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): August 6, 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)	(IRS 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))

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

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

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. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 6, 2019, ZAGG Inc, a Delaware corporation (the "Company") issued a press release announcing the results of operations for the three and six months ended June 30, 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 August 6, 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 and Six Months Ended June 30, 2019
99.2	Results of Operations Press Release dated August 6, 2019
99.3	Supplemental Financial Information - CFO Commentary on the Second 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: August 6, 2019

/s/ TAYLOR D. SMITH

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

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Section 2: EX-99.1 (EX-99.1)

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

	June 30, 2019	December 31, 2018
ASSETS		

Current assets:		
Cash and cash equivalents	$ 12,885	$ 15,793
Accounts receivable, net of allowances of $431 and $885	102,578	156,667
Income tax receivable	3,427	375
Inventories	110,565	82,919
Prepaid expenses and other current assets	6,393	5,473
Total current assets	235,848	261,227
Property and equipment, net of accumulated depreciation of $13,860 and $11,844	17,714	16,118
Intangible assets, net of accumulated amortization of $87,692 and $78,627	70,542	52,054
Deferred income tax assets	15,396	19,403
Operating lease right of use assets	10,380	—
Goodwill	43,560	27,638
Other assets	1,315	1,571
Total assets	$ 394,755	$ 378,011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 70,988	$ 80,908
Sales returns liability	37,522	54,432
Accrued wages and wage related expenses	6,665	6,624
Accrued liabilities	9,511	13,723
Current portion of operating lease liabilities	2,154	—
Total current liabilities	126,840	155,687
Line of credit	95,363	58,363
Operating lease liabilities	11,889	—
Other long-term liabilities	7,913	5,470
Total liabilities	242,005	219,520
Stockholders' equity:		
Common stock, $0.001 par value; 100,000 shares authorized; 36,140 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	111,279	96,486
Accumulated other comprehensive loss	(1,425)	(1,410)
Retained earnings	93,315	113,114
Total stockholders' equity	152,750	158,491
Total liabilities and stockholders' equity	$ 394,755	$ 378,011

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net sales	$ 106,796	$ 118,565	$ 185,546	$ 230,631
Cost of sales	69,037	80,908	123,965	155,381
Gross profit	37,759	37,657	61,581	75,250
Operating expenses:				
Advertising and marketing	4,514	2,638	9,099	5,233
Selling, general and administrative	34,491	27,035	66,075	51,342
Transaction costs	374	18	621	18
Amortization of intangible assets	4,599	2,773	9,065	5,545
Total operating expenses	43,978	32,464	84,860	62,138
(Loss) income from operations	(6,219)	5,193	(23,279)	13,112
Other income (expense):				
Interest expense	(1,103)	(346)	(2,113)	(846)
Other income (expense)	1,192	(681)	676	(186)
Total other income (expense)	89	(1,027)	(1,437)	(1,032)
(Loss) income before provision for income taxes	(6,130)	4,166	(24,716)	12,080
Income tax benefit (provision)	794	(950)	4,956	(1,835)
Net (loss) income	$ (5,336)	$ 3,216	$ (19,760)	$ 10,245
(Loss) earnings per share attributable to stockholders:				
Basic (loss) earnings per share	$ (0.18)	$ 0.11	$ (0.68)	$ 0.36
Diluted (loss) earnings per share	$ (0.18)	$ 0.11	$ (0.68)	$ 0.36

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		Six Months Ended	
ADJUSTED EBITDA RECONCILIATION	**June 30, 2019**	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Net (loss) income in accordance with U.S. GAAP	$ (5,336)	$ 3,216	$ (19,760)	$ 10,245
Adjustments:				
a. Stock-based compensation expense	1,475	807	2,660	1,408
b. Depreciation and amortization	6,199	4,200	12,256	9,230
c. Other (income) expense, net	(89)	1,027	1,437	1,032
d. Transaction costs	374	18	621	18
e. BRAVEN employee retention bonus	46	—	93	—
f. Former CFO retention bonus	—	—	110	—
g. Inventory step-up amount in connection with acquisition of 2018 and 2019	142	—	573	—
h. Consulting fee to former CEO	—	700	—	700
i Restructuring expenses	407	—	407	—
j Income tax (benefit) provision	(794)	950	(4,956)	1,835
Total Adjustments	7,760	7,702	13,201	14,223
Adjusted EBITDA	$ 2,424	$ 10,918	$ (6,559)	$ 24,468

