# Section 1: 8-K (8-K)

**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): May 7, 2019

# 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 Way, Suite 500
Midvale, Utah 84047
(Address of principal executive offices; zip code)

(801) 263-0699

(Registrant's telephone number, including area code)

Not applicable

(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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $.001 par value | ZAGG | The Nasdaq Stock Market, LLC |

**Item 2.02 Results of Operations and Financial Condition.**

On May 7, 2019, ZAGG Inc (the "Company") issued a press release announcing the results of operations for the three months ended March 31, 2019, and made publicly available certain supplemental financial information, including commentary on results of operations from Taylor D. Smith, Chief Financial Officer ("CFO"). The supplemental financial information - financial tables is furnished with this report as Exhibit 99.1, the press release is furnished with this report as Exhibit 99.2, and the supplemental financial information - CFO commentary is furnished with this report as Exhibit 99.3.

The Company will also hold its earnings conference call on May 7, 2019. The conference call will be available to interested parties through a live audio Internet broadcast accessible at investors.ZAGG.com under the events tab. A podcast of the conference call will be archived at investors.ZAGG.com for one year. The URLs are included here as inactive textual references. Information contained on, or accessible through, our websites is not a part of, and is not incorporated by reference into, this report.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits.

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

| Exhibit No. | Description |
|---|---|
| 99.1 | Supplemental Financial Information - Financial Tables for the Three Months Ended March 31, 2019 |
| 99.2 | Results of Operations Press Release dated May 7, 2019 |
| 99.3 | Supplemental Financial Information - CFO Commentary on the First Quarter 2019 Financial Results |

The information contained in Item 2.02 and Item 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.

**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.

**ZAGG INC**

Dated: May 7, 2019

**/s/ TAYLOR D. SMITH**

Taylor D. Smith
Chief Financial Officer
(Principal financial officer)

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# Section 2: EX-99.1 (EXHIBIT 99.1)

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

| | March 31, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |

| | | |
|---|---|---|
| Cash and cash equivalents | $ 14,789 | $ 15,793 |
| Accounts receivable, net of allowances of $700 and $885 | 93,617 | 156,667 |
| Income tax receivable | 2,149 | 375 |
| Inventories | 100,226 | 82,919 |
| Prepaid expenses and other current assets | 4,371 | 5,473 |
| **Total current assets** | 215,152 | 261,227 |
| | | |
| Property and equipment, net of accumulated depreciation of $12,326 and $11,844 | 18,016 | 16,118 |
| Intangible assets, net of accumulated amortization of $83,046 and $78,627 | 75,189 | 52,054 |
| Deferred income tax assets | 14,302 | 19,403 |
| Goodwill | 43,560 | 27,638 |
| Other assets | 10,574 | 1,571 |
| **Total assets** | $ 376,793 | $ 378,011 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 55,045 | $ 80,908 |
| Sales returns liability | 33,824 | 54,432 |
| Accrued wages and wage related expenses | 6,183 | 6,624 |
| Accrued liabilities | 11,791 | 13,723 |
| **Total current liabilities** | 106,843 | 155,687 |
| | | |
| Line of credit | 93,363 | 58,363 |
| Other long-term liabilities | 20,052 | 5,470 |
| **Total liabilities** | 220,258 | 219,520 |
| | | |
| **Stockholders' equity:** | | |
| Common stock, $0.001 par value; 100,000 shares authorized; 36,117 and 34,457 shares issued | 36 | 34 |
| Treasury stock, 7,055 and 6,983 common shares at cost | (50,455) | (49,733) |
| Additional paid-in capital | 109,869 | 96,486 |
| Accumulated other comprehensive loss | (1,566) | (1,410) |
| Retained earnings | 98,651 | 113,114 |
| **Total stockholders' equity** | 156,535 | 158,491 |
| **Total liabilities and stockholders' equity** | $ 376,793 | $ 378,011 |

