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Contact: Frank Hallowell, Interim Chief Executive Officer and Chief Financial Officer
612-438-2363

Autoscope Technologies Corporation Announces First Quarter Financial Results

Minneapolis, Minn., May 15, 2023--Autoscope Technologies Corporation (OTCQX: AATC) today announced results for its quarter ended March 31, 2023.

First Quarter 2023 Financial Summary

- Royalties were \$3.0 million, an increase of 66 percent from the same period in the prior year.
- Product sales were \$0.8 million, a decrease of 15 percent from the same period in the prior year.
- Operating expenses totaled \$2.1 million in the first quarter of 2023, a decrease of 2 percent from the prior year period.
- There were no capitalized software costs in the first quarter of 2023 compared to \$313,000 of capitalized software costs in the prior year period.
- Net income for the first quarter of 2023 totaled \$0.8 million compared to a net income of \$17,000 for the same period in the prior year.

First-Quarter Results

The 2023 first quarter revenue for Autoscope Technologies Corporation. ("AATC" or the "Company") which includes the results of Image Sensing Systems, Inc., a wholly owned subsidiary of AATC ("ISNS") was \$3.8 million compared to \$2.8 million in the first quarter of 2022. Revenue from royalties was \$3.0 million in the first quarter of 2023 compared to \$1.8 million in the first quarter of 2022, a 66 percent increase. The increase in royalties resulted primarily from the availability of components to fulfill the sales order backlog during the quarter. Product sales were \$0.8 million in the 2023 first quarter compared to \$0.9 million in the first quarter of 2022, a 15 percent decrease. The decrease in product sales was primarily due to the rescheduling of orders to the second quarter of 2023 to meet customer installation requirements and to the expected decline of the Company's legacy video detection product sold in the EMEA market.

Gross margin for the first quarter of 2023 was 81 percent, a 3-percentage point increase from a gross margin of 78 percent for the same period in 2022. Royalty gross margin for the first quarter of 2023 was 96%, a 2-percentage point increase from a gross margin of 94% for the same period in 2022. The increase in the royalty gross margin percent for the first quarter of 2023 resulted primarily from higher sales of video

detection products yielding higher royalty revenues. Product sales gross margin percent for the first quarter of 2023 was 22 percent compared to 45 percent in the prior year period. The decrease in the product sales gross margin percent was the result of lower margins sales on legacy video and radar detection products sold in the EMEA markets.

The Company reported net income for the first quarter of \$0.8 million or \$0.15 per diluted share, compared to net income of \$17,000 or \$0.00 per diluted share, in the prior year period. This increase is due to higher gross profits and lower operating expenses during the first quarter of 2023 compared to the same period in 2022.

Liquidity and Capital Resources

We believe that cash and cash equivalents on hand, coupled with readily available investment in debt and equity securities on March 31, 2023 totaling \$6.4 million, along with the cash provided by operating activities, will satisfy our projected working capital needs, investing activities, and other cash requirements for the foreseeable future.

As of March 31, 2023, we had \$2.3 million in cash and cash equivalents compared to \$1.2 million on December 31, 2022.

Net cash provided by operating activities increased to \$1.1 million in the first quarter of 2023 compared to net cash used for operating activities of \$45,000 in the same period in 2022. Net cash provided by operating activities increased in the first quarter of 2023 compared to the same period in 2022 primarily due to higher net income and lower prepaid expenses in 2023 compared to 2022.

Net cash provided by investing activities was \$75,000 in 2023 compared to net cash used for investing activities of \$3.1 million in 2022. The decrease in net cash used for investing activities in the first quarter of 2023 compared to the same period in the prior year is primarily the result of lower purchases of equity and debt securities and lower capitalization of software costs. To generate a greater return on our cash position, the Company purchased various debt and equity securities of \$2.8 million during the first quarter of 2022. There were no debt or equity securities purchases in the first quarter of 2023. There were no capitalized software costs in the first quarter of 2023 compared to \$313,000 of capitalized software costs in the same period of 2022.

