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): October 11, 2016

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

Delaware	**0-28839**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)

13-1964841
(IRS Employer Identification No.)

2351 J Lawson Blvd., Orlando, Florida	**32824**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (800) 654-7750

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 file 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(e))

Item 2.02 Results of Operations and Financial Condition.

On October 11, 2016, Voxx International Corporation (the “Company”) issued a press release announcing its earnings for the three months ended August 31, 2016. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

On October 13, 2016, the Company held a conference call to discuss its financial results for the three months ended August 31, 2016. 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

Exhibit No.	Description
99.1	Press Release, dated October 11, 2016, relating to VOXX International Corporation's earnings release for the three months ended August 31, 2016 (filed herewith).
99.2	Transcript of conference call held on October 13, 2016 at 10:00 am (filed herewith).

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: October 14, 2016

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

FOR IMMEDIATE RELEASE

VOXX INTERNATIONAL CORPORATION REPORTS ITS FISCAL 2017 SECOND QUARTER RESULTS

HAUPPAUGE, NY, OCTOBER 11, 2016 - VOXX International Corporation (NASDAQ: VOXX), a leading global manufacturer and distributor of automotive and consumer lifestyle products, today announced its financial results for its Fiscal 2017 second quarter ended August 31, 2016.

Commenting on the Company's Fiscal 2017 performance, Pat Lavelle, President and CEO stated, "We reported year-over-year growth during the second quarter and remain on track to drive growth in our business this Fiscal year. While our Automotive segment is expected to be down slightly, most of it is timing related and we have new programs slated to begin towards the end of our Fiscal year. We were also awarded another $45 million in new contracts during the second quarter, bringing the total value of OEM awards received over the past three quarters to approximately $380 million. Our Consumer Accessories and Premium Audio segments posted strong growth, with new product introductions driving improvements, and load-in's for the all-important holiday season are looking good. With gross margins holding and continued cost controls in place, we expect Fiscal 2017 to show improved top- and bottom-line performance this year."

Fiscal 2017 Second Quarter Comparisons (for the three months ended August 31, 2016 and August 31, 2015)
Net sales for the Fiscal 2017 second quarter were $159.3 million, an increase of $5.1 million or 3.3% as compared to $154.2 million reported in the comparable year-ago period.

- Automotive segment sales were $79.9 million and $84.3 million for the Fiscal 2017 and Fiscal 2016 second quarters, respectively, representing a decline of $4.4 million or 5.3%. The Company previously sold all inventory and licensed its Jensen Mobile business during Fiscal 2016, which impacted net sales by $3.0 million during the quarter. The remaining decline was primarily due to lower OEM sales domestically as certain North American contracts reached the end of life. This was partially offset by an increase in tuner and antenna sales internationally at VOXXHirschmann.
- Premium Audio segment sales were $34.9 million and $30.2 million for the Fiscal 2017 and Fiscal 2016 second quarters, respectively, an increase of $4.7 million or 15.5%. The increase in sales was primarily related to the introduction of several new products, including HD wireless and Bluetooth speakers, soundbars with wireless subwoofers, as well as higher sales of home entertainment speakers and headphones.
- Consumer Accessories segment sales were $44.3 million and $39.1 million for the Fiscal 2017 and Fiscal 2016 second quarters, respectively, an increase of $5.1 million or 13.2%. This increase was due to higher sales of reception products, sales of the new 360Fly 4K Action Camera, the launch of the Company's Project Nursery baby monitors in the second quarter of Fiscal 2017, and higher sales internationally.

Gross margins for the Fiscal 2017 second quarter were 29.2%, consistent with the Fiscal 2016 second quarter. Automotive segment gross margins were 31.3%, an increase of 60 basis points due primarily to a shift in product mix given lower fulfillment sales. Premium Audio segment gross margins were 32.9%, an increase of 30 basis points due primarily to the introduction of new product lines. Consumer Accessories segment gross margins were 22.2%, a decrease of 80 basis points, primarily due to a shift in product mix domestically, partially offset by higher margins internationally.

Operating expenses for the Fiscal 2017 second quarter were $47.3 million, an improvement of $4.5 million or 8.7%, as compared to the Fiscal 2016 second quarter. The Fiscal 2016 second quarter included $6.2 million of intangible asset impairment charges and EyeLock's expenses in the Fiscal 2017 second quarter totaled $4.1 million.

