

# Costar Technologies, Inc. 2018 In Review

Part I

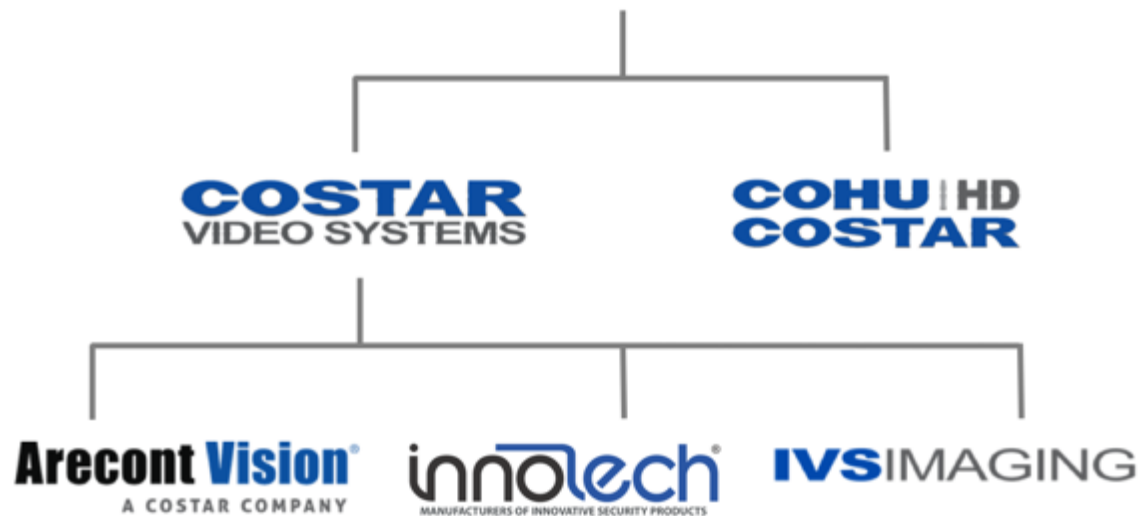
**COSTAR**  
TECHNOLOGIES, INC.

# Cautionary Statement



This document contains forward-looking statements that involve risks and uncertainties, as well as assumptions, that if they never materialize or prove incorrect, could cause the results of the Company to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements generally are identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates,” “should,” “would,” “strategy,” “plan” and similar expressions. All statements other than statements of historical fact are statements that could be deemed forward-looking statements. The risks, uncertainties and assumptions include developments in the marketplace for our products, competition, related products and services and general economic conditions, as well as other risks and uncertainties. Accordingly, we cannot give assurance that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what impact they will have on the results of operations or financial condition of the Company.

# **COSTAR** TECHNOLOGIES, INC.



# Overview



## Acquirer Overview

## Target Overview

### Overview

CSTI had \$44M in revenue in 2017 and is currently ranked as the 40<sup>th</sup> in the world by A&S Magazine's security manufacturers in the areas of video surveillance, access control and intruder alarms. HQ in Coppell, TX with 110 employees in 3 offices in the United States.

### Highlights

- Proven management team
- Large, long-standing client relationships with major brands such as Wal-Mart, Securitas, CVS, Publix, Regions Bank, and Winn Dixie
- Attractive financial profile, high retention rate
- Proven track record of executing and integrating strategic acquisitions (3 accretive acquisitions since 2011)

### 2017 Financials

- \$44 Million Revenue
- \$3.73 Million Adj. EBITDA

### Overview

Arecont Vision had \$40M in revenue in 2017. Arecont is a leading manufacturer of IP-based megapixel cameras for applications globally. Arecont has the ability to sell its products around the globe. With a partner network of over 1,100 distributors and systems integrators. HQ in Glendale, CA with 90 employees worldwide.

- The company differentiates itself with in-house technology development capabilities, including 18 patents.

### Highlights

- In-house development team
- Large, long-standing client relationships with major brands such as Google, Amazon, CVS, Wells Fargo, Citibank, Shell, Marriott
- Filed for bankruptcy May 14
- Under CRO Arecont has improved operating income, last 90 days are breakeven

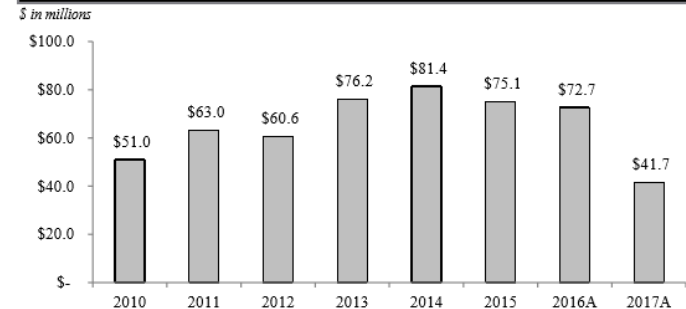
### 2017 Financials

- \$41.7 Million Revenue
- (\$1.9 Million) Adj. EBITDA

# Arecont Vision Overview

- **Business: IP-Based Megapixel Cameras**
  - Translation of documents, websites, marketing content for financial, life sciences and other corporate markets
- **Financials (2017):**
  - \$41.7M revenue
  - (\$1.9M) Adjusted Standalone EBITDA
  - Estimated cost synergies of approx. \$3M plus cross sell opportunity
- **Global Sales:**
  - 77% U.S./Canada, 9% Europe, 7% MEA, 4% Asia, 2% Latin America
  - 100 Distributors, over 1000 systems integrators
  - 11% of total revenue is sold by Donnelley Financial sales team and/or part of a relationship managed by Donnelley Financial
- **History**
  - Private company founded in 2003, uses FPGA chipsets and a proprietary RTL code and therefore does not rely on third-party off the shelf chipsets
- **Operations**
  - 90 employees. US HQ: Glendale, CA,

