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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 10, 2023

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

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

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

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

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

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

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

Emerging growth company ☐

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

Item 2.02 Results of Operations and Financial Condition.

On October 10, 2023, VOXX International Corporation (the "Company") issued a press release announcing its earnings for the three months ended August 31, 2023. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

On October 11, 2023, the Company held a conference call to discuss its financial results for the three months ended August 31, 2023. The Company has prepared a transcript of that conference call, a copy of which is annexed hereto as Exhibit 99.2.

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press Release, dated October 10, 2023, relating to VOXX International Corporation's earning's release for the three months ended August 31, 2023 (filed herewith).
99.2	Transcript of conference call held on October 11, 2023 at 10:00 am (filed herewith).
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

SIGNATURES

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

VOXX INTERNATIONAL CORPORATION
(Registrant)

Date:	October 13, 2023	By:	/s/ Charles M. Stoehr
			Charles M. Stoehr Senior Vice President Chief Financial Officer

VOXX International Corporation Reports its Fiscal 2024 Second Quarter Financial Results

ORLANDO, FL.— October 10, 2023 — VOXX International Corporation (NASDAQ: VOXX), a leading manufacturer and distributor of automotive and consumer technologies for the global markets, today announced its financial results for its Fiscal 2024 second quarter ended August 31, 2023.

Commenting on the Company's results and business outlook, Pat Lavelle, Chief Executive Officer stated, "We saw modest improvements in our business sequentially and expect to generate year-over-year growth and profitability in the second half of our Fiscal year. The extent of our growth will be very much dependent on the state of the car markets, especially now with the UAW strike, as well as consumer spending during the upcoming holiday selling season. To combat market softness, we took significant steps during the quarter to restructure our business and have reduced our operating expenses significantly. We expect restructuring and realignment initiatives to also generate higher gross margins in the second half, with more improvements planned as we move into next year. New products and programs across each of our business segments are driving our optimism, though we remain very conservative in our outlook given the state of the global economies."

Fiscal 2024 and Fiscal 2023 Second Quarter Comparisons

Net sales in the Fiscal 2024 second quarter ended August 31, 2023, were $113.6 million as compared to $125.7 million in the Fiscal 2023 second quarter ended August 31, 2022, a decrease of $12.1 million or 9.6%. On a sequential basis as compared to the Fiscal 2024 first quarter, net sales increased by $1.7 million or 1.5%.

- Automotive Electronics segment net sales in the Fiscal 2024 second quarter were $35.4 million as compared to $37.2 million in the comparable year-ago period, a decrease of $1.8 million or 4.8%. For the same comparable periods, OEM product sales were $16.3 million as compared to $15.2 million and aftermarket product sales were $19.2 million as compared to $22.0 million. Higher OEM product sales were driven by the fulfillment of backorders as materials became available, offset by lower sales of aftermarket products, primarily in the security and rear-seat entertainment categories.

- Consumer Electronics segment net sales in the Fiscal 2024 second quarter were $78.0 million as compared to $88.0 million in the comparable year-ago period, a decrease of $10.0 million or 11.3%. For the same comparable periods, Premium Audio product sales were $53.2 million as comparted to $69.2 million and other consumer electronics ("CE") product sales were $24.8 million as compared to $18.8 million. The decline in Premium Audio product sales was primarily related to ongoing softness in the economy and a decrease in consumer spending, as well as higher sales in the prior year period related to new product launches. The increase in other CE product sales was primarily driven by higher European accessory sales related to the Company's new balcony solar power products.

- Biometrics segment net sales in the Fiscal 2024 second quarter were $0.2 million as compared to $0.3 million in the comparable year-ago period, with the decline primarily related to lower licenses for the comparable periods and ongoing product shortages.

The gross margin in the Fiscal 2024 second quarter was 25.2% as compared to 23.3% in the Fiscal 2023 second quarter, an increase of 190 basis points. Gross margin improved 60 basis points on a sequential basis when compared to the Fiscal 2024 first quarter. For the same comparable year-ago periods, the Company reported:

- Automotive Electronics segment gross margin of 24.3% as compared to 24.5%. The modest decline in gross margin was primarily related to lower sales of higher margin products and product mix, partially offset by the positive impact of transitioning certain manufacturing to Mexico during the second half of Fiscal 2023. The Company is beginning to realize improve margins on the sale of these products as a result of the cost savings generated from the manufacturing transition.

- Consumer Electronics segment gross margin of 25.5% as compared to 22.6%. The year-over-year improvement of 290 basis points was primarily driven by higher sales of new accessory products and improved pricing from vendors, as well as a more favorable product mix.

- Biometrics segment gross margin of 27.3% as compared to 40.1% in the comparable year-ago period.

Total operating expenses in the Fiscal 2024 second quarter were $37.1 million as compared to $39.2 million in the comparable Fiscal 2023 period, an improvement of $2.1 million or 5.3%. Excluding restructuring expenses, total operating expenses for the comparable Fiscal 2024 and Fiscal 2023 second quarters declined by $3.9 million or 9.9%. For the same comparable periods:

- Selling expenses of $10.0 million declined by $1.8 million or 15.5%, driven by lower commissions, employee salaries, related benefits and payroll taxes, and advertising and website expenses, as well as due to Employee Retention Credits received during the quarter, which have offset the Company’s payroll tax expenses. This was offset by an increase in advertising expenses related to the Company’s new hearing aid products launched in Fiscal 2024.