Excluding the impact of the intangible asset impairment charges and EyeLock related expenses, core operating expenses declined by $2.4 million as the Company continues to institute various cost controls to improve bottom-line performance.

The Company reported an operating loss of $0.8 million as compared to an operating loss of $6.9 million in the Fiscal 2016 second quarter. Net income attributable to VOXX International Corporation for the three months ended August 31, 2016 was $3.0 million or $0.12 per basic and diluted share, as compared to a net loss of $4.4 million or a net loss per basic and diluted share of $0.18 in the comparable prior year period.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the Fiscal 2017 second quarter was $6.7 million as compared to an EBITDA loss of $1.7 million reported in the Fiscal 2016 second quarter, an improvement of $8.4 million. Adjusted EBITDA was $6.9 million as compared to $4.8 million for the comparable Fiscal 2017 and 2016 second quarter periods.

<u>Six-Month Comparisons (for the six-month periods ended August 31, 2016 and August 31, 2015)</u>

Net sales for the Fiscal 2017 six-month period were $314.7 million compared to $318.6 million reported in the comparable year-ago period, a decrease of $3.8 million or 1.2%. Excluding the impact of the sale of the Jensen inventory in the prior year and subsequent licensing of the Jensen brand, the Company would have reported an increase in net sales of $2.5 million.

- Automotive segment sales of $161.3 million declined by approximately $13.0 million for the comparable six-month period, though Jensen accounted for $6.3 million of the decline. The remainder was primarily due to declines in the North American market, offset by higher OEM sales internationally.
- Premium Audio segment sales for the Fiscal 2017 six month period were $67.0 million, an increase of $7.5 million or 12.6% as compared to the six-month period in Fiscal 2016. The increase was driven by the introduction of several new products over the past few quarters.
- Consumer Accessories segment sales of $86.0 million for the Fiscal 2017 six-month period increased $2.1 million or 2.5% as compared to the six-month period in Fiscal 2016. Higher sales of reception products, 360 Fly 4K Action Cameras and Project Nursery related products, as well as higher sales internationally, more than offset declines in other product categories.

The gross margin for the six-month period in Fiscal 2017 came in at 29.4% as compared to 29.2% for the same period last year, an increase of 20 basis points. Automotive segment gross margins of 30.6% increased 10 basis points; Premium Audio segment gross margins of 33.8% increased 150 basis points; and Consumer Accessories segment gross margins declined by 50 basis points, again, due to product mix.

Operating expenses for the Fiscal 2017 six-month period were $100.5 million as compared to operating expenses of $100.7 million in the comparable year-ago period, a decrease of $0.1 million. EyeLock related expenses for the Fiscal 2017 six-month period were $8.5 million, with approximately $4.1 million associated with engineering and technical support as the Company continues to build out its solutions portfolio and drive next-generation technology. Excluding the impact of EyeLock related expenses and the $6.2 million in intangible asset impairment charges recorded in the Company's Fiscal 2016 second quarter, core operating expenses declined by $2.4 million.

The Company reported an operating loss for the Fiscal 2017 six-month period of $7.9 million as compared to an operating loss of $7.6 million in the Fiscal 2016 six-month period, a change of $0.3 million. Net loss attributable to VOXX International Corporation for the Fiscal 2017 six-month period was $1.3 million, or a loss of $0.05 per basic and diluted share, as compared to a net loss of $5.1 million or a net loss per basic and diluted share of $0.21.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the Fiscal 2017 six-month period was $6.9 million as compared to EBITDA of $3.0 million reported in the comparable Fiscal 2016 period. Adjusted EBITDA was $7.2 million as compared to $9.7 million for the comparable Fiscal 2017 and 2016 six-month periods.

Non-GAAP Measures

EBITDA, Adjusted EBITDA and diluted adjusted EBITDA per common share are not financial measures recognized by GAAP. Adjusted EBITDA represents net loss, computed in accordance with GAAP, before interest and bank charges, taxes, depreciation and amortization, stock-based compensation expense, and impairment charges. Depreciation, amortization, stock-based compensation, 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 adjusted EBITDA and diluted adjusted EBITDA per common share in this Form 10-Q because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and diluted adjusted EBITDA 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 certain 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 appropriate measures for performance relative to other companies. Adjusted EBITDA should not be assessed in isolation from or construed as a substitute for net income (loss) prepared in accordance with GAAP. Adjusted EBITDA and diluted adjusted EBITDA per common share 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.

