

VOXX International Corp
Form 10-K
May 15, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 2013

Commission file number 0-28839

VOXX INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-1964841
(IRS Employer Identification No.)

180 Marcus Blvd., Hauppauge, New York
(Address of principal executive offices)

11788
(Zip Code)

(631) 231-7750
(Registrant's telephone number, including area code)

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

Title of each class:	Name of Each Exchange on which Registered
Class A Common Stock \$.01 par value	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Edgar Filing: VOXX International Corp - Form 10-K

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Act).

Yes No

1

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

The aggregate market value of the common stock held by non-affiliates of the Registrant was \$159,184,640 (based upon closing price on the Nasdaq Stock Market on August 31, 2012).

The number of shares outstanding of each of the registrant's classes of common stock, as of May 14, 2013 was:

Class	Outstanding
Class A common stock \$.01 par value	21,586,269
Class B common stock \$.01 par value	2,260,954

DOCUMENTS INCORPORATED BY REFERENCE

Part III - (Items 10, 11, 12, 13 and 14) Proxy Statement for Annual Meeting of Stockholders to be filed on or before June 28, 2013.

VOXX INTERNATIONAL CORPORATION

Index to Form 10-K

Table of Contents

PART I

Item 1	Business	<u>4</u>
Item 1A	Risk Factors	<u>10</u>
Item 1B	Unresolved Staff Comments	<u>16</u>
Item 2	Properties	<u>16</u>
Item 3	Legal Proceedings	<u>16</u>
Item 4	Removed and Reserved	<u>17</u>

PART II

Item 5	Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	<u>18</u>
Item 6	Selected Consolidated Financial Data	<u>19</u>
Item 7	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>20</u>
Item 7A	Quantitative and Qualitative Disclosures About Market Risk	<u>34</u>
Item 8	Consolidated Financial Statements and Supplementary Data	<u>34</u>
Item 9	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	<u>35</u>
Item 9A	Controls and Procedures	<u>35</u>
Item 9B	Other Information	<u>38</u>

PART III

Item 10	Directors, Executive Officers and Corporate Governance	<u>38</u>
Item 11	Executive Compensation	<u>38</u>
Item 12	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	<u>38</u>
Item 13	Certain Relationships and Related Transactions, and Director Independence	<u>38</u>
Item 14	Principal Accounting Fees and Services	<u>38</u>

PART IV

Item 15	Exhibits, Financial Statement Schedules	<u>38</u>
---------	-----------------------------------------	-----------

SIGNATURES	<u>104</u>
------------	------------

CAUTIONARY STATEMENT RELATING TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7, and the information incorporated by reference contains "forward-looking statements" within the meaning of section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend those forward looking-statements to be covered by the safe harbor provisions for forward-looking statements. All statements regarding our expected financial position and operating results, our business strategy, our financing plans and the outcome of any contingencies are forward-looking statements. Any such forward-looking statements are based on current expectations, estimates, and projections about our industry and our business. Words such as "anticipates," "expects," "intends," "plans," "believes," "seeks," "estimates," or variations of those words and similar expressions are intended to identify such forward-looking statements. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those stated in or implied by any forward-looking statements. Factors that could cause actual results to differ materially from forward-looking statements include, but are not limited to, matters listed in Item 1A under "Risk Factors" of this annual report. The Company assumes no obligation and does not intend to update these forward-looking statements.

NOTE REGARDING DOLLAR AMOUNTS AND FISCAL YEAR

In this annual report, all dollar amounts are expressed in thousands, except for share prices and per-share amounts. Unless specifically indicated otherwise, all amounts and percentages in our Form 10-K are exclusive of discontinued operations.

The Company's current fiscal year began March 1, 2012 and ended February 28, 2013.

PART I

Item 1-Business

Effective December 1, 2011, Audiovox Corporation changed its name to VOXX International Corporation ("Voxx," "We," "Our," "Us" or the "Company"). The Company believes that the name VOXX International would be a name that better represents the widely diversified interests of the Company, and the more than 30 global brands it has acquired and grown throughout the years, achieving a powerful international corporate image and creating a vehicle for each of these respective brands to emerge with its own identity. Voxx is a leading international distributor in the automotive, audio and consumer accessory industries. On March 14, 2012, the Company acquired Car Communication Holding, GmbH and its worldwide subsidiaries, a recognized tier-1 supplier of communications and infotainment solutions, primarily in the automotive industry. We conduct our business through nineteen wholly-owned subsidiaries: American Radio Corp., Audiovox Electronics Corporation ("AEC"), VOXX Accessories Corp. ("AAC"), Audiovox Consumer Electronics, Inc. ("ACE"), Audiovox German Holdings GmbH ("Audiovox Germany"), Audiovox Venezuela, C.A., Audiovox Canada Limited, Audiovox Hong Kong Ltd., Audiovox International Corp., Audiovox Mexico, S. de R.L. de C.V. ("Audiovox Mexico"), Technuity, Inc., Code Systems, Inc., Oehlbach Kabel GmbH ("Oehlbach"), Schwaiger GmbH ("Schwaiger"), Invision Automotive Systems, Inc. ("Invision"), Klipsch Holding LLC ("Klipsch"), Car Communication Holding GmbH ("Hirschmann"), Omega Research and Development, LLC ("Omega") and Audiovox Websales LLC. We market our products under the Audiovox® brand name, other brand names and licensed brands, such as Acoustic Research®, Advent®, Ambico®, Car Link®, Chapman®, Code-Alarm®, Discwasher®, Energy®, Heco®, Hirschmann Car Communication®, Incaar™, Invision®, Jamo®, Jensen®, Klipsch®, Mac Audio™, Magnat®, Mirage®, Movies2Go®, Oehlbach®, Omega®, Phase Linear®, Prestige®, Pursuit®, RCA®, RCA Accessories®, Recoton®, Road Gear®, Schwaiger®, Spikemaster® and Terk®, as well as private labels through a large domestic and international distribution network. We also function as an OEM

("Original Equipment Manufacturer") supplier to several customers.

Audiovox was incorporated in Delaware on April 10, 1987, as successor to a business founded in 1960 by John J. Shalam, our Chairman and controlling stockholder. Our extensive distribution network and long-standing industry relationships have allowed us to benefit from growing market opportunities and emerging niches in the electronics business.

During the fourth quarter of Fiscal 2013, the Company realigned its subsidiaries into three operating segments based upon the Company's products and internal organizational structure. The operating segments consist of the Automotive, Premium Audio and Consumer Accessories segments. The Automotive segment designs, manufactures, distributes and markets rear-seat entertainment, satellite radio products, automotive security, remote start systems, digital TV tuners, mobile antennas, mobile multimedia, aftermarket/OE-styled radios, car-link smartphone telematics application, collision avoidance systems and location-based services. The Premium Audio segment designs, manufactures, distributes and markets home theater systems, high-end loudspeakers, outdoor speakers, iPod/computer speakers, business music systems, cinema speakers, flat panel speakers, soundbars, headphones and Apple Air Play. The Consumer Accessories segment designs and markets remote controls, reception products, wireless speakers,

iPod docks/iPod sound, A/V connectivity, portable/home charging, rechargeable battery packs, digital consumer products and personal sound amplifiers. See Note 13 to the Company's Consolidated Financial Statements for segment and geographic area information.

We make available financial information, news releases and other information on our web site at www.voxxintl.com. There is a direct link from the web site to the Securities and Exchange Commission's ("SEC") filings web site, where our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge as soon as reasonably practicable after we file such reports and amendments with, or furnish them to, the SEC. In addition, we have adopted a Code of Business Conduct and Ethics which is available free of charge upon request. Any such request should be directed to the attention of: Chris Lis Johnson, Company Secretary, 180 Marcus Boulevard, Hauppauge, New York 11788, (631) 231-7750.

Acquisitions

We have recently acquired and continue to integrate the following acquisitions, discussed below, into our existing business structure:

On March 14, 2012, Voxx International (Germany) GmbH, a wholly owned subsidiary of Voxx, acquired all of the issued and outstanding shares of Car Communication Holding GmbH and its worldwide subsidiaries ("Hirschmann") for a total purchase price of approximately \$114 million (based on the rate of exchange as of the close of business on the closing date) plus related transaction fees, expenses and working capital adjustments. Hirschmann is a recognized tier-1 supplier of communications and infotainment solutions and antenna solutions, primarily to the automotive industry, and counts among its global customers Audi, BMW, DAF, Daimler, PSA, Renault, Volkswagen Group and AT&T, among others. Hirschmann delivers technologically advanced automotive antenna systems and automotive digital TV tuner systems and is recognized throughout the industry for its commitment to innovation, having developed the world's first analog to digital tuner and the first digital TV tuner for the Chinese market.

Prior to Fiscal 2013, the Company expanded its market presence by acquiring and fully integrating the following businesses:

On March 1, 2011, Soundtech LLC, a Delaware limited liability company and wholly-owned subsidiary of Voxx, acquired all of the issued and outstanding shares of Klipsch Group, Inc. and its worldwide subsidiaries ("Klipsch") for a total purchase price of \$169.6 million including contingent consideration of \$2.2 million as a result of a contractual agreement with a former principal shareholder, plus related transaction fees and expenses. Klipsch is a global provider of high-end speakers for audio, multi-media and home theater applications. The acquisition of Klipsch added world-class brand names to Voxx's offerings, increased its distribution network, both domestically and abroad, and provided the Company with entry into the high-end installation market at both the residential and commercial installation market. In addition to the Klipsch® brand, the Klipsch portfolio includes Jamo®, Mirage®, and Energy®.

In February 2010, the Company's subsidiary, Invision Automotive Systems, Inc. completed the acquisition of the assets of Invision Industries, Inc., a leading manufacturer of rear seat entertainment systems to Original Equipment Manufacturers ("OEM"'s), Toyota port facilities, and car dealers. The purpose of this acquisition was to increase our R&D capabilities, add a manufacturing facility to our business structure and augment our OE group.

In October 2009, Audiovox German Holdings GmbH completed the acquisition of certain assets of Schwaiger GmbH, a German market leader in the consumer electronics, SAT and receiver technologies. The purpose of this acquisition was to expand our European operations and increase our presence in the European accessory market.