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

| | For the Three Months Ended | |
|---|---|---|
| | March 31, 2019 | March 31, 2018 |
| **Net sales** | $ 78,750 | $ 112,066 |
| **Cost of sales** | 54,928 | 74,474 |
| **Gross profit** | 23,822 | 37,592 |
| | | |
| **Operating expenses:** | | |
| Advertising and marketing | 4,585 | 2,594 |
| Selling, general and administrative | 31,584 | 24,307 |
| Transaction costs | 247 | — |
| Amortization of intangible assets | 4,466 | 2,772 |
| **Total operating expenses** | 40,882 | 29,673 |
| | | |
| **(Loss) income from operations** | (17,060) | 7,919 |
| | | |
| **Other income (expense):** | | |
| Interest expense | (1,010) | (500) |
| Other (expense) income | (516) | 495 |
| **Total other expense** | (1,526) | (5) |
| | | |
| **(Loss) income before provision for income taxes** | (18,586) | 7,914 |
| | | |
| **Income tax benefit (provision)** | 4,162 | (885) |
| | | |
| **Net (loss) income** | $ (14,424) | $ 7,029 |
| | | |
| **(Loss) earnings per share attributable to stockholders:** | | |
| Basic (loss) earnings per share | $ (0.50) | $ 0.25 |
| Diluted (loss) earnings per share | $ (0.50) | $ 0.24 |

**ZAGG INC AND SUBSIDIARIES**
**RECONCILIATION OF NON-U.S. GAAP FINANCIAL INFORMATION TO U.S. GAAP**
*(Amounts in thousands)*
*(Unaudited)*

UNAUDITED SUPPLEMENTAL DATA

The following information are not financial measures prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In addition, they should not be construed as an alternative to any other measures of performance determined in accordance with U.S. 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 these measures are helpful to some investors as a measure of our operations. We caution investors that non-U.S. 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.

| | Three Months Ended | |
|---|---|---|
| **ADJUSTED EBITDA RECONCILIATION** | **March 31, 2019** | **March 31, 2018** |
| **Net (loss) income in accordance with U.S. GAAP** | $ (14,424) | $ 7,029 |
| **Adjustments:** | | |
| a. Stock-based compensation expense | 1,185 | 601 |
| b. Depreciation and amortization | 6,057 | 5,030 |
| c. Other expense, net | 1,526 | 5 |
| d. Transaction costs | 247 | — |
| e. BRAVEN employee retention bonus | 47 | — |
| f. Former CFO retention bonus | 110 | — |
| g. Inventory step-up amount in connection with acquisition of HALO | 431 | — |
| h. Income tax (benefit) provision | (4,162) | 885 |
| **Total Adjustments** | 5,441 | 6,521 |
| | | |
| **Adjusted EBITDA** | $ (8,983) | $ 13,550 |

**ZAGG INC AND SUBSIDIARIES**
**RECONCILIATION OF NON-U.S. GAAP FINANCIAL INFORMATION TO U.S. GAAP**
*(Amounts in thousands)*
*(Unaudited)*

| **DILUTED OPERATING (LOSS) EARNINGS PER SHARE RECONCILIATION** | **Three Months Ended** | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |
| **Net (loss) income in accordance with U.S. GAAP** | $ (14,424) | $ 7,029 |
| **Adjustments:** | | |
| a. Amortization expense related to 2018 and 2019 acquisitions | 1,904 | — |
| b. Transaction costs related to 2018 and 2019 acquisitions | 247 | — |
| c. Inventory step-up amortization related to 2018 and 2019 acquisitions | 431 | — |
| d. BRAVEN employee retention bonus | 47 | |
| **Total adjustments before tax** | 2,629 | — |
| Tax effect [1] | (710) | — |
| Adjustments, net of tax | 1,919 | — |
| **Adjusted net (loss) income** | (12,505) | 7,029 |
| Diluted shares outstanding | 28,883 | 28,693 |
| **Diluted operating (loss) earnings per share** | $ (0.43) | $ 0.24 |

[1] *Income tax effect calculated using the estimated 2019 statutory rate of 27.04%*

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# Section 3: EX-99.2 (EXHIBIT 99.2)

**May 7, 2019**

**ZAGG Reports First Quarter 2019 Results**

SALT LAKE CITY, May 7, 2019 (GLOBE NEWSWIRE) – ZAGG Inc (Nasdaq: ZAGG), a leading global mobile lifestyle company, today announced financial results for the first quarter ended March 31, 2019.

