



March 12, 2015

ClearOne Reports Record 2014 Fourth-Quarter and Full-Year Revenue and Increases Cash Dividend

Q4 Non-GAAP Diluted EPS Increased 79%

SALT LAKE CITY, March 12, 2015 /PRNewswire/ --

Financial Highlights:

Fourth Quarter 2014 vs. 2013

- Revenue up 8% to \$15.4 million
- Gross margin increased to 65%, up from 60%
- Non-GAAP operating income up 33%
- Non-GAAP net income up 77%
- Non-GAAP adjusted EBITDA up 31%

Full Year 2014 vs. 2013

- Revenue up 17% to \$57.9 million, fifth consecutive year of growth
- Non-GAAP operating income up 23%
- Non-GAAP net income up 26%
- Non-GAAP adjusted EBITDA up 21%

Financial Summary

(Dollars in thousands, except per share values)

| | Fourth Quarter | | | Year | | |
|---------------------------|----------------|-----------|--------|-----------|-----------|--------|
| | 2014 | 2013 | Change | 2014 | 2013 | Change |
| Revenue | \$ 15,351 | \$ 14,230 | 8% | \$ 57,909 | \$ 49,592 | 17% |
| Gross Profit | 9,917 | 8,549 | 16% | 35,323 | 29,857 | 18% |
| Non-GAAP Operating Income | 3,831 | 2,881 | 33% | 10,309 | 8,404 | 23% |
| Non-GAAP Net Income | 3,218 | 1,821 | 77% | 7,206 | 5,710 | 26% |
| Non-GAAP Adjusted EBITDA | 4,075 | 3,112 | 31% | 11,324 | 9,331 | 21% |
| Non-GAAP Diluted EPS | \$ 0.34 | \$ 0.19 | 79% | \$ 0.75 | \$ 0.60 | 25% |

ClearOne (NASDAQ: CLRO), a global provider of audio and visual communication solutions, today reported financial results for the fourth quarter and year ended December 31, 2014.

For the 2014 fourth quarter, revenue increased 8% to \$15.4 million, compared with \$14.2 million for the fourth quarter of 2013. Gross profit rose to \$9.9 million, or 65% of revenue, compared with \$8.5 million, or 60% of revenue, for the fourth quarter of 2013. Non-GAAP operating income increased 33% to \$3.8 million from \$2.9 million for the fourth quarter of 2013. Non-GAAP net income increased 77% to \$3.2 million, or \$0.34 per diluted share, from \$1.8 million, or \$0.19 per diluted share, for the fourth quarter of 2013. Non-GAAP adjusted EBITDA increased 31% to \$4.1 million, or \$0.43 per diluted share, from \$3.1 million, or \$0.33 per diluted share, for the fourth quarter of 2013.

For the year ended December 31, 2014, revenue increased 17% to \$57.9 million from \$49.6 million for the prior year. Gross profit increased 18% to \$35.3 million, or 61% of revenue, compared with \$29.9 million, or 60% of revenue, for the twelve months ended December 31, 2013. Non-GAAP operating income increased 23% to \$10.3 million from \$8.4 million for the twelve months ended December 31, 2013. Non-GAAP net income increased 26% to \$7.2 million, or \$0.75 per diluted share, from \$5.7 million, or \$0.60 per diluted share, for the twelve months ended December 31, 2013. Non-GAAP adjusted EBITDA increased 21% to \$11.3 million, or \$1.18 per diluted share, from \$9.3 million, or \$0.99 per diluted share, for the twelve months ended December 31, 2013.

Cash, cash equivalents and investments totaled \$33.6 million at December 31, 2014, down \$9.1 million from \$42.7 million at December 31, 2013 primarily due to the acquisitions of Sabine and Spontania, which closed in March and April of 2014, respectively. ClearOne continues to have no debt.

"We are very pleased to report the highest fourth-quarter and full-year revenues in our company's history," said Zee Hakimoglu, President and Chief Executive Officer of ClearOne. "Sales of internally developed products, combined with revenues from acquisitions completed in 2014, contributed to our strong top line performance and improved gross margin. We made solid progress enhancing efficiencies and believe our current expense structure supports our existing operations, as well as anticipated growth.

"The bookings in 2014 from Spontania, a cloud-based media collaboration solution, were at the high end of our expectations, though revenues generated from wireless microphones were less than anticipated. The wireless microphones business is poised for higher growth with the recent launch of five new models for Europe that comply with European Union standards and the imminent launch of our new series of wireless microphone systems with Dante™ audio-over-Ethernet technology."