Refer to Note 2 "Business Acquisitions" of the Notes to Consolidated Financial Statements for additional information regarding the Fiscal 2013 and Fiscal 2012 acquisitions.

Strategy

Our objective is to grow our business both organically and through strategic acquisitions. We will drive the business organically by continued product development in new and emerging technologies that should increase gross margins, and improve operating income. We are focused on expanding sales both domestically and internationally and broadening our customer and partner base as we bring these new products to our target markets. In addition, we plan to continue to acquire synergistic companies that would allow us to leverage our overhead, penetrate new markets and expand existing product categories.

The key elements of our strategy are as follows:

5

Capitalize on the VOXX family of brands. We believe the "VOXX" portfolio of brands is one of our greatest strengths and offers us significant opportunity for increased market penetration. Today, VOXX International has over 30 global brands in its portfolio, which provides the Company with the ability to bring to market products under brands that consumers know to be quality. In addition, with such a wide brand portfolio, we can manage channels and sell into multiple outlets as well as leverage relationships with distributors, retailers, aftermarket car dealers and expeditors, and to global Original Equipment Manufacturers (OEMs). Finally, we are open to opportunities to license some of the brands as an additional use of the brands and a growth strategy.

Capitalize on niche product and distribution opportunities in our target markets. Throughout our history, we have used our extensive distribution and supply networks to capitalize on niche product and distribution opportunities in the automotive, premium audio and consumer accessories categories. We will continue that focus as we remain committed to innovation, developing products internally and through our outsourced technology and manufacturing partners to provide our customers with products that are in demand by consumers.

Combine new, internal manufacturing capabilities with our proven outsourced manufacturing with industry partners. For years, VOXX International has employed an outsourced manufacturing strategy that has enabled the Company to deliver the latest technological advances without the fixed costs associated with manufacturing. With recent acquisitions, the Company now has added manufacturing capabilities to produce select product lines, such as high-end speakers, rear-seat entertainment systems and digital TV tuners and antennas. This blend of internal and outsourced manufacturing enables the Company to drive innovation, control product quality and speed time-to-market.

Leverage our domestic and international distribution network. We believe that today VOXX International has the most expansive distribution network in its history. Our distribution network, which includes power retailers, mass merchandisers, distributors, professional and commercial installation channels, car dealers and OEM's will allow us to increase our market penetration. Recently, we have expanded into new channels, such as drug store, hardware and furniture chains.

Grow our international presence. We continue to expand our international presence in Europe through our subsidiaries in Germany, as well as operations in Canada, Mexico, Venezuela and Hong Kong. We also continue to export from our domestic operations in the United States. Through our most recent acquisitions of Klipsch and Hirschmann we have expanded our presence throughout Europe, the Asia Pacific region and in select emerging markets.

Pursue strategic and complementary acquisitions. We continue to monitor economic and industry conditions in order to evaluate potential synergistic business acquisitions that would allow us to leverage overhead, penetrate new markets and expand our existing business distribution. Over the past several years, the Company has employed an M&A strategy to build its brand portfolio and enhance its product offering in higher margin product categories, while at the same time, exiting lower margin and commoditized product lines; resulting in improved bottom-line performance. The Company is focused on continuing to grow organically, but may pursue opportunistic acquisitions within the areas of automotive, primarily with OEM accounts, consumer accessories and premium audio.

Improve bottom-line performance and generate sustainable shareholder returns. The Company has instituted an aggressive strategy in recent years to shift its product mix to higher-margin product categories, while controlling costs and strategically investing in its infrastructure. All of these collective changes have resulted in higher gross profit margins and in recent periods, higher operating and net income. The Company remains focused on growing its business organically, continuing to grow its gross profit margins and leveraging its fixed overhead structure to generate sustainable returns for its shareholders.

Industry

We participate in selected product categories in the automotive, premium audio and consumer accessories markets within the electronics industry. These markets are large and diverse, encompass a broad range of products and offer the ability to specialize in niche product groups. The introduction of new products and technological advancements are the major growth drivers in these markets. Based on this, we continue to introduce new products across all segments, with an increased focus on niche product offerings.

Products

The Company currently reports sales data for the following three operating segments:

Automotive products include:

mobile multi-media video products, including in-dash, overhead and headrest systems,

autosound products including radios, amplifiers and CD changers, satellite radios including plug and play models and direct connect models, automotive security and remote start systems, automotive power accessories, rear observation and collision avoidance systems, TV tuners and antennas, and location based services.

Premium Audio products include:

premium loudspeakers, architectural speakers, commercial speakers, on-ear and in-ear headphones, soundbars, and airplay products.

Accessories products include:

High-Definition Television ("HDTV") antennas, Wireless Fidelity ("WiFi") antennas, High-Definition Multimedia Interface ("HDMI") accessories, home electronic accessories such as cabling, other connectivity products, power cords, performance enhancing electronics, TV universal remotes, flat panel TV mounting systems, iPod specialized products, wireless headphones, wireless speakers, rechargeable battery backups (UPS) for camcorders, cordless phones and portable video (DVD) batteries and accessories, power supply systems and charging products, electronic equipment cleaning products, personal sound amplifiers, set-top boxes, home and portable stereos, digital multi-media products, such as personal video recorders and MP3 products, camcorders, clock radios, digital voice recorders, and portable DVD players.

We believe our product groups have expanding market opportunities with certain levels of volatility related to domestic and international markets, new car sales, increased competition by manufacturers, private labels, technological advancements, discretionary consumer spending and general economic conditions. Also, all of our products are subject to price fluctuations, which could affect the carrying value of inventories and gross margins in the future.

Net sales by product category, gross profit and net assets are as follows:

7

	Fiscal 2013	Fiscal 2012	Fiscal 2011	
Automotive	\$426,983	\$297,145	\$298,126	
Premium Audio	192,987	191,427	20,071	
Consumer Accessories	214,275	215,604	240,128	
Corporate/Eliminations	1,332	2,886	3,347	
Total net sales	\$835,577	\$707,062	\$561,672	
Gross profit	\$236,822	\$202,955	\$123,937	
Gross margin percentage	28.3	% 28.7	% 22.1	%
Total assets	\$829,272	\$632,882	\$501,097	

Patents, Trademarks/Tradenames, Licensing and Royalties

The Company regards its trademarks, copyrights, patents, domain names, and similar intellectual property as important to its operations. It relies on trademark, copyright and patent law, domain name regulations, and confidentiality or license agreements to protect its proprietary rights. The Company has registered, or applied for the registration of, a number of patents, trademarks, domain names and copyrights by U.S. and foreign governmental authorities. Additionally, the Company has filed U.S. and international patent applications covering certain of its proprietary technology. The Company renews its registrations, which vary in duration, as it deems appropriate from time to time.

The Company has licensed in the past, and expects that it may license in the future, certain of its proprietary rights to third parties. Some of the Company's products are designed to include intellectual property licensed or otherwise obtained from third parties. While it may be necessary in the future to seek or renew licenses relating to various aspects of the Company's products, the Company believes, based upon past experience and industry practice, such licenses generally could be obtained on commercially reasonable terms; however, there is no guarantee such licenses could be obtained at all. We intend to operate in a way that does not result in willful infringement of the patent, trade secret and other intellectual property rights of other parties. Nevertheless, there can be no assurance that a claim of infringement will not be asserted against us or that any such assertion will not result in a judgment or order requiring us to obtain a license in order to make, use, or sell our products.

License and royalty programs offered to our manufacturers, customers and other electronic suppliers are structured using a fixed amount per unit or a percentage of net sales, depending on the terms of the agreement. Current license and royalty agreements have duration periods which range from 1 to 17 years or continue in perpetuity. Certain agreements may be renewed at termination of the agreement. The Company's license and royalty income is recorded upon sale and amounted to \$2,559, \$2,239 and \$4,248 for the years ended February 28, 2013, February 29, 2012 and February 28, 2011, respectively.

Distribution and Marketing

We sell our products to:

- power retailers,
- mass merchants,
- regional chain stores,
- specialty and internet retailers,
- independent 12 volt retailers,

distributors,
new car dealers,
vehicle manufacturers,
vehicle and transportation equipment manufacturers (OEM's),
system integrators,
communication network providers,
smart grid manufacturers,
the U.S. military, and
cinema operators.

8

We sell our products under OEM arrangements with domestic and/or international subsidiaries of automobile manufacturers such as Volkswagen, Audi, BMW, DAF Daimler, Peugeot, Ford Motor Company, Chrysler, General Motors Corporation, Toyota, Kia, Mazda, Subaru, Nissan, Porsche and Bentley. These arrangements require a close partnership with the customer as we develop products to meet specific requirements. OEM products accounted for approximately 33%, 19% and 20% of net sales for the years ended February 28, 2013, February 29, 2012 and February 28, 2011, respectively.

Our five largest customers represented 28% of net sales during the year ended February 28, 2013, 26% for the year ended February 29, 2012, and 30% for the year ended February 28, 2011. Best Buy accounted for more than 10% of the Company's sales for Fiscal 2012 and Wal-Mart accounted for more than 10% of the Company's sales for Fiscal 2011. No one customer accounted for more than 10% of the Company's sales for the year ended February 28, 2013.

We also provide value-added management services, which include:

- product design and development,
- engineering and testing,
- sales training and customer packaging,
 - in-store display design,
- installation training and technical support,
- product repair services and warranty,
- nationwide installation network,
- warehousing, and
- specialized manufacturing.

We have flexible shipping policies designed to meet customer needs. In the absence of specific customer instructions, we ship products within 24 to 48 hours from the receipt of an order from public warehouses, as well as owned and leased facilities throughout the United States, Canada, Mexico, Venezuela, China, Hong Kong, France, the Netherlands, Hungary and Germany. The Company also employs a direct ship model from our suppliers for select customers upon their request.

Product Development, Warranty and Customer Service

Our product development cycle includes:

- identifying consumer trends and potential demand, responding to those trends through product design and feature integration, which includes software design, electrical engineering, industrial design and pre-production testing. In the case of OEM customers, the product development cycle may also include product validation to customer quality standards, and
- evaluating and testing new products in our own facilities to ensure compliance with our design specifications and standards.

Utilizing our company-owned and third party facilities in the United States, Europe and Asia, we work closely with customers and suppliers throughout the product design, testing and development process in an effort to meet the expectations of consumer demand for technologically-advanced and high quality products. Our Hauppauge, New York, Troy, Michigan and Orlando, Florida facilities are ISO/TS 16949:2009 and/or ISO 14001:2004 certified, which requires the monitoring of quality standards in all facets of business.

