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, 2020

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 240.13c-4(c))

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On October 13, 2020, VOXX International Corporation ("the Company") issued a press release announcing its earnings for the three and six months ended August 31, 2020. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

Earnings Call:

On October 14, 2020, the Company held a conference call to discuss its financial results for the three and six months ended August 31, 2020. 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.

Revised Non-Employee Director Compensation:

On October 12, 2020, the Board approved revised Non-Employee Director Compensation which provides for the following:

Restricted Stock Grant: Each of the Company's non-employee directors received a one-time grant of 10,000 Restricted Stock Units with a value based on the fair market value of the Company's Class A Common Stock, which is the mean of the high and low stock price on the date of grant. The Restricted Stock Units vested upon the grant date but will only be settled in stock, cash, or a combination of both, in the Company's sole discretion, upon a non-employee director's separation from service by virtue of death, resignation, non-election, or change in control.

Cash Retainers: Each of the Company's non-employee directors will also receive an annual retainer of $50,000. Additionally, the Audit Committee chairperson will annually receive $15,000, the Compensation Committee chairperson will annually receive $10,000, and the Nominating and Corporate Governance Committee chairperson will annually receive $10,000. In addition, each of the Company's non-employee directors will annually receive $5,000 for general availability and participation in meetings and conference calls of the Board and its Audit, Compensation and Nominating and Governance Committees, in lieu of a per meeting attendance fee.

Expenses: The Company will continue to reimburse non-employee directors for their travel, lodging, and other reasonable expenses incurred in attending meetings of Board and committees of the Board.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release, dated October 13, 2020, relating to VOXX International Corporation's earnings release for the three and six months ended August 31, 2020 (filed herewith).
99.2	Transcript of conference call held on October 14, 2020 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 16, 2020

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 2021 SECOND QUARTER FINANCIAL RESULTS

- Fiscal 2021 second quarter revenue of $128.0 million increased approximately 42% year-over-year
- Fiscal 2021 second quarter operating income of $8.7 million, a $16.4 million year-over-year improvement
- Fiscal 2021 second quarter Adjusted EBITDA of $13.9 million, a $14.8 million year-over-year improvement
- New OEM awards of over $400 million over the past three quarters; retail and aftermarket distribution expanded; Premium Audio Group picks up Onkyo, Pioneer, Pioneer Elite, and Integra brands
- EyeLock awarded major healthcare program and pipeline continues to build
- Company anticipates year-over-year growth and increased profitability in the second half of Fiscal 2021

ORLANDO, Fla., October 13, 2020 – VOXX International Corporation (NASDAQ: VOXX), a leading manufacturer and distributor of automotive and consumer technologies for the global markets, today announced financial results for its Fiscal 2021 second quarter and six-months ended August 31, 2020.

Commenting on the Company's results, Pat Lavelle, President and Chief Executive Officer of VOXX International Corporation stated, "We had a strong second quarter, both in terms of sales and profitability and our outlook looks promising. Premium audio product sales are growing and should increase significantly with expanded distribution, our new alliance with Onkyo and Pioneer, and new products coming to market. Our aftermarket Automotive business is growing due to the acquisitions we made, both of which are progressing well. During the quarter, we were awarded an additional $30 million in new OEM business, bringing the total to over $400 million in new business awarded over the past approximately three quarters. While near-term, the global car market remains challenged, with these new awards that range between three to five years, and some as long as ten years, we see the potential to double our automotive business in the next three years."

Lavelle continued, "Interest in EyeLock products continues to intensify given the challenges with other modalities in light of the global pandemic. During the quarter, we were notified that we were awarded the healthcare program which we have previously spoken about. And, as part of the strategic process we began for EyeLock, we have a number of interested parties and are evaluating options to determine the best fit for VOXX and our shareholders. Overall, momentum is building, we are executing on our strategy, and our balance sheet remains strong. Barring any unforeseen events, the second half of Fiscal 2021 should generate significant top- and bottom-line improvements."

Fiscal 2021 and Fiscal 2020 Second Quarter Financial Comparisons

Net sales in the Fiscal 2021 second quarter ended August 31, 2020 were $128.0 million, an increase of $37.8 million or 41.9%, as compared to $90.2 million in the Fiscal 2020 second quarter ended August 31, 2019.

- Consumer Electronics segment net sales were $95.0 million as compared to $63.0 million, an increase of $32.0 million or 50.7%. Premium Audio product sales of $69.3 million increased by $31.2 million or 81.8%, as compared to $38.1 million, driven by higher sales of premium home theater systems, subwoofers, and the newly introduced premium wireless computer speaker systems, as well as expanded distribution and new product introductions. Other consumer electronics product sales of $25.7 million increased by $0.8 million or 3.1%, as compared to $24.9 million, due to higher demand for and sales of hook-up and Do It Yourself ("DIY") products.

