Section 1: 8-K (CURRENT REPORT)

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): November 1, 2016

ZAGG INC

(Exact name of registrant as specified in its charter)

Delaware	001-34528	20-2559624
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

910 West Legacy Center Drive, Suite 500
Midvale, Utah 84047
(Address of principal executive offices)

Registrant's telephone number, including area code: (801) 263-0699

(Former name or former address, if changed since last report)

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

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

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

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

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

Item 2.02 Results of Operations and Financial Condition.

On November 1, 2016, ZAGG Inc (the "Registrant") issued a press release announcing the results of operations for the three and nine months ended September 30, 2016, and made publicly available certain supplemental financial information, including commentary on results of operations from Brad Holiday, its Chief Financial Officer ("CFO"). The supplemental financial information is furnished with this report as Exhibit 99.1, the press release is furnished with this report as Exhibit 99.2, and the CFO commentary is furnished with this report as Exhibit 99.3.

The Registrant also will hold its earnings conference call on November 1, 2016.

The information contained in Item 2.02 and 9.01 of this Current Report on Form 8-K, including Exhibits 99.1, 99.2 and 99.3 shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall they be deemed incorporated by reference in any registration statement or other filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01 Financial Statements and Exhibits.

The following are filed as Exhibits to this Current Report on Form 8-K:

(d) Exhibits.

Exhibit No.	Description
99.1	Supplemental Financial Information for the Three and Nine Months Ended September 30, 2016
99.2	Results of Operations Press Release dated November 1, 2016
99.3	CFO Commentary on Third Quarter 2016 Financial Results

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 hereunto duly authorized.

Date: November 1, 2016

ZAGG Inc

/s/ BRADLEY J. HOLIDAY
Bradley J. Holiday
Chief Financial Officer

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Section 2: EX-99.1 (SUPPLEMENTAL FINANCIAL INFORMATION FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016)

Exhibit 99.1

ZAGG INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value)
(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 8,955	$ 13,002
Accounts receivable, net of allowances of $537 in 2016 and $568 in 2015	83,086	57,647
Inventories	66,204	45,912
Prepaid expenses and other current assets	3,348	3,142
Income tax receivable	446	1,158
Deferred income tax assets	28,771	10,840
Total current assets	190,810	131,701
Property and equipment, net of accumulated depreciation at $16,079 in 2016 and $10,539 in 2015	18,799	8,309
Goodwill	12,791	-
Intangible assets, net of accumulated amortization at $51,791 in 2016 and $41,803 in 2015	56,868	23,045
Deferred income tax assets	22,617	15,386
Other assets	2,480	1,100
Total assets	$ 304,365	$ 179,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 73,168	$ 33,846
Accrued liabilities	10,725	5,068
Preliminary contingent payments	12,139	-
Accrued wages and wage related expenses	4,838	2,261
Sales returns liability	28,289	7,849
Current portion of long-term debt, net of deferred loan costs of $65 in 2016	6,185	-
Revolving line of credit	30,195	-
Total current liabilities	165,539	49,024
Noncurrent portion of long-term debt, net of deferred loan costs of $157 in 2016	15,468	-
Other noncurrent liabilities	513	-
Total liabilities	181,520	49,024
Stockholders' equity		
Common stock, $0.001 par value; 100,000 shares authorized; 33,825 and 33,219 shares issued in 2016 and 2015, respectively	34	33
Additional paid-in capital	92,660	88,983
Accumulated other comprehensive loss	(1,505)	(1,597)
Treasury stock, 5,679 common shares in 2016 and 2015, at cost	(35,194)	(35,194)

Retained earnings	66,850	78,292
Total stockholders' equity	122,845	130,517
Total liabilities and stockholders' equity	$ 304,365	$ 179,541

ZAGG INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except for per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net sales	$ 124,662	$ 66,774	$ 286,928	$ 190,679
Cost of sales	81,516	41,903	189,180	117,894
Gross profit	43,146	24,871	97,748	72,785
Operating expenses:				
Advertising and marketing	3,389	2,759	8,578	7,450
Selling, general and administrative	25,607	13,750	70,243	41,014
Loss on disputed mophie purchase price	24,317	-	24,317	-
Transaction costs	145	-	2,467	-
Amortization of definite-lived intangibles	2,398	2,134	9,909	6,403
Total operating expenses	55,856	18,643	115,514	54,867
Income (loss) from operations	(12,710)	6,228	(17,766)	17,918
Other expense:				
Interest expense	(575)	(26)	(1,367)	(79)
Other expense	(81)	(76)	(272)	(53)
Total other income (expense)	(656)	(102)	(1,639)	(132)
Income (loss) before provision for income taxes	(13,366)	6,126	(19,405)	17,786
Income tax (provision) benefit	6,261	(2,387)	7,963	(7,155)
Net income (loss)	$ (7,105)	$ 3,739	$ (11,442)	$ 10,631
Earnings (loss) per share:				
Basic earnings (loss) per share	$ (0.25)	$ 0.13	$ (0.41)	$ 0.36
Diluted earnings (loss) per share	$ (0.25)	$ 0.13	$ (0.41)	$ 0.36