We are committed to providing product warranties for all of our product lines, which generally range from 90 days up to five years. The Company also provides warranties for certain vehicle security products for the life of the vehicle for the original owner. To support our warranties, we have independent warranty centers throughout the United States, Canada, Mexico, Central America, Puerto Rico, Europe and Venezuela. Our customer service group along with our Company websites, provide product information, answer questions and serve as technical hotlines for installation help for end-users and customers.

Suppliers

We work directly with our suppliers on industrial design, feature sets, product development and testing in order to ensure that our products and component parts meet our design specifications.

We purchase our products and component parts from manufacturers principally located in several Pacific Rim countries, including China, Hong Kong, Indonesia, Malaysia, South Korea, Taiwan and Singapore, as well as the United States, Canada, Mexico and Europe. In selecting our manufacturers, we consider quality, price, service, reputation, financial stability, as well as labor practices, disruptions, or shortages. In order to provide coordination and supervision of supplier performance such as price negotiations,

delivery and quality control, we maintain buying and inspection offices in China and Hong Kong. We consider relations with our suppliers to be good and alternative sources of supply are generally available within 120 days. We have few long-term contracts with our suppliers and we generally purchase our products under short-term purchase orders. Although we believe that alternative sources of supply are currently available, an unplanned shift to a new supplier could result in product delays and increased cost, which may have a material impact on our operations.

Competition

The electronics industry is highly competitive across all product categories, and we compete with a number of well-established companies that manufacture and sell similar products. Brand name, design, advancement of technology and features as well as price are the major competitive factors within the electronics industry. Our Automotive products compete against factory-supplied products, including those provided by, among others, Volkswagen, Audi, General Motors, Ford and Chrysler, as well as against major companies in the automotive aftermarket, such as Sony, Panasonic, Kenwood, Directed Electronics, Autopage, Rosen, Myron and Davis, Coby, Phillips, Insignia, and Pioneer and other Tier 1 OEM's, such as Delphi and Kathrein. Our Premium Audio products compete against major companies such as Polk, Definitive, Yamaha, Bose, Pioneer and Sony. Our Consumer Accessories product lines compete against major companies such as Sony, Phillips, Coby, Emerson Radio, Jasco and Belkin.

Financial Information About Foreign and Domestic Operations

The amounts of net sales and long-lived assets, attributable to foreign and domestic operations for all periods presented are set forth in Note 13 of the Notes to Consolidated Financial Statements, included herein.

Equity Investment

We have a 50% non-controlling ownership interest in ASA Electronics, LLC ("ASA") which acts as a distributor of televisions and other automotive sound, security and accessory products to specialized markets for specialized vehicles, such as, but not limited to, RV's, van conversions and marine vehicles.

Employees

As of February 28, 2013, we employed approximately 2,100 people worldwide, of which 337 were covered under collective bargaining agreements. We consider our relations with employees to be good as of February 28, 2013.

Item 1A-Risk Factors

We have identified certain risk factors that apply to us. You should carefully consider each of the following risk factors and all of the other information included or incorporated by reference in this Form 10-K. If any of these risks, or other risks not presently known to us or that we currently believe not to be significant, develop into actual events, then our business, financial condition, liquidity, or results of operations could be adversely affected. If that happens, the market price of our common stock would likely decline, and you may lose all or part of your investment.

The Automotive, Premium Audio and Consumer Accessories businesses are highly competitive and face significant competition from Original Equipment Manufacturers (OEMs) and direct imports by our retail customers.

The market for mobile electronics, premium audio products and consumer accessories is highly competitive across all product lines. We compete against many established companies, some of whom have substantially greater financial and engineering resources than we do. We compete directly with OEMs, including divisions of well-known

automobile manufacturers, in the autosound, auto security, mobile video and accessories markets. We believe that OEMs have diversified and improved their product offerings and place increased sales pressure on new car dealers with whom they have close business relationships to purchase OEM-supplied equipment and accessories. To the extent that OEMs succeed in their efforts, this success would have a material adverse effect on our sales of automotive entertainment and security products to new car dealers. In addition, we compete with major retailers who may at any time choose to direct import products that we may currently supply.

We have few long-term sales contracts with any of our customers that contain guaranteed customer purchase commitments.

Sales of our many of products are made by written purchase orders and are terminable at will by either party. We do have long-term sales contracts with certain customers, however, these contracts do not require the customers to guarantee specific levels of product purchases over the term of the contracts. The unexpected loss of all or a significant portion of sales to any one of our large customers could have a material adverse effect on our performance.

Sales in our Automotive, Premium Audio and Consumer Accessories businesses are dependent on new products, product development and consumer acceptance.

Our Automotive, Premium Audio and Consumer Accessories businesses depend, to a large extent, on the introduction and availability of innovative products and technologies. If we are not able to continually introduce new products that achieve consumer acceptance, our sales and profit margins may decline.

The impact of future selling prices and technological advancements may cause price erosion and adversely impact our profitability and inventory value.

Since we do not manufacture all of our products and do not conduct a majority of our own research, we cannot assure you that we will be able to source technologically advanced products in order to remain competitive. Furthermore, the introduction or expected introduction of new products or technologies may depress sales of existing products and technologies. This may result in declining prices and inventory obsolescence. Since we maintain a substantial investment in product inventory, declining prices and inventory obsolescence could have a material adverse effect on our business and financial results.

Our estimates of excess and obsolete inventory may prove to be inaccurate, in which case the provision required for excess and obsolete inventory may be understated or overstated. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological developments could have a significant impact on the value of our inventory and operating results.

There is no guarantee that patent/royalty rights will be renewed or licensing agreements will be maintained. Certain product development and revenues are dependent on the ownership and or use of various patents, licenses and license agreements. If the Company is not able to successfully renew or renegotiate these rights, we may suffer from a loss of product sales or royalty revenue associated with these rights or incur additional expense to pursue alternative arrangements.

We plan to continue to expand the international marketing and distribution of our products, which will subject us to risks associated with international operations, including exposure to foreign currency fluctuations.

As part of our business strategy, we intend to continue to increase our international sales, although we cannot assure you that we will be able to do so. Approximately 31% of our net sales currently originate in markets outside the U.S. While geographic diversity helps to reduce the Company's exposure to risk in any one country or part of the world, it also means that we are subject to the full range of risks associated with significant international operations, including, but not limited to:

- changes in exchange rates for foreign countries, which may reduce the U.S. dollar value of revenues, profits and cash flows we receive from non-U.S. markets or increase our supply costs, as measured in U.S. dollars, in those markets,
- exchange controls and other limits on our ability to import raw materials or finished product or to repatriate earnings from overseas,
- political and economic instability, social or labor unrest or changing macroeconomic conditions in our markets,
- foreign ownership restrictions and the potential for nationalization or expropriation of property or other resources, and
- other foreign or domestic legal and regulatory requirements, including those resulting in potentially adverse tax consequences or other imposition of onerous trade restrictions, price controls or other government controls.

These risks could have a significant impact on our ability to sell our products on a competitive basis in international markets and may have a material adverse effect on our results of operations, cash flows and financial condition.

In an effort to reduce the impact on earnings of foreign currency rate movements, we engage in a combination of cost-containment measures and selective hedging of foreign currency transactions. However, these measures may not succeed in offsetting any negative impact of foreign currency rate movements on our business and results of operations.

For example, in February 2013, the government of Venezuela devalued its currency, which has affected our business and results of operations for Fiscal 2013. Likewise, in 2010, our results of operations were impacted by the designation of Venezuela as hyperinflationary and the subsequent currency devaluations in Venezuela that year. Volume restrictions on the conversion of the Venezuelan Bolivar Fuerte to U.S. Dollar limits purchasing activity for our Venezuelan subsidiary. In March 2013, the president of Venezuela passed away, creating further uncertainty about the country's political and economic future. Going forward, additional government actions, including further currency devaluations or continued worsening import authorization controls, foreign exchange price controls or labor unrest in Venezuela could have further adverse impacts on our business and results of operations.

Concerns regarding the European debt crisis and market perceptions concerning the instability of the Euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the Euro entirely, could adversely affect our business, results of operations and financing.

We have concerns regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances within individual Eurozone countries. These concerns could lead to the reintroduction of individual currencies in one or more Eurozone countries, or, in more extreme circumstances, the possible dissolution of the Euro currency entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Company's Euro-denominated assets and obligations. In addition, concerns over the effect of this financial crisis on financial institutions in Europe and globally could have an adverse impact on the economy generally, and more specifically on the consumers' demand for our products.

We are responsible for product warranties and defects.

Whether we outsource manufacturing or manufacture products directly for our customers, we provide warranties for all of our products for which we have provided an estimated liability. Therefore, we are highly dependent on the quality of our suppliers' products.

Our capital resources may not be sufficient to meet our future capital and liquidity requirements.

We believe our current funds and available credit lines would provide sufficient resources to fund our existing operations for the foreseeable future. However, we may need additional capital to operate our business if:

- market conditions change,
- our business plans or assumptions change,
- we make significant acquisitions,
- we need to make significant increases in capital expenditures or working capital, or
- our restrictive covenants may not provide sufficient credit.

Our success will depend on a less diversified line of business.

Currently, we generate substantially all of our sales from the Automotive, Premium Audio and Consumer Accessories businesses. We cannot assure you that we can grow the revenues of our Automotive, Premium Audio and Consumer Accessories businesses or maintain profitability. As a result, the Company's revenues and profitability will depend on our ability to maintain and generate additional customers and develop new products. A reduction in demand for our existing products and services would have a material adverse effect on our business. The sustainability of current levels of our Automotive, Premium Audio and Consumer Accessories businesses and the future growth of such revenues, if any, will depend on, among other factors:

- the overall performance of the economy and discretionary consumer spending,
- competition within key markets,
- customer acceptance of newly developed products and services, and
- the demand for other products and services.

We cannot assure you that we will maintain or increase our current level of revenues or profits from the Automotive, Premium Audio and Consumer Accessories businesses in future periods.

OEM sales are dependent on economic success of automotive industry.

