



**FOR IMMEDIATE RELEASE**  
April 9, 2018

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**Costar Technologies, Inc. Announces Financial Results**  
**For the Fourth Quarter and Year Ended December 31, 2017**  
**(\$ in thousands except per share amounts)**

Coppell, Texas – April 9, 2018 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the fourth quarter and year ended December 31, 2017 that have been reviewed by the independent accounting firm BKD, LLP.

**Financial Highlights for the Fourth Quarter and Year Ended December 31, 2017**

- Record revenue of \$44,266, an increase of \$5,706 or 14.8% from the year ended December 31, 2016. Revenue in the fourth quarter of 2017 was up approximately \$3,500 or 37% compared to the fourth quarter of 2016.
- GAAP net loss of (\$371) or (\$0.25) per share based on 1,513 fully diluted shares outstanding, compared to GAAP net income of \$634 or \$0.41 per share based on 1,541 fully diluted shares for the year ended December 31, 2016. The primary driver of the GAAP net loss in 2017 was approximately \$2,700 in income tax expense relating to the revaluation of the Company’s deferred tax asset under the new tax legislation effective in 2018.
- Adjusted earnings of \$1,837 or \$1.21 per diluted share compared to \$1,586 or \$1.03 per diluted share for the year ended December 31, 2016, an increase per share of 17.5%. 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 the income tax effect relating to the revaluation of the Company’s deferred tax asset.
- Adjusted EBITDA of \$3,731 compared to \$2,040 for the year ended December 31, 2016, an increase of 82.9%. The Company defines adjusted EBITDA, a non-GAAP measure, as earnings before interest, taxes, depreciation, amortization, transaction and related expenses and adjustments to the fair value of acquisition-related contingent consideration.

## **COSTAR TECHNOLOGIES, INC.**

- Cash flow from operations of \$2,805 for the 2017 year, allowing the Company to pay the balance on its line of credit and make additional payments on its long term debt.

### **Business Highlights for the Year Ended December 31, 2017**

- CohuHD launched the new RISE 4290, a dual-head thermal and visual camera which secured a \$2,400 order of which \$2,200 was included in revenue during the fourth quarter of 2017. CohuHD's RISE 4290 has been awarded the 2017 GSN Airport, Seaport, Border Security Award for Best Long-Range/High-Res Camera by Government Security News.
- The Company made several long-term investments in its business including a new IT infrastructure and the successful implementation of NetSuite, a new ERP system, bringing all three of the Company's locations onto the same platform and providing enhanced analytics, efficiency and security.

James Pritchett, President and Chief Executive Officer of the Company, stated, "In 2013, two customers accounted for more than 60% of our revenue, prompting us to set a goal to reduce revenue reliance through acquisition and organic growth. I am pleased to announce that we have substantially achieved that goal in 2017 where our two largest customers accounted for only 19% of our total revenue. The acquisition of Innotech in late 2016 and the increase in revenue generated by the CohuHD business segment provide improved earnings quality for the Company and our investors. In 2017, we delivered record revenue and continued margin improvement. We also received our largest single order with the new RISE 4290 camera. With our refreshed product portfolio, expanded retail markets and share gains in the transportation market, we anticipate ongoing revenue and earnings growth in the future."

The Company reevaluated its deferred tax asset as of December 31, 2017 in relation to the new tax regulations effective in 2018. See Footnote 9 in the Company's consolidated financial statements as of December 31, 2017 for further information.

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).

## COSTAR TECHNOLOGIES, INC.

### Non-GAAP Financial Measures

The following tables reconcile the non-GAAP financial measures disclosed in this release to GAAP net income (loss):

	<b>Year Ended 12/31/17</b>	<b>Year Ended 12/31/16</b>
<b>Adjusted Earnings</b>	<b>1,837</b>	<b>1,586</b>
Less:		
Stock Based Compensation	(268)	(212)
Intangible Amortization	(1,267)	(418)
Contingent Consideration Fair Value Adjustment	2,072	-
Transaction and Related Expenses	(68)	(322)
Revaluation of Deferred Tax Assset	(2,677)	-
<b>Net Income (Loss)</b>	<b>(371)</b>	<b>634</b>