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 a 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

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income (loss) in accordance with GAAP	$ (7,105)	$ 3,739	$ (11,442)	$ 10,631
Adjustments:				
a. Stock based compensation expense	1,386	898	3,679	2,708
b. Depreciation and amortization	4,989	3,455	16,484	9,551
c. Recovery of reserves on note receivable	-	(639)	-	(639)
d. Other (income) expense	656	102	1,639	132
e. mophie transaction costs	145	-	2,467	-
f. mophie fair value inventory write-up related to acquisition	(739)	-	2,586	-
g. mophie restructuring charges	138	-	1,201	-
h. mophie employee retention bonus	300	-	500	-
i. Loss on disputed mophie purchase price	24,316	-	24,316	-
j. Provision for income taxes	(6,261)	2,387	(7,963)	7,155
Adjusted EBITDA	$ 17,825	$ 9,942	$ 33,467	$ 29,538

Adjusted Net Income Reconciliation - Three and Six Months Ended June 30, 2016 and 2015

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Net income (loss) in accordance with GAAP	$ (7,105)	$ 3,739	$ (11,442)	$ 10,631
Adjustments:				
a. Amortization of mophie acquired intangibles	740	-	4,485	-
b. mophie transaction costs	145	-	2,467	-
c. mophie fair value inventory write-up related to acquisition	(739)	-	2,586	-
d. mophie restructuring charges	138	-	1,201	-
e. mophie employee retention bonus	300	-	500	-
f. Loss on disputed mophie purchase price	24,316	-	24,316	-
g. Income tax effects	(9,524)*	-	(13,600)*	-
Adjusted net income	$ 8,271	$ 3,739	$ 10,513	$ 10,631
Adjusted diluted earnings per share	$ 0.29	$ 0.13	$ 0.38	$ 0.36
Weighted average number of shares outstanding - diluted	28,125	28,930	27,987	29,451

***** For comparative purposes, we applied an annualized statutory tax rate of 38.25% in 2016.

Section 3: EX-99.2 (RESULTS OF OPERATIONS PRESS RELEASE DATED NOVEMBER 1, 2016)

Exhibit 99.2

November 1, 2016

ZAGG Reports Third Quarter 2016 Net Sales Growth of 87% to $124.7 Million

SALT LAKE CITY, November 1, 2016 (GLOBE NEWSWIRE) -- ZAGG Inc (NASDAQ: ZAGG), a leading global mobile lifestyle company, today announced financial results for the third quarter ending September 30, 2016.

Highlights (Comparisons versus third quarter of 2015)

- ***Net sales increased 87% to a third quarter record of $124.7 million, compared to $66.8 million; net sales (excluding mophie results) increased $18.2 million (+27%) to $84.9 million***
- ***Gross margin of $43.1 million (35% of net sales), compared to $24.9 million (37% of net sales); gross margin (excluding mophie results) increased 500 basis points to 42% of net sales compared to 37%***
- ***GAAP loss per share of $(0.25); Adjusted earnings per share of $0.29***
- ***Non-cash net mophie impairment charge of $24.3 million related to disputes in acquisition-date value of working capital***
- ***2016 annual net sales and Adjusted EBITDA forecast revised***

"We're pleased with our results for the quarter and for the first nine months of the year, with record sales and strong operating performance," commented Randy Hales, President and Chief Executive Officer of ZAGG Inc. "However, we are disappointed with the mophie operating results to date. Consequently, I have assumed the role of interim president at mophie to accelerate the return to profitability and improve overall operating performance while we search for a new president."

