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 12, 2021

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

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

13-1964841
(I.R.S. Employer Identification No.)

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

(800) 645-7750
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each Class:	**Trading Symbol:**	**Name of Each Exchange on which Registered**
Class A Common Stock $.01 par value	VOXX	The Nasdaq Stock Market LLC

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(e))

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 October 12, 2021, VOXX International Corporation (the “Company”) issued a press release announcing its earnings for the quarter ended August 31, 2021. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

Earnings Call:

On October 13, 2021, the Company held a conference call to discuss its financial results for the quarter ended August 31, 2021. 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 October 12, 2021, relating to VOXX International Corporation's earnings release for the quarter ended August 31, 2021 (filed herewith).
99.2	Transcript of conference call held on October 13, 2021 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, as amended, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VOXX INTERNATIONAL CORPORATION (Registrant)

Date: October 18, 2021

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

Exhibit 99.1

FOR IMMEDIATE RELEASE

VOXX INTERNATIONAL CORPORATION REPORTS ITS FISCAL 2022 SECOND QUARTER AND SIX-MONTH FINANCIAL RESULTS

YTD Highlights

- Net sales of $280.2 million, up $80.2 million or 40.1% - 1st half of Fiscal 2022 vs. 1st half of Fiscal 2021.
- Adjusted EBITDA of $14.6 million, up $3.9 million - 1st half of Fiscal 2022 vs. 1st half of Fiscal 2021.
- Shipments of new rear-seat entertainment solutions with Amazon Fire TV to Stellantis and Nissan began, with Ford scheduled to start in Q4 of Fiscal 2022.
- New distribution agreement with GalvanEyes approved by shareholders in August 2021.
- Acquisition of Onkyo's Home Entertainment A/V business completed in September 2021.

ORLANDO, FL. – October 12, 2021 — 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 2022 second quarter and six-months ended August 31, 2021.

Commenting on the Company's Fiscal 2022 results year-to-date and continued business momentum, Pat Lavelle, President and Chief Executive Officer stated, "The VOXX team has done a good job navigating through what we believe was the worst of the supply chain shortfalls and we have the inventory on hand or in transit, to deliver for our customers. Excluding professional fees related to transactions which are now complete, our operations performed slightly better than the first half of Fiscal 2021, with Adjusted EBITDA up $3.9 million. We expect growth will continue in the second half of the year and to be up approximately 15% for the full fiscal year. We also expect good bottom-line performance, with extra investments in R&D to support new automotive OEM programs and future EyeLock business."

Lavelle continued, "While the industry still faces supply chain constraints, I believe we have taken the right steps to offset the higher costs of doing business, providing us with more flexibility. New automotive OEM awards received and with more expected, expanded distribution within our Premium Audio group and the added contributions from our acquisition of Onkyo's home entertainment A/V business, and our new distribution agreement with GalvanEyes for EyeLock's biometrics products, all provide avenues for strong growth and improved bottom-line performance in the years ahead."

Fiscal 2022 and Fiscal 2021 Second Quarter Comparisons

Net sales in the Fiscal 2022 second quarter ended August 31, 2021, were $143.1 million as compared to net sales of $128.0 million in the Fiscal 2021 second quarter ended August 31, 2020, an increase of $15.1 million or 11.8%.

- Automotive Electronics segment net sales in the Fiscal 2022 second quarter were $45.8 million as compared to $32.6 million in the comparable year-ago period, an increase of $13.1 million or 40.2%. For the same comparable periods, OEM product sales were $16.4 million as compared to $10.7 million, an increase of $5.7 million or 53.1%. Aftermarket product sales for the Fiscal 2022 second quarter were $29.4 million as compared to $21.9 million, an increase of $7.4 million or 33.9%. Driving the year-over-year improvements were higher sales from the Company's DEI subsidiary, which was formed pursuant to our July 2020 acquisition, higher OEM sales for rear-seat entertainment solutions with Amazon's Fire TV, and an increase in sales for automotive safety and security products, among other factors.

- Consumer Electronics segment net sales in the Fiscal 2022 second quarter were $97.0 million as compared to $95.0 million in the comparable year-ago period, an increase of $2.0 million or 2.1%. For the same comparable periods, Premium Audio product sales were $76.1 million as compared to $69.3 million, an increase of $6.9 million or 9.9%. Driving the year-over-year improvements were higher sales from the Company's 11 Trading Company LLC subsidiary ("11TC"), higher sales of premium wireless speakers and wireless computer speakers, and an increase in sales within Europe. Other Consumer Electronics ("CE") product sales of $20.8 million and $25.7 million, declined by $4.9 million or 19.0% when comparing the Fiscal 2022 and Fiscal 2021 second quarter periods. The CE product sales declines were driven primarily by higher sales in Fiscal 2021 brought about by the COVID-19 environment as more people were working from home, as well as industrywide supply chain constraints.

- Biometrics segment net sales in the Fiscal 2022 and Fiscal 2021 second quarters were approximately $0.3 million, relatively flat for the comparable periods.