The Company will be hosting its conference call on Thursday, October 13, 2016 at 10:00 a.m. ET. Interested parties can participate by visiting www.voxxintl.com, and clicking on the webcast in the Investor Relations section or via teleconference (toll-free number: 877-303-9079; international: 970-315-0461 / conference ID: 91741268). For those unable to join, a replay will be available approximately four hours after the call has been completed and will last for one week (replay number: 855-859-2056; international replay: 404-537-3406 / conference ID: 91741268).

About VOXX International Corporation

VOXX International Corporation (NASDAQ:VOXX) has grown into a worldwide leader in many automotive and consumer electronics and accessories categories, as well as premium high-end audio. Today, the Company has an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and most of the world's leading automotive manufacturers. The Company has an international footprint in Europe, Asia, Mexico and South America, and a growing portfolio, which now comprises over 30 trusted brands. Among the key domestic brands are Klipsch®, RCA®, Invision®, Jensen®, Audiovox®, Terk®, Acoustic Research®, Advent®, myris®, Code Alarm®, Car Connection®, 808®, AR for Her®, and Prestige®. International brands include Hirschmann Car Communication®, Klipsch®, Jamo®, Energy®, Mirage®, Mac Audio®, Magnat®,

Heco®, Schwaiger®, Oehlbach® and Incaar™. For additional information, please visit our Web site at www.voxxintl.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 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 29, 2016.*

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- Tables to Follow -

VOXX International Corporation and Subsidiaries
Consolidated Balance Sheets

(In thousands)	August 31, 2016	February 29, 2016
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 4,851	$ 11,767
Accounts receivable, net	81,092	87,055
Inventory, net	160,833	144,028
Receivables from vendors	1,800	2,519
Prepaid expenses and other current assets	17,993	17,256
Income tax receivable	4,501	1,426
Total current assets	271,070	264,051
Investment securities	10,314	10,206
Equity investments	21,958	21,949
Property, plant and equipment, net	80,054	79,422
Goodwill	105,591	104,349
Intangible assets, net	181,858	185,022
Deferred income taxes	23	23
Other assets	2,106	2,168
Total assets	$ 672,974	$ 667,190
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 71,268	$ 55,790
Accrued expenses and other current liabilities	38,453	50,748
Income taxes payable	1,742	4,081
Accrued sales incentives	12,864	12,439
Current portion of long-term debt	10,840	8,826
Total current liabilities	135,167	131,884
Long-term debt, net of debt issuance costs	92,936	88,169
Capital lease obligation	1,178	1,381
Deferred compensation	4,237	4,011
Other tax liabilities	5,142	4,997
Deferred income tax liabilities	28,819	30,374
Other long-term liabilities	10,586	10,480
Total liabilities	278,065	271,296
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 24,067,444 shares issued and 21,899,370 shares outstanding at both August 31, 2016 and February 29, 2016	256	256
Class B Convertible, $.01 par value, 10,000,000 authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	294,721	294,038
Retained earnings	153,659	154,947
Non-controlling interest	5,200	8,524
Accumulated other comprehensive loss	(37,773)	(40,717)
Treasury stock, at cost, 2,168,074 shares of Class A Common Stock at both August 31, 2016 and February 29, 2016	(21,176)	(21,176)
Total stockholders' equity	394,909	395,894
Total liabilities and stockholders' equity	$ 672,974	$ 667,190

VOXX International Corporation and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Loss)

(In thousands, except share and per share data)

(unaudited)

