



FOR IMMEDIATE RELEASE

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Costar Technologies, Inc. Announces Financial Results
For the Fourth Quarter and Year Ended December 31, 2016
(\$ in thousands except per share amounts)

Coppell, Texas – April 10, 2017 – Costar Technologies, Inc. (the “Company”) (OTC Markets Group: CSTI), announced its financial results for the year ending December 31, 2016 that have been audited by the independent accounting firm RSM US LLP.

Summary Results for the Year Ended December 31, 2016

- GAAP net income of \$634, or \$0.41 per share based on 1,541 weighted average diluted shares outstanding. This compares to GAAP net income of \$474, or \$0.31 per share based on 1,527 weighted average diluted shares outstanding for the year ended December 31, 2015.
- Consolidated revenue increased 14% over the prior year, largely due to a 26% increase in revenue generated by the CohuHD operating segment.
- Cash flow from operating activities increased 105%, from \$1,056 to \$2,169, year over year.
- The Company completed the acquisition of Innotech Security, Inc. (“Innotech”) on December 29, 2016. Innotech’s contribution to the Company’s revenue was immaterial for 2016; however, Innotech generated approximately \$6,800 in revenue for the full year. See Note 4 in the footnotes to the consolidated financial statements for further details relating to the acquisition.

James Pritchett, President and Chief Executive Officer of the Company, stated, “This has been a very exciting year for the Company. We’ve continued to increase our presence in the general security market, expanded the CohuHD Rise product portfolio with the release of the 4220 dome and successfully completed the acquisition of Innotech in December. Innotech offers unique, customized security solutions and their Alert & Assist product will provide our company with a competitive advantage in the retail, financial, and health services markets.” Mr. Pritchett went on to say, “I look forward to 2017 which brings the launch of the CohuHD Command Core

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software, continued expansion of the CohuHD RISE product line and the integration of Innotech.”

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

Revenue for the fourth quarter of 2016 totaled \$9,464, as compared to revenue of \$8,453 for the fourth quarter of the prior year, an increase of approximately 12%. The Company’s subsidiary, CohuHD, generated approximately \$4,565 and \$3,605 in revenue during these periods, respectively.

Gross profit for the fourth quarter of 2016 totaled \$3,599. This compares to gross profit of \$3,287 for the fourth quarter of 2015, an increase of 9%. The majority of the increase was attributable to the overall increase in revenue during 2016.

Operating expenses for the fourth quarter of 2016 totaled \$3,786. This compares to operating expenses of \$3,173 for the fourth quarter of 2015, an increase of 19%. Approximately half of the increase is due to expenses incurred in connection with the acquisition of Innotech Security, Inc. during the fourth quarter of 2016. The remainder of the increase is due to a small increase in engineering expenses and an increase in selling, general & administrative expenses primarily due to higher incentive compensation expense driven increased revenue volumes.

Other income was \$11 for the fourth quarter of 2016 compared to other expense of \$28 for the fourth quarter of 2015.

Tax expense of (\$69) was recognized during the fourth quarter of 2016 compared to \$106 during the fourth quarter of 2015. For more information regarding the Company’s tax analysis, please see Note 9 of the Company’s financial statements for the year ended December 31, 2016.

Net loss for the fourth quarter of 2016 was approximately (\$107), or (\$0.07) fully diluted earnings per share. This compares to net loss for the fourth quarter of 2015 of (\$20), or (\$0.01) fully diluted earnings per share. CohuHD contributed approximately \$239 of net income to the Company’s consolidated net loss in the fourth quarter of 2016 compared to \$41 in the fourth quarter of 2015.

Financial Results, Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue for the year ended December 31, 2016 totaled \$38,560, an increase of 14% compared to revenue of \$33,678 for the year ended December 31, 2015. CohuHD Costar revenue increased \$3,604 from 2015 largely due to market acceptance of the RISE product portfolio and an increase in transportation funding during 2016.

Gross profit for the year ended December 31, 2016 totaled \$14,813 compared to gross profit of \$13,201 for the year ended December 31, 2015, an increase of 12%. Gross profit percentages for the years ending December 31, 2016 and 2015 were relatively consistent at 38% and 39%, respectively.

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Operating expenses for the year ended December 31, 2016 totaled \$13,682. This compares to \$12,117 for the year ended December 31, 2015, an increase of 13%. The majority of the increase was due to higher incentive compensation expenses and one-time expenses incurred in connection with the acquisition of Innotech.

Net income for the year ended December 31, 2016 was approximately \$634, or \$0.41 fully diluted earnings per share, as compared to net income of \$474, or \$0.31 fully diluted earnings per share for the year ended December 31, 2015. CohuHD Costar contributed net income of approximately \$1,086 for the year ending December 31, 2016.