- Automotive Electronics segment net sales were $32.6 million as compared to $26.8 million, an increase of $5.8 million or 21.6%. OEM product sales of $10.7 million declined by $1.1 million or 9.3%, primarily due to plant closures at several of the Company's OEM customers and related volume of car sales. Aftermarket product sales of $21.9 million increased by $6.9 million or 45.8%, primarily driven by the Directed and Vehicle Safety Holdings Corp. ("VSHC") acquisitions and an increase in remote start sales due to pent-up demand.
- Biometrics segment sales of $0.3 million were essentially flat for the comparable periods, or up 3.5%.

The gross margin in the Fiscal 2021 second quarter was 29.7%, up 340 basis points compared to the prior fiscal year period. Driving the year-over-year increase was a 390-basis point gross margin improvement in the Consumer Electronics segment, while Automotive Electronics segment gross margins were relatively flat, down 20 basis points. While gross margin improved in the Biometrics segment, the impact was minimal based on volume.

Total operating expenses in the Fiscal 2021 second quarter were $29.4 million, as compared to $31.5 million in the comparable Fiscal 2020 period, an improvement of $2.1 million or 6.7%. Selling expenses increased by 4.2% primarily due to higher sales and related commissions and selling expenses associated with headcount related to the acquisitions. General and administrative expenses declined by 12.6% primarily due to lower salary, and trade and entertainment expenses, also offset by acquisition-related expenses. Engineering and technical support expenses declined by 5.0%, primarily due to the COVID-19 pandemic and partially offset by an increase in research and development and salary-related expenses associated with the acquisitions.

The Company reported operating income of $8.7 million in the Fiscal 2021 second quarter, as compared to an operating loss of $7.7 million in the comparable year-ago period, an improvement of $16.4 million. Net income attributable to VOXX International Corporation was $7.3 million in the Fiscal 2021 second quarter, as compared to a net loss attributable to VOXX International Corporation of $6.0 million in the Fiscal 2020 second quarter, an improvement of $13.3 million. On a per share basis, the Company reported basic and diluted income per share attributable to VOXX International Corporation of $0.30 in the Fiscal 2021 second quarter, as compared to a basic and diluted loss per share attributable to VOXX International Corporation of $0.24 in the Fiscal 2020 second quarter.

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") was $13.5 million in the Fiscal 2021 second quarter, as compared to an EBITDA loss of $1.3 million in the Fiscal 2020 second quarter, an improvement of $14.9 million. Adjusted EBITDA in the Fiscal 2021 second quarter was $13.9 million, as compared to an Adjusted EBITDA loss of $0.9 million in the comparable year-ago period, an improvement of $14.8 million.

Fiscal 2021 and Fiscal 2020 Six-Month Financial Comparisons

Net sales in the first half of Fiscal 2021 ended August 31, 2020 were $200.0 million, an increase of $16.3 million or 8.9%, as compared to $183.7 million in the first half of Fiscal 2020 ended August 31, 2019.

- Consumer Electronics segment net sales were $149.5 million as compared to $126.7 million, an increase of $22.8 million or 18.0%. Premium Audio product sales of $103.8 million increased by $29.0 million or 38.8%, as compared to $74.8 million. This growth was driven primarily by higher consumer demand, expanded distribution, increased market share, and the introduction of new products. Other consumer electronics product sales of $45.7 million decreased by $6.2 million or 11.9%, primarily due to the COVID-19 global pandemic, nationwide brick and mortar business closures, and fewer SKU's carried compared to the prior fiscal year period.
- Automotive Electronics segment net sales were $49.9 million as compared to $56.5 million, a decrease of $6.6 million or 11.6%. OEM product sales of $18.4 million declined by $8.4 million or 31.3% primarily due to the global pandemic, which led to several automotive manufacturing plant shutdowns, and timing of various OEM programs and the respective vehicle launch dates. Aftermarket product sales of $31.5 million increased by $1.8

million or 6.1% due to the recent acquisitions, partially offset by several retail and aftermarket car dealerships closing stores due to the impact of COVID-19**.**

- Biometrics segment sales of $0.4 million increased by $0.1 million or 38.5%. Driving the increase were higher sales of the EXT outdoor perimeter access product, as well as an updated version of the Nano NXT perimeter access product, both of which launched in the second quarter of Fiscal 2020.

The gross margin in the Fiscal 2021 six-month period was 29.0%, up 190 basis points compared to the prior fiscal year period. Driving the year-over-year increase was a 260-basis point gross margin improvement in the Consumer Electronics segment, which offset a 200-basis point decline in the Automotive Electronics segment, primarily due to lower sales of higher margin OEM products and automotive manufacturing shut-downs which lowered absorption rates. Offsetting this impact in the Automotive Electronics segment were higher gross margins associated with the acquisitions.

