



FOR IMMEDIATE RELEASE

March 30, 2020

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Costar Technologies, Inc. Announces Financial Results
For the Fourth Quarter and Year Ended December 31, 2019
(\$ in thousands except per share amounts)

Coppell, Texas – March 30, 2020 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the fourth quarter and year ended December 31, 2019 that have been audited by the independent accounting firm BKD, LLP.

Financial Results for the Quarter Ended December 31, 2019

- Revenues of \$16,938, a 0.6% decrease compared to the fourth quarter of 2018. The decrease is primarily due to decreases in revenue generated by the CohuHD Costar business segment partially offset by increases in revenue from the Costar Video Systems’ business segment.
- Operating expenses were down 15.2% to \$6,348, compared to \$7,485 in the fourth quarter of 2018.
- GAAP net loss of \$1,467, or (\$0.94) per diluted share, compared to a GAAP net loss of \$2,948, or (\$1.91) per diluted share, in the fourth quarter of 2018.
- Adjusted earnings of (\$531), or (\$0.34) per diluted share, compared to (\$1,214), or (\$0.79) per diluted share for the quarter ended December 31, 2018. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of (\$286), compared to (\$1,702) for the quarter ended December 31, 2018. Adjusted EBITDA, a non-GAAP measure, is defined below.

The Company completed the acquisition of Arecont Vision, LLC on July 13, 2018. The financial results of Arecont Vision, LLC are included beginning July 14, 2018.

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Financial Results for the Year Ended December 31, 2019

- Revenues of \$69,526, a 18.0% increase compared to 2018. The increase is due to increases in the Costar Video Systems' business segment.
- Operating expenses were up 24.6% to \$28,117 compared to \$22,558 in of 2018.
- GAAP net loss of \$2,698, or (\$1.72) per diluted share, compared to a GAAP net loss of \$2,880, or (\$1.87) per diluted share, in 2018.
- Adjusted earnings of (\$494), or (\$0.32) per diluted share, compared to \$1,118, or \$0.73 per diluted share for the year ended December 31, 2018. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$617, compared to \$1,513 for the year ended December 31, 2018. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company's Chief Operating Officer and Chief Financial Officer, stated, "Revenues in the fourth quarter of 2019 were consistent with the prior year despite budget restrictions and construction delays impacting CohuHD's sales. During 2019 we drastically reduced expenses due to cost reduction efforts implemented at Arecont Vision Costar. I am encouraged by our strong start in the first quarter of 2020 driven by release of the previously delayed CohuHD orders. The impact from the COVID-19 pandemic cannot be forecasted on future quarters due to uncertainty surrounding the virus, but we are monitoring this daily."

James Pritchett, the Company's Chief Executive Officer, went on to say, "All of our facilities are in full operations under the Essential Service Business Exception of the Shelter in Place orders. Our people are our greatest resource and we are working diligently to safeguard our employees while maintaining support for our customers. The majority of our office staff are working from home, we are practicing social distancing and have increased our sanitation efforts. We will continue to monitor the impact to our business and make the necessary modifications as the situation develops. I am confident in our ability to execute and build long-term value for our customers, shareholders and employees as we navigate in these uncertain times."

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.

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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):

	Year Ended 12/31/2019	Year Ended 12/31/2018	Q4 2019	Q4 2018
Adjusted Earnings	(494)	1,118	(531)	(1,214)
Less:				
Stock-Based Compensation	(412)	(227)	(115)	(49)
Intangible Amortization	(1,294)	(1,270)	(323)	(331)
Contingent Consideration Fair Value Adjustment	(498)	(932)	(498)	(932)
Transaction and Related Expenses		(729)		(422)
Loan Forgiveness Required Under AVC Purchase Agreement		(410)		
Payments Routed to a Non-Company Bank Account		(430)		
Net Loss	(2,698)	(2,880)	(1,467)	(2,948)
	Year Ended 12/31/2019	Year Ended 12/31/2018	Q4 2019	Q4 2018
Adjusted EBITDA	617	1,513	(286)	(1,702)
Less:				
Interest	(1,320)	(804)	(314)	(283)
Income Taxes	661	806	187	887
Depreciation	(452)	(397)	(118)	(116)
Intangible Amortization	(1,294)	(1,270)	(323)	(331)
Stock-Based Compensation	(412)	(227)	(115)	(49)
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Net Loss	(2,698)	(2,880)	(1,467)	(2,948)

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.