**First Quarter 2019 Review (Comparisons versus First Quarter 2018)**

- *Net sales of $78.8 million compared to $112.1 million*
- *Gross profit of 30% compared to 34%*
- *Net loss of $(14.4) million compared to net income of $7.0 million*
- *Diluted loss per share of $(0.50) compared to diluted earnings per share of $0.24*
- *Adjusted EBITDA of $(9.0) million compared to $13.6 million*
- *Acquired HALO, a leading direct-to-consumer accessories brand*

Chris Ahern, chief executive officer, commented, “Our first quarter results were consistent with our expectations and reflect several factors that have shifted a greater portion of our annual sales and earnings growth to later in the year. Most notably, sales from our three recent acquisitions – Gear4, HALO and BRAVEN – are heavily back half-weighted, which put pressure on first quarter profitability as we carried additional expenses without the full top-line benefit. We’ve made good progress developing new product and distribution opportunities for these businesses and fully expect that each will contribute to our success in 2019 and beyond. At the same time, our core business was impacted by tough year-over-year comparisons for our wireless charging category along with domestic retailer requests for early deliveries ahead of a potential tariff increase that pulled some sales out of the first quarter of 2019 into the fourth quarter of 2018. Finally, soft demand for smartphone devices has created headwinds for the entire mobile accessory market early in the new year."

"We remain confident in the strategic course we have set for ZAGG," continued Ahern. "Our focus continues to be on serving the consumer with a portfolio of innovative products that enhance the mobile experience, particularly in the areas of protection and power. We have built a portfolio of leading brands supported by tremendous research and development teams and powerful distribution relationships, which we are leveraging to drive sustainable growth and increased profitability. We believe we are well positioned to capitalize on the many global prospects that lie ahead and generate value for our shareholders over the long-term."

**First Quarter Results**
*(Amounts in millions, except per share amounts)*

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2019 | | March 31, 2018 | |
| **Net sales** | $ | 78.8 | $ | 112.1 |
| **Gross profit** | $ | 23.8 | $ | 37.6 |
| **Gross profit margin** | | 30 % | | 34 % |
| **Net (loss) income** | $ | (14.4) | $ | 7.0 |
| **Diluted (loss) earnings per share** | $ | (0.50) | $ | 0.24 |
| **Diluted operating (loss) earnings per share** | $ | (0.43) | $ | 0.24 |
| **Adjusted EBITDA** | $ | (9.0) | $ | 13.6 |

Net sales decreased 30% to $78.8 million, compared to $112.1 million. The decrease in net sales was primarily attributable to (1) decreased sales of wireless charging accessories due to challenging sell-in comparisons from the initial product launch in 2017 that extended into the first quarter of 2018, and (2) a decrease in sales of screen protection products and wireless charging accessories due to a pull forward of shipments into the fourth quarter of 2018 ahead of a potential tariff increase. These decreases were partially offset by increased sales of power cases driven from the launch of the new juice pack access and initial sales from our newly acquired brands: BRAVEN, Gear4, and HALO.

Gross profit was $23.8 million (30% of net sales) compared to $37.6 million (34% of net sales). The decrease in gross profit margin was primarily attributable to (1) the mix of curved glass screen protection products, which are at comparatively lower margins than our flat glass products and which sales increased during the three months ended March 31, 2019 compared to the same period last year, and (2) a decrease in sales of our wireless charging products compared to the same period last year.

Operating expenses increased 38% to $40.9 million (52% of net sales) compared to $29.7 million (26% of net sales). The increase in operating expenses was primarily attributable to (1) additional selling, general and administrative expense associated with the newly acquired BRAVEN, Gear4, and HALO brands, (2) higher amortization of long-lived intangibles related to the BRAVEN, Gear4, and HALO acquisitions, and (3) increased marketing investments to support our growing portfolio of brands and products.