The gross margin in the Fiscal 2022 second quarter was 26.0% as compared to 29.7% in the Fiscal 2021 second quarter, a decline of 370 basis points, or a $0.9 million decline in gross profit. The year-over-year decline in gross margin was primarily driven by global, industry-wide supply chain constraints.

- Automotive Electronics segment gross margin of 23.9% as compared to 20.6%, up 330 basis points. The year-over-year improvement was primarily related to sales of aftermarket products from the Company's DEI subsidiary and higher sales of OEM security and remote start products. Offsetting factors include the higher costs of materials and shipping, as well as start-up production costs related to new OEM rear-seat entertainment programs.

- Consumer Electronics segment gross margin of 26.9% as compared to 32.9%, down 600 basis points. The primary driver for the year-over-year declines were significant increases in container costs and surcharges, and sales of certain products through new distribution channels, the latter of which, positively impacted revenue and gross profit dollars, but led to lower gross margin. Sales of premium headphones and products sold through 11TC positively contributed to gross margin, and in Europe, gross margins improved primarily due to product mix.

- Biometrics segment gross margins of 30.4% as compared to 0.4%. The year-over-year improvement was primarily driven by price reductions in the Fiscal 2021 second quarter as new products were introduced to market.

Total operating expenses in the Fiscal 2022 second quarter were $39.9 million as compared to $29.6 million in the comparable Fiscal 2021 period, an increase of $10.4 million.

- Selling expenses increased by $2.6 million when comparing the periods ended August 31, 2021, and August 31, 2020. This was primarily due to a $1.5 million increase in salary expenses and related payroll taxes due to the absence of COVID-19 related furloughs and salary and bonus reductions, and higher headcount related to the newly formed subsidiaries. Higher commissions as a result of an increase in net sales, as well as higher advertising expenses, digital payment fees and travel expenses comprised the majority of the remainder of the increase.

- General and administrative expenses increased by $2.5 million when comparing the periods ended August 31, 2021, and August 31, 2020. Higher salary and office expenses related to COVID-19 comprised $1.4 million of the year-over-year increase. The remainder was primarily related to higher professional fees, which increased by approximately $0.9 million for the comparable periods.

- Engineering and technical support expenses increased by $3.1 million when comparing the periods ended August 31, 2021 and August 31, 2020. The year-over-year increase was due to higher labor and related payroll taxes associated with the DEI subsidiary, research and development expenses to support a new automotive OEM program, product certification costs, the absence of companywide furloughs related to the COVID-19 environment, and reimbursements of engineering expenses in prior periods.

The Company reported an operating loss in the Fiscal 2022 second quarter of $2.7 million as compared to operating income of $8.5 million in the Fiscal 2021 second quarter.

Total other income, net, for the three-months ended August 31, 2021, was $1.8 million as compared to total other income, net, of $0.6 million for the three-months ended August 31, 2020. The primary drivers were a decline of $0.4 million in interest and bank charges, a $0.2 million improvement in equity in income of equity investees, which relates to higher sales and net income from the Company’s 50% non-controlling interest in ASA Electronics, LLC (“ASA”), and a $0.6 million increase in other, net for the comparable periods, which relates to net foreign currency gains or losses, interest income, rental income, and other miscellaneous income and expense.

Net income attributable to VOXX International Corporation in the Fiscal 2022 second quarter was $0.3 million as compared to net income attributable to VOXX International Corporation of $7.3 million in the comparable Fiscal 2021 period. The Company reported basic and diluted net income per share attributable to VOXX International Corporation of $0.01 in the Fiscal 2022 second quarter as compared to basic and diluted net income per common share attributable to VOXX International Corporation of $0.30 in the comparable Fiscal 2021 period.

Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) in the Fiscal 2022 second quarter was $3.2 million as compared to EBITDA in the Fiscal 2021 second quarter of $13.5 million. Adjusted EBITDA in the Fiscal 2022 second quarter was $6.4 million as compared to Adjusted EBITDA in the Fiscal 2021 second quarter of $14.0 million.

<u>Fiscal 2022 and Fiscal 2021 Six-Month Comparisons</u>

Net sales in the Fiscal 2022 six-month period ended August 31, 2021, were $280.2 million as compared to net sales of $200.0 million in the Fiscal 2021 six-month period ended August 31, 2020, up $80.2 million or 40.1%.

- Automotive Electronics segment net sales in the Fiscal 2022 six-month period were $88.4 million as compared to $49.9 million in the comparable year-ago period, an increase of $38.5 million or 77.2%. For the same comparable periods, OEM product sales were $31.3 million as compared to $18.4 million, an increase of $12.9 million or 70.5%, and aftermarket product sales were $57.1 million as compared to $31.5 million, an increase of $25.6 million or 81.1%.

- Consumer Electronics segment net sales in the Fiscal 2022 six-month period were $191.1 million as compared to $149.5 million in the comparable Fiscal 2021 six-month period, an increase of $41.6 million or 27.8%. For the same comparable periods, Premium Audio product sales were $147.7 million as compared to $103.8 million, an increase of $43.9 million or 42.3%, and Other Consumer Electronics product sales declined were $43.3 million as compared to $45.7 million, a decline of $2.3 million or 5.1%.