2016 Third Quarter

(Comparisons versus 2015)

(in millions, except per share amounts)	September 30, 2016	September 30, 2015
Net Sales	$ 124.7	$ 66.8
Gross Profit (Gross Profit %)	$ 43.1 (35%)	$ 24.9 (37%)
Net (Loss) Income	$ (7.1)	$ 3.7
Diluted (Loss) Earnings per Share	$ (0.25)	$ 0.13
Adjusted EBITDA (Adjusted EBITDA %)	$ 17.8 (14%)	$ 9.9 (15%)
Adjusted Net Income*	$ 8.3	$ 3.7
Adjusted Earnings per Share*	$ 0.29	$ 0.13

*Reflects add-back of costs incurred directly related to the mophie acquisition, net of tax, including: (1) $0.7 million in amortization from mophie acquired intangibles, (2) $0.1 million of transaction costs, (3) ($0.8) million in cost of goods sold impact related to the fair value write-up of mophie inventory at acquisition, (4) $0.4 million in mophie restructuring charges and mophie employee retention bonuses, and (5) a net $24.3 million non-cash charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie working capital accounts. There is no impact on 2015 as all charges occurred during 2016.

Net sales for the third quarter grew 87% to $124.7 million compared to $66.8 million. This increase was primarily due to mophie sales of $39.7 million, increased sales of screen protection and audio products, and an increase in online and international sales. These increases were partially offset by a slight decline in tablet keyboards.

Gross profit was $43.1 million (35% of net sales), compared to $24.9 million (37% of net sales). The decline in gross margin percentage was due primarily to the impact of lower mophie gross profit margins, which was partially offset by increased sales of screen protection products, which are the highest margin product category.

The Company recorded a net loss for the quarter of $(7.1) million, compared to net income of $3.7 million, with loss per share of $(0.25) (on 28.1 million shares) compared to earnings per share of $0.13 (on 28.9 million shares). The decline in net income was due primarily to a $26.3 million non-cash charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie net working capital accounts. On the March 3, 2016 acquisition closing date, the former mophie shareholders provided an estimate of working capital used in the determination of cash paid by the Company. On May 17, 2016, the 2015 mophie audit was issued and significant adjustments were included in the audited 2015 mophie financial statements that reduced the value of inventory and increased the sales return reserve compared to the original working capital estimate. Because of these changes in working capital and that the former mophie shareholders have disputed any changes to the preliminary working capital accounts, this charge was recorded during the third quarter. The Company is currently seeking to offset the $26.3 million gross charge by pursuing a $2.0 million escrow established at the close of the acquisition, making a claim under a $10.0 million insurance policy established at the close of the acquisition covering breaches of representations and warranties by the mophie shareholders, and seeking to offset the impairment amount against the recovery of tax and US Customs duties refunds that would otherwise be remitted to the former mophie shareholders. As the Company believes that the recovery of the $2.0 million escrow is probable and contractual, the Company recorded this amount as an offset to the $26.3 million charge, reducing the charge to a net charge of $24.3 million.

Year-to-Date 2016 Results

(Comparisons versus 2015)

(in millions, except per share amounts)	September 30, 2016	September 30, 2015
Net Sales	$ 286.9	$ 190.7
Gross Profit (Gross Profit %)	$ 97.7 (34%)	$ 72.8 (38%)
Net (Loss) Income	$ (11.4)	$ 10.6
Diluted (Loss) Earnings per Share	$ (0.41)	$ 0.36
Adjusted EBITDA (Adjusted EBITDA %)	$ 33.5 (12%)	$ 29.5 (16%)
Adjusted Net Income*	$ 10.5	$ 10.6
Adjusted Earnings per Share*	$ 0.38	$ 0.36

*Reflects add back of costs incurred directly related to the mophie acquisition, net of tax, including: (1) $4.4 million in amortization from mophie acquired intangibles, (2) $2.5 million of transaction costs, (3) $2.6 million in cost of goods sold impact related to the fair value write-up of mophie inventory at acquisition, (4) $1.7 million in mophie restructuring charges and mophie employee retention bonus, and (5) $24.3 million non-cash charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie working capital accounts. There is no impact on 2015 as all charges occurred during 2016.

Net sales for the first nine months increased 50% to $286.9 million compared to $190.7 million. This increase was primarily due to mophie sales of $79.4 million, increased sales of screen protection and audio products, and an increase in online and international sales. Partially offsetting these gains were lower year-to-date sales in tablet keyboards.

Gross profit improved in the first nine months to $97.7 million (34% of net sales) compared to $72.8 million (38% of net sales). The decline in gross margin percentage was due primarily to the impact of lower mophie gross profit margins, which was partially offset by increased sales of screen protection products, which are our highest margin product category.

Net loss for the first nine months was $(11.4) million, compared to a net income of $10.6 million with loss per share of $(0.41) (on 28.0 million shares) compared to earnings per share of $0.36 (on 29.5 million shares). As is noted above, the decline in net income was due primarily to a net $24.3 million non-cash charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie net working capital accounts.

