
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, 2025**

Commission File Number: **0-23153**

Track Group, Inc.

(Exact name of registrant as specified in its charter.)

Delaware

(State or other jurisdiction
of incorporation or organization)

87-0543981

(IRS Employer
Identification No.)

200 E 5th Ave, Suite 100, Naperville, Illinois 60563

(Address of principal executive offices)

(877) 260-2010

(Registrant's Telephone number)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

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

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)

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

Track Group, Inc. (the "*Company*") issued a press release on February 7, 2025, announcing its financial results for the quarter ended December 31, 2024. A copy of the press release is attached hereto 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 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| 99.1 | Press Release, dated February 7, 2025 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

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 7, 2025

By: /s/ James A. Berg
James A. Berg
Chief Financial Officer

FOR IMMEDIATE RELEASE

February 7, 2025

James Berg
Chief Financial Officer
jim.berg@trackgrp.com

Track Group Reports 1st Quarter Fiscal 2025 Financial Results

NAPERVILLE, ILLINOIS – Track Group, Inc. (OTCQB: TRCK), a global leader in offender tracking and monitoring services, today announced financial results for its fiscal quarter ended December 31, 2024 (“Q1 FY25”). In Q1 FY25, the Company posted (i) total revenue of \$8.7 Million (“M”), a decrease of approximately 3.3% over total revenue of \$9.0M for the quarter ended December 31, 2023 (“Q1 FY24”); (ii) Q1 FY25 operating income of \$0.1M compared to Q1 FY24 operating loss of (\$0.2M); and (iii) net loss attributable to common shareholders of (\$2.0M) in Q1 FY25 compared to net income attributable to common shareholders of \$0.1M in Q1 FY24.

“The quarter ending December 31, 2024 showed increases in gross profit, operating income and Adjusted EBITDA. This progress reflects the increased use of our products and services in legacy programs and continued expansion through newly awarded contracts domestically and abroad. With a strong pipeline and a commitment to delivering value, we are poised for continued success in fiscal year 2025” said Derek Cassell, Track Group’s CEO.

FINANCIAL HIGHLIGHTS

- Total Q1 FY25 revenue of \$8.7M decreased approximately 3.3% compared to Q1 FY24 revenue of \$9.0M. The decrease in revenue was driven principally by a decrease in people assigned to monitoring for clients in Michigan and Virginia, and our recently sold Chilean subsidiary. This decrease was partially offset by revenue increases for clients in Illinois, Puerto Rico and the Bahamas who experienced increases in the number of people assigned to monitoring.
- Gross profit of \$4.4M in Q1 FY25 increased approximately 5.2% compared to Q1 FY24 gross profit of \$4.2M due to a decrease in monitoring center costs, partially offset by a decrease in revenue.
- Operating income in Q1 FY25 of \$0.1M increased compared to the operating loss of (\$0.2M) in Q1 FY24. The increase in net income in Q1 FY25 is primarily due to a decrease in cost of revenue and a decrease in operating expense.
- Adjusted EBITDA for Q1 FY25 of \$1.2M, increased compared to \$1.1M for Q1 FY24 due to an increase in operating income and gross profit. Adjusted EBITDA in Q1 FY25 as a percentage of revenue increased to 14.4%, compared to 11.8% for Q1 FY24 for the same reasons.
- Unrestricted cash balance of \$3.7M for Q1 FY25 increased compared to \$3.6M for Q1 FY24. The change in cash position was principally due to the sale of our Chilean subsidiary.
- Net loss attributable to shareholders in FY24 was (\$2,010,849) compared to net income of \$461 in FY23, a change principally attributable to lower revenue and a foreign currency exchange rate loss.

Business Outlook

Growth in gross profit and operating income in Q1 FY25 reinforces our confidence in the strategic reinvestment in technology and the implementation of new programs initiated in late FY23. These endeavors position us well for sustained growth throughout FY25. As a result, the Company's preliminary outlook for FY25 is as follows:

| | Actual | | Outlook | | |
|--------------------------------|---------|---------|---------|---|-------|
| | FY 2023 | FY 2024 | FY 2025 | | |
| Revenue: | \$34.5M | \$36.9M | \$ 35M | - | \$36M |
| Adjusted EBITDA Margin: | 11.1% | 14.6% | 14% | - | 15% |

About Track Group, Inc.

Track Group designs, manufactures, and markets location tracking devices; as well as develops and sells a variety of related software, services, and 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 OTCQB 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., and 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, 2023, 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.