Total operating expenses in the Fiscal 2021 six-month period were $57.2 million, as compared to $64.6 million in the comparable Fiscal 2020 period, an improvement of $7.4 million or 11.4%. Selling expenses declined by 6.2% primarily as a result of lower salaries and the elimination of all non-essential travel and lower trade expenses, offset by higher sales and related commissions, and additional selling expenses associated with headcount related to the acquisitions. General and administrative expenses declined by 13.3% due primarily to lower salary, trade and entertainment, and office expenses, as well as lower headcount, among other factors, offset by expenses associated with acquisitions, and higher compensation expenses from the resulting new subsidiaries. Engineering and technical support expenses declined by 14.5%. Note, the fiscal 2021 six-month period included operating expenses from DEI for the full six months, whereas VSM was acquired in July 2020.

For the Fiscal 2021 six-month period, the Company reported operating income of $0.8 million, as compared to an operating loss of $14.9 million in the comparable year-ago period, an improvement of $15.7 million. Net loss attributable to VOXX International Corporation was $0.9 million in the Fiscal 2021 six-month period, as compared to a net loss attributable to VOXX International Corporation of $7.1 million in the comparable year-ago period, an improvement of $6.2 million. On a per share basis, the Company reported a basic and diluted loss per share attributable to VOXX International Corporation of $0.04 in the Fiscal 2021 six-month period, as compared to a basic and diluted loss per share attributable to VOXX International Corporation of $0.29 in the Fiscal 2020 six-month period. Contributing to the net loss attributable to VOXX in the Fiscal 2021 six-month period was an income tax expense of $4.4 million, whereas the Fiscal 2020 six-month period included an income tax benefit of $1.5 million.

For the Fiscal 2021 six-month period, EBITDA was $10.3 million, as compared to an EBITDA loss of $1.5 million in the Fiscal 2020 six-month period, an improvement of $11.7 million. Adjusted EBITDA in the Fiscal 2021 six-month period was $10.5 million, as compared to an Adjusted EBITDA loss of $1.9 million in the comparable year-ago period, an improvement of $12.4 million.

Balance Sheet Update

As of August 31, 2020, the Company had cash and cash equivalents of $45.9 million, as compared to cash and cash equivalents of $37.4 million as of February 29, 2020. As of August 31, 2020, long-term debt, net of debt issuance costs was $26.3 million, as compared to $6.1 million as of February 29, 2020. The increase in total long-term debt was primarily related to $20.3 million outstanding on the Company's domestic Credit Facility as of August 31, 2020.

As a precautionary measure to ensure financial flexibility and maintain maximum liquidity, given the uncertainty surrounding the COVID-19 global pandemic, in April 2020 the Company borrowed $20.0 million from its Credit Facility in the U.S., and on June 11, 2020, amended the Credit Facility to extend its maturity date. The Company has sufficient cash on hand and access to capital to meet all of its working capital needs and will evaluate the appropriate time to pay back the $20.0 million as it currently is in its heaviest buying season.

Acquisition of Directed LLC and Directed Electronics Canada, Inc.

On July 2, 2020, the Company completed its acquisition of certain assets and liabilities, which comprised the aftermarket vehicle remote start and security systems and connected car solutions (telematics) business, from Directed LLC and Directed Electronics Canada, Inc. (“Directed”), resulting in newly formed subsidiaries VOXX DEI LLC and VOXX DEI Canada LLC. This transaction was done via an asset purchase agreement and the acquired assets included inventory, accounts receivable, certain fixed assets, IT systems, and intellectual property. The cash purchase price was $11.0 million. Note, the acquisition of certain assets and liabilities of Vehicle Safety Holdings Corp. closed on January 31, 2020, which was during the Company’s Fiscal 2020 fourth quarter, resulting in the newly formed subsidiary VSM-Rostra LLC (“VSM”).

Conference Call and Webcast Information
VOXX International will be hosting its conference call on Wednesday, October 14, 2020 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 (toll-free: 877-303-9079; international: 970-315-0461 / conference ID: 8549988). A replay will be available on the Company’s website approximately one hour after the completion of the call.

Non-GAAP Measures

EBITDA, Adjusted EBITDA, and Diluted Adjusted EBITDA per common share are not financial measures recognized by GAAP. EBITDA represents net income (loss) 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, as well as investment gains and life insurance proceeds. Depreciation, amortization, and stock-based compensation are non-cash items. Diluted Adjusted EBITDA per common share represents the Company's diluted earnings per common share based on Adjusted EBITDA.

