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 15, 2023

VOXX INTERNATIONAL CORPORATION
(Exact name of Registrant as Specified in Its Charter)

Delaware	0-28839	13-1964841
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2351 J. Lawson Boulevard Orlando, Florida	32824
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (800) 645-7750

(Former Name or Former Address, if Changed Since Last Report)

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))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock $.01 par value	VOXX	The Nasdaq Stock Market LLC

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. ☐

Item 2.02 Results of Operations and Financial Condition.

On May 15, 2023, VOXX International Corporation (the "Company") issued a press release announcing its earnings for the quarter and year ended February 28, 2023. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

On May 16, 2023, the Company held a conference call to discuss its financial results for the quarter and year ended February 28, 2023. 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.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release, dated May 15, 2023, relating to VOXX International Corporation's earning's release for the quarter and year ended February 28, 2023 (filed herewith).
99.2	Transcript of conference call held on May 16, 2023 at 10:00 am (filed herewith).
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

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 19, 2023	By:	/s/ Charles M. Stoehr
			Charles M. Stoehr Senior Vice President Chief Financial Officer

Exhibit 99.1

VOXX International Corporation Reports its Fiscal 2023 Fourth Quarter and Year-End Financial Results

ORLANDO, FL. – May 15, 2023 — VOXX International Corporation (NASDAQ: VOXX), a leading manufacturer and distributor of automotive and consumer technologies for the global markets, today announced its financial results for its Fiscal 2023 fourth quarter and full year ended February 28, 2023.

Commenting on the Company’s results and business outlook, Pat Lavelle, Chief Executive Officer stated, “While we had a lot of positive developments and continued to win new business and expand globally, Fiscal 2023 was certainly a challenging year. From inflation, fears of recessions across the globe, the retail environment and ongoing supply chain constraints, we faced a myriad of roadblocks this year and our results came in lower than expected. We’re anticipating continued softness in the global economy and at retail, though chip availability has improved which should positively impact our Automotive business. We continued to grow the Onkyo and Pioneer business and have plans to expand our footprint globally this year. Additionally, our Biometrics segment should show considerable improvement with new accounts awarded and several projects underway.”

Mr. Lavelle continued, “Given the near-term market outlook, we continue to lower expenses and manage our capital prudently. We’re optimistic for a rebound domestically as we move further into the year and with fewer supply chain disruptions. Our view of the opportunities within each of our segments has not changed and we remain bullish on our future prospects when there is a return to a more normalized operating environment.”

Fiscal 2023 and Fiscal 2022 Fourth Quarter Comparisons

Net sales in the Fiscal 2023 fourth quarter ended February 28, 2023, were $136.5 million as compared to $163.9 million in the Fiscal 2022 fourth quarter ended February 28, 2022, a decrease of $27.4 million or 16.7%.

- Automotive Electronics segment net sales in the Fiscal 2023 fourth quarter were $49.5 million as compared to $50.6 million in the comparable year-ago period, a decrease of $1.1 million or 2.2%. For the same comparable periods, OEM product sales were $21.9 million, an increase of $6.7 million, with the increase driven primarily by higher sales of OEM remote start and security products as chip scarcity lessened, and due to higher OEM rear-seat entertainment products due to new launches and increased volume with select customers. Aftermarket product sales were $27.6 million, a decline of $7.9 million, which was primarily driven by lower sales of aftermarket security products, higher levels of customer inventory on hand, fewer vehicles due to supply chain shortages and softness in the U.S. economy.

- Consumer Electronics segment net sales in the Fiscal 2023 fourth quarter were $86.7 million as compared to $113.1 million in the comparable year-ago period, a decrease of $26.4 million or 23.4%. For the same comparable periods, Premium Audio product sales were $61.9 million, a decline of $29.5 million, and other consumer electronics (“CE”) product sales were $24.8 million, an increase of $3.0 million. Lower segment sales were primarily attributable to lower domestic sales of premium home theater speakers, wireless speakers and mobility products, as well as lower sales internationally due to the weaker European markets compared to the prior year, partially offset by higher sales of Onkyo and Pioneer related products. The declines in other CE product categories was primarily due to a slowing of the global economy as several product categories were down, partially offset by an increase in domestic wireless speakers and reception products, and an increase in sales of Schwaiger products in Germany.

- Biometrics segment net sales in the Fiscal 2023 fourth quarter were $0.4 million as compared to $0.1 million in the comparable year-ago period, an increase of $0.3 million, with the improvement primarily related to sales to new customers secured throughout the year.

The gross margin in the Fiscal 2023 fourth quarter was 25.4% as compared to 26.8% in the Fiscal 2022 fourth quarter, a decline of 140 basis points. For the same comparable periods, the Company reported:

- Automotive Electronics segment gross margin of 25.4% as compared to 20.1%. The year-over-year improvement of 530 basis points was primarily driven by steps the Company has taken to address ongoing chip constraints, which positively impacted gross margin for the comparable periods. More normalized OEM production also had a positive benefit on the Company's gross margin, and the Company also experienced higher gross margins related to its aftermarket offering.

- Consumer Electronics segment gross margin of 25.3% as compared to 29.8%. The year-over-year decline of 450 basis points was primarily driven by higher supply chain costs and surcharges, lower sales of premium home theater speaker products and, an increase in sales to discount channel customers in Europe. This was partially offset by mitigation steps the Company has taken through pricing adjustments and other sourcing strategies.

- Biometrics segment gross margin of 39.8% as compared to negative gross margin in the comparable year-ago period.

Total operating expenses in the Fiscal 2023 fourth quarter were $47.6 million as compared to $40.7 million in the comparable Fiscal 2022 period, an increase of $6.9 million or 17.0%. However, within operating expenses for the Fiscal 2023 fourth quarter was a non-cash goodwill impairment charge of $7.4 million, and non-cash intangible asset impairment charges of $1.3 million. Excluding these non-cash charges, total operating expenses for the comparable fourth quarter periods improved by $1.7 million or 4.3%**.**

For the same comparable periods:

- Selling expenses of $11.4 million declined by $1.9 million or 14.5%, driven by lower commissions and salesmen salaries, and a decline in website and credit card expenses, partially offset by higher advertising and trade show expenses, among other factors.

