

VOXX INTERNATIONAL CORP

FORM 8-K (Current report filing)

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Address	180 MARCUS BLVD HAUPPAUGE, NY 11788
Telephone	6312317750
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Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	02/29

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): July 9, 2015

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.)

180 Marcus Blvd., Hauppauge, New York
(Address of principal executive offices)

11788
(Zip Code)

Registrant's telephone number, including area code (631) 231-7750

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))
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Item 2.02 Results of Operations and Financial Condition.

On July 9, 2015, VOXX International Corporation (the "Company") issued a press release announcing its earnings for the three months ended May 31, 2015. A copy of the release is furnished herewith as Exhibit 99.1.

Item 8.01 Other Events.

On July 10, 2015, the Company held a conference call to discuss its financial results for the three months ended May 31, 2015. 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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated July 9, 2015, relating to VOXX International Corporation's earnings release for the three months ended May 31, 2015 (filed herewith).
99.2	Transcript of conference call held on July 10, 2015 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: July 13, 2015

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

FOR IMMEDIATE RELEASE

VOXX INTERNATIONAL CORPORATION REPORTS FISCAL 2016 FIRST QUARTER FINANCIAL RESULTS

HAUPPAUGE, NY - July 9, 2015 - VOXX International Corporation (NASDAQ: VOXX), today announced financial results for its Fiscal 2016 first quarter ended May 31, 2015.

Net sales for the Fiscal 2016 first quarter were \$164.4 million compared to \$187.0 million reported in the comparable year-ago period, a decline of \$22.5 million or 12.1%. The majority of the decline was related to foreign exchange as the Euro conversion accounted for \$14.0 million, and approximately \$5.0 million was related to the sale of its distribution business in Mexico, which occurred in the fiscal 2015 first quarter. The remainder was primarily related to the last of the West Coast port closure and some modest declines in select Premium Audio product categories. The average Euro in the Fiscal 2016 first quarter was 1.10 as compared to 1.38 in the comparable year ago period, representing an approximate 20% decrease in value.

	Q1 2016	Q1 2015	Year-over-Year \$ Change	Q1 2016 vs. Q1 2015 (Euro impact)
Total Net Sales	\$164.4	\$187.0	(\$22.5)	(\$14.0)
Automotive	\$90.0	\$102.4	(\$12.4)	(\$10.5)
Premium Audio	\$29.3	\$35.2	(\$5.9)	(\$1.7)
Consumer Accessories	\$44.7	\$49.1	(\$4.4)	(\$1.8)
Corporate	\$0.3	\$0.2	0	0

- Automotive segment sales, excluding the impact of the Euro conversion were down \$1.9 million. The decline was in the aftermarket, as the Company's OEM business grew without consideration of the impact of the Euro conversion.
- Premium Audio segment sales, excluding the impact of the Euro conversion, were down \$4.2 million. This was primarily attributed to lower sales of select retail product lines and the fact that last year's first quarter included higher load-in sales of new products that were not repeated in the current year. These decreases were offset somewhat by higher sales of certain high-end separates and higher sales in the Commercial Installation business.
- Consumer Accessories segment sales, excluding the impact of the Euro conversion, were down \$2.6 million. However, during the Fiscal 2015 first quarter, the Company changed its business model in Mexico and sold off approximately \$5 million of inventory which did not repeat in the Fiscal 2016 period. The Company's domestic and European accessories businesses were up and this was driven by higher sales of wireless and Bluetooth speakers and its new Singtrix karaoke solution.

The gross margin for the Fiscal 2016 first quarter came in at 29.2%, an increase of 80 basis points as compared to 28.4% for the same period last year. Automotive gross margins came in at 30.3% for both the Fiscal 2016 and Fiscal 2015 periods as the Company experienced better margins related to some of its aftermarket products and in its tuner and antenna product lines, offset by some of the Company's OEM manufacturing lines as some programs began in last year's Fiscal first quarter. Additionally, there was a one-time duty refund received in the first quarter of Fiscal 2015 that did not repeat in the current Fiscal year. Premium Audio gross margins improved by 90 basis points (32.1% vs. 31.2%) due primarily to an improvement in product mix and higher margins in the European market, and Consumer Accessories gross margins improved 220 basis points (24.7% vs. 22.5%) as a result of an increase in sales of higher margin products and lower sales in Mexico.