ZAGG INC AND SUBSIDIARIES
RECONCILIATION OF NON-U.S. GAAP FINANCIAL INFORMATION TO U.S. GAAP
(Amounts in thousands, except per share amounts)
(Unaudited)

DILUTED OPERATING (LOSS) EARNINGS PER SHARE RECONCILIATION	**Three Months Ended**		**Six Months Ended**	
	June 30, 2019	**June 30, 2018**	**June 30, 2019**	**June 30, 2018**
Net (loss) income in accordance with U.S. GAAP	$ (5,336)	$ 3,216	$ (19,760)	$ 10,245
Adjustments:				
a. Amortization expense related to 2018 and 2019 acquisitions	2,047	—	3,951	—
b. Transaction costs related to 2018 and 2019 acquisitions	374	—	621	—
c. Inventory step-up amortization related to 2018 and 2019 acquisitions	142	—	573	—
d. BRAVEN employee retention bonus	46	—	93	—
e. Restructuring expenses	407	—	407	—
f. Share-based compensation issued as retention	690	—	690	—
Total adjustments before tax	3,706	—	6,335	—
Tax effect [1]	(1,002)	—	(1,713)	—
Adjustments, net of tax	2,704	—	4,622	—
Adjusted net (loss) income	$ (2,632)	$ 3,216	$ (15,138)	$ 10,245
Diluted shares outstanding	29,064	28,666	28,974	28,679
Diluted operating (loss) earnings per share	$ (0.09)	$ 0.11	$ (0.52)	$ 0.36

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

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Section 3: EX-99.2 (EX-99.2)

August 6, 2019

ZAGG Reports Second Quarter 2019 Results

ZAGG to Consider Strategic Alternatives to Maximize Shareholder Value

SALT LAKE CITY, August 6, 2019 (GLOBE NEWSWIRE) – ZAGG Inc (Nasdaq: ZAGG), a leading global mobile lifestyle company, today announced financial results for the second quarter ended June 30, 2019.

Second Quarter 2019 Review (Comparisons versus Second Quarter 2018)

- *Net sales of $106.8 million compared to $118.6 million*
- *Gross profit of 35% compared to 32%*
- *Net loss of $(5.3) million compared to net income of $3.2 million*
- *Diluted loss per share of $(0.18) compared to diluted earnings per share of $0.11*
- *Adjusted EBITDA of $2.4 million compared to $10.9 million*

Year-to-Date 2019 Review (Comparisons versus Year-to-Date 2018*)*

- *Net sales of $185.5 million compared to $230.6 million*
- *Gross profit of 33% compared to 33%*
- *Net loss of $(19.8) million compared to net income of $10.2 million*
- *Diluted loss per share of $(0.68) compared to diluted earnings per share of $0.36*
- *Adjusted EBITDA of $(6.6) million compared to $24.5 million*

Chris Ahern, chief executive officer, commented, “Our second quarter results were in-line with our recent expectations and on a year-over-basis reflect the impact of our three recent acquisitions, which are heavily back half-weighted in terms of sales, combined with an increasingly challenging domestic selling environment for our core business. We continue to make good progress capitalizing on the growth prospects for our newly acquired brands and we remain confident that Gear4, HALO and BRAVEN are on track to exceed the growth targets we established at the start of the year. Unfortunately, their combined performance is not enough to offset the pressure we are experiencing in our core business as the result of a decline in consumer demand for smartphone devices the market has experienced this year. While our brands continue to maintain industry leading positions, retail sell-through for screen protection and our other categories has continued to slow following a difficult start to 2019. Based on current market trends and the additional tariffs recently announced, along with a softer market view on smartphone unit sales in the near-term, we have taken a more conservative outlook for the remainder of 2019.”