- General and administrative expenses of $20.1 million decreased by $0.7 million or 3.8% primarily due to lower executive compensation and a decline in office expenses, partially offset by higher restructuring-related expenses which are not present in the prior year period, among other factors.

- Engineering and technical support expenses of $7.6 million declined by $0.1 million or 1.2%, primarily due to lower direct labor expenses, partially offset by higher research and development expenses in support of various programs within the Company's business segments.

- Acquisition costs declined by $0.4 million as the Company incurred acquisitions costs in the Fiscal 2022 fourth quarter associated with the asset purchase agreement signed with Onkyo Home Entertainment Corporation and the joint venture created with Sharp Corporation to complete the transaction.

- Goodwill impairment and intangible asset impairment charges of $7.4 million and $1.3 million, respectively, as a result of reductions in projected volumes from OEM customers recorded in the fourth quarter of 2023. There were no impairment charges recorded in the comparable Fiscal 2022 period.

The Company reported an operating loss in the Fiscal 2023 fourth quarter of $12.9 million as compared to operating income of $3.2 million in the comparable Fiscal 2022 fourth quarter.

Total other income, net, in the Fiscal 2023 fourth quarter was $0.2 as compared to total other expense, net, of $0.1 million in the comparable Fiscal 2022 fourth quarter. Interest and bank charges increased by approximately $0.9 million, and equity in income of equity investee increased by $0.7 million, partially offset by an expense of $1.0 million related to the interim arbitration award associated with the Seaguard arbitration. Other, net increased by approximately $1.5 million, primarily as a result of changes in foreign currency.

Net loss attributable to VOXX International Corporation in the Fiscal 2023 fourth quarter was $19.3 million as compared to net income attributable to VOXX International Corporation of $2.8 million in the comparable Fiscal 2022 period. The Company reported a basic and diluted loss per share attributable to VOXX International Corporation of $0.80 in the Fiscal 2023 fourth quarter as compared to basic and diluted income per common share attributable to VOXX International Corporation of $0.11, in the comparable Fiscal 2022 period.

The Company reported an Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") loss in the Fiscal 2023 fourth quarter of $9.1 million as compared to EBITDA in the comparable Fiscal 2022 fourth quarter of $8.4 million. Adjusted EBITDA in the Fiscal 2023 fourth quarter was $3.0 million as compared to Adjusted EBITDA in the comparable Fiscal 2022 fourth quarter of $9.7 million.

<u>Fiscal 2023 and Fiscal 2022 Year-End Comparisons</u>

Net sales in the Fiscal 2023 twelve-month period ended February 28, 2023 ("Fiscal 2023"), were $534.0 million as compared to net sales of $635.9 million in the comparable Fiscal 2022 period ended February 28, 2022 ("Fiscal 2022"), a decline of $101.9 million or 16.0%.

- Automotive Electronics segment net sales in Fiscal 2023 were $174.8 million as compared to $200.6 million in Fiscal 2022, a decline of $25.8 million or 12.9%. For the same comparable periods, OEM product sales were $73.0 million as compared to $65.0 million, an increase of $8.0 million or 12.2%, and aftermarket product sales were $101.8 million as compared to $135.6 million, a decline of $33.7 million or 24.9%.

- Consumer Electronics segment net sales in Fiscal 2023 were $357.8 million as compared to $433.9 million in Fiscal 2022, a decline of $76.2 million or 17.6%. For the same comparable periods, Premium Audio product sales were $274.5 million as compared to $344.0 million, a decline of $69.4 million or 20.2%, and Other Consumer Electronics product sales were $83.2 million as compared to $89.9 million, a decline of $6.7 million or 7.5%.

- Biometrics segment net sales in Fiscal 2023 were $1.0 million as compared to $0.9 million in Fiscal 2022, an increase of 18.6%.

The gross margin in Fiscal 2023 was 25.1% as compared to 26.7% in Fiscal 2022, a decline of 160 basis points. Within the segments for the same comparable periods:

- Automotive Electronics segment gross margin was 24.3% as compared to 23.6%, up 70 basis points.

- Consumer Electronics segment gross margin of 25.5% as compared to 28.0%, down 250 basis points.

- Biometrics segment gross margins of 34.2% as compared to gross margin of 21.0%.

Total operating expenses in both Fiscal 2023 and Fiscal 2022 were $161.6 million. Excluding the non-cash goodwill impairment and non-cash intangible impairment charges incurred in Fiscal 2023, total operating expenses declined by $8.7 million or 5.4%. Within this and for the same comparable twelve-month periods:

- Selling expenses of $47.0 million declined by $3.5 million, or 7.0%.

- General and administrative expenses of $74.5 million declined by $1.4 million, or 1.9%.

- Engineering and technical support expenses of $31.5 million were essentially flat.

- Acquisition costs decreased by approximately $3.6 million.

- Goodwill impairment and intangible asset impairment charges of $7.4 million and $1.3 million, respectively, as a result of reductions in projected volumes from OEM customers recorded in Fiscal 2023. There were no impairments for Fiscal 2022.

The Company reported an operating loss in Fiscal 2023 of $27.3 million as compared to operating income of $7.9 million in Fiscal 2022.

Total other expense, net, in Fiscal 2023, was $3.7 million as compared to total other expense, net, of $33.8 million in Fiscal 2022. Within this and for the same comparable twelve-month periods:

- Interest and bank charges of $4.6 million increased by $2.1 million.

- Equity in income of equity investees of $7.0 million declined by $0.9 million.

- Interim arbitration award of $3.9 million as compared to $39.4 million.

- Other, net was a loss of $2.1 million, as the Company had net foreign currency losses of $3.7 million in Fiscal 2023.

Net loss attributable to VOXX International Corporation in Fiscal 2023 was $28.6 million as compared to a net loss attributable to VOXX International Corporation of $22.3 million in the comparable Fiscal 2022 period. The Company reported a basic and diluted net loss per share attributable to VOXX International Corporation of $1.17 in Fiscal 2023 as compared to a basic and diluted net loss per common share attributable to VOXX International Corporation of $0.92 in Fiscal 2022.

