



FOR IMMEDIATE RELEASE
November 14, 2017

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

Coppell, Texas – November 14, 2017 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its financial results for the quarter ending September 30, 2017 that have been reviewed by the independent accounting firm RSM US LLP.

Financial Highlights for the Quarter Ended September 30, 2017

- Revenue of approximately \$11,500, an increase of approximately \$1,600 or 16% from the quarter ended September 30, 2016. Revenue generated from the CohuHD operating segment increased \$270 or 5% from the third quarter of 2016. The Costar Video Systems operating segment’s revenue increased \$1,300 or 27% from the third quarter of 2016, primarily due to the inclusion of revenue from Innotech which was acquired on December 29, 2016. Excluding Innotech and sales to Wal-Mart Stores, Inc., revenue increased 15% for Costar Video Systems.
- GAAP net income of \$345 or \$0.22 per share based on 1,587 fully diluted shares outstanding. GAAP net income grew \$43 or \$0.03 per diluted share compared to the third quarter ended September 30, 2016 despite expensing \$197 in connection with the implementation of a new ERP system.
- Adjusted earnings of \$621 or \$0.39 per diluted share compared to \$461 or \$0.30 per diluted share for the quarter ending September 30, 2016. The Company defines adjusted earnings, a non-GAAP measure, as net income excluding stock-based compensation, amortization of acquisition-related intangible assets and adjustments to the fair value of acquisition-related contingent consideration.
- EBITDA of \$1,075 compared to \$659 for the quarter ending September 30, 2016. The Company defines EBITDA, a non-GAAP measure, as earnings before interest, taxes, depreciation and amortization.

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- Cash flow from operations of \$448 allowing the Company to pay the balance on its line of credit.

Business Highlights for the Quarter Ended September 30, 2017

- The Company successfully implemented the first and most significant phase of NetSuite, a new ERP system, bringing all three operating segments onto the same platform.
- The Costar Video Systems' operating segment continued to reduce its customer concentration as its general security business accounted for \$1,673 in revenue, an increase of 56% from the quarter ended September 30, 2016.

James Pritchett, President and Chief Executive Officer of the Company, stated, "Our positive third quarter results indicate strengthening demand across our business. Revenue increased from our general security business and the CohuHD operating segment, despite revenue from Wal-Mart, historically the largest customer of the Company, continuing to be down on a year-over-year basis. We continue to diversify our business across vertical markets, securing new wins with our customized solutions, superior customer service and feature-rich software platforms."

Mr. Pritchett went on to say, "Our acquisition strategy is working, resulting in a higher quality of earnings as we lessen the customer concentration we have had in the past. We enter the fourth quarter with confidence having received commitments on several large retail projects, a record backlog at CohuHD and the launch of our new RISE dual-head thermal vision camera."

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.

Non-GAAP Financial Measures

The following table reconciles the non-GAAP financial measures disclosed in this release to GAAP net income:

	Quarter Ended 9/30/17	Quarter Ended 9/30/16
Adjusted Earnings	621	461
Less:		
Stock Based Compensation	(83)	(54)
Intangible Amortization	(317)	(105)
Contingent Consideration Fair Value Adjustment	124	-
Net Income	345	302
EBITDA	1,075	659
Less:		
Interest	(114)	(23)
Taxes	(231)	(197)
Depreciation	(68)	(32)
Amortization	(317)	(105)
Net Income	345	302

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Adjusted earnings and EBITDA are not presented in accordance with generally accepted accounting principles (GAAP) and are not intended as a substitute for GAAP, but are included solely for informational and comparative purposes. These non-GAAP measures are presented because management believes they provide additional information to investors with respect to the performance of our fundamental business activities. Management believes these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management.

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 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, based on financial performance.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward-looking statements, including statements regarding the Company's ability to diversify business across vertical markets, securing new customer wins, retail projects and the launch of new products, 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 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.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	September 30, 2017	December 31, 2016
	(Reviewed)	(Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3	\$ 1,083
Accounts receivable, less allowance for doubtful accounts of \$155 and \$71 in 2017 and 2016, respectively	6,615	5,330
Inventories, net of reserve for obsolescence of \$806 and \$696 in 2017 and 2016, respectively	9,405	10,579
Prepaid expenses	640	820
Total current assets	16,663	17,812
Non-current assets		
Property and equipment, net	907	792
Deferred financing costs, net	29	39
Deferred tax asset, net	6,962	6,962
Trade names, net	2,752	3,005
Distribution agreement, net	642	697
Customer relationships, net	5,786	6,354
Covenant not to compete, net	135	160
Patents, net	7	8
Technology, net	419	469
Goodwill	5,574	5,593
Other non-current assets	109	109
Total non-current assets	23,322	24,188
Total assets	\$ 39,985	\$ 42,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,952	\$ 3,449
Accrued expenses and other	1,857	2,656
Line of credit		1,071
Current maturities of long-term debt	989	738
Contingent purchase price	480	1,367
Current maturities of notes payable, related party	740	804
Total current liabilities	7,018	10,085
Long-Term liabilities		
Long-term debt, net of current maturities	6,174	6,216
Contingent purchase price	3,099	2,152
Notes payable, related party, net of current maturities	998	1,456
Total long-term liabilities	10,271	9,824
Total liabilities	17,289	19,909
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,716	156,409
Accumulated deficit	(129,502)	(129,800)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	22,696	22,091
Total liabilities and stockholders' equity	\$ 39,985	\$ 42,000

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017 (Reviewed)	2016 (Reviewed)	2017 (Reviewed)	2016 (Reviewed)
Net revenues	\$ 11,488	\$ 9,884	\$ 31,341	\$ 29,096
Cost of revenues	<u>6,886</u>	<u>5,965</u>	<u>18,646</u>	<u>17,882</u>
Gross profit	4,602	3,919	12,695	11,214
Selling, general and administrative expenses	3,388	2,813	9,726	8,082
Engineering and development expense	649	585	1,964	1,814
Transaction and related expense			68	
Change in fair value of contingent purchase price	<u>(124)</u>		<u>60</u>	
	<u>3,913</u>	<u>3,398</u>	<u>11,818</u>	<u>9,896</u>
Income from operations	<u>689</u>	<u>521</u>	<u>877</u>	<u>1,318</u>
Other income (expenses)				
Interest expense	(114)	(23)	(361)	(94)
Other income, net	<u>1</u>	<u>1</u>	<u>4</u>	<u>4</u>
Total other expenses, net	<u>(113)</u>	<u>(22)</u>	<u>(357)</u>	<u>(90)</u>
Income before taxes	576	499	520	1,228
Income tax provision	<u>231</u>	<u>197</u>	<u>222</u>	<u>487</u>
Net income	<u>\$ 345</u>	<u>\$ 302</u>	<u>\$ 298</u>	<u>\$ 741</u>
<u>Net income per share:</u>				
Basic	\$ 0.23	\$ 0.20	\$ 0.20	\$ 0.50
Diluted	\$ 0.22	\$ 0.19	\$ 0.19	\$ 0.48
Weighted average shares outstanding				
Basic	1,528	1,498	1,513	1,492
Diluted	1,587	1,550	1,569	1,542

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