

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): January 11, 2021

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

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

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

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

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

**32824**  
(Zip Code)

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

<b>Title of each Class:</b>	<b>Trading Symbol:</b>	<b>Name of Each Exchange on which Registered</b>
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(c))

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

Emerging growth company

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

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

On January 11, 2021, VOXX International Corporation (“the Company”) issued a press release announcing its earnings for the three and nine months ended November 30, 2020. A copy of the release is furnished herewith as Exhibit 99.1.

**Item 8.01 Other Events.****Earnings Call:**

On January 12, 2021, the Company held a conference call to discuss its financial results for the three and nine months ended November 30, 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.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#">Press Release, dated January 11, 2021, relating to VOXX International Corporation's earnings release for the three and nine months ended November 30, 2020 (filed herewith).</a>
99.2	<a href="#">Transcript of conference call held on January 12, 2021 at 10:00 am (filed herewith).</a>
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

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## 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: January 15, 2021

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



**FOR IMMEDIATE RELEASE**

**VOXX INTERNATIONAL CORPORATION REPORTS ITS FISCAL 2021 THIRD QUARTER FINANCIAL RESULTS**

- Fiscal 2021 third quarter net sales of \$201.1 million increased approximately 83% year-over-year
- Fiscal 2021 third quarter Adjusted EBITDA of \$24.5 million, a year-over-year improvement of \$18.7 million
- Fiscal 2021 nine month net sales of \$401.1 million, increased 36.5% year-over-year
- Fiscal 2021 nine month Adjusted EBITDA of \$35.1 million, a year-over-year improvement of \$31.2 million
- Balance sheet and cash position remain healthy with improvements anticipated by Fiscal 2021 year-end

**ORLANDO, Fla., January 11, 2021** – 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 third quarter and nine months ended November 30, 2020.

Commenting on the Company’s results, Pat Lavelle, President and Chief Executive Officer of VOXX International Corporation stated, “We delivered a very strong third quarter with all segments reporting higher sales and improved bottom-line performance. Within Automotive, demand for our EVOLVE rear-seat entertainment system with Amazon’s Fire TV continues to grow, with new OEM programs starting in our Fiscal 2022 second quarter, and the VSM and DEI acquisitions are fully integrated and performing well. Within Consumer, our premium audio product sales continue to increase significantly, as we have expanded our retail distribution, added key brands and enhanced our product offering. Further, the formation of 11 Trading Company is leading to new opportunities for us globally. Lastly, while the financial impact has yet to be felt, demand for EyeLock’s iris authentication solutions has increased since the start of the pandemic, as are conversations with respect to the strategic process. We are on track for one of the best years in our Company’s history from a profitability perspective and believe this is the beginning of the next wave of growth.”

**Fiscal 2021 and Fiscal 2020 Third Quarter Financial Comparisons**

Net sales in the Fiscal 2021 third quarter ended November 30, 2020 were \$201.1 million, an increase of \$91.0 million or 82.6%, as compared to \$110.1 million in the Fiscal 2020 third quarter ended November 30, 2019.

- Consumer Electronics segment net sales were \$139.0 million as compared to \$79.9 million, an increase of \$59.1 million or 74.0%. The year-over-year growth was driven by higher premium audio product sales, which increased by \$59.4 million or 111.6%. Higher sales of premium wireless computer speaker systems and premium mobility products, expanded retail distribution, and sales from the new distribution agreement with Onkyo and Pioneer Corporation drove the significant year-over-year increase. Other consumer electronics product sales of \$26.4 million declined by \$0.3 million or 1.1%, as compared to \$26.7 million.
- Automotive Electronics segment net sales were \$61.5 million as compared to \$30.0 million, an increase of \$31.5 million or 105.1%. OEM product sales of \$14.1 million increased by \$3.5 million or 32.6%. Aftermarket product sales of \$47.4 million increased by \$28.0 million or 144.9%. The year-over-year growth within the segment was primarily driven by the Vehicle Safety Holding Corp. (“VSM”) and Directed, LLC and Directed Electronics Canada Inc. (“Directed” or “DEI”) acquisitions, as well as higher sales of OEM rear-seat entertainment systems and aftermarket security and remote start products.