- General and administrative expenses of $17.3 million declined by $1.6 million or 8.5% primarily due to lower legal and professional fees and a decrease in depreciation and amortization expense. This was partially offset by a modest increase in travel expense.

- Engineering and technical support expenses of $7.9 million declined by $0.4 million or 5.2%, primarily due to lower research and development expenses and cost cutting measures undertaken by the Company.

- Restructuring expenses increased by $1.8 million as the Company initiated actions to lower its headcount given market conditions, and incurred costs associated with its relocation of certain OEM production operations to Mexico.

The Company reported an operating loss in the Fiscal 2024 second quarter of $8.5 million as compared to an operating loss of $10.0 million in the comparable Fiscal 2023 second quarter. The Company reported an operating loss of $11.4 million in its Fiscal 2024 first quarter, representing a sequential improvement of $2.9 million.

Total other expense, net, in the Fiscal 2024 second quarter was $2.9 million as compared to total other expense, net, of $1.7 million in the comparable Fiscal 2023 second quarter. Interest and bank charges increased by $0.7 million and the final arbitration award associated with the Seaguard arbitration increased by $0.7 million. Equity in income of equity investee declined by $0.5 million and other, net improved by approximately $0.6 million, primarily as a result of changes in foreign currency.

Net loss attributable to VOXX International Corporation in the Fiscal 2024 second quarter was $11.1 million as compared to a net loss attributable to VOXX International Corporation of $10.2 million in the comparable Fiscal 2023 period. The Company reported a basic and diluted loss per share attributable to VOXX International

Corporation of $0.47 in the Fiscal 2024 second quarter as compared to a basic and diluted loss per common share attributable to VOXX International Corporation of $0.42, in the comparable Fiscal 2023 period.

The Company reported an Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") loss in the Fiscal 2024 second quarter of $5.4 million as compared to an EBITDA loss in the comparable Fiscal 2023 second quarter of $6.8 million. Adjusted EBITDA in the Fiscal 2024 second quarter was essentially flat as compared to an Adjusted EBITDA loss in the comparable Fiscal 2023 second quarter of $3.3 million. EBITDA and Adjusted EBITDA improved on a sequential basis when compared to the Fiscal 2024 first quarter by $2.2 million and $4.9 million, respectively.

Fiscal 2024 and Fiscal 2023 Six-Month Comparisons

Net sales in the Fiscal 2024 six-month period ended August 31, 2023, were $225.6 million as compared to $254.4 million in the Fiscal 2023 six-month period ended August 31, 2022, a decrease of $28.9 million or 11.3%.

- Automotive Electronics segment net sales in the Fiscal 2024 six-month period were $73.8 million as compared to $76.8 million in the comparable year-ago period, a decrease of $3.0 million or 3.9%. For the same comparable periods, OEM product sales were $36.5 million as compared to $32.0 million and aftermarket product sales were $37.3 million as compared to $44.8 million. The increase in OEM product sales was driven by higher vehicle volumes under existing programs with Ford and Nissan. Lower aftermarket product sales were primarily driven by lower volumes in the security and rear-seat entertainment categories, offset by an increase in sales of satellite radio products.

- Consumer Electronics segment net sales in the Fiscal 2024 six-month period were $151.4 million as compared to $177.0 million in the comparable year-ago period, a decrease of $25.6 million or 14.5%. For the same comparable periods, Premium Audio product sales were $100.8 million as compared to $139.1 million and other consumer electronics product sales were $50.6 million as compared to $37.8 million. The decline in Premium Audio product sales was primarily related to ongoing softness in the economy and a decrease in consumer spending, as well as higher sales in the prior year period related to new product launches. The increase in other CE product sales was primarily due to higher European accessory sales of the Company's new balcony solar power products, partially offset by declines in other categories.

- Biometrics segment net sales in the Fiscal 2024 six-month period were $0.3 million as compared to $0.4 million in the comparable year-ago period, with the decline primarily related to lower licenses for the comparable periods and due to product shortages.

The gross margin in the Fiscal 2024 six-month period was 24.9% as compared to 24.6% in the Fiscal 2023 six-month period, an increase of 30 basis points. For the same comparable periods, the Company reported:

- Automotive Electronics segment gross margin of 22.6% as compared to 23.3%. The 70 basis point decline in gross margin was primarily related to product mix and lower margins in the security and rear-seat entertainment categories, partially offset by the positive impact from transitioning certain manufacturing to Mexico.

- Consumer Electronics segment gross margin of 25.5% as compared to 25.0%. The year-over-year improvement of 50 basis points was primarily driven by higher sales of new accessory products, particularly the Company's new balcony solar power products and higher sales of wireless speakers. While sales of Premium Audio products declined, the Company did benefit from improved pricing from vendors, a more favorable product mix and fewer close-out promotions compared to the prior year.

- Biometrics segment gross margin of 34.0% as compared to 36.3% in the comparable year-ago period.

Total operating expenses in the Fiscal 2024 six-month period were $76.1 million as compared to $79.2 million in the comparable Fiscal 2023 period, an improvement of $3.0 million or 3.8%. Excluding restructuring expenses and acquisition costs, total operating expenses for the comparable Fiscal 2024 and Fiscal 2023 six month periods declined by $4.7 million or 6.0%. For the same comparable periods:

- Selling expenses of $21.2 million declined by $3.0 million or 12.3%, driven by lower commissions, employee salaries and related benefits and payroll taxes associated, as well as due to Employee Retention Credits which have offset payroll tax expenses. There were other declines in selling expenses related to ongoing cost saving measures.

