UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 14, 2019

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

Delaware (State or other jurisdiction of incorporation or organization)		**0-28839** (Commission File Number)
	13-1964841 (IRS Employer Identification No.)	

2351 J Lawson Boulevard, Orlando, Florida (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:

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

Registrant's telephone number, including area code (800) 645-7750

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of 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 o

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. o

Item 2.02 Results of Operations and Financial Condition.

On May 14, 2019, Voxx International Corporation (the "Company") issued a press release announcing its earnings for the quarter and year ended February 28, 2019. A copy of the release is furnished herewith as Exhibit 99.1.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Mr. John J. Shalam, Chairman of the Board, agreed that he would forego his annual bonus for the fiscal year ending February 29, 2020. As previously disclosed, Mr. Shalam's annual compensation had included a bonus based upon the Company's pre-tax earnings, except for extraordinary items. The bonus had been calculated as 3% of consolidated pre-tax earnings of the Company. His base annual salary will remain at $450,000 per year.

The information furnished under Item 5.02 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 8.01 Other Events.

On May 15, 2019, the Company held a conference call to discuss its financial results for the quarter and year ended February 28, 2019. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

The information furnished under Items 2.02 and 8.01, including Exhibits 99.1 and 99.2, shall not be deemed to be filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and will not be incorporated by reference into any registration statement filed under the Securities Act of 1933, as amended, unless specifically identified therein as being incorporated therein by reference.

EXHIBIT INDEX

Exhibit No.	**Description**
99.1	Press Release, dated May 14, 2019, relating to VOXX International Corporation's earnings release for the quarter and year ended February 28, 2019 (filed herewith).
99.2	Transcript of conference call held on May 15, 2019 at 10:00 am (filed herewith).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VOXX International Corporation (Registrant)

Date: May 20, 2019

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

FOR IMMEDIATE RELEASE

VOXX INTERNATIONAL CORPORATION REPORTS ITS FISCAL 2019 YEAR-END FINANCIAL RESULTS; PROVIDES UPDATES ON CORPORATE REALIGNMENT AND FISCAL 2020 PLANS

- Significant progress made in the Company's restructuring initiatives, with improved bottom-line performance anticipated in Fiscal 2020, primarily in the 2nd half of the fiscal year
- Company incurs $46.3 million in non-cash impairment charges and $4.6 million in restructuring expenses; enters Fiscal 2020 with a cleaner balance sheet
- Cash and cash equivalents of $58.2 million at Fiscal 2019 year-end, a $6.5 million improvement over Fiscal 2018
- Company announces non-binding LOI to sell its Germany real estate, with anticipated gross proceeds of approximately $12.0 million
- Board increases authorization under its Stock Repurchase Program to 3.0 million shares
- Changes to compensation plans underway to better align senior executives with stockholders
- New segment reporting structure in Fiscal 2020 established

ORLANDO, Fla., May 14, 2019 - 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 2019 fourth quarter and year ended February 28, 2019. The Company also provided updates on its corporate realignment program and other material updates related to its business operations and outlook.

Commenting on the Company's year-end results, Pat Lavelle, President and Chief Executive Officer of VOXX International stated, "In Fiscal 2019, we took actions to gradually exit product categories and product lines in our Consumer Accessories segment, which was the bulk of the year-over-year sales decline. We also made a decision to limit distribution in our Premium Audio Group. As anticipated, Automotive segment sales increased over Fiscal 2018, driven by new OEM programs for our rear-seat entertainment systems and growth in the OEM remote start business. Gross margins were up 110-basis points year-over-year with significant increases in our Premium Audio segment, partially offset by modest declines in the others. Excluding the non-cash impairment charges and restructuring expenses of $30.4 million, our operating expenses declined year-over-year by 12.7%, with further reductions planned in Fiscal 2020. Further, in Fiscal 2019, Adjusted EBITDA increased 27.4% to $13.7 million. Our cash position has improved, our balance sheet is strong, and as we move into the second half of Fiscal 2020, we feel confident in our ability to generate more consistent profitability on an annual basis and generate greater shareholder returns. That is the driving force behind our restructuring initiatives."

Fiscal 2019 and Fiscal 2018 Financial Comparisons

Net sales for the Fiscal 2019 year ended February 28, 2019 were $446.8 million, as compared to $507.1 million in the comparable year-ago period, a decline of $60.3 million. The primary driver for the decline was the Consumer Accessories segment, as the Company exited certain product categories and discontinued select product lines throughout the fiscal year, in line with its communicated restructuring and SKU rationalization programs. Premium Audio segment sales declined due primarily to higher close-out promotions in the Fiscal 2018 period and due to the Company's decision to limit distribution to improve margins. Automotive segment sales increased due to higher sales of the Company's EVO-based rear-seat entertainment solution to Automotive OEM's.

- Automotive segment net sales of $161.6 million as compared to $155.5 million, up $6.2 million.
- Premium Audio segment net sales of $158.4 million as compared to $172.4 million, down $14.0 million.
- Consumer Accessories segment net sales of $125.8 million as compared to $178.8 million, down $53.0 million.

The gross margin in Fiscal 2019 was 27.2%, representing a 110-basis point increase over Fiscal 2018. The year-over-year gross margin improvement was driven by higher gross margins in the Premium Audio segment, offset by modest declines in the Automotive and Consumer Accessories segments, primarily due to lower sales of certain higher margin Automotive products as well as increases in inventory reserves related to certain slower moving accessories products.

- Automotive segment gross margin of 25.1% as compared to 25.6%, down 50 basis points.
- Premium Audio segment gross margin of 34.6% as compared to 31.0%, up 360 basis points.
- Consumer Accessories segment gross margin of 20.9% as compared to 21.7%, down 80 basis points.

Total operating expenses in Fiscal 2019 were $162.6 million, as compared to $151.4 million in the comparable year-ago period. Operating expenses in Fiscal 2019 included $25.8 million of non-cash intangible asset impairment charges related to the re-evaluation of projections for certain brands within the Consumer Accessories and Automotive segments along with the Company's SKU rationalization program, and the Fiscal 2019 fiscal year also included $4.6 million of restructuring expenses related to the realignment of the Consumer Accessories and Premium Audio segments, which are expected to result in lower operating expenses in future periods. Excluding the non-cash intangible asset impairment charges and restructuring expenses, total operating expenses for Fiscal 2019 were $132.2 million, representing a year-over-year improvement of $19.2 million or 12.7%.

- Selling expenses of $40.9 million as compared to $46.0 million, a reduction of $5.1 million.
- General and administrative expenses of $66.9 million versus $79.0 million, a reduction of $12.0 million.
- Engineering and technical support expenses of $24.4 million as compared to $26.4 million, a reduction of $2.1 million.

Total other expense, net for Fiscal 2019 was $17.8 million, as compared to $5.0 million in the comparable year-ago period. Fiscal 2019 included interest and bank charges of $4.4 million, as compared to $6.0 million in Fiscal 2018 due to no debt outstanding on the Company's domestic Credit Facility. Equity in income of equity investees in Fiscal 2019 was $6.6 million, as compared to $7.2 million in Fiscal 2018. Additionally, in Fiscal 2019, the Company recorded an impairment on its Notes Receivable from 360fly, Inc., resulting in a non-cash impairment charge of $16.5 million, representing the entire outstanding balance of these notes at February 28, 2019. The Company also recorded a $3.5 million impairment on its Venezuela properties. The major variance when comparing the Fiscal 2019 and Fiscal 2018 periods is other, net as the Fiscal 2018 period included net losses on foreign currency of $8.8 million, of which $6.6 million related to losses on forward contracts incurred in conjunction with the sale of Hirschmann.