VOXX International Corporation Reports its Fiscal 2016 First Quarter Results

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Operating expenses for the Fiscal 2016 first quarter were \$48.8 million as compared to operating expenses of \$53.5 million in the comparable year-ago period, a decrease of \$4.7 million or 8.7%. Selling expenses declined by \$1.6 million, general and administrative expenses declined by \$1.9 million and engineering and technical support expenses declined by \$1.2 million. The Euro conversion resulted in lower operating expenses of approximately \$4.0 million for the comparable periods and overall, the Company had lower salary and related payroll expenses as a result of steps taken in the fourth quarter of Fiscal 2015 to reduce expenses, as well as a decrease in occupancy costs, advertising expenses and corporate overhead.

The Company reported an operating loss of \$0.8 million as compared to an operating loss of \$0.4 million in the Fiscal 2015 first quarter. The Company reported a net loss for the Fiscal 2016 first quarter of \$0.7 million or a loss of \$0.03 per diluted share as compared to net income of \$0.5 million and net income per diluted share of \$0.02.

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the Fiscal 2016 first quarter was \$4.6 million as compared to EBITDA of \$6.1 million reported in the Fiscal 2015 first quarter. Adjusted EBITDA was \$4.9 million as compared to \$6.2 million for the comparable Fiscal 2015 and 2014 fourth quarter periods.

Pat Lavelle, President and CEO stated, “Our first quarter results came in mostly as anticipated and while our sales were slightly lower than forecasted on our last conference call, our gross margins were better than anticipated which enabled us to meet the operating guidance we provided. We have a number of new OEM contracts beginning and awarded, which bodes well for the future of our Automotive segment. We expect to deliver the first of our 360 degree action cameras this quarter and we are experiencing strong sales and demand for our Bluetooth and wireless speakers, both for our Acoustic Research and 808 Audio brands. While there is some softness in our Premium Audio segment, our margins are improving and we have a number of new product launches that are set to arrive in the Fiscal third quarter, which should help increase sales in this category. We continue to look to lower overhead and finally, we are engaged in several large-scale RFP’s, primarily in our Automotive segment, which could have a material impact on our top- and bottom-line.”

Non-GAAP Measures

Adjusted EBITDA and diluted adjusted earnings per common share are not financial measures recognized by GAAP. Adjusted EBITDA represents net income (loss), computed in accordance with GAAP, before interest expense and bank charges, taxes, depreciation and amortization, stock-based compensation expense, certain foreign currency remeasurements, relocation and restructuring charges, impairment charges, certain recoveries, settlements and costs and foreign exchange gains or losses relating to our acquisitions. Depreciation, amortization, stock-based compensation, and impairment expenses are non-cash items.

Diluted adjusted earnings per common share represent the Company's diluted earnings per common share based on adjusted EBITDA.

We present adjusted EBITDA and diluted adjusted earnings 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 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 costs relating to the Company's acquisitions, restructuring, relocations, remeasurements, impairments, stock-based compensation, settlements and recoveries 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. 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 earnings per common share 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.

VOXX International Corporation Reports its Fiscal 2016 First Quarter Results

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The Company will be hosting its conference call on Friday, July 10 at 10:00 a.m. ET. Interested parties can participate by visiting www.voxxintl.com, and clicking on the webcast in the Investor Relations section or via teleconference (toll-free number: 877-303-9079; international: 970-315-0461 / conference ID: 71493612). For those unable to join, a replay will be available approximately four hours after the call has been completed and will last for one week (replay number: 855-859-2056; international replay: 404-537-3406; conference ID: 71493612).

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 Corporation has 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 now comprises over 30 trusted brands. Among the key domestic brands are Klipsch®, RCA®, Invision®, Jensen®, Audiovox®, Terk®, Acoustic Research®, Advent®, Code Alarm®, Car Connection®, 808®, AR for Her®, and Prestige®. International brands include Hirschmann Car Communication®, Klipsch®, Jamo®, Energy®, Mirage®, Mac Audio®, Magnat®, Heco®, Schwaiger®, Oehlbach® and Incaar™. For additional information, please visit our Web site at 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 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 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 28, 2015.

