



Lifeloc Reports Third Quarter 2017 Results

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WHITE RIDGE, Colo.--(BUSINESS WIRE)--Lifeloc Technologies Inc. (LCTC), a global leader in the development and manufacturing of breath alcohol testing devices, has announced financial results for its third quarter of 2017 that ended September 30, 2017.

The Company posted quarterly net revenue of \$2.00 million for a quarterly net income of \$190, or \$0.00 per diluted share. These results compare to net revenue of \$2.03 million for a quarterly gain of \$91 thousand, or \$0.04 per diluted share, in the year-ago quarter. Gross margin on products was 45% in the 2017 third quarter and 48% in the 2016 third quarter. Gross margin on net revenue was lower in the current quarter as a result of product mix, decreased sales volume, lower royalties and costs associated with the Remote Alcohol Detection and Recognition or R.A.D.A.R.® device business acquired earlier this year. R.A.D.A.R. devices are alcohol monitoring units with biometrics which can be used as a tool to supervise offenders as an alternative to incarceration.

For the nine months ending September 30, 2017 the Company posted net revenue of \$6.03 million for a nine months net income of \$146 thousand, or \$0.06 per diluted share. These results compare to net revenue of \$6.54 million for a nine months net income of \$410 thousand, or \$0.16 per diluted share, in the year-ago nine months. Gross margin on products was 46% in the first nine months of 2017 and 48% in the first nine months of 2016. Gross margin on products was lower in the current nine months as a result of product mix, decreased sales volume, lower royalties and costs associated with R.A.D.A.R. device business acquired earlier this year.

Net cash declined by \$1.06 million in the first nine months of 2017 due to investments in the business, of which the largest was the acquisition of the R.A.D.A.R. device product line, which contributed to a significant growth in both assets and inventory. Even so, total debt was reduced by \$31 thousand through regular mortgage payments.

“While we are disappointed to see any sales drop and only break even profitability, these current short-term results are reflective of our strategic plan to invest significantly in the growth of the business and directing those resources to focus on transformative technologies rather than line extensions,” said CEO Dr. Wayne Willkomm. “There have been few incremental product line extensions released in the last 12 months to contribute to short-term sales. Instead we look to the future for some significant product launches. We expect to introduce a completely new breathalyzer with the features that customers have been seeking. Likewise, we expect to reintroduce the R.A.D.A.R. device with better communications and a more robust mechanical design, improving service life. Development work continues on the real time, quantitative analysis for a panel of drugs including THC utilizing the SpinDx™ technology licensed from Sandia Corporation and the closely related THC breathalyzer. This work has demonstrated the detection of very low quantities of THC, but more work is needed to reduce this to a practical device. The Lifeloc commitment to innovation remains as strong as ever.”

About Lifeloc Technologies

Lifeloc Technologies, Inc. (OTC:LCTC) is a trusted U.S. manufacturer of evidential breath alcohol testers and related training and supplies for Workplace, Law Enforcement, Corrections and International customers. Lifeloc stock trades over-the-counter under the symbol LCTC. We are a fully reporting Company with our SEC filings available on our web site, <http://www.lifeloc.com>.

Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which involve substantial risks and uncertainties that may cause actual results to differ materially from those indicated by the forward-looking statements. All forward-looking statements in this press release including statements about our strategies, expectations about new and existing products, market demand, acceptance of new and existing products, technologies and opportunities, market size and growth, and return on investments in products and market, are based on information available to us on the date of this document, and we assume no obligation to update such forward-looking statements. Investors are strongly encouraged to review the section titled "Risk Factors" in our SEC filings, available free of charge at the SEC's website (<http://www.sec.gov>).

R.A.D.A.R.® is a registered trademark of Lifeloc Technologies, Inc.

SpinDx™ is a trademark of Sandia Corporation.

Condensed Balance Sheets

ASSETS

	September 30, 2017 (Unaudited)	December 31, 2016
CURRENT ASSETS:		
Cash	\$ 2,708,924	\$ 3,772,064
Accounts receivable, net	724,063	495,397
Inventories, net	1,212,757	835,609
Income taxes receivable	98,539	114,673
Prepaid expenses and other	52,276	52,072
Total current assets	4,796,559	5,269,815
 PROPERTY AND EQUIPMENT, at cost:		
Land	317,932	317,932
Building	1,928,795	1,928,795
Real-time Alcohol Detection And Recognition equipment and software	569,448	-
Production equipment and software	531,325	456,005
Training courses	432,375	432,375
Office equipment and software	219,235	193,332
Sales and marketing equipment	228,908	228,908
Research and development equipment and software	116,670	78,157
Less accumulated depreciation	(1,329,234)	(1,112,498)
Total property and equipment, net	3,015,454	2,523,006
 OTHER ASSETS:		
Patents, net	180,959	71,909
Deposits and other	244,001	98,991
Deferred taxes	96,891	109,727
Total other assets	521,851	280,627
Total assets	\$ 8,333,864	\$ 8,073,448

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 380,938	\$ 284,590
Term loan payable, current portion	41,655	40,218
Customer deposits	66,034	51,611
Accrued expenses	260,722	239,833
Deferred revenue, current portion	55,811	64,283

