
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): March 7, 2017

ZAGG INC

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-34528

(Commission File Number)

20-2559624

(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)

3855 South 500 West, Suite J
Salt Lake City, Utah 84115

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 (17CFR 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 March 7, 2017, the Company issued a press release announcing the results of operations for the year ended December 31, 2016, and made publicly available certain supplemental financial information, including commentary on results of operations from Bradley J. Holiday, 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 held its earnings conference call on March 7, 2017.

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.

(d) Exhibits.

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

<u>Exhibit No.</u>	<u>Description</u>
99.1	Supplemental Financial Information for the Year Ended December 31, 2016
99.2	Results of Operations Press Release dated March 7, 2017
99.3	CFO Commentary on 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: March 7, 2017

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 YEAR ENDED DECEMBER 31, 2016)

Exhibit 99.1

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

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 11,604	\$ 13,002
Accounts receivable, net of allowances of \$824 in 2016 and \$568 in 2015	83,835	57,647
Inventories	72,769	45,912
Prepaid expenses and other current assets	3,414	3,142
Income tax receivable	2,814	1,158
Deferred income tax assets	23,050	10,840
Total current assets	197,486	131,701
Property and equipment , net of accumulated depreciation at \$18,371 in 2016 and \$10,539 in 2015	17,755	8,309
Goodwill	12,272	-
Intangible assets , net of accumulated amortization at \$55,298 in 2016 and \$41,803 in 2015	53,362	23,045
Deferred income tax assets	27,313	15,386
Other assets	2,541	1,100
Total assets	\$ 310,729	\$ 179,541
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 85,022	\$ 33,846
Accrued liabilities	22,216	5,068
Sales returns liability	28,373	7,849
Accrued wages and wage related expenses	6,169	2,244
Deferred revenue	273	17
Line of Credit	31,307	-
Current portion of long-term debt, net of deferred loan costs of \$65 in 2016	10,484	-

Total current liabilities	<u>183,844</u>	<u>49,024</u>
Noncurrent portion of long-term debt , net of deferred loan costs of \$141 in 2016	<u>9,623</u>	<u>-</u>
Total liabilities	<u>193,467</u>	<u>49,024</u>
Stockholders' equity		
Common stock, \$0.001 par value; 100,000 shares authorized; 33,840 and 33,219 shares issued in 2016 and 2015, respectively	34	33
Additional paid-in capital	92,782	88,983
Accumulated other comprehensive income (loss)	(2,114)	(1,597)
Treasury stock, 5,831 and 5,679 common shares in 2016 and 2015 respectively, at cost	(36,145)	(35,194)
Retained earnings	<u>62,705</u>	<u>78,292</u>
Total stockholders' equity	<u>117,262</u>	<u>130,517</u>
Total liabilities and stockholders' equity	<u>\$ 310,729</u>	<u>\$ 179,541</u>

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Net sales	\$ 114,929	\$ 78,632	\$ 401,857	\$ 269,311
Cost of sales	<u>85,075</u>	<u>49,733</u>	<u>274,255</u>	<u>167,627</u>
Gross profit	<u>29,854</u>	<u>28,899</u>	<u>127,602</u>	<u>101,684</u>
Operating expenses:				
Advertising and marketing	3,862	2,986	12,440	10,436
Selling, general and administrative	25,986	15,739	96,229	56,752
Loss on disputed mophie purchase price	-	-	24,317	-
Transaction costs	124	179	2,591	179
Amortization of definite-lived intangibles	<u>3,476</u>	<u>2,051</u>	<u>13,385</u>	<u>8,453</u>
Total operating expenses	<u>33,448</u>	<u>20,955</u>	<u>148,962</u>	<u>75,820</u>
Income (loss) from operations	(3,594)	7,944	(21,360)	25,864
Other income (expense):				
Interest expense	(484)	(16)	(1,851)	(97)
Other income (expense)	<u>(76)</u>	<u>(15)</u>	<u>(348)</u>	<u>(69)</u>
Total other expense, net	<u>(560)</u>	<u>(31)</u>	<u>(2,199)</u>	<u>(166)</u>
Income (loss) before provision for income taxes	<u>(4,154)</u>	<u>7,913</u>	<u>(23,559)</u>	<u>25,698</u>
Income tax benefit (provision)	<u>9</u>	<u>(2,956)</u>	<u>7,972</u>	<u>(10,111)</u>
Net income (loss)	<u>\$ (4,145)</u>	<u>\$ 4,957</u>	<u>\$ (15,587)</u>	<u>\$ 15,587</u>
Earnings (loss) per share attributable to stockholders:				
Basic earnings (loss) per share	<u>\$ (0.15)</u>	<u>\$ 0.18</u>	<u>\$ (0.56)</u>	<u>\$ 0.54</u>
Diluted earnings (loss) per share	<u>\$ (0.15)</u>	<u>\$ 0.18</u>	<u>\$ (0.56)</u>	<u>\$ 0.54</u>