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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 35th largest company in a&s magazine's Security 50 for 2019. 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.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1	\$ 189
Accounts receivable, less allowance for doubtful accounts of \$471 and \$859 in 2019 and 2018, respectively	9,056	9,333
Inventories, net of reserve for obsolescence of \$1,264 and \$1,101 in 2019 and 2018, respectively	20,196	20,618
Prepaid expenses and other current assets	2,295	1,531
Total current assets	31,548	31,671
Non-current assets		
Property and equipment, net	910	915
Deferred financing costs, net	59	99
Deferred tax asset, net	4,514	3,766
Trade names, net	2,198	2,561
Distribution agreements, net	801	905
Customer relationships, net	4,187	4,884
Covenants not to compete, net	60	92
Patents, net	169	200
Technology, net	268	335
Goodwill	6,513	6,513
Right of use assets	3,131	
Other non-current assets	149	109
Total non-current assets	22,959	20,379
Total assets	\$ 54,507	\$ 52,050
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 5,639	\$ 5,786
Accrued expenses and other	5,879	7,075
Line of credit	15,953	11,738
Current maturities of long-term debt, net of unamortized financing fees	781	773
Contingent purchase price	1,490	1,048
Current maturities of notes payable, unrelated party	583	
Current maturities of notes payable, related party		805
Current maturities of lease liabilities	990	
Total current liabilities	31,315	27,225
Long-Term liabilities		
Long-term debt, net of current maturities and unamortized financing fees	3,592	4,373
Contingent purchase price, net of current portion		992
Non-current maturities of lease liabilities	2,389	
Total long-term liabilities	5,981	5,365
Total liabilities	37,296	32,590
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,478	157,029
Accumulated deficit	(135,749)	(133,051)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	17,211	19,460
Total liabilities and stockholders' equity	\$ 54,507	\$ 52,050

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		Years Ended December 31,	
	2019	2018	2019	2018
Net revenues	\$ 16,938	\$ 17,042	\$ 69,526	\$ 58,906
Cost of revenues	11,433	11,756	42,960	37,156
Gross profit	5,505	5,286	26,566	21,750
Selling, general and administrative expenses	5,037	6,185	22,395	18,512
Engineering and development expense	1,311	1,300	5,722	4,046
Transaction and related expense		422		729
Change in fair value of contingent purchase price	498	932	498	932
	6,846	8,839	28,615	24,219
Income (loss) from operations	(1,341)	(3,553)	(2,049)	(2,469)
Other expenses				
Interest expense	(314)	(283)	(1,320)	(804)
Other income (expense), net	1	1	10	(413)
Total other expenses, net	(313)	(282)	(1,310)	(1,217)
Income (loss) before taxes	(1,654)	(3,835)	(3,359)	(3,686)
Current income tax expense	597	36	123	117
Deferred income tax benefit	(784)	(923)	(784)	(923)
Net loss	\$ (1,467)	\$ (2,948)	\$ (2,698)	\$ (2,880)
<u>Net loss per share:</u>				
Basic	\$ (0.94)	\$ (1.91)	\$ (1.72)	\$ (1.87)
Diluted	\$ (0.94)	\$ (1.91)	\$ (1.72)	\$ (1.87)
<u>Weighted average shares outstanding:</u>				
Basic	1,568	1,542	1,568	1,542
Diluted	1,568	1,542	1,568	1,542

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