EBITDA in Fiscal 2023 was a loss of $12.3 million as compared to an EBITDA loss in Fiscal 2022 of $6.8 million. Adjusted EBITDA in Fiscal 2023 was $8.6 million as compared to Adjusted EBITDA in Fiscal 2022 of $39.9 million.

Balance Sheet Update

As of February 28, 2023, the Company had cash and cash equivalents of $6.1 million as compared to $27.8 million as of February 28, 2022. Total debt as of February 28, 2023 was $39.2 million as compared to $13.2 million as of February 28, 2022. The increase in total debt is primarily related to $29.0 million outstanding on the Company’s Domestic Credit Facility as of February 28, 2023, and there was nothing outstanding as of February 28, 2022. The additional variances in total debt related to a $0.5 million decline associated with the Company’s Florida mortgage and a $0.6 million decline in the shareholder loan payable to Sharp Corporation. Total long-term debt, net of debt issuance costs as of February 28, 2023 was $37.5 million as compared to $9.8 million as of February 28, 2023.

Conference Call Information
The Company will be hosting its conference call and webcast on Tuesday, May 16, 2023 at 10:00 a.m. ET.

- To attend the webcast: https://edge.media-server.com/mmc/p/qn7zhgsa

- To access by phone: https://register.vevent.com/register/BI7fba4ed5195f4b03a92fe475cf346a10

Participants are requested to register a day in advance or at a minimum 15 minutes before the start of the call. Those wishing to ask questions following management's remarks should use the dial-in numbers provided.

- A replay of the webcast will be available approximately two hours after the call and archived under "Events and Presentations" in the Investor Relations section of the Company's website at https://investors.voxxintl.com/events-and-presentations

Non-GAAP Measures
EBITDA and Adjusted EBITDA are not financial measures recognized by GAAP. EBITDA represents net (loss) income, 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, foreign currency losses (gains), life insurance proceeds, non-recurring gains, acquisition costs, certain non-recurring legal and professional fees, settlements and awards, non-recurring severance expense, restructuring-related expenses, and impairment charges. Depreciation, amortization, stock-based compensation, foreign currency losses (gains), and impairment charges are non-cash items.

We present EBITDA and Adjusted EBITDA in our Form 10-K because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA helps 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 events that occurred during the periods presented 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 and Adjusted EBITDA 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 leader in Automotive Electronics and Consumer Electronics, with emerging Biometrics technology to capitalize on the increased need for advanced security. Over the past several decades, with a portfolio of approximately 35 trusted brands, VOXX has built market-leading positions in in-vehicle entertainment, automotive security, reception products, a number of premium audio market segments, and more. VOXX is a global company, with an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and many of the world's leading automotive manufacturers. For additional information, please visit our website at www.voxxintl.com

Safe Harbor Statement
Except for historical information contained herein, statements made in this release constitute forward-looking statements and thus 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 the risk factors described in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2023, and other filings made by the Company from time to time with the SEC, as such descriptions may be updated or amended in any future reports we file with the SEC. The factors described in such SEC filings include, without limitation: impacts related to the COVID-19 pandemic, global supply shortages and logistics costs and delays; global economic trends; cybersecurity risks; risks that may result from changes in the Company's business operations; operational execution by our businesses; changes in law, regulation or policy that may affect our businesses; our ability to increase margins through implementation of operational improvements, restructuring and other cost reduction methods; our ability to keep pace with technological advances; significant competition in the automotive electronics, consumer electronics and biometrics 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 restrictive debt covenants. Many of the foregoing risks and uncertainties are, and will be, exacerbated by the War in the Ukraine and any worsening of the global business and economic environment as a result.

Investor Relations Contact:
Glenn Wiener, GW Communications (for VOXX)
Email: gwiener@GWCco.com

Tables to Follow

VOXX International Corporation and Subsidiaries
Consolidated Balance Sheets
February 28, 2023 and February 28, 2022
(In thousands, except share data)

	February 28, 2023	February 28, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,134	$ 27,788
Accounts receivable, net	82,753	105,625
Inventory, net	175,129	174,922
Receivables from vendors	112	363
Prepaid expenses and other current assets	19,817	21,340
Income tax receivable	1,076	734
Total current assets	285,021	330,772
Investment securities	1,053	1,231
Equity investments	22,018	21,348
Property, plant and equipment, net	47,044	49,794
Operating lease, right of use assets	3,632	4,464
Goodwill	65,308	74,320
Intangible assets, net	90,437	101,450
Deferred income tax assets	1,218	40
Other assets	3,720	3,245
Total assets	$ 519,451	$ 586,664
Liabilities, Redeemable Equity, Redeemable Non-Controlling Interest, and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 35,099	$ 76,665
Accrued expenses and other current liabilities	41,856	53,974
Income taxes payable	2,276	2,714
Accrued sales incentives	21,778	23,755
Contingent consideration, current	4,500	685
Interim arbitration award payable	43,388	39,444
Contract liabilities, current	3,990	4,373
Current portion of long-term debt	500	2,406
Total current liabilities	153,387	204,016
Long-term debt, net of debt issuance costs	37,513	9,786
Finance lease liabilities, less current portion	63	78
Operating lease liabilities, less current portion	2,509	3,298
Deferred compensation	1,053	1,231
Contingent consideration, less current portion	—	5,750
Deferred income tax liabilities	4,855	5,300
Other tax liabilities	966	1,083
Prepaid ownership interest in EyeLock LLC due to GalvanEyes LLC	7,317	2,451
Other long-term liabilities	2,947	3,508
Total liabilities	210,610	236,501
Commitments and contingencies		
Redeemable equity	4,018	3,550
Redeemable non-controlling interest	232	511
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 24,538,184 and 24,476,847 shares issued and 21,167,527 and 21,614,629 shares outstanding at February 28, 2023 and February 28, 2022, respectively	246	245
Class B Convertible, $.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	296,577	300,453
Retained earnings	97,997	126,573
Accumulated other comprehensive loss	(18,680)	(17,503)
Less: Treasury stock, at cost, 3,370,657 and 2,862,218 shares of Class A Common Stock at February 28, 2023 and February 28, 2022, respectively	(30,285)	(25,138)
Less: Redeemable equity	(4,018)	(3,550)
Total VOXX International Corporation stockholders' equity	341,859	381,102
Non-controlling interest	(37,268)	(35,000)
Total stockholders' equity	304,591	346,102
Total liabilities, redeemable equity, redeemable non-controlling interest, and stockholders' equity	$ 519,451	$ 586,664