Additional Non-GAAP Financial Information – Adjusted EBITDA and Adjusted Net Income (Loss)

Third quarter Adjusted EBITDA was $17.8 million or 14% of net sales, compared to $9.9 million, or 15% of net sales. Year-to-date, Adjusted EBITDA was $33.5 million or 12% of net sales, compared to $29.5 million or 16% of net sales.

The Company incurred expenses and charges related to the acquisition of mophie and has added an additional non-GAAP metric, Adjusted Net Income, which adjusts for the effect of transaction related expenses, amortization of mophie acquired intangibles, the fair value write-up of mophie inventory related to the acquisition, and the non-cash charge associated with a dispute over the acquisition date value of the mophie net working capital accounts with the former mophie shareholders.

Adjusted Net Income for the third quarter was $8.3 million or $0.29 per diluted share, compared to $3.7 million or $0.13 per diluted share. Year-to-date Adjusted Net Income was $10.5 million or $0.38 per diluted share, compared to $10.6 million or $0.36 per diluted share.

2016 Business Outlook (reflecting 10 months of mophie contribution)

The Company revised 2016 guidance to a lower range for net sales and Adjusted EBITDA, primarily due to (1) supply constraints for new device launches from original equipment manufacturers, which has delayed screen protection reorders in the fourth quarter from wireless and big box retailers, (2) potential delays from the fourth quarter of 2016 to the first quarter of 2017 related to the launch of the of mophie juice pack for the iPhone 7 and 7 Plus, (3) the impact of the Samsung Note 7 recall, and (4) and slower than anticipated recovery of mophie sales.

The Company’s revised annual guidance for 2016 is as follows:

- Net sales of $400 - $420 million
- Gross profit margin (as a % of net sales) in a range of low to mid 30’s
- Adjusted EBITDA of $52 - $55 million (13% of net sales)
- Annual effective tax rate of approximately 40%

About Non-GAAP Financial Information
Readers are cautioned that the Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, other income (expense), mophie transaction costs, mophie fair value inventory write-up related to acquisition, mophie restructuring charges, mophie employee retention bonus, and the loss on disputed mophie purchase price), Adjusted Net Income (earnings before mophie transaction costs, mophie fair value inventory write-up related to acquisition, amortization from mophie acquired intangibles, mophie restructuring charges, mophie employee retention bonus, and the loss on disputed mophie purchase price – all net of tax) and Adjusted Earnings per Share (Adjusted Net Income divided by weighted average shares outstanding) contained in this release are not financial measures under US generally accepted accounting principles (GAAP). In addition, this financial information should not be construed as an alternative to any other measure of performance determined in accordance with GAAP, or as indicators of 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 Adjusted EBITDA and Adjusted Net Income because we believe that they are helpful to some investors as a measure of performance. We caution readers that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Accordingly, its use can make it difficult to compare current results with results from other reporting periods and with the financial results of other companies.

Conference Call
A conference call will be held today at 5:00 p.m. EST to review these results. Interested parties may access via the Internet on the Company's website at: investors.zagg.com.

Safe Harbor Statement
In addition to the historical information contained in this press release, this release contains (and oral communications made by ZAGG may contain) statements that relate to future events and expectations and, as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, outlook, assumptions, or future events or performance, often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "targets," or similar expressions, are not statements of historical facts and may be forward-looking. Readers 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. In addition to any assumptions and other factors and matters referred to specifically in connection with such forward-looking statements, factors that could cause actual results or outcomes to differ materially from those contained in forward-looking statements include the following: (a) the ability to design, produce, and distribute the creative product solutions required to retain existing customers and to attract new customers; (b) building and maintaining marketing and distribution functions sufficient to gain meaningful international market share for ZAGG's products; (c) the ability to respond quickly with appropriate products after the adoption and introduction of new mobile devices by major manufacturers like Samsung and Apple; (d) changes or delays in announced launch schedules for (or recalls or withdrawals of) new mobile devices by major manufacturers like Samsung and Apple; (e) the ability to successfully integrate new operations or acquisitions, specifically including mophie inc., (f) the impact of inconsistent quality or reliability of new product offerings; (g) the impact of lower profit margins in certain new and existing product categories, including certain mophie products; (h) the impacts of changes in economic conditions, including on customer demand; (i) managing inventory in light of constantly shifting consumer demand; (j) the failure of information systems or technology solutions or the failure to secure information system data, failure to comply with privacy laws, security breaches, or the effect on the company from cyber-attacks, terrorist incidents, or the threat of terrorist incidents; (k) adoption of or changes in accounting policies, principles, or estimates; and (l) the resolution of the dispute over the acquisition date value of the mophie net working capital accounts with the former mophie shareholders. Any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Readers should also review the risks and uncertainties listed in ZAGG's most recent Annual Report on Form 10-K and other reports the company files with the U.S. Securities and Exchange Commission, including (but not limited to) Item 1A - "Risk Factors" in the Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations and the risks described therein from time to time. ZAGG disclaims any obligation to update publicly any forward-looking information, whether in response to new information, future events, or otherwise, except as required by applicable law.