	Three Months Ended August 31,		Six Months Ended August 31,	
	2016	**2015**	**2016**	**2015**
Net sales	$ 159,262	$ 154,174	$ 314,718	$ 318,557
Cost of sales	112,769	109,199	222,124	225,539
Gross profit	46,493	44,975	92,594	93,018
Operating expenses:				
Selling	11,115	10,680	23,779	23,718
General and administrative	24,903	26,303	51,974	53,994
Engineering and technical support	11,291	8,652	24,770	16,731
Intangible asset impairment charges	—	6,210	—	6,210
Total operating expenses	47,309	51,845	100,523	100,653
Operating loss	(816)	(6,870)	(7,929)	(7,635)
Other income (expense):				
Interest and bank charges	(1,870)	(1,625)	(3,565)	(3,192)
Equity in income of equity investees	1,545	1,457	3,353	3,075
Other, net	184	191	(328)	467
Total other income (expense), net	(141)	23	(540)	350
Loss before income taxes	(957)	(6,847)	(8,469)	(7,285)
Income tax benefit	(2,261)	(2,453)	(3,653)	(2,177)
Net income (loss)	1,304	(4,394)	(4,816)	(5,108)
Less: net loss attributable to non-controlling interest	(1,716)	—	(3,528)	—
Net income (loss) attributable to Voxx International Corporation	$ 3,020	$ (4,394)	$ (1,288)	$ (5,108)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(680)	1,764	3,516	(1,033)
Derivatives designated for hedging	(21)	(977)	(512)	(1,641)
Pension plan adjustments	6	(53)	(52)	(1)
Unrealized holding loss on available-for-sale investment securities, net of tax	(3)	—	(8)	(4)
Other comprehensive (loss) income, net of tax	(698)	734	2,944	(2,679)
Comprehensive income (loss) attributable to Voxx International Corporation	$ 2,322	$ (3,660)	$ 1,656	$ (7,787)
Net income (loss) per common share attributable to Voxx International Corporation (basic)	$ 0.12	$ (0.18)	$ (0.05)	$ (0.21)
Net income (loss) per common share attributable to Voxx International Corporation (diluted)	$ 0.12	$ (0.18)	$ (0.05)	$ (0.21)
Weighted-average common shares outstanding (basic)	24,160,324	24,193,606	24,160,324	24,173,733
Weighted-average common shares outstanding (diluted)	24,242,447	24,193,606	24,160,324	24,173,733

VOXX International Corporation and Subsidiaries

Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA

	Three Months Ended August 31,		Six Months Ended August 31,	
	2016	**2015**	**2016**	**2015**
Net income (loss) attributable to Voxx International Corporation	$ 3,020	$ (4,394)	$ (1,288)	$ (5,108)
Adjustments:				
Interest expense and bank charges (1)	1,722	1,625	3,310	3,192
Depreciation and amortization (1)	4,247	3,558	8,490	7,055
Income tax benefit	(2,261)	(2,453)	(3,653)	(2,177)
EBITDA	6,728	(1,664)	6,859	2,962
Stock-based compensation	188	257	363	487
Intangible asset impairment charges	0	6,210	0	6,210
Adjusted EBITDA	$ 6,916	$ 4,803	$ 7,222	$ 9,659
Diluted income (loss) per common share	$ 0.12	$ (0.18)	$ (0.05)	$ (0.21)
Diluted adjusted EBITDA per common share	$ 0.29	$ 0.20	$ 0.30	$ 0.40

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense and bank charges, as well as depreciation and amortization added back to Net Income (Loss) have been adjusted in order to exclude the non-controlling interest portion of these expenses attributable to EyeLock LLC.

VOXX International Corporation Fiscal 2017 Second Quarter Results
October 13, 2016

C: Glenn Wiener; GW Communications; Owner, IR
C: Pat Lavelle; VOXX International Corporation; President, CEO
C: Michael Stoehr; VOXX International Corporation; SVP, CFO

P: James Medvedeff; Cowen and Company; Analyst
P: Bill Caton; First Wilshire Securities Management, Inc.; Analyst

Presentation
Operator: Good day, ladies and gentlemen, and welcome to the VOXX International Results Conference Call.

(Operator Instructions)

As a reminder, this conference call is being recorded.

I would now like to turn the conference call over to Glenn Wiener, Investor Relations. Please go ahead, sir.

Glenn Wiener: Thank you, and good morning, everyone. Welcome to VOXX International's Fiscal 2017 Second Quarter Results Conference Call. Our call today is being webcast on our website, www.voxxintl.com, and can be accessed in the Investor Relations section. We also have a replay for those who are unable to join us this morning.

We filed our Form 10-Q with the Securities and Exchange Commission and issued our press release over PRNewswire yesterday. Both copies can be found on our website in the IR section under SEC Filings and News Releases, respectively.

Joining me this morning, and speaking for management, will be Pat Lavelle, our President and Chief Executive Officer; and Michael Stoehr, Senior Vice President and Chief Financial Officer. Both of whom will be available for questions after our prepared remarks.