Net loss was $(14.4) million, or $(0.50) per diluted share compared to net income of $7.0 million, or $0.24 per diluted share.

Adjusted EBITDA was $(9.0) million compared to $13.6 million.

**Acquisition**

In January 2019, the Company purchased HALO, a leading direct-to-consumer accessories company with a strong relationship with QVC, for a combination of cash and stock consideration totaling approximately $38.5 million. The addition of HALO along with the acquisitions of Gear4 and BRAVEN in 2018, provide the Company with increased diversification and an innovative product portfolio in the growing product categories of Bluetooth audio, rugged protective cases, and portable power. The Company expects to grow sales and profitability over the next several years by taking these brands to its current retail distribution network and further investing in the direct-to-consumer channel.

**2019 Business Outlook**

For the full year of 2019, the Company maintains the following guidance:

- Net sales of $610 to $630 million
- Gross profit margin as a percentage of net sales in the mid 30's range
- Adjusted EBITDA of $82 million to $86 million
- Diluted operating earnings per share of $1.47 to $1.60

**Conference Call**

A conference call will be held today, May 7, 2019, at 5:00 p.m. Eastern to review these results. Interested parties may access via the Internet on the Company's website at: investors.zagg.com (the URLs are included here in this exhibit as inactive textual references and information contained on, or accessible through, our websites is not a part of, and is not incorporated by reference into, this report).

**About Non-U.S. GAAP Financial Information**

This press release includes Adjusted EBITDA and Diluted Operating Earnings Per Share, which are not financial measures prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Readers are cautioned that (1) Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, other expense, transaction costs, inventory step-up in conjunction with 2018 and 2019 acquisitions, BRAVEN employee retention bonus, and CFO retention bonus) and (2) Diluted Operating Earnings Per Share (diluted earnings per share excluding the impact of transaction costs, inventory step-up, and amortization expense – all in conjunction with the BRAVEN, Gear4 and HALO acquisitions) are not financial measures under U.S. GAAP. In addition, this financial information should not be construed as an alternative to any other measure of performance determined in accordance with U.S. GAAP, or as an indicator of 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. As such, it should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP. We present Adjusted EBITDA and Diluted Operating Earnings Per Share because we believe that these measures are helpful to some investors as a measure of performance and to normalize the impact of acquisitions. We caution readers that non-U.S. 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. We have provided a reconciliation of Adjusted EBITDA and Diluted Operating Earnings Per Share to the most directly comparable U.S. GAAP measures in the supplemental financial information attached to this press release.

**Cautionary Note Regarding Forward-Looking Statements**

This press release contains (and oral communications made by us may contain) ""forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict," "project," "target," "future," "seek," "likely," "strategy," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our outlook for the Company and statements that estimate or project future results of operations or the performance of the Company.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, 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 our products;
c. the ability to respond quickly with appropriate products after the adoption and introduction of new mobile devices by major manufacturers like Apple®, Samsung®, and Google®;
d. changes or delays in announced launch schedules for (or recalls or withdrawals of) new mobile devices by major manufacturers like Apple, Samsung, and Google;
e. the ability to successfully integrate new operations or acquisitions;
f. the impacts of inconsistent quality or reliability of new product offerings;
g. the impacts 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. changes in U.S. and international trade policy and tariffs, including the possible effect of recent U.S. tariff proposals on selected materials used in the manufacture of products sold by the Company which are sourced from China;
l. adoption of or changes in accounting policies, principles, or estimates; and
m. changes in the law, economic and financial conditions, including the effect of enactment of US tax reform or other tax law changes.