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Net income (loss) in accordance with GAAP	\$ (4,145)	\$ 4,957	\$ (15,587)	\$ 15,587
Adjustments:				
a. Stock based compensation expense	151	1,185	3,830	3,893
b. Depreciation and amortization	5,787	3,372	22,270	12,923
c. Recovery of reserves on note receivable	-	-	-	(639)
d. Other (income) expense	560	31	2,199	166
e. mophie transaction expenses	124	179	2,591	179
f. mophie fair value inventory write-up related to acquisition	-	-	2,586	-
g. mophie restructuring charges	959	-	2,160	-
h. mophie employee retention bonus	341	-	841	-
i. Loss on disputed mophie purchase price	-	-	24,317	-
j. Provision for income taxes	(9)	2,956	(7,972)	10,111
Adjusted EBITDA	<u>\$ 3,768</u>	<u>\$ 12,680</u>	<u>\$ 37,235</u>	<u>\$ 42,220</u>

Adjusted Net Income Reconciliation - Three and Twelve Months Ended December 31, 2016 and 2015

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Net income (loss) in accordance with GAAP	\$ (4,145)	\$ 4,957	\$ (15,587)	\$ 15,587
Adjustments:				
a. Amortization of mophie acquired intangibles	1,818	-	6,303	-
b. mophie transaction costs	124	-	2,591	-
c. mophie fair value inventory write-up related to acquisition	-	-	2,586	-
d. mophie restructuring charges	959	-	2,160	-
e. mophie employee retention bonus	341	-	841	-
f. Loss on disputed mophie purchase price	-	-	24,317	-
g. Income tax effects	(1,240)*	-	(14,840)*	-
Adjusted net income	<u>\$ (2,143)</u>	<u>\$ 4,957</u>	<u>\$ 8,371</u>	<u>\$ 15,587</u>
Adjusted diluted earnings per share	<u>\$ (0.08)</u>	<u>\$ 0.18</u>	<u>\$ 0.30</u>	<u>\$ 0.54</u>
Weighted average number of shares outstanding - diluted	<u>28,061</u>	<u>28,021</u>	<u>28,006</u>	<u>29,089</u>

* 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 MARCH 7, 2017)

Exhibit 99.2

March 7, 2017

ZAGG Reports 2016 Fourth Quarter & Full Year Results; Provides 2017 Outlook of \$470 to \$500 Million in Net Sales

SALT LAKE CITY, March 7, 2017 (GLOBE NEWSWIRE) – ZAGG Inc (Nasdaq: ZAGG), a leading global mobile lifestyle company, today announced financial results for the full year and fourth quarter ending December 31, 2016.

Fourth Quarter Highlights (Comparisons versus fourth quarter 2015)

- *Net sales of \$114.9, a 46% increase compared to \$78.6 million*
- *Gross margin impacted by actions taken to clear mophie inventory and position the company for profitable growth in 2017*
- *GAAP net loss of \$(4.1) million; Adjusted net loss of \$(2.1) million*
- *Adjusted EBITDA of \$3.8 million*

2016 Full Year Highlights (Comparisons versus full year 2015)

- *Record net sales of \$401.9 million, a 49% increase compared to \$269.3 million*
- *GAAP net loss of \$(15.6) million; Adjusted net income of \$8.4 million*
- *Adjusted EBITDA of \$37.2 million*
- *\$32.7 million in cash flow from operations; \$67.8 million from ZAGG business unit*

2017 Full Year Outlook

- *Net sales in the range of \$470 million to \$500 million*
- *Adjusted EBITDA in the range of \$71 million to \$75 million*

“Our 2016 results reflect solid growth of our ZAGG business unit offset by actions taken in the fourth quarter to position the mophie business for profitable growth beginning in 2017,” commented Randy Hales, President and Chief Executive Officer. “Our ZAGG business unit’s performance was highlighted by record InvisibleShield sales which, along with enhanced operational efficiencies, helped drive increases in unit level gross margin and Adjusted EBITDA despite device constraints. 2016 was a transition year for mophie as we executed a number of initiatives to strengthen the business. We appointed a new president, implemented operational improvements, and right-sized the business to position mophie for a strong turn-around in 2017.”