- General and administrative expenses of $36.7 million decreased by $1.3 million or 3.4% primarily due to lower legal and professional fees, decrease in depreciation and amortization expense, and due to lower licensing expense, among other factors, partially offset by an increase in travel expense.

- Engineering and technical support expenses of $16.2 million declined by $0.5 million or 2.9%, primarily due to lower research and development expenses and ongoing cost cutting measures.

- Acquisition costs of $0.1 million were incurred in the Fiscal 2023 six-month period associated with the acquisition of certain assets of Onkyo Home Entertainment Corporation which was completed in September 2021. There were no related costs incurred in the comparable Fiscal 2024 period.

- Restructuring expenses of $2.1 million increased by $1.8 million as the Company initiated actions to lower its headcount and other expenses during the Fiscal 2024 six-month period. Restructuring expenses in the Fiscal 2023 six-month period related to certain OEM production operations transitioned to Mexico.

The Company reported an operating loss in the Fiscal 2024 six-month period of $19.9 million as compared to an operating loss of $16.7 million in the comparable Fiscal 2023 period.

Total other expense, net, in the Fiscal 2024 six-month period was $4.5 million as compared to total other expense, net, of $3.9 million in the comparable Fiscal 2023 period. Interest and bank charges increased by $1.5 million and the final arbitration award associated with the Seaguard arbitration increased by $0.6 million. Equity in income of equity investee declined by $0.5 million and other, net improved by $2.0 million, primarily as a result of changes in foreign currency.

Net loss attributable to VOXX International Corporation in the Fiscal 2024 six-month period was $21.8 million as compared to a net loss attributable to VOXX International Corporation of $16.7 million in the comparable Fiscal 2023 period. The Company reported a basic and diluted loss per share attributable to VOXX International Corporation of $0.92 in the Fiscal 2024 six-month period as compared to a basic and diluted loss per common share attributable to VOXX International Corporation of $0.69, in the comparable Fiscal 2023 period.

The Company reported an EBITDA loss in the Fiscal 2024 six-month period of $13.0 million as compared to an EBITDA loss in the comparable Fiscal 2023 period of $11.0 million. The Company reported an Adjusted EBITDA loss in the Fiscal 2024 six-month period of $5.0 million as compared to an Adjusted EBITDA loss in the comparable Fiscal 2023 period of $3.4 million.

Balance Sheet Update

As of August 31, 2023, the Company had cash and cash equivalents of $5.9 million as compared to $6.1 million as of February 28, 2023. Total debt as of August 31, 2023 was $42.8 million as compared to $39.2 million as of February 28, 2023. The increase in total debt is primarily related to a $4.1 million increase in outstanding debt on the Company's Domestic Credit Facility as a result of higher borrowings during the current period, partially offset by a $0.3 million decline associated with the Company's Florida mortgage and a $0.2 million decline in the shareholder loan payable to Sharp Corporation. Total long-term debt, net of debt issuance costs as of August 31, 2023 was $41.2 million as compared to $37.5 million as of February 28, 2023.

Gentex Strategic Investment

On October 5, 2023, Avalon Park International LLC and Avalon Park Group Holding AG, as Sellers, and Gentex Corporation, as the Purchaser, entered into a Stock Purchase Agreement whereby Mr. Beat Kahli has agreed to sell 50% of APG's total holdings in VOXX International Corporation in two separate tranches. The first tranche of 1.57 million shares closed on Friday, October 6, 2023 at $10 per share, representing a 32.5% premium to the Company's current share price as of market close on October 5, 2023. The second tranche of 1.57 million shares is scheduled to close on January 5, 2024 and the stock price will be based on a formula in the Stock Purchase Agreement at (a) a 25% premium if the volume weighted average price (VWAP) for the 20 days prior to the closing is between $7 and $8; or (b) if the 20 day VWAP is at least $8.00 but less than $10, the purchase price will be $10 per share; or (c) if the 20 day VWAP is greater than $10, the purchase price will be the market price.

As noted in its Form 4 filing with the Securities and Exchange Commission on August 21, 2023, Gentex Corporation previously owned 173,808 shares of VOXX International's Class A Common Stock. With this most recent transaction and the one planned for January 2024, Gentex will own approximately 15.1% of the Company's total Class A Common Stock Outstanding, becoming one of the Company's largest shareholders, along with the Company's Founder and Chairman, John Shalam and the two Avalon Park entities.

Conference Call Information

The Company will be hosting its conference call and webcast on Wednesday, October 11, 2023 at 10:00 a.m. ET.

- To attend the webcast: https://edge.media-server.com/mmc/p/f9dj99wo

- To access by phone: https://register.vevent.com/register/BI400776cdea464c6683bf085681b78fa3

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

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

Non-GAAP Measures

EBITDA and Adjusted EBITDA are not financial measures recognized by GAAP. EBITDA represents net loss attributable to VOXX International Corporation and Subsidiaries, 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, gains on the sale of certain assets, foreign currency (gains) losses, restructuring expenses, acquisition costs, certain non-routine legal fees, and awards. Depreciation, amortization, stock-based compensation, and foreign currency (gains) losses are non-cash items.