Any forward-looking statement made by us in this press release 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 our most recent Annual Report on Form 10-K and other reports we file 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. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. The forward-looking statements contained in this press release are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

**About ZAGG Inc**

ZAGG Inc (NASDAQ:ZAGG) is a global leader in accessories and technologies that empower mobile lifestyles. The Company has an awardwinning product portfolio that includes screen protection, mobile keyboards, power management solutions, social tech, and personal audio sold under the ZAGG®, mophie®, InvisibleShield®, IFROGZ®, BRAVEN®, Gear4® and HALO® 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, T-Mobile, Walmart, Target, and Amazon.com. For more information, please visit the Company's websites at www.ZAGG.com, www.mophie.com, www.Gear4.com, and www.HALO2CLOUD.com and follow us on Facebook, Twitter and Instagram.

# # #

**CONTACT:**

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# Section 4: EX-99.3 (EXHIBIT 99.3)

**May 7, 2019**

**ZAGG Supplemental Financial Information - CFO Commentary**

**Document reference information**

The commentary in this document can be referenced in the financial information found in the press release announcing the results of operations for the three months ended March 31, 2019, and 2018, including certain supplemental financial information, 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 (the URLs are included here in this exhibit as inactive textual references and information contained on, or accessible through, our websites is not a part of, and is not incorporated by reference into, this report).

**Three months ended March 31, 2019, and 2018 Summary Results**
*(Amounts in millions, except per share amounts)*

| | For the Three Months Ended | |
|---|---|---|
| **Summary of quarter-to-date financial results** | **March 31, 2019** | **March 31, 2018** |
| Net sales | $ 78.8 | $ 112.1 |
| Gross profit | $ 23.8 | $ 37.6 |
| Gross profit margin | 30 % | 34 % |
| Net (loss) income | $ (14.4) | $ 7.0 |
| Diluted (loss) earnings per share | $ (0.50) | $ 0.24 |
| Diluted operating (loss) earnings per share | $ (0.43) | $ 0.24 |
| Adjusted EBITDA | $ (9.0) | $ 13.6 |
| Diluted shares outstanding | 28.9 | 28.7 |

| | For the Three Months Ended | |
|---|---|---|
| | **March 31, 2019** | **March 31, 2018** |

| Net sales by category | (%) | ($) | (%) | ($) |
|---|---|---|---|---|
| Protection (screen protection and cases) | 59 % | $ 46.3 | 50 % | $ 55.9 |
| Power (power management and power cases) | 29 % | $ 23.2 | 39 % | $ 44.0 |
| Audio | 5 % | $ 3.7 | 5 % | $ 6.3 |
| Productivity (keyboards and other) | 7 % | $ 5.6 | 6 % | $ 5.9 |

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2019 | | March 31, 2018 | |
| **Net sales by channel** | (%) | ($) | (%) | ($) |
| Indirect channel | 79 % | $ 62.2 | 88 % | $ 98.7 |
| Website | 14 % | $ 11.0 | 8 % | $ 9.3 |
| Franchisees | 7 % | $ 5.6 | 4 % | $ 4.1 |

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2019 | | March 31, 2018 | |
| **Net sales by region** | (%) | ($) | (%) | ($) |
| Domestic | 71 % | $ 55.8 | 82 % | $ 91.4 |
| International | 29 % | $ 23.0 | 18 % | $ 20.7 |

**2019 First Quarter Results Discussion**

(All comparisons are 2019 consolidated versus 2018 consolidated, unless otherwise noted)

***Net sales***


Net sales for the three months ended March 31, 2019, were $78.8 million, compared to net sales of $112.1 million for the three months ended March 31, 2018, a decrease of $33.3 million, or approximately 30%. The $33.3 million decrease in net sales was primarily attributable to (1) decreased sales of wireless charging accessories due to challenging sell-in comparisons from the initial product launch in 2017 that extended into the first quarter of 2018, and (2) a decrease in sales of screen protection products and wireless charging accessories due to a pull forward of shipments into the fourth quarter of 2018 ahead of a potential tariff increase. These decreases were partially offset by increased sales of power cases driven from the launch of the new juice pack access and initial sales from our newly acquired brands: BRAVEN, Gear4, and HALO.