Mr. Hales continued, “We are very confident in our ability to achieve our 2017 outlook. The strength of our brands and product lineups coupled with the many operational improvements we’ve made over the past 12-months have us well positioned to profitably capitalize on the robust launch schedule of new OEM devices this year. We believe the combination of our ZAGG and mophie business units provide the company with a strong foundation to drive sustained growth and enhance long-term shareholder value.”

Fourth Quarter Results

<i>(in millions, except per share amounts)</i>	DECEMBER 31, DECEMBER 31,	
	2016	2015
Net Sales	\$114.9	\$78.6
Gross Profit (Gross Profit %)	\$29.9 (26%)	\$28.9 (37%)
Net Income (Loss)	\$(4.1)	\$5.0
Diluted Earnings (Loss) per Share	\$(0.15)	\$0.18
Adjusted EBITDA	\$3.8 (3%)	\$12.7 (16%)
Adjusted Net Income (Loss)	\$(2.1)	\$5.0

Fourth Quarter Results

Net sales for the fourth quarter increased by 46% to \$114.9 million, compared to \$78.6 million in 2015, and were driven by sales of \$34.4 million from the mophie business unit combined with a 2% increase in ZAGG business unit sales. Fourth quarter 2016 sales were negatively impacted by approximately \$11 million due to constrained availability of new devices at retail.

Gross profit was \$29.9 million, or 26% of net sales, compared to \$29.0 million, or 37% of net sales in 2015. The decrease in gross margin was due primarily to higher discounts and in-channel promotions on older mophie products during the holiday season enacted to position the brand for a strong 2017; this had an approximate 245 basis point impact on gross margin in the quarter. ZAGG business unit gross margin expanded by 80 basis points.

Net loss was \$(4.1) million, compared to net income of \$5.0 million in the fourth quarter of 2015. Net loss per share was \$(0.15), on 28.1 million shares, compared to net income per diluted share of \$0.18, on 28.0 million diluted shares, in the fourth quarter of 2015. Adjusted net loss for the period was \$(2.1) million or \$(0.08) per diluted share compared to \$5.0 or \$0.18 per diluted share.

Adjusted EBITDA was \$3.8 million. The ZAGG business unit Adjusted EBITDA was \$13.8 million, an increase of 9% from \$12.7 million in the prior year. Adjusted EBITDA for the mophie business unit was \$(10.0) million and was impacted by strategic actions taken in the quarter.

Full Year Results

<i>(in millions, except per share amounts)</i>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Net Sales	\$401.9	\$269.3
Gross Profit (Gross Profit %)	\$127.6 (32%)	\$101.7 (38%)
Net Income (Loss)	\$(15.6)	\$15.6
Diluted Earnings (Loss) per Share	\$(0.56)	\$0.54
Adjusted EBITDA (margin %)	\$37.2 (9%)	\$42.2 (16%)
Adjusted Net Income (Loss)	\$8.4	\$15.6

2016 Full Year Results

Net sales for 2016 increased 49% to \$401.9 million compared to \$269.3 million in 2015. The increase in sales was driven by the mophie acquisition, which added incremental sales of \$113.8, combined with a 7% increase in ZAGG business unit sales to \$288.1 million, driven largely by record screen protection sales.

Gross profit increased to \$127.6 million, or 32% of net sales, compared to \$101.7 million, or 38% of net sales, in 2015. The increase in gross profit dollars was due to higher ZAGG business unit sales and gross margins along with the acquisition of mophie. The gross margin decline was primarily related to the mophie business unit, which experienced higher promotions, discounts, and sales returns, as well as a \$2.6 million impact related to the write-up of mophie inventory to fair value during purchase accounting, which was recorded through cost of sales. The impact of mophie on gross margin was partially offset by 220 basis points of improvement in the ZAGG business unit to 40%, due to a higher percentage of screen protection sales and improved operational performance.

