



May 14, 2013

## **VOXX International Corporation Reports Fiscal 2013 Fourth Quarter And Year-end Results**

HAUPPAUGE, N.Y., May 14, 2013 /PRNewswire/ --

### FY13 Highlights:

- Sales increased 18.2%, driven by the Hirschmann acquisition, increases in Mobile OEM and Premium Audio.
- Company reports net income of \$22.5 million or \$0.95 per diluted share; free cash flow of \$30.0 million.
- EBITDA of \$60.4 million, increased \$5.6 million; Adjusted EBITDA of \$67.5 million, increased \$6.8 million.

VOXX International Corporation (NASDAQ: VOXX), today announced financial results for its fiscal 2013 fourth quarter ended February 28, 2013.

Commenting on the Company's performance, Pat Lavelle, President and CEO stated, "We had one of the most successful years in our Company's history, despite the challenges we and most companies continue to experience given the struggling global markets. While our international operations were impacted, mostly in the Eurozone, domestically, we performed ahead of expectations. The strategy we embarked on is working and we are anticipating modest improvements in Fiscal 2014 in our sales, margins, net income and EBITDA. Moving in to the following year, barring any unforeseen changes, we should be even better positioned to grow organically, drive bottom-line performance and generate meaningful returns for our shareholders. I remain very optimistic with our market positions and outlook."

### Fiscal Year Comparisons

Net sales for the fiscal year ended February 28, 2013 were \$835.6 million, an increase of 18.2% compared to net sales of \$707.1 million reported in the fiscal year ended February 29, 2012.

Automotive sales were \$427.0 million in fiscal 2013, an increase of 43.7% over \$297.1 million reported in the comparable period last year. Driving this increase was the addition of Hirschmann sales, increases in OEM manufacturing due to several ongoing programs and the launch of new programs with Ford and Nissan in the second quarter of fiscal 2013, as well as from new product launches. Weakness in Europe and declines in select aftermarket categories, such as mobile audio and satellite radio fulfillment sales, partially offset the year-over-year increases.

Premium Audio sales were \$193.0 million in fiscal 2013, an increase of 0.8% over \$191.4 million reported in the comparable period last year. The Company experienced growth in its domestic operations, primarily in the headphone and soundbar product categories. This growth was partially offset by sales declines in the European business as a result of the European economic environment.

Consumer Accessories sales were \$214.3 million in fiscal 2013, a decrease of 0.6% as compared to \$215.6 million reported in the comparable period last year. The small decline was primarily related to lower sales in our international markets as a result of European market conditions, and the Company's decision to exit lower margin product categories throughout the year. The Accessories group posted strong gains in its domestic operations due to the growth in new product sales for wireless speakers, portable power lines and power supply systems.

As a percentage of sales for the fiscal year ended February 28, 2013, Automotive represented 51.1%, Premium Audio 23.1% and Consumer Accessories, 25.6%. As a percentage of net sales for the fiscal year ended February 29, 2012, Automotive represented 42.0%, Premium Audio 27.1% and Consumer Accessories 30.5%.

The gross margin for the year ended February 28, 2013 was 28.3%, a decrease of 40 basis points as compared to 28.7% for the same period last year. The small decrease in gross margin was due primarily to product mix, lower sales of certain higher margin international products such as premium audio and car speakers, costs associated with the shifting of our Asia warehouse facility, increased inventory provisions, and unfavorable swings between hedged costs and related sales. Despite lower year-over-year comparisons, gross margins came in slightly above prior forecasts. Positively impacting margins for the comparable fiscal years was the addition of Hirschmann, increased sales of OEM related products, the net impact of the currency devaluation in Venezuela, and higher margin consumer accessory sales.

Operating expenses for the fiscal year ended February 28, 2013 were \$195.1 million, an increase of \$36.0 million over \$159.1 million reported in the comparable fiscal 2012 period. This increase was due primarily to our acquisition of Hirschmann, which accounted for \$43.0 million of operating expenses for the 2013 fiscal year, as well as higher advertising expenses. Excluding Hirschmann, operating expenses for the comparable fiscal year declined \$7.0 million or 4.4%.