VOXX International Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive (Loss) Income
Years Ended February 28, 2023, February 28, 2022, and February 28, 2021
(In thousands, except share and per share data)

	Year Ended February 28, 2023	Year Ended February 28, 2022	Year Ended February 28, 2021
Net sales	$ 534,014	$ 635,920	$ 563,605
Cost of sales	399,715	466,442	405,058
Gross profit	134,299	169,478	158,547
Operating expenses:			
Selling	46,967	50,507	43,786
General and administrative	74,508	75,955	69,798
Engineering and technical support	31,464	31,540	20,897
Acquisition costs	(36)	3,552	287
Goodwill impairment charge	7,373	-	-
Intangible asset impairment charges	1,300	-	1,300
Total operating expenses	161,576	161,554	136,068
Operating (loss) income	(27,277)	7,924	22,479
Other (expense) income:			
Interest and bank charges	(4,643)	(2,532)	(2,979)
Equity in income of equity investee	6,969	7,890	7,350
Interim arbitration award	(3,944)	(39,444)	-
Investment gain	-	-	42
Other, net	(2,055)	323	746
Total other (expense) income, net	(3,673)	(33,763)	5,159
(Loss) income before income taxes	(30,950)	(25,839)	27,638
Income tax (benefit) expense	(39)	1,626	4,272
Net (loss) income	$ (30,911)	$ (27,465)	$ 23,366
Less: net loss attributable to non-controlling interest	(2,335)	(5,132)	(3,401)
Net (loss) income attributable to VOXX International Corporation	$ (28,576)	$ (22,333)	$ 26,767
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(1,876)	(3,317)	4,365
Derivatives designated for hedging, net of tax	309	633	(305)
Pension plan adjustments, net of tax	390	158	18
Other comprehensive (loss) income, net of tax	(1,177)	(2,526)	4,078
Comprehensive (loss) income attributable to VOXX International Corporation	$ (29,753)	$ (24,859)	$ 30,845
Net (loss) income per common share attributable to VOXX International Corporation - basic	$ (1.17)	$ (0.92)	$ 1.11
Net (loss) income per common share attributable to VOXX International Corporation - diluted	$ (1.17)	$ (0.92)	$ 1.09
Weighted-average common shares outstanding (basic)	24,325,938	24,287,179	24,201,221
Weighted-average common shares outstanding (diluted)	24,325,938	24,287,179	24,650,106

Reconciliation of GAAP Net (Loss) Income Attributable to VOXX International Corporation to EBITDA and Adjusted EBITDA

	Fiscal 2023	Fiscal 2022	Fiscal 2021
Net (loss) income attributable to VOXX International Corporation	$ (28,576)	$ (22,333)	$ 26,767
Adjustments:			
Interest expense and bank charges (1)	3,847	1,825	2,404
Depreciation and amortization (1)	12,451	12,053	10,907
Income tax (benefit) expense (1)	(21)	1,626	4,272
EBITDA	(12,299)	(6,829)	44,350
Adjustments:			
Stock-based compensation	609	907	1,749
Foreign currency losses (1)	3,615	635	862
Life insurance proceeds	-	-	(420)
Investment gain	-	-	(42)
Acquisition costs	(36)	3,552	287
Non-routine legal fees	2,452	1,912	-
Interim arbitration award	3,944	39,444	-
Severance expense (2)	864	-	-
Gain on sale of tradename	(97)	-	-
Professional fees related to distribution agreement with GalvanEyes LLC	-	325	-
Restructuring-related expenses	870	-	-
Goodwill impairment charge	7,373	-	-
Intangible asset impairment charges	1,300	-	1,300
Adjusted EBITDA	$ 8,595	$ 39,946	$ 48,086

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense and bank charges, depreciation and amortization, income tax expense (benefit), and foreign currency losses (gains) added back to Net (loss) income attributable to VOXX International Corporation have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC and Onkyo, as applicable.

(2) Includes severance expenses for employee terminations resulting from non-recurring events, such as the departure of Section 16(b) officers of the Company.

VOXX International Corporation and Subsidiaries
Consolidated Statements of Operations and Comprehensive (Loss) Income
Three Months Ended February 28, 2023, February 28, 2022 and February 28, 2021
(In thousands, except share and per share data)

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Net sales	$ 136,522	$ 163,880	$ 162,521
Cost of sales	101,856	119,987	120,153
Gross profit	34,666	43,893	42,368
Operating expenses:			
Selling	11,404	13,338	12,810
General and administrative	20,073	19,346	18,417
Engineering and technical support	7,620	7,716	5,955
Acquisition costs	(172)	273	-
Goodwill impairment charge	7,373	-	-
Intangible asset impairment charges	1,300	-	1,300
Total operating expenses	47,598	40,673	38,482
Operating (loss) income	(12,932)	3,220	3,886
Other (expense) income:			
Interest and bank charges	(1,542)	(692)	(699)
Equity in income of equity investee	1,596	926	2,844
Interim arbitration award	(986)	-	-
Other, net	1,114	(352)	(7)
Total other income (expense), net	182	(118)	2,138
(Loss) income from before income taxes	(12,750)	3,102	6,024
Income tax expense (benefit)	5,749	2,000	(2,452)
Net (loss) income	$ (18,499)	$ 1,102	$ 8,476
Less: net income (loss) attributable to non-controlling interest	755	(1,659)	(972)
Net (loss) income attributable to VOXX International Corporation	$ (19,254)	$ 2,761	$ 9,448
Other comprehensive income (loss):			
Foreign currency translation adjustments	789	(520)	757
Derivatives designated for hedging, net of tax	45	167	209
Pension Plan adjustments, net of tax	337	99	103
Other comprehensive income (loss), net of tax	1,171	(254)	1,069
Comprehensive (loss) income attributable to VOXX International Corporation	$ (18,083)	$ 2,507	$ 10,517
Net (loss) income per common share attributable to VOXX International Corporation – basic	$ (0.80)	$ 0.11	$ 0.39
Net (loss) income per common share attributable to VOXX International Corporation - diluted	$ (0.80)	$ 0.11	$ 0.38
Weighted-average common shares outstanding (basic)	24,073,542	24,311,912	24,206,248
Weighted-average common shares outstanding (diluted)	24,073,542	24,044,833	24,993,408