“Although we're confident in our long-term strategy, we are disappointed with the way 2019 is unfolding,” continued Ahern. “In response to the headwinds we are currently facing, we are implementing a series of cost savings initiatives in order to help preserve profitability. These initiatives include headcount reductions of approximately 10% of our global headcount, acceleration of cost synergies from recent acquisitions into 2019, and the reduction of a number of discretionary operating expense categories. Despite the step back in earnings we are taking this year, we are confident that ZAGG is well positioned to profitably grow its share of the mobile lifestyle accessory market in the U.S and overseas in the years ahead. Our confidence is rooted in the strength of our brand portfolio, product teams and distribution relationships combined with our ability to capitalize on the market opportunities created by the upcoming industry roll-out of 5G technology.”

“While we remain very excited about our future and prospects, we have determined it is appropriate to announce at this time that the Company has retained BofA Merrill Lynch to assist the Company in exploring strategic alternatives to maximize stockholder value. We do not expect to comment further on this process until we have made a decision and are prepared to announce its final outcome.”

Second Quarter Results

(Amounts in millions, except per share amounts)

	For the Three Months Ended	
	June 30, 2019	**June 30, 2018**
Net sales	$ 106.8	$ 118.6
Gross profit	$ 37.8	$ 37.7
Gross profit margin	35 %	32 %
Net (loss) income	$ (5.3)	$ 3.2
Diluted (loss) earnings per share	$ (0.18)	$ 0.11
Diluted operating (loss) earnings per share	$ (0.09)	$ 0.11
Adjusted EBITDA	$ 2.4	$ 10.9

Net sales decreased 10% to $106.8 million, compared to $118.6 million. The decrease in net sales was primarily attributable to (1) a decrease in sales of screen protection products due to a pull forward of shipments into the fourth quarter of 2018 ahead of a potential tariff increase and (2) decreased sales of mophie power management due to challenging sell-in comparisons during the second quarter of 2019 compared to the same period last year. Decreases in mophie power management were offset by HALO product sales. In addition, decreases in net sales were partially offset by (1) increased sales of Gear4 cases, and (2) a reduction of credits and discounts.

Gross profit was $37.8 million (35% of net sales) compared to $37.7 million (32% of net sales). The increase in gross profit margin was primarily attributable to an increase in sales of Gear4 brand cases, HALO branded power products, and InvisibleShield VisionGuard products, all which have a higher margin than historical averages.

Operating expenses increased 35% to $44.0 million (41% of net sales) compared to $32.5 million (27% 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) increased marketing investments to support our growing portfolio of brands and products, (3) increased selling, general and administrative expense to support online channel and international geographic expansion, and (4) higher amortization of long-lived intangibles related to the BRAVEN, Gear4 and HALO acquisitions.

Net loss was $(5.3) million, or $(0.18) per diluted share compared to net income of $3.2 million, or $0.11 per diluted share.

Adjusted EBITDA was $2.4 million compared to $10.9 million.

Year-to-Date Results

(Amounts in millions, except per share amounts)

	For the Six Months Ended	
	June 30, 2019	June 30, 2018
Net sales	$ 185.5	$ 230.6
Gross profit	$ 61.6	$ 75.3
Gross profit margin	33 %	33 %
Net (loss) income	$ (19.8)	$ 10.2
Diluted (loss) earnings per share	$ (0.68)	$ 0.36
Diluted operating (loss) earnings per share	$ (0.52)	$ 0.36
Adjusted EBITDA	$ (6.6)	$ 24.5

Net sales decreased 20% to $185.5 million, compared to $230.6 million. The decrease in net sales was primarily attributable to (1) a decrease in sales of screen protection products due to a pull forward of shipments into the fourth quarter of 2018 ahead of a then-expected tariff increase and (2) decreased sales of mophie power management due to challenging sell-in comparisons during the first half of 2019. Decreases in mophie power management were offset by HALO product sales. In addition, decreases in net sales were partially offset by increased sales of Gear4 cases.