Net loss was \$(15.6) million, compared to net income of \$15.6 million in 2015. Net loss per share was \$(0.56), on 28.0 million shares, compared to net income per diluted share of \$0.54, on 29.1 million diluted shares, in 2015. The decline in net income was due primarily to the inclusion of a \$24.3 million net non-cash charge associated with a dispute with the former mophie shareholders over the acquisition date value of the mophie net working capital and losses from breaches of representations, warranties and covenants that directly impacted current assets and current liabilities, transaction fees, restructuring charges, the fair value write-up of inventory related to the acquisition, and fourth quarter promotional activities at the mophie business unit. Adjusted Net Income was \$8.4 million or \$0.30 per diluted share compared to \$15.6 million or \$0.54.

Adjusted EBITDA was \$37.2 million compared to \$42.2 million for the consolidated business in 2015. The ZAGG business unit Adjusted EBITDA was \$53.1 million, an increase of 26% from \$42.2 million in the prior year. Adjusted EBITDA for the mophie business unit was \$(15.9) million, and the loss was driven by lower gross margin throughout the year, including the promotional activities in the fourth quarter explained above.

Share Repurchase Summary

In the fourth quarter of 2016, the Company repurchased 151,649 shares at an average price of \$6.23 per share for total cash of \$1.0 million.

2017 Business Outlook

The Company provided the following annual guidance for 2017:

- Net sales of \$470 to \$510 million
- Gross margin in the low to mid 30 percent range
- Adjusted EBITDA of \$71 to \$75 million
- Annual effective tax rate of approximately 39%

The Company is unable to provide guidance for net income (loss), and reconciliation of Adjusted EBITDA to net income (loss), the closest corresponding U.S. GAAP measure is not available without unreasonable efforts on a forward-looking basis due to the variability and complexity with respect to charges excluded from this non-GAAP measure. In particular, the measures and effects of stock based compensation expense that are directly impacted by unpredictable fluctuations in our share price, and our tax expense is directly impacted by our taxable income. We expect the variability of these charges could have a significant, and potentially unpredictable, impact on our future U.S. GAAP results.

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.

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/Loss per Share (Adjusted Net Income/Loss 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/Loss 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 new mobile devices by major manufacturers like Samsung and Apple; (e) the ability to successfully integrate new operations or acquisitions, 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; (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; and (k) adoption of or changes in accounting policies, principles, or estimates. 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 Inc (NASDAQ: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, mobile keyboards, power management solutions, social tech, and personal audio sold under the ZAGG®, mophie®, InvisibleShield®, and IFROGZ® brands. ZAGG has operations in the United States, Ireland, and China. ZAGG products are available worldwide, and can be found at leading retailers including Best Buy, Verizon, AT&T, Sprint, Walmart, Target, Walgreens and Amazon.com. 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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Supplemental Financial Information – CFO Commentary

March 7, 2017

Document reference 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.

2016 Summary Results

(Full year 2016 reflects 10 months of contribution from the mophie business unit. 2015 full year and fourth quarter reflect only the ZAGG business unit. In millions, except per share amounts.)

Full Year and Fourth Quarter

	Full Year 2016			2015	Fourth Quarter 2016			2015
	ZAGG	mophie	Consolidated	ZAGG	ZAGG	mophie	Consolidated	ZAGG
Net Sales	\$ 288.1	\$ 113.8	\$ 401.9	\$ 269.3	\$ 80.5	\$ 34.4	\$ 114.9	\$ 78.6
Gross Margin	\$ 115.1	\$ 12.5	\$ 127.6	\$ 101.7	\$ 30.2	\$ (0.3)	\$ 29.9	\$ 29.0
Gross Margin %	40%	11%	32%	38%	38%	(1)%	26%	37%
Net Income (Loss)			\$ (15.6)	\$ 15.6			\$ (4.1)	\$ 5.0
Diluted EPS (Loss)			\$ (0.56)	\$ 0.54			\$ (0.15)	\$ 0.18
Adjusted EBITDA	\$ 53.1	\$ (15.9)	\$ 37.2	\$ 42.2	\$ 13.8	\$ (10.0)	\$ 3.8	\$ 12.7

