

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the  
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 14, 2018

VOXX INTERNATIONAL CORPORATION  
(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**0-28839**  
(Commission File Number)

**13-1964841**  
(IRS Employer Identification No.)

**2351 J Lawson Boulevard, Orlando, Florida**  
(Address of principal executive offices)

**32824**  
(Zip Code)

Registrant's telephone number, including area code (800) 645-7750

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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**Item 2.02 Results of Operations and Financial Condition.**

On May 14, 2018, Voxx International Corporation (the “Company”) issued a press release announcing its earnings for the quarter and year ended February 28, 2018. A copy of the release is furnished herewith as Exhibit 99.1.

**Item 8.01 Other Events.**

On May 15, 2018, the Company held a conference call to discuss its financial results for the quarter and year ended February 28, 2018. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

The information furnished under Items 2.02 and 8.01, including Exhibits 99.1 and 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
99.1	<a href="#"><u>Press Release, dated May 14, 2018, relating to VOXX International Corporation's earnings release for the quarter and year ended February 28, 2018 (filed herewith).</u></a>
99.2	<a href="#"><u>Transcript of conference call held on May 15, 2018 at 10:00 am (filed herewith).</u></a>

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VOXX International Corporation (Registrant)

Date: May 17, 2018

BY: /s/ Charles M. Stoehr  
Charles M. Stoehr  
Senior Vice President and  
Chief Financial Officer

**FOR IMMEDIATE RELEASE**

**VOXX INTERNATIONAL CORPORATION REPORTS ITS  
FISCAL 2018 FOURTH QUARTER AND YEAR-END FINANCIAL RESULTS**

**ORLANDO, Fla. May 14, 2018** - VOXX International Corporation (NASDAQ: VOXX), a leading manufacturer and distributor of automotive and consumer technologies for global markets, today announced its financial results for its Fiscal 2018 fourth quarter and year ended February 28, 2018.

Pat Lavelle, President and CEO of VOXX International Corporation stated, "With the sale of Hirschmann in Fiscal 2018, we paid down our credit facility, strengthened our balance sheet and have begun realigning our operations to lower our overhead and bring VOXX back to profitability. This was the first step in our plan to unlock shareholder value and reposition our Company. In the coming fiscal year, we intend to look for other avenues to potentially monetize assets, while concurrently looking at opportunities to generate growth and improve the bottom-line, whether it be in the form of acquisitions or strategic partnerships."

Lavelle continued, "R&D investments over the past several years have positioned us to bring EyeLock's solutions to commercialization, and there are several projects in development that we believe will begin to generate royalty income for our Company this year. Similarly, we have spent considerable resources developing our next-generation rear-seat infotainment system, EVO, which is now live with three large Automotive OEM's, with other programs to follow. There are also new programs in the healthcare space that have significant growth potential over the next two years, and new partnerships in Premium Audio that hold great promise for the category and should further extend our brand recognition. While there will always be end-of-life products within our segments, the newer categories we have invested in are positioned for growth and we should see gradual improvements throughout the year."

**Fiscal 2018 and Fiscal 2017 Fourth Quarter Results Comparisons**

Net sales for the Fiscal 2018 fourth quarter ended February 28, 2018 were \$122.2 million as compared to net sales of \$124.9 million in the comparable year-ago period, a decline of \$2.7 million or 2.1%.

- Automotive segment sales were \$45.1 million as compared to \$43.1 million for the comparable Fiscal 2018 and 2017 fourth quarters, an increase of \$2.0 million or 4.7%. The year-over-year increase in net sales was primarily driven by higher sales of OEM product lines, particularly the Company's next-generation, EVO-based rear-seat infotainment system as new programs with General Motors and Ford began in the Company's Fiscal 2018 third quarter.
- Consumer Accessories segment sales were \$39.8 million as compared to \$38.8 million, an increase of \$0.9 million or 2.4%. The year-over-year increase in net sales was driven primarily by wireless speaker sales as well as a modest increase in Project Nursery sales, among others.
- Premium Audio segment sales were \$37.4 million as compared to \$43.0 million for the comparable Fiscal 2018 and Fiscal 2017 fourth quarters, a decrease of \$5.7 million or 13.1%. The decline in net sales was primarily driven by retail and discount promotions in the prior fiscal year period, which did not repeat in the current fiscal year fourth quarter.

The gross margin for the Fiscal 2018 fourth quarter came in at 26.4% as compared to 28.8% for the same period last year. The year-over-year decline was related to lower gross margins in the Automotive segment (25.6% vs. 30.1%), Premium Audio segment (31.0% vs. 32.1%) and Consumer Accessories segment (22.9% vs. 24.0%) when comparing the Fiscal 2018 and Fiscal 2017 fourth quarters. Each of the Company's segments reported lower gross margins due to product mix shifts in the comparable fiscal year periods.

Total operating expenses for the Fiscal 2018 fourth quarter were \$37.2 million as compared to \$39.7 million in the Fiscal 2017 fourth quarter, an improvement of \$2.5 million or 6.2%. The year-over-year improvement was primarily related to initiatives undertaken by the Company to lower its fixed expenses. When comparing the Fiscal 2018 and Fiscal 2017 fourth quarter periods, general and administrative expenses declined by \$1.5 million and engineering and technical support expenses declined by \$1.5 million. These improvements were partially offset by a \$0.5 million increase in selling expenses as the Company increased its advertising spend to support new product introductions and online sales, primarily in its Premium Audio and Consumer Accessories segments.

The Company reported an operating loss of \$5.0 million in the Fiscal 2018 fourth quarter as compared to an operating loss of \$3.7 million for the comparable Fiscal 2017 period. Total other income for the Fiscal 2018 fourth quarter was \$0.5 million as compared to a loss of \$0.7 million in the comparable year-ago period. Interest and bank charges declined by approximately \$0.8 million due to a lower average outstanding balance on the Company's Credit Facility compared to the prior year period.

Net income from continuing operations was \$8.4 million in the Fiscal 2018 fourth quarter as compared to a net loss from continuing operations of \$7.9 million in the corresponding year-ago period. Net income from discontinued operations, net of tax, in the Fiscal 2018 fourth quarter was \$2.3 million as compared to net income from discontinued operations, net of tax, of \$5.6 million in the Fiscal 2017 fourth quarter. Net income attributable to VOXX International Corporation was \$12.6 million in the Fiscal 2018 fourth quarter as compared to a net loss attributable to VOXX International Corporation of \$0.1 million.

The Company reported earnings per share attributable to VOXX International Corporation of \$0.52 on a basic per share basis and \$0.51 on a diluted per share basis as compared to a loss per share attributable to VOXX International Corporation of \$0.00 on a basic and diluted per share basis in the comparable year-ago period.

The Company reported earnings before interest, taxes, depreciation and amortization ("EBITDA") of \$0.9 million and Adjusted EBITDA of \$1.0 million for the Fiscal 2018 fourth quarter. This compares to EBITDA of \$8.0 million and Adjusted EBITDA of \$8.1 million for the comparable year-ago period.

#### Fiscal 2018 and Fiscal 2017 Results Comparisons

Fiscal 2018 net sales were \$507.1 million as compared to net sales of \$514.5 million in Fiscal 2017, a decrease of \$7.4 million or 1.4%.

- Automotive sales of \$155.5 million declined year-over-year by \$15.2 million, driven by lower satellite radio sales, and lower OEM rear-seat infotainment sales given the transition to the Company's new, EVO-based system, which launched with General Motors and Ford toward the end of the Fiscal 2018 third quarter. These decreases were partially offset by a net increase in OEM remote start programs and in aftermarket overhead and headrest infotainment systems.

