



FOR IMMEDIATE RELEASE
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Costar Technologies, Inc. Announces Financial Results
For the First Quarter Ended March 31, 2020
(\$ in thousands except per share amounts)

Coppell, Texas – May 14, 2020 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the first quarter ended March 31, 2020 that have been reviewed by the independent accounting firm BKD, LLP.

Financial Results for the Quarter Ended March 31, 2020

- Revenues of \$17,028, a 18.3% increase compared to the first quarter of 2019. The increase is primarily due to increases in revenue generated by the CohuHD Costar business segment.
- Operating expenses were down 16.5% to \$6,617, compared to \$7,922 in the first quarter of 2019. Decrease is primarily driven by approximately \$828 of one-time expenses at AVC during the first quarter of 2019 (e.g. move expenses, ERP implementation, professional fees and other restructuring fees).
- GAAP net loss of \$193, or (\$0.12) per diluted share, compared to a GAAP net loss of \$2,632, or (\$1.69) per diluted share, in the first quarter of 2019.
- Adjusted earnings of \$156, or \$0.10 per diluted share, compared to (\$2,222), or (\$1.43) per diluted share for the quarter ended March 31, 2019. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$500, compared to (\$2,699) for the quarter ended March 31, 2019. Adjusted EBITDA, a non-GAAP measure, is defined below.

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Sarah Ryder, the Company's Chief Financial Officer, stated, "While our first quarter is historically soft, our financial performance for the first quarter of 2020 benefited from the release of previously delayed projects in the traffic and critical infrastructure markets. These projects combined with shipments of \$1.2M on a large international order, drove CohuHD's sizeable contribution to first quarter revenue. The uncertainty of the current economic environment presents challenges for our business, but increased demand in the traffic, critical infrastructure and education markets helped offset some of the softness experienced in parts of our retail vertical. We made aggressive cost reduction efforts heading into the second quarter to mitigate the impact of demand decreases in certain segments. I'm very pleased with our first quarter results and our strong start to a challenging year."

Scott Switzer, the Company's Interim Chief Executive Officer, went on to say, "Our facilities have remained in full operation under the Essential Service Business Exception of the Shelter in Place orders. Our employees are our greatest asset and we take their safety very seriously. Office personnel are working from home and we have implemented measures to help ensure the safety of our production workers. While the COVID-19 pandemic has negatively impacted our business, we were able to take advantage of the Small Business Association's (SBA) Payroll Protection Program (PPP) and obtained a \$3M loan in April 2020. Additionally, increased international demand, a few large retail projects and the launch of a new thermographic camera helped drive revenue growth in the first quarter of 2020. In April, we announced changes to our executive leadership team. We also launched our "One Costar" vision which focuses on consolidating business functions to drive greater cross-selling and operational efficiencies as well as creating a unified customer-centric culture throughout our organization. I am confident that with the team we have in place today, combined with the funding secured under the SBA PPP and the cost reductions we've enacted, we will be able to successfully navigate the current challenges in the marketplace and our business."

The Company's 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):

	Quarter Ended 3/31/20	Quarter Ended 3/31/19
Adjusted Earnings	156	(2,222)
Less:		
Stock-Based Compensation	(32)	(86)
Intangible Amortization	(317)	(324)
Net Loss	(193)	(2,632)

	Quarter Ended 3/31/20	Quarter Ended 3/31/19
Adjusted EBITDA	500	(2,699)
Less:		
Interest	(291)	(308)
Income Taxes (Benefit)	65	886
Depreciation	(118)	(101)
Intangible Amortization	(317)	(324)
Stock-Based Compensation	(32)	(86)
Net Loss	(193)	(2,632)

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 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.

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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, 2020 (Reviewed)	December 31, 2019 (Audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1	\$ 1
Accounts receivable, less allowance for doubtful accounts of \$429 and \$471 in 2020 and 2019, respectively	10,674	9,056
Inventories, net of reserve for obsolescence of \$1,090 and \$1,264 in 2020 and 2019, respectively	19,639	20,196
Prepaid expenses and other current assets	2,992	2,295
Total current assets	33,306	31,548
Non-current assets		
Property and equipment, net	828	910
Deferred financing costs, net	50	59
Deferred tax asset, net	4,514	4,514
Trade names, net	2,108	2,198
Distribution agreements, net	775	801
Customer relationships, net	4,017	4,187
Covenants not to compete, net	53	60
Patents, net	162	169
Technology, net	251	268
Goodwill	6,513	6,513
Right of use assets	2,899	3,131
Other non-current assets	149	149
Total non-current assets	22,319	22,959
Total assets	\$ 55,625	\$ 54,507
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 7,683	\$ 5,639
Accrued expenses and other	6,591	5,879
Line of credit	15,152	15,953
Current maturities of long-term debt, net of unamortized financing fees	783	781
Contingent purchase price	1,490	1,490
Current maturities of notes payable, unrelated party	333	583
Current maturities of lease liabilities	1,006	990
Total current liabilities	33,038	31,315
Long-Term liabilities		
Long-term debt, net of current maturities and unamortized financing fees	3,396	3,592
Non-current maturities of lease liabilities	2,133	2,389
Total long-term liabilities	5,529	5,981
Total liabilities	38,567	37,296
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid-in capital	157,518	157,478
Accumulated deficit	(135,942)	(135,749)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	17,058	17,211
Total liabilities and stockholders' equity	\$ 55,625	\$ 54,507

COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended March 31,	
	2020	2019
	(Reviewed)	(Reviewed)
Net revenues	\$ 17,028	\$ 14,389
Cost of revenues	10,378	9,677
Gross profit	6,650	4,712
Selling, general and administrative expenses	5,185	6,513
Engineering and development expense	1,432	1,409
	6,617	7,922
Income (loss) from operations	33	(3,210)
Other expenses		
Interest expense	(291)	(308)
Total other expenses, net	(291)	(308)
Income (loss) before taxes	(258)	(3,518)
Income tax provision (benefit)	(65)	(886)
Net loss	\$ (193)	\$ (2,632)
<u>Net loss per share:</u>		
Basic	\$ (0.12)	\$ (1.69)
Diluted	\$ (0.12)	\$ (1.69)
<u>Weighted average shares outstanding:</u>		
Basic	1,586	1,558
Diluted	1,586	1,558

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