A portion of our OEM sales are to automobile manufacturers. In the past, some domestic OEM manufacturers have reorganized their operations as a result of general economic conditions. There is no guarantee that additional automobile manufacturers will not face similar reorganizations in the future. If additional reorganizations do take place and are not successful, it could have a material adverse effect on a portion of our OEM business.

We depend on a small number of key customers for a large percentage of our sales.

The electronics industry is characterized by a number of key customers. Specifically 28%, 26% and 30% of our sales were to five customers in Fiscal 2013, 2012 and 2011, respectively. The loss of one or more of these customers could have a material adverse impact on our business.

If our sales during the holiday season fall below our expectations, our annual results could also fall below expectations.

Seasonal consumer shopping patterns significantly affect our business. We generally make a substantial amount of our sales and net income during September, October and November. We expect this trend to continue. December is also a key month for us, due largely to the increase in promotional activities by our customers during the holiday season. If the economy faltered in these periods, if our customers altered the timing or frequency of their promotional activities or if the effectiveness of these promotional activities declined, particularly around the holiday season, it could have a material adverse effect on our annual financial results.

A decline in general economic conditions could lead to reduced consumer demand for the discretionary products we sell.

Consumer spending patterns, especially discretionary spending for products such as mobile, consumer and accessory electronics, are affected by, among other things, prevailing economic conditions, energy costs, raw material costs, wage rates, inflation, consumer confidence and consumer perception of economic conditions. A general slowdown in the U.S. and certain international economies or an uncertain economic outlook could have a material adverse effect on our sales and operating results.

We have debt outstanding and must comply with restrictive covenants in our debt agreements.

Our existing debt agreements contain a number of significant covenants, which limit our ability to, among other things, borrow additional money, make capital expenditures, pay dividends, dispose of assets and acquire new businesses. These covenants also require us to maintain a specified debt leverage ratio and Earnings Before Interest and Taxes (EBIT) to Interest Expense ratio. If the Company is unable to comply with these covenants, there would be a default under these debt agreements. Changes in economic or business conditions, results of operations or other factors could cause the Company to default under its debt agreements. A default, if not waived by our lenders, could result in acceleration of our debt and possible bankruptcy.

We have recorded, or may record in the future, goodwill and other intangible assets as a result of acquisitions, and changes in future business conditions could cause these investments to become impaired, requiring substantial write-downs that would reduce our operating income.

Goodwill and other intangible assets recorded on our balance sheet as of February 28, 2013 was \$352,078. We evaluate the recoverability of recorded goodwill and other intangible asset amounts annually, or when evidence of potential impairment exists. The annual impairment test is based on several factors requiring judgment. Changes in our operating performance or business conditions, in general, could result in an impairment of goodwill, if applicable, and/or other intangible assets, which could be material to our results of operations.

A portion of our workforce is represented by labor unions. Collective bargaining agreements can increase our expenses. Labor disruptions could adversely affect our operations.

As of February 28, 2013, 337 of our full-time employees were covered by collective bargaining agreements. While it is unlikely that disruptions to our operations due to labor related problems would have an adverse effect on our business based on the current number of union employees, as the Company continues to pursue selected business

acquisitions, it is possible that the number of employees covered by collective bargaining agreements may increase. We cannot predict whether labor unions may be successful in organizing other portions of our workforce or what additional costs we could incur as a result.

We depend on our suppliers to provide us with adequate quantities of high quality competitive products and/or component parts on a timely basis.

We have few long-term contracts with our suppliers. Most of our products and component parts are imported from suppliers under short-term purchase orders. Accordingly, we can give no assurance that:

- our supplier relationships will continue as presently in effect,
- our suppliers will be able to obtain the components necessary to produce high-quality, technologically-advanced products for us,
- we will be able to obtain adequate alternatives to our supply sources, should they be interrupted,
- if obtained, alternatively sourced products of satisfactory quality would be delivered on a timely basis, competitively priced, comparably featured or acceptable to our customers,

- our suppliers have sufficient financial resources to fulfill their obligations,
- our suppliers will be able to obtain raw materials and labor necessary for production,
- our suppliers could be impacted by natural disasters directly or via their supply chains, and
- as it relates to products we do not manufacture, our suppliers will not become our competitors.

On occasion, our suppliers have not been able to produce the quantities of products or component parts that we desire. Our inability to manufacture and/or supply sufficient quantities of products that are in demand could reduce our profitability and have a material adverse effect on our relationships with our customers. If any of our supplier relationships were terminated or interrupted, we could experience an immediate or long-term supply shortage, which could have a material adverse effect on our business.

Because we purchase a significant amount of our products from suppliers in Pacific Rim countries, we are subject to the economic risks associated with inherent changes in the social, political, regulatory and economic conditions in these countries.

We import most of our products from suppliers in the Pacific Rim. Countries in the Pacific Rim have experienced significant social, political and economic upheaval over the past several years. Due to the large concentrations of our purchases in Pacific Rim countries, particularly China, Hong Kong, South Korea, Malaysia and Taiwan, any adverse changes in the social, political, regulatory and economic conditions in these countries may materially increase the cost of the products that we buy from our foreign suppliers or delay shipments of products, which could have a material adverse effect on our business. In addition, our dependence on foreign suppliers forces us to order products further in advance than we would if our products were manufactured domestically. This increases the risk that our products will become obsolete or face selling price reductions before we can sell our inventory.

Our products could infringe the intellectual property rights of others and we may be exposed to costly litigation.

The products we sell are continually changing as a result of improved technology. Although we and our suppliers attempt to avoid infringing known proprietary rights of third parties in our products, we may be subject to legal proceedings and claims for alleged infringement by us, our suppliers or our distributors, of a third party's patents, trade secrets, trademarks or copyrights.

Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, or require us to either enter into royalty or license agreements which are not advantageous to us or pay material amounts of damages. In addition, parties making these claims may be able to obtain an injunction, which could prevent us from selling our products. We may increasingly be subject to infringement claims as we expand our product offerings.

Our cash and cash equivalents could be adversely affected if the financial institutions in which we hold our cash and cash equivalents fail.

Our cash and cash equivalents consist of demand deposits and highly liquid money market funds with original maturities of three months or less at the time of purchase. We maintain the cash and cash equivalents with major financial institutions. Some deposits with these banks exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits or similar limits in foreign jurisdictions. While we monitor daily the cash balances in the operating accounts and adjust the balances as appropriate, these balances could be impacted if one or more of the financial institutions with which we deposit fails or is subject to other adverse conditions in the financial or credit markets. To date, we have experienced no loss or lack of access to our invested cash or cash equivalents; however, we can provide no assurance that access to our invested cash and cash equivalents will not be impacted by adverse conditions in the financial and credit markets.

Acquisitions and strategic investments may divert our resources and management attention; results may fall short of expectations.

We intend to continue pursuing selected acquisitions of and investments in businesses, technologies and product lines as a key component of our growth strategy. Any future acquisition or investment may result in the use of significant amounts of cash, potentially dilutive issuances of equity securities, or the incurrence of debt and amortization expenses related to intangible assets. Acquisitions involve numerous risks, including:

- difficulties in the integration and assimilation of the operations, technologies, products and personnel of an acquired business,
- diversion of management's attention from other business concerns,
- increased expenses associated with the acquisition, and
- potential loss of key employees or customers of any acquired business.

We cannot assure you that our acquisitions will be successful and will not adversely affect our business, results of operations or financial condition.

We invest in marketable securities and other investments as part of our investing activities. These investments fluctuate in value based on economic, operational, competitive, political and technological factors. These investments could be subject to loss or impairment based on their performance.

The Company has incurred other-than-temporary impairments on its investment in Bliss-tel Public Company Limited ("Bliss-tel") and continues to monitor its investments in a non-controlled corporation as well as its Venezuelan TICC bonds for potential future impairments. In addition, there is no guarantee that the fair values recorded for other investments will be sustained in the future.

We depend heavily on existing directors, management and key personnel and our ability to recruit and retain qualified personnel.

Our success depends on the continued efforts of our directors, executives and senior vice presidents, many of whom have worked with VOXX for over three decades, as well as our other executive officers and key employees. We have no employment contracts with any of our executive officers or key employees, except our President and Chief Executive Officer, as well as certain executive officers of Audiovox Germany, Klipsch and Hirschmann. The loss or interruption of the continued full-time service of certain of our executive officers and key employees could have a material adverse effect on our business.

In addition, to support our continued growth, we must effectively recruit, develop and retain additional qualified personnel both domestically and internationally. Our inability to attract and retain necessary qualified personnel could have a material adverse effect on our business.

Our stock price could fluctuate significantly.

The market price of our common stock could fluctuate significantly in response to various factors and events, including:

- operating results being below market expectations,
- announcements of technological innovations or new products by us or our competitors,
- loss of a major customer or supplier,
- changes in, or our failure to meet, financial estimates by securities analysts,
- industry developments,
- economic and other external factors,
- general downgrading of our industry sector by securities analysts,
- inventory write-downs, and
- ability to integrate acquisitions.

In addition, the securities markets have experienced significant price and volume fluctuations over the past several years that have often been unrelated to the operating performance of particular companies. These market fluctuations may also have a material adverse effect on the market price of our common stock.

John J. Shalam, our Chairman, controls a significant portion of the voting power of our common stock and can exercise control over our affairs.

Mr. Shalam beneficially owns approximately 53% of the combined voting power of both classes of common stock. This will allow him to elect our Board of Directors and, in general, determine the outcome of any other matter submitted to the stockholders for approval. Mr. Shalam's voting power may have the effect of delaying or preventing a change in control of the Company.

We have two classes of common stock: Class A common stock is traded on the Nasdaq Stock Market under the symbol VOXX and Class B common stock, which is not publicly traded and substantially all of which is beneficially owned by Mr. Shalam. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Both classes vote together as a single class, except in certain circumstances, for the election and removal of directors and as otherwise may be required by Delaware law. Since our charter permits shareholder action by written consent, Mr. Shalam may be able to take significant corporate actions without prior notice and a shareholder meeting.

We exercise our option for the "controlled company" exemption under NASDAQ rules.