Gross profit was 61.6 million (33% of net sales) compared to 75.3 million (33% of net sales). Gross profit margin has not changed significantly due to decreases in our screen protection sales offset by (1) a reduction of credits and discounts, and (2) an increase in sales of Gear4 brand cases, HALO branded power products, and InvisibleShield VisionGuard products, all which have a higher margin than historical averages.

Operating expenses increased 37% to $84.9 million (46% of net sales) compared to $62.1 million (27% 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) increased marketing investments to support our growing portfolio of brands and products, (3) increased selling, general and administrative expense to support online channel and international geographic expansion, and (4) higher amortization of long-lived intangibles related to the BRAVEN, Gear4 and HALO acquisitions.

Net loss was $(19.8) million, or $(0.68) per diluted share compared to net income of $10.2 million, or $0.36 per diluted share.

Adjusted EBITDA was $(6.6) million compared to $24.5 million.

Restructuring

In response to 2019 profitability headwinds and to position the Company for long-term profitable growth, the Company initiated a restructuring plan during the second quarter of 2019 and which extended into the third quarter of 2019. These initiatives include headcount reductions of approximately 10% of our global headcount, acceleration of cost synergies from recent acquisitions into 2019, and the reduction of a number of discretionary operating expense categories.

It is expected that 2019 results will include one-time severance restructuring charges totaling approximately $1.9 million, of which $0.4 million was recorded in the second quarter and the remaining will be recorded in the third quarter of 2019. These amounts have been incorporated into the guidance ranges provided. The headcount reductions are expected to provide gross annualized savings of approximately $8.0 million.

2019 Business Outlook

For the full year of 2019, the Company now expects:

- Net sales of $520 to $550 million
- Gross profit margin as a percentage of net sales in the mid 30's range
- Adjusted EBITDA of $52 million to $62 million
- Diluted operating earnings per share of $0.75 to $1.00.

Conference Call

A conference call will be held today, August 6, 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 stock-based compensation expense, depreciation and amortization, other income (expense), net, transaction costs, BRAVEN employee retention bonus, former CFO retention bonus, inventory step-up in conjunction with 2018 and 2019 acquisitions, consulting fee to former CEO, restructuring expenses and income tax (benefit) provision) and (2) Diluted Operating (Loss) Earnings Per Share (diluted (loss) 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, BRAVEN employee retention bonus, restructuring expenses and share-based compensation issued as retention) 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 award-winning 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.BestHALO.com and follow us on Facebook, Twitter and Instagram.

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Section 4: EX-99.3 (EX-99.3)

August 6, 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 and six months ended June 30, 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 June 30, 2019 and 2018 Summary Results
(Amounts in millions, except per share amounts)

	For the Three Months Ended	
Summary of quarter-to-date financial results	**June 30, 2019**	**June 30, 2018**
Net sales	$ 106.8	$ 118.6
Gross profit	$ 37.8	$ 37.7
Gross profit margin	35 %	32 %
Net (loss) income	$ (5.3)	$ 3.2
Diluted (loss) earnings per share	$ (0.18)	$ 0.11
Diluted operating (loss) earnings per share	$ (0.09)	$ 0.11
Adjusted EBITDA	$ 2.4	$ 10.9
Diluted shares outstanding	29.1	28.7

	For the Three Months Ended			
	June 30, 2019		**June 30, 2018**	
Net sales by category	**(%)**	**($)**	**(%)**	**($)**
Protection (screen protection and cases)	54 %	$ 57.6	55 %	$ 65.1
Power (power management and power cases)	34 %	$ 35.6	34 %	$ 39.9
Audio	3 %	$ 3.7	4 %	$ 4.9
Productivity (keyboards and other)	9 %	$ 9.9	7 %	$ 8.7

Net sales by channel	For the Three Months Ended			
	June 30, 2019		June 30, 2018	
	(%)	($)	(%)	($)
Indirect channel	85 %	$ 90.7	88 %	$ 104.3
Website	10 %	$ 10.5	8 %	$ 9.6
Franchisees	5 %	$ 5.6	4 %	$ 4.7