Reconciliation of GAAP Net Income Attributable to VOXX International Corporation to EBITDA and Adjusted EBITDA

	Three Months Ended February 28, 2023	Three Months Ended February 28, 2022	Three Months Ended February 28, 2021
Net (loss) income attributable to VOXX International Corporation	$ (19,254)	$ 2,761	$ 9,448
Adjustments:			
Interest expense and bank charges (1)	1,347	468	497
Depreciation and amortization (1)	3,045	3,162	2,779
Income tax expense (benefit)	5,767	2,000	(2,452)
EBITDA	(9,095)	8,391	10,272
Adjustments:			
Stock-based compensation	202	213	295
Foreign currency (gains) losses	(252)	367	417
Acquisition costs	(172)	273	-
Non-routine legal fees	1,566	443	-
Interim arbitration award	986	-	-
Severance expense (2)	864	-	-
Gain on sale of tradename	(97)	-	-
Restructuring-related expenses	338	-	-
Goodwill impairment charge	7,373	-	-
Intangible asset impairment charges	1,300	-	1,300
Adjusted EBITDA	$ 3,013	$ 9,687	$ 12,284

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense and bank charges, depreciation and amortization, income tax expense (benefit), and foreign currency losses (gains) added back to Net (loss) income attributable to VOXX International Corporation have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC and Onkyo, as applicable.

(2) Includes severance expenses for employee terminations resulting from non-recurring events, such as the departure of Section 16(b) officers of the Company.

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q4 2023 VOXX International Corp Earnings Call

EVENT DATE/TIME: MAY 16, 2023 / 2:00PM GMT

CORPORATE PARTICIPANTS

Charles Michael Stoehr *VOXX International Corporation - Senior VP, CFO & Director*
Patrick M. Lavelle *VOXX International Corporation - CEO & Director*

CONFERENCE CALL PARTICIPANTS

Brian William Ruttenbur *Imperial Capital, LLC, Research Division - Research Analyst*
Thomas Ferris Forte *D.A. Davidson & Co., Research Division - MD & Senior Research Analyst*
Glenn Wiener *GW Communications LLC - Owner*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to VOXX International's Fiscal 2023 Fourth Quarter and Year-End Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Glenn Wiener, Investor Relations. Please go ahead.

Glenn Wiener *GW Communications LLC - Owner*

Thank you. Good morning, and welcome to VOXX International's Fiscal [2023] (corrected by company after the call) Fourth Quarter and Year-end Conference Call. Yesterday, we filed our Form 10-K and issued our press release, and this morning, we posted an updated investor presentation. Documents can be found in the Investor Relations section of our website at www.voxxintl.com. I'd be more than happy to send them along upon request as well.

Today, we'll have prepared remarks from Pat Lavelle, Chief Executive Officer; and Michael Stoehr, Senior Vice President and Chief Financial Officer. After which, we'll open up the call for questions. Beat Kahli, our newly appointed President, is also with us and will be available during the Q&A portion of our call.

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, and I'd like to point you to the risk factors associated with our business which are detailed in our Form 10-K for the period ended February 28, 2023.

Thank you for your continued support, and I would now turn the call over to Pat.

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Thank you, Glenn. While we had a lot of positive developments and continue to win a new business globally, fiscal '23 was certainly a challenging year. We were faced with a myriad of roadblocks throughout: OEM customers shutting down production, retailers cutting back on orders, inflation, and fears of recession globally, which had a big impact on consumer spending and our retail business. Supply chain issues improved during the year, but the hangover of high costs on inventory lasted throughout the year.

Chip scarcity was a major issue and cut into some of our expected automotive OEM growth. Virtually, all of our competitors and industry peers have been feeling the pinch, and we continue to see layoffs, particularly across the technology and consumer sectors. We have been vigilant about controlling costs while working to enhance margins to offset some of these pressures.

As we look into fiscal '24 and particularly the first half, we see more of the same with respect to the global economy. We hope to see better conditions in the second half of the year with some possible easing by the Fed and lower costs due to an improved supply chain. Chip supply is also expected to improve. In fact, we've seen more availability in recent months, which I think bodes well for our OEM business. Our view of the opportunities ahead has not changed, and we remain confident that when there is a return to a more normalized operating environment, VOXX is poised for significant growth and value creation.

As for fiscal '23 in our results:

[Fiscal] (added by company after the call) '23 sales were down 16% year-over-year, gross margins declined by 160 basis points and operating expenses, excluding the non-cash impairment charges, declined by over 5%. We reported an operating loss of $27.3 million and an adjusted EBITDA of $8.6 million in fiscal '23. Both, however, were down versus fiscal '22. Again, it was a tough year with sales coming in below expectations, particularly in the second half of the year. We made a lot of internal changes to realign and lower cost during the back end of fiscal '23 and into this year.

Automotive segment sales declined by approximately $26 million with OEM sales up $8 million and aftermarket product sales down close to $34 million. Our OEM sales growth was driven by some of the new contracts we've been awarded for our rear seat entertainment systems with Stellantis, Ford and Nissan. We also had higher OEM sales of remote starts and security projects driven by higher business with Subaru and some other programs. Our truck business declined despite several new customers and awards, but the pipeline remains strong. Overall, while OEM sales were up in fiscal '23, growth was curtailed by ongoing supply chain issues faced by our customers, and we estimate approximately $18 million in lost revenue as a result during the year.

Our automotive aftermarket business was hit hard for several reasons. One, aftermarket customers took heavy inventories of remote start products last year to ensure they had adequate supply for the season given the supply chain issues. This left an overhang, which impacted this year's business, but should not be as big of a factor in fiscal '24. [Two] (added by company after the call), we also saw a 30% decline in sales of aftermarket satellite radios as one of our key retailers cut back on purchases for most of the year. And three, roughly half of our aftermarket business is done at new car dealers, and there was a scarcity of vehicles on the lots throughout 2022. We expect that to improve as the car manufacturers increased production this year.