The Company has exercised its right to the "controlled company" exemption under NASDAQ rules which enables us to forego certain NASDAQ requirements which include: (i) maintaining a majority of independent directors; (ii) electing a nominating committee composed solely of independent directors; (iii) ensuring the compensation of our executive officers is determined by a majority of independent directors or a compensation committee composed solely of independent directors; and (iv) selecting, or recommending for the Board's selection, director nominees, either by a majority of the independent directors or a nominating committee composed solely of independent directors. Although we do not maintain a nominating committee and do not have a majority of independent directors, the Company notes that at the present time we do maintain a compensation committee comprised solely of independent directors who approve executive compensation, and the recommendations for director nominees are governed by a majority of independent directors. However, election of the "controlled company" exemption under NASDAQ rules allows us to modify our position at any time.

Other Risks

Other risks and uncertainties include:

- changes in U.S federal, state and local law,
- our ability to implement operating cost structures that align with revenue growth,
- trade sanctions against or for foreign countries,
- successful integration of business acquisitions and new brands in our distribution network,
- compliance with the Sarbanes-Oxley Act, and
- compliance with complex financial accounting and tax standards.

Item 1B-Unresolved Staff Comments

As of the filing of this annual report on Form 10-K, there were no unresolved comments from the staff of the Securities and Exchange Commission.

Item 2-Properties

Our Corporate headquarters is located at 180 Marcus Blvd. in Hauppauge, New York. In addition, as of February 28, 2013, the Company leased a total of 24 operating facilities or offices located in 7 states as well as Germany, China, Canada, Mexico, Hong Kong, England and France. The leases have been classified as operating leases, with the exception of one, which is recorded as a capital lease. Within the United States, these facilities are located in Florida, Georgia, New York, Ohio, California, Arkansas and Michigan. The Company also owns 9 of its operating facilities or offices located in Indiana and Arkansas in the United States, as well as in Germany, Venezuela and Hungary. These facilities serve as offices, warehouses, distribution centers or retail locations. Additionally, we utilize public warehouse facilities located in Virginia, Nevada, Indiana, Florida, Mexico, China, the Netherlands, Germany and Canada.

Item 3-Legal Proceedings

The Company is currently, and has in the past been, a party to various routine legal proceedings incident to the ordinary course of business. If management determines, based on the underlying facts and circumstances, that it is probable a loss will result from a litigation contingency and the amount of the loss can be reasonably estimated, the estimated loss is accrued for. The Company believes its outstanding litigation matters will not have a material adverse effect on the Company's financial statements, individually or in the aggregate; however, due to the uncertain outcome of these matters, the Company disclosed these specific matters below:

The products the Company sells are continually changing as a result of improved technology. As a result, although the Company and its suppliers attempt to avoid infringing known proprietary rights, the Company may be subject to legal proceedings and claims for alleged infringement by its suppliers or distributors, of third party patents, trade secrets, trademarks or copyrights. Any claims relating to the infringement of third-party proprietary rights, even if not meritorious, could result in costly litigation, divert management's attention and resources, or require the Company to either enter into royalty or license agreements which are not advantageous to the Company, or pay material amounts of damages.

The Company has been party to a breach of license agreement lawsuit brought against it by MPEG LA, LLC ("MPEG"). During the third quarter of Fiscal 2012, the Company's claim for summary judgment was denied and the case was tried in the New York Supreme Court, Suffolk County. In December 2011, the Company received advisory judgment in the case, concluding that the Company owed MPEG penalties related to license agreement obligations arising from the manufacture and sale of its products. The Company recorded a charge of approximately \$3.6 million in Fiscal 2012 and, based on the advisory jury's verdict, remitted payment of \$2.6 million to MPEG in December 2011 in order to resolve this matter. On May 29, 2012, the Company received

notice that the advisory judgment was overturned by the presiding Judge in the case. The Judge's ruling gave the Company and MPEG the option to (a) reach an agreement on the balance still owed; (b) allow the Judge to determine the balance; or (c) proceed to another trial and have a new jury determine the balance owed. On June 29, 2012, the Company reached a settlement agreement with MPEG and agreed to pay an additional \$10.5 million in final resolution of the matter. The payment is in addition to the funds paid in December 2011, bringing the total settlement to \$13.1 million. As a result of this settlement, the Company recorded a charge of \$9.5 million during the first quarter of Fiscal 2013. The charge was recorded in "Other (Expense) Income" in the Consolidated Statement of Operations and Comprehensive Income. The Company has continued to seek indemnification from its suppliers for royalty payments previously paid to them that it maintains they were responsible to remit to MPEG and has vigorously pursued its option under its indemnification agreements. The Company completed negotiations with one vendor for an amount of \$1.1 million during the first quarter of Fiscal 2013. In February 2013, the Company completed negotiations with one additional vendor for an amount totaling \$6 million, which will be received over a period exceeding one year and has been recorded at a fair value of \$5.7 million. Both amounts were recorded as an offset to the settlement expense as recoveries in "Other (Expense)Income" on the Consolidated Statement of Operations and Comprehensive Income, for a net charge of \$2.7 million during Fiscal 2013. At this time, the Company is not aware of any additional vendors that it may recover funds from related to this matter.

Item 4-Removed and Reserved

None

17

PART II

Item 5-Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity

Securities

Market Information

The Class A Common Stock of Voxx is traded on the Nasdaq Stock Market under the symbol "VOXX." The following table sets forth the low and high sale price of our Class A Common Stock, based on the last daily sale in each of the last eight fiscal quarters:

Year ended February 28, 2013	High	Low
First Quarter	\$13.95	\$9.86
Second Quarter	9.89	7.10
Third Quarter	7.82	5.65
Fourth Quarter	10.39	6.25
Year ended February 29, 2012	High	Low
First Quarter	\$8.16	\$7.03
Second Quarter	7.74	5.73
Third Quarter	7.49	4.88
Fourth Quarter	14.29	6.96

Dividends

We have not paid or declared any cash dividends on our common stock. We have retained, and currently anticipate that we will continue to retain, all of our earnings for use in developing our business. Future cash dividends, if any, will be paid at the discretion of our Board of Directors and will depend, among other things, upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and such other factors as our Board of Directors may deem relevant giving consideration to any requirements or restrictions under the Company's recently negotiated credit agreement (see Note 6(a)).

Holders

There are approximately 815 holders of record of our Class A Common Stock and 4 holders of Class B Convertible Common Stock.

Issuer Purchases of Equity Securities

In September 2000, we were authorized by the Board of Directors to repurchase up to 1,563,000 shares of Class A Common Stock in the open market under a share repurchase program (the "Program"). In July 2006, the Board of Directors authorized an additional repurchase up to 2,000,000 Class A Common Stock in the open market in connection with the Program. As of February 28, 2013, the cumulative total of acquired shares (net of reissuances of 8,615) pursuant to the program was 1,816,132, with a cumulative value of \$18,360 reducing the remaining authorized share repurchase balance to 1,738,243. During the year ended February 28, 2013, the Company did not purchase any shares.

Performance Graph

The following table compares the annual percentage change in our cumulative total stockholder return on our common Class A common stock during a period commencing on February 28, 2008 and ending on February 28, 2013 with the cumulative total return of the Nasdaq Stock Market (US) Index and our SIC Code Index, during such period.

18

*\$100 invested on 2/29/08 in stock or index, including reinvestment of dividends.

Item 6-Selected Consolidated Financial Data

The following selected consolidated financial data for the last five years should be read in conjunction with the consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K.

19

	Year Ended February 28, 2013 (3)	Year Ended February 29, 2012 (2)	Year Ended February 28, 2011	Year Ended February 28, 2010 (1)	Year Ended February 28, 2009
Consolidated Statement of Operations Data					
Net sales	\$835,577	\$707,062	\$561,672	\$550,695	\$603,099
Operating income (loss)	41,696	43,874	9,017	3,760	(53,443)
Net income (loss)	22,492	25,649	23,031	22,483	(71,029)
Net income (loss) per common share:					
Basic	\$0.96	\$1.11	\$1.00	\$0.98	\$(3.11)
Diluted	\$0.95	\$1.10	\$1.00	\$0.98	\$(3.11)
	As of February 28, 2013	As of February 29, 2012	As of February 28, 2011	As of February 28, 2010	As of February 28, 2009
Consolidated Balance Sheet Data					
Total assets	\$829,272	\$632,882	\$501,097	\$488,978	\$461,296
Working capital	200,703	184,282	258,528	239,787	241,080
Long-term obligations (4)	228,197	88,255	25,849	32,176	31,651
Stockholders' equity	444,536	421,797	392,946	364,263	340,502

(1) 2010 amounts reflect the acquisition of Schwaiger and Invision.

(2) 2012 amounts reflect the acquisition of Klipsch (see Note 2 of the Notes to Consolidated Financial Statements).

(3) 2013 amounts reflect the acquisition of Hirschmann (see Note 2 of the Notes to Consolidated Financial Statements).

(4) Long-term obligations include long-term debt, capital lease obligations, deferred compensation, deferred and other tax liabilities, as well as other long term liabilities.

Item 7-Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

This section should be read in conjunction with the "Cautionary Statements" and "Risk Factors" in Item 1A of Part I, and Item 8 of Part II, "Consolidated Financial Statements and Supplementary Data."

We begin Management's Discussion and Analysis of Financial Condition and Results of Operations with an overview of the business, including our strategy to give the reader a summary of the goals of our business and the direction in which our business is moving. This is followed by a discussion of the Critical Accounting Policies and Estimates that we believe are important to understanding the assumptions and judgments incorporated in our reported financial results. In the next section, we discuss our Results of Operations for the year ended February 28, 2013 compared to the years ended February 29, 2012 and February 28, 2011. Next, we present adjusted EBITDA and diluted adjusted EBIDTA per common share for the year ended February 28, 2013 compared to the years ended February 29, 2012 and February 28, 2011 in order to provide a useful and appropriate supplemental measure of our performance. We then provide an analysis of changes in our balance sheet and cash flows, and discuss our financial commitments in the sections entitled "Liquidity and Capital Resources, including Contractual and Commercial Commitments." We conclude this MD&A with a discussion of "Related Party Transactions" and "Recent Accounting Pronouncements."

Business Overview and Strategy

Effective December 1, 2011, Audiovox Corporation changed its name to VOXX International Corporation ("Voxx," "We," "Our," "Us" or "Company"). The Company believes that the name VOXX International would be a name that better represents the widely diversified interests of the Company, and the more than 30 global brands it has acquired and grown throughout the years, achieving a powerful international corporate image and creating a vehicle for each of these respective brands to emerge with its own identity.