Company Contact :

Glenn Wiener, President
GW Communications
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VOXX International Corporation and Subsidiaries
Consolidated Balance Sheets
(In thousands)

	May 31, 2015	February 28, 2015
	<i>(unaudited)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,055	\$ 8,448
Accounts receivable, net	89,388	102,766
Inventory, net	154,903	156,649
Receivables from vendors	4,906	3,622
Investment securities, current	—	275
Prepaid expenses and other current assets	24,857	26,370
Income tax receivable	1,726	1,862
Deferred income taxes	1,699	1,723
Total current assets	284,534	301,715
Investment securities	11,973	12,413
Equity investments	22,031	21,648
Property, plant and equipment, net	71,865	69,783
Goodwill	104,898	105,874
Intangible assets, net	156,381	158,455
Deferred income taxes	717	717
Other assets	6,526	6,908
Total assets	\$ 658,925	\$ 677,513
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 60,165	\$ 71,403
Accrued expenses and other current liabilities	45,552	51,744
Income taxes payable	3,054	3,067
Accrued sales incentives	13,341	14,097
Deferred income taxes	806	1,060
Current portion of long-term debt	10,457	6,032
Total current liabilities	133,375	147,403
Long-term debt	78,065	79,455
Capital lease obligation	1,739	733
Deferred compensation	4,373	4,650
Other tax liabilities	5,207	5,157
Deferred tax liabilities	34,260	34,327
Other long-term liabilities	9,425	9,648
Total liabilities	266,444	281,373
Commitments and contingencies (see Note 20)		
Stockholders' equity:		
Preferred stock:		
No shares issued or outstanding (see Note 18)	—	—
Common stock:		
Class A, \$.01 par value; 60,000,000 shares authorized, 24,036,444 and 24,003,240 shares issued, 21,906,994 and 21,873,790 shares outstanding at May 31, 2015 and February 28, 2015, respectively	255	255
Class B Convertible, \$.01 par value, 10,000,000 authorized, 2,260,954 shares issued and outstanding	22	22
Paid-in capital	292,895	292,427

Retained earnings	156,915	157,629
Accumulated other comprehensive loss	(36,648)	(33,235)
Treasury stock, at cost, 2,129,450 shares of Class A Common Stock at May 31, 2015 and February 28, 2015	(20,958)	(20,958)
Total stockholders' equity	<u>392,481</u>	<u>396,140</u>
Total liabilities and stockholders' equity	<u>\$ 658,925</u>	<u>\$ 677,513</u>

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

	Three Months Ended	
	May 31,	
	2015	2014
Net sales	\$ 164,383	\$ 186,899
Cost of sales	116,340	133,846
Gross profit	48,043	53,053
Operating expenses:		
Selling	13,038	14,596
General and administrative	27,691	29,615
Engineering and technical support	8,079	9,261
Total operating expenses	48,808	53,472
Operating loss	(765)	(419)
Other income (expense):		
Interest and bank charges	(1,567)	(1,608)
Equity in income of equity investees	1,618	1,931
Venezuela currency devaluation, net	(33)	102
Other, net	309	551
Total other income (expense), net	327	976
(Loss) income before income taxes	(438)	557
Income tax expense	276	68
Net (loss) income	\$ (714)	\$ 489
Other comprehensive (loss) income:		
Foreign currency translation adjustments	(2,797)	(441)
Derivatives designated for hedging	(664)	640
Pension plan adjustments	52	10
Unrealized holding loss on available-for-sale investment securities arising during the period, net of tax	(4)	—
Other comprehensive (loss) income, net of tax	(3,413)	209
Comprehensive (loss) income	\$ (4,127)	\$ 698
Net (loss) income per common share (basic)	\$ (0.03)	\$ 0.02
Net (loss) income per common share (diluted)	\$ (0.03)	\$ 0.02
Weighted-average common shares outstanding (basic)	24,153,859	24,518,510
Weighted-average common shares outstanding (diluted)	24,153,859	24,544,535

VOXX International Corporation and Subsidiaries
Reconciliation of GAAP Net (Loss) Income to Adjusted EBITDA
(In thousands, except share and per share data)

	Three Months Ended	
	May 31,	
	2015	2014
Net (loss) income	\$ (714)	\$ 489
Adjustments:		
Interest expense and bank charges	1,567	1,608
Depreciation and amortization	3,497	3,933
Income tax expense	276	68
EBITDA	4,626	6,098
Stock-based compensation	230	75
Adjusted EBITDA	\$ 4,856	\$ 6,173
Diluted (loss) earnings per common share	\$ (0.03)	\$ 0.02
Diluted adjusted EBITDA per common share	\$ 0.20	\$ 0.25

THOMSON REUTERS STREETEVENTS

CORPORATE PARTICIPANTS

Glenn Wiener *GW Communications - IR*

Pat Lavelle *VOXX International Corporation - Director, President & CEO*

Michael Stoehr *VOXX International Corporation - Director, SVP & CFO*

CONFERENCE CALL PARTICIPANTS

James Medevoff *Cowen and Company - Analyst* **Scott Tilghman** *B. Riley & Company - Analyst* **Greg Palm** *Craig-Hallum Capital Group - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the VOXX fiscal 2016 first-quarter results conference call. (Operator Instructions). As a reminder, this conference is being recorded. I would now like to turn the call over for your host for today, Mr. Glenn Wiener, Investor Relations. Sir, you may begin.