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

About VOXX International Corporation
VOXX International Corporation (NASDAQ: VOXX) has grown into a worldwide leader in 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 29, 2020 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 & Media 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, 2020	February 29, 2020
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 45,889	$ 37,425
Accounts receivable, net	104,613	69,714
Inventory	126,407	99,110
Receivables from vendors	567	230
Prepaid expenses and other current assets	14,294	10,885
Income tax receivable	443	456
Total current assets	292,213	217,820
Investment securities	1,838	2,282
Equity investment	22,305	21,924
Property, plant and equipment, net	52,846	51,424
Operating lease, right of use asset	4,990	3,143
Goodwill	58,383	55,000
Intangible assets, net	94,350	88,288
Deferred income tax assets	56	52
Other assets	1,524	1,638
Total assets	$ 528,505	$ 441,571
Liabilities, Redeemable Equity, and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 58,376	$ 22,096
Accrued expenses and other current liabilities	45,743	34,046
Income taxes payable	2,424	1,523
Accrued sales incentives	17,543	12,250
Contract liabilities, current	4,486	—
Current portion of long-term debt	959	1,107
Total current liabilities	129,531	71,022
Long-term debt, net of debt issuance costs	26,319	6,099
Finance lease liabilities, less current portion	490	720
Operating lease liabilities, less current portion	3,996	2,391
Contract liabilities, less current portion	1,070	—
Deferred compensation	1,838	2,282
Deferred income tax liabilities	6,786	3,828
Other tax liabilities	1,094	1,225
Other long-term liabilities	6,130	3,294
Total liabilities	177,254	90,861
Commitments and contingencies		
Redeemable equity	2,767	2,481
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, $.01 par value, 60,000,000 shares authorized, 24,406,194 and 24,306,194 shares issued and 21,656,976 and 21,556,976 shares outstanding at August 31, 2020 and February 29, 2020, respectively	245	244
Class B Convertible, $.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding at both August 31, 2020 and February 29, 2020	22	22
Paid-in capital	299,339	299,228
Retained earnings	121,207	122,139
Accumulated other comprehensive loss	(16,076)	(19,055)
Less: Treasury stock, at cost, 2,749,218 shares of Class A Common Stock at both August 31, 2020 and February 29, 2020	(23,918)	(23,918)
Less: Redeemable equity	(2,767)	(2,481)
Total VOXX International Corporation stockholders' equity	378,052	376,179
Non-controlling interest	(29,568)	(27,950)
Total stockholders' equity	348,484	348,229
Total liabilities, redeemable equity, and stockholders' equity	$ 528,505	$ 441,571

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

	Three months ended August 31,		Six months ended August 31,	
	2020	2019	2020	2019
Net sales	$ 128,032	$ 90,246	$ 200,019	$ 183,700
Cost of sales	89,956	66,477	141,968	133,922
Gross profit	38,076	23,769	58,051	49,778
Operating expenses:				
Selling	9,067	8,701	17,429	18,582
General and administrative	15,545	17,782	30,540	35,207
Engineering and technical support	4,781	5,035	9,266	10,842
Total operating expenses	29,393	31,518	57,235	64,631
Operating income (loss)	8,683	(7,749)	816	(14,853)
Other (expense) income:				
Interest and bank charges	(1,010)	(887)	(1,863)	(1,884)
Equity in income of equity investee	1,883	1,265	2,745	2,705
Investment gain	—	775	—	775
Other, net	(392)	547	142	2,191
Total other income, net	481	1,700	1,024	3,787
Income (loss) before income taxes	9,164	(6,049)	1,840	(11,066)
Income tax expense (benefit)	2,609	1,115	4,390	(1,530)
Net income (loss)	6,555	(7,164)	(2,550)	(9,536)
Less: net loss attributable to non-controlling interest	(785)	(1,200)	(1,618)	(2,424)
Net income (loss) attributable to VOXX International Corporation	$ 7,340	$ (5,964)	$ (932)	$ (7,112)
Other comprehensive income (loss):				
Foreign currency translation adjustments	3,025	(215)	3,529	(1,026)
Derivatives designated for hedging	(294)	(177)	(471)	(284)
Pension plan adjustments	(65)	9	(79)	23
Other comprehensive income (loss), net of tax	2,666	(383)	2,979	(1,287)
Comprehensive income (loss) attributable to VOXX International Corporation	$ 10,006	$ (6,347)	$ 2,047	$ (8,399)
Income (loss) per share - basic: Attributable to VOXX International Corporation	$ 0.30	$ (0.24)	$ (0.04)	$ (0.29)
Income (loss) per share - diluted: Attributable to VOXX International Corporation	$ 0.30	$ (0.24)	$ (0.04)	$ (0.29)
Weighted-average common shares outstanding (basic)	24,224,478	24,481,477	24,223,935	24,457,482
Weighted-average common shares outstanding (diluted)	24,552,064	24,481,477	24,223,935	24,457,482