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

About VOXX International Corporation

VOXX International Corporation (NASDAQ: VOXX) has grown into a leader in Automotive Electronics and Consumer Electronics, with emerging Biometrics technology to capitalize on the increased need for advanced security. Over the past several decades, with a portfolio of approximately 35 trusted brands, VOXX has built market-leading positions in in-vehicle entertainment, automotive security, reception products, a number of premium audio market segments, and more. VOXX is a global company, with an extensive distribution network that includes power retailers, mass merchandisers, 12-volt specialists and many of the world's leading automotive manufacturers. For additional information, please visit our website at www.voxxintl.com

Safe Harbor Statement

Except for historical information contained herein, statements made in this release constitute forward-looking statements and thus may involve certain risks and uncertainties. All forward-looking statements made in this release are based on currently available information and the Company assumes no responsibility to update any such forward-looking statements. The following factors, among others, may cause actual results to differ materially from the results suggested in the forward-looking statements. The factors include, but are not limited to the risk factors described in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2023, and other filings made by the Company from time to time with the SEC, as such descriptions may be updated or amended in any future reports we file with the SEC. The factors described in such SEC filings include, without limitation: impacts related to the COVID-19 pandemic, global supply shortages and logistics costs and delays; global economic trends; cybersecurity risks; risks that may result from changes in the Company's business operations; operational execution by our businesses; changes in law, regulation or policy that may affect our businesses; our ability to increase margins through implementation of operational improvements, restructuring and other cost reduction methods; our ability to keep pace with technological advances; significant competition in the automotive electronics, consumer electronics and biometrics businesses; our relationships with key suppliers and customers; quality and consumer acceptance of newly introduced products; market volatility; non-availability of product; excess inventory; price and product competition; new product introductions; foreign currency fluctuations; and restrictive debt covenants. Many of the foregoing risks and uncertainties are, and will be, exacerbated by the War in the Ukraine and any worsening of the global business and economic environment as a result.

Investor Relations Contact:

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

Tables to Follow

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

	August 31, 2023	February 28, 2023
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 5,934	$ 6,134
Accounts receivable, net of allowances of $2,005 and $2,515 at August 31, 2023 and February 28, 2023, respectively	62,184	82,753
Inventory	174,195	175,129
Receivables from vendors	338	112
Due from GalvanEyes LLC	2,500	—
Prepaid expenses and other current assets	19,816	19,817
Income tax receivable	1,079	1,076
Total current assets	266,046	285,021
Investment securities	934	1,053
Equity investment	21,663	22,018
Property, plant and equipment, net	45,931	47,044
Operating lease, right of use assets	3,397	3,632
Goodwill	64,297	65,308
Intangible assets, net	86,473	90,437
Deferred income tax assets	1,209	1,218
Other assets	3,067	3,720
Total assets	$ 493,017	$ 519,451
Liabilities, Redeemable Equity, Redeemable Non-Controlling Interest, and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 36,786	$ 35,099
Accrued expenses and other current liabilities	40,036	41,856
Income taxes payable	1,593	2,276
Accrued sales incentives	18,598	21,778
Contingent consideration, current	4,500	4,500
Final arbitration award payable	45,987	43,388
Contract liabilities, current	3,520	3,990
Current portion of long-term debt	500	500
Total current liabilities	151,520	153,387
Long-term debt, net of debt issuance costs	41,213	37,513
Finance lease liabilities, less current portion	366	63
Operating lease liabilities, less current portion	2,390	2,509
Deferred compensation	934	1,053
Deferred income tax liabilities	4,599	4,855
Other tax liabilities	875	966
Prepaid ownership interest in EyeLock LLC due to GalvanEyes LLC	9,817	7,317
Other long-term liabilities	2,146	2,947
Total liabilities	213,860	210,610
Commitments and contingencies (Note 23)		
Redeemable equity (Note 8)	4,064	4,018
Redeemable non-controlling interest (Note 2)	(2,093)	232
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (Note 19)	—	—
Common stock:		
Class A, $.01 par value, 60,000,000 shares authorized, 24,553,184 and 24,538,184 shares issued and 20,543,609 and 21,167,527 shares outstanding at August 31, 2023 and February 28, 2023, respectively	246	246
Class B Convertible, $.01 par value, 10,000,000 shares authorized, 2,260,954 shares issued and outstanding at both August 31, 2023 and February 28, 2023	22	22
Paid-in capital	297,043	296,577
Retained earnings	77,320	97,997
Accumulated other comprehensive loss	(17,654)	(18,680)
Less: Treasury stock, at cost, 4,009,575 and 3,370,657 shares of Class A Common Stock at August 31, 2023 and February 28, 2023, respectively	(37,257)	(30,285)
Less: Redeemable equity	(4,064)	(4,018)
Total VOXX International Corporation stockholders' equity	315,656	341,859
Non-controlling interest	(38,470)	(37,268)
Total stockholders' equity	277,186	304,591
Total liabilities, redeemable equity, redeemable non-controlling interest, and stockholders' equity	$ 493,017	$ 519,451