- Biometrics segment net sales in the Fiscal 2022 six-month period were $0.5 million as compared to $0.4 million in the comparable Fiscal 2021 six-month period, an increase of $0.1 million or 27.2%.

The gross margin in the Fiscal 2022 six-month period was 26.4% as compared to 29.0% in the Fiscal 2021 six-month period, a decline of 260 basis points, and a $15.8 million improvement in gross profit.

- Automotive Electronics segment gross margin of 25.4% as compared to 19.6%, up 580 basis points.
- Consumer Electronics segment gross margin of 26.7% as compared to 32.1%, down 540 basis points.
- Biometrics segment gross margins of 25.5% as compared to negative gross margin of -6.1%.

Total operating expenses in the Fiscal 2022 six-month period were $77.0 million as compared to $57.6 million in the comparable Fiscal 2021 six-month period, an increase of $19.4 million. Within this and for the same six-month periods ended August 31, 2021 and August 31, 2020:

- Selling expenses increased by $5.5 million.
- General and administrative expenses increased by $6.3 million.
- Engineering and technical support expenses increased by $4.9 million.
- Acquisition costs increased by $2.7 million.

The Company reported an operating loss in the Fiscal 2022 six-month period of $3.1 million as compared to operating income of $0.4 million in the comparable Fiscal 2021 six-month period.

Total other income, net, for the six-month period ended August 31, 2021, was $4.5 million as compared to total other income, net, of $1.4 million for the six-month period ended August 31, 2020, an improvement of $3.1 million. Within this and for the same six-month periods ended August 31, 2020 and August 31, 2021:

- Interest and bank charges declined by $0.7 million.
- Equity in income of equity investee increased by $2.0 million.
- Other, net increased by $0.4 million.

Net income attributable to VOXX International Corporation in the Fiscal 2022 six-month period was $3.0 million as compared to a net loss attributable to VOXX International Corporation of $0.9 million in the comparable Fiscal 2021 period. The Company reported basic and diluted net income per share attributable to VOXX International Corporation of $0.12 in the Fiscal 2022 six-month period as compared to a basic and diluted net loss per common share attributable to VOXX International Corporation of $0.04 in the comparable Fiscal 2021 period.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") in the Fiscal 2022 six-month period was $9.6 million as compared to EBITDA in the Fiscal 2021 six-month period of $10.2 million. Adjusted EBITDA in the Fiscal 2022 six-month period was $14.6 million as compared to Adjusted EBITDA in the Fiscal 2021 six-month period of $10.7 million.

<u>Balance Sheet Update</u>
As of August 31, 2021, the Company had cash and cash equivalents of $41.1 million as compared to $36.7 million as of May 31, 2021 and $59.4 million as of February 28, 2021. Total debt as of August 31, 2021, was $7.7 million as compared to $7.0 million as of May 31, 2021 and $7.1 million as of February 28, 2021. The increase in total debt is related to a Euro asset-based lending credit facility related to VOXX Germany. Total long-term debt, net of debt

issuance costs as of August 31, 2021 was $5.2 million as compared to $5.3 million as of May 31, 2021 and $6.0 million as of February 28, 2021.

Conference Call Information
VOXX International Corporation will be hosting its conference call and webcast on Wednesday, October 13, 2021, at 10:00 a.m. Eastern. Interested parties can participate by visiting www.voxxintl.com and clicking on the webcast in the Investor Relations section or via teleconference using the information below.

- **Toll-free number:** 877-303-9079 / **International number:** 970-315-0461 / **Conference ID:** 1156805

A webcast and teleconference replay will be available approximately one hour after the completion of the call.

Replay Information
- **Replay number:** 855-859-2056 / **International replay number:** 404-537-3406 / **Conference ID:** 1156805

Non-GAAP Measures
EBITDA and Adjusted EBITDA are not financial measures recognized by GAAP. EBITDA represents net income (loss) attributable to VOXX International Corporation, 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, acquisition costs, certain non-routine legal and professional fees, and life insurance proceeds. Depreciation, amortization, and stock-based compensation are non-cash items.

We present EBITDA and Adjusted EBITDA in this Form 10-Q 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 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 Company's annual report on Form 10-K for the fiscal year ended February 28, 2021, and other filings made by the Company from time to time with the SEC.
The factors described in such SEC filings include, without limitation: the impact of the COVID-19 outbreak on the Company's results of operations, the Company's ability to realize the anticipated results of its business realignment; cybersecurity risks;

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 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 COVID-19 pandemic and any worsening of the global business and economic environment as a result. The Company assumes no obligation and does not intend to update these forward-looking statements.