#### **VOXX International Corporation Reports its Fiscal 2018 Fourth Quarter and Year-end Financial Results**

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- Consumer Accessories segment sales of \$178.8 million increased by \$2.5 million or 1.4%. The year-over-year increase was primarily related to higher sales of the Company's new Striiv wearables, new Project Nursery product lines, wireless speaker systems, and higher international sales, which offset declines in other categories, such as 360Fly action cameras, hook-up products and clock radios, among others.
- Premium Audio segment sales of \$172.4 million increased by \$5.6 million or 3.4% due to higher sales of home entertainment speakers, including various lines of HD wireless speakers, wireless soundbars, Klipsch Heritage products and wireless and multi-room streaming audio systems. These increases were partially offset by lower sales of mobility products, commercial speakers and a decline in the European market due to an unfavorable shift in product mix.

The gross margin for Fiscal 2018 came in at 26.1% as compared to 28.0% for the same period last year, a decline of 190 basis points. The year-over-year decline was related to lower gross margins in the Automotive segment (25.6% vs. 27.4%), Premium Audio segment (31.0% vs. 33.0%) and Consumer Accessories segment (21.7% vs. 23.6%). Automotive segment gross margins were impacted by delays in the launch of new, EVO-based rear-seat infotainment programs, which were slated to begin early in the fiscal year but began late in the Fiscal 2018 third quarter, as well as higher aftermarket product sales, which tend to carry lower gross margins. Premium Audio segment gross margins were impacted by lower sales of higher margin commercial speakers, and lower margins associated with product close-outs to make way for newer models in the coming year. Offsetting these declines in the Premium Audio segment were higher sales of higher margin home entertainment speakers and systems. The decline in Consumer Accessories gross margin was primarily related to higher volume sales of fulfillment programs, higher freight charges and a one-time vendor settlement charge, among other factors.

Total operating expenses in Fiscal 2018 were \$151.4 million as compared to \$152.2 million in Fiscal 2017, an improvement of \$0.8 million or 0.5%. When comparing the Fiscal 2018 and Fiscal 2017 twelve-month periods, general and administrative expenses declined by \$0.6 million and engineering and technical support expenses declined by \$3.1 million. These improvements were partially offset by a \$2.9 million increase in selling expenses as the Company increased its advertising spend to support new product introductions.

The Company reported an operating loss of \$19.1 million in Fiscal 2018 as compared to an operating loss of \$8.2 million for the comparable Fiscal 2017 period. Total other expenses in Fiscal 2018 were \$5.0 million compared to \$0.8 million in Fiscal 2017. Within this, interest and bank charges declined by \$1.1 million due to a lower average outstanding balance on the Company's Credit Facility compared to Fiscal 2017. Following the sale of Hirschmann on August 31, 2017, the Company repaid its entire Credit Facility balance. Equity in income of equity investee increased by \$0.4 million year-over-year. Additionally, in Fiscal 2018, the Company recorded a \$1.4 million gain on its investment in Rx Networks. The big variance in total other expense was in other, net, driven primarily by net losses on foreign currency, which amounted to \$8.8 million in Fiscal 2018 as compared to \$0.5 million in Fiscal 2017. Included in the foreign currency losses for the year ended February 28, 2018 are losses on forward contracts totaling \$6.6 million which were incurred in conjunction with the sale of Hirschmann.

## **VOXX International Corporation Reports its Fiscal 2018 Fourth Quarter and Year-end Financial Results**

The Company reported a net loss from continuing operations of \$6.7 million in Fiscal 2018 as compared to a net loss of \$9.3 million in Fiscal 2017. Net income from discontinued operations in Fiscal 2018 was \$34.6 million as compared to net income of \$6.1 million in Fiscal 2017. As a result, net income attributable to VOXX International Corporation in Fiscal 2018 was \$35.3 million as compared to \$4.4 million in Fiscal 2017.

In Fiscal 2018, the Company reported earnings per share attributable to VOXX International Corporation of \$1.45 on a basic per share basis and \$1.44 on a diluted per share basis as compared to earnings per basic and diluted share attributable to VOXX International Corporation of \$0.18 in Fiscal 2017.

In Fiscal 2018, the Company reported EBITDA of \$41.1 million as compared to EBITDA of \$30.1 million in Fiscal 2017, an increase of \$11.0 million. Adjusted EBITDA in Fiscal 2018 was \$10.7 million as compared to Adjusted EBITDA of \$30.9 million in Fiscal 2017.

#### Discontinued Operations

On August 31, 2017, the Company completed its sale of Hirschmann Car Communication GmbH and its subsidiaries (collectively, "Hirschmann") to a subsidiary of TE Connectivity Ltd. The consideration received by the Company was €148.5 million. The purchase price, at the exchange rate as of the close of business on the Closing Date approximated \$177.0 million and is subject to adjustment based upon the final working capital. The Hirschmann subsidiary group, which was previously included within the Automotive segment, qualified to be presented as a discontinued operation in accordance with ASC 205-20 beginning in the Company's second quarter ended August 31, 2017 and is reflected as such during the three and twelve months ended February 28, 2018, February 28, 2017 and February 29, 2016.

#### Balance Sheet Update

For the period ended February 28, 2018, the Company had cash and cash equivalents of \$51.7 million as compared to cash and cash equivalents of \$1.0 million as of February 28, 2017, an increase of \$50.8 million. Additionally, cash and cash equivalents increased by approximately \$14.2 million since the end of the Company's Fiscal 2018 third quarter.

Total debt as of February 28, 2018 was \$18.9 million, an improvement of \$91.6 million as compared to February 28, 2017, as the Company used the net proceeds from the sale of Hirschmann to reduce the majority of its total debt position and all of its borrowings outstanding under its domestic credit facility. Total long-term debt as of February 28, 2018 was \$8.5 million as compared to \$97.7 million as of February 28, 2017, an improvement of \$89.3 million. Further details can be found in Footnote 7 of the Company's Form 10-K which was just recently filed with the Securities and Exchange Commission.

#### Conference Call and Webcast Information

VOXX International will be hosting its conference call on Tuesday, May 15, 2018 at 10:00 a.m. Eastern. Interested parties can participate by visiting [www.voxxintl.com](http://www.voxxintl.com), and clicking on the webcast in the Investor Relations section or via teleconference (toll-free: 877-303-9079; international: 970-315-0461 / conference ID: 8178606).

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### **Non-GAAP Measures**

EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share are not financial measures recognized by GAAP. EBITDA represents net income (loss), computed in accordance with GAAP, before interest expense and bank charges, taxes, and depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for stock-based compensation expense, gains on the sale of discontinued operations, losses on forward contracts, investment gains, impairment charges, as well as costs and bargain purchase gains relating to our acquisitions. Depreciation, amortization, stock-based compensation, bargain gains and impairment charges are non-cash items. Diluted Adjusted EBITDA per common share represents the Company's diluted earnings per common share based on Adjusted EBITDA.

We present EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this Form 10-K because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and diluted adjusted earnings per common share help us to evaluate our performance without the effects of certain GAAP calculations that may not have a direct cash impact on our current operating performance. In addition, the exclusion of certain costs or gains relating to non-recurring events allows for a more meaningful comparison of our results from period-to-period. These non-GAAP measures, as we define them, are not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share should not be assessed in isolation from, are not intended to represent, and should not be considered to be more meaningful measures than, or alternatives to, measures of operating performance as determined in accordance with GAAP.

### **About VOXX International Corporation**

VOXX International Corporation (NASDAQ: VOXX) has grown into a worldwide leader in the Automotive, Consumer Electronics and Accessories, and Premium Audio industries. Today, the Company has an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and many of the world's leading automotive manufacturers. The Company has an international footprint and a growing portfolio, which comprises over 30 trusted domestic and global brands. Among the Company's brands are VOXX Automotive, Klipsch®, RCA®, Invision®, Rosen®, Audiovox®, Terk®, Acoustic Research®, Advent®, Code Alarm®, 808®, Prestige®, EyeLock, Jamo®, Energy®, Mirage®, Mac Audio®, Magnat®, Heco®, Schwaiger®, and Oehlbach®. For additional information, please visit our Web site at [www.voxintl.com](http://www.voxintl.com).