The Company reported an operating loss of $41.2 million in Fiscal 2019, as compared to an operating loss of $19.1 million. The Fiscal 2019 operating loss includes $25.8 million of non-cash intangible asset impairment charges and $4.6 million of restructuring expenses. Excluding these two factors, operating loss improved year-over-year.

Net loss attributable to VOXX International Corporation was $46.1 million in Fiscal 2019, as compared to net income attributable to VOXX International Corporation of $35.3 million in Fiscal 2018. The Fiscal 2019 period included the $25.8 million non-cash intangible asset impairment charge, the $16.5 million impairment on the 360fly, Inc. notes receivable, the $3.5 million non-cash impairment of Venezuela investment properties, and $4.6 million of restructuring expenses. The Fiscal 2018 period includes net income from discontinued operations of $34.6 million, related to the sale of Hirschmann.

On a per share basis, the Company reported a basic and diluted loss per share attributable to VOXX International Corporation of $1.89 in Fiscal 2019, as compared to basic and diluted income per share attributable to VOXX International Corporation of $1.45 and $1.44, respectively, in Fiscal 2018. Note, Fiscal 2018 includes basic and diluted income per share of $1.43 and $1.41, respectively, related to discontinued operations.

Adjusted EBITDA in Fiscal 2019 was $13.7 million, as compared to $10.7 million in Fiscal 2018, an improvement of $2.9 million or 27.4% year-over-year.

<u>Balance Sheet Update</u>

For the period ended February 28, 2019, the Company had cash and cash equivalents of $58.2 million, an increase of $6.5 million, as compared to $51.7 million for the period ended February 28, 2018 and an increase of $9.5 million on a sequential basis when compared to the period ended November 30, 2018.

Total debt as of February 28, 2019 was $17.6 million, an improvement of $1.2 million, as compared to total debt of $18.9 million as of February 28, 2018. The Company's total debt consists of mortgages related to its domestic and international properties and Euro asset-based lending obligations to support its German operations. Total long-term debt as of February 28, 2019 was $5.8 million, as compared to $8.5 million as of February 28, 2018, an improvement of $2.7 million. The Company enters Fiscal 2020 with a healthy cash position to fund working capital requirements, while continuing to invest in its business to drive growth and profitability, along with access to its $140.0 million Credit Facility.

Lavelle continued, "The sale of Hirschmann was the first step in our effort to reposition VOXX for the future. Through that sale, we repaid all of our domestic debt and generated cash to implement our strategy, while only carrying debt related to mortgages and our Euro-based ABL. Repositioning efforts continued in Fiscal 2019; first with the internal alignment of our OEM and aftermarket Automotive operations and then with the restructuring of our Consumer Accessories business. We consolidated the operations of Oehlbach and Schwaiger and underwent a massive SKU rationalization program which will continue domestically, as we focus on more profitable categories. We also restructured our domestic Accessories group, reducing headcount and expenses to align with projected sales. These changes resulted in restructuring expenses and non-cash impairment charges, which of course, had a material impact on our Fiscal 2019 results. We took these steps to enter Fiscal 2020 in a stronger position and we continue to move forward on our plan to restore VOXX to profitability."

<u>Non-Binding Letter of Intent to Sell Company Real Estate</u>

In conjunction with the realignment of the international accessories business, the Company signed a non-binding Letter of Intent ("LOI") to sell its real estate in Pulheim, Germany, with anticipated gross proceeds of approximately $12.0 million. This pending sale is made possible by the successful consolidation of Oehlbach and Schwaiger into one facility. This sale, upon closing, will further strengthen the Company's cash position and balance sheet.

<u>New Stock Repurchase Program</u>

As previously announced on April 29, 2019, the Board of Directors authorized the Company to repurchase up to 3.0 million shares of Class A Common Stock, an increase of 1,616,729 shares over the existing authorization. The Company intends to make repurchases from time to time in the open market, or otherwise, subject to market conditions and other factors. The Company believes that the repurchase of its shares represents a prudent use of capital.

<u>New Reporting Structure in FY 2020</u>

As also communicated on April 29, 2019, the Company has a new reporting structure, which took effect on March 1, 2019. This move is in line with the restructuring initiatives that began in the prior Fiscal year, and which will continue in Fiscal 2020. The Company believes that as a result of the restructuring, it will be able to operate with a significantly lower cost structure and generate greater efficiencies. The new business segments are:

1) Automotive Electronics, which consists of the OEM and aftermarket businesses;

2) Consumer Electronics, comprised of the international and domestic Accessories and Premium Audio operations;
3) Biometrics, which includes EyeLock LLC, the Company's majority-owned subsidiary.

Changes to Executive Compensation Forthcoming

Based on an evaluation of best practices conducted with the assistance of an independent consulting firm, the Company is in the process of negotiating new employment agreements with C-Suite executives, with updates anticipated in the Company's Fiscal 2020 first quarter. Additionally, the Company's Chairman, John Shalam has agreed to forgo his annual cash bonus.

Lavelle concluded, "We see opportunities that could drive the top-line, such as the healthcare space, biometrics and in various audio categories. We also see areas where our business may decline due to changes at retail and lower car sales anticipated domestically. These are the primary unknown variables in our Fiscal 2020 outlook. What we are doing is continuing with the SKU rationalization program, leveraging more Shared Services functions, instituting cost control measures while, at the same time, investing in R&D and our future. We may look to divest more assets this year, as between our real estate and powerful brand portfolio, interest persists. At the same time, we will continue to look at accretive acquisitions that would strengthen both our top- and bottom-line. These actions are key elements of our strategy this year. The Board is also evaluating other measures as we move into the second half of the year, that leverage our strong balance sheet, with further updates to come as our business progresses. We look forward to updating investors on our progress and plans on our call and webcast tomorrow."

Conference Call and Webcast Information

VOXX International will be hosting its conference call on Wednesday, May 15, 2019 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: 4581065). 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), computed in accordance with Generally Accepted Accounting Principles ("GAAP"), before interest expense and bank charges, taxes, and depreciation and amortization. Adjusted EBITDA represents EBITDA adjusted for stock-based compensation expense, gains on the sale of discontinued operations, losses on forward contracts, impairment charges, investment gains and losses, restructuring charges, and environmental remediation charges. Depreciation, amortization, stock-based compensation, and impairment charges are non-cash items. Diluted Adjusted EBITDA per common share represents the Company's diluted earnings per common share based on Adjusted EBITDA.