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

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
Net sales	$ 113,642	$ 125,705	$ 225,568	$ 254,437
Cost of sales	85,017	96,448	169,363	191,941
Gross profit	28,625	29,257	56,205	62,496
Operating expenses:				
Selling	10,021	11,865	21,187	24,150
General and administrative	17,250	18,853	36,677	37,983
Engineering and technical support	7,857	8,284	16,194	16,673
Acquisition costs	—	—	—	136
Restructuring expenses	2,008	229	2,067	229
Total operating expenses	37,136	39,231	76,125	79,171
Operating loss	(8,511)	(9,974)	(19,920)	(16,675)
Other (expense) income:				
Interest and bank charges	(1,573)	(911)	(3,119)	(1,641)
Equity in income of equity investee	1,241	1,763	2,857	3,351
Final arbitration award	(1,612)	(986)	(2,598)	(1,972)
Other, net	(952)	(1,519)	(1,653)	(3,629)
Total other expense, net	(2,896)	(1,653)	(4,513)	(3,891)
Loss before income taxes	(11,407)	(11,627)	(24,433)	(20,566)
Income tax expense (benefit)	1,170	(708)	(151)	(1,800)
Net loss	(12,577)	(10,919)	(24,282)	(18,766)
Less: net loss attributable to non-controlling interest	(1,513)	(703)	(2,480)	(2,023)
Net loss attributable to VOXX International Corporation and Subsidiaries	$ (11,064)	$ (10,216)	$ (21,802)	$ (16,743)
Other comprehensive income (loss):				
Foreign currency translation adjustments	821	(2,128)	1,059	(3,622)
Derivatives designated for hedging	33	99	(27)	186
Pension plan adjustments	(5)	40	(6)	72
Other comprehensive income (loss), net of tax	849	(1,989)	1,026	(3,364)
Comprehensive loss attributable to VOXX International Corporation and Subsidiaries	$ (10,215)	$ (12,205)	$ (20,776)	$ (20,107)
Loss per share - basic: Attributable to VOXX International Corporation and Subsidiaries	$ (0.47)	$ (0.42)	$ (0.92)	$ (0.69)
Loss per share - diluted: Attributable to VOXX International Corporation and Subsidiaries	$ (0.47)	$ (0.42)	$ (0.92)	$ (0.69)
Weighted-average common shares outstanding (basic)	23,462,575	24,423,577	23,629,147	24,418,020
Weighted-average common shares outstanding (diluted)	23,462,575	24,423,577	23,629,147	24,418,020

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

	Three months ended August 31,		Six months ended August 31,	
	2023	2022	2023	2022
Net loss attributable to VOXX International Corporation and Subsidiaries	$ (11,064)	$ (10,216)	$ (21,802)	$ (16,743)
Adjustments:				
Interest expense and bank charges (1)	1,371	710	2,717	1,237
Depreciation and amortization (1)	3,094	3,449	6,195	6,353
Income tax expense (benefit)	1,170	(708)	(151)	(1,800)
EBITDA	(5,429)	(6,765)	(13,041)	(10,953)
Stock-based compensation	208	136	466	262
Gain on sale of tradename	—	—	(450)	—
Foreign currency (gains) losses (1)	1,214	1,728	2,176	4,090
Restructuring expenses	2,008	229	2,067	229
Acquisition costs	—	—	—	136
Non-routine legal fees	378	350	1,231	858
Final arbitration award	1,612	986	2,598	1,972
Adjusted EBITDA	$ (9)	$ (3,336)	$ (4,953)	$ (3,406)

(1) For purposes of calculating Adjusted EBITDA for the Company, interest expense and bank charges, depreciation and amortization, as well as foreign currency losses and (gains) have been adjusted in order to exclude the non-controlling interest portion of these expenses attributable to EyeLock LLC and Onkyo Technology KK.

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Q2 2024 VOXX International Corp Earnings Call

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CORPORATE PARTICIPANTS

Glenn Wiener *GW Communications - President & Chief Executive Officer*
Pat Lavelle *VOXX International Corp - Chief Executive Officer*
Michael Stoehr *VOXX International Corp - Senior Vice President and Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Tom Forte *D.A. Davidson - Analyst*

PRESENTATION

Operator

Good day. And thank you for standing by. Welcome to VOXX's Fiscal 2024 Second Quarter Results Conference Call. (Operator Instructions)

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

I would now like to hand the conference over to your speaker today, Glenn Wiener, President and Chief Executive Officer.

Please go ahead, sir.

Glenn Wiener ***GW Communications - President & Chief Executive Officer***

Thank you, [Norma]. Appreciate it. Good morning. And welcome to VOXX International's fiscal 2024 second quarter conference call.

My name is Glenn Wiener, President and CEO of GW Communications, the Investor Relations firm for VOXX.

Yesterday we filed our Form 10-Q and issued our press release, both documents of which can be found in the Investor Relations section of our website at www.voxxintl.com.

Speaking from management will be Pat Lavelle, Chief Executive Officer; and Michael Stoehr, Senior Vice President and Chief Financial Officer. Their remarks will be followed by questions and answers.

As for today I'd like to remind everyone that except for historical information contained herein, statements made on today's call and webcast that constitute forward-looking statements are based on currently available information. The company assumes no responsibility to update any such forward-looking statements. And I would like to point you to the risk factors associated with our business which are detailed in our Form 10-K for the period ended February 28, 2023.

Thank you for your continued support. And it's my pleasure to now turn the call over to Pat.

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Thanks, Glenn. And good morning, everyone.

Not much has changed since our first quarter remarks in July, as the global markets remain challenging, consumer spending is down, and the automakers are still having production issues. With that said, we saw some modest improvements in our business this quarter, which helped combat the overall softness in the economy. As we look out into the second half of the year, we expect to seek top-line growth compared to fiscal 2023 and to be profitable. The extent of our growth and profits, however, will be very much dependent on the state of the car markets, especially now with the UAW strike and, of course, the consumer.