### **Safe Harbor Statement**

*Except for historical information contained herein, statements made in this release that would constitute forward-looking statements may involve certain risks and uncertainties. All forward-looking statements made in this release are based on currently available information and the Company assumes no responsibility to update any such forward-looking statements. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. The factors include, but are not limited to risks that may result from changes in the Company's business operations; our ability to keep pace with technological advances; significant competition in the automotive, premium audio and consumer accessories businesses; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; foreign currency fluctuations and concerns regarding the European debt crisis; restrictive debt covenants; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that stockholders or regulatory authorities may initiate*

### **VOXX International Corporation Reports its Fiscal 2018 Fourth Quarter and Year-end Financial Results**

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*proceedings against VOXX International Corporation and/or our officers and directors as a result of any restatements. Risk factors associated with our business, including some of the facts set forth herein, are detailed in the Company's Form 10-K for the fiscal year ended February 28, 2018.*

**Company Contact:**

Glenn Wiener, President

GW Communications

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**VOXX International Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
**February 28, 2018 and February 28, 2017**  
*(In thousands, except share data)*

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	February 28, 2018	February 28, 2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 51,740	\$ 956
Accounts receivable, net	81,116	79,971
Inventory, net	117,992	122,352
Receivables from vendors	493	634
Prepaid expenses and other current assets	14,007	12,332
Income tax receivable	511	1,596
Assets held for sale, current	—	55,507
Total current assets	265,859	273,348
Investment securities	4,167	10,388
Equity investments	21,857	21,926
Property, plant and equipment, net	65,259	65,589
Goodwill	54,785	53,905
Intangible assets, net	150,320	154,939
Deferred tax assets	24	23
Other assets	13,373	1,699
Assets held for sale, non-current	—	86,669
Total assets	<u>\$ 575,644</u>	<u>\$ 668,486</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 34,700	\$ 46,244
Accrued expenses and other current liabilities	36,350	32,110
Income taxes payable	2,587	703
Accrued sales incentives	14,020	13,154
Current portion of long-term debt	7,730	9,215
Liabilities held for sale, current	—	28,641
Total current liabilities	95,387	130,067
Long-term debt, net of debt issuance costs	8,476	97,747
Capital lease obligation	699	926
Deferred compensation	3,369	3,844
Deferred tax liabilities	12,217	27,627
Other tax liabilities	2,191	3,194
Other long-term liabilities	3,187	2,125
Liabilities held for sale, non-current	—	11,641
Total liabilities	125,526	277,171
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (see Note 9)	—	—
Common stock:		
Class A, \$.01 par value; 60,000,000 shares authorized, 24,106,194 and 24,067,444 shares issued and 21,938,100 and 21,899,370 shares outstanding at February 28, 2018 and February 28, 2017, respectively	256	256
Class B Convertible, \$.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	296,395	295,432
Retained earnings	194,673	159,369
Accumulated other comprehensive loss	(14,222)	(43,898)
Treasury stock, at cost, 2,168,094 and 2,168,074 shares of Class A Common Stock at February 28, 2018 and February 28, 2017, respectively	(21,176)	(21,176)
Total VOXX International Corporation stockholders' equity	455,948	390,005
Non-controlling interest	(5,830)	1,310
Total stockholders' equity	<u>450,118</u>	<u>391,315</u>

Total liabilities and stockholders' equity

<u>\$</u>	<u>575,644</u>	<u>\$</u>	<u>668,486</u>
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**VOXX International Corporation and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**Years Ended February 28, 2018, February 28, 2017 and February 29, 2016**  
*(In thousands, except share and per share data)*

	Year Ended February 28, 2018	Year Ended February 28, 2017	Year Ended February 29, 2016
Net sales	\$ 507,092	\$ 514,530	\$ 530,206
Cost of sales	374,795	370,500	386,670
Gross profit	<u>132,297</u>	<u>144,030</u>	<u>143,536</u>
Operating expenses:			
Selling	45,999	43,108	43,576
General and administrative	78,957	79,573	84,234
Engineering and technical support	26,440	29,517	22,923
Intangible asset impairment charges	0	0	9,070
Acquisition related costs	<u>0</u>	<u>0</u>	<u>800</u>
Total operating expenses	<u>151,396</u>	<u>152,198</u>	<u>160,603</u>
Operating loss	<u>(19,099)</u>	<u>(8,168)</u>	<u>(17,067)</u>
Other (expense) income:			
Interest and bank charges	(6,009)	(7,105)	(7,898)
Equity in income of equity investee	7,178	6,797	6,538
Investment gain	1,416	—	—
Gain on bargain purchase	—	—	4,679
Other, net	<u>(7,590)</u>	<u>(454)</u>	<u>576</u>
Total other (expense) income, net	(5,005)	(762)	3,895
Loss from continuing operations before income taxes	(24,104)	(8,930)	(13,172)
Income tax (benefit) expense from continuing operations	<u>(17,445)</u>	<u>338</u>	<u>(2,351)</u>
Net loss from continuing operations	<u>\$ (6,659)</u>	<u>\$ (9,268)</u>	<u>\$ (10,821)</u>
Net income from discontinued operations, net of tax	<u>34,618</u>	<u>6,066</u>	<u>4,758</u>
Net income (loss)	<u>\$ 27,959</u>	<u>\$ (3,202)</u>	<u>\$ (6,063)</u>
Less: net loss attributable to non-controlling interest	<u>(7,345)</u>	<u>(7,624)</u>	<u>(3,381)</u>
Net income (loss) attributable to VOXX International Corporation	<u>\$ 35,304</u>	<u>\$ 4,422</u>	<u>\$ (2,682)</u>
Other comprehensive income (loss):			
Foreign currency translation adjustments	28,804	(3,194)	(5,702)
Derivatives designated for hedging, net of tax	(698)	210	(2,440)
Pension plan adjustments, net of tax	1,496	(180)	640
Unrealized holding gain (loss) on available-for-sale investment securities arising during the period, net of tax	<u>74</u>	<u>(17)</u>	<u>20</u>
Other comprehensive income (loss), net of tax	<u>29,676</u>	<u>(3,181)</u>	<u>(7,482)</u>
Comprehensive income (loss) attributable to VOXX International Corporation	<u>\$ 64,980</u>	<u>\$ 1,241</u>	<u>\$ (10,164)</u>
Earnings (loss) per share - basic:			
Continuing operations	<u>\$ 0.03</u>	<u>\$ (0.07)</u>	<u>\$ (0.31)</u>
Discontinued operations	<u>\$ 1.43</u>	<u>\$ 0.25</u>	<u>\$ 0.20</u>
Attributable to VOXX International Corporation	<u>\$ 1.45</u>	<u>\$ 0.18</u>	<u>\$ (0.11)</u>
Earnings (loss) per share - diluted:			
Continuing operations	<u>\$ 0.03</u>	<u>\$ (0.07)</u>	<u>\$ (0.31)</u>
Discontinued operations	<u>\$ 1.41</u>	<u>\$ 0.25</u>	<u>\$ 0.20</u>
Attributable to VOXX International Corporation	<u>\$ 1.44</u>	<u>\$ 0.18</u>	<u>\$ (0.11)</u>
Weighted-average common shares outstanding (basic)	<u>24,290,563</u>	<u>24,160,324</u>	<u>24,172,710</u>
Weighted-average common shares outstanding (diluted)	<u>24,547,246</u>	<u>24,160,324</u>	<u>24,172,710</u>

**VOXX International Corporation and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income (Loss)**  
**Three Months Ended February 28, 2018 and February 28, 2017**  
*(In thousands, except share and per share data)*