Sales by Category

	Full Year				Fourth Quarter			
	2016	% Total	2015	% Total	2016	% Total	2015	% Total
Screen Protection	\$ 213.9	54%	\$ 179.9	67%	\$ 60.9	53%	\$ 51.6	66%
Power Cases	\$ 61.7	15%	\$ 0	0%	\$ 18.5	16%	\$ 0.0	0%
Power Management	\$ 60.5	15%	\$ 7.5	3%	\$ 18.0	16%	\$ 3.4	4%
Personal Audio	\$ 24.3	6%	\$ 24.0	9%	\$ 5.3	4%	\$ 6.9	9%
Mobile Keyboards	\$ 36.8	9%	\$ 50.6	19%	\$ 11.2	10%	\$ 15.1	19%
Other	\$ 4.6	1%	\$ 7.3	2%	\$ 1.0	1%	\$ 1.6	2%

Sales by Region/Channel

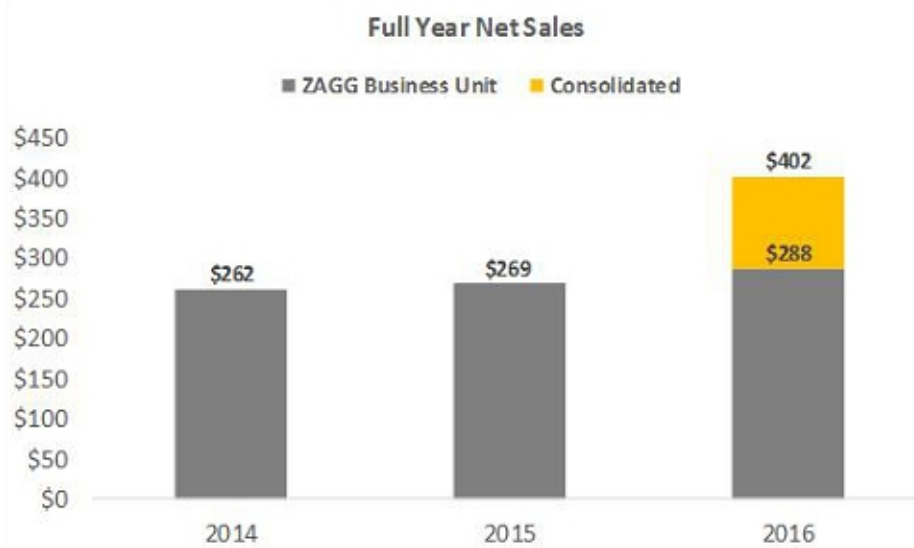
	Full Year			Fourth Quarter		
	2016	2015	% Growth	2016	2015	% Growth
Domestic	\$ 353.6	\$ 244.4	45%	\$ 99.7	\$ 71.4	40%
International	\$ 48.2	\$ 24.9	94%	\$ 15.2	\$ 7.2	111%
Retail	\$ 350.7	\$ 238.7	47%	\$ 98.7	\$ 69.1	43%
Online	\$ 34.2	\$ 14.8	131%	\$ 11.5	\$ 4.9	135%
Kiosk	\$ 16.9	\$ 15.8	7%	\$ 4.7	\$ 4.6	2%