Moving into fiscal '24, we are anticipating growth in automotive, though the extent will be dependent on more consistency and chip availability and more consistent OEM production. We didn't expect such a big drop in the aftermarket and assuming things begin to normalize, we should see an uptick in aftermarket sales as well.

Moving on to our Consumer segment.

Net sales declined by 17.6% with the majority of the decline in Premium Audio. The weak retail environment in Q3 continued into the fourth quarter, and our sales came in considerably below the prior year and our forecast. It's been a challenging environment and consumers continue to pivot away from CE products for the home, which during COVID, as you know, were very strong, and we believe this has pulled some sales forward.

Premium Audio sales declined roughly $70 million year-over-year with the majority in home separates category. However, our market share has been holding steady, and our brands and placements are not the issue. We've been impacted by recessionary pressures and inflation, the pivot and the overall softness in the CE category. And we're not the only ones having this issue. We're seeing it pretty much across the board. Sales of Onkyo & Pioneer-related products were up $33 million year-over-year, though lower than we projected due to a combination of supply chain constraints and the retail environment.

We're planning for continued softness throughout the year. However, growth will come from launches of new products and by expanding into new categories and new territories.

For example, we are progressing with our plans to expand distribution of Onkyo & Pioneer and Integra brands globally into India, China, Japan and the EMEA region. We are launching new Klipsch Reference Premiere subwoofers, New Cinema One soundbars, new Klipsch Powered Monitors and new Onkyo Pioneer and Pioneer Elite and Integra receivers. We will also be entering a new and growing market this summer with Klipsch's first-ever wireless party speaker line. This category has become an important audio segment and is growing.

In the second half of the year, the new all-electric Ram 1500 revs will launch and will feature the Klipsch Reference Premier audio system with a powerful state-of-the-art 23 speaker audio system. While no stranger to automotive, this is a major placement for Klipsch, and one of several vehicles, we believe will materialize in the coming years. Our placement remains strong. New markets and channels are part of our plan, and growth over the second half comparables should be attainable.

Other CE product categories and sales were down roughly $7 million for the year. But in the fourth quarter and for the first time ever, we began shipping wireless speakers under the Acoustic Research brand to both Costco U.S. and Costco Canada. This category was up for the year, helping to offset some of the other declines primarily due to the retail environment. Our accessories sales in Germany were essentially flat year-over-year and obviously due to the difficulties that we see in Europe due to the problems that they have there.

We have a number of new product launches in our accessory business, some of which I'll highlight -- I highlighted on our last call, but just a few weeks ago, we announced the entrance of RCA into the multibillion-dollar hearing aid market with an assortment of products. The FDA's recent ruling created a new category of over-the-counter hearing aids, enabling consumers to purchase hearing aids directly from stores or online retailers without medical exams or prescriptions. There are close to 30 million Americans in the U.S. alone that could benefit from hearing aids ranging in ages, but the greatest amount of hearing loss is in those aged over 60. RCA has been one of the most well-known and trusted CE brands for a century and is a brand that appeals to this target demographic well. We rolled out an aggressive direct response TV campaign across major TV networks, social media and on Amazon.com. This is the beginning launch in a category we believe could open up new channels for growth.

Additionally, our European accessory group introduced a new solar program for houses and apartments that will generate power directly into the home's electrical system. This has proven to be very popular considering the drastic increase in electricity rates due to the conflict in the Ukraine. This technology has been approved in Germany, Austria and the Netherlands. And based on quick sell-through of initial inventories and response from our customers, we expect this category will drive growth for our European accessory group.

Moving on to biometrics. The biometric sales came in at $1 million, up close to 19% year-over-year and were also up in the fourth quarter. We are expanding various programs that we've been awarded and are in the process of pursuing others which have potential to scale. With respect to the health care company, we have been working with well over the past number of years. I am pleased to report that we have passed the final rounds of testing and have been approved for production. We'll have a greater sense of timing and the impact over the next several months. We are excited to have finally been approved as we are now an authorized iris authentication provided to them, and there are other products and equipment that they manufacture that we can expand into.

Our work with Axiom Bank continues, and we remain on track to complete the development of our iris biometric token for their banking as a service solution by the end of this quarter. And we continue to expand business in high throughput facilities, such as auto dealers, rental agencies and other infrastructures where you have multiple access points, multiple drivers and where security and control is paramount. Our work with the Miami Auto Mall continues, and our proof of concept is currently in testing with a major car rental company.

Additionally, I'm pleased to report that EyeLock's access control systems are now installed at 13 nuclear power plants, up from 4 the prior quarter as this industry recognizes the ease and high level of security that iris biometric offers. There are various R&D projects underway, which we expect will result in new commercial solutions, leveraging both iris and facial recognition across both physical and logical access. Momentum is building, and I believe our results in this segment should continue to improve throughout the year as we seek to reach profitability.

As I said, it was a challenging year in '23, and it's a challenging start to fiscal '24. And we are going to be cautious in managing our business and look to new launches and addition of new market segments to drive growth.

But before I turn the call over to Mike, I'd like to extend my sincere appreciation and gratitude to Peter Lesser, who has served on -- the VOXX Board for the past 20 years. Peter has provided invaluable oversight and strategic direction to the Board and management throughout the years, leveraging his vast experience in the CE industry. After a long and distinguished career, he has decided to spend more time with his family and will not be standing for reelection at our Fiscal Annual Shareholder Meeting. All of us at VOXX would like to thank him for his contributions, and we wish he and his family well.

I would also like to take a moment to discuss the Board's nomination of Steve Downing to serve as Director of our company. Steve is currently the President and CEO of Gentex, a global company serving the automotive industry and one with a market capitalization of nearly $7 billion. He's had a very successful and distinguished career serving various leadership roles at Gentex throughout the past 2 decades. Having worked with Gentex and at times competing against them, we couldn't be happier to have someone of Steve's caliber join our Board. We look forward to working more closely with him both as a director and as a partner, looking for ways to build the VOXX Gentex relationship.

And at this point, I want to thank you and turn the call over to Mike. Michael?

Charles Michael Stoehr ***VOXX International Corporation - Senior VP, CFO & Director***
Thanks, Pat. Good morning, everyone. I'll review our Q4 results and then close with a few comments around our balance sheet before we open up the call for

questions.