We're doing what we can to combat anything that comes our way, and in 2Q, we took significant actions to do just that. We initiated a significant restructuring program, removing headcount and lowering our non-essential spend across the company. We exited several third-party agreements and restructured contracts to lower fees. We completed our OEM manufacturing transition to Mexico for most of our OEM product lines, which will reduce costs and help improve margins. And we can continue to work with our supply chain to redo pricing with more favorable terms, while moving out of our inventory positions to protect our balance sheet. We're essentially taking out everything we can based on lower sales volumes without impacting our ability to serve our customer and innovate.

As for the 2Q quarter results, sales were down approximately 10% year-over-year and up 1.5% sequentially. Gross profit improved by 190 basis points, driven by gains in our Consumer segment. Operating expenses improved by over 5% and roughly 10% when you take out restructuring expenses. While we lost money in the quarter, our operating loss improved by $1.5 million. And we reported flat adjusted EBITDA, which was $3.3 million better than 2Q of last year.

Within our Consumer segment, consumer sales were down $10 million year-over-year with Premium Audio down roughly $16 million and other CE product sales up $6 million.

Our Premium Audio business has been hit hard over the past 18 months after a great run during early stages of the pandemic and the year that followed. Over the past few years, however, we faced global supply chain issues, a deteriorating global economy and a very challenging retail environment, with high inventory positions and rising interest rates changing the way retailers operate. I'm not saying that we're out of the woods yet, but we now expect the trend to reverse and to post growth again as we've retooled some of our products and have several new launches in the second half of the year, with customer programs to support them. Premium Audio sales were up $5.6 million sequentially, and we're expecting to see continued sequential growth in the third quarter as it's the beginning of the holiday season and for our third quarter to come in higher than last year.

The speaker category overall is down and many of our competitors are in the same position. In the most recent NPD report, the speaker market is down roughly 16% year-to-date and Klipsch continues to maintain its number one market share. Further, some of our business was down compared to the same quarter last year due to heavy promotions last year and a big program at Costco that launched in 2Q of last year. Now that's the past. And what's driving our optimism for growth over the next few quarters are our new products.

We have retooled our soundbar offering and have a slate of new soundbars coming to market during the second half of the year. The Klipsch [Plexus] will be launching before the year is out, and it's the first ever product developed in tandem by Klipsch and Onkyo.

Our new party speakers are doing very well, and new launches are planned in the second half of the year. This is the hottest category in CE, as I mentioned on our last call.

We will soon be launching our new Klipsch Music City portable Bluetooth speakers, that can broadcast to other Bluetooth speakers and stereo and other speakers around the house or outdoors. Hookup is very simple, as you simply stream content through your devices.

Our new subwoofers, recently introduced this year, are doing very well, and have received excellent reviews, which should help continue to drive growth in this category.

And as we announced previously, the Klipsch Reference Premiere speakers will be on the Dodge Ram EV trucks with an impressive 26 speaker sound system. This is the first entrance of the Klipsch brand into automotive, and we believe this is a new area of growth as other automotive manufacturers recognize the value of the Klipsch brand.

Other CE product sales, as I mentioned, were up $6 million and the growth was driven by our new solar balcony power product launched by Schwaiger in Germany and, to a lesser extent, our new RCA hearing aids, which we introduced this past May.

Our accessory business overall continues to be -- especially our core products -- continue to be impacted by the economy but more so by consumer spending. For example, TV sales are in a slump. And now while we don't sell TVs, but we do sell a lot of products that are attachment sales, such as remotes, antennas, cables and wall mounts. Virtually, all of these categories are down. But during the second quarter, we saw growth in reception, remote and wall mount products despite the industry being down. We are maintaining our market share, if not growing it.

As for our Automotive segment, Automotive segment sales were down $1.8 million or a little less than 5%. Our OEM business grew by $1 million as some of the material shortages began to loosen and we fulfilled several back orders, particularly at Code for remote start and security applications. VSM sales were up close to 5% and our rear-seat entertainment programs were down for the quarter. OEM was up, but the obstacles we and the industry face continue to hinder our growth.

Our aftermarket business was down for the quarter by $2.8 million, and we expected declines given the high inventory positions our customers have carried and the overall retail environment. But the good news is that the inventory bottleneck is beginning to loosen. The automotive aftermarket overall continues to be challenged with some puts and takes. On one hand, we see an increase in car sales. However, the largest part of the increase is at fleets instead of retail car sales. And additionally, where car dealers would normally offer aftermarket products to increase profitability, the tightness in inventory and strong demand has allowed them to just add market adjustment increases to the sticker price. We now expect with the potential of an extended UAW strike that inventory tightness will continue, but with that said the other OEM contracts that are in place, even at lower-than-projected volumes, should help drive top-line.

However, it's the bottom-line that we're focused on most. We instituted price increases, reworked our supply chain network, developed new technologies using different chips given availability, and transitioned most of our production lines from Florida to Mexico. We're beginning to see the positive impact of all these moves and should see further improvements in the coming years with production overhead coming down more significantly next year. And looking ahead, we have new programs with Ford for the Lincoln Navigator and Ford Expedition, our new lighting program with Nissan starts next year, and our program to support the new postal trucks also starts next year.