2016 Full Year Results

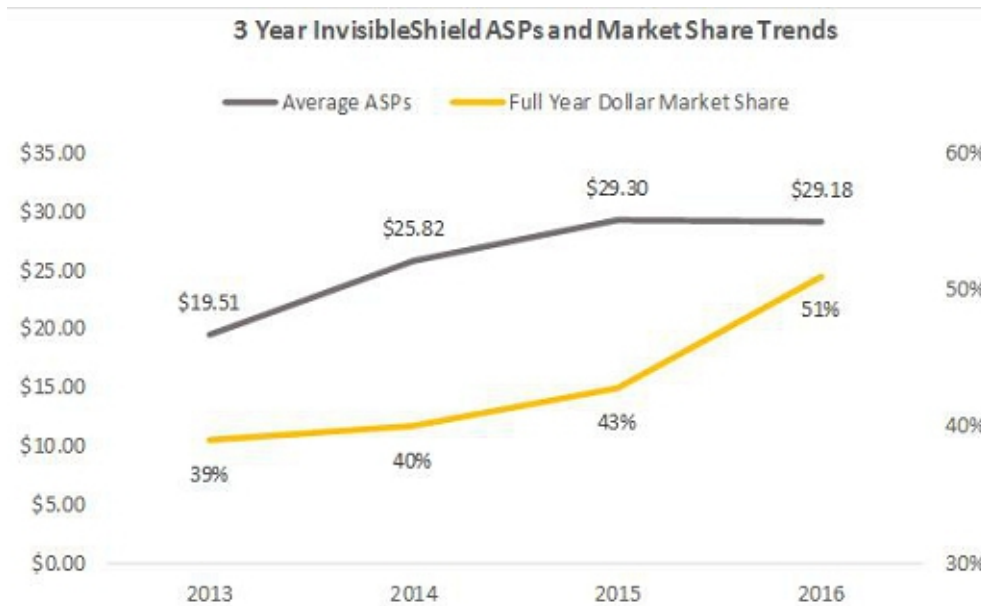
(All comparisons are 2016 consolidated versus 2015, unless otherwise noted.)

Net sales



- Net sales increased 49% to \$401.9 million, compared to \$269.3 million due primarily to:
 - ten months of mophie business unit net sales of \$113.8 million, and
 - an increase of 7% in the ZAGG business unit net sales to \$288.1 million, driven by record screen protection sales

InvisibleShield



- Screen protection market share hit a record high of 51% in 2016 (52% in the fourth quarter)
- Average selling price (ASP) has increased 50% since 2013 due to new product innovation, and an increase in mix of higher priced glass screen protection.



Gross profit/margin

- Gross profit increased to \$127.6 million, compared to \$101.7 million reflecting:
 - 10 months of contribution from the mophie business unit, and
 - the increase in ZAGG business unit sales and improvement in gross profit margins
- Gross profit margin declined to 32% from 38% due primarily to:
 - lower mophie business unit gross profit margin of 11% due to:
 - higher promotions, discounts, and sales returns, and,
 - a \$2.6 million impact related to the write-up of mophie inventory to fair value during purchase accounting, which was recorded through cost of sales.
 - This decrease was partially offset by 220 basis points of improvement in ZAGG business unit gross profit margin to 40%.

Operating expense

- Operating expense increased to \$149.0 million compared to \$75.8 million, primarily attributable to:
 - the inclusion of mophie operating expenses of \$43.6 million,
 - 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,
 - transaction fees of \$2.6 million related to the acquisition of mophie, and
 - restructuring charges of \$3.0 million.
- Operating expense margin, excluding the \$29.9 million in expenses related to the impairment, transaction fees and restructuring costs, would have been \$119.1 million or 30% of net sales, as compared to \$75.8 million or 28%.

Net income (loss)/earnings (loss) per share

- Net loss was \$(15.6) million, as compared to net income of \$15.6 million.
- Diluted loss per share was \$(0.56) (on 28.0 million shares) as compared to diluted earnings per share of \$0.54 (on 29.1 million shares).

Unaudited supplemental data: Adjusted EBITDA and Adjusted Net income (Loss)

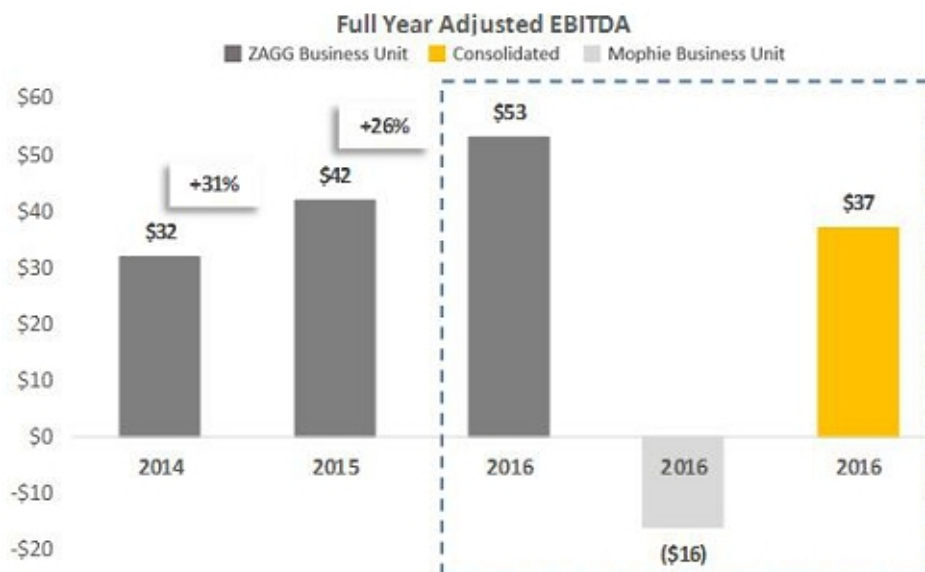
Adjusted Net Income (Loss)