***Gross profit***

Gross profit for the three months ended March 31, 2019, was $23.8 million, or approximately 30% of net sales, a decrease of $13.8 million or 37%, compared to gross profit of $37.6 million, or approximately 34% of net sales for the three months ended March 31, 2018. The decrease in gross profit margin was primarily attributable to (1) the mix of curved glass screen protection products, which are at comparatively lower margins than our flat glass products and which sales increased during the three months ended March 31, 2019 compared to the same period last year, and (2) a decrease in sales of our wireless charging products compared to the same period last year.

***Operating expenses***

Operating expenses for the three months ended March 31, 2019, were $40.9 million, compared to operating expenses of $29.7 million for the three months ended March 31, 2018, an increase of $11.2 million, or approximately 38%. The $11.2 million increase was primarily attributable to (1) additional selling, general and administrative expense associated with the newly acquired BRAVEN, Gear4, and HALO brands, (2) higher amortization of long-lived intangibles related to the BRAVEN, Gear4, and HALO acquisitions, and (3) increased marketing investments to support our growing portfolio of brands and products.

***Net (loss) income***

As a result of the factors noted above, we reported net loss of $(14.4) million, or diluted loss per share of $(0.50), for the three months ended March 31, 2019, compared to net income of $7.0 million, or diluted earnings per share of $0.24, for the three months ended March 31, 2018.

***Adjusted EBITDA***

Adjusted EBITDA decreased to $(9.0) million compared to $13.6 million.

**Balance Sheet Highlights (as of March 31, 2019, December 31, 2018, and March 31, 2018)**

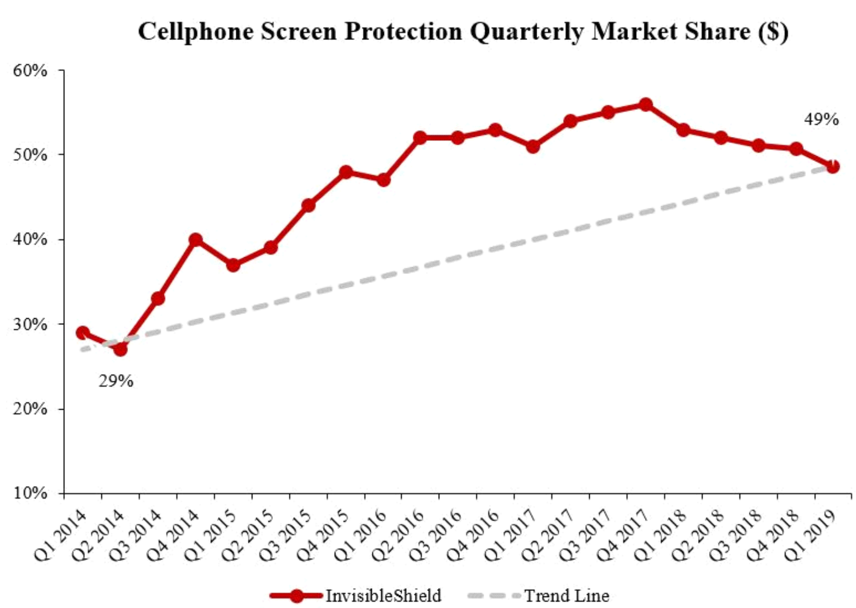
| | March 31, 2019 | | December 31, 2018 | | March 31, 2018 | |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 14.8 | $ | 15.8 | $ | 17.7 |
| Accounts receivable, net of allowances | $ | 93.6 | $ | 156.7 | $ | 73.9 |
| Inventories | $ | 100.2 | $ | 82.9 | $ | 78.9 |
| Line of credit | $ | 93.4 | $ | 58.4 | $ | 22.0 |
| Net debt (Total debt less cash) | $ | 78.6 | $ | 42.6 | $ | 4.3 |
| QTD Days sales outstanding (DSOs) | | 107 | | 87 | | 59 |
| Inventory turns* | | 5.5x | | 6.8x | | 6.8x |

** Inventory turns defined as trailing 12-month sales divided by period-end inventory. For year-over-year comparison purposes, March 31, 2019 and December 31, 2018 excludes the impact of 2018 and 2019 acquisitions.*