As for our Biometrics segment, sales came in at approximately $200,000, lower than the prior year and our budget. This was primarily due to lower licenses and again to some projects being pushed out. Everything that we have talked about on prior calls remains in place. We're continuing to work with car dealers, infrastructures, governments, financial service companies, and on healthcare programs. With respect to the latter, we recently submitted our final prototype to our partner, which is now in the final step of validation. Production should begin by the middle of next year, and we expect other opportunities to arise with this customer and others once it's in the field and we are focused on growing our embedded solution portfolio.

To sum it up, the second quarter was expected, and we're not pleased with our results for the first half of the year. We've taken more aggressive actions to combat the economy and other issues we're facing. And the past actions coupled with the recent restructuring will help improve margins and lower our costs. We expect growth in the second half of the year based on the contracts we have, the new programs we've secured, and both the new products we've launched and will be launching.

Of course, we're mindful of any further deterioration in the economy, and we expect markets to remain hard pressed for the next year or so. If things worsen, we'll take more action, but we believe we have made the necessary adjustments in our business to drive profitability in the second half and to start fiscal 2025 in a more competitive position.

One last item to discuss before I turn the call over to Mike. As you may have seen in our earnings release and the Form 4 that was filed yesterday, we have a new strategic investor in VOXX. Gentex Corporation, a company that we currently do business with, entered into a stock purchase agreement with Avalon Park LLC and Avalon Park Group Holding AG, both of which are controlled by Beat Kahli, our President and one of VOXX's largest shareholders. Collectively, Avalon has agreed to sell 50% of its holdings to Gentex or approximately 3.1 million shares in two separate transactions.

The first transaction of 1.57 million shares was completed on Friday at $10 per share, representing a 32.5% premium to our stock price as of October 5, the day prior to the transaction. The second transaction of the same amount will be in January 2024, and the stock price will be based on the formula as noted in our release. When complete, Gentex will own approximately 15.1% of our Class A common stock and will become one of our three largest shareholders.

When Beat came on as President, one of his primary focus areas was strategic partnerships. This was probably his number one priority as we were looking to align with industry leaders to help drive growth and value in our business. With Gentex, we have found a great partner as we are collaborating with them in both our Biometric and Automotive segments on current projects, while concurrently looking to drive innovation in our offerings to grow our joint businesses and market share. Steve Downing, who serves as CEO and President of Gentex, also sits on our Board, and this alliance is one that we believe holds great promise for our company and our shareholders.

And with that, I'll now turn the call over to Mike to review financials and then we'll open it for questions. Michael?

Michael Stoehr ***VOXX International Corp - Senior Vice President and Chief Financial Officer***
Thanks, Pat, and good morning, everyone.

We reported total second quarter net sales of $113.6 million, a decline of approximately $12.1 million. Within this, Automotive segment sales were down $1.8 million, Consumer segment sales were down $10 million, and Biometric segment sales declined by approximately $100,000. While sales were down year-over-year, they were up sequentially by $1.7 million, and we're expecting improvements in the second half of the year.

Within Automotive, OEM product sales increased by $1 million and aftermarket product sales declined by $2.8 million. And within the Consumer, Premium Audio product sales declined by $16 million, while other CE product sales increased by $6 million.

We reported gross margins of 25.2%, an improvement of 190 basis points compared to second quarter last year and an improvement of 60 basis points sequentially. Automotive margins were essentially flat, and increase was driven by the improvement in our Consumer segment, which we anticipate will continue. If Automotive volumes materialize as our customers expect, we should see improvements in our Automotive segment as well with the relocation of manufacturing to Mexico now complete and other changes we've made to our infrastructure and supply chain.

Our operating expenses improved by $2.1 million year-over-year as we continue to lower our costs. Selling expenses declined by $1.8 million or 15.5%. G&A expenses declined by $1.6 million or 8.5%. And engineering and technical support expenses declined by $400,000. As Pat noted, during the second quarter, we initiated a large restructuring program to lower our costs further in light of the current environment and incurred restructuring expenses of $2 million in fiscal 2024 second quarter compared to $200,000 in the comparable fiscal 2023 period. Excluding restructuring expenses, total operating expenses for the comparable second quarter periods declined by $3.9 million or close to 10%.

We reported an operating loss of $8.5 million compared to $10 million in the second quarter of last year and a net loss attributable to VOXX of $11.1 million compared to [$10.2 million] (corrected by company after the call).

EBITDA in the second quarter was a loss of $5.4 million and adjusted EBITDA was essentially flat. This compares to an EBITDA loss of $6.8 million and adjusted EBITDA loss of $3.3 million in the second quarter of fiscal '23. I'll note, EBITDA and adjusted EBITDA improved on a sequential basis by $2.2 million and $4.9 million, respectively.

Through the first six months of fiscal 2024 compared to fiscal 2023, net sales were down 11.3%, with Automotive segment sales down 3.9% and Consumer segment sales down 14.5%. Again, as Pat noted, we anticipate year-over-year growth in the second half of the year.

Gross margins of 24.9% improved by 30 basis points, and we expect further improvements in the second half of the year as well for the reasons Pat covered.

Operating expenses improved by 3.8%, or 6% when excluding restructuring expenses and acquisition costs.

On an operating basis, we lost $19.9 million compared to a loss of $16.7 million and net loss attributable to VOXX in fiscal 2024 six-month period was $21.8 million as compared to a net loss of $16.7 million.

Lastly, we reported an EBITDA loss of $13 million and an adjusted EBITDA loss of $5 million.