The Company reported operating income of \$41.7 million for the year ended February 28, 2013 compared to operating income of \$43.9 million in the comparable year ago period. Net income in fiscal 2013 was \$22.5 million or net income per diluted share of \$0.95 as compared to net income of \$25.6 million and net income per diluted share of \$1.10 for the fiscal year ended February 29, 2012. Net income in fiscal 2013 was unfavorably impacted by losses on forward exchange contracts and a decrease in European sales, offset by the addition of Hirschmann, an increase in domestic sales and a net foreign currency gain related to the devaluation of the bolivar fuerte in Venezuela. Fiscal 2012 net income was favorably impacted by the addition of Klipsch.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the year ended February 28, 2013, was \$60.4 million as compared to EBITDA of \$54.8 million for the comparable period in fiscal 2012, an increase of \$5.6 million. Taking into account stock-based compensation, net settlement charges related to the patent litigation, Asia restructuring charges, settlement recoveries at Klipsch, acquisition related costs, and losses on foreign exchange contracts as a result of the Hirschmann acquisition, the Company reported Adjusted EBITDA of \$67.5 million in fiscal 2013 as compared to \$60.7 million in the comparable fiscal year period, an improvement of \$6.8 million. Diluted adjusted EBITDA per common share for the year ended February 28, 2013 was \$2.86 as compared to \$2.61 for the same period in fiscal 2012.

Lavelle continued, "We're operating lean and we're investing in our infrastructure, which will result in meaningful savings for the Company. We've expanded and broadened our retail distribution and believe our commercial business will expand further in Fiscal '14. While our domestic aftermarket business has declined, primarily due to satellite radio and mobile audio, our OEM business is growing and we were recently awarded several new domestic and international OEM programs, which positions us well for the future. VOXX is a different company – our technical capabilities and resources have never been stronger and with 280 engineers on staff, we are creating technology for the future. We still have some near-term headwinds ahead of us in the global markets, but we're well positioned to work through these issues and continue to improve companywide performance."

#### Fiscal Fourth Quarter Comparisons

Net sales for the fiscal 2013 fourth quarter were \$206.8 million, an increase of 17.1% over net sales of \$176.6 million reported in the comparable year-ago period. Net sales were favorably impacted by the addition of Hirschmann, and increases in the Company's domestic OEM manufacturing lines, in domestic accessories sales, and in Premium Audio, partially offset by weakness in the international markets, and the continued exit of lower margin products.

The gross margin for the fiscal 2013 fourth quarter was 29.8% as compared to 31.5% in the comparable quarter last year. Gross margins were primarily impacted by higher inventory provisions and the product mix, offset by higher margins in the consumer accessories segment.

Operating expenses were \$49.7 million for the fiscal 2013 fourth quarter, an increase of \$7.9 million over \$41.8 million reported in the fiscal 2012 fourth quarter. The increase in operating expenses was due to the addition of Hirschmann and higher advertising fees, partially offset by lower occupancy costs and professional service fees for the comparable periods. Excluding the addition of Hirschmann, operating expenses were down approximately \$3 million.

The Company reported net income of \$10.3 million and net income per diluted share of \$0.43 for the quarter ended February 28, 2013 as compared to net income of \$10.9 million and net income per diluted share of \$0.46 for the three months ended February 29, 2012.

EBITDA for the fiscal 2013 fourth quarter was \$24.0 million, an increase of \$6.4 million as compared to \$17.6 million reported in the comparable year-ago period. Adjusting for stock-based compensation, net patent litigation settlement charges, losses on foreign currency exchange as a result of the Hirschmann acquisition, and acquisition related costs, Adjusted EBITDA for the fiscal 2013 fourth quarter was \$18.4 million as compared to \$18.6 million for the fiscal 2012 fourth quarter.

