
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): February 7, 2018

TRACK GROUP, INC.
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of incorporation)

000-23153
(Commission File No.)

87-0543981
(IRS Employer Identification No.)

1215 W. Lakeview Court, Romeoville, Illinois 60446
(Address of principal executive offices)

(877) 260-2010
(Registrant's Telephone Number)

Not Applicable
(Former name or address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2)

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

Item 2.02 Results of Operations and Financial Condition.

Track Group, Inc. (the “*Company*”) issued a press release today announcing its financial results for the quarter ended December 31, 2017. A copy of the press release is attached as Exhibit 99.1.

In accordance with General Instruction B.2 for Form 8-K, the information in this Form 8-K, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective February 7, 2018, the Company’s Board of Directors (the “*Board*”) appointed Karim Sehnaoui to serve as a director on the Board until the next annual meeting of stockholders or until his successor is elected and qualified. The Board’s decision to appoint Mr. Sehnaoui as a director of the Company was made in connection with ETS Limited becoming the Company’s largest shareholder of record.

Mr. Sehnaoui, age 39, is an entrepreneur and investment professional, who specializes in private equity, venture capital, and corporate finance. Currently, he serves as General Manager of the Reference Group SARL, a boutique financial advisory firm based in Geneva, Switzerland, which position he has held since October 2017, and as a Director of ETS Limited. In addition, Mr. Sehnaoui is the founder and current Managing Director of Elham Management and Investment Group, an investment firm founded in 2011 that is dedicated to sustainable strategic investing, and the founder and current board member of Comptoirs de Beyrouth. From 2012 to 2016, Mr. Sehnaoui taught graduate level finance courses as a visiting Assistant Professor at MSB Mediterranean School of Business in Tunisia. Prior to that, Mr. Sehnaoui spent several years in investment banking and private equity, serving as Chief Investment Officer and General Manager for Abu Dhabi Investment House, and Business Development Director at Ithmaar Bank. Mr. Sehnaoui currently sits as an interim member on the Supervisory Board of Fyber N.V. (FRA: FBEN), an advertising technology company. He also sits on the advisory board of several technology start-ups in the Middle East and North Africa (MENA) region. Mr. Sehnaoui holds Bachelor’s and Master’s degrees in Civil Engineering from McGill University in Montreal, Canada, and was a Global Leadership Fellow at the World Economic Forum in Geneva, Switzerland in from 2005 to 2007.

Except as disclosed in this Current Report on Form 8-K, there are no related party transactions between the Company and Mr. Sehnaoui that would require disclosure under Item 404(a) of Regulation S-K, nor are there any further arrangements or understandings in connection with the appointment of Mr. Sehnaoui to the Company’s Board of Directors.

Item 8.01 Other Events.

See Item 2.02.

Item 9.01 Financial Statements and Exhibits.

See Exhibit Index.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TRACK GROUP, INC.

Date: February 8, 2018

By: /s/ Peter K. Poli
Peter K. Poli
Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release, dated February 8, 2018



FOR IMMEDIATE RELEASE
February 8, 2018

Peter Poli
Chief Financial Officer
877-260-2010
peter.poli@trackgrp.com

Track Group Reports 1st Quarter Fiscal 2018 Financial Results

Gross Profit Up 26%, Adjusted EBITDA Up 286% and Operating Expenses Shrink 11%

NAPERVILLE, ILLINOIS – Track Group, Inc. (OTCQX: TRCK), a global leader in offender tracking and monitoring services, today announced financial results for its first quarter ended December 31, 2017 (the “First Quarter”). The Company posted gross profit of \$4.5M, an increase of 26% over last year on total revenue of \$7.5M, a quarterly record Adjusted EBITDA of \$1.6M up 286% compared to FY2016 and total operating expenses of \$4.8M, a decrease of 11% which reduced the First Quarter operating loss to its lowest level in over three years to (\$0.3M).

“We’re delighted to start our fiscal year 2018 off strongly with another quarterly record for Adjusted EBITDA and the fifth consecutive quarter of growth in Adjusted EBITDA,” said Derek Cassell, Track Group’s CEO. “We are looking forward to capitalizing on a number of new customer opportunities in our pipeline so we can continue the top-line growth we have generated over the last three years.”