We present EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in our Form 10-K because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and diluted adjusted earnings 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 that occurred during the periods presented allows for a more meaningful
comparison of our results from period-to-period. These non-GAAP measures, as we define them, are not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. EBITDA, 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 many automotive and consumer electronics and accessories categories, as well as premium high-end audio. Today, VOXX International is a global company, with an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and most of the world's leading automotive manufacturers. The Company has an international footprint in Europe, Asia and Latin America, and a growing portfolio, which is comprised of over 30 trusted brands. 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 Company's ability to realize the anticipated results of its business realignment; the completion of the ongoing impairment valuation; the ability to successfully complete transactions under negotiation for EyeLock; 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, premium audio and consumer accessories businesses; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; foreign currency fluctuations; and restrictive debt covenants. Risk factors associated with our business, including some of the facts set forth herein, are detailed in the Company's Form 10-K for the fiscal year ended February 28, 2019.

Company Contact:
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GW Communications
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Tables to Follow

VOXX International Corporation and Subsidiaries

Consolidated Balance Sheets

February 28, 2019 and February 28, 2018

(In thousands, except share data)

	February 28, 2019	February 28, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 58,236	$ 51,740
Accounts receivable, net	73,391	81,116
Inventory, net	102,379	117,992
Receivables from vendors	1,009	493
Prepaid expenses and other current assets	10,449	14,007
Income tax receivable	921	511
Total current assets	246,385	265,859
Investment securities	2,858	4,167
Equity investments	21,885	21,857
Property, plant and equipment, net	60,493	65,259
Goodwill	54,785	54,785
Intangible assets, net	119,449	150,320
Deferred tax assets	79	24
Other assets	2,877	13,373
Total assets	$ 508,811	$ 575,644
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 31,143	$ 34,700
Accrued expenses and other current liabilities	39,129	36,350
Income taxes payable	1,349	2,587
Accrued sales incentives	13,574	14,020
Current portion of long-term debt	10,021	7,730
Total current liabilities	95,216	95,387
Long-term debt, net of debt issuance costs	5,776	8,476
Capital lease obligation	516	699
Deferred compensation	2,605	3,369
Deferred tax liabilities	5,284	12,217
Other tax liabilities	1,332	2,191
Other long-term liabilities	2,981	3,187
Total liabilities	113,710	125,526
Commitments and contingencies		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding	—	—
Common stock:		
Class A, $.01 par value; 60,000,000 shares authorized, 24,106,194 shares issued and 21,938,100 shares outstanding at both February 28, 2019 and February 28, 2018	242	256
Class B Convertible, $.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	296,946	296,395
Retained earnings	148,582	194,673
Accumulated other comprehensive loss	(16,944)	(14,222)
Treasury stock, at cost, 2,168,094 shares of Class A Common Stock at both February 28, 2019 and February 28, 2018	(21,176)	(21,176)
Total VOXX International Corporation stockholders' equity	407,672	455,948
Non-controlling interest	(12,571)	(5,830)
Total stockholders' equity	395,101	450,118
Total liabilities and stockholders' equity	$ 508,811	$ 575,644

VOXX International Corporation and Subsidiaries

Consolidated Statements of Operations and Comprehensive (Loss) Income

Years Ended February 28, 2019, February 28, 2018 and February 28, 2017

(In thousands, except share and per share data)

	Year Ended February 28, 2019	Year Ended February 28, 2018	Year Ended February 28, 2017
Net sales	$ 446,816	$ 507,092	$ 514,530
Cost of sales	325,399	374,795	370,500
Gross profit	121,417	132,297	144,030
Operating expenses:			
Selling	40,915	45,999	43,108
General and administrative	66,935	78,957	79,573
Engineering and technical support	24,387	26,440	29,517
Intangible asset impairment charges	25,789	—	—
Restructuring expense	4,588	—	—
Total operating expenses	162,614	151,396	152,198
Operating loss	(41,197)	(19,099)	(8,168)
Other (expense) income:			
Interest and bank charges	(4,449)	(6,009)	(7,105)
Equity in income of equity investee	6,618	7,178	6,797
Impairment of Venezuela investment properties	(3,473)	—	—
Impairment of notes receivable	(16,509)	—	—
Investment (loss) gain	(530)	1,416	—
Other, net	577	(7,590)	(454)
Total other expense, net	(17,766)	(5,005)	(762)
Loss from continuing operations before income taxes	(58,963)	(24,104)	(8,930)
Income tax (benefit) expense from continuing operations	(6,131)	(17,445)	338
Net loss from continuing operations	$ (52,832)	$ (6,659)	$ (9,268)
Net income from discontinued operations, net of tax	—	34,618	6,066
Net (loss) income	$ (52,832)	$ 27,959	$ (3,202)
Less: net loss attributable to non-controlling interest	(6,741)	(7,345)	(7,624)
Net (loss) income attributable to VOXX International Corporation	$ (46,091)	$ 35,304	$ 4,422
Other comprehensive (loss) income:			
Foreign currency translation adjustments	(3,195)	28,804	(3,194)
Derivatives designated for hedging, net of tax	461	(698)	210
Pension plan adjustments, net of tax	(12)	1,496	(180)
Unrealized holding gain (loss) on available-for-sale investment securities arising during the period, net of tax	24	74	(17)
Other comprehensive (loss) income, net of tax	(2,722)	29,676	(3,181)
Comprehensive (loss) income attributable to VOXX International Corporation	$ (48,813)	$ 64,980	$ 1,241
(Loss) earnings per share - basic:			
Continuing operations attributable to VOXX International Corporation	$ (1.89)	$ 0.03	$ (0.07)
Discontinued operations attributable to VOXX International Corporation	$ —	$ 1.43	$ 0.25
Attributable to VOXX International Corporation	$ (1.89)	$ 1.45	$ 0.18
(Loss) earnings per share - diluted:			
Continuing operations attributable to VOXX International Corporation	$ (1.89)	$ 0.03	$ (0.07)
Discontinued operations attributable to VOXX International Corporation	$ —	$ 1.41	$ 0.25
Attributable to VOXX International Corporation	$ (1.89)	$ 1.44	$ 0.18
Weighted-average common shares outstanding (basic)	24,355,791	24,290,563	24,160,324
Weighted-average common shares outstanding (diluted)	24,355,791	24,547,246	24,160,324

VOXX International Corporation and Subsidiaries

Consolidated Statements of Operations and Comprehensive (Loss) Income

Three Months Ended February 28, 2019, February 28, 2018 and February 28, 2017

(In thousands, except share and per share data)