Glenn Wiener - *GW Communications - IR*

Thank you, Ben, and good morning, everyone. Welcome to VOXX International's fiscal 2016 first-quarter results conference call. Today's call is being webcast on our website, www.voxxintl.com and can be accessed in the Investor Relations section of the site. We also have a replay available for those who are unable to join that this morning and the detail information was issued in our press release yesterday after market close.

We filed our Form 10-K -- 10-Q with the Securities and Exchange Commission and, again, issued our press release over PRNewswire yesterday. Both documents can be found on our website in the IR section under SEC filings and news releases respectively. Speaking for management this morning will be Pat Lavelle, President and CEO, and Michael Stoehr, Senior Vice President and Chief Financial Officer, both of whom will be available for questions after our prepared remarks.

Before I turn the call over to Pat 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.

Risk factors associated with our business are detailed in our Form 10-K for the fiscal 2015 period ended February 28, 2015. We recently presented at the Jefferies conference; we will be presenting at B. Riley in September and look forward to keeping the market up to date on our progress. And at this time I'll turn the call over to our CEO, Pat Lavelle.

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Thanks, Glenn, and good morning to, everyone. Yesterday we reported our first-quarter results and for the most part the quarter came in as expected. We reported revenues of \$164.4 million, about \$3.5 million below the guidance we provided in May, much of which was related to the last of the West Coast port issues.

When comparing revenues versus the prior year, we are approximately \$22 million lower with the Euro accounting for about \$14 million of the decline. Mexico was roughly \$5 million lower due to the change in our distribution strategy in last year's first quarter and the remainder was due to the port slowdown with minor impacts across most of our product lines.

On the other hand, our gross margins, which we guided to 28%, came in at 29.2%, up 120 basis points. Product mix and new products in the first quarter helped drive margins and, based on Q1 performance and expectations for 2Q, we are maintaining our margin guidance at 29%.

Our expenses of \$48.8 million were in line with the guidance we provided on our last call and \$4.7 million below last year's first quarter. We had some higher R&D and labor expenses associated with product development in our Automotive group and professional services were also up related to lawsuits we initiated to protect our IP.

This was more than offset by lower selling, general and administrative expenses as a result of lower overhead and the impact of the euro. Taking this all into account we posted an operating loss of approximately \$765,000 which is in line with the \$700,000 to 800,000 loss we projected on our last call.

Looking at our business segments: within Automotive, our contract with Jaguar Land Rover for our new multi-digital tuner module is on track to begin this month. As I noted on our conference call in May, this contract should generate approximately \$58 million over the next three years. Our multi-tuner contract with Daimler-Benz slated to begin in December is a five-year contract that we estimate could range between \$110 million and \$180 million.

We have begun shipping our 4G antennas to Audi and were nominated for Porsche and Skoda 4G antennas with contracts that are expected to be approximately \$40 million during the life of the award. Furthermore, we are in discussions with the VW Audi Group to possibly expand the 4G program to other VW models.

Last week we issued a press release formally announcing our rear seat entertainment contract with Cadillac where we will be supplying our RSE solutions and our Klipsch Image ONE headphones, marking the first time we will be introducing Klipsch products to the OEM channel.

And following up on my remarks from last quarter when I announced our new EVO based rear seat entertainment contract with Mazda, we have also won a program with GM beginning in model year 2018, which should represent new business of approximately \$20 million annually during the life of the contract.

Automotive, although down from the prior year, is up in the OEM segment when factoring in the Euro conversion. And we have a number of new products in development including our intelligent antenna solutions. We have recently announced the launch of our new M2M Gateway unit which provides advanced communications and connectivity for heavy-duty truck and equipment fleets with the first deployments in August by leading telematic service provider, inthinc.

And we are currently testing our newly developed solar powered asset tracking module for dry containers and trailers with an unprecedented 10-year life span. We have already begun field trials of the asset tracker with major carriers in both the US and Europe.