20

Voxx is a leading international distributor and value added service provider in the automotive, premium audio and consumer accessory industries. We conduct our business through nineteen wholly-owned subsidiaries. Voxx has a broad portfolio of brand names used to market our products as well as private labels through a large domestic and international distribution network. We also function as an OEM ("Original Equipment Manufacturer") supplier to several customers.

Over the last several years, we have focused on our intention to acquire synergistic businesses with the addition of nine new subsidiaries. These subsidiaries helped us to expand our core business and broaden our presence in the accessory and OEM markets. Our acquisitions of Hirschmann, Klipsch and Invision have provided the opportunity to enter the manufacturing arena. Our intention is to continue to pursue business opportunities which will allow us to further expand our business model while leveraging overhead and exploring specialized niche markets in the electronics industry.

During the fourth quarter of Fiscal 2013, the Company realigned its subsidiaries into three operating and reporting segments, based upon our products and internal organizational structure. The operating and reporting segments consist of the Automotive, Premium Audio and Consumer Accessories segments. The characteristics of our operations that are relied on in making and reviewing business decisions within these segments include the similarities in our products, the commonality of our customers, suppliers and product developers across multiple brands, our unified marketing and distribution strategy, our centralized inventory management and logistics, and the nature of the financial information used by our Chief Operating Decision Maker ("CODM"). The CODM reviews the financial results of the Company based on the performance of the Automotive, Premium Audio and Consumer Accessories groups.

The Company's domestic and international business is subject to retail industry conditions and the sales of new and used vehicles. The recent worldwide economic condition had an adverse impact on consumer spending and vehicle sales. If the global macroeconomic environment does not continue to improve or if it deteriorates further, this could have a negative effect on the Company's revenues and earnings. In an attempt to offset the recent market conditions, the Company continues to explore strategies and alternatives to reduce its operating expenses, such as consolidation of facilities and IT systems, and has been introducing new product to obtain a greater market share. The Company continues to focus on cash flow and anticipates having sufficient resources to operate during Fiscal 2014 and 2015.

Although we believe our product groups have expanding market opportunities, there are certain levels of volatility related to domestic and international markets, new car sales, increased competition by manufacturers, private labels, technological advancements, discretionary consumer spending and general economic conditions. Also, all of our products are subject to price fluctuations which could affect the carrying value of inventories and gross margins in the future.

Acquisitions

We have acquired and integrated several acquisitions which are outlined in the Acquisitions section of Part I and presented in detail in Note 2.

Net Sales Growth

Net sales over a five-year period have increased 38.5% from \$603,099 for the year ended February 28, 2009 to \$835,577 for the year ended February 28, 2013. During this period, our sales were impacted by the following items:

• the introduction of new products and lines such as digital antennas and mobile multi-media devices, mobile iPad and iPod interfaces and the Tagg™ GPS tracking device,

- acquisition of Hirschmann's mobile communications and infotainment business,
- acquisition of Klipsch's high-end speaker business,
- acquisition of Invision's mobile entertainment business,
- acquisition of Schwaiger's accessory business.

Partially offset by:

- The discontinuance of various high volume/low margin product lines such as navigation, GMRS radios, flat-panel TV's, camcorders, clock radios, digital players and digital voice recorders,
- volatility in core mobile, consumer and accessories sales due to increased competition, lower selling prices and the decline in the national and global economy.

Critical Accounting Policies and Estimates

General

Our consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions can be subjective and complex and may affect the reported amounts of assets and liabilities, revenues and expenses reported in those financial statements. As a result, actual results could differ from such estimates and assumptions. The significant accounting policies and estimates which we believe are the most critical in fully understanding and evaluating the reported consolidated financial results include the following:

Revenue Recognition

We recognize revenue from product sales at the time of passage of title and risk of loss to the customer either at FOB Shipping Point or FOB Destination, based upon terms established with the customer. Any customer acceptance provisions, which are related to product testing, are satisfied prior to revenue recognition. We have no further obligations subsequent to revenue recognition except for returns of product from customers. We do accept returns of products, if properly requested, authorized and approved. We continuously monitor and track such product returns and record the provision for the estimated amount of such future returns at point of sale, based on historical experience and any notification we receive of pending returns.

Sales Incentives

We offer sales incentives to our customers in the form of (1) co-operative advertising allowances; (2) market development funds; (3) volume incentive rebates; and (4) other trade allowances. We account for sales incentives in accordance with ASC 605-50 "Customer Payments and Incentives" ("ASC 605-50"). Except for other trade allowances, all sales incentives require the customer to purchase our products during a specified period of time. All sales incentives require customers to claim the sales incentive within a certain time period (referred to as the "claim period") and claims are settled either by the customer claiming a deduction against an outstanding account receivable or by the customer requesting a check. All costs associated with sales incentives are classified as a reduction of net sales, and the following is a summary of the various sales incentive programs:

Co-operative advertising allowances are offered to customers as a reimbursement towards their costs for print or media advertising in which our product is featured on its own or in conjunction with other companies' products. The amount offered is either a fixed amount or is based upon a fixed percentage of sales revenue or fixed amount per unit sold to the customer during a specified time period.

Market development funds are offered to customers in connection with new product launches or entrance into new markets. The amount offered for new product launches is based upon a fixed amount or fixed percentage of our sales revenue to the customer or a fixed amount per unit sold to the customer during a specified time period. We accrue the cost of co-operative advertising allowances and market development funds at the latter of when the customer purchases our products or when the sales incentive is offered to the customer.

Volume incentive rebates offered to customers require that minimum quantities of product be purchased during a specified period of time. The amount offered is either based upon a fixed percentage of our sales revenue to the customer or a fixed amount per unit sold to the customer. We make an estimate of the ultimate amount of the rebate customers will earn based upon past history with the customer and other facts and circumstances. We have the ability to estimate these volume incentive rebates, as there does not exist a relatively long period of time for a particular rebate to be claimed. Any changes in the estimated amount of volume incentive rebates are recognized immediately using a cumulative catch-up adjustment.

Other trade allowances are additional sales incentives that we provide to customers subsequent to the related revenue being recognized. In accordance with ASC 605-50, we record the provision for these additional sales incentives at the latter of when the sales incentive is offered or when the related revenue is recognized. Such additional sales incentives are based upon a fixed percentage of the selling price to the customer, a fixed amount per unit, or a lump-sum amount.

The accrual balance for sales incentives at February 28, 2013 and February 29, 2012 was \$16,821 and \$18,154, respectively. The decrease in Fiscal 2013 is due to the effects of the European markets, which resulted in decreases in the Company's international sales. Although we make our best estimate of sales incentive liabilities, many factors, including significant unanticipated changes in the purchasing volume and the lack of claims from customers could have a significant impact on the liability for sales incentives and reported operating results.

We reverse earned but unclaimed sales incentives based upon the expiration of the claim period of each program. Unclaimed sales incentives that have no specified claim period are reversed in the quarter following one year from the end of the program. We believe that the reversal of earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unclaimed sales incentives.

For the years ended February 28, 2013, February 29, 2012 and February 28, 2011, reversals of previously established sales incentive liabilities amounted to \$3,350, \$3,662 and \$1,725, respectively. These reversals include unearned and unclaimed sales incentives. Unearned sales incentives are volume incentive rebates where the customer did not purchase the required minimum quantities of product during the specified time. Volume incentive rebates are reversed into income in the period when the customer did not reach the required minimum purchases of product during the specified time. Reversals of unearned sales incentives for the years ended February 28, 2013, February 29, 2012 and February 28, 2011 amounted to \$2,933, \$2,200 and \$977, respectively. Unclaimed sales incentives are sales incentives earned by the customer but the customer has not claimed payment within the claim period (period after program has ended). Reversals of unclaimed sales incentives for the years ended February 28, 2013, February 29, 2012 and February 28, 2011 amounted to \$417, \$1,462 and \$748, respectively.

Accounts Receivable

We perform ongoing credit evaluations of our customers and adjust credit limits based upon payment history and current credit worthiness, as determined by a review of current credit information. We continuously monitor collections from our customers and maintain a provision for estimated credit losses based upon historical experience and any specific customer collection issues that have been identified. We record charges for estimated credit losses against operating expenses and charges for price adjustments against net sales in the consolidated financial statements. The reserve for estimated credit losses at February 28, 2013 and February 29, 2012 were \$7,840 and \$5,737, respectively. The increase in the reserve is due to the Company's acquisition of Hirschmann and the related increases in sales and accounts receivable. While such credit losses have historically been within management's expectations and the provisions established, we cannot guarantee that we will continue to experience the same credit loss rates that have been experienced in the past. Since our accounts receivable are concentrated in a relatively few number of large customers, a significant change in the liquidity or financial position of any one of these customers could have a material adverse impact on the collectability of accounts receivable and our results of operations.

Inventories

We value our inventory at the lower of the actual cost to purchase (primarily on a weighted moving average basis, with a portion valued at standard cost) and/or the current estimated market value of the inventory less expected costs to sell the inventory. We regularly review inventory quantities on-hand and record a provision, in cost of sales, for excess and obsolete inventory based primarily from selling price reductions subsequent to the balance sheet date, indications from customers based upon current negotiations, and purchase orders. A significant sudden increase in the demand for our products could result in a short-term increase in the cost of inventory purchases while a significant decrease in demand could result in an increase in the amount of excess inventory quantities on-hand. In addition, our industry is characterized by rapid technological change and frequent new product introductions that could result in an increase in the amount of obsolete inventory quantities on-hand. During the years ended February 28, 2013, February 29, 2012 and February 28, 2011, we recorded inventory write-downs of \$4,300, \$2,942 and \$3,911, respectively.

Estimates of excess and obsolete inventory may prove to be inaccurate, in which case we may have understated or overstated the provision required for excess and obsolete inventory. Although we make every effort to ensure the accuracy of our forecasts of future product demand, any significant unanticipated changes in demand or technological

developments could have a significant impact on the carrying value of inventory and our results of operations.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets, which consists of the excess cost over fair value of assets acquired (goodwill) and other intangible assets (patents, contracts, licenses, trademarks and customer relationships) amounted to \$352,078 at February 28, 2013 and \$261,418 at February 29, 2012. Goodwill and other intangible assets are determined in accordance with ASC 805 "Business Combinations" ("ASC 805") and ASC 350 "Intangibles – Goodwill and Other" ("ASC 350"), (see Goodwill and Other Intangible Assets (Note 1(k))).