The Company's outside 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.

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". Costar was ranked 41 in a&s magazine's Security 50 for 2016. Security 50 is an annual ranking of the world's largest security manufacturers in the areas of video surveillance, access control and intruder alarms and is based on financial performance.

Cautionary Statement Regarding Forward Looking Statements

This press release contains forward-looking statements 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. You can 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)

| | December 31, 2016 | December 31, 2015 |
|--|-------------------|-------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 1,083 | \$ |
| Accounts receivable, less allowance for doubtful accounts of \$71 and \$78 in 2016 and 2015, respectively | 5,330 | 5,509 |
| Inventories, net of reserve for obsolescence of \$696 and \$1,000 in 2016 and 2015, respectively | 10,579 | 7,991 |
| Prepaid expenses | 820 | 644 |
| Total current assets | 17,812 | 14,144 |
| Non-current assets | | |
| Property and equipment, net | 792 | 398 |
| Deferred financing costs, net | 39 | 22 |
| Deferred tax asset, net | 6,962 | 7,312 |
| Trade names, net | 3,005 | 2,227 |
| Distribution agreement, net | 697 | 771 |
| Customer relationships, net | 6,354 | 695 |
| Covenant not to compete, net | 160 | 14 |
| Patents, net | 8 | |
| Technology, net | 469 | |
| Goodwill | 5,593 | 2,063 |
| Other non-current assets | 109 | |
| Total assets | \$ 42,000 | \$ 27,646 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable | \$ 3,449 | \$ 2,995 |
| Accrued expenses and other | 2,656 | 1,017 |
| Line of credit | 1,071 | 1,189 |
| Current maturities of long-term debt | 738 | 591 |
| Contingent purchase price | 1,367 | |
| Notes payable, related party | 804 | |
| Total current liabilities | 10,085 | 5,792 |
| Long-Term liabilities | | |
| Long-term debt, net of current maturities | 6,216 | 590 |
| Contingent purchase price | 2,152 | |
| Notes payable, related party | 1,456 | |
| Total long-term liabilities | 9,824 | 590 |
| Total liabilities | 19,909 | 6,382 |
| Commitments and Contingencies | | |
| Stockholders' Equity | | |
| Preferred stock | | |
| Common stock | 3 | 3 |
| Additional paid in capital | 156,409 | 156,216 |
| Accumulated deficit | (129,800) | (130,434) |
| Less common stock held in treasury, at cost | (4,521) | (4,521) |
| Total stockholders' equity | 22,091 | 21,264 |
| Total liabilities and stockholders' equity | \$ 42,000 | \$ 27,646 |

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

| | Three Months Ended December 31, | | For the Years Ended December 31, | |
|--|---------------------------------|----------------|----------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net revenues | \$ 9,464 | \$ 8,453 | \$ 38,560 | \$ 33,678 |
| Cost of revenues | <u>5,865</u> | <u>5,166</u> | <u>23,747</u> | <u>20,477</u> |
| Gross profit | 3,599 | 3,287 | 14,813 | 13,201 |
| Selling, general and administrative expenses | 2,821 | 2,538 | 10,903 | 9,328 |
| Engineering and development expense | 643 | 635 | 2,457 | 2,789 |
| Transaction and related expense | <u>322</u> | <u>322</u> | <u>322</u> | <u>322</u> |
| | 3,786 | 3,173 | 13,682 | 12,117 |
| Income (loss) from operations | <u>(187)</u> | <u>114</u> | <u>1,131</u> | <u>1,084</u> |
| Other income (expenses) | | | | |
| Interest expense | (24) | (31) | (118) | (153) |
| Other income and expense, net | <u>35</u> | <u>3</u> | <u>39</u> | <u>4</u> |
| Total other income (expenses), net | <u>11</u> | <u>(28)</u> | <u>(79)</u> | <u>(149)</u> |
| Income before taxes | (176) | 86 | 1,052 | 935 |
| Current income tax expense | 68 | 85 | 68 | 85 |
| Deferred income tax expense | <u>(137)</u> | <u>21</u> | <u>350</u> | <u>376</u> |
| Net income (loss) | <u>\$ (107)</u> | <u>\$ (20)</u> | <u>\$ 634</u> | <u>\$ 474</u> |
| <u>Net income (loss) per share:</u> | | | | |
| Basic | \$ (0.07) | \$ (0.01) | \$ 0.43 | \$ 0.32 |
| Diluted | \$ (0.07) | \$ (0.01) | \$ 0.41 | \$ 0.31 |
| Weighted average shares outstanding | | | | |
| Basic | 1,489 | 1,476 | 1,489 | 1,476 |
| Diluted | 1,541 | 1,527 | 1,541 | 1,527 |

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