Before I turn the call over to Pat, 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 information. The Company assumes no responsibility to update any such forward-looking statements. Risk factors associated with our business are detailed in our Form 10K for 2016 period ended February 29, 2016.

I want to thank you all for your continued support and interest in our company. We're excited with the road ahead. And at this time, I'd like to turn the call over to our CEO, Pat. Pat?

Pat Lavelle: Thank you, Glenn, and good morning, everyone. I'll begin today with a recap of our second quarter results, and then I'll follow with a few remarks on our outlook before turning the call over to Michael.

We reported a 3.3% increase in net sales, driven by growth in our Consumer Accessories and Premium Audio segments. While sales are off approximately 1% year-to-date, we're building momentum and we still expect to show year-over-year improvements. Our second quarter gross margins of 29.2% are consistent with last year's Q2, and in line with our budget. And our total expenses are down with $4.5

million, or close to 9%. This includes the addition of EyeLock expenses, and we continue to be vigilant in managing our cost structure.

We posted an operating loss of approximately $800,000 for the quarter; a more than $6 million improvement compared to last year's second quarter. And net income attributable to VOXX of $3 million marks a $7.4 million year-over-year improvement.

Lastly, we reported EBITDA of $6.7 million compared to an EBITDA loss of $1.7 million. And on an adjusted basis, our EBITDA of $6.9 million is up over $2 million. We are starting to see a positive shift in our business.

Looking at our segments, the Automotive sales were down $4.4 million for the quarter and $13 million for the six-month comparisons. When taking into account our licensing of Jensen, sales on an apples-to-apples basis were down $1.4 million for the quarter and $6.7 million for the six-month period. What's driving this is while aftermarket sales are lower due primarily to the Jensen licensing, our OEM sales were down slightly as well in certain North American market, where contracts are reaching end of life in fiscal 2017 with new launches scheduled for next year.

Internationally, sales of antenna and tuner products continue to grow. With the new contracts we've been awarded over the past one to two years alone, we are confident that this segment will be a growth driver for years to come.

I am pleased to report that during the second quarter, we were awarded additional OEM business valued at over $45 million, which includes further volume increases of our Bluetooth/WiFi antenna with Daimler and new antenna awards with Volkswagen, both existing customers with contracts spanning from 2017 through 2030; two new contracts with Audi for our LTE Automotive antennas; a smart antenna award with a leading satellite communication company, which will begin in our fiscal third quarter; and two awards with a new customer, which I cannot announce at this moment, but these are for two versions of our dual feed GNSS antenna.

And also for the second year in a row, we have been recognized by Daimler Trucks North America as one of the Masters of Quality Suppliers. The fact that only 7% of their suppliers have earned this prestigious award is a testament to our engineering, sales, and service capabilities.

Based on our year-to-date performance and recent reports on domestic vehicle sales, we now expect Automotive sales to be down for the year. However, those declines will be partially offset by growth in our international business. That said, the booked business we have and the expected start dates of the new programs makes us confident in our ability to drive growth in this segment next fiscal year and beyond.

Over the past three quarters alone, we've secured approximately $380 million of new business, and our pipeline continues to build. For the second quarter, our gross margins are holding firm, up 60 basis points. And our expenses are down over $700,000 as we've made cuts in our SG&A to fund R&D and product innovation. Even with the modest sales decline in Q2, profitability is consistent with last year's second quarter.

Net sales in the Consumer Accessories were up over 13% for the second quarter and up 2.5% through the first 6 months. Gross margins were down modestly, 80 basis points for the quarter and 50 basis points for the six months mainly due to product mix. The margin declines, however, were more than offset by actions we took to lower core overhead in light of the added expenses from EyeLock.

Some of the sales highlights for the quarter. Our reception category continues to perform well as we maintained our number one market share. We're starting to build momentum in sales of 360fly action cameras following the launch of our 4K model last quarter. We have added sales of our Project Nursery baby monitors, a new category for us this year, in the growing and lucrative baby market. And our international sales were also up, primarily due to upgrades to the digital broadcasting platform in Europe, prompting new equipment sales.

The third quarter has started off on the right foot, and we have a strong retail placement for the all-important holiday season. Our 808 brand of Bluetooth speakers has quickly grown to be one of the top three brands in the under $100 price segment. We have broadened our assortment, expanded retail distribution and have several new 808 branded products that will be unveiled at CES 2017.