**Market Share Information**

***Screen Protection***

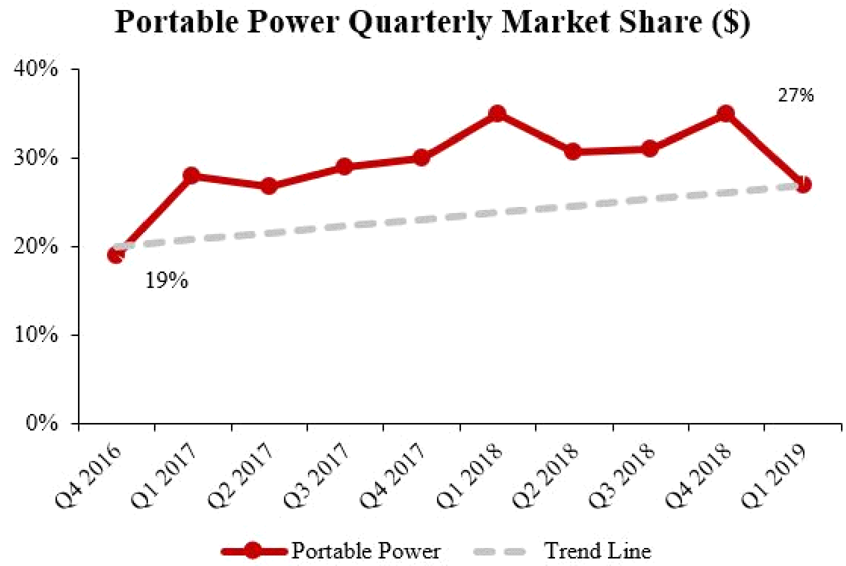
From the first quarter of 2014 to the first quarter of 2019, InvisibleShield cellphone screen protection quarterly dollar market share increased from 29% to 49%.




(Source: The NPD Group / Retail Tracking Service for each quarterly period; NPD data refers to dollar share and pertains only to U.S. retail sales)

***Power Management***

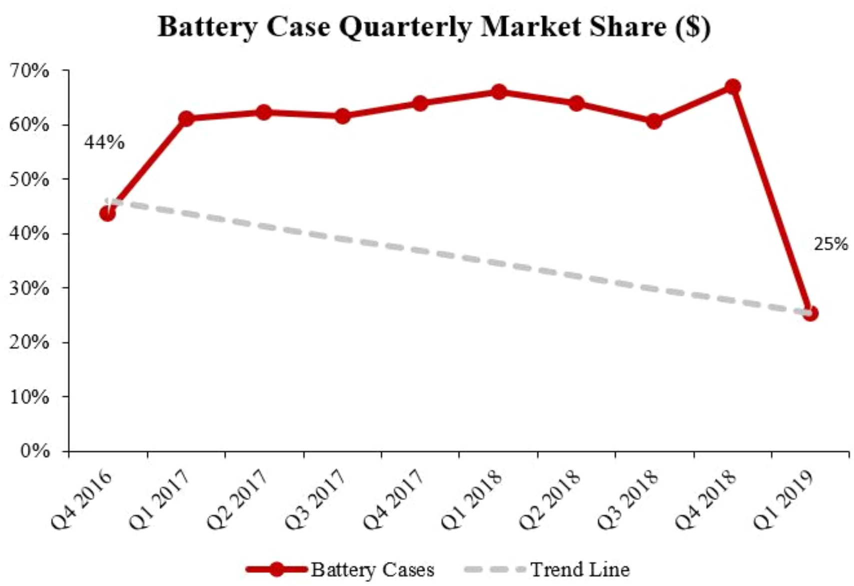
Portable power dollar market share increased from 19% to 27% from the fourth quarter 2016 to first quarter 2019. The quarterly increases in the fourth quarters of 2017 and 2018 is driven primarily by on-air sales of HALO products.