About ZAGG Inc

ZAGG is a global leader in accessories and technologies that empower mobile lifestyles. The Company has an award-winning product portfolio that includes screen protection, power cases, power management, personal audio, mobile keyboards, and social tech sold under the ZAGG®, mophie®, InvisibleShield®, and IFROGZ® brands. ZAGG has operations in the United States, Ireland, the Netherlands, and China. ZAGG products are available worldwide, and can be found at leading retailers including Best Buy, Verizon, AT&T, Sprint, Walmart, Vodafone, and EE. For more information, please visit the company's websites at www.zagg.com and www.mophie.com and follow us on Facebook, Twitter and Instagram.

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Section 4: EX-99.3 (CFO COMMENTARY ON THIRD QUARTER 2016 FINANCIAL RESULTS)

Exhibit 99.3

CFO Commentary on Third Quarter 2016 Financial Results

November 1, 2016

Related Information
The commentary in this document can be referenced in the financial information found in the earnings release issued earlier today. The release can be found at investors.ZAGG.com, or in the Form 8-K furnished to the Securities and Exchange Commission website at sec.gov.

Conference Call
The Company will hold a conference call at 5:00 p.m. Eastern Daylight Time on November 1, 2016, to review third quarter 2016 results. Randy Hales, Chief Executive Officer, and Brad Holiday, Chief Financial Officer, will participate in the call. The conference call will be available to interested parties through a live audio Internet broadcast accessible at investors.ZAGG.com. A podcast of the conference call will also be archived at investors.ZAGG.com for one year.

Third Quarter 2016 Summary
The Company reported record third quarter net sales of $124.7 million, an increase of 87% from $66.8 million in the prior year, reflecting a contribution of $39.7 million from mophie. Gross profit margin for the quarter was $43.1 million or 35% and operating expense was $55.9 million or 45% of net sales. The increase in operating expense is primarily due to a $24.3 million non-cash, net impairment charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie net working capital accounts. Excluding the impairment charge, operating expense would have been 25% of net sales. The Company reported a net loss of ($7.1) million, ($0.25) per diluted share, compared to net income of $3.7 million, $0.13 per diluted share, in the prior year. Non-GAAP net income, which adjusts for costs incurred related to the mophie acquisition (including the $24.3 million net mophie impairment charge), net of tax, was $8.3 million or $0.29 per share.

The Company revised 2016 guidance (inclusive of the operations of mophie after March 3, 2016) to a lower range for net sales and Adjusted EBITDA, primarily due to (1) supply constraints for new device launches from original equipment manufacturers, which has delayed screen protection reorders in the fourth quarter from wireless and big box retailers, (2) potential delays from the fourth quarter of 2016 to the first quarter of 2017 related to the launch of the mophie juice pack for the iPhone 7 and 7 Plus, (3) the impact of the Samsung Note 7 recall, and (4) and slower than anticipated recovery of mophie sales.

The Company’s revised annual guidance for 2016 is as follows:

- Net sales of $400 - $420 million
- Gross profit margin (as a percentage of net sales) in a range of low to mid 30’s
- Adjusted EBITDA of $52 - $55 million (13% of net sales)
- Annual effective tax rate of approximately 40%

Please refer to the 2016 Business Outlook on page 6 for additional details.

<u>2016 Third Quarter Results</u>
(All income statement and non-GAAP comparisons are versus third quarter 2015, unless noted. All market share statistics are supplied by The NPD Group / Retail Tracking Service and only refer to U.S. retail sales.)

<u>Net Sales</u>
Net sales were $124.7 million, an increase of 87% compared to $66.8 million. The increase in net sales was due primarily to (1) mophie net sales of $39.7 million and (2) a 35% increase in screen protection sales to $64.6 million. These increases were partially offset by a decline in keyboard sales. ZAGG net sales (excluding mophie results) increased by $18.2 million or 27%, to $84.9 million.

<u>International</u>
International sales increased 123% to a record $15.9 million, compared to $7.1 million. The increase is due primarily to expanded retail distribution in Western Europe. The impact of foreign exchange rates was negligible in the quarter.

<u>Online</u>
Online sales increased by 136% to $8.3 million, compared to $3.5 million. The increase is due to increased optimization of the ZAGG website and the contribution of sales from the mophie website of $2.8 million.

