



FOR IMMEDIATE RELEASE

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Costar Technologies, Inc. Announces Financial Results
For the Third Quarter Ended September 30, 2016
(\$ in thousands except per share amounts)

Coppell, Texas – November 7, 2016 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its unaudited financial results for the quarter ending September 30, 2016 that have been reviewed by the independent accounting firm RSM US LLP.

Summary Results for the Quarter Ended September 30, 2016

- GAAP net income of \$302, or \$0.19 per share based on 1,550 weighted average diluted shares outstanding. This compares to GAAP net income of \$68, or \$0.04 per share based on 1,525 weighted average diluted shares outstanding for the quarter ended September 30, 2015.
- Consolidated revenue of \$9,884, an increase of \$2,058 or 26% compared to the third quarter of 2015.
- CohuHD Costar revenue increased by \$1,717 or 54% and Costar Video Systems’ revenue increased by \$341 or 7% compared to the third quarter of 2015
- The Company reduced its indebtedness to the Bank of Texas from \$2,032 to \$1,773 during the three months ended September 30, 2016.

James Pritchett, President and Chief Executive Officer of the Company, stated, “The Company experienced the highest third quarter revenue in its history led by CohuHD’s strong quarter and a multiyear remodeling program by an existing customer.”

Mr. Pritchett went on to say, “I’m excited and encouraged by the market acceptance of the CohuHD RISE product series which contributed to the increase in CohuHD revenue during the quarter. The Costar Video Systems’ general security business continues to grow with the recent addition of several national retail customers as the Company remains focused on growing its customer base. Favorable year-to-date results combined with a healthy backlog positions the Company for a successful 2016 and revenue and earnings growth for 2017.”

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Financial Results, Third Quarter of 2016 Compared to Third Quarter of 2015

Revenue for the third quarter of 2016 totaled \$9,884, as compared to revenue of \$7,826 for the third quarter of the prior year, an increase of approximately 26%.

Gross profit for the third quarter of 2016 totaled \$3,919. This compares to gross profit of \$2,987 for the third quarter of 2015, a decrease of 31%. The increase in gross profit was largely attributable to the overall revenue increase during the third quarter of 2016 compared to the third quarter of 2015.

Operating expenses for the third quarter of 2016 totaled \$3,398. This compares to operating expenses of \$2,802 for the third quarter of 2015, an increase of 21%. The majority of the increase in operating expenses was attributable to higher incentive expenses as a result of larger revenue volumes in the third quarter of 2016.

Other expenses, net decreased by approximately \$13 or 37% during the third quarter of 2016 as compared to the third quarter of 2015. This is due to a decrease in interest expense as a result of declining indebtedness to the Bank of Texas.

The income tax provision for the third quarter of 2016 was \$197, \$115 higher than the third quarter of 2015. This was due to higher taxable income during the third quarter of 2016 compared to the third quarter of 2015.

Net income for the third quarter of 2016 was approximately \$302, or \$0.19 fully diluted earnings per share. This compares to net income for the third quarter of 2015 of \$68, or \$0.04 fully diluted earnings per share.

Financial Results, Nine Months Ended September 30, 2016 Compared to Nine Months Ended September 30, 2015

Revenue for the nine months ended September 30, 2016 totaled \$29,096, an increase of 15% compared to revenue of \$25,225 for the same period in 2015.

Gross profit for the nine months ended September 30, 2016 totaled \$11,214. This compared to gross profit of \$9,914 for the nine months ended September 30, 2015. The 13% increase in gross profit was due to Company-wide revenue growth.

Operating expenses for the nine months ended September 30, 2016 totaled \$9,896. This compares to operating expenses of \$8,944 for the nine months ended September 30, 2015, an increase of 11%. The majority of the increase was due to higher incentive expenses driven by larger revenue volumes combined with increases in selling and marketing expenses. Additionally, the Company recorded a one-time \$84 noncash entry to straight-line rent expense during the first quarter of 2016. This was offset by a \$95 reversal of the \$110 sales tax liability recorded at December 31, 2015 during the three months ended June 30, 2016. Please see the footnotes to the September 30, 2016 consolidated financial statements for additional information.