The gross margin in the Fiscal 2021 third quarter was 28.9%, up 30 basis points compared to the prior fiscal year period. Driving the year-over-year increase was a 560-basis point gross margin improvement in the Automotive Electronics segment, primarily from the acquisitions of VSM and DEI, higher sales of higher margin aftermarket remote start and security products, and an increase in sales of OEM rear-seat entertainment systems. This was partially offset by a 180-basis point gross margin decline in the Consumer Electronics segment, primarily due to premium audio product mix, holiday promotions, and certain product line close-outs in light of new premium audio products coming to market. While Consumer Electronics segment gross margin declined year-over-year, gross profit increased by \$16.5 million or 64.3%. Biometrics segment margins increased for the comparable period but the overall impact was minimal.

Total operating expenses in the Fiscal 2021 third quarter were \$39.6 million, as compared to \$31.3 million in the comparable Fiscal 2020 period, an increase of \$8.2 million or 26.3%. The increase in operating expenses for the comparable periods was primarily related to operating expenses of the previously acquired VSM and DEI businesses, which accounted for approximately \$4.7 million during the Fiscal 2021 third quarter. The remaining increases were primarily due to higher commission expense as a result of higher sales, new hires, increased salaries due to performance, higher professional fees, and an increase in research and development expenses due to the timing of new product launches compared to the prior year, among other factors. The Company continues to monitor its spending as it looks to lower fixed expenses and improve bottom-line performance.

The Company reported operating income of \$18.6 million in the Fiscal 2021 third quarter, as compared to operating income of \$0.1 million in the comparable year-ago period, an improvement of \$18.4 million. Net income attributable to VOXX International Corporation was \$18.3 million in the Fiscal 2021 third quarter, as compared to net income attributable to VOXX International Corporation of \$2.5 million in the Fiscal 2020 third quarter, an improvement of \$15.8 million. On a per share basis, in the Fiscal 2021 third quarter, the Company reported basic and diluted income per share attributable to VOXX International Corporation of \$0.75 and \$0.74, respectively, as compared to basic and diluted income per share attributable to VOXX International Corporation of \$0.10 in the comparable year-ago period.

Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) was \$23.8 million in the Fiscal 2021 third quarter, as compared to EBITDA of \$8.6 million in the Fiscal 2020 third quarter, an improvement of \$15.2 million. Adjusted EBITDA in the Fiscal 2021 third quarter was \$24.5 million, as compared to Adjusted EBITDA of \$5.8 million in the comparable year-ago period, an improvement of \$18.7 million.

#### Fiscal 2021 and Fiscal 2020 Nine-Month Financial Comparisons

Net sales in the Fiscal 2021 nine-month period ended November 30, 2020 were \$401.1 million, an increase of \$107.3 million or 36.5%, as compared to \$293.8 million in the Fiscal 2020 nine-month period ended November 30, 2019. On a segment basis for the comparable Fiscal 2021 and Fiscal 2020 nine-month periods:

- Consumer Electronics segment net sales were \$288.5 million as compared to \$206.6 million, an increase of \$81.9 million or 39.7% year-over-year.
- Automotive Electronics segment net sales were \$111.4 million as compared to \$86.5 million, an increase of \$24.9 million or 28.8%.
- Biometrics segment net sales were \$0.7 million as compared to \$0.4 million, an increase of \$0.3 million or 76.6%.

The gross margin in the Fiscal 2021 nine-month period was 29.0%, up 130 basis points compared to the prior fiscal year period. Driving the year-over-year increase was a 180-basis point gross margin improvement in the Automotive Electronics segment and a 70-basis point gross margin improvement in the Consumer Electronics segment.

Total operating expenses in the Fiscal 2021 nine-month period were \$96.8 million, as compared to \$96.0 million in the comparable Fiscal 2020 period, an increase of \$0.8 million or 0.9%. Approximately \$9.4 million of operating expenses were related to the VSM and DEI acquisitions that were not in the comparable Fiscal 2020 nine-month period. Excluding the operating expenses associated with acquisitions, total operating expenses declined by \$8.5 million or 8.9%.

For the Fiscal 2021 nine-month period, the Company reported operating income of \$19.4 million, as compared to an operating loss of \$14.7 million in the comparable year-ago period, an improvement of \$34.1 million. Net income attributable to VOXX International Corporation was \$17.3 million in the Fiscal 2021 nine-month period, as compared to a net loss attributable to VOXX International Corporation of \$4.6 million in the comparable year-ago period, an improvement of \$22.0 million. On a per share basis, the Company reported basic and diluted income per share attributable to VOXX International Corporation of \$0.72 and \$0.71 in the Fiscal 2021 nine-month period, respectively, as compared to a basic and diluted loss per share attributable to VOXX International Corporation of \$0.19 in the Fiscal 2020 nine-month period.