#### Non-GAAP Measures

Adjusted EBITDA and diluted adjusted EBITDA per common share are not financial measures recognized by GAAP. Adjusted EBITDA represents net income, computed in accordance with GAAP, before interest expense, taxes, depreciation and amortization, stock-based compensation expense, litigation settlements, restructuring charges and costs and foreign exchange gains or losses relating to our acquisitions. Depreciation, amortization, and stock-based compensation expense 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 adjusted EBITDA and diluted adjusted EBITDA per common share in this Form 10-Q because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and diluted adjusted EBITDA per

common share help us to evaluate our performance without the effects of certain

GAAP calculations that may not have a direct cash impact on our current operating performance. In addition, the exclusion of costs and foreign exchange gains or losses relating to our acquisitions, litigation settlements and restructuring charges 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 appropriate measures for performance relative to other companies. Adjusted EBITDA should not be assessed in isolation from or construed as a substitute for EBITDA prepared in accordance with GAAP. Adjusted EBITDA and diluted adjusted EBITDA per common share are not intended to represent, and should not be considered to be more meaningful measures than, or an alternative to, measures of operating performance as determined in accordance with GAAP.

### **Conference Call Information**

The Company will be hosting its conference call on Wednesday, May 15, 2013 at 10:00 a.m. EDT. Interested parties can participate by visiting [www.voxxintl.com](http://www.voxxintl.com), and clicking on the webcast in the Investor Relations section or via teleconference (toll-free number: 877-415-3183; international: 857-244-7326; pass code: 48588352). For those who will be unable to participate, a replay will be available approximately one hour after the call has been completed and will last for one week thereafter (replay number: 888-286-8010; international replay: 617-801-6888; pass code: 91586038).

### **About VOXX International Corporation**

VOXX International Corporation (NASDAQ: VOXX) is the new name for Audiovox Corporation, a company that was formed over 45 years ago as Audiovox that has grown into a worldwide leader in many automotive and consumer electronics and accessories categories, as well as premium high-end audio. Through its wholly owned subsidiaries, VOXX International proudly is recognized as the #1 premium loudspeaker company in the world, and has #1 market positions in automotive video entertainment and remote starts, digital TV tuners and digital antennas. The Company's brands also hold #1 market share for TV remote controls and reception products and leading market positions across a wide-spectrum of other consumer and automotive segments.

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, Mexico and South America, and a growing portfolio, which is now comprised of over 30 trusted brands. Among the key domestic brands include Klipsch®, RCA®, Invision®, Jensen®, Audiovox®, Terk®, Acoustic Research®, Advent®, Code Alarm®, CarLink®, Excalibur® and Prestige®. International brands include Hirschmann Car Communication®, Klipsch®, Jamo®, Energy®, Mirage®, Mac Audio®, Magnat®, Heco®, Schwaiger®, Oehlbach® and Incaar™. The Company continues to drive innovation throughout all of its subsidiaries, and maintains its commitment to exceeding the needs of the consumers it serves. For additional information, please visit our Web site at [www.voxxintl.com](http://www.voxxintl.com).

### **Safe Harbor Statement**

*Except for historical information contained herein, statements made in this release that would constitute forward-looking statements 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 statement. 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 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 concerns regarding the European debt crisis; restrictive debt covenants; the possibility that the review of our prior filings by the SEC may result in changes to our financial statements; and the possibility that stockholders or regulatory authorities may initiate proceedings against VOXX International Corporation and/or our officers and directors as a result of any restatements. 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 29, 2012.*

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VOXX International Corporation and Subsidiaries  
Consolidated Balance Sheets  
February 28, 2013 and February 29, 2012  
(In thousands, except share data)