We also have been working on a new DVB-T2 TV tuner and expect this to launch in European markets in 2017 initially with the BMW 7 Series.

And finally, during the second quarter we concluded a deal with Dual Electronics to license our Jensen branded aftermarket car audio business effective August 1. This strategy will allow us to transition resources to other growth areas within our business.

Within Premium Audio our new reference series speaker lines are gaining traction and we continue to grow placement at retail. Despite that, sales in the category are down, however margins are trending upwards. Our professional team that manages custom commercial installation recently exhibited at InfoComm in June and debuted the Klipsch K1 Series 2 speakers that we expect will help continue the growth in our commercial business.

The Klipsch products continue to receive accolades from a variety of industry pundits. The Klipsch Gig music player was voted the best designed portable speaker and one of the top 10 best portable Bluetooth speakers in the market by [heavy.com]. CE Pro issued their top 100 brand analysis of 2015 and Klipsch ranked in the top five of many audio categories.

Lastly, in June we were named the Legacy Audio Component Vendor of the Year by ProSource, a significant award within our industry. In at the third quarter we expect to deliver WiSA wireless 5.1 and 7.2 home theater systems and a new line of Bluetooth sound bars that we expect will improve our overall audio sales.

In Consumer Accessories we have new products launching from Acoustic Research in the indoor and outdoor Bluetooth speaker category, new products from 808 Audio and a number of new reception products under the Terk and RCA brands which we first showed at CES.

Some of the new developments that we believe will generate new business are: Best Buy will be launching two of our new antennas which will be part of Best Buy's cut the cord displays. Best Buy will also be adding four new remote controls which should increase our number one market position. And additionally our Bluetooth outdoor speaker, the Hatteras, has been placed at Best Buy and Dillards.

We have partnered with Amazon and will be launching our new line of 808 headphones, eight models, that include both wired and Bluetooth speakers. Walmart has selected a newly designed Terk antenna which will be placed in over 3,500 stores this fall and Walmart is expanding their assortment of 808 Bluetooth speakers for this fall as well.

Singtrix, our high end karaoke machine, has expanded distribution now to include all Target stores nationwide and we will be rolling out to all Toys "R" Us stores over the next few months. And lastly, the 360fly action camera, we are confident that 360 has resolved most if not all of the prior technical issues and VOXX is ready to launch in August.

We have arranged an exclusive launch with a large US-based retailer which would be supported by an aggressive promotional campaign. However, 360 has recently changed senior management and we are currently in the process of renegotiating the terms of our initial distribution agreement. If we cannot come to terms then neither Company will be able to launch this product until this is resolved. With that said, we expect this to conclude shortly so that we would be in position to start delivering as planned.

And finally through our work with EyeLock, and in light of the growing focus cyber security, we are convinced that biometrics will be how we are identified and authenticated in the future. EyeLock has received interest from major financial firms, large government agencies, vehicle manufacturers, security manufacturers to chip developers all (technical difficulty) biometric technology. We expect to begin shipments of the myris enterprise system this quarter and the EyeLock perimeter access systems in our fiscal third quarter.

In terms of our outlook in Q2, we are expecting revenues to be approximately \$158 million to \$160 million as compared to \$177 million in last year's 2Q. The Euro conversion impact is expected to be approximately \$13 million based on an average Euro of 1.35 last year versus 1.10 in our forecast. Add the impact of the Jensen divestiture, which we estimate at approximately \$2 million for the second quarter, and together these two factors primarily comprise the year-over-year change.

Given the strength of our gross margins in Q1 and the anticipated product mix, we believe gross margin should be in the range of 29% and our overhead, subject to any NREs that are received, should be approximately [\$44] (corrected by Company after call) million. This should result in an operating profit of \$3 million to \$3.5 million versus \$1.1 million in last year's second quarter.

I'm going to turn the call over to Mike and he will provide just a few comments around the balance sheet and then we will open it for questions. Michael?

Michael Stoehr - *VOXX International Corporation - Director, SVP & CFO*

Thanks, Pat, good morning, everyone. I will add a few (technical difficulty) Company expenses and other income and then transition to the balance sheet before we open the call for questions. As Pat noted, our operating expenses declined by \$4.7 million. Selling expenses were down \$1.6 million. G&A expenses were down \$1.9 million. And engineering and technical support expenses were down \$1.2 million.

