



May 3, 2012

## ZAGG Inc Reports Record First Quarter Financial Results

- **Record first quarter consolidated revenue of \$55.5 million**
- **GAAP diluted earnings of \$0.16 per share**
- **Adjusted EBITDA of \$14.4 million**
- **Cash flow from operations of over \$14 million**
- **Paid down \$27 million in debt**

SALT LAKE CITY--(BUSINESS WIRE)-- ZAGG Inc (NASDAQ: [ZAGG](#)) ([www.ZAGG.com](#)), a market leader in innovative mobile device accessories, today announced financial results for the first quarter ended March 31, 2012.

### First Quarter Highlights (First quarter 2012 versus first quarter 2011)

- Consolidated revenue increased 106% to \$55.5 million
- Adjusted EBITDA increased 166% to \$14.4 million, or \$0.46 per diluted share
- Gross margin of 48.5%
- Generated over \$14.0 million in operating cash flow
- Ending cash and cash equivalents balance of \$16.9 million
- Reduction of term and revolving debt by an aggregate of \$27.0 million

"We are pleased with our strong first quarter results, which reflect our increased presence in our retail channel, the expansion of our product offerings, and the underlying phenomenal demand for smartphones and tablets," said Robert G. Pedersen II, CEO of ZAGG. "The operational alignments we have put in place helped our results in the quarter. We are seeing a tremendous level of employee unity and successful integration with iFrogz into our company, which is translating into improved sales, operational and financial performance of our business."

### First Quarter Results

Consolidated revenue for the first quarter of 2012 increased 106% to \$55.5 million from \$27.0 million in the same quarter last year. Revenue by channel was 83% through indirect channels, 10% through [ZAGG.com](#) and [iFrogz.com](#), 6% through the company's mall cart and kiosk programs, and 1% from shipping and handling.

Gross profit for the first quarter of 2012 was \$26.9 million or 48.5% of net sales, representing a 97% increase, versus \$13.6 million or 51% of net sales in the first quarter of the prior year.

Operating income for the first quarter of 2012 was \$10.2 million compared to \$4.9 million for the first quarter of 2011, an increase of 110%.

Net income attributable to stockholders for the first quarter of 2012 was \$5.1 million or \$0.16 per diluted share as compared to net income attributable to stockholders of \$3.3 million or \$0.13 per diluted share in the first quarter of 2011.

### Adjusted EBITDA

ZAGG considers earnings before other income or expense; income tax provision; depreciation and amortization; and share-based compensation expense related to equity awards ("Adjusted EBITDA") to be an important financial indicator of the Company's operational strength and the performance of its business. These results should be considered in addition to results prepared in accordance with generally accepted accounting principles ("GAAP"), but should not be considered as a substitute for, or superior to, GAAP results.

A reconciliation of the differences between Adjusted EBITDA and the most comparable financial measure calculated and

presented in accordance with GAAP, is presented under the heading "Reconciliation of Non-GAAP Financial Information to GAAP" immediately following the Condensed Consolidated Statements of Operations included below.

The difference between Adjusted EBITDA per share, a non-GAAP measure, and GAAP EPS, is other income or expense, income tax provision, depreciation and amortization, and share-based compensation.

Adjusted EBITDA for the first quarter of 2012 was \$14.4 million versus \$5.4 million in the first quarter of 2011, representing an increase of 166% over prior year's results, or \$0.46 per diluted share versus \$0.21 per diluted share in the first quarter last year.

## Outlook

ZAGG reiterates its full year guidance for 2012 revenue in excess of \$250 million and Adjusted EBITDA of \$55 million — \$60 million. This compares to reported revenue for 2011 of \$179.1 million and Adjusted EBITDA of \$45.3 million.

## Conference Call

A conference call will be held today at 5:00 p.m. EDT to review these results. Participants may access via the Internet at [the event website](#) and on the Company website at: <http://investors.zagg.com>. The call replay will be available for 30 days, and can be accessed online or toll-free at (855) 859-2056, Conference ID # 74099556. A webcast playback of the conference call will be archived [investors.ZAGG.com](http://investors.ZAGG.com) for one year. A podcast of the event will also be available online.

## Non-GAAP Financial Disclosure

Investors are cautioned that the Adjusted EBITDA, or earnings before other income or expense, income tax provision, depreciation and amortization, and stock-based compensation, contained in this press release are not financial measures under generally accepted accounting principles. In addition, they should not be construed as alternatives to any other measures of performance determined in accordance with generally accepted accounting principles, or as indicators of our operating performance, liquidity or cash flows generated by operating, investing and financing activities, as there may be significant factors or trends that they fail to address. We present this financial information because we believe that it is helpful to some investors as a measure of our performance. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our current results with our results from other reporting periods and with the results of other companies.

## Safe Harbor Statement

This release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and such forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. "Forward-looking statements" describe future expectations, plans, results, or strategies and are generally preceded by words such as "may," "future," "plan" or "planned," "will" or "should," "expected," "anticipates," "draft," "eventually" or "projected." You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause future circumstances, events, or results to differ materially from those projected in the forward-looking statements, including the risks that actual results may differ materially from those projected in the forward-looking statements as a result of various factors, and other risks identified in filings made by the company with the Securities and Exchange Commission.