	Three Months Ended February 28, 2019	Three Months Ended February 28, 2018	Three Months Ended February 28, 2017
Net sales	$ 107,457	$ 122,236	$ 124,894
Cost of sales	83,703	90,023	88,928
Gross profit	23,754	32,213	35,966
Operating expenses:			
Selling	10,254	11,194	10,721
General and administrative	17,303	19,862	21,326
Engineering and technical support	6,038	6,142	7,626
Intangible asset impairment charges	15,975	—	—
Restructuring expense	4,588	—	—
Total operating expenses	54,158	37,198	39,673
Operating loss	(30,404)	(4,985)	(3,707)
Other (expense) income:			
Interest and bank charges	(1,058)	(1,159)	(1,911)
Equity in income of equity investee	1,472	1,444	1,513
Impairment of notes receivable	(16,509)	—	—
Investment loss	(530)	—	—
Other, net	(596)	182	(318)
Total other expense, net	(17,221)	467	(716)
Loss from continuing operations before income taxes	(47,625)	(4,518)	(4,423)
Income tax (benefit) expense from continuing operations	(9,278)	(12,914)	3,522
Net loss from continuing operations	$ (38,347)	$ 8,396	$ (7,945)
Net income from discontinued operations, net of tax	—	2,276	5,649
Net (loss) income	$ (38,347)	$ 10,672	$ (2,296)
Less: net loss attributable to non-controlling interest	(1,787)	(1,913)	(2,206)
Net (loss) income attributable to VOXX International Corporation	$ (36,560)	$ 12,585	$ (90)
Other comprehensive (loss) income:			
Foreign currency translation adjustments	138	1,135	(26)
Derivatives designated for hedging, net of tax	(81)	262	(30)
Pension plan adjustments, net of tax	(69)	(192)	(224)
Unrealized holding gain (loss) on available-for-sale investment securities arising during the period, net of tax	—	—	(13)
Other comprehensive (loss) income, net of tax	(12)	1,205	(293)
Comprehensive (loss) income attributable to VOXX International Corporation	$ (36,572)	$ 13,790	$ (383)
(Loss) earnings per share - basic:			
Continuing operations attributable to VOXX International Corporation	$ (1.50)	$ 0.42	$ (0.24)
Discontinued operations attributable to VOXX International Corporation	$ —	$ 0.09	$ 0.23
Attributable to VOXX International Corporation	$ (1.50)	$ 0.52	$ —
(Loss) earnings per share - diluted:			
Continuing operations attributable to VOXX International Corporation	$ (1.50)	$ 0.42	$ (0.24)
Discontinued operations attributable to VOXX International Corporation	$ —	$ 0.09	$ 0.23
Attributable to VOXX International Corporation	$ (1.50)	$ 0.51	$ —
Weighted-average common shares outstanding (basic)	24,355,791	24,316,103	24,160,324
Weighted-average common shares outstanding (diluted)	24,355,791	24,615,627	24,160,324

Reconciliation of GAAP Net Income Attributable to VOXX International Corporation to EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per Common Share (2)

	Fiscal 2019	Fiscal 2018	Fiscal 2017
Net (loss) income attributable to VOXX International Corporation	$ (46,091)	$ 35,304	$ 4,422
Adjustments:			
Interest expense and bank charges (1)	2,884	5,169	6,860
Depreciation and amortization (1)	11,112	13,879	17,064
Income tax (benefit) expense	(6,131)	(13,262)	1,759
EBITDA	(38,226)	41,090	30,105
Adjustments:			
Stock-based compensation attributable to stock options and restricted stock	551	552	753
Gain on sale of discontinued operations	—	(36,118)	—
Loss on forward contracts attributable to sale of business	—	6,618	—
Impairment of investment properties in Venezuela	3,473	—	—
Impairment of notes receivable	16,509	—	—
Investment loss (gain)	530	(1,416)	—
Environmental remediation charges	454	—	—
Restructuring charges	4,588	—	—
Intangible asset impairment charges	25,789	—	—
Adjusted EBITDA	$ 13,668	$ 10,726	$ 30,858
Diluted (loss) income per common share attributable to VOXX International Corporation	$ (1.89)	$ 1.44	$ 0.18
Diluted Adjusted EBITDA per common share attributable to VOXX International Corporation	$ 0.56	$ 0.44	$ 1.28

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense, bank charges, as well as depreciation and amortization expense added back to net income (loss) have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC.

(2) EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this presentation are based on a reconciliation to Net income attributable to VOXX International Corporation, which includes net income (loss) from both continuing and discontinued operations for all periods presented. The Company sold its Hirschmann subsidiary on August 31, 2017.

Reconciliation of GAAP Net Income Attributable to VOXX International Corporation to EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per Common Share (2)

	Three Months Ended February 28, 2019	Three Months Ended February 28, 2018	Three Months Ended February 28, 2017
Net (loss) income attributable to VOXX International Corporation	$ (36,560)	$ 12,585	$ (90)
Adjustments:			
Interest expense and bank charges (1)	632	842	1,726
Depreciation and amortization (1)	3,226	2,717	4,349
Income tax (benefit) expense	(9,278)	(15,201)	1,977
EBITDA	(41,980)	943	7,962
Adjustments:			
Stock-based compensation attributable to stock options and restricted stock	158	107	185
Impairment of notes receivable	16,509	—	—
Investment loss	530	—	—
Environmental remediation charges	454	—	—
Restructuring charges	4,588	—	—
Intangible asset impairment charges	15,975	—	—
Adjusted EBITDA	$ (3,766)	$ 1,050	$ 8,147
Diluted (loss) income per common share attributable to VOXX International Corporation	$ (1.5)	$ 0.51	$ —
Diluted Adjusted EBITDA per common share attributable to VOXX International Corporation	$ (0.15)	$ 0.04	$ 0.34

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense, bank charges, as well as depreciation and amortization expense added back to net income (loss) have been adjusted in order to exclude the minority interest portion of these expenses attributable to EyeLock LLC.

(2) EBITDA, Adjusted EBITDA and Diluted Adjusted EBITDA per common share in this presentation are based on a reconciliation to Net income attributable to VOXX International Corporation, which includes net income (loss) from both continuing and discontinued operations for all periods presented. The Company sold its Hirschmann subsidiary on August 31, 2017.

VOXX (2019 Q4 Results)
May 15, 2019

Corporate Speakers:

- Glenn Wiener, VOXX International Corporation, IR
- Patrick M. Lavelle, VOXX International Corporation, President, CEO & Director
- Charles Michael Stoehr, VOXX International Corporation, SVP, CFO & Director
- John J. Shalam, VOXX International Corporation, Chairman of the Board

Participants:

- Braden Michael Leonard, BML Capital Management, LLC, Analyst
- Sheldon Grodsky, Grodsky Associates, Inc., Analyst
- Eric Landry, BML Capital Management, LLC, Analyst

PRESENTATION

Operator: Welcome to VOXX International Fiscal 2019 Year-End Conference Call.

(Operator Instructions)

As a reminder, this conference is being recorded.

I'd now like to turn the conference over to Glenn Wiener, Investor Relations. You may begin.

Glenn Wiener: Thank you, Tiffany. Good morning, and welcome to VOXX International's FY19 fourth quarter and year-End results conference call. Our call today is being webcast live on our website www.voxxintl.com, and a replay is available for those who are unable to make today's call. Speaking for management this morning will be Pat Lavelle, President and Chief Executive Officer; and Michael Stoehr, Senior Vice President and our Chief Financial Officer. Following their remarks, we will have a Q&A session for those investors wishing to ask any questions. John Shalam, Chairman of the Board, is also with us today and will be available during the Q&A portion of our call as well.

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 risk factors associated with our business are detailed in our Form 10-K for the period ended February 28, 2019. Additionally, I'd like to reference today that we launched an enhanced website with more functionality and several new lifestyle imagery photos. I'd encourage all of you to take a look at that when you have time, and as always we appreciate feedback.

At this time, I'd like to turn the call over to our President and CEO, Pat Lavelle. Pat?

Patrick M. Lavelle: Good morning, and thank you Glenn.