<u>Product Categories</u>
Screen protection sales increased 35% to a record $64.6 million, compared to $47.9 million. Screen protection sales grew versus the prior year quarter primarily due to new product introductions and increased distribution at wireless retailers. For the third quarter, the InvisibleShield brand remained #1 in dollar share at 52 percent compared to 44 percent last year.

Power cases sales were $15.5 million from sales under the mophie brand.

Power management (external batteries) grew to $27.2 million, an increase from $1.6 million. The increase was primarily due to the impact of mophie Powerstation sales.

Tablet keyboard sales decreased 18% to $8.0 million, compared to $9.8 million.

Audio sales increased 29% to $7.8 million, compared to $6.1 million. In the third quarter, IFROGZ sales grew 43 percent year-over-year, triple the stereo headphones category's market growth of 14 percent. In addition, IFROGZ was #1 in unit market share in the stereo headphones category as a result of strong sales of our updated Plugz with Mic at key retailers, feature improvements in existing products, and back-to-school promotions at key retailers.

<u>Gross Margin</u>
Gross profit margin was 35% ($43.1 million) compared to 37% ($24.9 million). The decline in gross margin percentage was due primarily to the impact of lower mophie gross profit margins, but was partially offset by improved ZAGG (excluding mophie) gross margin percentage, which increased to 42% compared to 37%.

Operating Expense
Operating expense was 45% of net sales or $55.9 million, and includes a non-cash net impairment charge of $24.3 million charge related to a dispute with the former mophie shareholders over the acquisition date value of the mophie working capital accounts. Operating expense excluding the impairment charge would have been 25% or $31.5 million, an improvement compared to 28% of net sales or $18.7 million in 2015. A portion of the increase was also due to the inclusion of mophie operating expenses of $11.0 million, which included (1) $0.7 million in amortization of acquired intangibles and (2) $0.4 million in restructuring charges.

Income Tax Expense
The effective tax rate for the quarter was 47% compared to 39%. The change in the effective tax rate for the three months ended September 30, 2016 is due to a decrease in the domestic manufacturing deduction and permanent differences related to the acquisition of mophie. The Company’s effective tax rate will generally differ from the U.S. Federal statutory rate of 35%, due to state taxes, permanent items, and the Company’s global tax strategy.

Net Income (Loss)
Net loss for the third quarter was $(7.1) million, or diluted loss per share of $(0.25) (on 28.1 million shares), compared to net income $3.7 million, or diluted earnings per share of $0.13 (on 28.9 million shares).

Unaudited Supplemental Data: Adjusted EBITDA and Adjusted Net Income
Adjusted EBITDA for the quarter was $17.8 million (14% of net sales) compared to $9.9 million (15% of net sales). Adjusted EBITDA for ZAGG (excluding mophie) increased to $19.7 million (23% of net sales).

In conjunction with the acquisition of mophie, the Company incurred certain incremental transaction-related expenses (including restructuring), amortization of mophie acquired intangibles, the fair value write-up of mophie inventory related to the acquisition, and a net impairment charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie net working capital accounts. Adjusted Net Income and Adjusted Earnings per Share adjust for the effect of these charges.

Adjusted Net Income was $8.3 million or $0.29 per diluted share compared to $3.7 million or $0.13.

2016 Year to Date Results
(All comparisons are versus the first nine months of 2015, unless otherwise noted. All market share statistics are supplied by The NPD Group / Retail Tracking Service and only refer to U.S. retail sales.)

Net Sales

Net sales increased to $286.9 million, a 50% increase compared to $190.7 million. The increase in net sales was due primarily to (1) mophie net sales of $79.4 million, and (2) a 19% increase in screen protection sales to $153.0 million. These increases were partially offset by a decline in tablet keyboard sales.

International

International sales increased 87% to $33.0 million, compared to $17.7 million. The increase is due primarily to expanded retail distribution in Western Europe. The impact of foreign exchange rates was negligible in the period.

Online

Online sales increased by 130% to $22.7 million, compared to $9.9 million. The increase is due to increased optimization of the ZAGG website and the contribution of sales from the mophie website of $6.5 million.

Product Categories

Screen protection sales increased 19% to $153.0 million, compared to $128.3 million. The increase was primarily due to new product introductions and increased distribution at wireless retailers. Year-to-date, the InvisibleShield brand has a 50% dollar share.

Power cases sales were $43.3 million from sales under the mophie brand.

Power management sales increased to $42.5 million, compared to $4.1 million due to sales under the mophie brand.

Tablet keyboard sales decreased to $25.5 million, compared to $35.5 million.

