



FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
For the First Quarter Ended March 31, 2019
(\$ in thousands except per share amounts)

Coppell, Texas – June 26, 2019 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the first quarter ended March 31, 2019 that have been reviewed by the independent accounting firm BKD, LLP.

Financial Results for the Quarter Ended March 31, 2019

- Revenues of \$14,389, a 31.8% increase compared to the prior year first quarter, but a 19.9% decrease excluding the Arecont Vision (AVC) acquisition. AVC contributed \$5,642 in revenue during the first quarter of 2019. The decrease was largely due to a weather-related decline in revenues at the CohuHD operating segment during the first quarter of 2019.
- Operating expenses were \$7,922, compared to \$3,980 in the first quarter of 2018. AVC contributed \$3,920 to operating expenses during the first quarter of 2019 with several one-time expenses such as move expenses of \$343, ERP implementation charges of \$212, professional fees of \$198, and other restructuring fees of \$75.
- GAAP net loss of (\$2,632), or (\$1.69) per diluted share, compared to a GAAP net income of \$50, or \$0.03 per diluted share, in the first quarter of 2018. AVC contributed (\$2,321) towards the net loss for the quarter ended March 31, 2019.
- Adjusted earnings of (\$2,222), or (\$1.43) per diluted share, compared to \$399, or \$0.25 per diluted share for the quarter ended March 31, 2018. AVC contributed (\$2,300) in adjusted earnings for the quarter ended March 31, 2019. Adjusted earnings, a non-GAAP measure, is defined below.

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- Adjusted EBITDA of (\$2,699) compared to \$593 for the quarter ended March 31, 2018. AVC contributed adjusted EBITDA of (\$2,286) for the quarter ended March 31, 2019. Adjusted EBITDA, a non-GAAP measure, is defined below.

President and Chief Executive Officer James Pritchett stated, “The first quarter is traditionally weak due to the seasonality of the video surveillance industry, but this year it was also negatively impacted by delayed orders at the CohuHD operating segment due to severe weather conditions across the United States that postponed road construction projects. With the turnaround beginning to take hold, revenues at AVC bottomed late in 2018 and began trending up. The Arecont Vision restructuring and integration was primarily completed in the first quarter and we are confident that the Company will deliver strong positive results in the second quarter of 2019.”

Scott Switzer, Chief Operating Officer and Chief Financial Officer, stated, “We are pleased with the status of the integration of Arecont Vision into the Costar family. While it took some time to digest this transformational acquisition, revenues are now growing, cost has been taken out and Costar’s customer-centric culture has been instilled. We are excited about the remainder of 2019 as AVC continues to improve and the overall strength of Costar’s other businesses flow through our results.”

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 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 3/31/19	Quarter Ended 3/31/18	AVC 2019
Adjusted Earnings	(2,222)	399	(2,300)
Less:			
Stock-Based Compensation	(86)	(42)	
Intangible Amortization	(324)	(307)	(21)
Net Income (Loss)	(2,632)	50	(2,321)
	Quarter Ended 3/31/19	Quarter Ended 3/31/18	AVC 2019
Adjusted EBITDA	(2,699)	593	(2,286)
Less:			
Interest	(308)	(89)	
Income Taxes (Benefit)	886	(18)	
Depreciation	(101)	(87)	(14)
Intangible Amortization	(324)	(307)	(21)
Stock-Based Compensation	(86)	(42)	
Net Income (Loss)	(2,632)	50	(2,321)

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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 36th largest company in a&s magazine's Security 50 for 2018. 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, 2019 (Reviewed)	December 31, 2018 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 33	\$ 189
Accounts receivable, less allowance for doubtful accounts of \$664 and \$859 in 2019 and 2018, respectively	9,826	9,333
Inventories, net of reserve for obsolescence of \$1,114 and \$1,101 in 2019 and 2018, respectively	20,736	20,618
Prepaid expenses and other current assets	2,310	1,531
Total current assets	32,905	31,671
Non-current assets		
Property and equipment, net	892	915
Deferred financing costs, net	89	99
Deferred tax asset, net	3,766	3,766
Trade names, net	2,470	2,561
Distribution agreements, net	879	905
Customer relationships, net	4,710	4,884
Covenants not to compete, net	84	92
Patents, net	192	200
Technology, net	318	335
Goodwill	6,513	6,513
Other non-current assets	149	109
Total non-current assets	20,062	20,379
Total assets	\$ 52,967	\$ 52,050
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 5,498	\$ 5,786
Accrued expenses and other	6,829	7,075
Line of credit	16,096	11,738
Current maturities of long-term debt, net of unamortized financing fees	775	773
Current portion of contingent purchase price	1,048	1,048
Current maturities of notes payable, related party	608	805
Total current liabilities	30,854	27,225
Long-Term liabilities		
Long-term debt, net of current maturities and unamortized financing fees	4,178	4,373
Contingent purchase price, net of current portion	992	992
Total long-term liabilities	5,170	5,365
Total liabilities	36,024	32,590
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,143	157,029
Accumulated deficit	(135,682)	(133,051)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	16,943	19,460
Total liabilities and stockholders' equity	\$ 52,967	\$ 52,050

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COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended March 31,	
	2019	2018
	(Reviewed)	(Reviewed)
Net revenues	\$ 14,389	\$ 10,917
Cost of revenues	<u>9,677</u>	<u>6,782</u>
Gross profit	4,712	4,135
Selling, general and administrative expenses	6,513	3,291
Engineering and development expense	<u>1,409</u>	<u>689</u>
	<u>7,922</u>	<u>3,980</u>
Income (loss) from operations	<u>(3,210)</u>	<u>155</u>
Other expenses		
Interest expense	(308)	(89)
Other expense, net		2
Total other expenses, net	<u>(308)</u>	<u>(87)</u>
Income (loss) before taxes	(3,518)	68
Income tax provision (benefit)	<u>(886)</u>	<u>18</u>
Net income (loss)	<u>\$ (2,632)</u>	<u>\$ 50</u>
<u>Net income (loss) per share:</u>		
Basic	\$ (1.69)	\$ 0.03
Diluted	\$ (1.69)	\$ 0.03
<u>Weighted average shares outstanding:</u>		
Basic	1,558	1,546
Diluted	1,558	1,589