



FOR IMMEDIATE RELEASE
March 29, 2021

CONTACT: Sarah Ryder
Chief Financial Officer
Costar Technologies, Inc.
(858) 391-1750

Costar Technologies, Inc. Announces Financial Results
For the Fourth Quarter and Year Ended December 31, 2020
(\$ in thousands except per share amounts)

Coppell, Texas – March 29, 2021 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI) announced today its financial results for the fourth quarter and year ended December 31, 2020.

Financial Results for the Quarter Ended December 31, 2020

- Revenues of \$12,972, a 23.4% decrease compared to the fourth quarter of 2019.
- Operating expenses were down 31.2% to \$4,368, compared to \$6,348 in the fourth quarter of 2019. The \$6,348 of operating expenses in the fourth quarter of 2019 excludes \$498 relating to the change in earnout fair value.
- GAAP net income of \$12 or \$0.01 per diluted share, compared to GAAP net loss of \$1,467, or (\$0.94) per diluted share, in the fourth quarter of 2019.
- Adjusted earnings of (\$156), or (\$0.09) per diluted share, compared to (\$531), or (\$0.34) per diluted share, for the quarter ended December 31, 2019. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$140, compared to (\$286) for the quarter ended December 31, 2019. Adjusted EBITDA, a non-GAAP measure, is defined below.

Financial Results for the Year Ended December 31, 2020

- Revenues of \$60,367, a 13.2% decrease compared to the prior year.

COSTAR TECHNOLOGIES, INC.

- Operating expenses, net of a goodwill impairment loss of \$939 and restructuring costs of \$635, were down 19.4% to \$21,368, compared to \$28,117 in 2019. The \$28,117 of operating expenses in 2019 excludes \$498 relating to the change in earnout fair value.
- GAAP net loss of \$8,971, or (\$5.59) per diluted share, compared to a GAAP net loss of \$2,698, or (\$1.72) per diluted share, in 2019.
- Adjusted earnings of \$880, or \$0.55 per diluted share, compared to (\$494), or (\$0.32) per diluted share, for the year ended December 31, 2019. Adjusted earnings, a non-GAAP measure, is defined below.
- Adjusted EBITDA of \$2,264, compared to \$617 for the year ended December 31, 2019. Adjusted EBITDA, a non-GAAP measure, is defined below.

Scott Switzer, the Company's Interim Chief Executive Officer stated, "In 2020 Costar Technologies faced the many challenges of COVID-19 and the associated impact to the business. The Costar team responded, developed and executed a restructuring plan to right size the business while not losing sight of new product development and the needs of our customers. We expanded our product portfolio to include a new line of NDAA compliant cameras and solutions. As we look to 2021, we are seeing evidence of increased activity in key markets as many of our customers return to full operations and resume projects that were placed on hold with the global pandemic."

Sarah Ryder, the Company's Chief Financial Officer went on to say, "The unification of our departments through our One Costar initiative drove efficiencies in many areas of the business, allowing us to generate positive income in the fourth quarter of 2020. The result of the unification also drove company-wide efficiencies which led to a large reduction in operational expenses. I am encouraged with how well the organization has adopted the One Costar Initiative and continue to be optimistic with the recent increase we are seeing in sales activity."

The Company's independent auditors completed their analysis of the Company's financial condition. The Independent Auditor's 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):

COSTAR TECHNOLOGIES, INC.

| | Quarter Ended 12/31/20 | Quarter Ended 12/31/2019 | Year Ended 12/31/20 | Year Ended 12/31/19 |
|--|------------------------------|--------------------------------|------------------------|------------------------|
| Adjusted Earnings | (156) | (531) | 880 | (494) |
| Less: | | | | |
| Stock-Based Compensation | (73) | (115) | (185) | (412) |
| Intangible Amortization | (319) | (323) | (1,272) | (1,294) |
| Contingent Consideration Fair Value Adjustment | | (498) | | (498) |
| Restructuring Costs | | | (635) | |
| Impairment Loss | | | (939) | |
| Revaluation of Deferred Tax Asset | | | (4,614) | |
| Modification to Inventory Reserve Policy | 560 | | (2,206) | |
| Net Income (Loss) | 12 | (1,467) | (8,971) | (2,698) |

| | Quarter Ended 12/31/20 | Quarter Ended 12/31/2019 | Year Ended 12/31/20 | Year Ended 12/31/19 |
|--|------------------------------|--------------------------------|------------------------|------------------------|
| Adjusted EBITDA | 140 | (286) | 2,264 | 617 |
| Less: | | | | |
| Interest | (213) | (314) | (916) | (1,320) |
| Income Taxes (Benefit) | 29 | 187 | (4,624) | 661 |
| Depreciation | (112) | (118) | (458) | (452) |
| Intangible Amortization | (319) | (323) | (1,272) | (1,294) |
| Stock-Based Compensation | (73) | (115) | (185) | (412) |
| Contingent Consideration Fair Value Adjustment | | (498) | | (498) |
| Restructuring Costs | | | (635) | |
| Impairment Loss | | | (939) | |
| Modification to Inventory Reserve Policy | 560 | | (2,206) | |
| Net Income (Loss) | 12 | (1,467) | (8,971) | (2,698) |

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 40th largest company in a&s magazine's Security 50 for 2020. Security 50 is an annual ranking by the

COSTAR TECHNOLOGIES, INC.