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 \$8.4 million or \$0.30 per diluted share compared to \$15.6 million or \$0.54.



Adjusted EBITDA



- Consolidated Adjusted EBITDA was \$37.2 million compared to \$42.2 million, reflecting \$53.1 million from the ZAGG business unit and \$(15.9) from the mophie business unit.

2016 Fourth Quarter Results

(All comparisons are 2016 consolidated versus 2015, unless otherwise noted.)

Net sales

- Fourth quarter net sales increased 46% to \$114.9 million from \$78.6 million, primarily due to:
 - sales of \$34.4 million from the mophie business unit, and
 - an increase of 2% in ZAGG business unit sales driven by strong screen protection sales.

Gross profit/margin

- Gross profit margin declined to 26% from 37% due primarily to:
 - lower overall gross profit margin on mophie business unit sales and additional discounts and promotions during the holiday season,
 - partially offset by ZAGG business unit gross margin improvement of 80 basis points

Operating expense

- Operating expense increased to \$33.4 million from \$21.0 million due primarily to the acquisition of mophie.

Net income (loss)/earnings (loss) per share

- The Company had a net loss in the quarter of \$(4.1) million compared to net income of \$5.0 million.
- Net loss per share was \$(0.15) (on 28.1 million shares) as compared to diluted earnings per share of \$0.18 (on 28.0 million shares).



Unaudited Supplemental Data: Adjusted EBITDA and Adjusted Net Income (Loss)

Adjusted net income (loss)

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 (Loss) and Adjusted Earnings per Share adjust for the effect of these charges.

Adjusted Net Loss for the period was \$(2.1) million or \$(0.08) per diluted share compared to \$5.0 or \$0.18 per diluted share.

Adjusted EBITDA

Adjusted EBITDA was \$3.8 million as compared with \$12.7 million, reflecting \$13.8 million for the ZAGG business unit and negative Adjusted EBITDA of \$(10.0) million for the mophie business unit.

Balance Sheet Highlights (as of December 31, 2016)

(All balance sheet comparisons are versus December 31, 2015, unless noted.)

(in millions, excluding DSOs and Inventory turns.)

	2016	2015
Cash and Cash Equivalents	\$ 11.6	\$ 13.0
Account Receivables	\$ 83.8	\$ 57.7
Inventory	\$ 72.8	\$ 45.9
Total Debt	\$ 51.6	\$ 0.0
Line of Credit	\$ 31.3	\$ 0.0
Term Loan	\$ 20.3	\$ 0.0
Net Working Capital	\$ 13.6	\$ 82.7
DSOs	70	67
Inventory Turns*		
ZAGG	9X	6X
Mophie	3X	NA