Net cash used for financing activities was \$15,000 in the first quarter of 2023 compared to net cash used of \$637,000 in the first quarter of 2022. The decrease in net cash used for financing activities is primarily due to lower quarterly cash dividends paid. The Company did not pay a dividend in the first quarter of 2023 compared to a quarterly cash dividend of \$0.12 per share paid in the first quarter of 2022. The Company delayed the payment of a dividend during the first quarter of 2023 due to activities related to a change in trading venue and to comply with the OTCQX reporting requirements.

“We are pleased with our top line performance as increasing demand for Autoscope Vision drove higher royalty returns. Construction delays impacted direct product sales and those orders are now in backlog and will be delivered later in 2023. We have completed our prior customer commitments for legacy video and radar products during the quarter, which resulted in lower revenues and margins as our customer base has migrated to our newest video and radar products. In addition, lower operating expenses were driven by

improved operational efficiencies,” said Frank Hallowell, Interim CEO of Autoscope Technologies Corporation. “Near term order demand remains solid and we are focused on new products and service offerings leveraging our new Autoscope platform released to the market in April,” concluded Mr. Hallowell.

About Autoscope Technologies Corporation

Autoscope Technologies Corporation is a global company dedicated to helping improve safety and efficiency for cities and highways by developing and delivering above-ground detection technology, applications and solutions. We give Intelligent Transportation Systems (ITS) professionals more precise and accurate information – including real-time reaction capabilities and in-depth analytics – to make more confident and proactive decisions. We are headquartered in Minneapolis, Minnesota. Visit us on the web at www.autoscope.com.

Forward-Looking Statements

Certain statements and information included in this Annual Report constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange of 1934, as amended. Forward looking statements represent our expectations or beliefs concerning future events and can be identified by the use of forward-looking words such as “believes,” “may,” “will,” “should,” “intends,” “plans,” “estimates,” “expects,” “anticipates” or other comparable terminology. Forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from the results discussed in the forward-looking statements. Some factors that might cause these differences include the factors listed below. Although we have attempted to list these factors comprehensively, we wish to caution investors that other factors may prove to be important in the future and may affect our operating results. New factors may emerge from time to time, and it is not possible to predict all of these factors, nor can we assess the effect each factor or combination of factors may have on our business.

Those risks and uncertainties may include, but are not limited to, our historical dependence on a single product for most of our revenue; competition; potential changes in government spending on transportation technology; acceptance of our product offerings and designs; budget constraints by governmental entities that purchase our products, including constraints caused by declining tax revenue; the continuing ability of Econolite Control Products, Inc. to sell our products and pay royalties owed to us; the mix of and margins on the products we sell; our dependence on third parties for manufacturing and marketing our products; our dependence on single-source suppliers to meet manufacturing needs; our failure to secure adequate protection for our intellectual property rights; our inability to develop new applications and product enhancements; the potential disruptive effect on the markets we serve of new and emerging technologies and applications, including vehicle-to-vehicle communications and autonomous vehicles; unanticipated delays, costs and expenses inherent in the development and marketing of new products; our inability to respond to low-cost local competitors; our inability to properly manage any growth in revenue and/or production requirements; the influence over our voting stock by affiliates; our inability to hire and retain key scientific and technical personnel; the effects of legal matters in which we may become involved; our inability to achieve and maintain effective internal controls; our inability to successfully integrate any acquisitions; tariffs and other trade barriers; our operating costs tend to be fixed, while our revenue tends to be seasonal, thereby resulting in operating results that fluctuate from quarter to quarter; any significant variations between actual amounts and the amounts estimated for those matters identified as our critical accounting estimates and other significant accounting estimates made in the preparation of our financial

statements; political and economic instability, including continuing volatility in the economic and political environment of the European Union and the war in Ukraine; our inability to comply with international regulatory restrictions over hazardous substances and electronic waste; the impact of international supply chain disruptions and delays; the impact of changes in U.S. federal and state income tax regulations; the impact of inflation and our ability to pass on rising prices to its customers; and conditions beyond our control such as war, terrorist attacks, health epidemics (including the COVID-19 pandemic caused by the coronavirus) and economic recession..