**ZAGG INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except per share amounts)**  
**(Unaudited)**

	<b>March 31, 2012</b>	<b>December 31, 2011</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 16,856	\$ 26,433
Accounts receivable, net of allowances of \$2,166 in 2012 and \$2,070 in 2011	36,374	45,450
Inventories	25,656	29,622

Prepaid expenses and other current assets	5,387	1,593
Deferred income tax assets	5,063	5,132
<b>Total current assets</b>	<b>89,336</b>	<b>108,230</b>
<b>Equity method investment in HzO</b>	<b>4,416</b>	<b>4,879</b>
<b>Property and equipment</b> , net of accumulated depreciation at \$2,101 in 2012 and \$1,857 in 2011	4,423	4,162
<b>Goodwill</b>	6,925	6,925
<b>Intangible assets</b> , net of accumulated amortization at \$6,424 in 2012 and \$3,989 in 2011	71,255	73,691
<b>Deferred income tax assets</b>	82	82
<b>Note receivable</b>	1,099	1,349
<b>Other assets</b>	3,051	3,010
<b>Total assets</b>	<b>\$ 180,587</b>	<b>\$ 202,328</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 16,637	\$ 16,013
Income taxes payable	2,223	4,294
Accrued liabilities	2,348	3,886
Accrued wages and wage related expenses	1,420	1,468
Deferred revenue	288	320
Current portion of note payable	-	2,372
Sales returns liability	5,163	5,387
<b>Total current liabilities</b>	<b>28,079</b>	<b>33,740</b>
<b>Revolving line of credit</b>	<b>1,627</b>	<b>23,332</b>
<b>Noncurrent portion of note payable</b>	<b>41,000</b>	<b>42,628</b>
<b>Total liabilities</b>	<b>70,706</b>	<b>99,700</b>
<b>Stockholders' equity</b>		
Common stock, \$0.001 par value; 100,000 shares authorized; 30,236 and 29,782 shares issued and outstanding, respectively	30	30
Additional paid-in capital	72,409	70,248
Cumulative translation adjustment	(53)	(33)
Note receivable collateralized by stock	(566)	(566)
Retained earnings	38,061	32,949
<b>Total stockholders' equity</b>	<b>109,881</b>	<b>102,628</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 180,587</b>	<b>\$ 202,328</b>

**ZAGG INC AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)  
(Unaudited)

	Three Months Ended	
	March 31, 2012	March 31, 2011
<b>Net sales</b>	\$ 55,480	\$ 26,976
<b>Cost of sales</b>	28,547	13,330
<b>Gross profit</b>	26,933	13,646
<b>Operating expenses:</b>		
Advertising and marketing	2,441	2,512
Selling, general and administrative	11,842	6,220
Amortization of definite-lived intangibles	2,422	50
<b>Total operating expenses</b>	16,705	8,782
<b>Income from operations</b>	10,228	4,864
<b>Other income (expense):</b>		
Interest expense	(1,521)	(11)
Loss from equity method investment in HzO	(463)	-
Interest and other income	(147)	-
<b>Total other income (expense)</b>	(2,131)	(11)
<b>Income before provision for income taxes</b>	8,097	4,853
<b>Income tax provision</b>	(2,985)	(1,595)
<b>Net income</b>	5,112	3,258
<b>Net loss attributable to noncontrolling interest</b>	-	52
<b>Net income attributable to stockholders</b>	\$ 5,112	\$ 3,310
<b>Earnings per share attributable to stockholders:</b>		
<b>Basic earnings per share</b>	\$ 0.17	\$ 0.14
<b>Diluted earnings per share</b>	\$ 0.16	\$ 0.13

**ZAGG INC AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL INFORMATION TO GAAP**  
(Unaudited)

**Unaudited Supplemental Data**

The following information is not a financial measure under generally accepted accounting principals (GAAP). In addition, it should not be construed as an alternative to any other measures of performance determined in accordance with GAAP, or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities as

there may be significant factors or trends that it fails to address. We present this financial information because we believe that it is helpful to some investors as one measure of our operations. We caution investors that non-GAAP financial information, by its nature, departs from traditional accounting conventions; accordingly, its use can make it difficult to compare our results with our results from other reporting periods and with the results of other companies.

**Adjusted EBITDA Reconciliation**

	<b>Three Months Ended</b>	
	<b>March 31, 2012</b>	<b>March 31, 2011</b>
<b>Net income attributable to stockholders in accordance with GAAP</b>	\$ 5,112	\$ 3,310
<b>Adjustments:</b>		
<b>a. Stock based compensation expense</b>	1,342	304
<b>b. Depreciation and amortization</b>	2,804	176
<b>c. Provision for income taxes</b>	2,985	1,595
<b>d. Other (income) expense</b>	2,131	11
<b>Adjusted EBITDA</b>	\$ 14,374	\$ 5,396
<b>Diluted Adjusted EBITDA per common share</b>	\$ 0.46	\$ 0.21
<b>Weighted average number of shares outstanding - diluted</b>	31,417	26,216

**Investor Relations:**

Genesis Select Corp.  
Kim Rogers-Carrete, 949-429-7408  
[krogersc@genesisselect.com](mailto:krogersc@genesisselect.com)

or

**Media:**

Lane PR  
Amber Roberts, 212-302-5964  
[Amber@lanepr.com](mailto:Amber@lanepr.com)

or

**Company:**

ZAGG Inc.  
Nathan Nelson, 801-263-0699 ext. 107  
[nnelson@zagg.com](mailto:nnelson@zagg.com)

Source: ZAGG Inc

News Provided by Acquire Media