TRACK GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| | (Unaudited) December 31, 2024 | September 30, 2024 |
|--|-------------------------------------|-----------------------|
| Assets | | |
| <i>Current assets:</i> | | |
| Cash | \$ 3,740,043 | \$ 3,574,215 |
| Accounts receivable, net of allowance for credit losses of \$525,141 and \$432,904 respectively | 5,319,041 | 4,428,535 |
| Prepaid expense and deposits | 420,680 | 638,293 |
| Inventory, net of reserves of \$99,041 and \$82,848, respectively | 811,992 | 582,481 |
| Assets held for sale | - | 969,481 |
| Total current assets | <u>10,291,756</u> | <u>10,193,005</u> |
| Property and equipment, net of accumulated depreciation of \$293,419 and \$430,003, respectively | 351,353 | 317,206 |
| Monitoring equipment, net of accumulated depreciation of \$5,145,204 and \$5,982,972, respectively | 4,550,033 | 4,598,864 |
| Intangible assets, net of accumulated amortization of \$19,954,086 and \$19,699,966, respectively | 13,415,776 | 13,959,571 |
| Goodwill | 7,913,369 | 7,941,190 |
| Other assets, net | 1,238,608 | 660,170 |
| Total assets | <u>\$ 37,760,895</u> | <u>\$ 37,670,006</u> |
| Liabilities and Stockholders' Equity (Deficit) | | |
| <i>Current liabilities:</i> | | |
| Accounts payable | \$ 3,336,084 | \$ 3,082,467 |
| Accrued liabilities | 2,542,932 | 2,639,318 |
| Liabilities held for sale | - | 732,028 |
| Total current liabilities | <u>5,879,016</u> | <u>6,453,813</u> |
| Long-term debt, net of current portion | 42,659,634 | 42,639,197 |
| Long-term liabilities | 679,823 | 186,407 |
| Total liabilities | <u>49,218,473</u> | <u>49,279,417</u> |
| <i>Stockholders' equity (deficit):</i> | | |
| Common stock, \$0.0001 par value: 30,000,000 shares authorized; 11,863,758 and 11,863,758 shares outstanding, respectively | 1,186 | 1,186 |
| Preferred stock, \$0.0001 par value: 20,000,000 shares authorized; 0 shares outstanding | - | - |
| Series A Convertible Preferred stock, \$0.0001 par value: 1,200,000 shares authorized; 0 shares outstanding | - | - |
| Paid in capital | 302,600,546 | 302,600,546 |
| Accumulated deficit | (315,274,178) | (312,691,811) |
| Accumulated other comprehensive loss | 1,214,868 | (1,519,332) |
| Total equity (deficit) | <u>(11,457,578)</u> | <u>(11,609,411)</u> |
| Total liabilities and stockholders' equity (deficit) | <u>\$ 37,760,895</u> | <u>\$ 37,670,006</u> |

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

| | Three Months Ended | |
|---|---------------------------|---------------------|
| | December 31, | |
| | 2024 | 2023 |
| Revenue: | | |
| Monitoring and other related services | \$ 8,441,307 | \$ 8,674,485 |
| Product sales and other | 227,021 | 292,487 |
| Total revenue | 8,668,328 | 8,966,972 |
| Cost of revenue: | | |
| Monitoring, products and other related services | 3,508,762 | 3,973,989 |
| Depreciation and amortization included in cost of revenue | 735,224 | 789,463 |
| Total cost of revenue | 4,243,986 | 4,763,452 |
| Gross profit | 4,424,342 | 4,203,520 |
| Operating expense: | | |
| General & administrative | 2,431,118 | 2,757,887 |
| Selling & marketing | 901,189 | 706,531 |
| Research & development | 669,391 | 682,463 |
| Depreciation & amortization | 227,553 | 239,760 |
| Loss on sale of subsidiary | 66,483 | - |
| Total operating expense | 4,295,734 | 4,386,641 |
| Operating income (loss) | 128,608 | (183,121) |
| Other income (expense): | | |
| Interest income | 2,839 | 48,162 |
| Interest expense | (571,798) | (486,084) |
| Currency exchange rate gain (loss) | (1,499,262) | 538,945 |
| Total other income (expense) | (2,068,221) | 101,023 |
| Net income (loss) before income taxes | (1,939,613) | (82,098) |
| Income tax expense (benefit) | 71,236 | (82,559) |
| Net income (loss) attributable to common stockholders | (2,010,849) | 461 |
| Release of cumulative translation adjustment for sale of subsidiary | 1,390,913 | - |
| Equity adjustment for sale of subsidiary | 571,518 | - |
| Foreign currency translation adjustments | 771,769 | (106,702) |
| Comprehensive income (loss) | \$ 723,351 | \$ (106,241) |
| Net income (loss) per share – basic: | | |
| Net income (loss) per common share | \$ (0.17) | \$ 0.00 |
| Weighted average common shares outstanding | 11,863,758 | 11,863,758 |
| Net income (loss) per share – diluted: | | |
| Net income (loss) per common share | \$ (0.17) | \$ 0.00 |
| Weighted average common shares outstanding | 11,863,758 | 11,863,758 |

TRACK GROUP, INC. AND SUBSIDIARIES
NON-GAAP ADJUSTED EBITDA DECEMBER 31 (UNAUDITED)
(amounts in thousands, except share and per share data)

| | Three Months Ended December 31, | |
|--|------------------------------------|------------|
| | 2024 | 2023 |
| Non-GAAP Adjusted EBITDA | | |
| Net income (loss) attributable to common shareholders | \$ (2,011) | \$ - |
| Interest expense, net | 569 | 438 |
| Depreciation and amortization | 963 | 1,029 |
| Income taxes (1) | 71 | (83) |
| Board compensation and stock-based compensation | 75 | 53 |
| Foreign exchange expense (gain) | 1,499 | (539) |
| Loss on sale of subsidiary | 66 | - |
| Other charges (2) | 18 | 164 |
| Total Non-GAAP Adjusted EBITDA | \$ 1,250 | \$ 1,062 |
| Non-GAAP Adjusted EBITDA, percent of revenue | 14.4% | 11.8% |
| Non-GAAP earnings per share – basic: | | |
| Weighted average common shares outstanding | 11,863,758 | 11,863,758 |
| Non-GAAP earnings per share | \$ 0.11 | \$ 0.09 |
| Non-GAAP earnings per share – diluted: | | |
| Weighted average common shares outstanding | 11,863,758 | 11,863,758 |
| Non-GAAP earnings per share | \$ 0.11 | \$ 0.09 |

(1) Currently, the Company has significant U.S. tax loss carryforwards that may be used to offset future taxable income, subject to IRS limitations. However, the Company is still subject to certain state, commonwealth, and other foreign based taxes.

(2) Other charges are expenses related to the board of directors, severance, and other Chile monitoring center costs for our recently sold subsidiary.