"Our investors can look forward to another year of strong revenue and profitability growth in 2015 as we remain focused on our vision for market success and execute on our strategy through operational discipline."

Increased Cash Dividend

In December, the company announced its first-ever cash dividend of \$0.10 per share for 2014; the dividend was paid in January 2015. For the first quarter of 2015, the Board of Directors has approved an increased quarterly cash dividend of \$0.035 per share which will be distributed in April 2015.

Spontania Robust Performance in Action

During the quarter, ClearOne's carrier-grade cloud-based video collaboration software, Spontania, was selected as the exclusive video collaboration technology provider for the 2014-2015 Barcelona World Race, the first and only two crew member per boat, non-stop, around the world regatta. The competition began on December 31, 2014, and is expected to finish near the end of March, 2015, with participants relying on the Spontania to provide reliable video connections from numerous remote high seas locations with severe connectivity challenges. Spontania automatically adapts to any environment to deliver reliable communications from anywhere.

New Video Camera Launch

In December, the company launched UNITE™ PTZ Camera, an affordable, professional-grade, high-resolution 1080p60 camera that can connect directly to any standard PC or laptop through USB 3.0, eliminating the need for adapters or converters. It offers an outstanding, high-performance value compared to other, more expensive solutions on the market and works with all of ClearOne's media collaboration solutions and network streaming applications.

Non-GAAP Financial Measures

ClearOne provides non-GAAP financial information in the form of non-GAAP operating income, non-GAAP net income, Adjusted Earnings Before Interest, Taxes, Depreciation, and Amortization ("EBITDA") and corresponding earnings per share to investors to supplement GAAP financial information. ClearOne believes that excluding certain items from GAAP results allows ClearOne's management to better understand ClearOne's consolidated financial performance from period to period as management does not believe that the excluded items are reflective of underlying operating performance. Non-GAAP operating income, non-GAAP net income, Adjusted EBITDA and corresponding earnings per share excludes certain costs and expenses, the details of which are provided below in the tables containing the reconciliation between GAAP and non-GAAP financial measures. The exclusion of these items in the non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent, or unusual. ClearOne believes non-GAAP financial measures will provide investors with useful information to help them evaluate ClearOne's operating results and projections. This non-GAAP financial information is not meant to be considered in isolation or as a substitute for operating income, net income or other financial measures prepared in accordance with GAAP. There are limitations to the use of non-GAAP financial measures. Other companies, including companies in ClearOne's industry, may calculate non-GAAP financial measures differently than ClearOne does, limiting the usefulness of those measures for comparative purposes. A detailed reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is included with this release.

About ClearOne

ClearOne is a global company that designs, develops and sells conferencing, collaboration, streaming and digital signage solutions for voice and visual communications. The performance and simplicity of its advanced comprehensive solutions offer unprecedented levels of functionality, reliability and scalability. More information about the company can be found at www.clearone.com.

This release contains "forward-looking" statements that are based on present circumstances and on ClearOne's predictions with respect to events that have not occurred, that may not occur, or that may occur with different consequences and timing

than those now assumed or anticipated. Such forward-looking statements, including the anticipated growth of Sabine, the company's operating expense structure, the payment of future dividends, acquisitions or investments the company may make to fuel growth, the purchase of common stock under the company's stock repurchase program and any statements of the plans and objectives of management for future operations and forecasts of future growth and value, are not guarantees of future performance or results and involve risks and uncertainties that could cause actual events or results to differ materially from the events or results described in the forward-looking statements. Such forward-looking statements are made only as of the date of this release and ClearOne assumes no obligation to update forward-looking statements to reflect subsequent events or circumstances. Readers should not place undue reliance on these forward-looking statements.