Please note the operating expenses were impacted by the Euro conversion by approximately \$4 million. Irrespective of the Euro, we did have lower salary and payroll expenses associated with the headcount reductions that were implemented in our fiscal 2015 fourth quarter, and lower occupancy

costs as we closed one of our offices in France. We also had lower advertising expenses, though that was primarily related to timing associated with new product launches and campaigns.

While engineering and tech support was down for the comparable quarters, we did have increases in salary expenses at Hirschmann as more engineers were brought on board to support some of our OEM programs and RFQs in process.

We reported an operating loss of \$765,000 compared to an operating loss of approximately \$400,000 in last year's first quarter and in line with our prior guidance. Other income and expenses declined by \$650,000 versus last year with approximately \$300,000 related to changes in net foreign currency gains, interest income and rental income.

Equity and income of our equity investees was \$1.6 million versus \$1.9 million and there were virtually no changes in our interest in bank charges, \$1.6 million for both first-quarter periods.

As noted in our Form 10-Q, the effective tax rate for fiscal 2016's first quarter was 62.9% compared to 12.2% in the comparable period last year. The effective tax rate is different from the statutory rate due to the impact of a tax law change in Indiana which lowered the state tax rates and changed the state apportionment rules. As a result our Indian R&D credits, which are part of our ongoing federal tax programs, are no longer realizable. This resulted in the valuation allowance of approximately \$600,000. The tax provision you see is a non-cash item.

We reported a net loss for the quarter of \$700,000 as the result of a tax law change or a loss of \$0.03 per diluted share versus net income of \$500,000 or net income of \$0.02 per diluted share.

As for EBITDA, we reported EBITDA of \$4.6 million versus \$6.1 million and adjusted EBITDA of \$4.9 million versus \$6.2 million. Yearly adjustments for both quarters were for stock-based compensation, \$230,000 in fiscal 2016 first quarter versus 72 -- \$75,000 last year.

Now for our balance sheet. Our cash position as of May 31, 2015 was \$7.1 million versus \$8.5 million as of February 28, 2014. Accounts receivable declined by \$13.4 million and our inventory decreased by \$1.7 million offset by increases in inventory [pressure] as we prepare for fiscal year 2016 projects.

Our total (technical difficulty) May 31, 2015, which is inclusive of all mortgages, capital leases stood at \$90.2 million compared to \$96.7 million as of May 31, 2014. The change relates to capital lease obligations and bank debt. Our bank obligations were \$66.9 million versus \$69.6 million at the end of last year's first quarter, a decline of approximately \$2.7 million. Total leverage at the end of fiscal 2016 first quarter was 2.37.

There wasn't a lot of activity and noise in our fiscal first-quarter comparisons in our plans over the coming quarters are to continue to use free cash from operations to pay down debt and potentially for M&A activity. We continue to [remain flexibility] to execute our strategy and seek out complementary businesses or products that can help drive sales and approve our bottom-line performance.

This concludes my remarks. And we will now open up the call for questions. Pat?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Thank you, Mike. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). James Medvedeff, Cowen and Company.

James Medevoff - *Cowen and Company - Analyst*

Just a couple of quick ones here. Would you go through that tax situation again? What would taxes have been if it weren't for the R&D credit situation in Indiana?

Michael Stoehr - *VOXX International Corporation - Director, SVP & CFO*

You would have seen a tax credit of about \$200,000.

James Medevoff - *Cowen and Company - Analyst*

Of about 200,000, okay.

Michael Stoehr - *VOXX International Corporation - Director, SVP & CFO*

Right. The effective tax rate that we are -- that you can use for your models is 36.5%.

James Medevoff - *Cowen and Company - Analyst*

Okay.

Michael Stoehr - *VOXX International Corporation - Director, SVP & CFO*

The good news is we will be paying less income tax -- state income tax in Indiana due to the change.

James Medevoff - *Cowen and Company - Analyst*

Right. So then on the FX impact, I've got the revenue impact, I've got the operating expense impact. How did FX impact cost of goods sold?

Michael Stoehr - *VOXX International Corporation - Director, SVP & CFO*

No, that is included in the P&L. And any dollar obligations that we have from the Euro side have been hedged.

James Medevoff - *Cowen and Company - Analyst*

Okay. Then, so these -- the extra spending on the IP litigation, can you put a number around that and give a sense of how long you expect it to continue?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

I would say within -- probably we will see something within a \$2 million expense. But that is pretty much consistent with the activity we have on most years when it comes to IP, whether we are protecting IP or fending off litigation.