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

	Three months ended August 31,		Six months ended August 31,	
	2020	2019	2020	2019
Net income (loss) attributable to VOXX International Corporation	$ 7,340	$ (5,964)	$ (932)	$ (7,112)
Adjustments:				
Interest expense and bank charges (1)	867	766	1,582	1,644
Depreciation and amortization (1)	2,715	2,757	5,224	5,517
Income tax expense (benefit)	2,609	1,115	4,390	(1,530)
EBITDA	13,531	(1,326)	10,264	(1,481)
Stock-based compensation	335	1,186	686	1,345
Investment gain	—	(775)	—	(775)
Life insurance proceeds	24	—	(420)	(1,000)
Adjusted EBITDA	$ 13,890	$ (915)	$ 10,530	$ (1,911)
Diluted income (loss) per common share attributable to VOXX International Corporation	$ 0.30	$ (0.24)	$ (0.04)	$ (0.29)
Diluted Adjusted EBITDA per common share attributable to VOXX International Corporation	$ 0.57	$ (0.04)	$ 0.43	$ (0.08)

(1) 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.

VOXX International Corp. (2021 Q2 Results)
October 14, 2020

Corporate Speakers:

- Glenn Wiener; GW Communications LLC; Owner
- Pat Lavelle; VOXX International Corporation; CEO
- Michael Stoehr; VOXX International Corporation; SVP & CFO

Participants:

- Beat Kahli; Kahli Holding AG; Founder

PRESENTATION

Operator: Ladies and gentlemen, thank you for standing by.

Welcome to the VOXX International Fiscal 2021 Second Quarter Conference Call.

(Operator Instructions)

Please be advised that today's conference is being recorded.

(Operator Instructions)

I'd now like to hand the conference over to your speaker for today, Mr. Glenn Wiener, Investor Relations. Thank you.

Sir, please go ahead.

Glenn Wiener: Thank you, John. Good morning. Welcome to VOXX International's Fiscal 2021 Second Quarter Conference.

Our Form 10-Q was filed with the SEC, and we issued our press release after market close yesterday, afternoon. Those documents can be found on the IR section of our website, and we will surely be posting an updated investor presentation to our site as well, either by the end of this week or next week. Our call is being webcast live over the Internet, and a replay will be available approximately 1 hour after the completion of this call.

Speaking from management today will be Pat Lavelle, President and Chief Executive Officer; and Michael Stoehr, Senior Vice President and Chief Financial Officer. Both will have prepared remarks, and we will then open up the call for questions. Our Chairman and founder, John Shalam, is also here with us and available for questions.

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 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 29, 2020.

Lastly, as you saw from our results, and I will assume here on today's conference call, VOXX's business has improved, and we believe the outlook is stronger today than at any point in recent years. As such, we will be resuming proactive IRS initiatives to mark the VOXX story. And all shareholders, prospective shareholders, analysts and bankers joining us today or listening to our replay, please feel free to contact me directly with any follow-up questions and/or to arrange a call with management.

We look forward to the second half of our fiscal year and reporting on our progress. And to all those joining us, please remain safe. Thank you. And at this point, I'd like to turn the call over to Pat Lavelle, CEO. Pat?

Pat Lavelle: Thanks, Glenn. And good morning, everyone.

I'm pleased to say that this quarter, we delivered substantial year-over-year improvements on both the top and bottom line. Consolidated sales increased by close to 42%, with all segments showing growth. Gross margins were up 340 basis points, and operating expenses declined by 6.7%. We reported operating income of $8.7 million versus an operating loss of $7.7 million, a $16.4 million improvement over last year. We delivered adjusted EBITDA of $13.9 million, a $14.8 million improvement over the second quarter of fiscal 2020. All of this, despite the continued impact of COVID on the global economy, needless to say, I am very proud of the VOXX team and how hard they have worked throughout this disruption.

During Q2, we wiped out the losses from Q1 and are profitable through the first half of the fiscal year, a trend we believe will continue as we continue to win new multiyear OEM contracts, expand our retail and aftermarket distribution. We have new products coming to market, and with the additional contributions from our acquisitions of DEI and VSM-Rostra. Barring any major unforeseen catastrophe in the economy, we are poised for a strong second half and expect major improvements in fiscal '21, which we also believe will be sustainable.

Lastly, our balance sheet remains very strong, and we intend to reinitiate the share repurchase program while concurrently evaluating strategic transactions that will strengthen our business. There are a lot of positive developments at VOXX, and we're excited with what the future holds.

I'm going to start with the Consumer Electronics segment this morning. Second quarter sales were up over 50%, and our outlook for the second half of the year is even better. This segment consists of both Premium Audio and Consumer Accessory products. And over the past 1.5 years, we have made a lot of changes to better align the organization, expand distribution and bring to market the right products in the categories where we have leading market positions and opportunities for growth.