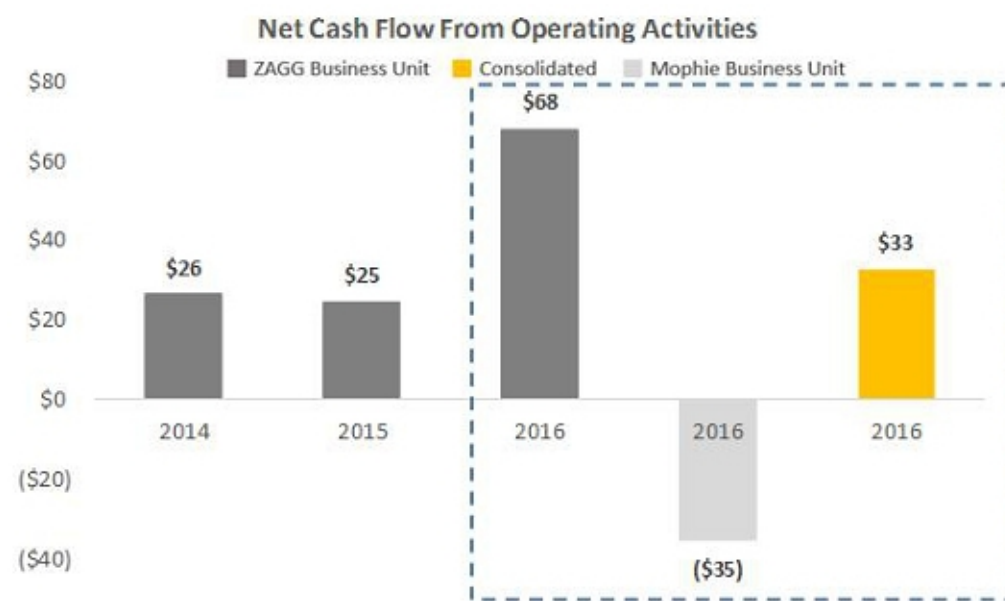
*Inventory turns defined as trailing 12 month sales divided by year-end inventory.

Total Debt

- The Company has effectively managed its outstanding debt balance, which was reduced from a high of \$86.9 million in April 2016 to the year-end balance of \$51.6 million.



Net Cash Flow from Operating Activities



(in millions)	ZAGG Business Unit			mophie Business Unit	Consolidated
	2014	2015	2016	2016	2016
Net Cash Flow from Operating Activities	\$ 26	\$ 25	\$ 68	(\$ 35)	\$ 33

2017 Business outlook

The Company introduced annual guidance for 2017 as follows:

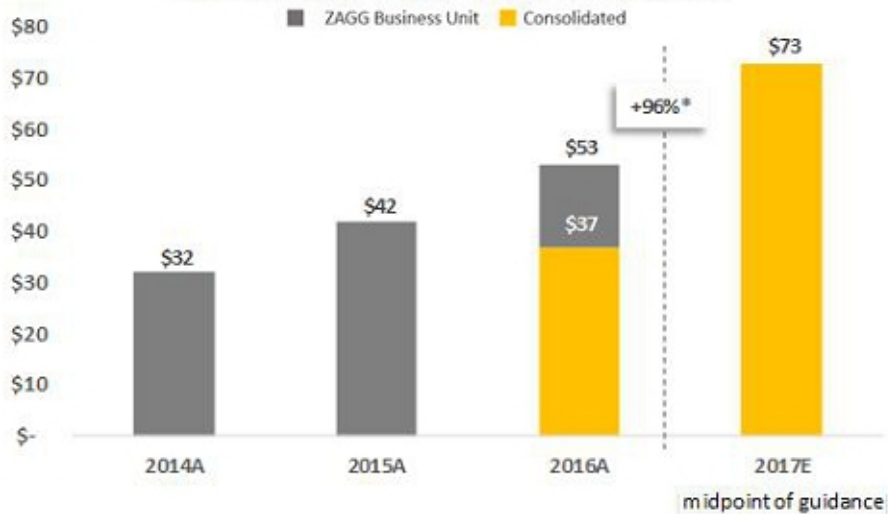
- Net sales of \$470 - \$500 million
- Gross profit margin as a percentage of net sales in a range of low to mid 30's
- Adjusted EBITDA of \$71 - \$75 million
- Annual effective tax rate of approximately 39%



*Growth on consolidated



Annual Adjusted EBITDA - Guidance vs. Historical



*Growth on consolidated

2017 Consolidated Adjusted EBITDA Bridge



Notes to Adjusted EBITDA Bridge

Sales growth:

- ZAGG
 - Expanded domestic market distribution into new channels and new retail accounts
- mophie
 - 12 months of sales versus 10 months
 - Reduction in sales returns and discounts
- ZAGG/mophie
 - Strong international growth
 - New 2017 ZAGG/mophie product launches
 - New OEM device launches

Operating performance:

- S&OP improvement – primarily mophie inventory optimization as a result of improved new product launches, forecasting, and supply chain efficiencies

Synergies:

- An additional \$8 million in 2017 – lower headcount, office consolidation, and supply chain efficiencies



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/Loss per Share (Adjusted Net Income/Loss 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/Loss 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.