	<b>Three-Months Ended February 28, 2018</b>	<b>Three-Months Ended February 28, 2017</b>
Net sales	\$ 122,236	\$ 124,894
Cost of sales	90,023	88,928
Gross profit	32,213	35,966
Operating expenses:		
Selling	11,194	10,721
General and administrative	19,862	21,326
Engineering and technical support	6,142	7,626
Total operating expenses	37,198	39,673
Operating loss	(4,985)	(3,707)
Other (expense) income:		
Interest and bank charges	(1,159)	(1,911)
Equity in income of equity investee	1,444	1,513
Other, net	182	(318)
Total other income (expense), net	467	(716)
Loss from continuing operations before income taxes	(4,518)	(4,423)
Income tax (benefit) expense from continuing operations	(12,914)	3,522
Net income (loss) from continuing operations	8,396	(7,945)
Net income from discontinued operations, net of tax	2,276	5,649
Net income (loss)	10,672	(2,296)
Less: net loss attributable to non-controlling interest	(1,913)	(2,206)
Net income (loss) attributable to VOXX International Corporation	\$ 12,585	\$ (90)
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,135	(26)
Derivatives designated for hedging, net of tax	262	(30)
Pension plan adjustments, net of tax	(192)	(224)
Unrealized holding loss on available-for-sale investment securities arising during the period, net of tax	—	(13)
Other comprehensive income (loss), net of tax	1,205	(293)
Comprehensive income (loss) attributable to VOXX International Corporation	\$ 13,790	\$ (383)
Earnings (loss) per share - basic:		
Continuing operations	\$ 0.42	\$ (0.24)
Discontinued operations	\$ 0.09	\$ 0.23
Attributable to VOXX International Corporation	\$ 0.52	\$ —
Earnings (loss) per share - diluted:		
Continuing operations	\$ 0.42	\$ (0.24)
Discontinued operations	\$ 0.09	\$ 0.23
Attributable to VOXX International Corporation	\$ 0.51	\$ —
Weighted-average common shares outstanding (basic)	24,316,103	24,160,324
Weighted-average common shares outstanding (diluted)	24,615,627	24,160,324

**Reconciliation of GAAP Net Income Attributable to VOXX International Corporation to EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per Common Share (2)**

	<b>Fiscal 2018</b>	<b>Fiscal 2017</b>	<b>Fiscal 2016</b>
Net income (loss) attributable to VOXX International Corporation	\$ 35,304	\$ 4,422	\$ (2,682)
Adjustments:			
Interest expense and bank charges (1)	5,169	6,860	7,960
Depreciation and amortization (1)	13,879	17,064	15,228
Income tax expense (benefit)	<u>(13,262)</u>	<u>1,759</u>	<u>(1,735)</u>
EBITDA	41,090	30,105	18,771
Adjustments:			
Stock-based compensation attributable to stock options and restricted stock	552	753	859
Gain on sale of discontinued operations	(36,118)	—	—
Loss on forward contracts attributable to sale of business	6,618	—	—
Investment gain	(1,416)	—	—
Intangible and long-lived asset impairment charges	0	—	9,070
Acquisition related costs	0	—	800
Gain on bargain purchase	<u>0</u>	<u>—</u>	<u>(4,679)</u>
Adjusted EBITDA	<u>\$ 10,726</u>	<u>\$ 30,858</u>	<u>\$ 24,821</u>
Diluted income (loss) per common share attributable to VOXX International Corporation	\$ 1.44	\$ 0.18	\$ (0.11)
Diluted adjusted EBITDA per common share attributable to VOXX International Corporation	\$ 0.44	\$ 1.28	\$ 1.03

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense, bank charges, as well as depreciation and amortization expense added back to net income (loss) have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC.

(2) EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this presentation are based on a reconciliation to Net income attributable to VOXX International Corporation, which includes net income (loss) from both continuing and discontinued operations for all periods presented. The Company sold its Hirschmann subsidiary on August 31, 2017.

**Reconciliation of GAAP Net Income Attributable to VOXX International Corporation to EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per Common Share (2)**

	<b>Three Months Ended February 28, Fiscal 2018</b>	<b>Three-Months Ended February 28, Fiscal 2017</b>
Net income (loss) attributable to VOXX International Corporation	\$ 12,585	\$ (90)
Adjustments:		
Interest expense and bank charges (1)	842	1,726
Depreciation and amortization (1)	2,717	4,349
Income tax expense (benefit)	(15,201)	1,977
<b>EBITDA</b>	<b>943</b>	<b>7,962</b>
Adjustments:		
Stock-based compensation attributable to stock options and restricted stock	107	185
<b>Adjusted EBITDA</b>	<b>\$ 1,050</b>	<b>\$ 8,147</b>
Diluted income (loss) per common share attributable to VOXX International Corporation	\$ 0.51	\$ —
Diluted adjusted EBITDA per common share attributable to VOXX International Corporation	\$ 0.04	\$ 0.34

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense, bank charges, as well as depreciation and amortization expense added back to net income (loss) have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC.

(2) EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this presentation are based on a reconciliation to Net income attributable to VOXX International Corporation, which includes net income (loss) from both continuing and discontinued operations for all periods presented. The Company sold its Hirschmann subsidiary on August 31, 2017.

THOMSON REUTERS

# FINAL TRANSCRIPT

Q4 2018 VOXX International Corp Earnings Call

EVENT DATE/TIME: MAY 15, 2018 / 2:00PM GMT

## CORPORATE PARTICIPANTS

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

**Glenn Wiener** -

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

## CONFERENCE CALL PARTICIPANTS

**Bruce Elephant** -

**Eric Landry** -

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

**Michael Hughes** -

**Thomas Graham Kahn** *Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer*

**Unidentified Participant** -

## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the VOXX International Fiscal 2018 Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn introduce your host for today's conference, Glenn Wiener. You may begin.

**Glenn Wiener** -

Thank you, Gigi. Good morning, and welcome to VOXX International's Fiscal 2018 Fourth Quarter and Year-End Results Conference Call. Our call today is being webcast live on our website, [www.voxintl.com](http://www.voxintl.com). We also have a replay available for those who aren't able to make today's call.

Speaking for management this morning will be Pat Lavelle, President and Chief Executive Officer; and Michael Stoehr, Senior Vice President and our Chief Financial Officer. Following their remarks, we'll have a Q&A session for those investors wishing to ask any questions, and by all means, please feel free to do so.

John Shalam, Chairman of the Board, is also with us today and will be available during the Q&A portion of the call.

Before we begin, I'd like to remind everyone that except for historical information contained herein, statements made on today's call and webcast that would constitute forward-looking statements are based on currently available

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information. The company assumes no responsibility to update any such forward-looking statements. And risk factors associated with our business are detailed in our Form 10-K for the period ended February 28, 2018.

At this time, I would like to turn the call over to our President and CEO, Pat Lavelle. Pat, please take it away.

**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director***

Thank you, Glenn, and good morning. What I'd like to focus on today is our strategy to improve both our business performance and our valuation. Mike will cover our year-end results and then I'll close with a few updates on programs within our business segments.

Many of you know from our conversations throughout the year, we spent most of the fiscal 2018 addressing long-term projects that we believe will unlock value in our company. The sale of Hirschmann was the first step. With that transaction, we paid down our credit facility in full, took further steps to reduce fixed expenses and ended the fiscal year with the cash and cash equivalents of close to \$52 million, nearly a \$51 million improvement year-over-year and a \$14 million improvement versus last quarter. Our total debt as of year-end was just under \$19 million from primarily mortgages on our facilities, an improvement of over \$91 million. And we have access to additional capital through our untapped credit facilities.

We have been continuing to evaluate the best ways of leveraging our strong balance sheet to put our company back on a growth trajectory while adding sustainable EBITDA and cash flow, which is essential both to our future and in building shareholder value. Our results over the past few years have been inconsistent. Some of that is on us, and some has been due to factors outside of our control. We've seen disruptive technology impact to our business, and both geopolitical issues and economic factors have definitely played a role. Additionally, when one business segment has been strong, often another has suffered weakness. For example, OEM safety recalls or timing issues associated with large-scale OEM launches, which often affect quarterly results.