As you saw from our preannouncement on April 2019 and our results issued yesterday, we've got a lot going on. For the past 6 months, we have made substantial changes, combining our business groups, streamlining operations, rationalizing our product portfolio and restructuring to ensure we're better positioned to meet market demand and reach optimum operating efficiencies, resulting in significant future savings. Our year-end results announcement highlights the actions we have taken, and what I'd like to do today is provide you with more color around how we intend to operate moving forward with a focus on improving profitability and shareholder returns.

Our performance over the past several years has been inconsistent. Positively marked by the improvement in our Premium Audio business, success of new products and the entrants into new technologies. But also negatively impacted by changes at retail, disruptive technologies and delays in the launch of new projects by some of our OEM partners. We remain focused on adjusting the business to respond quickly to consumer preferences and market fluctuations, which is critical to our future.

We've had a lot of new developments that have yet to positively impact our P&L, but we believe will come to fruition this year. Namely, growth at EyeLock, growth with our wearable program with UHC and others and continued success in select Premium Audio categories. One area we are watching very closely is the most recent developments with respect to the U.S.-China trade negotiations. As for our strategy to unlock shareholder value, we previously announced the consolidation of Oehlbach and Schwaiger operations, our 2 international accessory groups, into one, resulting in lower headcount and expenses, and we discontinued some older product lines. This was and remains a profitable entity, and we believe with the changes made, we can enhance the bottom line further in FY20.

In addition, today we announced that we have signed a nonbinding letter of intent to sell our real estate in Pulheim, Germany, which is expected to generate gross proceeds of approximately $12 million, further strengthening our cash position. In international Premium Audio, we combined the operations of Magnat and Heco, 2 of our high-end Premium Audio brands in Germany and folded them into the Klipsch Group, again lowering headcount and reducing expenses, allowing for the sale of our Pulheim facility. We're maintaining our office that houses sales, marketing and order entry and all that remains at this point is the conversion of VOXX's ERP system, to the German system, which will be completed in June.

Our domestic accessory business has had the most change, as over the past few years they have been negatively impacted by new technology from Amazon and Google that have dramatically affected sales of portable Bluetooth speakers and other related accessory products. This combined with declines in some of our older legacy products and drastic changes in retail, led us to the SKU rationalization program and the restructuring of the operation. Going forward, we are focusing on more stable product lines, categories where we have leading market share or technology and customers where we have higher volumes and opportunities to expand. Accessories will be a smaller contributor to VOXX, but should be more profitable as we have reduced overhead and expenses to match anticipated sales. As a result of our restructuring, we have combined our former Premium Audio and Consumer Accessories segments less EyeLock into 1 new reporting segment, consumer electronics, where we believe we can better leverage synergies, operate with lower headcount and on a lower cost basis. This new segment will primarily contain our high-end Premium Audio product lines and other audio product audio lines sold under various brands. Commercial speakers for the custom installation market, digital antennas, karaoke products under our growing Singsation brand, all wearable products, including our program with UHC where we leverage our logistics and distribution capabilities for companies such as Apple, Samsung, Fitbit, Garmin and Striiv. And finally, the international accessories product lines across several categories. While these actions resulted in a $4.6 million restructuring charge and a $25.8 million noncash impairment charge in FY19, we expect operating expenses in this combined group to decline in fiscal '20 with major cuts in our former Consumer Accessories segment, partially offset by modest increases within the former Premium Audio segment, given some new promotional campaigns that are planned and tied to growth initiatives. In addition, we expect sales in our new consumer electronic segment to be up modestly, and as stated, with greater profitability. Driving the top line will be the wearable category, which I referenced earlier, new and in some cases extended retail programs for antennas, remotes and speakers with retailers, including

Best Buy, Walmart, Costco and Menards as well as some of the Premium Audio products as after a full year of market penetration, the new Reference Premiere product suite under Klipsch, not only gained significant traction, it took Klipsch to an all-time high market share in the U.S. This is expected to continue. In FY19, Klipsch grew in Canada and in the EMEA region, up nearly 20% and 10%, respectively, and there are further opportunities to expand internationally, especially in Asia and South America. Klipsch will also continue to leverage its distribution and has new product launches scheduled this year in the speaker, soundbar and headphone categories. It's important to note the changes we implemented last fiscal year to limit distribution to enhance margins.

Next, and for more clarity, we now established a biometrics group, which today consists of EyeLock and which was formerly part of our former Consumer Accessories segment. Many of the losses experienced by that group were a result of the addition of EyeLock with its large R&D component and overhead structure. With EyeLock now a standalone segment investors will have more visibility into the operation and anticipated improvements here, especially as we ramp-up sales associated with the ViaTouch AI machines and generate new revenues and income streams as we're nearing the final stages of completion with a partner in the health care space for EyeLock's embedded solutions. We also have and continue to make progress from the security sector, as we will begin shipping the EXT outdoor reader in June. This is extremely important as this solution should jump-start our access control business. There is currently no device like it on the market. In addition, there are a few partnerships we've been working on for the past year and in some cases the past few years, which we expect will come to fruition. High-margin business, better volumes and some blue-chip partners are on our side. Once the contracts are finalized, we will have more news to share. EyeLock is not expected to be profitable yet, but we do expect a positive ramp this year and have reduced non-core G&A expenses and reallocated savings to more sales-, marketing- and R&D-driven areas. And finally, our last segment will continue to be the Automotive electronics, which incorporates both OEM and aftermarket business. Automotive, which has been a bright spot for us in recent years due to the successes we've had in Rear Seat Entertainment, where we hold the #1 market position and remote start where we are one of the top suppliers domestically, is expected to decline this year, both sales and profitability, not to any loss of any program, but rather the global Automotive market will not be as robust, and this is being felt industry-wide, leading to tempered expectations. Despite that our EVO Rear Seat Entertainment system continues to grow in popularity, and we are in the process of quoting new opportunities with several OEMs. Our business with Ford, GM and Nissan remains in full swing and we'll be launching on Lincoln Aviator and the Nissan Armada, later this calendar year. While there will be fewer new launches of EVO-based RSE vehicles this year, we anticipate some offset with new remote start programs with Ford and the renewal of other programs. We had already combined these operations, in our Florida facility, and now have been enjoying the synergies resulting from that consolidation. We are continuing to focus on developing new technologies for the OEM market and expanding our offering in the aftermarket, where we believe we can leverage over 50 years of relationships.

Now I'd like to shift attention to some of the more corporate initiatives underway and planned in FY20. As you saw from our announcements, the Board has increased the amount available to repurchase our stock to 3 million shares, an increase of over 1.6 million shares. We intend to utilize this program given our strong cash position and because we believe an investment in VOXX represents a good use of capital. Of course, there are restrictions as to the number of shares we can purchase on a daily basis, but we have full intentions of beginning this programs, as we are able to, under the security laws. As you saw from our press release, we are in the process of negotiating new employment agreements with C-Suite executives for myself; Mike Stoehr, our CFO; and Loriann Shelton, our COO, with update anticipated to be announced in our FY20 first quarter. The changes discussed are based on further aligning management interest with shareholders. Additionally, our Founder and Chairman, John Shalam, has agreed to forego his annual cash bonus. Throughout all segments, we will continue with our realignment plans and SKU rationalization, looking to wind down nonprofitable product lines throughout the year and primarily in the first quarter. Wherever possible, our goal is to leverage shared services, reduce cost and institute lean methodologies and automation tools to drive efficiencies. It's our belief that as we exit the first half of the fiscal year, VOXX will be in a much stronger position to generate more consistent profitability on an annual basis. There also remains significant interest in our brands, products and divisions, so we may look to divest certain assets this fiscal year as we have done in the past. However, the price has to be right. But we are going to be more opportunistic in this regard. While concurrently continuing to look at potential acquisitions that can help us drive sustainable growth and improve profitability. And lastly, given the strength of our balance sheet and anticipated improvements to our business, the Board is evaluating potentially issuing a dividend later this fiscal year. We'd like to first implement all of the changes that are underway, see how the markets progress and other changes that may come about as part of our strategy, and we'll update the market on our plan sometime in the second half of fiscal year.