For the Fiscal 2021 nine-month period, EBITDA was \$34.1 million, as compared to EBITDA of \$7.1 million in the comparable Fiscal 2020 nine-month period, an improvement of \$27.0 million. Adjusted EBITDA in the Fiscal 2021 nine-month period was \$35.1 million, as compared to Adjusted EBITDA of \$3.9 million in the comparable year-ago period, an improvement of \$31.2 million.

#### Balance Sheet Update

As of November 30, 2020, the Company had cash and cash equivalents of \$21.3 million, as compared to cash and cash equivalents of \$37.4 million as of February 29, 2020. The decline is due to the repayment of \$20.0 million outstanding on the Company's Domestic Credit Facility. There was nothing outstanding as of November 30, 2020. Additionally, the decline was due to working capital needed to support higher sales in the Company's Fiscal 2021 third quarter and anticipated increases in the Company's Fiscal 2021 fourth quarter, as well as the cash used to fund the DEI acquisition. The Company expects to end Fiscal 2021 with a higher cash position compared to Fiscal 2020 year-end.

As of November 30, 2020, total debt stood at \$7.2 million as compared to \$8.2 million as of February 29, 2020. The total debt as of quarter-end relates solely to the Company's Florida mortgage. Total long-term debt, net of debt issuance costs stood at \$6.0 million as of November 30, 2020 as compared to \$6.1 million as of February 29, 2020.

#### Conference Call and Webcast Information

VOXX International will be hosting its conference call on Tuesday, January 12, 2021 at 10:00 a.m. Eastern. Interested parties can participate by visiting [www.voxxintl.com](http://www.voxxintl.com) and clicking on the webcast in the Investor Relations section or via teleconference (toll-free: 877-303-9079; international: 970-315-0461 / conference ID: 7656347). 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, certain settlements, 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](http://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](mailto:gwiener@GWCco.com)

**Tables to Follow**

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

	<b>November 30, 2020</b>	<b>February 29, 2020</b>
	<i>(unaudited)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 21,337	\$ 37,425
Accounts receivable, net	155,322	69,714
Inventory	138,607	99,110
Receivables from vendors	251	230
Prepaid expenses and other current assets	17,880	10,885
Income tax receivable	454	456
Total current assets	333,851	217,820
Investment securities	1,827	2,282
Equity investment	22,182	21,924
Property, plant and equipment, net	52,124	51,424
Operating lease, right of use asset	4,811	3,143
Goodwill	58,928	55,000
Intangible assets, net	92,797	88,288
Deferred income tax assets	56	52
Other assets	1,413	1,638
Total assets	\$ 567,989	\$ 441,571
<b>Liabilities, Redeemable Equity, and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 80,177	\$ 22,096
Accrued expenses and other current liabilities	55,695	34,046
Income taxes payable	3,166	1,523
Accrued sales incentives	27,883	12,250
Contract liabilities, current	3,396	—
Current portion of long-term debt	500	1,107
Total current liabilities	170,817	71,022
Long-term debt, net of debt issuance costs	5,973	6,099
Finance lease liabilities, less current portion	386	720
Operating lease liabilities, less current portion	3,813	2,391
Contract liabilities, less current portion	1,016	—
Deferred compensation	1,827	2,282
Deferred income tax liabilities	7,975	3,828
Other tax liabilities	1,123	1,225
Other long-term liabilities	5,570	3,294
Total liabilities	198,500	90,861
Commitments and contingencies		
Redeemable equity	2,959	2,481
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, \$.01 par value, 60,000,000 shares authorized, 24,416,194 and 24,306,194 shares issued and 21,666,976 and 21,556,976 shares outstanding at November 30, 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 November 30, 2020 and February 29, 2020	22	22
Paid-in capital	300,107	299,228
Retained earnings	139,458	122,139
Accumulated other comprehensive loss	(16,046)	(19,055)
Less: Treasury stock, at cost, 2,749,218 shares of Class A Common Stock at both November 30, 2020 and February 29, 2020	(23,918)	(23,918)
Less: Redeemable equity	(2,959)	(2,481)
Total VOXX International Corporation stockholders' equity	396,909	376,179
Non-controlling interest	(30,379)	(27,950)
Total stockholders' equity	366,530	348,229
Total liabilities, redeemable equity, and stockholders' equity	\$ 567,989	\$ 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 November 30,		Nine months ended November 30,	
	2020	2019	2020	2019
Net sales	\$ 201,065	\$ 110,112	\$ 401,084	\$ 293,812
Cost of sales	142,937	78,648	284,905	212,570
Gross profit	58,128	31,464	116,179	81,242
Operating expenses:				
Selling	12,761	9,580	30,190	28,162
General and administrative	21,128	16,689	51,668	51,896
Engineering and technical support	5,676	5,059	14,942	15,901
Total operating expenses	39,565	31,328	96,800	95,959
Operating income (loss)	18,563	136	19,379	(14,717)
Other (expense) income:				
Interest and bank charges	(471)	(751)	(2,334)	(2,635)
Equity in income of equity investee	1,761	967	4,506	3,672
Gain on sale of real property	—	4,057	—	4,057
Investment gain	42	—	42	775
Other, net	(121)	(322)	21	1,869
Total other income, net	1,211	3,951	2,235	7,738
Income (loss) before income taxes	19,774	4,087	21,614	(6,979)
Income tax expense	2,334	2,720	6,724	1,190
Net income (loss)	17,440	1,367	14,890	(8,169)
Less: net loss attributable to non-controlling interest	(811)	(1,097)	(2,429)	(3,521)
Net income (loss) attributable to VOXX International Corporation	\$ 18,251	\$ 2,464	\$ 17,319	\$ (4,648)
Other comprehensive income (loss):				
Foreign currency translation adjustments	79	(295)	3,608	(1,321)
Derivatives designated for hedging	(43)	13	(514)	(271)
Pension plan adjustments	(6)	2	(85)	25
Other comprehensive income (loss), net of tax	30	(280)	3,009	(1,567)
Comprehensive income (loss) attributable to VOXX International Corporation	\$ 18,281	\$ 2,184	\$ 20,328	\$ (6,215)
Income (loss) per share - basic: Attributable to VOXX International Corporation	\$ 0.75	\$ 0.10	\$ 0.72	\$ (0.19)
Income (loss) per share - diluted: Attributable to VOXX International Corporation	\$ 0.74	\$ 0.10	\$ 0.71	\$ (0.19)
Weighted-average common shares outstanding (basic)	24,197,786	24,418,313	24,196,393	24,458,926
Weighted-average common shares outstanding (diluted)	24,677,525	24,625,410	24,532,329	24,458,926