We have had some dramatic swings in our performance from a net loss attributable to VOXX of \$2.7 million in 2016 to earnings of \$4.4 million in 2017. And this year, in fiscal 2018, net income attributable to VOXX was \$35.3 million due to the sale of Hirschmann. Our goal is to get our business profitable on an operating basis. I know there are some shareholders that believe a stock buyback is the best route to improving shareholder value, but we believe the best path forward is a threefold approach: one is to potentially monetize additional assets within our portfolio; two, make an acquisition or enter into a partnership to complement and strengthen our existing subsidiaries or assets, enabling us to leverage our infrastructure; and then to realign our business to drive synergies and further savings to make our operations more scalable, profitable and cash flow positive. To accomplish these goals, we have decided, at this time, to preserve our capital so that we're in a position to move on the right acquisition as well as be in a position to weather any potential downturn in the economy. Our financial strength allows us to be prudent in our evaluations. However, this does not preclude us from buying back our stock. We currently have approximately a 1.4 million share authorization in place. That said, we know our shares are significantly undervalued, especially when looking at the value of our assets. And yes, we do believe that a stock buyback might temporarily improve shareholder value, but at this time, we also believe that in the long run, shareholder value would be better served by a company on a solid growth track.

Looking ahead, I do believe we are positioned for modest growth as the R&D investments we've made in our Automotive segment have resulted in new programs, contributing to revenue for multiple year periods. Our Consumer Accessories segment now has higher volume programs in the health care market that could favorably impact future top line and gross margin dollars. We expect Premium Audio to decline modestly on the top line as we have made strategic decisions to cut back certain programs in relationships to protect margins. Based on this, we anticipate a much stronger bottom line performance by the Premium Audio group in fiscal 2019.

Of course, as we've seen in prior years, something can happen to impact our plans and so we continue to focus on the things that we can control: expenses, more efficient allocation of resources and cash generation. We have been continuing to take down our fixed costs and as indicated on our last call, we expect our overhead to be reduced by approximately \$10 million year-over-year with stronger consolidated margins.

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Mike is going to cover our results now, and then I'll come back with remarks on some of the bigger programs in the works, new products coming to market and what we see for our business in 2019. Mike?

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

Thanks, Pat. Good morning, everyone. Our fourth quarter and year-end results are detailed in our press release and our Form 10-K. Rather than review everything, I'll summarize our results of operations and highlight some of the key drivers and comparisons.

Fiscal 2018 revenue declined by 1.4%. Within our segments, Premium Audio increased by 3.4%, and Consumer Accessories increased by 1.4%. Many of our newer Premium Audio product lines helped drive category growth in fiscal 2018, particularly our HD wireless speakers, wireless soundbars and new heritage products from Klipsch.

Consumer Accessories sales were boosted by new programs from our Striiv wearables and new Project Nursery product sales. Wireless speakers also continued to sell very well, and our international business continued to be favorably impacted by the digital conversion in Europe for set-top boxes. As in prior years, some of our older legacy product lines declined due to lower volumes and, in many cases, good volume but lower price points. Where we experienced declines were in our Automotive segment, which was initially anticipated to grow year-over-year. The #1 reason is the timing of the new OEM programs, which I've spoken about in the past.

Our EVO Rear Seat Infotainment System was initially slated to begin in Q1, which didn't begin until late in Q3. I'm happy to report that the programs have started with more coming online.

Gross margins were down 190 basis points year-over-year, and as we previously stated, we cleared out inventory of older soundbars in the Premium Audio segment during the past -- first half of the year. Margins in the Automotive group declined as a result of product mix.

And we also had higher fulfillment sales in our Consumer Accessories segment. As Pat just mentioned, we are taking steps to reverse this trend in the coming fiscal year.

Expenses were lower in fiscal 2018. In the second half for the year, we took actions to lower expenses at EyeLock. Investment dollars were reallocated to support commercialization of their solutions and specifically to sort -- support programs the company is now working on, which Pat will cover in a few moments.

We reduced our consolidated G&A expenses, which is not fully apparent in fiscal 2018 as onetime severance payments were paid. These declines were offset by incremental marketing expenses, primarily to support new product lines and promotions. As a result of our actions, you should see further improvements on the expense line in fiscal 2019.

Total other expenses of \$5 million in fiscal 2018 was a \$4.3 million increase year-over-year. The biggest change was in other net. Fiscal 2018 includes net losses on foreign currency of \$8.8 million compared to a net loss of \$500,000 in fiscal 2017. Included in the fiscal 2018 foreign currency losses were losses on forward contracts totaling \$6.6 million in conjunction with the Hirschmann sale. Additionally, interest and bank charges were decreased by \$1.1 million due to lower average outstanding balances on our credit facility, which was paid in full following our sale of Hirschmann on August 31.

Equity in income of equity investees from our 50% noncontrolling interest in ASA increased by approximately \$400,000 year-over-year. And in fiscal 2018, we realized a \$1.4 million gain on our investment in RxNetworks, which was sold in July 2017.

As we have stated, the new tax law impacts all U.S. corporate tax payers inclusive of VOXX. For VOXX, the new tax act has had a favorable result on our fiscal 2018 financial statements, including a tax benefit of \$17.4 million from continuing operations. For the fourth quarter, we recorded an income tax benefit of \$12.9 million. The tax benefit was the result of several components, including the impact of the lower federal tax rate on our deferred taxes, change in valuation reserves, change in uncertain tax positions, just to name a few. There is further information contained in our tax footnote in the 10-K on Page 19.

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Another positive impact is that we've been able to retain approximately \$42.3 million in NOLs and \$5.2 million of various tax credits for the coming fiscal year. We will continue to update our tax provision as further clarification from the IRS becomes available, but we expect our effective tax rate to differ from the current 21% corporate rate.

As a result of the gain on the sale of Hirschmann, we reported net income attributable to VOXX of \$35.3 million compared to \$4.4 million in the prior year. EBITDA was \$41.1 million compared to \$30.1 million. And adjusted EBITDA was \$10.7 million compared to \$30.9 million when taking into account: one, the impact of the gain on the sale of discontinued operations; two, the loss on forward contracts associated with that sale; and three, the gain on our sale of RxNetworks.

Pat provided a summary of our cash and debt positions, so I won't rehash these figures. All remaining debt relates to mortgages held by the company domestically and abroad along with our euro asset-based lending obligations to support our German operations. You will find all this information in the 10-K Footnote 7.

This concludes my remarks, and I'll now turn the call back over to Pat. Pat?

**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director***

Okay, thanks, Mike. A few closing remarks on our business. Within our Automotive segment, EVO Rear Seat Infotainment programs with GM and Ford are now live with several additional vehicles rolling out over the next year or so. And our programs with Mazda began in Q4. Nissan is still on track to begin in September 2018, and we are in discussions with other OEMs and for other vehicle models. Our eFob product is still in the development stage and 1 year or 2 away from revenue generation. However, we do have good partners and a program in place for the leading electric vehicle manufacturer, with talks underway with others.

Our aftermarket business has new programs that were launched at CES. I discussed all of these on our last call and would be more than happy to answer any questions. We maintain our market-leading position in Rear Seat Infotainment, and remote starts continue to perform well on a seasonal basis. Overall, our Automotive segment should increase modestly year-over-year.

In Premium Audio, HD wireless speakers, wireless soundbars, the Klipsch Heritage products and Jamo systems with upgraded designs and features should be drivers in fiscal 2019. Heritage speakers are making their way into high-end audio distribution channels. New Heritage soundbars were launched this spring, and we continue to expand Heritage headphones, speakers and amplifiers in select lifestyle segments and high-end distribution channels. We have a new ground-up series of Reference and Reference Premiere speakers and subwoofers debuting in the fiscal second quarter, and this fall, Klipsch will ship its first Google Voice Assistant product.

Our inventory position coming into this year is lower than last year, so Q1, and to a large extent, 2Q, will see margin improvements versus last year. However, as I indicated, we cut back on certain programs, and we expect to see a small decline in sales.