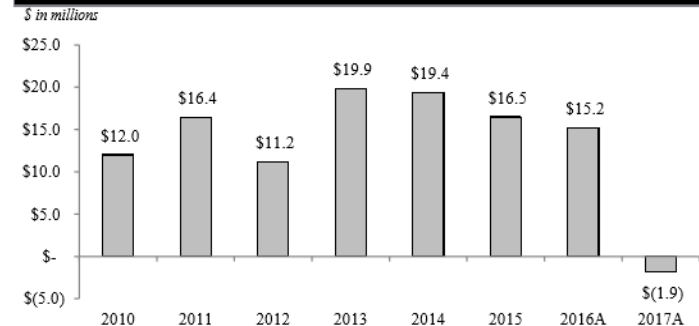
**Historical and Projected Net Revenue <sup>(1)</sup>**



(1) 2017A includes a \$1.2 million adjustment for a One-Time Credit Catch Up.

(2) 2017A EBITDA Adjustments are comprised of a \$955K addback for inventory write-offs, pre-restructuring professional fees.

**Historical and Projected Adj. EBITDA <sup>(2)</sup>**



\$1.2 million in one time bad debt expense, and \$99K in other year end adjustments. EBITDA is

# Leading the Way



Arecont Vision Costar continues to innovate and lead the way in megapixel video

**2004** - 1<sup>st</sup> 2MP (two megapixel) IP network camera (*MegaVideo AV2100M*)

**2005** - 1<sup>st</sup> 3MP dual-sensor Day/Night camera (*MegaVideo<sup>®</sup> AV3130*)

**2006** - 1<sup>st</sup> 5MP H.264 IP camera (*MegaVideo AV5100*)  
- 1<sup>st</sup> multi-sensor multi-megapixel panoramic camera (*SurroundVideo<sup>®</sup> 8MP AV8360*)

**2008** - 1<sup>st</sup> complete line of H.264 megapixel cameras

**2009** - 1<sup>st</sup> 10MP H.264 network camera (*MegaVideo series*)

**2011** - 1<sup>st</sup> multi-sensor 20MP 180° and 360° multi-sensor, multi-megapixel panoramic camera series (*SurroundVideo series*)

**2012** - 1<sup>st</sup> multi-sensor 12MP 180° with Wide Dynamic Range (WDR)

**2013** - Industry's smallest all-in-one professional 1 – 5MP camera (*MicroDome<sup>®</sup>*)  
- 1<sup>st</sup> 40MP 180° and 360° camera series (*SurroundVideo*)

**2014** - 1<sup>st</sup> omnidirectional (adjustable view) multi-sensor, multi-megapixel camera (*SurroundVideo Omni*)

**2015** - 1<sup>st</sup> compact dome camera with remote focus (*MicroDome G2*)  
- 1<sup>st</sup> multi-sensor, multi-megapixel panoramic camera with remote focus/zoom (*SurroundVideo G5*)

**2016** - 1<sup>st</sup> tethered multi-megapixel camera with interchangeable lens (*MegaVideo Flex*)  
- 1<sup>st</sup> omnidirectional multi-sensor, multi-megapixel camera with remote focus (*SurroundVideo Omni G2*)  
- 1<sup>st</sup> extremely compact multi-sensor, multi-megapixel panoramic camera (*SurroundVideo G5 Mini*)

**2017** - 1<sup>st</sup> compact dual-sensor adjustable view megapixel camera with interchangeable & remote focus lenses (*MicroDome Duo*)  
- 1<sup>st</sup> omnidirectional multi-sensor, multi-megapixel camera with No Touch Setup for all 4 lenses (*SurroundVideo Omni G3*)

**2018** - 1<sup>st</sup> ultra-high definition dome & box megapixel cameras with tri-mode capability with 1080p/60fps, 8MP/4K/30fps, and 12MP/20fps choices (*MegaDome & MegaVideo UltraHD*)

# Offices



# Sales Force

Pre-Arecont Vision acquisition  
Costar Video, CohuHD and  
Innotech had sales  
representatives in the USA

Post-Arecont Vision  
acquisition the group has 41  
sales representatives in the  
USA , Latin America, and Asia



## Pre-Arecont

- 15 Sales Reps
- Primarily USA



## Post-Arecont

- 41 Sales Reps
- USA, Latin America, EMEA, and Asia



# Costar Video Facility

Coppell, Texas



**COSTAR**  
VIDEO SYSTEMS

# CohuHD Facility

San Diego, California



**COHU | HD**  
**COSTAR**

# Innotech Facility

Pompano Beach, Florida



# Arecont Vision Facilities



# Markets

Costar Technologies develops, designs, and distributes a range of video surveillance solutions. Our product portfolio consists of video management software (VMS), surveillance cameras, network video recorders (NVRs), digital video recorders (DVRs) and more.



## Retail / Distribution

- Entertainment
- Distribution
- Grocery Stores / Pharmacies



## Financial

- Banks / Credit Unions
- ATM's



## Transportation/Defense

- Incident Management
- Border/Port Surveillance
- Military Bases

# Market Competitive Analysis