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.

* * * * *

COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

| | December 31, 2020 | December 31, 2019 |
|---|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 480 | \$ 1 |
| Accounts receivable, less allowance for doubtful accounts of \$175 and \$396, respectively | 8,579 | 9,056 |
| Inventories | 14,225 | 20,196 |
| Prepaid expenses and other current assets | 2,170 | 2,295 |
| Total current assets | 25,454 | 31,548 |
| Non-current assets | | |
| Property and equipment, net | 533 | 910 |
| Deferred financing costs, net | 20 | 59 |
| Deferred tax asset, net | | 4,514 |
| Intangible assets, net | 6,411 | 7,683 |
| Goodwill | 5,574 | 6,513 |
| Right of use assets, net | 2,185 | 3,131 |
| Other non-current assets | 149 | 149 |
| Total non-current assets | 14,872 | 22,959 |
| Total assets | \$ 40,326 | \$ 54,507 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 4,591 | \$ 5,639 |
| Accrued expenses and other current liabilities | 5,141 | 5,879 |
| Line of credit | 13,024 | 15,953 |
| Current maturities of long-term debt, net of unamortized financing fees | 3,592 | 781 |
| Contingent purchase price | | 1,490 |
| Current maturities of notes payable, unrelated party | | 583 |
| Current maturities of lease liabilities | 1,049 | 990 |
| Total current liabilities | 27,397 | 31,315 |
| Long-Term liabilities | | |
| Long-term debt, net of current maturities and unamortized financing fees | | 3,592 |
| Payroll Protection Program loan | 3,025 | |
| Deferred tax liability | 116 | |
| Non-current maturities of lease liabilities | 1,340 | 2,389 |
| Total long-term liabilities | 4,481 | 5,981 |
| Total liabilities | 31,878 | 37,296 |
| Stockholders' Equity | | |
| Preferred stock | | |
| Common stock | 3 | 3 |
| Additional paid-in capital | 157,686 | 157,478 |
| Accumulated deficit | (144,720) | (135,749) |
| Less common stock held in treasury, at cost | (4,521) | (4,521) |
| Total stockholders' equity | 8,448 | 17,211 |
| Total liabilities and stockholders' equity | \$ 40,326 | \$ 54,507 |

COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

| | For the Three Months Ended December 31, | | For the Years Ended December 31, | |
|---|---|------------|----------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net revenues | \$ 12,972 | \$ 16,938 | \$ 60,367 | \$ 69,526 |
| Cost of revenues | 8,408 | 11,433 | 40,857 | 42,960 |
| Gross profit | 4,564 | 5,505 | 19,510 | 26,566 |
| Selling, general and administrative expenses | 3,587 | 5,037 | 17,035 | 22,395 |
| Engineering and development expense | 781 | 1,311 | 4,333 | 5,722 |
| Restructuring costs | | | 635 | |
| Impairment loss | | | 939 | |
| Change in fair value of contingent purchase price | 4,368 | 498 | 22,942 | 28,615 |
| Income (Loss) from operations | 196 | (1,341) | (3,432) | (2,049) |
| Other expenses | | | | |
| Interest expense | (213) | (314) | (916) | (1,320) |
| Other income, net | (213) | 1 | 1 | 10 |
| Total other expenses, net | (213) | (313) | (915) | (1,310) |
| Income (Loss) before taxes | (17) | (1,654) | (4,347) | (3,359) |
| Current income tax (benefit) expense | (6) | 597 | (6) | 123 |
| Deferred income tax expense (benefit) | (23) | (784) | 4,630 | (784) |
| Net Income (Loss) | \$ 12 | \$ (1,467) | \$ (8,971) | \$ (2,698) |
| <u>Net income (loss) per share:</u> | | | | |
| Basic | \$ 0.01 | \$ (0.94) | \$ (5.60) | \$ (1.72) |
| Diluted | \$ 0.01 | \$ (0.94) | \$ (5.60) | \$ (1.72) |
| <u>Weighted average shares outstanding:</u> | | | | |
| Basic | 1,625 | 1,568 | 1,603 | 1,568 |
| Diluted | 1,645 | 1,568 | 1,603 | 1,568 |