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

-- Tables to Follow --

VOXX International Corporation and Subsidiaries Consolidated Balance Sheets
(In thousands, except share and per share data)

	August 31, 2021	February 28, 2021
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 41,051	$ 59,404
Accounts receivable, net	90,346	106,165
Inventory	145,711	130,793
Receivables from vendors	362	277
Due from Onkyo	8,390	—
Prepaid expenses and other current assets	24,149	22,266
Income tax receivable	435	434
Total current assets	310,444	319,339
Investment securities	1,544	1,777
Equity investment	22,457	23,267
Property, plant and equipment, net	51,022	52,026
Operating lease, right of use asset	4,309	4,572
Goodwill	56,958	58,311
Intangible assets, net	87,192	90,104
Deferred income tax assets	98	99
Other assets	798	1,323
Total assets	$ 534,822	$ 550,818
Liabilities, Redeemable Equity, and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 58,006	$ 61,826
Accrued expenses and other current liabilities	47,742	53,392
Income taxes payable	1,390	1,587
Accrued sales incentives	21,648	25,313
Contract liabilities, current	3,698	4,178
Current portion of long-term debt	1,328	500
Total current liabilities	133,812	146,796
Long-term debt, net of debt issuance costs	5,192	5,962
Finance lease liabilities, less current portion	155	302
Operating lease liabilities, less current portion	3,327	3,582
Deferred compensation	1,544	1,777
Deferred income tax liabilities	6,910	6,645
Other tax liabilities	1,007	1,170
Other long-term liabilities	4,701	5,255
Total liabilities	156,648	171,489
Commitments and contingencies		
Redeemable equity	3,345	3,260
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, $.01 par value, 60,000,000 shares authorized, 24,476,847 and 24,416,194 shares issued and 21,614,629 and 21,666,976 shares outstanding at August 31, 2021 and February 28, 2021, respectively	245	245
Class B Convertible, $.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding at both August 31, 2021 and February 28, 2021	22	22
Paid-in capital	300,019	300,402
Retained earnings	151,933	148,906
Accumulated other comprehensive loss	(15,634)	(14,977)
Less: Treasury stock, at cost, 2,862,218 and 2,749,218 shares of Class A Common Stock at August 31, 2021 and February 28, 2021, respectively	(25,138)	(23,918)
Less: Redeemable equity	(3,345)	(3,260)
Total VOXX International Corporation stockholders' equity	408,102	407,420
Non-controlling interest	(33,273)	(31,351)
Total stockholders' equity	374,829	376,069
Total liabilities, redeemable equity, and stockholders' equity	$ 534,822	$ 550,818

VOXX International Corporation and Subsidiaries
Unaudited Consolidated Statements of Operations and Comprehensive (Loss) Income
(In thousands, except share and per share data)

	Three months ended August 31,		Six months ended August 31,	
	2021	**2020**	**2021**	**2020**
Net sales	$ 143,109	$ 128,032	$ 280,169	$ 200,019
Cost of sales	105,923	89,956	206,288	141,968
Gross profit	37,186	38,076	73,881	58,051
Operating expenses:				
Selling	11,838	9,233	23,305	17,801
General and administrative	17,884	15,424	36,560	30,294
Engineering and technical support	7,886	4,781	14,118	9,266
Acquisition costs	2,316	121	2,992	246
Total operating expenses	39,924	29,559	76,975	57,607
Operating (loss) income	(2,738)	8,517	(3,094)	444
Other (expense) income:				
Interest and bank charges	(582)	(1,010)	(1,110)	(1,809)
Equity in income of equity investee	2,035	1,883	4,758	2,745
Other, net	376	(226)	818	460
Total other income, net	1,829	647	4,466	1,396
(Loss) income before income taxes	(909)	9,164	1,372	1,840
Income tax (benefit) expense	(217)	2,609	267	4,390
Net (loss) income	(692)	6,555	1,105	(2,550)
Less: net loss attributable to non-controlling interest	(1,003)	(785)	(1,922)	(1,618)
Net income (loss) attributable to VOXX International Corporation	$ 311	$ 7,340	$ 3,027	$ (932)
Other comprehensive income (loss):				
Foreign currency translation adjustments	(1,334)	3,025	(962)	3,529
Derivatives designated for hedging	163	(294)	282	(471)
Pension plan adjustments	22	(65)	23	(79)
Other comprehensive (loss) income, net of tax	(1,149)	2,666	(657)	2,979
Comprehensive (loss) income attributable to VOXX International Corporation	$ (838)	$ 10,006	$ 2,370	$ 2,047
Income (loss) per share - basic: Attributable to VOXX International Corporation	$ 0.01	$ 0.30	$ 0.12	$ (0.04)
Income (loss) per share - diluted: Attributable to VOXX International Corporation	$ 0.01	$ 0.30	$ 0.12	$ (0.04)
Weighted-average common shares outstanding (basic)	24,281,220	24,224,478	24,273,731	24,223,935
Weighted-average common shares outstanding (diluted)	24,855,307	24,552,064	24,890,641	24,223,935

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

	Three months ended August 31,		Six months ended August 31,	
	2021	**2020**	**2021**	**2020**
Net income (loss) attributable to VOXX International Corporation	$ 311	$ 7,340	$ 3,027	$ (932)
Adjustments:				
Interest expense and bank charges (1)	420	867	792	1,528
Depreciation and amortization (1)	2,735	2,715	5,513	5,224
Income tax (benefit) expense	(217)	2,609	267	4,390
EBITDA	3,249	13,531	9,599	10,210
Stock-based compensation	237	335	473	686
Acquisition costs	2,316	121	2,992	246
Professional fees related to distribution agreement with GalvanEyes LLC	—	—	325	—
Non-routine legal fees	548	—	1,234	—
Life insurance proceeds	—	24	—	(420)
Adjusted EBITDA	$ 6,350	$ 14,011	$ 14,623	$ 10,722

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

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

Q2 2022 VOXX International Corp Earnings Call

EVENT DATE/TIME: OCTOBER 13, 2021 / 2:00PM GMT

CORPORATE PARTICIPANTS

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

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

CONFERENCE CALL PARTICIPANTS

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 the VOXX International Fiscal 2022 Second Quarter Conference Call. (Operator Instructions)I would now like to turn the conference over to your speaker today, Glenn Wiener.