(Source: The NPD Group / Retail Tracking Service for each quarterly period; NPD data refers to dollar share and pertains only to U.S. retail sales)

***Battery Cases***

From the fourth quarter of 2016 to the fourth quarter of 2018, mophie branded battery cases dollar market share increased from 44% to 67%. Quarterly battery case dollar market share decreased from 67% to 25% from the fourth quarter of 2018 to the first quarter of 2019 due to the launch of Apple branded battery cases during the first quarter of 2019. However, the Company announced the launch of the juice pack access during the first quarter of 2019 and started loading units into retail at the end of the quarter. The Company expects to see the impact of the retail sell-through of the juice pack access starting in the second quarter of 2019.




(Source: The NPD Group / Retail Tracking Service for each quarterly period; NPD data refers to dollar share and pertains only to U.S. retail sales)

**Acquisition**

In January 2019, the Company purchased HALO, a leading direct-to-consumer accessories company with a strong relationship with QVC, for a combination of cash and stock consideration totaling approximately $38.5 million. The addition of HALO along with the acquisitions of Gear4 and BRAVEN in 2018, provide the Company with increased diversification and an innovative product portfolio in the growing product categories of Bluetooth audio, rugged cases, and portable power. The Company expects to grow sales and profitability over the next several years by taking these brands to its current retail distribution network and further investing in the direct-to-consumer channel.

**2019 Business Outlook**

For the full year 2019, the Company maintains the following guidance:

- Net sales of $610 million to $630 million

- Gross profit margin as a percentage of net sales in the mid 30's range
- Adjusted EBITDA of $82 million to $86 million
- Diluted operating earnings per share of $1.47 to $1.60

**About Non-U.S. GAAP Financial Information**

This Supplemental Financial Information - CFO Commentary ("CFO Commentary") includes Adjusted EBITDA and Diluted Operating Earnings Per Share, which are not financial measures prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Readers are cautioned that (1) Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation expense, other expense, transaction costs, inventory step-up in conjunction with 2018 and 2019 acquisitions, BRAVEN employee retention bonus, and CFO retention bonus) and (2) Diluted Operating Earnings Per Share (diluted earnings per share excluding the impact of transaction costs, inventory step-up, and amortization expense – all in conjunction with the BRAVEN, Gear4 and HALO acquisitions) are not financial measures under U.S. GAAP. In addition, this financial information should not be construed as an alternative to any other measure of performance determined in accordance with U.S. GAAP, or as an indicator of 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. As such, it should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP. We present Adjusted EBITDA and Diluted Operating Earnings Per Share because we believe that these measures are helpful to some investors as a measure of performance and to normalize the impact of acquisitions. We caution readers that non-U.S. 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. We have provided a reconciliation of Adjusted EBITDA and Diluted Operating Earnings Per Share to the most directly comparable U.S. GAAP measures in the supplemental financial information attached to the press release to which this CFO Commentary is also attached.

**Cautionary Note Regarding Forward-Looking Statements**

This CFO Commentary contains (and oral communications made by us may contain) "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "anticipate," "believe," "estimate," "expect," "intend," "plan," "predict," "project," "target," "future," "seek," "likely," "strategy," "may," "should," "will" and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our outlook for the Company and statements that estimate or project future results of operations or the performance of the Company.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, 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 our products;
c. the ability to respond quickly with appropriate products after the adoption and introduction of new mobile devices by major manufacturers like Apple®, Samsung®, and Google®;
d. changes or delays in announced launch schedules for (or recalls or withdrawals of) new mobile devices by major manufacturers like Apple, Samsung, and Google;
e. the ability to successfully integrate new operations or acquisitions;
f. the impacts of inconsistent quality or reliability of new product offerings;
g. the impacts 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. changes in U.S. and international trade policy and tariffs, including the possible effect of recent U.S. tariff proposals on selected materials used in the manufacture of products sold by the Company which are sourced from China;
l. adoption of or changes in accounting policies, principles, or estimates; and
m. changes in the law, economic and financial conditions, including the effect of enactment of US tax reform or other tax law changes.

Any forward-looking statement made by us in this CFO Commentary 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 our most recent Annual Report on Form 10-K and other reports we file 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. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise. The forward-looking statements contained in this CFO Commentary are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of

1934, as amended.

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