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

	Three months ended		Nine months ended	
	November 30,		November 30,	
	2020	2019	2020	2019
Net income (loss) attributable to VOXX International Corporation	\$ 18,251	\$ 2,464	\$ 17,319	\$ (4,648)
Adjustments:				
Interest expense and bank charges (1)	325	625	1,907	2,269
Depreciation and amortization (1)	2,904	2,796	8,128	8,313
Income tax expense	2,334	2,720	6,724	1,190
EBITDA	23,814	8,605	34,078	7,124
Stock-based compensation	768	471	1,454	1,816
Gain on sale of real property	—	(4,057)	—	(4,057)
Settlement of Hirschmann working capital	—	804	—	804
Investment gain	(42)	—	(42)	(775)
Life insurance proceeds	—	—	(420)	(1,000)
Adjusted EBITDA	<u>\$ 24,540</u>	<u>\$ 5,823</u>	<u>\$ 35,070</u>	<u>\$ 3,912</u>
Diluted income (loss) per common share attributable to VOXX International Corporation	<u>\$ 0.74</u>	<u>\$ 0.10</u>	<u>\$ 0.71</u>	<u>\$ (0.19)</u>
Diluted Adjusted EBITDA per common share attributable to VOXX International Corporation	<u>\$ 0.99</u>	<u>\$ 0.24</u>	<u>\$ 1.43</u>	<u>\$ 0.16</u>

(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.

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

Q3 2021 VOXX International Corp Earnings Call

EVENT DATE/TIME: JANUARY 12, 2021 / 3:00PM GMT

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**CORPORATE PARTICIPANTS** Charles Michael Stoehr *VOXX International Corporation - Senior VP, CFO & Director* John J. Shalam *VOXX International Corporation - Chairman of the Board* Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director* **CONFERENCE CALL PARTICIPANTS** Beat M. Kahli *Kähli Holding AG - Co-Owner* David Isidarus Covas *Oberweis Asset Management, Inc. - Principal and Portfolio Manager* Glenn Wiener *GW Communications LLC - Owner* **PRESENTATION Operator** Ladies and gentlemen, thank you for standing by, and welcome to VOXX International Fiscal 2021 Third Quarter Results Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I will now hand the conference to your speaker today, Mr. Glenn Wiener with Investor Relations. Thank you. Please go ahead.