Net sales by region	For the Three Months Ended			
	June 30, 2019		June 30, 2018	
	(%)	($)	(%)	($)
Domestic	74 %	$ 78.6	85 %	$ 100.5
International	26 %	$ 28.2	15 %	$ 18.1

2019 Second Quarter Results Discussion
(All comparisons are 2019 consolidated versus 2018 consolidated, unless otherwise noted)

Net sales

Net sales for the three months ended June 30, 2019, were $106.8 million, compared to net sales of $118.6 million for the three months ended June 30, 2018, a decrease of $11.8 million, or approximately 10%. The $11.8 million decrease in net sales was primarily attributable to (1) a decrease in sales of screen protection products due to a pull forward of shipments into the fourth quarter of 2018 ahead of a potential tariff increase and (2) decreased sales of mophie power management due to challenging sell-in comparisons during the second quarter of 2019 compared to the same period last year. Decreases in mophie power management were offset by HALO product sales. In addition, decreases in net sales were partially offset by (1) increased sales of Gear4 cases, and (2) a reduction of credits and discounts.

Gross profit

Gross profit for the three months ended June 30, 2019, was $37.8 million, or approximately 35% of net sales, compared to gross profit of $37.7 million, or approximately 32% of net sales for the three months ended June 30, 2018. The increase in gross profit margin was primarily attributable to an increase in sales of Gear4 brand cases, HALO branded power products, and InvisibleShield VisionGuard products, all which have a higher margin than historical averages.

Operating expense

Operating expenses for the three months ended June 30, 2019, were $44.0 million, compared to operating expenses of $32.5 million for the three months ended June 30, 2018, an increase of $11.5 million, or approximately 35%. The $11.5 million 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) increased marketing investments to support our growing portfolio of brands and products, (3) increased selling, general and administrative expense to support online channel and international geographic expansion, and (4) higher amortization of long-lived intangibles related to the BRAVEN, Gear4 and HALO acquisitions.

Net (loss) income

As a result of the factors noted above, we reported net loss of $(5.3) million, or diluted loss per share of $(0.18), for the three months ended June 30, 2019, compared to net income of $3.2 million, or diluted earnings per share of $0.11, for the three months ended June 30, 2018.

Adjusted EBITDA

Adjusted EBITDA decreased to $2.4 million compared to $10.9 million.

Six Months Ended June 30, 2019 and 2018 Summary Results
(Amounts in millions, except per share amounts)

Summary of year-to-date financial results	For the Six Months Ended June 30, 2019		For the Six Months Ended June 30, 2018	
Net sales	$	185.5	$	230.6
Gross profit	$	61.6	$	75.3
Gross profit margin		33 %		33 %
Net (loss) income	$	(19.8)	$	10.2
Diluted (loss) earnings per share	$	(0.68)	$	0.36
Diluted operating (loss) earnings per share	$	(0.52)	$	0.36
Adjusted EBITDA	$	(6.6)	$	24.5
Diluted shares outstanding		29.0		28.7

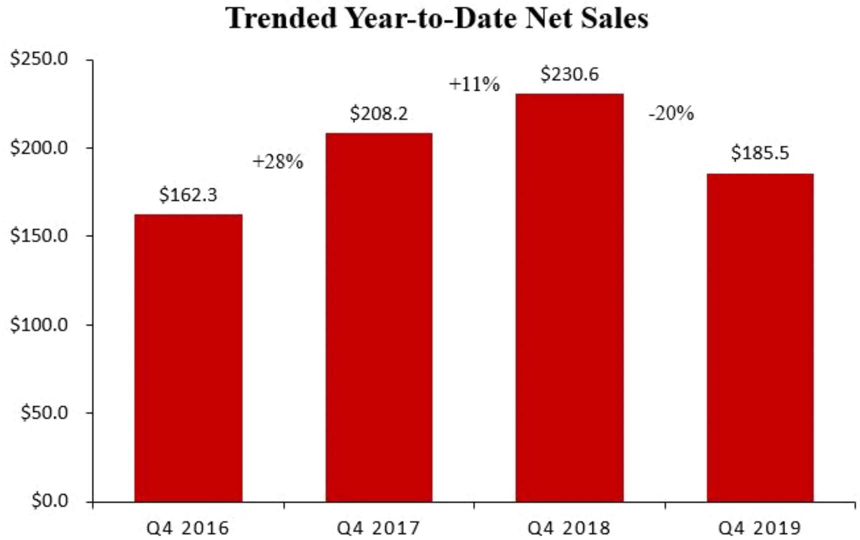
Net sales by category	For the Six Months Ended June 30, 2019 (%)	($)	June 30, 2018 (%)	($)
Protection (screen protection and cases)	56 %	$ 103.9	52 %	$ 121.0
Power (power management and power cases)	32 %	$ 58.7	36 %	$ 83.9
Audio	4 %	$ 7.4	5 %	$ 11.1
Productivity (keyboards and other)	8 %	$ 15.5	7 %	$ 14.6