Other expenses, net decreased by approximately \$31 or 26% during the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. This is due to a decrease in interest expense as a result of declining indebtedness to the Bank of Texas.

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The income tax provision for the nine months ended September 30, 2016 was \$487, \$132 higher than the nine months ended September 30, 2015. This is largely due to higher taxable income during the nine months ended September 30, 2016 compared to 2015.

Net income for the nine months ended September 30, 2016 was approximately \$741, or \$0.48 fully diluted earnings per share, as compared to net income of \$494 or \$0.32 fully diluted earnings per share for the nine months ended September 30, 2015.

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.

About Costar Technologies, Inc.

Costar Technologies, Inc. develops, designs 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".

Cautionary Statement Regarding Forward Looking Statements

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.

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COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (AMOUNTS SHOWN IN THOUSANDS)

	September 30, 2016 (Reviewed)	December 31, 2015 (Audited)
ASSETS		
Current assets		
Cash	\$	\$
Accounts receivable, less allowance for doubtful accounts of \$93 and \$78 in 2016 and 2015, respectively	5,690	5,509
Inventories, net of reserve for obsolescence of \$1,012 and \$1,000 in 2016 and 2015, respectively	8,868	7,991
Prepaid expenses	601	644
Total current assets	15,159	14,144
Non-current assets		
Property and equipment, net	340	398
Deferred financing costs, net		22
Deferred tax asset, net	7,312	7,312
Trade names, net	2,049	2,227
Distribution agreement, net	716	771
Customer relationships, net	618	695
Covenant not to compete, net	11	14
Goodwill	2,063	2,063
Other non-current assets	109	
Total assets	\$ 28,377	\$ 27,646
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,114	\$ 2,995
Accrued expenses and other	2,347	1,017
Line of credit	1,035	1,189
Short-term debt	593	591
Total current liabilities	6,089	5,792
Long-Term liabilities		
Long-term debt	145	590
Total long-term liabilities	145	590
Total liabilities	6,234	6,382
Commitments and Contingencies		
Stockholders' Equity		
Preferred stock		
Common stock	3	3
Additional paid in capital	156,354	156,216
Accumulated deficit	(129,693)	(130,434)
Less common stock held in treasury, at cost	(4,521)	(4,521)
Total stockholders' equity	22,143	21,264
Total liabilities and stockholders' equity	\$ 28,377	\$ 27,646

COSTAR TECHNOLOGIES, INC.

COSTAR TECHNOLOGIES, INC. AND SUBSIDIARIES

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Reviewed)	(Reviewed)	(Reviewed)	(Reviewed)
Net revenues	\$ 9,884	\$ 7,826	\$ 29,096	\$ 25,225
Cost of revenues	5,965	4,839	17,882	15,311
Gross profit	3,919	2,987	11,214	9,914
Selling, general and administrative expenses	2,813	2,094	8,082	6,790
Engineering and development expense	585	708	1,814	2,154
	3,398	2,802	9,896	8,944
Income from operations	521	185	1,318	970
Other income (expenses)				
Interest expense	(23)	(35)	(94)	(122)
Other income and expense, net	1		4	1
Total other expenses, net	(22)	(35)	(90)	(121)
Income before taxes	499	150	1,228	849
Income tax provision	197	82	487	355
Net income	\$ 302	\$ 68	\$ 741	\$ 494
<u>Net income per share:</u>				
Basic	\$ 0.20	\$ 0.05	\$ 0.50	\$ 0.34
Diluted	\$ 0.19	\$ 0.04	\$ 0.48	\$ 0.32
Weighted average shares outstanding				
Basic	1,498	1,469	1,492	1,469
Diluted	1,550	1,525	1,542	1,525

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