



**FOR IMMEDIATE RELEASE**  
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**Costar Technologies, Inc. Announces Financial Results**  
**For the Third Quarter Ended September 30, 2018**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – January 10, 2019 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the third quarter ended September 30, 2018 that have been reviewed by the independent accounting firm BKD, LLP.

**Financial Results for the Third Quarter Ended September 30, 2018**

- The Company completed the acquisition of Arecont Vision, LLC on July 13, 2018, a leading manufacturer of network and megapixel surveillance cameras. Financials include the results for Arecont Vision Costar, LLC (“AVC”) from July 14 through quarter end.
- Revenue of \$18,960, an increase of \$7,472 or 65.0% from the quarter ended September 30, 2017. AVC contributed \$7,665 in revenue during the quarter ended September 30, 2018.
- GAAP net income of \$56 or \$0.04 per share based on 1,600 fully diluted shares outstanding, compared to GAAP net income of \$345 or \$0.22 per share based on 1,587 fully diluted shares for the quarter ended September, 2017. AVC contributed (\$65) in net loss for the quarter ended September 30, 2018.
- Adjusted earnings of \$1,099 or \$0.69 per diluted share compared to \$621 or \$0.39 per diluted share for the quarter ended September 30, 2017, an increase per share of 76.9%. AVC contributed \$363 in Adjusted Earnings for the quarter ended September 30, 2018. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$1,560 compared to \$1,034 for the quarter ended September 30, 2017, an increase of 50.9%. AVC contributed Adjusted EBITDA of \$386 for the quarter ended September 30, 2018. Adjusted EBITDA, a non-GAAP measure, is defined below.

## COSTAR TECHNOLOGIES, INC.

President and Chief Executive Officer James Pritchett stated, “Strong revenue and adjusted EPS demonstrate our success in driving value. Our year-to-date results continue to validate our confidence in the strength of our model. With the completion of our transformative acquisition of Arecont Vision in July, our integration team is working hard to reduce costs, improve customer services and develop synergies amongst the organization. While there is still much work to be done, I look forward to the growth opportunities Arecont’s global customer base provides our organization.”

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).

### **Non-GAAP Financial Measures**

The Company defines adjusted earnings, a non-GAAP measure, as net income excluding stock-based compensation, amortization of acquisition-related intangible assets, adjustments to the fair value of acquisition-related contingent consideration, transaction related expenses and loan forgiveness required under the AVC purchase agreement. The Company defines adjusted EBITDA, a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization, stock-based compensation, transaction and related expenses, adjustments to the fair value of acquisition-related contingent consideration and payments routed to a non-company bank account. The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income:

	<b>Quarter Ended 9/30/18</b>	<b>Quarter Ended 9/30/17</b>
<b>Adjusted Earnings</b>	1,099	621
Less:		
Stock-Based Compensation	(66)	(83)
Intangible Amortization	(324)	(317)
Contingent Consideration Fair Value Adjustment		124
Transaction and Related Expenses	(243)	
Loan Forgiveness Required Under AVC Purchase Agreement	(410)	
<b>Net Income</b>	<u>56</u>	<u>345</u>

	<b>Quarter Ended 9/30/18</b>	<b>Quarter Ended 9/30/17</b>
<b>Adjusted EBITDA</b>	1,560	1,034
Less:		
Interest	(329)	(114)
Income Taxes	(24)	(231)
Depreciation	(108)	(68)
Amortization	(324)	(317)
Stock-Based Compensation	(66)	(83)
Transaction and Related Expenses	(243)	
Loan Forgiveness Required Under AVC Purchase Agreement	(410)	
Contingent Consideration Fair Value Adjustment		124
<b>Net Income</b>	<u>56</u>	<u>345</u>

## **COSTAR TECHNOLOGIES, INC.**

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 40<sup>th</sup> largest company in a&s magazine's Security 50 for 2017. 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)

	September 30, 2018	December 31, 2017
	(Reviewed)	(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 74	\$ 196
Accounts receivable, less allowance for doubtful accounts of \$641 and \$97 in 2018 and 2017, respectively	14,037	7,246
Inventories, net of reserve for obsolescence of \$1,117 and \$815 in 2018 and 2017, respectively	20,619	9,529
Prepaid expenses	1,487	790
Total current assets	36,217	17,761
<b>Non-current assets</b>		
Property and equipment, net	854	861
Deferred financing costs, net	108	26
Deferred tax asset, net	2,916	2,916
Trade names, net	2,641	2,667
Distribution agreements, net	923	624
Customer relationships, net	5,063	5,600
Covenant not to compete, net	101	126
Patents, net	200	7
Technology, net	352	402
Goodwill	7,476	5,574
Other non-current assets	109	96
Total non-current assets	20,743	18,899
Total assets	\$ 56,960	\$ 36,660
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 5,029	\$ 3,829
Accrued expenses and other	6,470	2,532
Line of credit	15,589	
Current maturities of long-term debt	771	740
Contingent purchase price	606	346
Current maturities of notes payable, related party	861	753
Total current liabilities	29,326	8,200
<b>Long-Term liabilities</b>		
Long-term debt, net of current maturities	4,567	4,476
Contingent purchase price, net of current portion	502	1,101
Notes payable, related party, net of current maturities	206	805
Total long-term liabilities	5,275	6,382
Total liabilities	34,601	14,582
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid-in capital	156,980	156,767
Accumulated deficit	(130,103)	(130,171)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	22,359	22,078
Total liabilities and stockholders' equity	\$ 56,960	\$ 36,660

# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 18,960	\$ 11,488	\$ 41,864	\$ 31,341
Cost of revenues	<u>11,426</u>	<u>6,886</u>	<u>25,400</u>	<u>18,646</u>
<b>Gross profit</b>	7,534	4,602	16,464	12,695
Selling, general and administrative expenses	5,264	3,388	12,327	9,726
Engineering and development expense	1,204	649	2,746	1,964
Transaction and related expense	243		307	68
Change in fair value of contingent purchase price		(124)		60
	<u>6,711</u>	<u>3,913</u>	<u>15,380</u>	<u>11,818</u>
<b>Income from operations</b>	<u>823</u>	<u>689</u>	<u>1,084</u>	<u>877</u>
Other income (expenses)				
Interest expense	(329)	(114)	(521)	(361)
Other income (expense), net	(414)	1	(414)	4
Total other expenses, net	<u>(743)</u>	<u>(113)</u>	<u>(935)</u>	<u>(357)</u>
Income before taxes	80	576	149	520
Income tax provision	<u>24</u>	<u>231</u>	<u>81</u>	<u>222</u>
<b>Net income</b>	<u>\$ 56</u>	<u>\$ 345</u>	<u>\$ 68</u>	<u>\$ 298</u>
<u>Net income per share:</u>				
Basic	\$ 0.04	\$ 0.23	\$ 0.04	\$ 0.20
Diluted	\$ 0.04	\$ 0.22	\$ 0.04	\$ 0.19
Weighted average shares outstanding				
Basic	1,546	1,528	1,546	1,513
Diluted	1,600	1,587	1,600	1,569

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