

FOR IMMEDIATE RELEASE
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CONTACT: Sarah Ryder
Chief Financial Officer
Costar Technologies, Inc.
(858) 391-1750

Costar Technologies, Inc. Announces Financial Results
For the Second Quarter Ended June 30, 2021
(\$ in thousands except per share amounts)

Coppell, Texas – August 12, 2021 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the second quarter ended June 30, 2021.

Financial Results for the Quarter Ended June 30, 2021

- Revenues of \$14,717, a 0.5% increase compared to the second quarter of 2020.
- Operating expenses, excluding second quarter 2020 restructuring costs of \$635, were down 13.3% to \$4,615, compared to \$5,321 in the second quarter of 2020.
- GAAP net income of \$4,862, or \$2.94 per diluted share, compared to GAAP net loss of \$498, or (\$0.31) per diluted share, in the second quarter of 2020.
- Adjusted earnings of \$371, or \$0.22 per diluted share, compared to \$508, or \$0.32 per diluted share, for the quarter ended June 30, 2020. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$783, compared to \$650 for the quarter ended June 30, 2020. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company’s Interim Chief Executive Officer stated, “The second quarter of 2021 presented a recovering but difficult global business environment. Our revenues rebounded from the first quarter of 2021 and the continued reduction in our operating expenses drove improved profitability. We launched our NDAA compliant cameras with enhanced artificial intelligence and pedestrian detection, expanding our target market and meeting customer needs. The Costar team has continued to show great resilience in a challenging situation. The strength of the team and the progress of our business transformation confirms the direction for the years ahead.”

Sarah Ryder, the Company’s Chief Financial Officer went on to say, “Our second quarter revenues were consistent with the prior year despite increases in sales quotation activity and order volumes. The global chip shortage and shipping and logistics issues experienced in the second quarter caused delays, pushing several orders to the third and fourth quarters of 2021. We enter the third quarter with a strong sales backlog as we continue to manage supply chain and logistics challenges. Our overall debt position decreased from \$19,600 to \$13,300 due to

improved cash management and full forgiveness of our Payroll Protection Program loan in June 2021. In addition the Company is eligible to receive an Employee Retention Credit for the first three quarters of 2021. This credit results in a significant decrease in our payroll tax obligation, estimated to be approximately \$2,550 over the three quarters.”

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.

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, 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, restructuring costs, PPP loan forgiveness and accrual of Employee Retention Credit. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income (loss):

	Quarter Ended 6/30/21	Quarter Ended 6/30/20	Six Months Ended 6/30/21	Six Months Ended 6/30/20
Adjusted Earnings	371	508	(110)	664
Less:				
Stock-Based Compensation	(31)	(53)	(35)	(85)
Intangible Amortization	(314)	(318)	(628)	(635)
Restructuring Costs		(635)		(635)
PPP Loan Forgiveness	3,060		3,060	
Accrual of Employee Retention Credit	1,776		1,776	
Net Income (Loss)	4,862	(498)	4,063	(691)

	Quarter Ended 6/30/21	Quarter Ended 6/30/20	Six Months Ended 6/30/21	Six Months Ended 6/30/20
Adjusted EBITDA	783	650	665	1,150
Less:				
Interest	(255)	(207)	(500)	(498)
Income Taxes (Benefit)	(57)	178	(67)	243
Depreciation	(100)	(113)	(208)	(231)
Intangible Amortization	(314)	(318)	(628)	(635)
Stock-Based Compensation	(31)	(53)	(35)	(85)
Restructuring Costs		(635)		(635)
PPP Loan Forgiveness	3,060		3,060	
Accrual of Employee Retention Credit	1,776		1,776	
Net Income (Loss)	4,862	(498)	4,063	(691)

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)**

	June 30 2021 (Reviewed)	December 31, 2020 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2	\$ 480
Accounts receivable, less allowance for doubtful accounts of \$225 and \$175, respectively	7,677	8,579
Inventories	12,762	14,225
Prepaid expenses and other current assets	3,952	2,170
Total current assets	24,393	25,454
Non-current assets		
Property and equipment, net	325	533
Deferred financing costs, net		20
Intangible assets, net	5,783	6,411
Goodwill	5,574	5,574
Right of use assets, net	1,705	2,185
Other non-current assets	109	149
Total non-current assets	13,496	14,872
Total assets	\$ 37,889	\$ 40,326
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 5,149	\$ 4,591
Accrued expenses and other current liabilities	4,873	5,141
Line of credit	10,110	13,024
Current maturities of long-term debt, net of unamortized financing fees	3,199	3,592
Current maturities of lease liabilities	955	1,049
Total current liabilities	24,286	27,397
Long-Term liabilities		
Payroll Protection Program loan		3,025
Deferred tax liability	116	116
Non-current maturities of lease liabilities	916	1,340
Total long-term liabilities	1,032	4,481
Total liabilities	25,318	31,878
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,746	157,686
Accumulated deficit	(140,657)	(144,720)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	12,571	8,448
Total liabilities and stockholders' equity	\$ 37,889	\$ 40,326

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 14,717	\$ 14,640	\$ 25,499	\$ 31,668
Cost of revenues	9,728	9,154	16,690	19,532
Gross profit	4,989	5,486	8,809	12,136
Selling, general and administrative expenses	3,764	4,198	7,365	9,383
Engineering and development expense	851	1,123	1,618	2,555
Restructuring costs		635		635
	4,615	5,956	8,983	12,573
Income (loss) from operations	374	(470)	(174)	(437)
Other expenses				
Interest expense	(255)	(207)	(500)	(498)
Other income, net	4,800	1	4,804	1
Total other income (expenses), net	4,545	(206)	4,304	(497)
Income (loss) before taxes	4,919	(676)	4,130	(934)
Income tax provision (benefit)	57	(178)	67	(243)
Net income (loss)	\$ 4,862	\$ (498)	\$ 4,063	\$ (691)
<u>Net income (loss) per share:</u>				
Basic	\$ 2.94	\$ (0.31)	\$ 2.47	\$ (0.43)
Diluted	\$ 2.94	\$ (0.31)	\$ 2.46	\$ (0.43)
<u>Weighted average shares outstanding:</u>				
Basic	1,652	1,597	1,648	1,593
Diluted	1,655	1,597	1,650	1,593