Within our Premium Audio operations, Klipsch branded products did exceptionally well, growing close to 90% year-over-year. This was driven by higher sales of home speakers, cell motors, products for home theater and ProMedia speaker systems. We also saw an over 40% increase in the German Premium Audio product sales with Magnat and Heco as the drivers.

As I mentioned last quarter, additional distribution was added within our Premium Audio group pre-COVID. This has proven to be the right strategy since we were in place and able to continue to sell while many retailers shut down store locations. Additionally, consumers who were shut in looked to create a better environment for entertainment or work from home, thus creating higher demand. Klipsch has been able to expand overall assortment at many of these new outlets. At the same time, our core distribution for Premium Audio grew by over 40%. When combined, this led to a consolidated sales increase of over 80%.

Keep in mind, Best Buy, a key customer, only reopened at the end of June, and we grew in spite of this. They are now back up, and we have several programs slated in the second half of the year. Premium Audio grew by double digits as an industry, and we believe this is sustainable. These high-end products are essential in today's home for movies, gaming, home gym, outdoor. The future is bright because we've expanded the core premium audience that we believe will continue to upgrade, replace and add on in the future.

We believe e-sports and gaming is the next area of growth as we have seen this with the success of our ProMedia line. At the end of July, we finalized our alliance with Onkyo & Pioneer Corporation to become the exclusive distributor of Onkyo, Pioneer, Pioneer Elite and the Integra branded audio products in the Americas. We set up a new subsidiary, 11 Trading Company, which will market and distribute these products as well as sell our Magnat and Heco German brands in the Americas. Keep in mind, our 2Q results do not include contributions from this alliance. We will start delivery in Q3, ramping up next year and contributing to overall Premium Audio revenue.

Without giving a firm number on guidances because we all know things can change, I do feel confident in saying that our Premium Audio product's sales should see growth well over $100 million in fiscal '21 versus last fiscal year. And as I have mentioned last quarter, Klipsch in particular is poised for its best year in its history.

During the second quarter, consumer electronic product sales grew by approximately $800,000 compared to last year's second quarter. Overall sales of accessory products are expected to be down for the year, largely due to the discontinuance of products as part of our strategy. However, gross margins have improved, and we are profitable both domestically and internationally. And we continue to look for new areas where we can differentiate VOXX and leverage our distribution.

Moving on to Automotive Electronics segment. Second quarter sales were up 21% with OEM product sales down $1.1 million, and aftermarket product sales up approximately $7 million. The aftermarket business was aided by the acquisitions of DEI and VSM, but also note the timing of the acquisitions. While we had a full quarter of VSM sales, we only had DEI sales from July onwards. Both acquisitions are performing to or better than expectations. And VSM, in particular just added new multiyear OEM programs with Volvo, Polaris and Subaru. Our 50-50 joint venture with ASA is doing well and building momentum.

Last quarter, I talked about some of the weakness brought about by COVID. And while their business was down in Q1, they remain profitable. We are now seeing stronger results driven by the RV and heavy-duty markets. Momentum has carried through into September and looks to be promising in the second half.

In Q2, we were awarded approximately $30 million of new OEM business, building upon the $375 million I announced last quarter. Our collaboration with Amazon to integrate Fire TV into our rear seat entertainment systems has been a key driver in securing the major portion of our future OEM business and has put VOXX Automotive significantly ahead of the competition. Of the over $400 million in new awards we've received over the past 3 quarters or so, approximately $330 million is incremental. The business we won has varying launch dates, some in calendar year '21, calendar year '22 and '23 and stretch out over 3 to 5 years with some smaller ones as long as 10 years.

As to our recent acquisitions, we have completely transitioned the VSM-Rostra business into our Orlando facility as planned and on time. And we have completed the integration of DEI as well. Based on the moves that we have made and the awards we have won, we expect to double our automotive business over the next 3 years.

Moving on to the Biometrics segment. Although the quarter showed modest improvement, we are seeing increased interest in EyeLock's iris technology, driven by the difficulties of the other modalities created by COVID. Facial cannot identify individuals with masks or PPE, and many consumers are much more comfortable with a touchless application. We have announced a number of new partnerships over the past quarter and have begun receiving some of the new products that were in development, ramping up production based on increased demand. As a result, we expect to see higher sales, but more importantly, more consistency in sales of our secure solution applications.

And some good news to report. In the second quarter, we were advised that we were awarded the program that we have discussed in the past within the health care space. We are in negotiations on final terms, and when the contract is signed, we will have more liberty to discuss the positive impact this will have on EyeLock.

As you know, we also hired an investment banker, Imperial Capital, to look at alternatives to enhance Eyelock's position. We have had a number of interested parties and are evaluating several to determine the best fit for VOXX and its shareholders.