Moving on to the balance sheet. As of August 31, we had cash and cash equivalents of $5.9 million, which compares to $5.2 million as of May 31 and $6.1 million as of our fiscal 2023 year-end of February 28. Our cash receivable declined by approximately $21 million, and our inventory position declined by approximately $1 million compared to fiscal 2023 fourth quarter. Our inventory position declined by approximately $10 million sequentially. And as we move through the inventory during the holiday season, we expect our inventory balances decline further.

Our total debt stood at $42.8 million as compared to $39.2 million as of February 28. The increase in total debt was driven by a $4.1 million increase in our borrowings associated with our domestic credit facility, offset by a $250,000 decline in our Florida mortgage and a $200,000 decline in the amount owed on the shareholder loan payable to Sharp as part of our joint venture. Total long-term debt, net of debt issuance costs was $41.2 million as of August 31 as compared to $37.5 million as of February 28.

Excuse me, as I said, our operating expenses improved by $2.1 million year-over-year.

So this ends my remarks.

And Operator, we're now ready to open the call for questions.

QUESTIONS AND ANSWERS

Operator
Thank you. (Operator Instructions) Our first question comes from the line of Tom Forte with D.A. Davidson. Your line is now open.

Tom Forte ***D.A. Davidson - Analyst***
Great. Thanks. I had a couple questions. I'll go one at a time.

So first, congrats on the Gentex investment. Pat, can you talk at a high level about your opportunity to monetize EyeLock on a near-term and a longer-term basis?

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***

Well, when we look at Eyelock, as I said, the final prototype went over to our customer. We expect that everything will go well with that prototype. And production for their particular machine is scheduled for the middle of next year, which we believe we will be on it. It is a long-term program. I can't get into much detail on it at this point, but it is a long-term program which will have material positive impact on EyeLock.

Tom Forte ***D.A. Davidson - Analyst***
And then second question, can we talk about sell-in and sell-through? So are you seeing any change in behavior for large consumer electronics retailers when we think about their willingness to add inventory? And then, in the sell-through part, do you think consumers are responding favorably to increased promotional activity within the consumer electronics category, or do you feel like that's not very effective in today's current environment?

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Well, I think that when we look at sell-in, we look at the retailers being quite conservative with what they're taking in. We have not seen issues with their sell-through. So they apparently are taking the proper amount of product coming in. There will be promotions throughout the holiday season. It's generally our biggest quarter.

But obviously, there's been a change in consumer behavior with credit cards being at all-time high, interest rates on credit cards being very, very high, and we know that we see shrinking savings accounts on consumers. So some of the pent-up money that was sitting around since COVID is being spent.

And when we see the problems, geopolitical, we see gas rising, putting more pressure on the consumer. But like I said, I think the retailers are bringing in what they perceive that they are going to be successful in moving out, and we think they will.

Tom Forte ***D.A. Davidson - Analyst***
And then is it too conservative to think about the consumer electronics category and think about historical refresh rates? So I think there's a school of thought that in the consumer electronics category and the home category, there was a massive pull forward on COVID. So is it too conservative to just think of historical refresh rates for Premium Audio and things of that nature and that's when things could rebound?

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Yes. I mean, what I had indicated on the call that I said that we think the markets would be hard pressed well into next year. When you're looking at the home theater and some of the things for the home that we sell, the refresh rates, it's not like a car where you move it out every two or three years.

So the buy-forward or pull-forward that we had seen during the pandemic when everybody was locked in, I think we've got another year or 18 months before we start to see a more normal pattern in consumer purchasing of consumer electronics for the home. There might be certain categories that will do well. Like I mentioned, our party speakers, it's a fairly new category. So that's something that we believe will do well. But the typical product, we see that it'll take some time to get back to normal.

Tom Forte ***D.A. Davidson - Analyst***
Great. Lastly, as it pertains to the auto worker strike, I would think that you may be buffered/protected to the extent that I think historically you're in some of the most popular products within Stellantis, and it was my impression that they had built inventory perhaps in anticipation of the strikes. So how should we think about -- how can we monitor the strikes and the potential impact on VOXX?

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Well, when we look at that, some of the plants that we receive product from have not closed or have not been shut down at this particular point, but we did see a slowdown in ordering. If the UAW strike continues longer, we will see a lagging effect on inventories on the dealer's lots, which will impact our aftermarket automotive sales.

And certainly closure of any plants that we pull merchandise or vehicles from will have an immediate effect on the automotive business. However, we have gains with our heavy-duty truck manufacturers, fleets, and other OEMs outside of the big three automakers that are part of the UAW strike. So it's a little bit of a mixed bag. We are seeing increases in the other sectors of our OEM automotive business, but it could be offset by some slowness due to closures.

Tom Forte ***D.A. Davidson - Analyst***
Thanks for taking my questions, Pat. Appreciate it.

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Very good, Tom. Thank you.

Operator
Thank you. (Operator Instructions) I'm currently showing no further questions.

I'd like to hand the conference back over to Mr. Pat Lavelle for closing remarks.

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Okay. Thank you. As we look into the third quarter, as I said to Tom, it's been our -- historically, our third quarter. We have a number of different programs that we do have scheduled for the quarter. So we're looking at growing our business sequentially and, hopefully, the cuts that we put in place are significant

enough for us to turn profitable for the balance of the year.

I want to thank you for taking the time and coming on the call this morning. And I wish you all a good day.

Operator
This concludes today's conference call. Thank you for your participation. You may now disconnect. Everyone have a wonderful day.

Pat Lavelle ***VOXX International Corp - Chief Executive Officer***
Thank you.