Q4 net sales declined by $27.4 million with automotive down $1.1 million, consumer down $26.4 million and biometrics up approximately $300,000. Within our Automotive segment, OEM product sales were up approximately 44%. Our OEM growth was driven primarily by increases at Ford for both our EVOLVE and our EVO systems and higher sales of Stellantis as the chip situation eased somewhat. We also had higher sales of remote start security systems related to new programs with Subaru.

On the other hand, our aftermarket business declined by approximately 22% due to higher inventory stocking by customers at the end of last year's winter season and slow retail traffic. The decline in Consumer segment was primarily in Premium Audio category with Premium Audio product sales down by approximately 32%. We had lower sales of premium home theater, wireless speakers and mobility products domestically and lower sales under our Magnat, Mac Audio and Heco brands internationally. The decline was driven primarily by the state of the global economies and both lower retail and consumer purchasing. Additionally, other CE product sales increased by approximately 14% due to the growth in wireless speaker categories and higher sales of reception products domestically and higher European sales due to the new solar program.

Biometric sales were up approximately $300,000 for the comparable periods. Gross margins of 25.4% were down 140 basis points for the comparable fourth quarter periods. Automotive segment margins were up 530 basis points. Consumer segment margins were down 450 basis points, and Biometric segment margins were close to 40% compared to negative gross margins in Q4 of fiscal 2022. We expect to see gross margins improve throughout the year as the cost of supply chain issues have been largely mitigated.

We reported fiscal 2023 Q4 operating expenses of $47.6 million, representing a $6.9 million increase. This includes approximately $8.7 million in noncash impairment charges. Excluding these charges, our operating expenses declined for the comparable fourth quarter periods by 4.3%. Selling expenses declined by $1.9 million due to lower commissions and salaries and a decline in website and credit card expenses, which was partially offset by a modest increase in advertising and trade show expenses among other factors. G&A expenses decreased by $700,000 due to lower executive management bonuses and a decline in office expenses, partially offset by higher restructuring-related expenses. Engineering and tech support expenses were essentially flat. We also had a $400,000 decline in acquisition costs associated with the Onkyo acquisition and our joint venture with Sharp.

Inclusive of noncash impairment charges, we reported an operating loss of $12.9 million for the fiscal '23 fourth quarter compared to operating income of $3.2 million in Q4 of fiscal 2022. Total other income net was $200,000, up approximately $300,000. Interest and bank charges increased by $900,000. We had an expense of $1 million related to interest associated with the Seaguard arbitration and as discussed, a ruling is expected by August. Lastly, we reported adjusted EBITDA of $3 million as compared to adjusted

EBITDA of $9.7 million in comparable fiscal 2022 fourth quarter.

Moving on to the balance sheet. We had cash and cash equivalents of $6.1 million as compared to $27.8 million as of February 28, 2022, and $8.5 million as of the end of our fiscal 2023 third quarter on November 30, 2022. Total debt was $39.9 million as compared to $13.2 million at the end of fiscal 2022. Total debt stood at $47.2 million as of November 30, 2022, a sequential reduction of $8 million. Our total debt for the comparable year-over-year periods increased to -- increased due to $29 million outstanding on our domestic credit facility, which was used to fund inventory, stock repurchase and for working capital purposes. We expect our balance on the revolver to decline in Q1 as we collect Q4 receivables and reduce inventory.

The additional variances related to a $500,000 payment reduction on our Florida mortgage and a $600,000 decline in our shareholders' loan payable Sharp as a result of the strengthening of the U.S. dollar versus the yen. To close, we expect sales to be modestly lower for the first half comparable in fiscal 2024 (sic) [2023] and then increase thereafter. Gross margins are expected to improve throughout the year and our operating expenses, while expected to increase, should decline as a percentage of net sales. Thus, a better fiscal 2024 (sic) 2023 for VOXX bearing any major downturn in the global economies.

Operator, we're ready now to open up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Brian Ruttenbur from Imperial Capital.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***

Yes. Your last statement that you just made, I just want to go over that again because that seemed to be very significant in terms of guidance or at least your broad guidance. In the first half of [2024], fiscal 2024 , you expect revenues to be down in all categories. Is that right or just overall?

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

I would think that, as I indicated before, there are some areas where we're expecting growth due to -- like in our accessory group, we expect to see growth in the first quarter due to the programs that they have in place that they are shipping both on the Acoustic Research program that we have placed at Costco and then also the new hearing aid program and the new solar program that's in Germany.

As far as the car business, it all depends on what we see happening with production as the car manufacturers are still planning production and then last minute, advising us that they're not producing.

So -- but if they do produce, I would expect to see increase in the OEM sector. The regular retail business is still soft. We expect it to be soft as we move into this year.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***
Okay. So to summarize then, let's just talk total revenue in the first half of the year is going to be weaker than the first half of 2023. Is that correct in terms of the summary?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Yes. I mean I think what we're looking at for the full year is an increase, okay, pretty much across the board with the second half increases coming primarily from Premium Audio, okay, and the aftermarket, which are there, normal heavier seasons as far as sales. We have -- as I indicated, we have a number of new products, launches on the Premium Audio side that will -- some of it will come in, in the second quarter, but it will impact the third and fourth quarter more and that is also the traditional heavy selling season or remote start and security product, which is a main product category within the aftermarket.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***
Okay. And then in terms of gross margin, just to drill down one more financial question, you expect gross margins to improve from -- in 2024 versus 2023. Is that what I'm hearing?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Yes. What we have is -- a lot of the inventory that we're starting the year with is inventory that came in because we had to stretch our supply chain out so far, we have to bring in inventory and a lot of that inventory came in on the high-priced containers. So now as the container costs are getting back to normal, okay, as we move into the year, that replacement product coming in will be able to generate a better margin than the inventory that we're sitting in -- that's sitting in the warehouses right now.