I'm pleased to report the launch of the first ever combined TV reception device with a built-in WiFi extender, a new VOXX solution, which will be launched by two of our largest retail partners, Walmart and Best Buy. August marked the introduction of our Project Nursery branded line up. This, as I said, is a new category for us, and it will take time to build volume. However, initial feedback from our retail partners and consumers has been positive. We have promotions underway for our baby monitors, and we'll begin promotions for infant sight and sound projectors in Q3.

We also have a number of new product expansions planned for the calendar year 2017. We have a new partnership agreement with Striiv, a developer of wearable technology, another new market and technology. And we will manage the sales and distribution of the Striiv product lines, and expect sales to begin in our fiscal third quarter.

Lastly, EyeLock. September marked the first shipment of our perimeter access product to one of the largest financial institutions in the country. Tyco is our integration partner on this groundbreaking project. We also continue to work with a large government agency to develop a multimodal, next generation biometric identification solution.

Additionally, with the introduction of an iris solution on Samsung's Galaxy 7, we have received additional inbound interest regarding our technology. There is a lot of activity and even more potential, and we remained focused on building out our solutions portfolio for a number of large global markets with increased activity in the automotive, data center, and healthcare sectors.

We are most proud of the strides that we have made in Premium Audio. We made the investments that were needed to drive innovation, built out our leadership and technology teams, and entered new categories, all of which increased our potential.

Net sales for the quarter were up 15.5% and year-to-date are up 12.6%. Gross margins increased as well, 30 basis points for the quarter, and 150 basis points year-to-date. And expenses were down $6.9 million, although last year's second quarter included $6.2 million of noncash asset impairment charges for a net decrease of $700,000 in overhead for the quarter.

Driving the sales increases are higher volumes of our HD wireless and Bluetooth speakers; our newest soundbars, which include wireless subwoofers; our home entertainment speaker lines and headphone sales driven by our new Bluetooth models. International sales were off slightly, and we also had a modest timing related decline in sales of commercial speakers.

Overall, though, products introduced in last year's fourth quarter have continued throughout the first half of the year and we are selling well. We have every reason to believe this trend will continue. We have a good flow of orders carrying into the holiday season, and a number of new products, just a few, which were launched at the recent IFA and CES shows. We debuted our new Klipsch stream system, a complete line of soundbars, wireless speakers, audio converters, and amplifiers; all of which feature DTS Play-Fi multi-room wireless technology. We also showcased four new reference soundbars, each featuring HDMI 2.0 and the ability to pass-through 4K Ultra HD. And we introduced a line of dynamic landscape speakers and DSP amplifiers, designed for the custom installation market.

In summary, business conditions are improving. While sales are roughly in line with fiscal 2016 year-to-date, remember that we said as we began fiscal 2017 that we expected to see an increase in the second half, and that remains true. Our margins of 29.4% are up, and we continue to track to plan. And expenses are essentially flat year-to-date, and this includes approximately $8.5 million related to EyeLock.

We're effectively managing our business and our overhead, and we expect to be profitable in the second half of the year. Beyond that, we have a strong foundation to build on as we move into next year, especially with several new automotive contracts starting.

At this point, I will turn the call over to Michael to touch base on our balance sheet, and then we'll open it up for questions. Mike?

Michael Stoehr: Thanks, Pat. Good morning, everyone. I'd like to make just a few quick comments around our income statement, and then I'll address our balance sheet before we open up the call for questions.

As for the second quarter, we reported a $4.5 million decline in our operating expenses. Last year's second quarter included $6.2 million of intangible asset impairment charges, so the expenses were up $1.7 million excluding this. However, EyeLock added approximately $4.1 million of expenses during the quarter. Excluding the impairment charges and EyeLock-related expenses, our core overhead declined by $2.4 million.

I'd also like to point out that R&D expenditures totaled $8.7 million for the quarter, up $2.7 million versus quarter two of last year. EyeLock accounted for $2 million of the R&D increase, and the remainder was spread out throughout VOXXHirschmann and Premium Audio. For the six months, R&D increased by approximately $8 million.