BUSINESS AND FINANCIAL HIGHLIGHTS

- The Company announced signing two large contracts totaling in excess of \$30M with Marion County Community Corrections and Gendarmeria de Chile, the Republic of Chile’s prison service, shortly after the conclusion of the First Quarter;
- Gross profit for the First Quarter \$4.5M which is the best gross profit in the past five quarters and up 26% over last year (\$4.5M vs. \$3.5M) on quarterly revenue that was nominally down from the same period last year;
- Total operating expenses for First Quarter (\$4.8M) are down 11% vs. last year (\$5.4M) and the 2nd lowest quarterly operating expenses in the last two fiscal years;
- The lowest quarterly operating loss (\$0.3M) in over three years and a 82% improvement over the quarterly operating loss of (\$1.9M) in the same period last year due to a combination of a strong gross profit result and lower operating expenses;
- Adjusted EBITDA in the First Quarter finished at a quarterly record of \$1.6M up 286% compared to \$0.4M last year and represented the fifth consecutive quarter that Adjusted EBITDA has increased;

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Naperville, IL 60563



- Net loss attributable to shareholders in the First Quarter ended December 31, 2017 improved to (\$1.0M) or 60% compared to (\$2.6M) for the same quarter last year;
- Net cash provided by operating activities remained positive at \$0.3M in the First Quarter compared to \$2.1M for last year principally due to the timing of working capital expenditures; and
- The new CEO, Derek Cassell, appointed January 1, 2018, has realigned the management team to execute the Company's strategy including the appointment of an industry veteran, Matt Swando, as the new Vice President of Sales and Marketing.

BUSINESS OUTLOOK REITERATED

	Actual		Outlook
	FY 2016	FY 2017	FY 2018
Revenue:	\$27.2M	\$29.7M	\$35-40M
Adjusted EBITDA Margin:	7.3%	12.2%	15-20%

About Track Group, Inc.

Track Group designs, manufactures, and markets location tracking devices and develops and sells a variety of related software, services, accessories, networking solutions, and monitoring applications. The Company's products and services are designed to empower professionals in security, law enforcement, corrections and rehabilitation organizations worldwide with single-sourced offender management solutions that integrate reliable intervention technologies to support re-socialization and monitoring initiatives.

The company currently trades under the ticker symbol "TRCK" on the OTCQX exchange. For more information, visit www.trackgrp.com.

Forward-Looking Statements

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "anticipate," "believe," "estimate," "expect," "forecast," "intend," "may," "plan," "project," "predict," "if," "should" and "will" and similar expressions as they relate to Track Group, Inc. & subsidiaries ("Track Group") are intended to identify such forward-looking statements. These statements are only predictions and reflect Track Group's current beliefs and expectations with respect to future events and are based on assumptions and subject to risks and uncertainties and subject to change at any time. Track Group may from time to time update these publicly announced projections, but it is not obligated to do so. Any projections of future results of operations should not be construed in any manner as a guarantee that such results will in fact occur. These projections are subject to change and could differ materially from final reported results. For a discussion of such risks and uncertainties, see "Risk Factors" in Track Group's annual report on Form 10-K, its quarterly report on Form 10-Q, and its other reports filed with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. New risks emerge from time to time. Readers are cautioned not to place undue reliance on these forward- looking statements, which speak only as of the dates on which they are made.



Non-GAAP Financial Measures

This release includes financial measures defined as “non-GAAP financial measures” by the Securities and Exchange Commission including non-GAAP EBITDA. These measures may be different from non-GAAP financial measures used by other companies. The presentation of this financial information, which is not prepared under any comprehensive set of accounting rules or principles, is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with generally accepted accounting principles. Reconciliations of these non-GAAP financial measures are based on the financial figures for the respective period.

Non-GAAP Adjusted EBITDA excludes items included but not limited to interest, taxes, depreciation, amortization, impairment charges, gains and losses, currency effects, one time charges or benefits that are not indicative of operations, charges to consolidate, integrate or consider recently acquired businesses, costs of closing facilities, stock based or other non-cash compensation or other stated cash and non-cash charges (the “Adjustments”).

The Company believes the non-GAAP measures provide useful information to both management and investors when factoring in the Adjustments. Specific disclosure regarding the Company’s financial results, including management’s analysis of results from operations and financial condition, are contained in the Company’s annual report on Form 10-K for the fiscal year ended September 30, 2017, and other reports filed with the Securities and Exchange Commission. Investors are encouraged to carefully read and consider such disclosure and analysis contained in the Company’s Form 10-K and other reports, including the risk factors contained in such Form 10-K.