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**Glenn Wiener GW Communications LLC - Owner** Thank you, Carmen, and good morning, and welcome to VOXX International's Fiscal 2021 Third Quarter Conference Call. Our Form 10-Q was filed with the SEC, and we issued our press release after market close yesterday afternoon. Both documents can be found on the IR section of our website, as can our updated investor presentation. Speaking from management today will be Pat Lavelle, President and CEO; 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 available for questions. Note, our call is being webcast live over the Internet, and a replay will be available approximately 1 hour after the completion of the call. 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 29, 2020. Usually, we're here in Las Vegas for this call at CES, but given the pandemic, the show has gone virtual this year. And VOXX has a very large digital presence, so we're pleased to announce that Paul Jacobs, President of the Premium Audio Group; and Pat Lavelle, President and CEO of VOXX, will be hosting keynote sessions as part of CTA Spotlight Series. Paul will be today at 3:15 p.m. and Pat will be tomorrow at the same time, and I'd encourage all investors, analysts, bankers; anyone joining us today to listen in. You'll learn a lot about trends in the industry and some of the new products we have coming to market. And also visit the VOXX Virtual Booth for more information on the company and our product launches for 2021. If you have any questions, also, please feel free to contact me directly at any time. In closing, the company's business momentum continues and its outlook remains strong. And at this time, I'll turn the call over to Pat now to discuss the results and prospects. Pat?

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**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director* Thank you, Glenn. Good morning, everyone. Let me start off by wishing you all a happy and healthy new year and all the best in 2021. Our fiscal 2021 third quarter and 9 months results are up substantially over last year. There is a lot of momentum behind us, which should carry through into the fourth quarter and barring any unforeseen events, should continue thereafter. Third quarter net sales were up over \$90 million or approximately 83%. All segments posted year-over-year increases with the Consumer segment, up 74%; the Automotive segment up 105%; and the Biometrics segment up 149%. Premium Audio continues to be very strong for us as sales more than doubled year-over-year, up approximately 112%, and we reported an increase in both OEM and aftermarket product sales within the Automotive segment. Operating income of \$18.6 million was up \$18.4 million, and Adjusted EBITDA of \$24.5 million was up \$18.7 million. Mike is going to cover our 9-month comparisons, but to quickly put fiscal 2021 in perspective, sales were up 36.5% and Adjusted EBITDA of \$35.1 million improved by over \$31 million. Our balance sheet remains in good shape, and our cash position will increase this quarter as we move through inventory and accounts receivable. There are so many positive things happening at VOXX. We are very encouraged. At the same time, we are mindful about the global environment as the pandemic continues. We are running our business with this in mind. Nevertheless, in spite of all that we have faced, we have been able to move quickly, adjust overhead and grow, and are poised to have one of the strongest years from an EBITDA perspective. I'll jump into some of the segments for key updates now. Starting with Consumer Electronics, on my call last quarter -- I said that we expected to see Premium Audio product sales by over \$100 million this fiscal year. And through the first 9 months, we are up over \$88 million or close to 70%, even with retail store