Glenn Wiener ***GW Communications LLC*** - ***Owner***

Thank you. Good morning, and welcome to VOXX International's Fiscal 2021 Second Quarter Conference Call. Our press release was issued yesterday after the market closed, and we filed our Form 10-Q with the SEC. Both documents can be found in the Investor Relations section of our website, and an updated investor presentation will be posted later.Today, we will have prepared remarks from Pat Lavelle, President and Chief Executive Officer; and Michael Stoehr, Senior Vice President and Chief Financial Officer, after which we will open up the call for questions.I would 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 would 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, 2021.Also note, management will be presenting at the Sidoti Investor Conference on December 8 and 9 and hosting one-on-one meetings with investors throughout the 2-day period. We have also registered to present at the Imperial Capital Security Conference on December 14 with more details to follow. There are other events we are evaluating in the remainder of the calendar year, and we will update our investors accordingly.I'd like to thank you all for your continued support of VOXX, and it is now my pleasure to turn the call over to Pat Lavelle. Pat?

Patrick M. Lavelle ***VOXX International Corporation* - *President, CEO & Director***Thank you, Glenn, and good morning, everyone. In light of what we experienced this past quarter, I'm quite pleased with our performance. If you consider all of the onetime events, especially considering the worldwide economic turmoil that we've all encountered over the past year, the VOXX team has done a good job navigating through what we believe was the worst of the supply chain shortfalls. The initial price increases that we instituted have taken effect. And due to the rapid increase in the second quarter of container prices, we instituted a second wave of price increases in September.We have the inventory on hand to deliver in our all-important third quarter. In addition, we have added new or alternative suppliers to increase component availability. We changed our ordering protocols to compensate for longer lead times and even modified boards to utilize alternative chips. We believe all of these measures combined will give us more flexibility in terms of how we manage the business in the quarters ahead.Revenues grew almost 12% in Q2 and are up 40% through the first 6 months year-over-year. And this was accomplished despite missing a few inventory turns, which were expected due to the corresponding shipping delays.Gross margins, primarily in our Consumer Electronics segment, were impacted by the supply chain and the added costs associated with freight and warehousing. And while there will be some continued pressure, the good news is that we expect less of an impact coming out of this calendar year.The increase in our operating expenses were primarily due to a full 6 months of DEI compared to 2 months in fiscal '21, higher employee costs as we brought back furloughed employees and restored salaries. We also added expenses associated with some of our larger and new OEM programs and had higher professional fees to support the Onkyo and the GalvanEyes due diligence and transactions.For the 6-month period of fiscal 2022, we had an operating loss of $3.1 million versus operating income of $400,000. Taking into account onetime nonrecurring expenses, our operations actually performed better than the first half of last year, especially with the $5.7 million increase in professional fees, $4.8 million of which we consider nonrecurring and roughly $2.9 million of added expenses for NRE and labor and extra warehouses to hold inventory in Asia waiting for shipment.On an adjusted EBITDA basis, we reported $14.6 million versus $10.7 million for the first halves of fiscal '22 and '21, an improvement of $3.9 million. Looking ahead, we anticipate continued growth in the second half of the year with Q3 a little under and Q4 above the prior year. We expect to be profitable in both quarters, and the variance from the prior year to this year is primarily in engineering and tech support as we expect to see an increase of approximately $9 million year-over-year to fund growth-related programs, nearly $5 million of which relates to the addition of Onkyo's engineering team.I will add some comments with respect to next fiscal year in my closing comments, but needless to say, there is a lot of momentum at VOXX.Our Automotive Electronics segment grew by 40% in the second quarter, and revenues are up 77% through the first half of the year. From the second quarter comparisons, our aftermarket business was up 34% with the added contribution from our DEI subsidiary. Our OEM business was up 53% due to new rear-seat entertainment programs with Nissan and Stellantis, both of which began this past quarter and should ramp up in volume as customers increase production. And we have Ford starting in the fourth quarter, which will be added boost to the top line revenue. We also saw increases in automotive safety and security products.For the 6-month comparisons, our Automotive segment grew by 77%, with aftermarket revenue up over 81% and OEM revenue up approximately 70%. Keep in mind, this growth was achieved despite all of the shortages and delays, which impacted not only our aftermarket dealers, but placed a significant strain on our OEM customers as well. The environment worsened this past quarter with a number of car manufacturers shutting plants due to lack of parts. We expect this to normalize as we move into next year and more capacity comes online.Our Consumer Electronics business grew by approximately 2% in the second quarter and almost 28% year-to-date. Premium Audio product sales grew by approximately 10% in the second quarter and over 42% through the first 6 months, which offset declines in other CE product sales. A majority of the CE segment product sales declines related to inventory and chip shortage, which in turn led to production delays, and there were continued store closures in Europe. This also impacted Premium Audio product sales, but we are still growing and expect this to continue.During the quarter, we had increases in sales of premium wireless speakers and wireless computer speakers and higher sales of Premium Audio in Europe. For the 6-month period, we grew in virtually all Premium Audio categories.11 Trading Company saw a sales increase of $11.4 million in the second quarter and $17.7 million when comparing the 6-month period. As most of you are aware, we closed on the acquisition of Onkyo's Home Entertainment AV business in September, which is our fiscal third quarter and this transaction holds great promise for our