There was little change in the other income expenses for the comparable quarters. Interest and bank charges increased by approximately $200,000, equity in income of equity investees increased approximately $100,000, and other net remained unchanged. We had an income tax benefit of $2.3 million in fiscal 2017 second quarter compared to $2.5 million in last year's comparable period.

However, during the three months ended August 31, 2016, and based on anticipated results for the full fiscal year and year-to-date losses, we do not believe fiscal 2017 will yield a tax benefit, and therefore, we are using 45.1% as the basis for our annual effective tax rate, excluding any discrete items. This is higher than the statutory rate of 35% primarily due to an income tax provision resulting from the increase in deferred tax liabilities related to indefinite-lived intangibles.

The effective tax rate for three and six months ended August 31, 2016, was a benefit of 236.3% and 43.1%, respectively, compared to a benefit of 35.8% and 29.9% respectively in the comparable prior periods.

At August 31, 2016, the Company had an uncertain tax position liability of $5.1 million, including interest and penalties. The unrecognized tax benefits include amounts related to various U.S. federal, state, and local and foreign tax issues. We reported net income of $1.3 million for the quarter compared to a net loss of $4.4 million. The net loss attributable to our non-controlling interest in EyeLock was $1.7 million, resulting in the net income attributable to VOXX of $3 million versus a net loss of $4.4 million, and an improvement of $7.4 million.

Our cash position as of July -- as of August 31, was $4.9 million versus $11.8 million as of February 29, 2016. Cash receivable net were $81.8 million, down $5.9 million. Our inventory position stood at $160.8 million, up $16.8 million, and this was principally due to a higher inventory in support of product load-ins planned for the third quarter within our Consumer Accessories and Premium Audio segments. As a result, our accounts payable net was $71.3 million, up $15.5 million.

Our total debt as of the quarter end, less our current portion of long-term debt and less debt issuance cost, stood at $92.9 million, as compared to $88.2 million, an increase of $4.7 million. The increase was primarily in our domestic credit facility, which amounted to $87.5 million at the quarter end, as compared to $72.3 million at our fiscal year-end. The main offsetting factor was the removal of $5.7 million mortgage associated with our mortgage repayment in conjunction with the amendment to our credit facility.

Additionally, our Euro asset-based line of credit declined by approximately $1 million. You can find a breakout of our debt position in Item 15 of our Form 10-Q. As of August 31, our excess availability related to our revolving credit facility borrowing base was $26.9 million versus $21.4 million as of May 31. As our company continues to generate cash flow from operations, we believe we have sufficient resources to support our EyeLock investment and the working capital needs of our company. Also, and as I've mentioned in my remarks last quarter, we expect to be generating positive operating income and EBITDA in fiscal 2017, and we'll invest strategically to drive growth and improve profitability and future cash flow.

Pat?

Pat Lavelle: Okay, Operator. We're ready to take calls.

Q&A

Operator: (Operator Instructions) James Medvedeff with Cowen & Company.

James Medvedeff: My first question is on the Automotive business. So, I think you said $380 million of new contracts in the last nine months, $45 million this quarter. But how should we think of -- and yet sales are down in that segment. When do the new contracts coming in, sort of take over from the old contracts rolling off, so that -- when should we begin to see some growth in that business?

Pat Lavelle: Yes, we expect to see growth in the next year. What happens normally is, as the -- within our North American business, as we reach the end of life for a particular project, the manufacturer slows down the purchasing in the product to move out their inventory, and then the new launch will start. We have launches scheduled in May of next year for a number of new vehicles with GM, and with Lincoln, where we have announced previously. And we believe that the volume generating by these new contracts, because they're on additional vehicles, more than what we have right now, will drive growth in our North American business. And within our European business, our book business is showing a fairly nice improvement as we look into our fiscal 2018, 2019, and 2020.

James Medvedeff: And then the gross margin in that business, up 60 basis points a year-over-year, but 130 basis points versus the first quarter. How sustainable is that and what's driving it?

Pat Lavelle: Normally what happens is, is that we are constantly starting new projects. I mean, new programs are coming in, and it's a bit of a product mix, where we have some higher margins in certain categories than in others. But I would expect that we would be able to maintain somewhere where we are right now, as far as our margins, as the new programs come in.

James Medvedeff: Premium Audio. I guess the main question I have there is the decline in gross margin versus the first quarter. Now maybe first quarter was unusually high, but could you just talk about how the -- sort of the progression of gross margin in that business?