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closures throughout the year. Our third quarter sales grew by approximately 112% and we're expecting strong growth in the fourth quarter, and thus, my prior comment stands. During the third quarter, we saw very strong growth in the home separates category, sales of home theater and subwoofers, in particular, driven by new distribution as well as within our traditional channels. We also experienced strong growth in sales of sound bars, Bluetooth products and our ProMedia computer speakers. More people are working from home and staying at home, which has led to an increase in spending to upgrade home audio and entertainment. We also saw a modest increase in international sales, driven by our Magnat and Heco brands and captured our first sales associated with our new alliance with Onkyo & Pioneer Corporation, with our first shipments beginning in September. This will continue to build as we started bringing in inventory in our fiscal third quarter. Demand is increasing, distribution is expanding, and our product assortment continues to improve. The Consumer Electronics segment as a whole delivered pretax profits of \$20.4 million in the fiscal 2021 third quarter compared to \$9.6 million in the same fiscal 2020 period. Within our Automotive segment, net sales were up \$31.5 million or over 105% for the comparable third quarters, with increases in both OEM and aftermarket products. Our acquisitions of VSM and DEI certainly have contributed to our success and are expected to continue moving forward. The automotive industry as a whole has suffered this year due to COVID with OEMs shutting down plants, retailers and aftermarket dealers closing stores and an overall softness in car sets. But they have rebounded somewhat and we have weathered the industry downturn, and are excited with our outlook based on the contracts we have been awarded and those that we are pursuing. The new OEM programs with Fiat Chrysler and Ford for our EVOLVE rear seat entertainment system with Amazon's Fire TV start this calendar year sometime in our fiscal 2022 second quarter. These are the 2 big ones for us, and there are several other discussions underway with both existing OEM customers and new ones. We also announced last quarter new OEM awards that VSM secured with Volvo, Polaris and Subaru, all of which are multiyear awards with varying start dates in calendar year '21, '22 and '23. ASA, our 50-50 joint venture, had a strong quarter as well, driven by stronger results in the RV and heavy-duty markets, and we delivered \$1.8 million in income this past quarter versus \$1 million in the fiscal 2020 third quarter. We had some slowness, if you recall, in the early part of the fiscal year but this appears to be behind us. Our Automotive segment delivered pretax profits of \$6.6 million in the fiscal 2021 third quarter versus approximately \$100,000 in fiscal 2020. And when you layer in our core business with the contributions from VSM and DEI and the new incremental OEM business we have secured, the future looks promising. And I see no reason why our Automotive business would not double from fiscal 2020 within the next 3 years or sooner. As for the Biometrics segment, there aren't a lot of material updates to provide right now, but there has

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been momentum. Sales continue to increase modestly on a dollar basis, up approximately \$200,000 in the comparable third quarters. But interest is growing in iris authentication throughout many industries, given its higher level of security and due to the barriers that other modalities such as facial and fingerprint are facing. We are in discussions with a number of parties for both products and embedded solutions. We entered into new alliances this fiscal year, which I talked about on my prior calls and introduced new products, the latest being our nano iXT, which has temperature screening, mask detection and access blocks built in. This is a perfect solution for companies in today's environment. As you all know, from the past, it does take time to move from launch, data to deals, but we are encouraged by the level of interest and feedback. I'm happy to note that we have concluded negotiations and are in signature process with a health care medical supplier we have discussed in the past. We are moving full steam ahead to launch and we will embed into their systems. And this contract, we believe, validates the level of security and ease of use of EyeLock's technology within the health care space. We are also making progress with respect to the strategic process for EyeLock. We signed a nonbinding indication of interest with our largest shareholder, Beat Kähli, and related parties, and due diligence is underway. Technical due diligence is completed. The consortium he has put together, runs the gamut of commercial and residential real estate, health care, and automotive companies. We are hopeful for a positive outcome, but of course, there are no guarantees. If this does materialize in the structure we're discussing, it will bring to VOXX a strong financing partner while keeping VOXX in the game to capture the upside we have always believed was there. To summarize, we are growing and expect this will continue. Profitability has increased significantly, and we are poised to one of the best years from a bottom line perspective. Our Premium Audio and Automotive businesses are doing very well with more opportunities on the horizon, and biometric holds great promise for us. Our balance sheet is strong. We have cash on hand and access to capital, and we are looking to acquire if the transaction improves our business and generates value for shareholders. We set up a 10b5 program to repurchase shares, but the stock has not fallen below \$10, thus, no shares were repurchased in the third quarter. But we will continue to support our stock and we will evaluate the best structure to do so moving forward. We have always believed that the best stock support was for the company to deliver profits, and we are showing that right now. All in all, the team has done a great job, and I am very proud of them. It has not been easy, with most of the staff working remotely, and operating our company has been far from normal. I thank them, and I congratulate them for their efforts and these results. We have a lot of opportunities ahead of us, and I believe that our success this year is a precursor, and that future years hold the promise to be even better. At this time, I'll turn the call over to Mike, and then we'll open it up for questions. Michael?