To sum it all up, we had a strong second quarter. The second half should be even better. Automotive long term looks more promising than ever. Consumer, driven by Premium Audio, is poised for significant expansion this year, which we believe can be sustained barring any major change at retail or within the economy. Biometrics interest is picking up. Our pipeline is growing. And we have a number of interested parties that want to share in Eyelock's future and upside.

Our acquisitions were done at what we believe to be a very attractive price and will positively contribute to our top and bottom line. We have a strong balance sheet with cash on hand and access to capital. We are planning to reinitiate the share repurchase program, entering into a 10b5 plan for 500,000 shares to begin and will revisit throughout the next few quarters. We are also going to start marketing the VOXX story again, given our outlook and believe we are in a great position to continue to increase shareholder value.

Thank you. And at this time, I'll turn the call over to Mike, and then we'll open it up for questions. Mike?

Michael Stoehr: Thanks, Pat. Good morning, everyone. Pat provided a lot of details regarding our second quarter performance and our outlook. As such, I'll provide a recap of our first half of the year results with some commentary around the second quarter, then address our balance sheet before we open the call for questions. Note all comparisons for the second quarter and first half of fiscal '21 and fiscal '20 are for the period ended August 31.

For the first half of fiscal 2021, consolidated net sales of $200 million increased by $16.3 million or close to 9%. Automotive segment sales were down $6.6 million. OEM product sales declined by $8.4 million, while aftermarket product sales increased by $1.8 million.

As many of you know from prior calls and from various news reports, the automotive market was hit hard by COVID, and there were several plant shutdowns. That was one of the primary drivers for the OEM decline, and the growth in our aftermarket business was primarily driven by our recent acquisitions. This impact was hardest in Q1. But for the second quarter comparisons, note that Automotive segment sales were up approximately 22%.

Consumer Electronics segment sales were up $22.8 million or 18%, with big sales increases of premium motor products up close to 39%. Other CE products declined by approximately 12%. But note, this takes into account products that were sold in the prior fiscal year period that have since been discontinued. We did not grow other CE product sales in the second quarter year-over-year.

The Biometrics segment posted sales of $360,000, up $100,000, but the real growth is anticipated based on new programs, new partnerships and some of the new products that were recently brought to market.

Our second quarter gross margins of 29.7% increased by 340 basis points, and our first half margins of 29% increased by 190 basis points. Driving the year-over-year increases for both periods was our CE segment, up 390 and 260 basis points, respectively.

Second quarter total operating expenses declined by 6.7%, and for the first 6 months declined by 11.4% versus the prior year periods. We have taken a lot of fixed costs out of the business. T&E, of course, has been down due to the current travel environment, and we had either removed or lowered salary and other third-party costs throughout the year. Note, there will be some costs coming back in the second half of the year, which was part of our plan and given the anticipated increase in sales and the added costs from the acquisitions. We will continue, however, to be diligent in managing capital allocations.

For the 6-month period, selling expenses declined by 6.2%, G&A expenses declined by 13.3%, and engineering and technical support expenses declined by 14.5%.

Second quarter operating income of $8.7 million marked a $16.4 million year-over-year improvement. And for the 6-month period, we went from a loss of $14.9 million to an operating profit of $800,000. We anticipate profitability in the second half of the fiscal year, as Pat indicated, barring any major changes related to COVID, the elections and global economies. This is based on customer projections, which we continually monitor and try to offset year-end risks as well as our buying forecasts and future programs that will roll out throughout the second half.

Other income for the 3-month comparisons declined by $1.2 million and for the 6-month comparisons declined by $2.8 million. The key drivers were a $775,000 investment gain in last year's second quarter, a $1 million pickup from a life insurance policy also in the prior year and other minor factors.

This leads to a pretax profit of $9.2 million compared to a pretax loss of $6 million when comparing the second quarter periods. And for the 6-month periods, pretax profit in fiscal '21 was $1.8 million versus a pretax loss of $11.1 million in the comparable periods last year.

We reported EBITDA of $13.5 million in fiscal '21 second quarter versus an EBITDA loss of $1.3 million in second quarter of fiscal '20, a $14.9 million increase. An adjusted EBITDA of $13.9 million marked a $14.8 million improvement over second quarter of last fiscal year. For the 6-month period comparisons, EBITDA of $10.3 million increased by $11.7 million and adjusted EBITDA of $10.5 million increased by $12.4 million.

With respect to the balance sheet, we finished the second quarter with $45.9 million of cash and cash equivalents, up $8.5 million compared to our fiscal year-end. The increase is due to a $20 million drawer on our credit facility, which we discussed previously and was done amidst the earlier stages of the global pandemic, and this also takes into account cash used for acquisitions. We will continue to utilize our cash as we move into our heaviest selling season, and there was -- and there are a lot of inventory purchase based on an anticipated increase in sales. You can see in footnote 17 of our Form 10-Q

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the breakdown of our debt, which stood at $26.3 million as of August 31 compared to $6.1 million as of our fiscal 2020 year-end. There was very little change less the $20 million drawer on our credit facility.