company, both in terms of growth and added profitability.And lastly, our Biometrics segment sales remain relatively flat for the quarter comparisons, but was up 27% for the 6-month period. We're expecting this segment to post more meaningful revenue increases and smaller losses as we begin to realize future contributions from the GalvanEyes distribution agreement, our new health care customer, which ramps up next year, and other smaller projects we have been awarded. Overall, we have performed well given the environment.I'd like to shift now to our outlook as we're quite bullish on our prospects. This optimism is based on the contracts we have been awarded, the new additions to the VOXX family of brands and products and a lot of behind-the-scenes momentum, which has been delayed because of the global supply chain issues and should start to come back to life as things begin to gradually improve.With Amazon's Fire TV, we can offer our customers more content than anyone. Based on the investments we have made over the past 2 years, we are the clear-cut leader with our technology and expertise. This past quarter, we began shipping to Stellantis and Nissan and soon we'll be delivering to Ford. Based on what I've been told by our OE customers, automotive production is anticipated to increase and the capacity constraints should begin not only to stabilize but improve over the coming quarters. This bodes well for growth and incremental bottom line profits.We have resumed conversations with several other OEMs that have been in limbo for a good part of the year due to supply chain issues, and we believe we will see additional incremental awards layering on top of our core. Even without this, we are still positioned to double this business by next year compared to fiscal 2020. Our outlook has not changed.VSM is doing very well and puts us in new product categories and new OEM channels. DEI has grown since we acquired them and solidifies our position in several automotive security categories. Premium Audio continues to be a strong growth driver, and that will intensify with the addition of the Onkyo acquisition, a new licensing agreement with Pioneer. I indicated on my last call that we should do approximately $50 million in sales this fiscal year and provided that we don't have any additional shipment issues, we should do a little bit better than that. As we ramp up production and rebuild distribution with a focus initially on North America, we believe we can reach over $125 million in sales the next fiscal year. And as we expand globally, we expect to see -- exceed over $200 million.As we are now the owners, we expect to see gross margins at our 11 TC operations improve as well. With the anticipated revenue increases, margins more in line with historical Premium Audio products, 11 TC should be a significant contributor to our bottom line.Now we normally don't provide guidance. But given all that has transpired, we'd like to offer some direction for the third and fourth quarters. Our outlook is based on customer projections and what we have done to date and barring any unforeseen events, we feel comfortable with the following statements. We expect sales to be up modestly in the second half of the year, with the third quarter below and the fourth quarter above the prior year periods. Fiscal 2022 sales should come in around $640 million to $650 million, and we believe higher by potentially double digits in fiscal 2023.Gross margins should be more stable based on our actions to date. We will have additional expenses associated with start-up costs for OEM programs and Onkyo's operations and expect higher gross profit contributions next fiscal year. Expenses will be more normalized as the reductions associated with furloughs and salary reductions were essentially back to base levels in the last year's third quarter.We don't expect to incur the level of professional fees that we had in the first half, and we will be reporting comparable numbers for DEI. Total operating expenses in the second half are expected to be approximately $9 million higher in the second half of last fiscal year, with $8 million related to the addition of Onkyo. Selling expenses and G&A expenses are expected to be mostly in line with the prior year.Based on what we've accomplished this year, I believe we've positioned the company for greater profitability as we move into fiscal 2023 and beyond, and we have set our sights on exceeding $1 billion in sales over the next few years.And with that, I'll turn the call over to Mike for further detail. Mike?

Charles Michael Stoehr ***VOXX International Corporation*** - ***Senior VP, CFO & Director***Thank you, Pat. Good morning, everyone. Rather than walk through all of the 3- and 6-month comparisons, I'm going to provide additional background on some of the sales and expense drivers and break out nonroutine and nonrecurring expenses. I believe this will provide more clarity on our results for the first half of the year.Actual revenues year-to-date for the comparable 6-month periods, as Pat noted, both our aftermarket and OEM business was up significantly in the first half of the year. On the OEM side, key drivers were the start of the Nissan rear-seat entertainment programs for Amada QX80, higher sales from Stellantis as we started the EVOLVE program with Amazon's Fire TV and higher sales from Ford.Component shortages certainly curtailed some of the growth, but we expect to make it up as production volumes increase. In the aftermarket, we had strong increases in vehicle security and from our DEI subsidiary and modest increases in the video and telematics categories. Satellite radio fulfillment sales were down due to limited receiver production for several months this year.Premium Audio product sales were up and growth is anticipated to continue. We saw increases in the traditional passive and sub-woofer categories and mobility products with the launch of several new headphones and in the new cinema sound bars and computer speakers. Our German operations were up as many of the COVID-19 restrictions were lifted. And as we discussed, we added approximately $17.7 million in sales from 11 TC as this subsidiary was formed in the second half of last year. The supply chain issues curtailed some of our expected growth, both for Premium Audio products and in several CE product categories.Regarding our gross margins. Our gross margins in fiscal '22 second quarter came in 370 basis points lower than the prior year period. We estimate that added costs related to the supply chain issues, expenses to cover additional warehouses in Asia, for example, and higher freight and fuel costs was approximately $1.6 million for the quarter, with the majority tied to Premium Audio. Similarly, for the 6