Net sales by channel	For the Six Months Ended June 30, 2019 (%)	($)	June 30, 2018 (%)	($)
Indirect channel	82 %	$ 152.8	88 %	$ 203.0
Website	12 %	$ 21.5	8 %	$ 18.9
Franchisees	6 %	$ 11.2	4 %	$ 8.7

Net sales by region	For the Six Months Ended June 30, 2019 (%)	($)	June 30, 2018 (%)	($)
Domestic	72 %	$ 134.3	83 %	$ 191.8
International	28 %	$ 51.2	17 %	$ 38.8

2019 Year-to-Date Results Discussion
(All comparisons are 2019 consolidated versus 2018 consolidated, unless otherwise noted)

Net sales



Net sales for the six months ended June 30, 2019, were $185.5 million, compared to net sales of $230.6 million for the six months ended June 30, 2018, a decrease of $45.1 million, or approximately 20%. The $45.1 million decrease in net sales was primarily attributable to (1) a decrease in sales of screen protection products due to a pull forward of shipments into the fourth quarter of 2018 ahead of a then-expected tariff increase and (2) decreased sales of mophie power management due to challenging sell-in comparisons during the first half of 2019. Decreases in mophie power management were offset by HALO product sales. In addition, decreases in net sales were partially offset by increased sales of Gear4 cases.

Gross profit

Gross profit for the six months ended June 30, 2019, was $61.6 million, or approximately 33% of net sales, compared to gross profit of $75.3 million, or approximately 33% of net sales for the six months ended June 30, 2018. Gross profit margin has not changed significantly due to decreases in our screen protection sales offset by (1) a reduction of credits and discounts, and (2) an increase in sales of Gear4 brand cases, HALO branded power products, and InvisibleShield VisionGuard products, all which have a higher margin than historical averages.

Operating expense

Operating expenses for the six months ended June 30, 2019, were $84.9 million, compared to operating expenses of $62.1 million for the six months ended June 30, 2018, an increase of $22.7 million, or approximately 37%. The $22.7 million 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) increased marketing investments to support our growing portfolio of brands and products, (3) increased selling, general and administrative expense expense to support online channel and international geographic expansion, and (4) higher amortization of long-lived intangibles related to the BRAVEN, Gear4 and HALO acquisitions.

Net (loss) income

As a result of the factors noted above, we reported net loss of $(19.8) million, or diluted loss per share of $(0.68), for the six months ended June 30, 2019, compared to net income of $10.2 million, or diluted earnings per share of $0.36, for the six months ended June 30, 2018.

Adjusted EBITDA

Adjusted EBITDA decreased to $(6.6) million compared to $24.5 million.