At this point, I'd like to turn the call over to Mike Stoehr, our CFO, who will go through some of the numbers. Mike?

Charles Michael Stoehr: Thanks, Pat. Good morning, everyone. Pat dressed all of the changes we've made and will be making this year. So I'll cover our fourth quarter and fiscal year results. Highlighting some of the key year-over-year variances and closing with some comments on our balance sheet.

Starting with the fourth quarter, which is a quarter in which we had the majority of noncash impairment charges and restructuring expenses. Net sales of $107.5 million declined by $14.8 million. Within this, Automotive segment sales were down $8.2 million with approximately $5.1 million of decline related to OEM, as we had a number of vehicle launched in last year's fourth quarter and higher take rates given the current status of the domestic car market. Aftermarket sales comprised remainder of the decline with the biggest drop in satellite radio category as expected as more vehicles are now equipped with this feature. Premium Audio segment sales of $36.7 million were essentially in-line with the prior year period, down approximately $600,000. We experienced very strong growth in the home speaker category, offset by a decline primarily in soundbars. We had planned for this as part of our SKU rationalization, moving some of the lower margin product lines. The variance in other product lines are not material on a dollar basis. Consumer accessory segment sales of $33.5 million declined by $6.2 million compared to Q4 in fiscal '18, again, primarily due to the SKU rationalization program. We removed a number of SKUs in the second half of the year across a number of product categories. Additionally, the reception category declined as we had high load-ins to one customer in last year's fourth quarter, which did not repeat. We no longer will be carrying some of our home audio speaker lines now that we've combined the Premium Audio with Consumer Accessories segments. Again, tying back to the SKU rationalization program. International accessory sales were also down as we limited online distribution, changed our international e-commerce model and due to timing of orders, which are expected to be recouped in FY20. As an offset we experienced year-over-year increases in our Singsation karaoke line in digital audio and our project -- and in our project -- nursery product line. Gross margins of 22.1% were down 40 basis points with the vast majority of impact related to our Consumer Accessories segment with all of the changes that took place and specifically due to higher field warehouse expenses as a result of the German transition, and also inventory obsolescence. As Pat noted, in Germany, we entered into a nonbinding letter of intent to sell the Pulheim facility. We consolidated warehousing and 3PL services. And moving forward we expect better performance as we focus on specific product categories and higher margin and more sustainable product lines. For reference, Automotive segment margins declined by 100 basis points due to the timing of programs and lower sales volume, and Premium Audio segment margins improved by 8 basis point -- 80 basis points. As for operating expenses, total operating expenses of $54.2 million increased $17 million year-over-year. However, $20.6 million of expenses related to intangible impairment charges of $16 million and $4.6 million of restructuring expenses. Our core overhead, excluding the impairment and restructuring, was down year-over-year as a result of reduced overhead and ongoing cost control measures. This resulted in an operating loss of $30.4 million versus an operating loss of $5.5 million in Q4 of last year primarily due to lower sales, lower gross margin, impairment charges, severance and restructuring-related expenses.

I'm going to switch to our fiscal year results, as the vast majority of the impairment and restructuring charges took place in the fourth quarter and rather than rehash it twice, it will provide you greater clarity on our full year performance. Net sales of $446.8 million declined by just over $60 million with $53 million of the decline attributed to the Consumer Accessories segment, as we're exiting lower margin in older legacy product lines. There was also a large sale in FY18 that did not repeat. Premium Audio segment sales declined by $14 million, due to some discontinued products and the fact that FY18 included a number of closeout permissions. We saw increases in our home entertainment product lines, in-wall and in-ceiling architectural speakers for the CI channels. Automotive segment sales increased by $6.2 million, primarily due to OEM programs for Rear Seat Entertainment. Gross margins of 27.2% increased 110 basis points, with the Premium Audio segment a key driver, up 360 basis points. Automotive segment margins were down 50 basis points and Consumer Accessories segment margins were down 80 basis points. As you see in our Form 10-K and press release, total operating expenses increased by $11.2 million. However, backing out the noncash intangible asset impairment charge of $25.8 million and restructuring expense of $4.6 million, total operating expenses would have declined by $19.2 million or 12.7%. Selling expenses declined due to cost cutting measures, including lower advertising cost, headcount reduction and lower G&A as well as lower commissions due to lower sales. G&A expenses declined due to low professional fees, bonus accruals and incentive, and ongoing cost cutting efforts related to our restructuring. Engineering and technical support expenses also declined as R&D expenses came down as we completed product development projects, related to the launch of our EVO Rear Seat Entertainment system. Headcount is also lower year-over-year. We had two offsetting factors. One, an increase in health care cost. And two, an increase in R&D expense and EyeLock as we're nearing the final stages of completion with new systems soon to come to market. With respect to other expenses, we had a $12.8 million increase year-over-year. Interest in bank charges declined by $1.6 million, as we paid down our domestic credit facility in full.

Equity and income of equity investees, which relates to our investment in ASA, was approximately $600,000 lower, but still very strong and consistent contributor for us. Within other expense in FY19, we had a $3.5 million impairment on Venezuela properties and a $16.5 million impairment on the notes receivable of 360Fly, which we discussed previously. And in FY18, we have other net of $7.6 million, which included $8.8 million of net losses on foreign currency, of which $6.6 million related to losses on forward contracts incurred in conjunction with the sale of Hirschmann.

So, in total, FY19 included $25.8 million of noncash impairment charges recorded in operating expenses, $4.6 million of restructuring expenses, which were cash expenses, also recorded in operating expenses. $20.5 million in noncash impairment charges related to the 360 note, impairment in Venezuela and a loss on investment. These expenses were recorded in other expense. Taken together, this totals $50.4 million of expenses or charges, which are not expected to repeat. That's the key takeaway when you look at both our operating loss and net loss for the fiscal year. In fact, on an operating basis, our loss has shrunk year-over-year, even with declines in our Consumer Accessories segment and all of the restructuring activities. We reduced headcount since the beginning of the fiscal year by approximately 9%. And with the changes we made in our business structure, we will be operating more efficiently.

A better measurement of our performance would be adjusted EBITDA, as this takes into account all of the adjustments. In FY18, we had a positive gain from the sale of Hirschmann, offset by the loss on Ford FX contracts. In FY19, all of the impairment and related -- in fiscal '19 all of the impairment-related restructuring charges also impacted us. We recorded adjusted EBITDA of $13.7 million this year versus $10.7 million in FY18, an improvement of $2.9 million or over 27%.