James Medevoff - *Cowen and Company - Analyst*

So nothing unusual on a full-year basis, it just (technical difficulty)?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

It is just timing that -- as to when we started these IP litigations. That is the difference. But we deal with IP issues on a regular basis.

James Medevoff - *Cowen and Company - Analyst*

Okay. Great, that is all I have got for now. Thank you.

Operator

(Operator Instructions). Scott Tilghman, B. Riley.

Scott Tilghman - *B. Riley & Company - Analyst*

I have a few questions here, so I will just run through them quickly. First off, can you quantify what the annual impact of the Jensen licensing deal will be?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

On revenue?

Scott Tilghman - *B. Riley & Company - Analyst*

Yes.

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Probably anywhere from -- probably in the \$12 million to \$14 million range -- as far as top-line revenue.

Scott Tilghman - *B. Riley & Company - Analyst*

Right. No, that is helpful. Second, was there any NRE received this quarter?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Not anything appreciable. We are expecting an NRE repayment in the second quarter.

Scott Tilghman - *B. Riley & Company - Analyst*

Okay. Barring any holdup with the negotiations with management, any sense of what the unit potential for the 360 can be?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Yes, we believe that there is some strong potential for the unit. We are starting off with an exclusive launch, so the volume that we are looking at is volume that we want to manage. We have to ramp up production. We don't want to come out too quickly.

So we are going to manage the launch and manage the distribution. As the manufacturing ramps up we will then start adding on customers. But that is one of the reasons why we started off with an exclusive. We want to make sure that we will be able to handle all sales that we have coming in (technical difficulty).

Scott Tilghman - *B. Riley & Company - Analyst*

And then how long will it take you to ramp production?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

The thing is as they start producing the units we expect to see improvements on a weekly basis. I am not concerned that the ramp is going to hold those back. But seeing as it is an initial ramp up, we will play that by ear and see how that goes. But I would not expect it to last more than a couple of months so we can get to a level that we feel comfortable.

Scott Tilghman - *B. Riley & Company - Analyst*

So not an issue heading into the holidays?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

No, I don't think so.

Scott Tilghman - *B. Riley & Company - Analyst*

Okay. When -- you talked about the initial EyeLock enterprise shipment, and you also talked about a number of potentially interested parties. But who is going to be at the initial enterprise market? Do you have customers lined up or are you working with other distributors who may be looking to sell that product into smaller businesses or something like that?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Well, EyeLock has a number of interested enterprise customers that we will be working with. EyeLock has been courting and marketing to these people for quite some time. So we will be working with EyeLock to identify all those potential customers and start to deliver the product. And then the other thing that would be interesting for us is the development of the perimeter access systems that we were not marketing or selling before, that would be in addition to the enterprise systems.

Scott Tilghman - *B. Riley & Company - Analyst*

Okay (multiple speakers).

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

The enterprise systems are the ones that would work with the computer to eliminate your passwords. The perimeter access systems will be the ones that will allow you to use your iris to gain access to restricted areas and things like that. That is where EyeLock has received a number of -- or a lot of interest from both large financial firms and government agencies.

Scott Tilghman - *B. Riley & Company - Analyst*

Got it. On the universal tuner, we have been talking about that for a number of years and you're finally getting -- going live. What type of interest have you had from the other manufacturers or even from Daimler on expanding across the product line given that it is a relatively small portion of the fleet?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Well, basically we have good interest from the car manufacturers, they believe this is a way to go. As you know, this product is a product that we make for the radio manufacturer. So depending on who the radio manufacturer is, whether or not our board will be sourced or Daimler or anybody else would dictate to the radio manufacturer that it is our board that they want to use. We do have a number of other RFQs that we are working on right now, but nothing that has been solidified.

Scott Tilghman - *B. Riley & Company - Analyst*

And then last question for me. You talked again about M&A potential. I am just curious what type of flow you are seeing these days?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

We have been quite active in interviewing a number of different companies. I can say that we have been active in each one of the segments. And I would expect that we may see some activity in the next coming months.

Scott Tilghman - *B. Riley & Company - Analyst*

Great, thank you.

Operator

(Operator Instructions). Greg Palm, Craig-Hallum Group.

Greg Palm - *Craig-Hallum Capital Group - Analyst*

Hi, guys, it is Greg on for Steve Dyer today. A quick one on the negotiations with 360. Can you go into any more detail on that? Is it based on like an exclusivity or is it based on hard you guys might recognize revenue?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

I wouldn't go into the details of it right now because we are still in the process of negotiating. But it also is going to allow us -- and what we hope on both sides is that through the negotiation we will end up with a more robust program, and that is what we are working towards.