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months comparable periods, gross margins came in 260 basis points lower year-over-year. The gross profit dollars increased by almost $16 million. The dollar impact was approximately $2.2 million for the 6-month period.Keep in mind, there were also higher cost of doing business throughout that drove margins lower for the CE segment, and we believe we've covered the bulk through our price increases and other steps taken, as Pat talked earlier.As for expenses, there were several expenses that came back as a result of the COVID restrictions implemented in fiscal 2021 and others that were nonroutine and nonrecurring in nature. Of the $10.4 million increase Q2 of fiscal 2022 versus Q2 of last year, we had $3.1 million of professional fees related to transactions. We had $1.7 million in higher overhead at DEI as we owned them for roughly 2 months in Q2 of last year and the full quarter of this year. We had $1.5 million related to furloughed employees and salary and bonus reductions, which were imposed during the COVID lockdown last fiscal year. And we had $1.1 million in nonreimbursed NRE expenses and additional outside labor expenses related to a new OEM program.The rest of the increase is related to commissions, e-commerce sales, web and advertising expenses and additional R&D. Taking all of the increases into account, we estimate approximately $4.8 million of the increase is considered nonrecurring. For the 6 months comparable periods, operating expenses increased by $19.4 million, $5.4 million relates to DEI, owning them for 6 months versus 2; $4.8 million is for professional fees; $3.5 million is for furloughed employees and salary and bonus reductions; $1.5 million is for NRE and outside labor; the remainder is mixed across SG&A and engineering and tech expenses. Of this, $6.3 million is considered nonrecurring.Note that the acquisition costs and nonroutine legal fees are taken into account in our adjusted EBITDA calculations. The total impact was approximately $2.7 million for the second quarter comparables and $4 million for the 6-month comparables. We grew nicely dealing with the supply chain turmoil. They did, however, have a big impact on our gross margins, some of which will be offset in the third and fourth quarters given the second wave of price increases and hopefully, more stabilization in the markets.We aggressively -- we were aggressively procuring what we need when we can, and we took some added steps, which added costs to ensure we had as much inventory on hand as we can for the second half of this year. That was a strategic decision as is the investments Pat spoke of in R&D, given the volume of automotive awards that we have been awarded and new programs we believe we are well positioned for in the future. We don't expect this level of professional fees as the transactions with Onkyo and GalvanEyes were behind us, and we're not expecting NRE expenses of this magnitude in the second half of the year.Through the first 6 months of fiscal 2022, our operating income is down $3.5 million, though the increase in professional fees made up more than the difference. Net income attributable to VOXX is up $4.1 million, and adjusted EBITDA is up $3.9 million.Moving to the balance sheet. As of August 31, 2021, we had cash and cash equivalents of $41.1 million compared to $36.7 million as of May 31, 2021, and $59.9 million (sic) [$59.4 million] as of fiscal 2021 year ended on February 28. The roughly $18.3 million decline since year-end takes into account cash usage of $8.4 million to fund Onkyo's operations in the form of a note, which was satisfied and paid off as part of the transaction close on September 8. The remainder for general -- and the remainder was for general working capital purposes. We funded the remainder of the Onkyo transaction this quarter, and we will be ramping up cash outlays as we typically do as this is our largest selling season. Cash is expected to come back to normal levels at the end of the fourth quarter.Our total debt stood at $7.7 million as of August 31, 2021, compared to $7 million as of May 31 and $7.1 million as of February 28, 2021. The increase relates to an $800,000 usage of our $8 million Euro loan in VOXX Germany as we purchased more inventory for the third quarter. Our only debt is related to our -- our only own U.S. debt is related to our foreign mortgage, which stood at $6.9 million as of August 31 and compared to $7.1 million as of year-end.Total long-term debt, net of debt issuance costs was $5.2 million compared to $6 million for August 31 and February 28 periods, respectively. We have the cash and access to capital for our acquisitions, invest in growth, continue to pursue strategic transactions that can positively impact our business and generate returns.That concludes my remarks. Operator, we're ready to open the call for questions.

QUESTIONS AND ANSWERS

Operator(Operator Instructions) Your first 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***Great. So first off, Pat, congrats on navigating an incredibly challenging environment very well.