Lastly, our cash position improved $6.5 million year-over-year, even with the restructuring charges and increased $9.5 million sequentially compared to November 30, 2018. We have net, no debt outstanding on our $140 million domestic credit facility and our total debt of $17.6 million as of year-end, a $1.2 million reduction compared to FY18. Our debt should decline more upon the completion of the sale of the Pulheim facility. For the nonbinding LOI we disclosed today and upon closing, our cash position will increase by approximately $10 million net of closing cost and mortgages. Our balance sheet is very strong and we have access to capital to implement the strategy Pat has laid out.

I'll turn the call back to Pat for any closing remarks. Pat?

Patrick M. Lavelle: Okay. All right. Thank you, Mike. In closing, obviously we're not pleased with the past performance or the valuation of the company. But we've not stood by idly, as we continue to make the changes that we believe will result in a stronger VOXX. Our goal is to sustain profitability through the realignment -- although the realignment will continue in the first and second quarters, and we are anticipating losses as a result, not the case thereafter. We have a strong balance sheet, cash on hand and access to capital, and we intend to repurchase our shares to support the stock, strengthen our value and invest in our future. I know it's -- this has been a long road and it's been equally frustrating for me personally as CEO. With the restructuring mostly behind us and a clear path forward to alter VOXX's course, I am more confident today that we will improve profitability and returns.

With that, operator, we're now ready to open up the call for questions.

QUESTIONS AND ANSWERS

Operator: (Operator Instructions)

And our first question comes from Brad Leonard with BML Capital Management.

Braden Michael Leonard: First, what happened on the 360Fly? The last time we spoke, I asked some questions about this and you guys were kind of pretty confident that the company was changing direction, you were going to take control and still had some great new products that were coming out.

Patrick M. Lavelle: Yes. They did. We did take control, but we were not able to work out what I would name as a profitable relationship with the customers that we were talking to and based on that we made the decision to end it.

Braden Michael Leonard: Okay. So that leads me to the next, I guess, investment you guys are making in EyeLock. And you invested $16 million in 360Fly, which was $0.75 this year. EyeLock, you've invested more like $49 million or $50 million at this point, so it's $2 this year. What gives you any confidence that EyeLock is going to turn out any better than 360Fly?

Patrick M. Lavelle: Well, when you look at or the way we look at it is there's no question that we're all going to be identified by our biometrics, and that's just becoming more and more prevalent. EyeLock has a very, very strong IP position around iris authentication, which is the most secure form of biometric authentication, short of DNA testing. So based on that, based on the conversations that we're having with different companies, where they plan to use iris biometric in a situation of much higher security, we believe that the company is in a very good position to grow, based on that. Right now, EyeLock has about 100 patents, of which about 70 have been issued and there is another 30 in application, which gives their -- their IP is very strong, and we believe that in many, many cases people will have to license, if they want to use iris in any other application. The other part of EyeLock that is different. We, as a electronics company, have to continue to reinvent ourselves and look for businesses that have bright futures and biometrics really is one space that we see has a bright future.

Braden Michael Leonard: Okay. So, I guess, we've heard a lot of promises about EyeLock over the last few years in the different applications, the vending machine, which always seemed kind of silly to me. You had some sort of a partnership with slot machines and then we haven't heard anything more about that. So it seems like this is you have been optimistic on this in the past and we have not seen anything to come out of it, the VOXX' were slightly reduced last year. But you're still losing $13.5 million or something like that last year, down from almost $16 million and then $18 million a year before. So what do you think the losses are going to be in that division this year?

Patrick M. Lavelle: Well, I -- basically what we're looking at is we're looking at a ramp-up of income that we get from the ViaTouch, as they start to deliver their machines. We also are expecting to introduce in June our EXT product that we believe, again, is a one-of-a-kind product, because it is a -- the first iris biometric that can effectively work outdoors. And the interest level that we've received that shows and the interest level from prior customers who bought our NXTs give us a positive feel that the EXT will help drive top line revenue and return profitability. On top of that there are some other embedded programs that we are working on that we could see develop this year, okay? Most likely because they are with OEMs, now I'm not talking car OEMs, but we have to wait until they develop the product themselves, and embed and use our technology. So we've got a number of different customers that we are working on in that type of situation. You've mentioned slot machines, you've mentioned some of the others, these programs are still in the works, we're still moving forward, we're still working on fine-tuning the technology to work within those applications.

Braden Michael Leonard: Okay. I'll take your word and all that. But, I mean, I don't need to be a dead horse on this subject. But I mean 3 months ago we were -- you guys were positive on the 360Fly going into law enforcement and all these different things you're working on. And then here we are 3 months later and the whole thing has just shut down.

Patrick M. Lavelle: So the problem that we have there is, prior to our conversations, we were getting commitments from the major customers that they had. We did not afterwards believe that the volumes that they were committing to would support the company and based on that, we made a decision. So sometimes we're operating off of information that we're being received, but we could not get that into a contract. And if we couldn't get it into a contract, we were not going at it.

Braden Michael Leonard: Okay. So on the buyback here. You guys have announced an increase -- you had an authorization that was outstanding, and I think you had 1.3 million or 1.4 million shares left. Is that correct?

Patrick M. Lavelle: Yes. Yes, yes.

Braden Michael Leonard: So we announced this with all this kind of ugly results, bad news and write-offs and write-downs and whatnot. We're increasing the buyback, which is great. But you had an outstanding program in place and you have not purchased shares since 2015. So it seems to me that we're just kind of coming out and saying, hey, we've got this. Oh, look at this, what about this buyback. And we think the shares are good value. Well, the shares have been trading here roughly for the last year, and you've had a plan in place that could have been utilized, and it wasn't. So just I think the Board can sit there and this is my opinion there's no -- I mean, finish the first one. I mean there's no indication that you've been buying back any shares or we're going to see any buyback and the stock trades at a very low valuation to assets, not to earnings, but to assets it does. And so it just seems to me that you're trying to put lipstick on a pig a little bit and saying, hey, here's this buyback. Well, you didn't utilize the other one. So I don't need a response on that. My last thing is...

Patrick M. Lavelle: Well, let me just say this, I mean as I indicated, our cash position now is strong. We anticipate some of the other things that we're doing that will increase our cash position, and I guess we'll just wait until we have a conversation in the second quarter.

Braden Michael Leonard: That is fine. That's fair enough. And then lastly, you have these assets, you own a lot of real estate, you have some brands that are worth something. I mean have we thought about just liquidating this entire company or selling the company piece by piece, liquidating the assets, because I think the assets are worth far more than the stock price. But how do we ever realize that if no one is going to take any action to do this? So do I think the stock might be worth $8 this year, sure, plus or minus, I don't know, maybe even more. You've got a valuable RV business. You've got a lot of owned real estate. The Klipsch business is probably worth something, and you have these assets and the stock is hitting well below this. So how do we ever realize this? As investors, we have no real say because you have a control shareholder who's got voting control. So how are we ever going to realize any value for this?