Reserve for warranty expense	41,000	40,000
Total current liabilities	<u>846,160</u>	<u>720,535</u>
 TERM LOAN PAYABLE, net of current portion and debt issuance costs	 1,424,239	 1,455,604
 DEFERRED REVENUE, net of current portion	 10,276	 8,665
 COMMITMENTS AND CONTINGENCIES		
 STOCKHOLDERS' EQUITY:		
Common stock, no par value; 50,000,000 shares authorized, 2,454,116 shares outstanding	4,575,814	4,557,320
Retained earnings	1,477,375	1,331,324
Total stockholders' equity	<u>6,053,189</u>	<u>5,888,644</u>
 Total liabilities and stockholders' equity	 <u>\$ 8,333,864</u>	 <u>\$ 8,073,448</u>

Condensed Statements of Income (Unaudited)

	Three Months Ended September 30,	
	2017	2016
REVENUES:		
Product sales	\$ 1,944,734	\$ 1,960,610
Royalties	43,785	48,070
Rental income	12,160	21,725
Total	<u>2,000,679</u>	<u>2,030,405</u>
 COST OF SALES	 <u>1,118,203</u>	 <u>1,039,810</u>
 GROSS PROFIT	 882,476	 990,595
 OPERATING EXPENSES:		
Research and development	242,005	208,085
Sales and marketing	367,101	380,448
General and administrative	268,667	251,234
Total	<u>877,773</u>	<u>839,767</u>
 OPERATING INCOME	 4,703	 150,828
 OTHER INCOME (EXPENSE):		
Interest income	1,036	1,896
Bad debt recovery	-	-
Interest expense	(15,261)	(15,438)
Total	<u>(14,225)</u>	<u>(13,542)</u>
 NET (LOSS) INCOME BEFORE PROVISION FOR TAXES	 (9,522)	 137,286
 BENEFIT FROM (PROVISION FOR) FEDERAL AND STATE INCOME TAXES	 <u>9,712</u>	 <u>(46,501)</u>
 NET INCOME	 <u>\$ 190</u>	 <u>\$ 90,785</u>
 NET INCOME PER SHARE, BASIC	 <u>\$ -</u>	 <u>\$ 0.04</u>
 NET INCOME PER SHARE, DILUTED	 <u>\$ -</u>	 <u>\$ 0.04</u>
 WEIGHTED AVERAGE SHARES, BASIC	 <u>2,454,116</u>	 <u>2,454,116</u>

WEIGHTED AVERAGE SHARES, DILUTED

2,511,925

2,527,150

Condensed Statements of Income (Unaudited)

	Nine Months Ended September 30,	
	2017	2016
REVENUES:		
Product sales	\$ 5,706,328	\$ 6,086,605
Royalties	268,127	373,958
Rental income	57,075	77,289
Total	<u>6,031,530</u>	<u>6,537,852</u>
 COST OF SALES	 <u>3,171,449</u>	 <u>3,214,271</u>
 GROSS PROFIT	 2,860,081	 3,323,581
 OPERATING EXPENSES:		
Research and development	690,198	740,486
Sales and marketing	1,074,219	1,075,191
General and administrative	858,987	858,980
Total	<u>2,623,404</u>	<u>2,674,657</u>
 OPERATING INCOME	 236,677	 648,924
 OTHER INCOME (EXPENSE):		
Interest income	4,682	9,789
Bad debt recovery	-	4,500
Interest expense	(45,572)	(50,404)
Total	<u>(40,890)</u>	<u>(36,115)</u>
 NET INCOME BEFORE PROVISION FOR TAXES	 195,787	 612,809
 PROVISION FOR FEDERAL AND STATE INCOME TAXES	 <u>(49,736)</u>	 <u>(202,702)</u>
 NET INCOME	 <u>\$ 146,051</u>	 <u>\$ 410,107</u>
 NET INCOME PER SHARE, BASIC	 <u>\$ 0.06</u>	 <u>\$ 0.17</u>
 NET INCOME PER SHARE, DILUTED	 <u>\$ 0.06</u>	 <u>\$ 0.16</u>
 WEIGHTED AVERAGE SHARES, BASIC	 <u>2,454,116</u>	 <u>2,454,116</u>

WEIGHTED AVERAGE SHARES, DILUTED

2,520,4142,532,301

Condensed Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 146,051	\$ 410,107
Adjustments to reconcile net income to net cash provided by (used in) operating activities	295,140	241,457
Changes in operating assets and liabilities	(647,595)	(356,390)
Net cash provided from (used in) operating activities	<u>(206,404)</u>	<u>295,174</u>
CASH FLOWS FROM INVESTING ACTIVITIES	(826,401)	(44,333)
CASH FLOWS FROM FINANCING ACTIVITIES:	(30,335)	(28,062)
NET INCREASE (DECREASE) IN CASH	(1,063,140)	222,779
CASH, BEGINNING OF PERIOD	<u>3,772,064</u>	<u>3,227,190</u>
CASH, END OF PERIOD	<u>\$ 2,708,924</u>	<u>\$ 3,449,969</u>

Contacts

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<http://www.lifeloc.com>