We further caution you not to unduly rely on any forward looking statements because they reflect our views only as of the date the statements were made. We undertake no obligation to publicly update or revise any forward looking statements whether as a result of new information, future events or otherwise.

Autoscope Technologies Corporation
Condensed Consolidated Statements of Operations
(in thousands, except per share information)
(unaudited)

	Three-Month Period Ended March 31,	
	2023	2022
Revenue		
Royalties	\$ 3,012	\$ 1,818
Product sales	798	934
	3,810	2,752
Cost of revenue	736	616
Gross profit	3,074	2,136
	81%	78%
Operating expenses		
Selling, general and administrative	1,428	1,687
Research and development	633	428
	2,061	2,115
Income from operations	1,013	21
Other income	7	11
Investment income	53	5
Interest expense, net	(17)	(18)
Income before income taxes	1,056	19
Income tax expense	225	2
Net income (loss)	\$ 831	\$ 17
Basic net income(loss) per share	\$ 0.15	\$ 0.00
Diluted net income(loss) per share	\$ 0.15	\$ 0.00
Weighted shares - basic	5,406	5,362
Weighted shares - diluted	5,406	5,377

Autoscope Technologies Corporation
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	March 31, 2023 (unaudited)	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 2,300	\$ 1,177
Receivables, net	4,419	3,688
Inventories	2,064	2,287
Investment in debt and equity securities	3,278	3,138
Prepaid expenses and other current assets	291	545
	12,352	10,835
Property and equipment, net	2,103	2,132
Intangible assets, net	2,403	2,601
Deferred taxes	4,246	4,475
Long term investment securities	859	1,054
Operating lease asset, net	2	3
	\$ 21,965	\$ 21,100
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 386	\$ 423
Current maturities on long-term debt	58	58
Warranty and other current liabilities	510	386
	954	867
Non-Current liabilities		
Long-term debt	1,601	1,616
	19,410	18,617
Shareholders' equity	\$ 21,965	\$ 21,100

Autoscope Technologies Corporation.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three-Month Period Ended March 31,	
	2023	2022
Operating activities		
Net income	\$ 831	\$ 17
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	223	249
Stock-based compensation	13	206
Loss on disposal of assets	-	5
Investment amortization	6	
Unrealized gain on equity investments	(82)	(6)
Noncash investment income	11	-
Amortization of debt issuance costs	1	1
Deferred income tax benefit	240	-
Changes in operating assets and liabilities	(166)	(517)
Net cash provided (used) by operating activities	1,077	(45)
Investing activities		
Capitalized software development costs	-	(313)
Sale of available-for-sale securities	75	-
Purchase of securities	-	(2,751)
Purchases of property and equipment	-	(13)
Net cash provided (used) by investing activities	75	(3,077)
Financing activities		
Stock for tax withholding	-	(9)
Dividends paid	-	(645)
Proceeds from exercise of stock options	-	32
Principal payments on long-term debt	(15)	(15)
Net cash used by financing activities	(15)	(637)
Effect of exchange rate changes on cash	(14)	(63)
Increase (decrease) in cash and cash equivalents	1,123	(3,822)
Cash and cash equivalents at beginning of period	1,177	8,229
Cash and cash equivalents at end of period	\$ 2,300	\$ 4,407
<u>Non-Cash investing and financing activities:</u>		
Purchase of property and equipment in accounts payable	\$ -	\$ 3

Autoscope Technologies Corporation
Non-GAAP Income from Continuing Operations
(in thousands)
(unaudited)

We define non-GAAP income from operations as income from operations before amortization of intangible assets, depreciation, and restructuring charges for the applicable periods. Management believes non-GAAP income from operations is a useful indicator of our financial performance and our ability to generate cash flows from operations. Our definition of non-GAAP income from operations may not be comparable to similarly titled definitions used by other companies. The table below reconciles non-GAAP income from operations, which is a non-GAAP financial measure, to comparable GAAP financial measures:

Note – Our calculation of non-GAAP income from operations is considered a non-GAAP financial measure and is not in accordance with, or preferable to, “as reported”, or GAAP financial data. However, we are providing this information, as we believe it facilitates analysis of the Company’s financial performance by investors and financial analysts.