Patrick M. Lavelle: Well, I think that the plans that we have laid out as far as improving, purchasing shares, possibly doing a dividend, possibly doing an acquisition, possibly doing a divestiture, as you've indicated. These are all things on the table. These are all the things that the Board has discussed. If the right opportunity comes, we will act on it. You've seen us acquire and divest in the past. So we believe that with the businesses that we have, whether they be in the Premium Audio space or the Automotive space, these businesses are healthy. The investments are the ones that are causing us to spend money to break into new categories. And if these new categories start to improve and really take hold, I truly believe that you're going to see that reflected in the share price, along with all the other things that we're planning on doing. So that's our position at this point.

Operator: (Operator Instructions)

Our next question comes from Sheldon Grodsky with Grodsky Associates.

Sheldon Grodsky: I have to agree with much of what the last questioner was asking about. Looking over numbers from where the company is today to where it was in 2010. I would have to estimate that the return on investment for the company has averaged 0% for the last 9 years. The equity is about the same, and I don't think there has been too much leakage from dividends. So that -- the question does come up as to why not do an early liquidation to realize the values. I just think that's an idea that has to be considered very seriously, if the assets are real?

Patrick M. Lavelle: That's -- obviously that's something we've considered all along. Again -- and I'll go back to what I just indicated to Brad. Again, if -- we've been up and down as a company since 1960. Businesses change, technology comes through, we believe that the health care space is one that has great potential. We believe that biometrics has great potential. And we believe the 2 programs or the 2 segments that we have, both in the consumer and in the Automotive, are stable businesses. And therefore, if we can continue to grow those businesses, although, modestly and enter into new fields where we can get top line and bottom line growth, I think you're going to see an improvement in the share price. And I agree, there is equity in the company and there's valuation there in the assets. So we look at all of it.

John J. Shalam: I'd like add a few comments to that.

Patrick M. Lavelle: John Shalam is -- would like to make a comment.

John J. Shalam: I've well heard your questions and totally understand your frustration, and the need to materialize better results for our stockholders and I'll remind all of you that I'm as well a major shareholder personally. And -- however, we're really undergoing a major restructuring and a major reorganization. And I personally have a lot of confidence in the next several periods of time that we're going to see good improvements happening. Many of our operations are doing quite nicely and have good potential. We do have a problem in terms of the EyeLock situation, the cash drain, we're all very well aware of that and we're confident that we'll be able to start to show some improvements in the EyeLock situation as we go forward.

The question as whether to liquidate the whole company or not is an interesting one. We've spent a lot of time discussing that. I have a lot of confidence, however, in the future of this operation and I think we can materialize better results for our shareholders by continuing to operate and to proceed with our restructuring plan and continue to improve our operations and benefit from the market performance. That remains to be seen; that decision is always available as we go forward.

Operator: And our next question comes from Eric Landry with BML Capital Management.

Eric Landry: So I just want to follow up on the prior two questions. So as far as I can see, this has been a wait-til-next-year type of commentary on these calls for a few years now. I'd like to know, has the Board determined a redline as to how long they're going to let this go before they take some sort of action like try and just monetize the assets.

For instance, let me just go over something here. I mean, so on January 10 you talked about 360Fly having a pretty decent -- said you spoke with a number of their customers who are -- decisions are ongoing, continuing the product, you can talk about profitability for the company once you get refinanced. Six weeks later, you say to liquidate the thing. So I'd just like to know, I mean, so that $0.67 that was just lit on fire. Gone. See you. That's it. So I'd just like to know, is there a -- I mean, is there a -- I mean, well the Board let the value of the assets get down to, I don't know, $6, $5, $4, what is the sort of the redline that the Board has here as far as asset value?

Patrick M. Lavelle: Well, when you look at the things that we're doing now and the initiatives that we're taking, it's all about trying to drive shareholder value and trying to improve the results of the company. In the case specifically of 360, we were in negotiations with some of their major customers that allowed the company to be profitable. However, if we were not going to get those agreements in writing, okay, we had made it very, very clear that we were not going to move ahead. And the results of the negotiations were not satisfactory, and therefore instead of continuing with 360 and continuing to lose money, we decided that was enough.

In the case of EyeLock, that's a very different story. When you look at our P&Ls, EyeLock is the big drain in cash and in loss, other than some of the noncash impairment things that we're doing to adjust to the realities of the new business that we have today within our accessory group. But this is not something that doesn't happen from time to time. Within the electronics business, you're constantly evolving new product, developing new product, and existing product and legacy products continues to decline, and in some cases disappear. That is part of the business that we're in, okay?

With that said, we believe that we've adjusted the overhead. We've dropped 77 people from just November and expect that we'll continue to drop some overhead to make sure that the operations that are the -- let's say legacy operations remain profitable. So that we can invest in some of the future businesses that we believe can take this company down the road for the next 10 years and increase overall value. Now certainly, as what we've done with 360, if we get to a point where we do not believe that the businesses that -- or the business that's coming on any one of our categories are not going to be enough to support the business or not going to be what we thought, we will make that call and we will make that adjustment. But if we just stay in place and do not invest in the future, everything will eventually start to disappear because that is the nature of electronics.

Eric Landry: Okay. Let's switch over to EyeLock here real quick. You mentioned this on this call as well as several other calls that EyeLock has "strong IP" yet your competitor Iris IDs are in the airports. There's another competitor that's already on phones, doing some stuff in India. What gives you the confidence that EyeLock's IP product, what have you, is strong enough to compete with these other players in the industries that are already on these platforms that are already out there?

Patrick M. Lavelle: One is when we compare our products to our competition, our standoff distance and speed is greater. We're as competitive on a price standpoint as they are and some of the businesses that we're talking to are generating as far as our embedded solutions are set to generate some very strong volume. And that's where we believe that as these programs materialize that -- and since the embedded program is a royalty-based program. The margins will be very high, and we believe we can get it to the point to where it becomes profitable. And from there, as more and more biometrics are used, we believe that EyeLock is in a good position to take advantage of those applications.

Eric Landry: Okay. So when you say very strong volumes, is the vending machine one of the products that is going to drive these very strong volumes?

Patrick M. Lavelle: There are 7.7 million vending machines in the United States.

Eric Landry: Yes. But I mean...

Patrick M. Lavelle: So the volume levels that our partner ViaTouch is indicating to us would be very impactful to our numbers.

Eric Landry: Is there anything that you've done on your end to vet those volume numbers?

Patrick M. Lavelle: Yes. And we speak with them on a regular basis. And we know they're ramping up, okay? And it is as fast as they can get machines, is as fast as we can see them -- get them located in different locations with different companies.

Eric Landry: So they have signed contracts in the end.

Patrick M. Lavelle: Oh, yes, they do. Oh, yes.

John J. Shalam: Okay. And, Eric, this is John Shalam again. As a follow-up to your question, the Board has made the decision now. We are restructuring, we are removing costs, we may divest and we may acquire. We do intend to execute the buyback program. We are exploring a dividend. So the answer to your question, yes, the line has been drawn. Thank you, Eric.

Operator: And this concludes our Q&A session. I'd like to turn the call back over to John Shalam for closing remarks.

Charles Michael Stoehr: Operator, that was the closing remark. Please end the call. Thank you very much.

Patrick M. Lavelle: That was. Thank you all, and have a good afternoon.

John J. Shalam: Thank you.

Operator: Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may disconnect. Everyone, have a great day.