In closing, our balance sheet remains in excellent condition. And we have sufficient capital and access to capital to fund operations, support our customers, reinitiate the share repurchase program and to continue to seek out other opportunities that will strengthen our business in line with Pat's comments. Operator, we are now ready to open up the call for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

First question comes from Beat Kahli from Kahli Holding.

Beat Kahli: I just want to say congratulations. There is not much more to say as a comment. I'm proud of you, proud to have almost 4.5 million reasons to be happy today with your performance in the second quarter. But I understand too that it wasn't an easy task. But what I particularly like, after I had a chance to get up very early today to study your release of yesterday evening, is the outlook. I mean the outlook is bright. And I can tell everybody, because I was always open about this, I don't see any reason why Kahli Holding wouldn't, when opportune, continue to buy, I mean the stock went up, because I still believe that you have a great potential here.

And needless to say, with our 4.5 million reason or shares, we're watching VOXX very closely from our office in Singapore, from our office in Orlando. Whatever information we can publicly get, we are seeking in. We believe you have -- you're at the beginning. And stay tuned, we will continue to invest in VOXX and we will continue to monitor, and when possible, probably, even support. So thank you very much for the performance, and congratulations.

I particularly as well like -- because I was a little bit skeptical too when Pat announced acquisitions. I'm kind of like thought, well, I mean, right now, acquisitions? But when I'm now seeing that -- what those 2 aftermarket automotive acquisition really did for that segment, more power to you. Those acquisitions, as I can see and I don't have every single information, obviously, were a great move, so -- and I have to admit too, if I would have any say, I would have probably not done those acquisition. Pat, John, Mike, you did it, and it helped.

My question today is a little bit -- I mean looking at this, looking at the profitability -- and I, actually, I mean, to my fellow shareholders, maybe not a secret because Pat actually announced a lot of those things. But we probably didn't want to listen at that time when he told us about the contracts which you secured in the automotive, when he told us on the last call that Klipsch is doing well. We probably just don't know that because the stock is down, the CEO makes some good comments. But most of those fruits, which

VOXX was now earning in the second quarter. And I have no doubt, to a much greater degree, it will be earning over the next quarters and next years, or the fruits of those information, which Pat gave us several months ago on those calls, we were all a bit skeptical.

So my question to you, Pat is -- Mike, how do you see the sustainability of this? I mean you're delivering a quarter pretax profit of almost $10 million. And still, I mean that was a quarter which was challenging because there was COVID, there was -- so there is travel restriction. Do you see this as sustainable? Are we looking at a company who can deliver what our underwriting was at the beginning of the year when we made a decision to invest in VOXX in steps? Is this sustainable? What do you see, Pat or Mike or John on that front for us and our fellow shareholders?

Pat Lavelle: All right, I'll take that, Beat. And thank you for your kind words.

As I said, we believe -- let's talk about the Premium Audio business. We believe the Premium Audio uptick is sustainable for a number of reasons. First, the entire industry has seen a gain. COVID certainly impacted sales to the upside, and it seems consumers have rediscovered quality audio. And not just for listening to a stereo system, but for movies, where we've seen growth in home theater and high-end sound bars, but also, as I said, home gyms, outdoor, gaming, certainly work from home, which we believe is an integral part of today's workplace.

So from the marketplace, we've seen the market grow and we have seen the audience grow. Secondly, the additional distribution that we -- that I mentioned is here to stay. We're doing very well with them and giving -- and they're giving us additional outlets that we believe will help maintain the growth.

And then third, when I look at Premium Audio, our 11 TC Trading Group, which will distribute Onkyo, Pioneer and Integra, plus the Magnat and Heco brands, across the Americas is just getting started. And it's just getting started in the third quarter. So this will be a big contributor to the top line sales of Premium Audio. So that's where we see the sustainability there.

Finally, when we look at our automotive business, first off, the first quarter was really impacted by COVID. But the car manufacturers are back. The OEM wins which we've announced, plus the ones we know that we're now working on to secure, and the acquisitions have given us a much clearer picture of the next few years where we believe we can double our automotive sales based on the activity. So all in all, and again barring any major economic impact, I think our prospects look very good.

Operator: (Operator Instructions)

We do not have any more questions at this time. Please continue.

Pat Lavelle: Okay. If there are no more questions, I want to thank you all for your participation this morning and interest in VOXX. I wish you have a great rest of the day, and please remain safe. Thank you, all.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating, you may now disconnect. Speakers, please stay on the line for your post conference.