So we see a gradual improvement throughout the year of margins just based on the cost of bringing this in. So for example, I mean, last year, we went from $3,500 a container. In many cases, we were paying $20,000, okay? In the case of our Premium Audio, if you take $3,500, but you can only get 2,200 units in that container, that's roughly $17.50 a unit. But at [2,000], it's now $100 a unit. So we could only raise our margins and our prices so much. Otherwise, we would've absolutely killed off all the sales. So as we move back to normal prices for bringing product in, okay, we expect that we'll be able to do 2 things: one, make our pricing more [competitive] and lower -- and raise the margins that we get.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***
Great. And then just last question on the container costs. Where are we now? You talked about where you've been on containers, but since that's one of the major factors, where are your container costs running right now? Are they [$5,000, $8,000, $4,000] ?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
No. They're lower than that. I mean, it ranges from where it's coming in, but it's getting close to where it was historically.

Brian William Ruttenbur ***Imperial Capital, LLC, Research Division - Research Analyst***
Closer to the [$4,000] and the [$20,000]. Is that correct?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Yes. yes. yes.

Operator
Our next question comes from the line of Tom Forte from D.A. Davidson.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
I've got 5 questions. I'll go one at a time. So can you talk about the strategy of potentially investing some of that in margin improvement on the lower supply chain costs, such as the containers investing that in price to drive sales?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Yes. I mean, as I just said. I mean, some of the price increases that we have put in place curtail sales. And as we adjust pricing, as the cost of product coming in is lower, we can be more -- we can do 2 things. We can be more competitive on the ultimate price to the consumer but start to restore normal margins on these products.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
Okay. And then can you talk about channel inventory? And have things changed versus last quarter for the better or for the worse?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Yes. The inventory -- channel inventory is coming down. We're moving through inventory. Obviously, we've got to place orders for new inventory and that will be coming in, but we are seeing an overall drop in total inventory that we're carrying at this point. And that's been a concerted effort because there's also a cost of holding on to excess inventory.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
Okay. And then on the auto-related sales, to what extent at all -- if at all, are you impacted by the higher interest rates?

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

Well, that's going to be another challenge for the car manufacturers. Look, I've been doing this a long time, and I know that the car manufacturers and the dealers will react and not going to sit still. I do expect to see -- as the interest rates become more and more of a problem purchasing a new car, I do expect to see that the car manufacturers themselves will be offering low interest loans to buy car, no interest loans to buy cars, which are traditional things that they've done in the past.

What we're looking at here is 3 years' worth of pent-up demand that has not been met. And it's our feeling as even though we may see a -- let's say, a mild recession coming into the second half of the year, I do think the car manufacturers are poised and ready to offset some of those higher interest rates.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
Okay. And then from your vantage point, do you think consumers are spending more money on travel and services and that's impacting your results?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Absolutely. I mean every indicator -- when we look at the entire CE category, when we look at things for the home, we definitely see the pivot. We're in the -- the first 2 years of COVID, it was very strong for -- and it's obvious. I mean people were sitting at home, they wanted to do something that either worked on their home or they wanted to improve their entertainment systems. And in some cases, consumers bought forward. They bought during COVID when they may have waited a year or 2 more to replace their TV or sound system.

But if you look at the numbers that were up in the recent report that came out, airlines are up, dining out is up, vacationing is up. And that really, unfortunately, is coming at the expense of CE spending for the home and general home spending.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
In that regard, though, can you talk about what's the historical refresh rates? And how do you think that might change in the current cycle, if at all?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Well, I mean, it depends on the type of product. I mean the new technology will come in and kind of obsolete some of the technology that is there, making it different, that's why we're looking at new products. Party speakers are a very hot category right now, very, very easy to use Bluetooth connections. So some of those products will generate interest this year.

But -- I mean if you're looking at a home theater system, a refresh rate on home theater system is really a new technology coming through that obsoletes the existing one, makes it a better experience. So there is a long lead between an initial purchase and a replacement. And that's what we're feeling.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
All right. And then last one, can you prepare a contrast the current macroeconomic environment with the great recession and start of the pandemic? I feel like there's been a lot of talk about the recession that's not in the GDP numbers yet. But I understand that there's housing-related sales has slowed. Home Depot had some pretty poor results today. But from your vantage point, how does this compare with the great recession, how does this compare with the start of the pandemic? I think you've talked before about how the current situation may be unique because the unemployment rate is still quite low.

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Right, and if there's any bright spot, it is that the consumer has been somewhat resilient because of the low unemployment rates. What's lacking here is what we saw in COVID, the government money that a lot of people received has been spent. And we're seeing the impact of higher gas prices, crude bills and everything, really impacting the lower end of the marketplace, okay? The more affluent consumer is spending more time traveling going on vacation. So it's hard to compare the great recession to the beginning of COVID. COVID, everything shut down, everybody stopped traveling. The overhead was dropped considerably, and then sales took off in certain categories.

I do believe, and I've been saying it, is that there is a big pent-up demand for new cars. The car manufacturing in the United States has not met demand for 3 years. And the difference is cars wear out. It's not like a home theater system that would sit in your home and can work for years. So I do believe that there's a good chance we'll see higher car sales and again, I do -- knowing the car manufacturers and knowing car dealers, they're a very competitive group and they're going to fight for business and they're going to fight for the consumers' dollar.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division - MD & Senior Research Analyst***
Great, right. Sorry, you inspired me to ask one more. So valuations on a lot of assets have come in. Can you give your current thoughts on strategic M&A?

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
At this particular point, we're always looking, okay? If there is an opportunity that presents itself that we think is compelling, we will move. But as I indicated in my opening remarks, we're going to be very conservative with our spend until we can really see how the market is shaping out, so that we can make sure that we can not only launch all the products that we have coming in but do the marketing and everything to drive those sales. So it's going to be depending on what we see and what the market is shaping up to look like in '20 -- in our fiscal '24.

Operator
Thank you. At this time, I would now like to turn the conference back over to Pat Lavelle for closing

remarks.

Patrick M. Lavelle ***VOXX International Corporation - CEO & Director***
Okay. I know disappointing results based on what you heard this morning. But when I look at VOXX and the brands that we have, the placement that we have across the world and the expansion that we're planning, it gives me hope that we can see growth this year, modest. We have a lot of new product coming and that should help add to it. And with a lowering of the products, the problems that we've seen over the years that supply chain and chips and things like that, that should give us more opportunity to get our products onto more and more cars.

I want to thank you for taking the time to listen today, and I wish you a good day.

Operator
This concludes today's conference call. Thank you for participating. You may now disconnect.