Greg Palm - *Craig-Hallum Capital Group - Analyst*

Okay. But I mean are you pretty confident that you will get everything settled so you can launch in August?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Yes, at this particular point. There is certain things like shareholder approval and everything that has to get done on their side. That is something that is outside both parties' control really, so that is something that could slow it down. But as far as the parties are concerned I think we will be okay getting it done.

Greg Palm - *Craig-Hallum Capital Group - Analyst*

Okay. Then moving to the Auto segment, you talked about a whole slew of sort of new awards or RFQ you are sort of going after. Trying to get a feel for how many of those are maybe incremental versus how many of them are maybe replacing sort of old ones that you had. And if they are replacing old ones that you had are they coming at a higher cost this time? Maybe you could just talk about that a little bit.

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Basically what I have indicated on like the multi-digital tuner, that is a new product, we have never sold that product before so that is all new business. The rear seat entertainment business that I had indicated to you with GM is like \$20 million incremental new business because we already do business with GM.

And then some of the asset tracking product is also all new. And when we look at the potential within our asset tracking business, when we are looking at container companies with worldwide distribution containers all over the world, that could be a very large incremental business for us.

So most of what I have talked about is not replacement. We are winning 4G antennas for the first time and there were no 4Gs prior to that. So most everything that I just talked about would be new business.

Greg Palm - *Craig-Hallum Capital Group - Analyst*

Okay, great. Thanks for the color. We will hop back in the queue.

Operator

James Medvedeff, Cowen and Company.

James Medveff - *Cowen and Company - Analyst*

Thanks and thanks for taking the follow up question. I just wanted to follow up a little bit more on the Q2 revenue guidance. Are you able to break that down in terms of what the mix might look like or what the growth rates might look like for the three segments?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Well, the thing is that we haven't broken it down. What we are looking at is what impact is the Euro going to have on most of it. Obviously with the divestiture of the Jensen audio line we'll see lower sales within the automotive space, but pretty much I would say close to in line with where we were last year other than the impact of the Euro.

James Medevoff - *Cowen and Company - Analyst*

Okay. And then I don't believe you have put out any revenue guidance for the full year, is that correct?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Yes, we are only doing the -- on revenue we are only doing the quarters because of the issues that we have seen with either bad weather --. When we are us to project for Christmas and we haven't even started with Black Friday deals, it is difficult to really pinpoint where you are. So we have opted this year to project revenue on the quarters.

James Medevoff - *Cowen and Company - Analyst*

Okay. And that is understood. Then can you talk a little bit about what is happening in the auto aftermarket business?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

The auto aftermarket business, we had some decline primarily in our satellite radio, which is expected because we have an exclusive arrangement with Sirius XM in the aftermarket. But as more and more cars come through with satellite radio the aftermarket will decline somewhat. And we were a little bit behind, nothing that I'm concerned with, on some of our security products in the first quarter.

James Medevoff - *Cowen and Company - Analyst*

So would you pick up the difference on the OE side as satellite radio becomes original equipment rather than aftermarket?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

No, we do not participate in satellite radio on the OEM side. Our arrangement with satellite radio is for the aftermarket only.

James Medevoff - *Cowen and Company - Analyst*

Okay. And then finally, could you -- where do we stand on the West Coast -- ongoing saga on the West Coast?

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Unless something else happens I would say that we are pretty (technical difficulty) with it. We had a few shipments that got hung up that we thought would make it into the end of the quarter, they didn't. Those shipments will fall into the second quarter. But I would think the backlog is pretty much over for us.

James MedevEFF - *Cowen and Company - Analyst*

Okay, great. Thanks again for taking (technical difficulty) questions.

Operator

Thank you. And I am showing no additional questions in the queue. I would like to turn the conference back over to Mr. Patrick Lavelle for any closing remarks.

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Okay. Well, thank you. Thank you for your interest. We are looking forward to our second quarter. There are a lot of a very exciting opportunities that we hope to be able to report on in the future. I want to thank you for your interest and I wish you all a good weekend.

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This does conclude the program and you may all disconnect. Have a great rest of your day.

Pat Lavelle - *VOXX International Corporation - Director, President & CEO*

Thank you.

Michael Stoehr - *VOXX International Corporation - Director, SVP & CFO*

Thanks.

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