increase was due to the inclusion of Innotech's operating expenses for the six months ended June 30, 2017.

Other expenses, net increased by approximately \$176 during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. The increase is primarily due to an increase in interest expense.

The income tax benefit for the six months ended June 30, 2017 was (\$9) compared to income tax expense of \$290 for the six months ended June 30, 2016.

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Net loss for the six months ended June 30, 2017 was approximately (\$47), or (\$0.03) fully diluted earnings per share, compared to net income of \$439 or \$0.28 fully diluted earnings per share for the six months ended June 30, 2016.

The Company's outside 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](http://www.costartechnologies.com).

### **About Costar Technologies, Inc.**

Costar Technologies, Inc. develops, designs 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 41 in a&s magazine's Security 50 for 2016. Security 50 is an annual ranking of the world's largest security manufacturers in the areas of video surveillance, access control and intruder alarms and is based on financial performance.

### **Cautionary Statement Regarding Forward Looking Statements**

This press release contains forward-looking statements 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. You can 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.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

### CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	<b>June 30, 2017</b>	<b>December 31, 2016</b>
	(Reviewed)	(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 14	\$ 1,083
Accounts receivable, less allowance for doubtful accounts of \$83 and \$71 in 2017 and 2016, respectively	6,373	5,330
Inventories, net of reserve for obsolescence of \$871 and \$696 in 2017 and 2016, respectively	10,607	10,579
Prepaid expenses	655	820
Total current assets	17,649	17,812
<b>Non-current assets</b>		
Property and equipment, net	810	792
Deferred financing costs, net	32	39
Deferred tax asset, net	6,962	6,962
Trade names, net	2,836	3,005
Distribution agreement, net	661	697
Customer relationships, net	5,975	6,354
Covenant not to compete, net	143	160
Patents, net	7	8
Technology, net	436	469
Goodwill	5,574	5,593
Other non-current assets	109	109
Total non-current assets	23,545	24,188
Total assets	\$ 41,194	\$ 42,000
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 2,966	\$ 3,449
Accrued expenses and other	1,604	2,656
Line of credit	1,394	1,071
Current maturities of long-term debt	989	738
Contingent purchase price	1,074	1,367
Notes payable, related party	727	804
Total current liabilities	8,754	10,085
<b>Long-Term liabilities</b>		
Long-term debt, net of current maturities	6,421	6,216
Contingent purchase price	2,629	2,152
Notes payable, related party	1,188	1,456
Total long-term liabilities	10,238	9,824
Total liabilities	18,992	19,909
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,567	156,409
Accumulated deficit	(129,847)	(129,800)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	22,202	22,091
Total liabilities and stockholders' equity	\$ 41,194	\$ 42,000

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# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 10,282	\$ 9,082	\$ 19,853	\$ 19,212
Cost of revenues	<u>5,903</u>	<u>5,651</u>	<u>11,760</u>	<u>11,917</u>
<b>Gross profit</b>	4,379	3,431	8,093	7,295
Selling, general and administrative expenses	3,209	2,572	6,338	5,269
Engineering and development expense	671	600	1,315	1,229
Transaction and related expense			68	
Change in fair value of contingent purchase price	184		184	
	<u>4,064</u>	<u>3,172</u>	<u>7,905</u>	<u>6,498</u>
<b>Income from operations</b>	<u>315</u>	<u>259</u>	<u>188</u>	<u>797</u>
Other income (expenses)				
Interest expense	(124)	(31)	(247)	(71)
Other income, net		1	3	3
Total other expenses, net	<u>(124)</u>	<u>(30)</u>	<u>(244)</u>	<u>(68)</u>
Income (loss) before taxes	191	229	(56)	729
Income tax provision (benefit)	<u>79</u>	<u>94</u>	<u>(9)</u>	<u>290</u>
<b>Net income (loss)</b>	<u>\$ 112</u>	<u>\$ 135</u>	<u>\$ (47)</u>	<u>\$ 439</u>
<u>Net income (loss) per share:</u>				
Basic	\$ 0.07	\$ 0.09	\$ (0.03)	\$ 0.29
Diluted	\$ 0.07	\$ 0.09	\$ (0.03)	\$ 0.28
Weighted average shares outstanding				
Basic	1,509	1,492	1,509	1,492
Diluted	1,567	1,541	1,509	1,541

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