Our commercial business declined in fiscal 2018, and we are anticipating an improvement next year with a new program with Margaritaville, new program with iPic Theaters and an exciting new program to support all new Hard Rock Hotel launches.

Within Consumer Accessories, we'll continue to see some erosion across some of our older product lines, with quarterly fluctuations based on retail promotions. However, new products coming to market should offset erosion and offer strong potential over the coming years. The new RCA security and smart home products are in market now with more launching over the coming months.

We have the new Singstation audio program that has launched, and we'll have new products arriving this summer in time for holiday sales. And we should continue to see growth in our Project Nursery product line.

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Our wearable program, one of the country's largest healthcare insurers has begun, and we anticipate increased revenue from the addition of wearables from Samsung and Guard. Overall, the first half of the year in Consumer Accessories will be down, but we anticipate the second half of the year to show growth based on the wearable program, smart home and security programs and Singstation audio.

While our expenses and bottom line have been impacted by R&D investments at EyeLock, they are making advancements, and we are continuing to support further development of their technology and upcoming commercialization rollout. We expect to see increased revenue due to a new program with ViaTouch Media, who will launch their new Vicki, artificial intelligence vending machine with EyeLock embedded technology midyear. Additionally, EyeLock will introduce its new EXT perimeter access system designed to work outdoors and in any environment. A new mobile enrollment device will be bundled with NXT and EXT access systems and showcase at this year's Asia Show starting tomorrow.

Also, EyeLock technology is currently being tested in a number of applications from pharmaceutical storage units with multi-modes of biometric access controls to biometric authentication for tablets as well as security access points at airport checkpoints. Interest is growing. Demand for multifactor security is intensifying, and after years of investment, we believe the next 2 years we'll see revenue and royalty from EyeLock's impressive patent portfolio and commercialization efforts.

Iris has always been considered the most secure biometric authentication, and our recent progress proves iris can be cost-effective, fast and convenient in any environment where security is paramount.

In closing, we have a strategy in place, and we plan to remain disciplined in our approach and execute it to unlock value. We do anticipate profitability will be more consistent beginning in Q2 and throughout the balance of the year.

This concludes our prepared remarks, and we're now ready to open the call for questions.

## QUESTIONS AND ANSWERS

**Operator**(Operator Instructions)

And our first question is from James Medvedeff from Cowen and Company.

**James David Medvedeff Cowen and Company, LLC, Research Division - Associate**

So let me just ask a couple of questions about the gross margins, which were, interestingly, at the aggregate level, pretty much what I was looking for, but there were puts and takes within the segment. So -- for example -- what drove the -- so Automotive gross margin was above what I was expecting. What was the driver? I know it was down several hundred basis points year-over-year, but I think a little stronger than I was expecting. What's going on there?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Well, we launched some of the new programs later in the year that had some impact. But we had talked about the margins coming down somewhat because of the change in mix without Hirschmann in the mix. We performed a little bit better based on the mix of product that we remain with.

**James David Medvedeff Cowen and Company, LLC, Research Division - Associate**

Okay, that's fair. And the outlook there is for improved gross margin out of the cost of development, so it's behind you?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**Yes, we'll see -- now that we have the program started, we'll see some improvements in our margin due to absorption in our factory. So we'll see an improvement there. And we should also see some improvements in some of the R&D spend as we have launched a lot of these new vehicles.

**James David Medvedeff Cowen and Company, LLC, Research Division - Associate**

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Okay. Let me just switch to the revenue line for a minute and I'll only ask a couple of questions and let somebody else join the call. I thought I heard you say Consumer Accessories should be down year-over-year for the first couple of quarters. Is that correct?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Yes.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

But up for the full year?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

We're expecting -- with the new wearable program, there are, again, launch periods or signup periods that happen at the midyear and happen towards the end of the year. The midyear program does not have all the different wearables in it, but we do expect that by the end of the year, we will be able to launch additional wearables that will impact and give us greater revenue during that signup period.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

So order of magnitude, this was a \$40 million business in Q4, and it was a \$58 million business in Q3. Order of magnitude, how big can that health care those wearable bands? And you're already selling them. So how big of an impact can the new marketing partner have?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

This program is based on a fulfillment program. What I've said in the -- this is a fulfillment model. What I've said in the past, we'll see top line increase, but the margin will be lower than what we experienced in the Accessories segment. But overall, we should see a good impact to the profit dollars.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

Okay. And then let me just ask a quick one on expenses. You continue to control them, and I think -- when you said a \$10 million improvement in overhead. Is that -- Do I take that as operating expenses, \$10 million lower year-over-year?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Yes. That's -- I had indicated that on my last call that, that would be our target for this year. And when I look at the new budgets with the changes that we've made throughout the second half of last year and this year, we're seeing a drop of somewhere around \$6 million, okay, and then an additional dollars coming from other savings throughout the operation.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

I mean, on that, the additional \$4 million sold?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Everything is in place. All severance has been paid, so we're expecting to see that impact this year.

**Operator**

Our next question is from Eric Landry from BML.

**Eric Landry -**

So you own 8 buildings now, is that correct?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

6 buildings. Hirschmann had 2. When we exited Hirschmann, 2 buildings went.

**Eric Landry -** Okay. And is there one in Venezuela still?

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**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*  
Yes, there are some buildings in Venezuela, yes.

**Eric Landry** -  
So how do many buildings you own outside of Venezuela?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*  
6.

**Eric Landry** - Oh, you do own 6 outside of Venezuela?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*  
We do own 6 outside of Venezuela, yes.

**Eric Landry** - Any idea what the total square footage is of those 6 buildings?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*  
Let's see. Maybe 300,000 square feet.

**Eric Landry** -  
And that's warehouse and industrial or mostly industrial?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*  
Warehouse, offices, engineering.

**Eric Landry** -  
Okay. So you mentioned your tax rate will not be 21%. Any idea of what kind of a long-term tax rate you're looking at when you do make money?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*  
Mike, you want to add to that?

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*  
This is Mike speaking. Yes, I'll take that, Pat. Right now, it's because, as I mentioned with the NOLs, but per planning purposes, we tend to look at 21% as the Federal rate. We also have 2 European operations, which are profitable, so it will be high taxes over there. So for model purposes, use anywhere between 31% and 33%.

**Eric Landry** -  
31% and 33%.

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*  
Right. That will be inclusive of banking credits, foreign and that kind of stuff.

**Eric Landry** -  
Okay. I didn't hear the last comment.

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*  
I said during next year, it'll probably little bit lessen as we get -- we try to get an idea of what the IRS wants us to do.

**Eric Landry** -

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Okay. So your health band, I think it's Striiv. Is that -- how is that differentiated from, say, fitbit, from one of those other bands, if any?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

It has a certain software that we worked with Qualcomm on to have that embedded into the band so that it could provide the information that the insurer is looking for. It may not differ that much from fitbit, but it differs from a lot of other wearables.

**Eric Landry** -

Okay. On your EVO Infotainment product, when you introduced this to the OEMs, were you in competition with some other vendors for this product with other people introducing sort of the same thing?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

There are other suppliers, but there are no other suppliers that introduce a system with all the features, the streaming features and everything that are in the EVO product. So from a competition standpoint, there was no one that was offering what EVO is. They were offering maybe just a DVD player.

**Eric Landry** -

Okay. For those of us who are new -- kind of new to the story, would you mind sort of mentioning what it is that might make a dealer or a buyer want to spend the \$2,000 for this infotainment system?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Well, when you look at -- the functionality, as I said, this is not just a DVD player, okay? You can stream from your phone. You can stream from the hotspot in your car. You can go back and forth from one screen to the other. In future iterations, you'll see live TV in the vehicle. So what the consumer wants is content and not just content that may sit on a DVD, and EVO brings all the content that you may have at home. It can bring that into the car. And that -- from an entertainment standpoint, that is what drives this business.