<http://investors.clearone.com>

CLEARONE, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except par value)

| | <u>As of December 31, 2014</u> | <u>As of December 31, 2013</u> |
|--|--------------------------------|--------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 7,440 | \$ 17,192 |
| Marketable securities | 6,994 | 3,200 |
| Receivables, net of allowance for doubtful accounts of \$58 and \$129, respectively | 9,916 | 9,378 |
| Inventories, net | 12,766 | 10,758 |
| Distributor channel inventories | 1,698 | 1,520 |
| Deferred income taxes | 4,013 | 3,325 |
| Prepaid expenses and other assets | 2,143 | 2,693 |
| Total current assets | 44,970 | 48,066 |
| Long-term marketable securities | 19,162 | 22,326 |
| Long-term inventories, net | 876 | 551 |
| Property and equipment, net | 2,039 | 1,825 |
| Intangibles, net | 7,896 | 3,710 |
| Goodwill | 12,969 | 3,472 |
| Deferred income taxes | 1,374 | 1,024 |
| Other assets | 117 | 87 |
| Total assets | <u>\$ 89,403</u> | <u>\$ 81,061</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 3,057 | \$ 2,730 |
| Accrued liabilities | 2,870 | 1,761 |
| Deferred product revenue | 5,004 | 4,158 |
| Total current liabilities | 10,931 | 8,649 |
| Deferred rent | 248 | 286 |
| Other long-term liabilities | 2,208 | 1,791 |
| Total liabilities | 13,387 | 10,726 |
| Shareholders' equity: | | |
| Common stock, par value \$0.001, 50,000,000 shares authorized, 9,097,827 and 8,986,080 shares issued and outstanding | 9 | 9 |
| Additional paid-in capital | 44,939 | 41,311 |
| Accumulated other comprehensive income (loss) | (8) | 23 |
| Retained earnings | 31,076 | 28,992 |
| Total shareholders' equity | 76,016 | 70,335 |
| Total liabilities and shareholders' equity | <u>\$ 89,403</u> | <u>\$ 81,061</u> |

CLEARONE, INC.
UNAUDITED CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in thousands, except per share values)

| | <u>Quarter ended December 31,</u> | | <u>Year ended December 31,</u> | |
|--------------------|-----------------------------------|-------------|--------------------------------|-------------|
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| Revenue | \$ 15,351 | \$ 14,230 | \$ 57,909 | \$ 49,592 |
| Cost of goods sold | 5,434 | 5,681 | 22,586 | 19,735 |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Gross profit | 9,917 | 8,549 | 35,323 | 29,857 |
| Operating expenses: | | | | |
| Sales and marketing | 2,723 | 2,321 | 11,227 | 8,896 |
| Research and product development | 2,083 | 2,065 | 8,969 | 7,562 |
| General and administrative | 1,901 | 1,777 | 7,152 | 6,416 |
| Proceeds from litigation, net | — | (367) | — | (639) |
| Total operating expenses | 6,707 | 5,796 | 27,348 | 22,235 |
| Operating income | 3,210 | 2,753 | 7,975 | 7,622 |
| Other income, net | 38 | 30 | 254 | 147 |
| Income before income taxes | 3,248 | 2,783 | 8,229 | 7,769 |
| Provision for income taxes | 550 | 1,042 | 2,633 | 2,590 |
| Net income | \$ 2,698 | \$ 1,741 | \$ 5,596 | \$ 5,179 |
| Basic earnings per common share | \$ 0.30 | \$ 0.19 | \$ 0.61 | \$ 0.57 |
| Diluted earnings per common share | \$ 0.28 | \$ 0.19 | \$ 0.58 | \$ 0.55 |
| Basic weighted average shares outstanding | 9,118,977 | 8,985,518 | 9,166,769 | 9,064,340 |
| Diluted weighted average shares outstanding | 9,510,957 | 9,340,741 | 9,581,326 | 9,455,518 |
| Comprehensive income: | | | | |
| Net income | \$ 2,698 | \$ 1,741 | \$ 5,596 | \$ 5,179 |
| Unrealized gain(loss) on available-for-sale securities, net of tax | (45) | 56 | 15 | 23 |
| Change in foreign currency translation adjustment | (45) | — | (45) | — |
| Comprehensive income | \$ 2,608 | \$ 1,797 | \$ 5,566 | \$ 5,202 |