February 28,  
2013

February 29,  
2012

**Assets**

## Current assets:

|   |            |            |
|---|------------|------------|
| Cash and cash equivalents                 | \$ 19,777  | \$ 13,606  |
| Accounts receivable, net                  | 152,596    | 142,585    |
| Inventory                                 | 159,099    | 129,514    |
| Receivables from vendors                  | 9,943      | 4,011      |
| Prepaid expenses and other current assets | 12,017     | 13,549     |
| Income tax receivable                     | 448        | 698        |
| Deferred income taxes                     | 3,362      | 3,149      |
| Total current assets                      | 357,242    | 307,112    |
| Investment securities                     | 13,570     | 13,102     |
| Equity investments                        | 17,518     | 14,893     |
| Property, plant and equipment, net        | 76,208     | 31,779     |
| Goodwill                                  | 146,680    | 86,069     |
| Intangible assets, net                    | 205,398    | 175,349    |
| Deferred income taxes                     | 924        | 796        |
| Other assets                              | 11,732     | 3,782      |
| Total assets                              | \$ 829,272 | \$ 632,882 |

**Liabilities and Stockholders' Equity**

## Current liabilities:

|  |            |            |
|--|------------|------------|
| Accounts payable                               | \$ 56,894  | \$ 42,026  |
| Accrued expenses and other current liabilities | 51,523     | 52,679     |
| Income taxes payable                           | 5,103      | 5,864      |
| Accrued sales incentives                       | 16,821     | 18,154     |
| Deferred income taxes                          | 178        | 515        |
| Current portion of long-term debt              | 26,020     | 3,592      |
| Total current liabilities                      | 156,539    | 122,830    |
| Long-term debt                                 | 148,996    | 34,860     |
| Capital lease obligation                       | 5,764      | 5,196      |
| Deferred compensation                          | 4,914      | 3,196      |
| Other tax liabilities                          | 9,631      | 2,943      |
| Deferred tax liabilities                       | 43,944     | 34,220     |
| Other long-term liabilities                    | 14,948     | 7,840      |
| Total liabilities                              | 384,736    | 211,085    |
| Commitments and contingencies                  |            |            |
| Stockholders' equity:                          |            |            |
| Preferred stock                                | —          | —          |
| Common stock                                   | 254        | 250        |
| Paid-in capital                                | 283,971    | 281,213    |
| Retained earnings                              | 185,168    | 162,676    |
| Accumulated other comprehensive loss           | (6,497)    | (3,973)    |
| Treasury stock, at cost                        | (18,360)   | (18,369)   |
| Total stockholders' equity                     | 444,536    | 421,797    |
| Total liabilities and stockholders' equity     | \$ 829,272 | \$ 632,882 |

**VOXX International Corporation and Subsidiaries**  
**Consolidated Statements of Operations and Comprehensive Income**  
**Years Ended February 28, 2013, February 29, 2012 and February 28, 2011**

*(In thousands, except share and per share data)*

|               | Year                  | Year                  | Year                  |
|---------------|-----------------------|-----------------------|-----------------------|
|               | Ended<br>February 28, | Ended<br>February 29, | Ended<br>February 28, |
|               | 2013                  | 2012                  | 2011                  |
| Net sales     | \$ 835,577            | \$ 707,062            | \$ 561,672            |
| Cost of sales | 598,755               | 504,107               | 437,735               |
| Gross profit  | 236,822               | 202,955               | 123,937               |