Audio sales increased to $19.0 million, compared to $17.1 million, due to strong sell through of IFROGZ branded products at key retailers. Year-to-date, the IFROGZ brand has grown twice as fast as the overall stereo headphone category with growth of 19% in retail dollar sales and 34% in unit sales, and was the largest brand in the stereo headphone (on/around ear) category in unit sales at 33%.

Gross Margin

Gross profit margin was 34% ($97.7 million) compared to 38% ($72.8 million). The decline in gross margin percentage was due primarily to the impact of lower mophie gross profit margins and the expense recorded through cost of sales related to the sale of acquired mophie inventory that was recorded at fair value through purchase accounting. These decreases were partially offset by improved ZAGG (excluding mophie) gross margin percentage, which increased to 41% compared to 38% due to record screen protection sales in the third quarter.

Operating Expense

Operating expense was 40% of net sales ($115.5 million), compared to 29% of net sales ($54.9 million). The dollar increase was primarily attributable to a non-cash net impairment charge of $24.3 million in the third quarter related to a dispute with the former mophie shareholders over the acquisition date value of the mophie working capital accounts. Operating expense excluding the impairment would have been 32% or $91.2 million. A portion of the increase was also due to the inclusion of mophie operating expenses of $29.9 million.

Income Tax Expense The effective tax rate was 41% compared to 40% in the prior year. The change in the effective tax rate for the nine months ended September 30, 2016 was primarily due to a decrease in the domestic manufacturing deduction and permanent differences related to the acquisition of mophie. The Company's effective tax rate will generally differ from the U.S. Federal Statutory rate of 35%, due to foreign and state taxes, permanent items, and the Company's global tax strategy.

Net Income (Loss)
Net loss was $(11.4) million versus net income of $10.6 million. Fully diluted loss per share for the first nine months was $(0.41) (28.1 million shares) compared to net earnings per fully diluted share of $0.36 (29.5 million shares).

Unaudited Supplemental Data: Adjusted EBITDA and Adjusted Net Income (Loss)
Adjusted EBITDA for the first nine months increased 13% to $33.5 million (12% of net sales) compared to $29.5 million (16% of net sales). Adjusted EBITDA for ZAGG (excluding mophie) increased to $39.3 million (19% of net sales).

As stated above, Adjusted Net Income and Adjusted Earnings per Share adjust for the transaction-related expenses (including restructuring), amortization of mophie acquired intangibles, the fair value write-up of mophie inventory related to the acquisition, and a net impairment charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie net working capital accounts.

Adjusted Net Income was $10.5 million or $0.38 per diluted share compared to $10.6 million or $0.36.

Balance Sheet (as of September 30, 2016)
(All balance sheet comparisons are versus December 31, 2015, unless noted.)

Cash and Cash Equivalents
The cash and cash equivalents balance was $9.0 million compared to $13.0 million, a decrease of $4.0 million. The decrease in cash is largely the result of cash used for the purchase of mophie, for working capital requirements at mophie, and purchases of fixed assets; this decrease was partially offset by cash collections and borrowings under the line of credit and term loan during the nine months ended September 30, 2016.

Account Receivables
Accounts receivable increased to $83.1 million compared to $57.6 million, an increase of $25.4 million. The increase was primarily due to the addition of accounts receivable from the mophie acquisition, and higher net sales in the third quarter. Day's sales outstanding (DSO) were virtually flat at 68 days compared to 67 days.

Inventory
Inventories were $66.2 million compared to $45.9 million. The increase in inventory is primarily due to the addition of mophie inventory. ZAGG inventory (excluding mophie) decreased to $31.0 million, a decrease of $14.9 million or 32%.

Debt
Concurrent with the close of the merger with mophie on March 3, 2016, the Company entered into a Credit and Security Agreement (the "Agreement") with KeyBank National Association. The Agreement provides an $85.0 million revolving line of credit with a maturity date of March 2, 2021. Borrowings under the line of credit are subject to a borrowing base limit, which is calculated from outstanding accounts receivable and inventory. Interest on the line of credit accrues at the prime rate plus 0.50% or LIBOR plus 1.50%. The Agreement also provides a $25.0 million term loan commitment. Payments on the term loan began April 1, 2016 and continue until it is paid in full on March 2, 2020. Interest on the term loan will accrue at the base rate plus 1.0% or at a rate of LIBOR plus 2.0%.

At the end of the third quarter, the Company had a balance on the line of credit of $30.2 million, and a balance on the term loan of $21.9 million.