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

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division** - **MD & Senior Research Analyst***The first question -- I had a handful is, so at a high level, Pat, you sound more optimistic about your business this quarter versus last quarter. A, would you agree with that statement? And if you do agree with that statement, what are the key reasons for the increased optimism?

Patrick M. Lavelle ***VOXX International Corporation** - **President, CEO & Director***Well, I mean, when we look at what transpired, I mean, we did close on the Onkyo transaction that was very positive. We closed on the GalvanEyes. We have started shipping our OEM programs. We have the additional Ford coming on. So where we see this business is layering on the existing business that we have. And that gives us a great deal of optimism as we look into next year when we believe that a lot of the supply issues and chip shortage issues will start to abate somewhat. It's not going to be immediate, but it will abate and that will give us higher production at car manufacturers, more dealers cars sitting in dealerships across the country. That's very positive for the automotive business.And then the demand that we're seeing globally for Onkyo and Pioneer is very strong. And as we move into next year, Sharp will be adding another factory in order to make sure that they can supply the demand that we have. So it all looks very positive.

Thomas Ferris Forte ***D.A. Davidson & Co., Research Division** - **MD & Senior Research Analyst***Great. All right. And then my other question is -- so first off, congrats on Onkyo deal. Can you give your current thoughts on M&A opportunity just at a high level and what you're seeing as far as pricing?

Patrick M. Lavelle ***VOXX International Corporation** - **President, CEO & Director***Well, I mean, we have our eyes on a couple of strategic acquisitions that we would like to pull off in a year or 2. There's no rush at this point. I want to make sure that the entire team is capable of digesting all the work that we've done this year and make sure everything is solid there. But there are a number of companies that, in some cases, we've had preliminary conversations with that we think VOXX would be the desired acquirer if they were to sell. And part of our strategy going forward, our strategy to get up to $1 billion in sales, is obviously layering on the new business that we've achieved. We're thinking that we can layer on between Onkyo and the new OEM awards about $250 million on top of our business that we have now. That brings us close to $900 million and then an acquisition of $100 million or $150 million company would get us there. So that's definitely part of the strategy.As far as the cost, we will be very, very diligent in making sure that we do not overpay. I think our history shows that we've been able to do some very strong acquisitions at competitive prices, and I think we'll be able to do that again.

OperatorYour next question comes from the line of [Stephen Dennis].

- I've got a couple of questions. I'm a private investor. I have been on your calls for quite a while, and I've had the stock for quite a while. You make a statement in the quarterly report, you say we expect growth to continue in the second half of the year and to be up 15% for the full fiscal year. What does that relate to? What numbers are being used to come up with that?

Patrick M. Lavelle ***VOXX International Corporation*** *-* ***President, CEO & Director***The numbers that we're using and the projections that we have from our customers that are placing orders. We have promotions scheduled for the second half. And if we're able to make sure that we deliver in the second half, which we believe between what we have in the bar, so to speak, that we will be able to achieve our third quarter's and what we have coming in, in the third quarter for the fourth quarter that we will be able to achieve that type of result.

- So it's actually not based on any concrete numbers, it's just the projection? Not based on earnings per quarter. Okay. The other question I have is in the last couple of -- at least the last couple of quarterly earnings reports, you mentioned the company's stock buyback. It appears to me based on public knowledge, Mr. Kahli has bought over 4 million shares. That seems to be that company's repurchase is through Mr. Kahli. Is that -- is the company going to be buying any shares?

Patrick M. Lavelle ***VOXX International Corporation*** *-* ***President, CEO & Director***First off, the company bought about $1.2 million worth of shares over the past quarter. Mr. Kahli's holdings were not acquired in the third quarter -- or in the second quarter. They were acquired over, I believe, in almost 2-year period in that.

- Okay. All right. I'll just relay one other thing that I live in Florida, your -- Costco in both Bradenton and Sarasota constantly have your product.

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

- They're always there. It's always well displayed.

Patrick M. Lavelle ***VOXX International Corporation - President, CEO & Director***One of the things that we were asked over the past quarters, where is the business sustainable? And with Costco sustaining the program with us and adding -- we have a big program going with Costco right now for the holiday season. So Costco has become a very strong account and that will continue.

- My comment is that every day, it's supply chain, it's supply chain, but our product is in Costco all the time.

Patrick M. Lavelle ***VOXX International Corporation - President, CEO & Director***We've worked very hard to make sure that we had the inventory. We stepped out on -- in the early part of the second quarter to make sure that all the production facilities were firing on -- at full capacity. And we had -- we unfortunately had to take on additional warehousing in Asia to hold the goods because of the delays with getting them on boats and everything, but I think that's going to be proven to be the right strategy going into the third quarter.

OperatorI am showing no further questions at this time. I would now like to turn the conference back to Patrick Lavelle.

Patrick M. Lavelle ***VOXX International Corporation - President, CEO & Director***Well, thank you all. Once again, thank you for support of VOXX. It has been -- and it's not just this past year, over the last 2 years, it has been very, very challenging. But I -- as I said earlier, I believe the VOXX team has performed exceptionally well remotely and now coming back to work and working through all the logistics issues that we've had. So we're anticipating that we will be able to finish the year on a strong note.I want to thank you and wish you all a good day.

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