CLEARONE, INC.
UNAUDITED RECONCILIATION OF GAAP NET INCOME TO NON-GAAP NET INCOME
(Dollars in thousands, except per share values)

| | Quarter ended December 31, | | Year ended December 31, | |
|---|----------------------------|-----------------|-------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| Revenue | \$ 15,351 | \$ 14,230 | \$ 57,909 | \$ 49,592 |
| Cost of goods sold | 5,430 | 5,678 | 22,576 | 19,726 |
| Gross profit | 9,921 | 8,552 | 35,333 | 29,866 |
| Operating expenses: | | | | |
| Sales and marketing | 2,696 | 2,302 | 11,140 | 8,822 |
| Research and product development | 2,060 | 2,052 | 8,913 | 7,511 |
| General and administrative | 1,334 | 1,317 | 4,971 | 5,129 |
| Total operating expenses | 6,090 | 5,671 | 25,024 | 21,462 |
| Non-GAAP operating income | 3,831 | 2,881 | 10,309 | 8,404 |
| Other income, net | 38 | 30 | 254 | 147 |
| Income before income taxes | 3,869 | 2,911 | 10,563 | 8,551 |
| Provision for income taxes | 651 | 1,090 | 3,357 | 2,841 |
| Non-GAAP Net income | \$ 3,218 | \$ 1,821 | \$ 7,206 | \$ 5,710 |
| Basic Non-GAAP earnings per common share | \$ 0.35 | \$ 0.20 | \$ 0.79 | \$ 0.63 |
| Diluted Non-GAAP earnings per common share | \$ 0.34 | \$ 0.19 | \$ 0.75 | \$ 0.60 |
| Basic weighted average shares outstanding | 9,118,977 | 8,985,518 | 9,166,769 | 9,064,340 |
| Diluted weighted average shares outstanding | 9,510,957 | 9,340,741 | 9,581,326 | 9,455,518 |
| GAAP Net Income | \$ 2,698 | \$ 1,741 | \$ 5,596 | \$ 5,179 |
| Adjustments: | | | | |
| Share-based compensation | 135 | 91 | 401 | 296 |
| Amortization of purchased intangibles | 337 | 143 | 1,210 | 547 |
| Legal expenses for litigation relating to indemnification of former officers, theft of our intellectual property claims and | | | | |

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| our claim for damages | 19 | 98 | 135 | 332 |
| Acquisition related expenses | 129 | 163 | 588 | 246 |
| Proceeds from litigation | — | (367) | — | (639) |
| Total of adjustments before taxes | 620 | 128 | 2,334 | 782 |
| Income taxes affected by the above adjustments | 100 | 48 | 724 | 251 |
| Total adjustments | 520 | 80 | 1,610 | 531 |
| Non-GAAP Net Income | \$ 3,218 | \$ 1,821 | \$ 7,206 | \$ 5,710 |

CLEARONE, INC.
UNAUDITED RECONCILIATION OF GAAP NET INCOME TO NON-GAAP ADJUSTED EBITDA
(Dollars in thousands, except per share values)

| | Quarter ended December 31, | | Year ended December 31, | |
|---|----------------------------|-----------------|-------------------------|-----------------|
| | 2014 | 2013 | 2014 | 2013 |
| GAAP net income | \$ 2,698 | \$ 1,741 | \$ 5,596 | \$ 5,179 |
| Adjustments: | | | | |
| Provision for income taxes | 550 | 1,042 | 2,633 | 2,590 |
| Depreciation and amortization | 544 | 344 | 1,971 | 1,327 |
| Non-GAAP EBITDA | 3,792 | 3,127 | 10,200 | 9,096 |
| Proceeds from litigation | — | (367) | — | (639) |
| Share-based compensation | 135 | 91 | 401 | 296 |
| Legal expenses for litigation relating to indemnification of former officers, theft of our intellectual property claims and our claim for damages | 19 | 98 | 135 | 332 |
| Acquisition related expenses | 129 | 163 | 588 | 246 |
| Non-GAAP Adjusted EBITDA | \$ 4,075 | \$ 3,112 | \$ 11,324 | \$ 9,331 |
| Basic weighted average shares outstanding | 9,118,977 | 8,985,518 | 9,166,769 | 9,064,340 |
| Diluted weighted average shares outstanding | 9,510,957 | 9,340,741 | 9,581,326 | 9,455,518 |
| Basic Non-GAAP Adjusted EBITDA per common share | \$ 0.45 | \$ 0.35 | \$ 1.24 | \$ 1.03 |
| Diluted Non-GAAP Adjusted EBITDA per common share | \$ 0.43 | \$ 0.33 | \$ 1.18 | \$ 0.99 |

Contact:

Investor Relations
801-975-7200
investor_relations@clearone.com

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/clearone-reports-record-2014-fourth-quarter-and-full-year-revenue-and-increases-cash-dividend-300049581.html>

SOURCE ClearOne

News Provided by Acquire Media