Pat Lavelle: We expect the gross margins to stay pretty well constant. If you look back over our quarters, we're seeing gradual improvement, and this again comes -- as we introduce new product, we have the ability to set the new prices. So we're anticipating that we'll be able to hold margins pretty much where we are right now.

James Medvedeff: Okay. And so that would be a decline? You stated around 33% in your fiscal third quarter. That will be a decline year-over-year, is that -

Pat Lavelle: No, I think you're going to see us somewhere in the 33% to 34%.

James Medvedeff: And then, Consumer Accessories, again, a margin decline year-over-year and quarter-over-quarter. What's driving that?

Pat Lavelle: You're going to see that more as a normal. As we enter into some of the new products, some of them are more consumer electronics than consumer accessories, where you would generate higher margins on accessory products. So we have a mix of new product development, where we can see that it's falling into the accessory category or it's falling into the consumer electronic category. So with some of the new products that we are introducing, they're falling into the consumer electronics category, which will have a lower margin structure, but normally have a higher volume of sales.

James Medvedeff: So I think you covered the decline in -- I am sorry, you talked about R&D, and that was down nicely quarter-over-quarter, and it's nice to see that you're moving money out of G&A into R&D, I think that is the right thing. So -- but the question I have is G&A down sharply -- or couple of million year-over-year and couple of million quarter-over-quarter. Is this the new run rate for G&A? Or does that go back up in the second half?

Pat Lavelle: Well, if you recall in the statement that we made, we had a $6.2 million impairment last year, okay?

James Medvedeff: Right.

Pat Lavelle: So when you take that all into consideration, this is the run rate that we have right now. Yes, it will -- we're tweaking it. As we enter new categories, we need to bring on some new engineering resources and things like that. So I think we are going to be pretty consistent at this particular point in time. But as some of the new products take hold, we're going to have to support those new products with more engineering and things like that. So you'll see some increases in overhead in the Premium Audio space and possibly the accessory space.

And then, depending on the new projects and how we work the contracts, whether the NRE is in the selling price or whether the NRE comes in as a check, that will move the needle on our R&D within the Automotive space up and down. But all in all, I would say that we would stay pretty consistent. I'm not going to let the overhead expand too much, because, obviously, we've got -- we're focused on the bottom line.

James Medvedeff: And just a point of clarification on the tax rate. When you say 45%, is that for the remaining two quarters or is that what the full year average year?

Michael Stoehr: It's full year. That was the full year average. We looked at the third and fourth quarter, that there'll probably be tax charges because of the deferred tax credits with the intangibles. These are non-cash charges, by the way.

Operator: (Operator Instructions) And I am showing no further questions at this time.

Pat Lavelle: Okay, everyone. Well, I thank you for attending this morning and for your continued interest in VOXX. Hold on one second. What's that?

Glenn Wiener: Do we have some questions?

Operator: Bill Caton with First Wilshire.

Bill Caton: My question is on EyeLock. So through Tyco installation, you landed a financial institution. How do you think about that? Is it a small installation? Is it firm-wide at the financial institution? Any more detail you could talk about in terms of -

Pat Lavelle: I can't give too much detail because obviously it revolves around the security of the bank. But it is a number of locations, data point, data rooms and things like that, that they're looking to protect with our solution. We have a number of large security partners, whether it’d be Tyco or Stanley or some of the other value-add suppliers. So this, we believe, is the start, where the vetting process of our system at this institution has gone on for over two years. And I do believe that the fact that we are making the installations now, it's not a small number of installations, I think will help our overall business as the other banks become aware of what they're doing.

Bill Caton: And then this instance, was this Tyco's relationship? Or did you guys -- did you secure this relationship and then you utilized Tyco on the install?

Pat Lavelle: We have been working with Tyco for a number of years. But we also worked directly with the financial institution. I would say it was a joint effort. We obviously had to work very closely with them to incorporate our system into their overall security system.

Operator: Thank you. I am showing no further questions at this time. I would like to turn the call back to management for closing remarks.

Pat Lavelle: Okay. Once again, I thank you for attending. I'm sorry for the fact that we moved the date, but we wanted to make sure that we got past the Jewish holidays and had everybody available for the call. I thank you for your interest in VOXX, and I wish you all a good day.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This concludes the program and you may all disconnect.