2016 Business Outlook
The Company revised 2016 guidance (inclusive of the operations of mophie after March 3, 2016) to a lower range for net sales and Adjusted EBITDA, primarily due to (1) supply constraints for new device launches from original equipment manufacturers, which has delayed screen protection reorders in the fourth quarter from wireless and big box retailers, (2) potential delays from the fourth quarter of 2016 to the first quarter of 2017 related to the launch of the mophie juice pack for the iPhone 7 and 7 Plus, (3) the impact of the Samsung Note 7 recall, and (4) and slower than anticipated recovery of mophie sales.

The Company's revised annual guidance for 2016 is as follows:

- Net sales of $400 - $420 million
- Gross profit margin (as a % of net sales) in a range of low to mid 30's
- Adjusted EBITDA of $52 - $55 million (13% of net sales)
- Annual effective tax rate of approximately 40%

Non-GAAP Financial Disclosure
ZAGG regularly discloses Adjusted EBITDA and Adjusted Net Income, non-GAAP metrics, in its financial releases. Readers should refer to the non-GAAP financial disclosures at the end of this document for information on the limitations of non-GAAP disclosures. An explanation of ZAGG's use of this non-GAAP financial measure and the reconciliation between GAAP and non-GAAP measures required by SEC Regulation G is included in ZAGG's press release today, which can be found at investors.ZAGG.com.

Readers are cautioned that the Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, other income (expense), mophie transaction costs, mophie fair value inventory write-up related to acquisition, mophie restructuring charges, mophie employee retention bonus, and the loss on disputed mophie purchase price), Adjusted Net Income (earnings before mophie transaction costs, mophie fair value inventory write-up related to acquisition, amortization from mophie acquired intangibles, mophie restructuring charges, mophie employee retention bonus, and the loss on disputed mophie purchase price – all net of tax), and Adjusted Earnings per Share (Adjusted Net Income divided by weighted average shares outstanding) contained in this release are not financial measures under US generally accepted accounting principles (GAAP). In addition, this financial information should not be construed as an alternative to any other measure of performance determined in accordance with GAAP, or as indicators of 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 Adjusted EBITDA and Adjusted Net Income because we believe that they are helpful to some investors as a measure of performance. We caution readers that non-GAAP financial information, by its nature, departs from traditional accounting conventions. Accordingly, its use can make it difficult to compare current results with results from other reporting periods and with the financial results of other companies.

Safe Harbor Statement

In addition to the historical information contained in this press release, this release contains (and oral communications made by ZAGG may contain) statements that relate to future events and expectations and, as such, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, outlook, assumptions, or future events or performance, often, but not always, through the use of words or phrases such as "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," "targets," or similar expressions, are not statements of historical facts and may be forward-looking. Readers 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. In addition to any assumptions and other factors and matters referred to specifically in connection with such forward-looking statements, factors that could cause actual results or outcomes to differ materially from those contained in forward-looking statements include the following: (a) the ability to design, produce, and distribute the creative product solutions required to retain existing customers and to attract new customers; (b) building and maintaining marketing and distribution functions sufficient to gain meaningful international market share for ZAGG's products; (c) the ability to respond quickly with appropriate products after the adoption and introduction of new mobile devices by major manufacturers like Samsung and Apple; (d) changes or delays in announced launch schedules for (or recalls or withdrawals of) new mobile devices by major manufacturers like Samsung and Apple; (e) the ability to successfully integrate new operations or acquisitions, specifically including mophie inc., (f) the impact of inconsistent quality or reliability of new product offerings; (g) the impact of lower profit margins in certain new and existing product categories, including certain mophie products; (h) the impacts of changes in economic conditions, including on customer demand; (i) managing inventory in light of constantly shifting consumer demand; (j) the failure of information systems or technology solutions or the failure to secure information system data, failure to comply with privacy laws, security breaches, or the effect on the company from cyber-attacks, terrorist incidents, or the threat of terrorist incidents; (k) adoption of or changes in accounting policies, principles, or estimates; and (l) the resolution of the dispute over the acquisition date value of the mophie net working capital accounts with the former mophie shareholders. Any forward-looking statement speaks only as of the date on which such statement is made. New factors emerge from time to time and it is not possible for management to predict all such factors, nor can it assess the impact of any such factor on the business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Readers should also review the risks and uncertainties listed in ZAGG's most recent Annual Report on Form 10-K and other reports the company files with the U.S. Securities and Exchange Commission, including (but not limited to) Item 1A - "Risk Factors" in the Form 10-K and Management's Discussion and Analysis of Financial Condition and Results of Operations and the risks described therein from time to time. ZAGG disclaims any obligation to update publicly any forward-looking information, whether in response to new information, future events, or otherwise, except as required by applicable law.

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