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**Charles Michael Stoehr** *VOXX International Corporation - Senior VP, CFO & Director* Thanks, Pat. I also would like to wish you all a happy new year and better days ahead in 2021. As Pat covered our third quarter comparisons, I will address our 9-month year-to-date results, and all figures are for the fiscal 2021 and fiscal 2020 9 months ended November 30, 2020 and November 30, 2019, unless noted otherwise. I'll then cover our balance sheet and we'll open up the call for questions. Starting with the income statement. We reported net sales of \$401.1 million compared to \$293.8 million, up \$107.3 million or 36.5%. All segments reported year-over-year growth. Automotive Electronics segment sales increased \$24.9 million or 28.8%. OEM product sales were down 13% as several customers had shut down their plants earlier in the year due to COVID. As Pat noted, quarter 3 sales for OEM products were up and with new programs coming online, we are anticipating OEM growth in the fourth quarter and moving forward. Aftermarket product sales increased over 60%. This was driven primarily by the acquisitions of VSM and DEI subsidiaries. The first of which occurred in fiscal 2020 fourth quarter and the other in the second quarter of fiscal 2021. Consumer Electronics segment sales increased \$81.9 million or 39.7%. Driving this growth was higher sales of Premium Audio products, which were up close to 70%. We reported \$216.5 million in Premium Audio product sales, which is the highest total in our history, and we are only 9 months through fiscal year. Other CE product sales declined by over 8% mainly driven by our decision to exit certain categories and product lines. Lastly, the Biometrics segment reported \$700,000 in net sales compared to \$400,000 in the comparable fiscal 2020 period. Fiscal 2021 year-to-date gross margins of 29% increased 130 basis points. Within the segments, Automotive posted a 180 basis point improvement. Keep in mind, our first half of the year was negatively impacted by lower automotive sales due to OEM shutdowns, which led to lower absorption rates. Consumer generated a 70 basis point improvement and gross margins for Biometrics were up slightly, with virtually no impact to the P&L. Total operating expenses in fiscal 2021 year-to-date were \$96.8 million, up approximately \$840,000 or just under 1%. As many know, from past results and calls, we have taken steps to lower fixed overhead and cut back our non-core expenses during the pandemic. In the fiscal 2021 third quarter, some of these expenses did come back as planned, primarily related to payroll and headcount. As a result of our sales increase, we had higher commission and website expenses related to e-commerce activities. Additionally, the acquisitions of VSM and DEI added approximately \$9.4 million in total operating expenses for the 9-month period in fiscal 2021. Excluding acquisitions related expenses, other operating expenses declined by \$8.5 million or 8.9%. We reported operating income of \$19.4 million versus an operating loss of \$14.7 million. This is a \$34.1 million year-over-year improvement year-to-date primarily due to significant sales increases and higher gross profits. We reported total other income of \$2.2 million for the 9-month period in fiscal 2021 compared to \$7.7 million in the comparable fiscal 2020 period. While interest and bank charges declined by approximately \$300,000, and we had an \$800,000 increase in income related to our 50-50 joint venture with ASA, last year's 9 months included a \$4.1 million gain on the sale of real estate in Germany and an investment gain of \$800,000 from a prior investment in RxNetworks. Lastly, other net declined by \$1.8 million as fiscal 2020 9-month period included a \$1 million pickup from a life insurance policy, offset by a working capital adjustment related to our sale of the Hirschmann, lower interest income and higher foreign currency losses compared to the prior year period. This led to a pretax profit of \$21.6 million during the first 9 months of fiscal 2021 compared to a pretax loss of \$7 million in comparable period, an improvement of \$28.6 million. Net income attributable to VOXX was \$17.3 million as compared to a net loss attributable to VOXX of \$4.6 million, an improvement of \$22 million. On a basic and diluted per share basis, this resulted in net income per share attributable to VOXX of \$0.72 and \$0.71, respectively, compared to a net loss per basic and diluted share of \$0.19 in the 9-month period of fiscal 2020. Lastly, we reported EBITDA of \$34.1 million versus EBITDA of \$7.1 million, a \$27 million improvement; and adjusted EBITDA of \$35.1 million as compared to \$3.3 million, an increase of \$31.2 million. With respect to the balance sheet, we finished the third quarter with \$21.3 million in cash and cash equivalents. Cash was used as a result of working capital needs and cash used to fund the DEI acquisition. As you will see in our balance sheet statement, we had a large increase in accounts receivable as a result of favorable sales growth, and our inventory position is set to support higher sales in the fourth quarter. We expect to end the fiscal year with a year-over-year increase in our cash position. I'd also like to point out, we paid down the \$20 million draw on our domestic credit facility and had nothing outstanding as of November 30, 2020. Our total debt position of \$7.2 million as of November 30, 2020, which compares to total debt of February 29, 2020, of \$8.2 million, the current debt relates to our Florida mortgage and that is the only debt we carried in November 30. In addition to our positive cash position, we have approximately \$107 million available under our credit facility. Our balance sheet is in excellent shape and should improve further as we close out the year. Operator, we would now be ready to open up the call for questions.