Balance Sheet Highlights (as of June 30, 2019, December 31, 2018, and June 30, 2018)

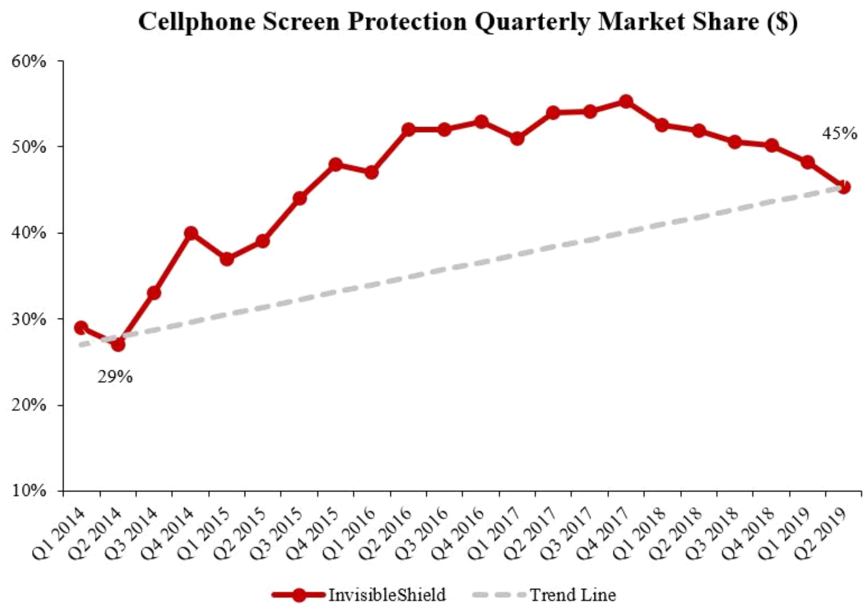
	June 30, 2019		December 31, 2018		June 30, 2018	
Cash and cash equivalents	$	12.9	$	15.8	$	18.6
Accounts receivable, net of allowances	$	102.6	$	156.7	$	84.0
Inventories	$	110.6	$	82.9	$	69.7
Line of credit	$	95.4	$	58.4	$	20.0
Net debt (Total debt less cash)	$	82.5	$	42.6	$	1.4
QTD Days sales outstanding (DSOs)		87		87		65
Inventory turns*		5.0x		6.8x		7.8x

** Inventory turns defined as trailing 12-month sales divided by period-end inventory. For year-over-year comparison purposes, June 30, 2019* *and December 31, 2018 exclude the impact of 2018 and 2019 acquisitions.*

Market Share Information

Screen Protection

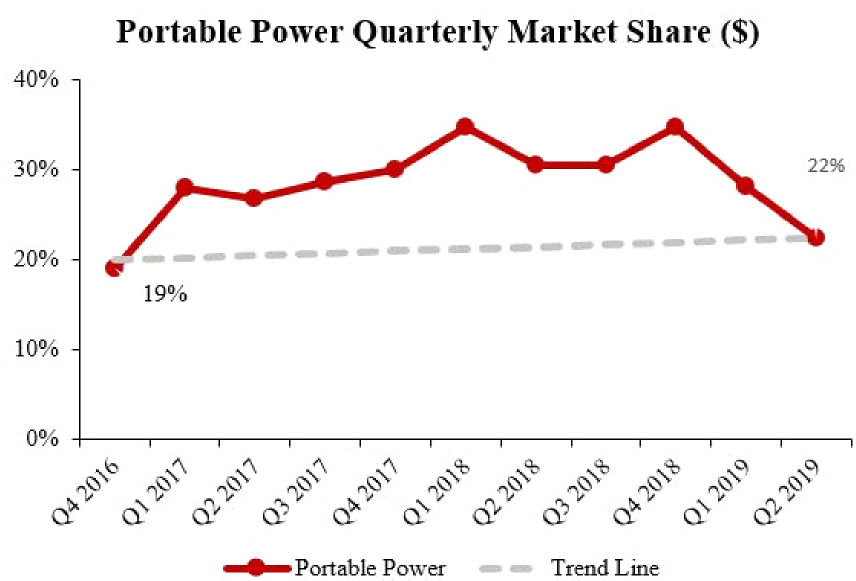
From the first quarter of 2014 to the second quarter of 2019, InvisibleShield cellphone screen protection quarterly dollar market share increased from 29% to 45%. Despite several steady periods of decline over the last several years, it appears that market share losses have stabilized at 45%. Screen protection has experienced headwinds over the last few years as competition has increased at several retail outlets. To address this competitive threat, (1) we'll be launching additional innovation into our screen protection line during the second half of 2019 to further bolster our InvisibleShield VisionGuard products and (2) launching a segmentation strategy across a number of retail customers that will allow us to address lower MSRP price points with less feature-rich 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)

Portable Power

Portable power dollar market share increased from 19% to 22% from the fourth quarter 2016 to second quarter 2019. The quarterly increases in the fourth quarters of 2017 and 2018 is driven primarily by on-air sales of HALO products. As new products are released into the market this Fall under the mophie, HALO and iFrogz brands, we expect to compete at all price bands and grow our overall market share.