Goodwill is calculated as the excess of the cost of purchased businesses over the value of their underlying net assets. The Company has used the Discounted Future Cash Flow Method (DCF) as the principle method to determine the Fair Value ("FV") of acquired businesses. The discount rates used for our analysis ranged from 10.4% to 15.6%. A five-year period was analyzed using a risk adjusted discount rate.

The value of potential intangible assets separate from goodwill is evaluated and assigned to the respective categories using certain methodologies (see Note 1(k)). Certain estimates and assumptions are used in applying these methodologies, including projected sales, which include incremental revenue to be generated from the product markets that the Company has not been previously exposed to, disclosed future contracts and adjustments for declines in existing core sales; ongoing market demand for the relevant products; and required returns on tangible and intangible assets. In the event that actual results or market conditions deviate from these estimates and assumptions used, the future FV may be different than that determined by management and may result in an impairment loss.

The Company categorizes its intangible assets between goodwill and intangible assets. Goodwill and other intangible assets that have an indefinite useful life are not amortized. Intangible assets that have a definite useful life are amortized over their estimated useful lives.

On an annual basis, or as needed for a triggering event, we test goodwill and other indefinite lived intangible assets for impairment (see Note 1(k)). To determine the fair value of these intangible assets, there are many assumptions and estimates used that directly impact the results of the testing. We have the ability to influence the outcome and ultimate results based on the assumptions and estimates we choose. To mitigate undue influence, we set criteria that are reviewed and approved by various levels of management. Additionally, we may evaluate our recorded intangible assets with the assistance of a third-party valuation firm, as necessary. All reports and conclusions are reviewed by management who has ultimate responsibility for their content. Goodwill is tested using a two-step process. The first step is to identify a potential impairment, and the second step measures the amount of the impairment loss, if any. Goodwill is considered impaired if the carrying amount of the reporting unit's goodwill exceeds its estimated fair value. Based upon our most recent annual impairment test completed as of December 1, 2012 as a result of the realigning of our segments, and rolled forward to February 28, 2013, the fair value of each of the Company's reporting units is in excess of its related carrying value. For Fiscal 2013, management determined that its intangible assets were not impaired.

Determining whether impairment of indefinite lived intangibles has occurred requires an analysis of each identifiable asset. If estimates used in the valuation of each identifiable asset proved to be inaccurate based on future results, there could be additional impairment charges in subsequent periods.

Warranties

We offer warranties of various lengths depending upon the specific product. Our standard warranties require us to repair or replace defective product returned by both end users and customers during such warranty period at no cost. We record an estimate for warranty related costs, in cost of sales, based upon actual historical return rates and repair costs at the time of sale. The estimated liability for future warranty expense, which has been included in accrued expenses and other current liabilities, amounted to \$12,788 at February 28, 2013 and \$6,425 at February 29, 2012. The increase in warranty liability is a result of our Hirschmann acquisition on March 14, 2012, as well as due to a recall initiated by Subaru in the fourth quarter of Fiscal 2013. While warranty costs have historically been within expectations and the provisions established, we cannot guarantee that we will continue to experience the same warranty return rates or repair costs that have been experienced in the past. A significant increase in product return rates, or a significant increase in the costs to repair products, could have a material adverse impact on our operating results.

Stock-Based Compensation

We use the Black-Scholes option pricing model to compute the estimated fair value of stock-based awards. The Black-Scholes option pricing model includes assumptions regarding dividend yields, expected volatility, expected

option term and risk-free interest rates. The assumptions used in computing the fair value of stock-based awards reflect our best estimates, but involve uncertainties relating to market and other conditions, many of which are outside of our control. We estimate expected volatility by considering the historical volatility of our stock, the implied volatility of publicly traded stock options in our stock and our expectations of volatility for the expected term of stock-based compensation awards. As a result, if other assumptions or estimates had been used for options granted in the current and prior periods, the total stock-based compensation expense of \$435 that was recorded for the year ended February 28, 2013 could have been materially different. Furthermore, if different assumptions are used in future periods, stock-based compensation expense could be materially impacted in the future.

Income Taxes

We account for income taxes in accordance with the guidance issued under Statement ASC 740, "Income Taxes" with consideration for uncertain tax positions. We record a valuation allowance to reduce our deferred tax assets to the amount of future tax benefit that is more likely than not to be realized.

During Fiscal 2013, the Company recorded an income tax provision of \$13.2 million related to federal, state and foreign taxes. The Company's effective tax rate differs from the U.S. federal statutory rate of 35% primarily due to state and local taxes, non-deductible expenses, and the U.S. effect of foreign operations including tax rate differences in foreign jurisdictions. The Company maintains a valuation allowance against deferred tax assets in certain foreign jurisdictions and with respect to its foreign tax credits and various investments which are more likely than not to generate capital losses in the future. Any decline in the valuation allowance could have a favorable impact on our income tax provision and net income in the period in which such determination is made.

Since March 1, 2007, the Company has accounted for uncertain tax positions in accordance with the authoritative guidance issued under ASC 740, which addresses the determination of whether tax benefits claimed or expected to be claimed on tax returns should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company provides loss contingencies for federal, state and international tax matters relating to potential tax examination issues, planning initiatives and compliance responsibilities. The development of these reserves requires judgments about tax issues, potential outcomes and timing, which if different, may materially impact the Company's financial condition and results of operations. The Company classifies interest and penalties associated with income taxes as a component of income tax expense (benefit) on the consolidated statement of operations and comprehensive income.

Results of Operations

Included in Item 8 of this annual report on Form 10-K are the consolidated balance sheets at February 28, 2013 and February 29, 2012 and the consolidated statements of operations and comprehensive income, consolidated statements of stockholders' equity and consolidated statements of cash flows for the years ended February 28, 2013, February 29, 2012 and February 28, 2011. In order to provide the reader meaningful comparison, the following analysis provides comparison of the audited year ended February 28, 2013 with the audited years ended February 29, 2012, and February 28, 2011. We analyze and explain the differences between periods in the specific line items of the consolidated statements of operations and comprehensive income.

Year Ended February 28, 2013 Compared to the Years Ended February 29, 2012 and February 28, 2011

Continuing Operations

The following table sets forth, for the periods indicated, certain Statement of Operations data for the years ended February 28, 2013 ("Fiscal 2013"), February 29, 2012 ("Fiscal 2012") and February 28, 2011 ("Fiscal 2011").

Net Sales

	Fiscal 2013	Fiscal 2012	Fiscal 2011
Automotive	\$426,983	\$297,145	\$298,126
Premium Audio	192,987	191,427	20,071
Consumer Accessories	214,275	215,604	240,128
Corporate	1,332	2,886	3,347
Total net sales	\$835,577	\$707,062	\$561,672

Fiscal 2013

Automotive sales, which include both OEM and aftermarket automotive electronics, represented 51.1% of the net sales for the year ended February 28, 2013, compared to 42.0% in the prior year. For the year ended February 28, 2013, approximately \$153 million of our sales from this product group was the result of our recent acquisition of Hirschmann. In addition, the Automotive group experienced increases in its OEM manufacturing lines during the year ended February 28, 2013 due to the launch of new programs with Ford and Nissan in the second quarter of Fiscal 2013, as well as due to new product introductions, such as the mobile iPad and iPod interfaces. These increases were partially offset by a decline in satellite fulfillment sales and slower mobile audio sales in Europe and the United States.

Premium Audio sales increased \$1,560 during the year ended February 28, 2013 as compared to the prior year. The increase in Premium Audio was primarily related to increased sales of on-ear and in-ear headphones and soundbars, offset by declines in our European sales.

Consumer Accessories represented 25.6% of our net sales for the year ended February 28, 2013, compared to 30.5% in the prior year. The decrease in the Consumer Accessories group was primarily related to decreased sales in our international markets as a result of European market conditions as well as the decrease in low margin products, such as camcorders, clock radios and digital players that the Company has been exiting throughout the year. These decreases were offset by sales of new wireless speaker products and increased sales of portable power lines and power supply systems due to the growing predominance of electronic devices in consumer homes.

Fiscal 2012

Automotive sales decreased \$981 in Fiscal 2012 as a result of a decline in satellite fulfillment sales, as well as the absence of FLO-TV products, whose program ended in the third quarter of Fiscal 2011. These decreases were offset by increases in the Company's OEM manufacturing lines due to increases in domestic automotive sales and the launch of new programs, both domestically and internationally.

Premium Audio sales increased \$171,356 in Fiscal 2012, due primarily to our acquisition of Klipsch. Approximately \$169,500 of our sales in this segment were contributed by Klipsch in Fiscal 2012.

Consumer Accessories sales decreased \$24,524 in Fiscal 2012 primarily as a result of decreased sales in such products as camcorders, clock radios, digital players, digital voice recorders, rechargeable batteries and surge protectors as a result of the economy, competition, and changes in demand, as well as changes in technology. Certain car chargers and cables were also phased out by the Company in Fiscal 2012 to make way for new offerings in the coming fiscal year. The decreases were offset by increased sales in our international markets, as well as certain domestic products such as antennas, wireless speakers and personal sound amplifiers.

Sales incentive expenses were \$32,286, \$40,009 and \$26,279 for Fiscal 2013, 2012 and 2011, respectively, which included reversals for unclaimed and unearned sales incentives of \$3,350, \$3,662 and \$1,725, respectively. We believe the reversal of unearned and earned but unclaimed sales incentives upon the expiration of the claim period is a disciplined, rational, consistent and systematic method of reversing unearned and earned but unclaimed sales incentives. These sales incentive programs are expected to continue and will either increase or decrease based upon competition and customer demands.