**Eric Landry** -

Okay. Lastly, with regard to EyeLock. I see that G&A was largely unchanged year-over-year, and engineering and tech support actually went down a little bit. Are those trends that are going to persist in the future? Or are we looking at more G&A and more engineering technical support in fiscal 2019 for EyeLock?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Depending on some of the new wins, but a lot of our R&D is set for this year based on projects that we're working on. And as I've indicated, we're looking at bringing down our total spend for operating the company by approximately \$10 million.

**Eric Landry** -

And some of that it would be in EyeLock?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Oh, yes. Oh, yes.

**Operator** Our next question is from Thomas Kahn from Kahn Brothers.

**Thomas Graham Kahn** *Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer*

I have 3 questions for Mike Stoehr, please. Mike, the first question is, in the fourth quarter, as I look through these numbers, recurring operating earnings or loss from continuing operations. Am I right that, that was a negative 5?

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

5 what, million?

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**Thomas Graham Kahn Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer**

Yes, recurring operating earnings from continuing operations.

**Charles Michael Stoehr VOXX International Corporation - Senior VP, CFO & Director**

Yes, \$4.5 million.

**Thomas Graham Kahn Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer**

Okay, so I put a check next to that. Second question, for the full year...

**Charles Michael Stoehr VOXX International Corporation - Senior VP, CFO & Director**

That was prior to the allocation of expenses back to EyeLock for the point that we don't own. So we were at \$3 million, about \$2.6 million.

**Thomas Graham Kahn Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer**

Okay. Number two, for the years ended February '16, '17 and '18. With recurring operating earnings or loss from continuing operations, I show for '16 a negative \$17.1 million, and for '17 a negative \$8.2 million, and for '18 a negative \$19 million. Am I reading these numbers correctly, please?

**Charles Michael Stoehr VOXX International Corporation - Senior VP, CFO & Director**

Tom, I'm looking at the press release. Where are you getting that from?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Those are operating losses.

**Charles Michael Stoehr VOXX International Corporation - Senior VP, CFO & Director**

Operating losses. Sorry, I was looking at net loss. That's correct.

**Thomas Graham Kahn Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer**

Okay. Operating from continuing, those numbers are correct?

**Charles Michael Stoehr VOXX International Corporation - Senior VP, CFO & Director**

Yes.

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Yes.

**Thomas Graham Kahn Kahn Brothers Advisors LLC - President, Treasurer and Chief Compliance Officer**

Okay. So negative \$17 million, \$8.2 million and \$19 million, all negative. The third and last question I have is the gross profit margin. I see in Automotive, Premium Audio and Accessories the gross profit margin this year in all 3 of these businesses declined. Am I reading this correctly, please?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Yes.

**Operator** Our next question is from [Stephen Dennis], a private investor.

**Unidentified Participant** - I'm a very long-term investor in VOXX like at least 20 years. I got a question. I live down in Florida. I'm retired. What do I have to look forward to? The stock price is the same it's been 20 years ago. What do I have to look forward to?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Well, over the 20 years, we've seen the stock rise up to \$18, almost \$19, and then drop back. I think what -- the thing that we're looking at here, the company is in a transition. As we search out and move into new technologies

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that are going to take us into the future, those technologies require investment. And just answering Tom Kahn's comments, all of those losses were driven by: one, investment that we're making, and that is the investment in iris biometric. We believe that everyone will be authenticated by their biometric in the future. And iris biometric is the most secure way of identifying someone that is fast and easy to use. The only thing more secure is a DNA test. So we believe that we will continue to see adoption of iris, adoption of iris over facial, adoption of multimodal biometric authentication. We have a number of patents in and around that area through EyeLock. And EyeLock has demonstrated they have the fastest and the greatest standoff distance of any iris authentication system on the market. So that's a bet we're making, that this new technology will be ubiquitous in everything that we do and that will have a great impact to the company in the future. The other investments that we've made, our investments into the OEM space. The OEM business is one that gives us real volume and stability. As you know, you've been an investor for 20 years, that the aftermarket in many ways starts a new business, but after some period of time, the business in the aftermarket declines because the car manufacturer makes it part of their system, either a standard or a standard option. The growth for us is in continuing to improve our OEM business with our infotainment systems, our eFob, which is phone as a key, which is another thing that you will see car manufacturers adopt in the future. We are leading in that technology. And then finally, when you look at our Premium Audio space, our Premium Audio space, we're #1 at Klipsch. We have many new programs that I just referred to, one with Margaritaville, one with Hard Rock Hotels, and we continue to grow at retail. In the premium space, Klipsch is the #1 premium audio brand. And then when we look at the rest of the accessory business, our wearable program could have tremendous impact on us. Based on that program being adopted because of the number of insurers that are out there, this program does not have to be adopted across the board. A good percentage would yield significant new business. And then there's other programs that the teams are working on that will offset programs that are at end of life, programs that are sunseting, and as we introduce new programs that will take us into the future. So if you're looking at this company, we're well financed. We have a secure balance sheet. We are in new businesses that will take us into the future. And that's, in my estimation, the reason why you should -- you will see an improvement in this company and in your valuation over the years.

**Unidentified Participant -**

Well. Thank you for that. I'll -- you just woke me up. I've been kind of asleep for 20 years. But I am not sure I have -- I don't know if I can afford to buy anymore because I don't have another 20 years. But anyway, okay, well, it sounds good, and I'll see if I want to do anything more.

**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director***

Good luck and thanks for your support.

**Operator**

Our next question is a follow-up from James Medvedeff from Cowen and Company.

**James David Medvedeff *Cowen and Company, LLC, Research Division - Associate***

I had intended to ask to about this earlier. So the debt was largely reduced at the end with the Hirschmann sale at the end of August, correct?

**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director***

Yes.

**James David Medvedeff *Cowen and Company, LLC, Research Division - Associate***

So I'm curious as to why the interest expense in Q4 was essentially the same as it was in Q3? Interest expense of \$1.15 million, actually a little larger than it was in Q3.

**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director***

Yes. Part of the interest expense that we've had in the second half of the year is we still have a factoring program in Germany. And part of those expenses are due to our German activity that we have with our Heco, Magnat and Mac Audio brands and Schwaiger and all that. So that would be, I think, one of the biggest impacts to our interest.

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**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

That's correct. Inside of our interest expense line that you see, there is also the debt discount from the amortization of the bank lines that go on, the mortgage payments that are being made on the properties in Florida. And also, we did have an increase in the lines in VOXX Germany, on the -- on asset base lines. And the company also has a program with Wells Fargo and Citibank for Best Buy and Walmart, in which we do sell the receivables to them at a discount. We had some good volume with them in our fourth quarter.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

I am just a little bit, I mean, you paid off \$90 million of debt in the year, \$91 million. And the interest expense only fell by -- I mean, you went from well over \$100 million of debt at the end of fiscal '17 to virtually -- \$19 million of mortgage debt at the end of '18, and the interest expense only went down a little bit.

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

And that would be down in the fourth quarter.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

Okay. So more importantly, how do I think about it going forward? Does this stay...

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

Just so you know that the fourth quarter, the interest dropped about \$1 million, so we had that stuff out. We had the facilities outstanding right to the 30th of November. So what you're going to see is now you'll see, if you take that \$90 million that we paid off, assume that the average rate was about 3%, I think that's what we were paying last year if I remember. Rates hadn't risen yet. So you're looking at about 2.7% in interest reduction, all right? And we just renewed our bank -- we did some changes on the bank lines and dropped the unused fee so that should drop off a little bit.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

So going forward, this interest expense line will be smaller is what I'm hearing?

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

That's correct.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

Like half?

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

No. I would say we'd take out the interest, take out about to between \$2.7 million to \$3 million.

**James David Medvedeff** *Cowen and Company, LLC, Research Division - Associate*

For the full year?

**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director*

For the full year.

**Operator**

Our next question from Mike Hughes from SGF Capital.