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Operating expenses:  |                   |                   |                   |
| Selling  | 51,976            | 47,282            | 34,517            |
| General and administrative   | 114,653           | 93,219            | 67,262            |
| Engineering and technical support  | 26,971            | 15,825            | 11,934            |
| Acquisition related costs  | 1,526             | 2,755             | 1,207             |
| Total operating expenses   | <u>195,126</u>    | <u>159,081</u>    | <u>114,920</u>    |
| Operating income   | <u>41,696</u>     | <u>43,874</u>     | <u>9,017</u>      |
| Other (expense) income:  |                   |                   |                   |
| Interest and bank charges  | (8,288)           | (5,630)           | (2,630)           |
| Equity in income of equity investee  | 4,880             | 4,035             | 2,905             |
| Other, net   | (2,633)           | (3,387)           | 3,204             |
| Total other (expenses) income, net   | <u>(6,041)</u>    | <u>(4,982)</u>    | <u>3,479</u>      |
| Income from operations before income taxes   | 35,655            | 38,892            | 12,496            |
| Income tax expense (benefit)   | 13,163            | 13,243            | (10,535)          |
| Net income   | <u>22,492</u>     | <u>25,649</u>     | <u>23,031</u>     |
| Other comprehensive income (loss):   |                   |                   |                   |
| Foreign currency translation adjustments   | (1,281)           | (1,153)           | 795               |
| Derivatives designated for hedging   | (174)             | (131)             | 238               |
| Reclassification adjustment of other-than-temporary<br>impairment loss (gain) on available-for-sale investment |                   |                   |                   |
| into net income  | —                 | 1,225             | 1,600             |
| Pension plan adjustments, net of tax   | (1,031)           | —                 | —                 |
| Unrealized holding gain (loss) on available-for-sale investment  |                   |                   |                   |
| securities arising during the period, net of tax   | (38)              | (65)              | 796               |
| Other comprehensive income (loss), net of tax  | <u>(2,524)</u>    | <u>(124)</u>      | <u>3,429</u>      |
| Comprehensive income   | <u>\$ 19,968</u>  | <u>\$ 25,525</u>  | <u>\$ 26,460</u>  |
| Net income per common share (basic)  | <u>\$ 0.96</u>    | <u>\$ 1.11</u>    | <u>\$ 1.00</u>    |
| Net income per common share (diluted)  | <u>\$ 0.95</u>    | <u>\$ 1.10</u>    | <u>\$ 1.00</u>    |
| Weighted-average common shares outstanding (basic)   | <u>23,415,570</u> | <u>23,080,081</u> | <u>22,938,754</u> |
| Weighted-average common shares outstanding (diluted)   | <u>23,617,101</u> | <u>23,265,206</u> | <u>23,112,518</u> |

**VOXX International Corporation and Subsidiaries**  
**Years Ended February 28, 2013, February 29, 2012 and February 28, 2011**  
*(In thousands, except share and per share data)*

**Reconciliation of GAAP Net Income to Adjusted EBITDA and Adjusted Diluted Earnings per Common Share**

|   | <u>Fiscal<br/>2013</u> | <u>Fiscal<br/>2012</u> | <u>Fiscal<br/>2011</u> |
|---|------------------------|------------------------|------------------------|
| Net income  | \$ 22,492              | \$ 25,649              | \$ 23,031              |
| Adjustments:  |                        |                        |                        |
| Interest expense and bank charges                                     | 8,288                  | 5,630                  | 2,630                  |
| Depreciation and amortization   | 16,446                 | 10,295                 | 7,865                  |
| Income tax expense (benefit)  | 13,163                 | 13,243                 | (10,535)               |
| EBITDA  | <u>60,389</u>          | <u>54,817</u>          | <u>22,991</u>          |
| Stock-based compensation  | 435                    | 1,082                  | 1,284                  |
| Net settlement charges related to MPEG suit                           | 2,676                  | 3,621                  | —                      |
| Klipsch settlement recovery   | (1,015)                | —                      | —                      |
| Asia restructuring charges  | 789                    | —                      | —                      |
| Acquisition related costs   | 1,526                  | 2,755                  | 1,207                  |
| Loss/(gain) on foreign exchange as a result of Hirschmann acquisition | 2,670                  | (1,581)                | —                      |
| Adjusted EBITDA   | <u>\$ 67,470</u>       | <u>\$ 60,694</u>       | <u>\$ 25,482</u>       |

|  |    |      |    |      |    |      |
|--|----|------|----|------|----|------|
| Diluted earnings per common share        | \$ | 0.97 | \$ | 1.10 | \$ | 1.00 |
| Diluted adjusted EBITDA per common share | \$ | 2.86 | \$ | 2.61 | \$ | 1.10 |

SOURCE VOXX International