Gross Profit and Gross Margin Percentage

	Fiscal 2013	Fiscal 2012	Fiscal 2011	
Automotive	\$114,675	\$73,440	\$61,519	
	26.9	% 24.7	% 20.6	%
Premium Audio	65,352	72,647	7,323	
	33.9	% 38.0	% 36.5	%
Consumer Accessories	55,472	53,392	51,762	
	25.9	% 24.8	% 21.6	%
Corporate	1,323	3,476	3,333	
	\$236,822	\$202,955	\$123,937	
	28.3	% 28.7	% 22.1	%

Fiscal 2013

Gross margins in the Automotive segment increased 220 basis points due primarily to the acquisition of Hirschmann, increased sales in OEM related products and the net impact of the currency devaluation in Venezuela. This was offset by a decrease in sales of higher margin car speakers at Audiovox Germany and unfavorable swings between hedged costs and related sales.

Gross margins in the Premium Audio segment decreased 410 basis points primarily as a result of declines in international sales due to European market conditions, as well as due to the cost of shifting warehouse facilities in Asia, and a moderate increase in

26

inventory provisions related to various products. This was partially offset by increases in sales of certain higher margin products, such as on-ear and in-ear headphones and soundbars.

Gross margins in the Consumer Accessories segment increased 110 basis points primarily as a result of an increase in sale of higher margin consumer products, such as bluetooth speakers and a decrease in sales of lower margin products, such as camcorders, clock radios and digital players that the Company has been exiting during the year. This was offset by decreases in international sales due to European economic conditions and unfavorable swings between hedged costs and related sales.

Fiscal 2012

Gross margins in the Automotive segment increased 410 basis points due to increased sales in our OEM manufacturing lines and the launch of new programs, both domestically and internationally. These increases were offset by declines in satellite fulfillment sales.

Gross margins in the Premium Audio segment increased 150 basis points due primarily to the acquisition of Klipsch, which took place on March 1, 2011.

Gross margins in the Consumer Accessories segment increased 320 basis points due to better sales in our existing product lines and decreased sales in lower margin products, such as camcorders, clock radios, digital players and digital voice recorders, which the Company has begun to exit. In addition, decreases in required inventory provisions and warehouse assembly expenses improved gross margins.

Operating Expenses and Operating Income / (Loss)

	Fiscal 2013	Fiscal 2012	Fiscal 2011
Operating Expenses:			
Selling	\$51,976	\$47,282	\$34,517
General and administrative	114,653	93,219	67,262
Engineering and technical support	26,971	15,825	11,934
Acquisition related costs	1,526	2,755	1,207
Total Operating Expenses	\$195,126	\$159,081	\$114,920
Operating income	\$41,696	\$43,874	\$9,017

Fiscal 2013

Operating expenses increased \$36,045 in Fiscal 2013 as compared to Fiscal 2012. The increase in total operating expenses was due primarily to our recent acquisition of Hirschmann which accounted for \$43 million of our operating expenses during the year ended February 28, 2013, as well as an increase in advertising expense Company-wide, not including Hirschmann. Not taking into account the acquisition of Hirschmann, the increases were partially offset by reductions in depreciation expense, headcount reduction in select groups, reductions of commissions as a result of lower net sales, reduced occupancy costs due to the purchase of Klipsch headquarters in Indianapolis, IN, which had previously been leased, as well as lower professional fees as a result of the conclusion of the MPEG lawsuit in June 2012.

Fiscal 2012

Operating expenses increased \$44,161 in Fiscal 2012 as compared to Fiscal 2011. The increase in total operating expenses was due primarily to our recent acquisition of Klipsch which accounted for \$39.2 million of our operating expenses during the year ended February 29, 2012, as well as an increase in legal fees to defend a patent suit, compensation expense as a result of performance related targets and acquisition costs incurred during the fourth quarter of Fiscal 2012 related to the purchase of Hirschmann on March 14, 2012. These increases were partially offset by reductions in depreciation expense, headcount reduction in select groups and a benefit recorded related to a put option.

Other Income/(Expense)

27

	Fiscal 2013		Fiscal 2012		Fiscal 2011
Interest and bank charges	\$ (8,288)	\$ (5,630)	\$ (2,630
Equity in income of equity investees	4,880		4,035		2,905
Other, net	(2,633)	(3,387)	3,204
Total other income (expense)	\$ (6,041)	\$ (4,982)	\$ 3,479

Fiscal 2013

Other, net, for the year ended February 28, 2013 includes net charges in connection with a patent suit of approximately \$2,700, and losses on foreign exchange contracts of approximately \$2,700 incurred in conjunction with the Hirschmann acquisition and settled during the first quarter of Fiscal 2013. These charges were partially offset by income recorded related to favorable legal settlements received by Klipsch of approximately \$1,000 during the first and third quarters of Fiscal 2013 and rental income of approximately \$1,100. Other, net for the year ended February 29, 2012 included charges in connection with a patent lawsuit of approximately \$3,600, a contingent consideration adjustment of approximately \$2,000 related to a prior acquisition and an other than temporary impairment of an investment in marketable securities of approximately \$1,200. These charges were partially offset by gains of approximately \$1,600 in forward exchange contracts in the fourth quarter of Fiscal 2012 related to the Hirschmann acquisition and a rental income of approximately \$500.

Interest and bank charges represent expenses for bank obligations of VOXX International Corporation and Audiovox Germany, interest for a capital lease, and amortization of deferred financing costs on our credit facility. The increase in these expenses for the year ended February 28, 2013, is due primarily to interest expense, fees and amortization of deferred financing costs related to the Credit Facility entered into on March 14, 2012 primarily to fund our Hirschmann acquisition.

Equity in income of equity investees increased due to increased equity income of ASA Electronics, LLC (ASA) as a result of improved sales and profitability, as well as market expansion.

Fiscal 2012

Other, net, for the year ended February 29, 2012 included charges in connection with a patent lawsuit of approximately \$3,600, a contingent consideration adjustment of approximately \$2,000 related to a prior acquisition and an other than temporary impairment of an investment in marketable securities of approximately \$1,200. These charges were partially offset by gains of approximately \$1,600 in forward exchange contracts in the fourth quarter of Fiscal 2012 related to the Hirschmann acquisition. Other, net for the year ended February 28, 2011 included the net foreign exchange gain in U.S. dollar denominated assets and liabilities in Venezuela of \$1,400.

Interest and bank charges represent expenses for bank obligations of VOXX International Corporation and Audiovox Germany, interest for a capital lease, and amortization of deferred financing costs on our credit facility. The increase in these expenses for the year ended February 29, 2012, is due primarily to interest expense, fees and amortization of deferred financing costs related to the Credit Facility entered into on March 1, 2011 primarily to fund our Klipsch acquisition.

Equity in income of equity investees increased due to increased equity income of ASA Electronics, LLC (ASA) as a result of improved sales and profitability.

Income Tax Provision

The effective tax rate in Fiscal 2013 was an income tax provision of 36.9% on pre-tax income from operations of \$35,655 as compared to a benefit of 34% on a pre-tax income of \$38,892 from continuing operations in the prior year. The effective tax rate in Fiscal 2013 differs from the statutory rate of 35% primarily due to state and local taxes, non-deductible expenses and the U.S. effect of foreign operations including tax rate differences in foreign jurisdictions.

The effective tax rate in Fiscal 2012 differs from the statutory rate due to state and local taxes, non-deductible expenses, the generation of research and development credits and the U.S. effect of foreign operations including tax rate differences in foreign jurisdictions.

The effective tax rate in Fiscal 2011 was lower than the statutory tax rate due the Company's ability to record an income tax benefit as a significant portion of the Company's deferred tax assets became realizable on a more-likely-than-not basis based on current operating results and forecasts of pre-tax earnings and U.S. taxable income.

Net Income

The following table sets forth, for the periods indicated, selected statement of operations data beginning with operating income from operations to reported net income and basic and diluted net income per common share:

	Fiscal 2013	Fiscal 2012	Fiscal 2011
Operating income	\$41,696	\$43,874	\$9,017
Other income (expense), net	(6,041) (4,982) 3,479
Income from operations before income taxes	35,655	38,892	12,496
Income tax expense (benefit)	13,163	13,243	(10,535
Net income	\$22,492	\$25,649	\$23,031
Net income per common share:			
Basic	\$0.96	\$1.11	\$1.00
Diluted	\$0.95	\$1.10	\$1.00

Net income for Fiscal 2013 was \$22,492 as compared to \$25,649 in Fiscal 2012 and \$23,031 in Fiscal 2011. Fiscal 2013 net income was unfavorably impacted by losses on forward exchange contracts and a decrease in sales in European markets, offset by the acquisition of Hirschmann, an increase in sales in domestic markets and a net foreign currency gain related to the devaluation of the bolivar fuerte in Venezuela.

During Fiscal 2012, net income was favorably impacted by the acquisition of Klipsch.

During Fiscal 2011, net income was favorably impacted by the net tax benefits of approximately \$10,500 as a result of a partial reduction of a valuation allowance on deferred taxes.

Adjusted EBITDA and Adjusted Diluted Earnings per Common Share

Adjusted EBITDA and diluted adjusted earnings per common share are not financial measures recognized by GAAP. Adjusted EBITDA represents net income, computed in accordance with GAAP, before interest expense and bank charges, taxes, depreciation and amortization, stock-based compensation expense, restructuring charges, litigation settlements and costs and foreign exchange gains or losses relating to our acquisitions. Depreciation, amortization, and stock-based compensation expense are non-cash items. Diluted adjusted earnings per common share represent the Company's diluted earnings per common share based on adjusted EBITDA.

We present adjusted EBITDA and diluted adjusted earnings per common share in this Form 10-K because we consider them to be useful and appropriate supplemental measures of our performance. Adjusted EBITDA and diluted adjusted earnings per common share help us to evaluate our performance without the effects of certain GAAP calculations that may not have a direct cash impact on our current operating performance. In addition, the exclusion of costs relating to the Company's acquisitions, restructuring and litigation settlements allows for a more meaningful comparison of our results from period-to-period. These non-GAAP measures, as we define them, are not necessarily comparable to similarly entitled measures of other companies and may not be an appropriate measure for performance relative to other companies. Adjusted EBITDA should not be assessed in isolation from or construed as a substitute for EBITDA prepared in accordance with GAAP. Adjusted EBITDA and diluted adjusted earnings per common share

are not intended to represent, and should not be considered to be more meaningful measures than, or alternatives to, measures of operating performance as determined in accordance with GAAP.

Reconciliation of GAAP Net Income to Adjusted EBITDA and Adjusted Diluted Earnings per Common Share

29

Fiscal

Fiscal

Fiscal