**Michael Hughes -**

First thing, you referenced severance. Could you give us a ballpark number for the year and then maybe for the fourth quarter, so we can kind back that out?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

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We had about \$2.3 million, \$2.4 million in severance for the year. And the fourth quarter was approximately, I want to say, close to \$900,000.

**Michael Hughes** - Okay. What should that look like for the coming year?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Right now, that should not repeat.

**Michael Hughes** -

Okay, good, good. And then EyeLock. I think last year, it generated about \$335,000 in revenue. It sounds like that number is going to ramp over the next 12 to 24 months. Can you give us some rough idea of what that should look like a few quarters out?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

The business for this year that we've -- obviously, the EXT should be out later in the year, maybe October, November time frame. So we won't see any revenue on that until then. The ViaTouch Media program, first units are launching later this month, sometime possibly first week of June. And then it's going to -- we're going to see how fast that system ramps. They have some pretty strong numbers and that would be impactful to us. I can't give you any more than that.

**Michael Hughes** -

Okay. And then kind of stepping back. If the technology is a superior, as you're indicating and I have no doubt what you're saying is true. Why do you think there hasn't been better market receptivity to it?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Well, this market reception to iris has been -- the iris has been adopted. I think part of EyeLock's program over the years is that they focused on perimeter access and those types of devices. And only over the last 2 years were we able to focus on embedded solutions in other people's products and embedded solutions into smartphones. And that's where you see other types of biometrics being used at this particular point. We've seen Apple introduce facial. But we are seeing that multimodal authentication is what is being asked for now. And I think iris is going to be part of that multimodal biometric. We have been able to demonstrate most recently, again, a much improved standoff distance, okay, and a quicker authentication, which will rival facial. And when you get into a high-end security situation where you're looking for maximum security, iris is going to be a winner. A double iris live eye scan has got one in 2.5 trillion false positives. That's the most secure system out there.

**Michael Hughes** -

Okay. And then just on the Consumer Accessories business. EyeLock has consolidated within that entity, correct?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Yes.

**Michael Hughes** -

Okay. So if I back up the EyeLock's losses from that division, the loss was close to \$8 million, which is significantly worse than the prior year. I am just -- I know this came up on the last call from one of your large shareholders. And I think his term was its kind of a me-too business. So it does seem to be the case. What are your plans for this business? Do you consider it a strategic asset? Or would you consider divesting of it?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Look, as I've indicated, all of our businesses we look at on a regular basis as to whether or not we want to grow them or we want to divest, take the money and move it into other areas. The accessory business is a group of different companies. It's not just the reception business, and it's not just the remote business or Bluetooth speaker business. EyeLock is a big component of it. But we also have other programs that didn't generate any real revenue but had start-up cost like our wearable program. That's an investment that we're making in this space. So those

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losses come from other programs other than EyeLock where we're trying to grow new businesses. And I think that what we'll see this year is as EyeLock improves and as those other businesses take hold, you'll see an improvement there.

**Michael Hughes -**

Okay. And when you say start-up losses from, for example, the wearables, are you talking R&D? Could you just be more specific where are you generating the start-up losses from related to that program?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Some R&D in the beginning of the program, but we also had to get set up to be HIPAA compliant, high trust because it's an insurance company we're working with. So we had to bring our warehouses and our shipping facilities up to speed, and those investments were made last year.

**Michael Hughes -**

And you're using -- I assume you're using an outside contract manufacturing partner for that?

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Oh, yes.

**Operator**

Our next question is from David Williamson, a private investor.

**Unidentified Participant -**

The last conference call, it was mentioned that EVO was to be about half of the auto division sales. So the current auto division sales are now at about, we'll call it, \$150 million a year. Then EVO would add \$150 million, so then EVO's \$150 million would be \$150 million on \$300 million, which would be 1/2. Is that -- how you...

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

No, no, no. If the business is \$150 million and it represents about half, it's about \$75 million. And that is our mobile video category.

**Unidentified Participant -**

Okay. Real quickly, the net cash, when I take the \$52 million of cash and I take the \$22 million of equity investment from the balance sheet, subtract the \$19 million of debt, I get about \$55 million of net cash and securities, which is about \$2.25 net cash per share. When I add that to the passive income of ASA, that's \$7 million a year. So that would be at a 10 PE about \$70 million value or -- which is about \$2.80 per share. And if I add that \$2.80 per share to the \$2.25 net cash per share, I get about \$5 a share. And so if that is basically the case, that means that Klipsch's \$150 million sales, the auto division's \$150 million of sales and the EVO's sales ramp and the EyeLock's sales ramp are all for free at the stock price of around \$5. Please discuss that.

**Patrick M. Lavelle VOXX International Corporation - President, CEO & Director**

Well, the thing is there's no question that when we look at the share price that the shares are undervalued. And then -- even if we look at the value of each independent asset, we push the share price way up, above where it is right now. So what we're looking at obviously is what we do with the cash that we have. Obviously, there are investments that we need to make to continue to grow the business. And that's one of the reasons why we have not ruled out a stock buyback to strengthen the shares, remove some of the shares on the market, and we would see an immediate [pop]. But the main thing that we're looking at is the long-term value of the company. And I think as we improve our operating profit and improve the overall EBITDA of the company, you're going to see an improvement in the share price.

**Unidentified Participant -**

Super, super. Real quickly on Klipsch. The goal after acquiring it in 2011 was for about 15% EBITDA margins. Is that still that area of margin the goal roughly?

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**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Yes, I would think that as far as the goal, yes. Their sales are going to be somewhat lower because in order for them to maintain and protect margins for themselves and their customers, we have to control where the product goes and what type of distribution. So that's one of the reasons we canceled some programs that were not as profitable as we wanted it to be. So what we're looking at is an improvement on the bottom line at Klipsch, which we think will be much better next year when we look at the margin structure on sales that are somewhat off where they were.

**Unidentified Participant -**

Okay. Lastly, was the EyeLock iris scanner on the Samsung S9 phone and the company had just not recognized that revenue yet because of the way Samsung doesn't release which suppliers they use until months after it's actually gone on a phone?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

We are not on the -- that is not our technology, the Samsung phone. That is their own.

**Unidentified Participant -**

It is their own. Okay.

**Operator**

Our next question is from Bruce Olephant from Oppenheimer.

**Bruce Olephant -** We have 2 weeks remaining in the first quarter, and I'm sure you have some idea of how the first quarter is looking. I'm just wondering if you can give us some kind of color?

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

In my remarks, I had indicated that we would expect that the second, third and fourth quarter, you will see some of the improvements. Our first quarter is generally not terribly strong, so we would see that, but some of the new products that we have, again, there's an enrollment period in the second quarter, there's an enrollment period in the third quarter. So we expect to see some improvement there in our accessory business. And as the summer heats up, we'll start to see improvement in some of the accessories sales and in the Premium Audio space.

**Bruce Olephant -**

The only thing I want to say is that we all agree -- I'm a long-term shareholder too. We all agree that the stock is very undervalued. We have the same motivation for the stock to go up. And I just feel being in all these conference calls over these years is that the company should show us -- we are a publicly-traded company, and the company should do something to show shareholders that they care about shareholder value. And with \$51.7 million in cash and how you've strengthened your balance sheet, I'm sure you can use some of those proceeds to buy back stock. Because I just feel that if through all these years and hearing all these conference call, I'm just not motivated at all. There's no motivation at all for me to continue to be in the stock or even consider buying more because sometimes an equity is cheap and it remains cheap because management just doesn't take any action.

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Well, as I indicated, we are not ruling out a -- we have an authorization for 1.4 million shares. And as I indicated, if the plans start to materialize, as we see and as we're projecting in the year, we may make a move and buy back the stock.

**Bruce Olephant -**

And the other question I want to ask you is that, is there any plan to increase a program for Investor Relations because I noticed that the stock has very little coverage on Wall Street.

**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director*

Yes, that is something that we will address this year.

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**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may now disconnect.