	<b>Year Ended 12/31/17</b>	<b>Year Ended 12/31/16</b>
<b>Adjusted EBITDA</b>	<b>3,731</b>	<b>2,040</b>
Less:		
Interest	(462)	(118)
Income Taxes	(4,116)	(418)
Depreciation	(1,267)	(130)
Amortization	(261)	(418)
Transaction and Related Expenses	(68)	(322)
Contingent Consideration Fair Value Adjustment	2,072	-
<b>Net Income (Loss)</b>	<b>(371)</b>	<b>634</b>

Adjusted earnings and Adjusted EBITDA are not presented in accordance with generally accepted accounting principles (GAAP) and are not intended as a substitute for GAAP, but are included solely for informational and comparative purposes. These non-GAAP measures are presented because management believes they provide additional information to investors with respect to the performance of our fundamental business activities. Management believes these non-GAAP measures allow investors to evaluate the Company's financial performance using some of the same measures as management.

### 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

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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)

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 196	\$ 1,083
Accounts receivable, less allowance for doubtful accounts of \$97 and \$71 in 2017 and 2016, respectively	7,246	5,330
Inventories, net of reserve for obsolescence of \$815 and \$696 in 2017 and 2016, respectively	9,529	10,579
Prepaid expenses and other current assets	790	820
Total current assets	17,761	17,812
<b>Non-current assets</b>		
Property and equipment, net	861	792
Deferred financing costs, net	26	39
Deferred tax asset, net	2,916	6,962
Trade names, net	2,667	3,005
Distribution agreement, net	624	697
Customer relationships, net	5,600	6,354
Covenant not to compete, net	126	160
Patents, net	7	8
Technology, net	402	469
Goodwill	5,574	5,593
Other non-current assets	96	109
Total non-current assets	18,899	24,188
Total assets	\$ 36,660	\$ 42,000
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 3,829	\$ 3,449
Accrued expenses and other	2,532	2,656
Line of credit		1,071
Current maturities of long-term debt	740	738
Contingent purchase price	346	1,367
Current maturities of notes payable, related party	753	804
Total current liabilities	8,200	10,085
<b>Long-Term liabilities</b>		
Long-term debt, net of current maturities	4,476	6,216
Contingent purchase price	1,101	2,152
Notes payable, related party, net of current maturities	805	1,456
Total long-term liabilities	6,382	9,824
Total liabilities	14,582	19,909
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,767	156,409
Accumulated deficit	(130,171)	(129,800)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	22,078	22,091
Total liabilities and stockholders' equity	\$ 36,660	\$ 42,000

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# COSTAR TECHNOLOGIES, INC.

## COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended December 31,		Years Ended December 31,	
	2017	2016	2017	2016
Net revenues	\$ 12,925	\$ 9,464	\$ 44,266	\$ 38,560
Cost of revenues	<u>7,776</u>	<u>5,865</u>	<u>26,422</u>	<u>23,747</u>
<b>Gross profit</b>	5,149	3,599	17,844	14,813
Selling, general and administrative expenses	3,113	2,821	12,839	10,903
Engineering and development expense	764	643	2,728	2,457
Transaction and related expense		322	68	322
Change in fair value of contingent purchase price	<u>(2,132)</u>		<u>(2,072)</u>	
	1,745	3,786	13,563	13,682
<b>Income from operations</b>	<u>3,404</u>	<u>(187)</u>	<u>4,281</u>	<u>1,131</u>
Other income (expenses)				
Interest expense	(101)	(24)	(462)	(118)
Other income (expense), net	<u>(78)</u>	<u>35</u>	<u>(74)</u>	<u>39</u>
Total other expenses, net	<u>(179)</u>	<u>11</u>	<u>(536)</u>	<u>(79)</u>
Income before taxes	3,225	(176)	3,745	1,052
Current income tax expense	(152)	68	70	68
Deferred income tax expense	<u>4,046</u>	<u>(137)</u>	<u>4,046</u>	<u>350</u>
<b>Net income (loss)</b>	<u>\$ (669)</u>	<u>\$ (107)</u>	<u>\$ (371)</u>	<u>\$ 634</u>
<u>Net income (loss) per share:</u>				
Basic	\$ (0.44)	\$ (0.07)	\$ (0.25)	\$ 0.43
Diluted	\$ (0.44)	\$ (0.07)	\$ (0.25)	\$ 0.41
Weighted average shares outstanding				
Basic	1,513	1,489	1,513	1,489
Diluted	1,513	1,541	1,513	1,541

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