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TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2017 (unaudited)	September 30, 2017
Assets		
<i>Current assets:</i>		
Cash	\$ 1,755,437	\$ 2,027,321
Accounts receivable, net of allowance for doubtful accounts of \$3,432,985 and \$3,268,095, respectively	5,526,000	5,438,564
Note receivable, current portion	234,733	234,733
Prepaid expenses and other	4,219,135	854,122
Inventory, net of reserves of \$26,934, respectively	172,347	261,810
Total current assets	11,907,652	8,816,550
Property and equipment, net of accumulated depreciation of \$1,862,347 and \$1,778,634, respectively	883,039	903,100
Monitoring equipment, net of accumulated amortization of \$4,767,061 and \$4,906,925, respectively	3,460,685	3,493,012
Intangible assets, net of accumulated amortization of \$10,444,569 and \$9,839,032, respectively	24,410,468	24,718,655
Goodwill	8,275,308	8,226,714
Other assets	785,195	2,989,101
Total assets	\$ 49,722,347	\$ 49,147,132
Liabilities and Stockholders' Equity		
<i>Current liabilities:</i>		
Accounts payable	2,529,632	2,769,835
Accrued liabilities	8,021,419	6,650,291
Current portion of long-term debt, net of discount of \$130,067 and \$185,811, respectively	30,322,191	30,270,531
Total current liabilities	40,873,242	39,690,657
Long-term debt, net of current portion	3,466,468	3,480,717
Total liabilities	44,339,710	43,171,374
<i>Stockholders' equity:</i>		
Common stock, \$0.0001 par value: 30,000,000 shares authorized; 10,462,433 and 10,480,984 shares outstanding, respectively	1,046	1,048
Additional paid-in capital	300,978,608	300,717,861
Accumulated deficit	(295,109,920)	(294,067,329)
Accumulated other comprehensive loss	(487,097)	(675,822)
Total equity	5,382,637	5,975,758
Total liabilities and stockholders' equity	\$ 49,722,347	\$ 49,147,132



TRACK GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months	
	Ended December 31,	
	2017	2016
Revenues:		
Monitoring services	\$ 7,350,805	\$ 7,265,013
Other	139,889	406,477
Total revenues	<u>7,490,694</u>	<u>7,671,490</u>
Cost of revenues:		
Monitoring, products and other related services	2,542,007	3,607,276
Depreciation & amortization included in cost of revenues	477,142	445,493
Impairment of monitoring equipment and parts	-	74,787
Total cost of revenues	<u>3,019,149</u>	<u>4,127,556</u>
Gross profit	4,471,545	3,543,934
Operating expenses:		
General & administrative	3,657,738	3,175,054
Restructuring costs	-	566,330
Selling & marketing	409,737	589,768
Research & development	163,946	488,178
Depreciation & amortization	564,740	575,111
Total operating expenses	<u>4,796,161</u>	<u>5,394,441</u>
Loss from operations	(324,616)	(1,850,507)
Other income (expense):		
Interest expense, net	(673,827)	(647,103)
Currency exchange rate loss	(55,072)	(116,442)
Other income/expense, net	10,924	293
Total other income (expense)	<u>(717,975)</u>	<u>(763,252)</u>
Net loss attributable to common shareholders	<u>(1,042,591)</u>	<u>(2,613,759)</u>
Foreign currency translation adjustments	188,725	(493,572)
Comprehensive loss	<u>\$ (853,866)</u>	<u>\$ (3,107,331)</u>
Net loss per common share, basic and diluted	<u>\$ (0.10)</u>	<u>\$ (0.25)</u>
Weighted average common shares outstanding, basic and diluted	10,476,346	10,333,516



	Three Months ended	
	December 31,	
	2017	2016
Non-GAAP Adjusted EBITDA		
Net loss attributable to common shareholders	\$ (1,043)	\$ (2,614)
Interest expense, net	674	647
Depreciation, amortization and impairment	1,042	1,095
Stock-based compensation	788	225
Restructuring charges (1)	-	566
Other non-cash charges (2)	106	487
Non-GAAP Adjusted EBITDA	\$ 1,567	\$ 406
Non-GAAP Adjusted EBITDA, % of revenue	20.9%	5.3%
	Three Months Ended	
	December 31,	
	2017	2016
Non-GAAP EPS (In \$000's, except share data)		
Net loss attributable to common shareholders	\$ (1,043)	\$ (2,614)
Interest expense, net	674	647
Depreciation, amortization and impairment	1,042	1,095
Stock-based compensation	788	225
Restructuring charges (1)	-	566
Other non-cash charges (2)	106	487
Non-GAAP net income to common shareholders	\$ 1,567	\$ 406
Weighted average common shares outstanding	10,476	10,334
Non-GAAP earnings per share	\$ 0.15	\$ 0.04

(1) Includes restructuring charges associated with outsourcing one of our monitoring centers and moving our headquarters to the Chicagoland area.

(2) Other non-cash charges may include gains or losses, non-cash currency impacts and non-recurring accrual adjustments.