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

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**QUESTIONS AND ANSWERS** **Operator**(Operator Instructions) And we have a question from Beat Kähli with Kähli Holdings.

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**Beat M. Kahli Kähli Holding AG - Co-Owner** Actually, I don't have a question. I just wanted to congratulate you to an outstanding result. I'm proud to be your largest shareholder. I'm looking forward to work with you together on EyeLock and anything else. Congratulations. I think that's the beginning, working with you in the last 6 months has been a pleasure. I hope that we can conclude another outstanding venture with our EyeLock negotiations. Just congratulations.

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**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director* Thank you, Beat, and we too, look forward to concluding our discussions. Thank you.

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**John J. Shalam** *VOXX International Corporation - Chairman of the Board* Thank you, Beat. We appreciate your participation and your ongoing support. Thank you.

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**Operator**(Operator Instructions) And we have a question from Dave Covas with Oberweis Assets.

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**David Isidarus Covas** *Oberweis Asset Management, Inc. - Principal and Portfolio Manager* Great quarter on all fronts. Just had a couple of questions for you. So your EBITDA margin, which looks like about at 11.8% for the quarter, up 400 basis points year-over-year, can you discuss that, parse that a little bit, just in terms of what were the drivers? I know you mentioned some expenses returned in the quarter. I'm guessing others didn't. So just curious kind of what's sustainable going forward on that front, where that can go from here?

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**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director* Well, when we look at the expenses, in particular, we know that we made some deep cuts earlier in the year. That's positively impacted the expenses. A lot of those expenses will come back as we move into the first quarter of next year, because based on the volumes and everything that we're doing and the acquisitions, we will carry a little bit higher overhead. Now with that said, we will also have full year sales of the acquired companies, which we did not have in the first half of last year. And we expect that the growth that has been generated within the Premium Audio Group will sustain, based on the fact that, that business, a large part of that business has been our Premium Group opening up another channel that has not affected our traditional channel. So we believe that is sustainable. As well, we will be adding in the Fiat Chrysler and Ford EVOLVE sales in the middle of the year. So we believe that even though we might see an increase in overhead, we will see a resulting increase in top line as well.

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**David Isidarus Covas** *Oberweis Asset Management, Inc. - Principal and Portfolio Manager* Okay. That's great. And can you also just comment on what the acquisitions contributed to sales in the quarter? And then also the new distribution you guys had with Onkyo & Pioneer that I think you said began in September, just kind of what that ramp looks like? How much does that contribute to the quarter versus going forward?

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**Patrick M. Lavelle** *VOXX International Corporation - President, CEO & Director* It didn't have much of an impact in the quarter. As we are ramping up, we expect that even our fourth

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quarter as they build inventory as we receive it, will really not start having impact for us until the first quarter of 2022 fiscal. As far as the additional acquisitions that we've done, we don't really break it out. But I could say it has been most of the increase that you've seen within -- the increase that you've seen in our Automotive business.

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**David Isidarus Covas *Oberweis Asset Management, Inc. - Principal and Portfolio Manager*** Okay. Got it. And I don't know if you've discussed this in the past, but just curious as to your pipeline or path in terms of further M&A.

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**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director*** We believe that there are going to be opportunities for good companies that had a difficult time through COVID and -- but have a strong basic company and good capabilities. We are definitely out on the M&A front at this point, looking for opportunities that would strengthen either our Premium Audio space or our Automotive business. So we are actively pursuing targets that we think are beneficial to the company and the shareholders.

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**Charles Michael Stoehr *VOXX International Corporation - Senior VP, CFO & Director*** Pat, this is Mike. On the question on the 2 acquisitions, in the 10-Q, there is a section that will give you an idea of what happened. On Page 2, like Page 3 or 4.

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**Operator** Thank you. And this concludes our Q&A for today. Back to Pat.

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**Patrick M. Lavelle *VOXX International Corporation - President, CEO & Director*** All right. Well, thank you, everyone, for your interest in VOXX. Thank you for joining us today. Enjoy the

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rest of the day. And please know that visit CES show, where you can see all the different products that we are showing this year. It is a digital event, and you can get on the site to see what's happening. So stay safe, stay well, and we'll speak to you next quarter. Thank you.

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**Operator** And with that, ladies and gentlemen, thank you for participating in today's conference. You may now disconnect. Have a great day.

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