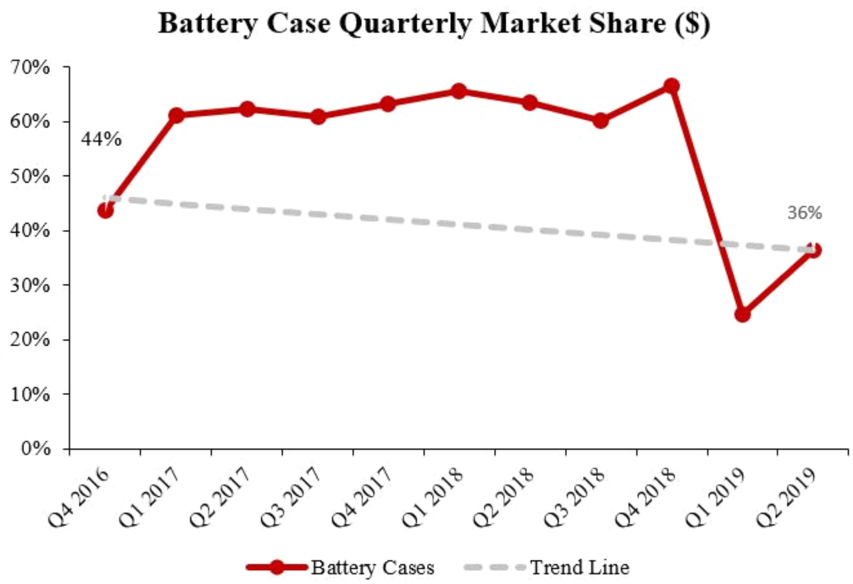


(Source: The NPD Group / Retail Tracking Service for each quarterly period; NPD data refers to dollar share and pertains only to U.S. retail sales)

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 loaded units into retail at the end of the quarter. As such, the quarterly battery case dollar market share increased to 36% in the second quarter of 2019. In addition, the monthly market share in the month of June exceeded 50%, securing the number one market share position in the most recent month NPD data was available. The Company expects battery case market share to increase throughout the second half as the juice pack access products will be launched closer to the release date of Fall OEM device launches than ever before in our history.



(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)

Restructuring

In response to 2019 profitability headwinds and to position the Company for long-term profitable growth, the Company initiated a restructuring plan during the second quarter of 2019 and which extended into the third quarter of 2019. These initiatives include headcount reductions of approximately 10% of our global headcount, acceleration of cost synergies from recent acquisitions into 2019, and the reduction of a number of discretionary operating expense categories.

It is expected that 2019 results will include one-time severance restructuring charges totaling approximately $1.9 million, of which $0.4 million was recorded in the second quarter and the remaining will be recorded in the third quarter of 2019. These amounts have been incorporated into the guidance ranges provided. The headcount reductions are expected to provide gross annualized savings of approximately $8.0 million.

2019 Business Outlook

For the full year 2019, the Company now expects:

- Net sales of $520 million to $550 million
- Gross profit margin as a percentage of net sales in the mid 30's range
- Adjusted EBITDA of $52 million to $62 million
- Diluted operating earnings per share of $0.75 to $1.00

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 stock-based compensation expense, depreciation and amortization, other income (expense), net, transaction costs, BRAVEN employee retention bonus, former CFO retention bonus, inventory step-up in conjunction with 2018 and 2019 acquisitions, consulting fee to former CEO, restructuring expenses and income tax (benefit) provision) 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, BRAVEN employee retention bonus, restructuring expenses and share-based compensation issued as retention) 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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