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Q.E.P. CO., INC. REPORTS RECORD SIX MONTH AND SECOND QUARTER SALES

COMPLETES THE ACQUISITION OF KRAUS DISTRIBUTION BUSINESS IN THE U.S. AND CANADA

BOCA RATON, FLORIDA — October 11, 2018 — Q.E.P. CO., INC. (OTC: QEPC.PK) (the “Company” and “Q.E.P.”) reported today net sales of $92.6 million for the quarter ended August 31, 2018, an increase of 10.0% over the same period last year. In addition, Q.E.P. today announced that it completed the acquisition of certain assets of the hard surface and carpet tile distribution business of Kraus (“Kraus”) in both the U.S. and Canada.

Lewis Gould, Executive Chairman, commented, “The quarter and year to date results had a great deal of investment in the future. We relocated to a new facility in Arizona which will produce adhesives, tack strip and serve as the main West Coast distribution center. In addition, the Company invested resources that led to its largest acquisition in the distribution business in the U.S. and Canada. The acquisition will reposition the Company for growth in the flooring industry.”

The Company today also reported its consolidated results of operations for the first six months and second quarter of its fiscal year ending February 28, 2019.

Q.E.P. reported net sales of $180.4 million for the six months ended August 31, 2018, an increase of $14.3 million or 8.6% from the $166.1 million reported in the same period of fiscal 2018. As a percentage of net sales, gross margin was 27.3% in the first six months of fiscal 2019 compared to 28.4% in the first six months of fiscal 2018.

The Company reported net sales of $92.6 million for the quarter ended August 31, 2018, an increase of $8.4 million or 10.0% from the $84.1 million reported in the same period of fiscal 2018. As a percentage of net sales, gross margin was 27.1% in the second quarter of fiscal 2019 compared to 28.3% in the second quarter of fiscal 2018.

Harry Schulman, Chief Executive Officer, commented on Q.E.P.’s six month results, “We have grown our top line sales through strategic acquisitions in the first six months of this year. Our operating expenses have increased during the first half of this year due to these acquisitions as well as our continued investment in new business opportunities, such as Kraus. The overall business continues to experience cost pressures as product, manufacturing and shipping costs increase. Q.E.P. has worked with our customers to pursue market-based price increases to mitigate these cost increases and will continue to do so in the future as market conditions dictate.”

Mr. Schulman continued, “In the first six-months of this year, Q.E.P. has made investments in a number of initiatives to improve overall operational efficiency, including the consolidation of several of our West Coast facilities. More recently we have improved our wood-manufacturing supply chain by consolidating two facilities and also expanded our capabilities to manufacture new, fashion-forward wood flooring products. While these investments have reduced our profitability in the near term, we believe they will lead to greater growth going forward as well as provide support for the strategic acquisitions we have made this year."

Net sales growth for the first six months and second quarter of fiscal 2019 as compared to the same periods in the prior fiscal year reflect the positive impact of businesses acquired during the first six months of the current fiscal year, offset by sales declines in certain core products categories.

The Company's gross profit for the first six months of fiscal 2019 was $49.2 million representing an increase of $2.0 million, or 4.3%, from $47.2 million in fiscal 2018 period. Gross profit for the second quarter of fiscal 2019 was $25.1 million representing an increase of $1.3 million, or 5.4%, from $23.8 million in fiscal 2018 period. The Company's gross margin as a percentage of net sales for the first six months and second quarter of fiscal year 2019 of 27.3% and 27.1%, respectively, which decreased from 28.4% and 28.3% in the prior fiscal year periods, respectively. The fiscal 2019 acquisitions were responsible for the increased gross profit in both the quarter and six-month period compared to the prior year. The Company experienced changes in its product mix, charges related to facility, production and product rationalization, increased transportation, product and manufacturing costs and the impact of new and higher tariffs placed on the products it imports from China. These higher costs were partially offset by price increases to our customers.

Operating expenses for the first six months and second quarter of fiscal 2019 were $46.1 million and $24.1 million, respectively, or 25.5% and 26.0% of net sales in those periods, compared to $39.2 million and $19.7 million, respectively, or 23.6% and 23.4% of net sales in the comparable fiscal 2018 periods. The increase in operating expenses was due to the incremental costs assumed with the businesses acquired during fiscal 2019, one-time costs related to acquisition activity and additional shipping costs to support customer needs in Europe.

The decrease in interest expense during fiscal 2019 as compared to fiscal 2018 is due to repayment of outstanding debt, which more than offset increases to interest rates and the utilization of the Company's credit facilities to support sales growth and fund acquisitions.

The provision for income taxes as a percentage of income before taxes was 28.0% for the first six months and second quarter of fiscal 2019 and 37.5% for the comparable fiscal 2018 periods. The effective tax rate in fiscal 2019 periods reflects the estimated impact of the enacted U.S. tax legislation, Tax Cuts and Jobs Act. Both fiscal years reflect the relative contribution of the Company's earnings sourced from its international operations.

Net income for the first six months and second quarter of fiscal 2019 was $2.0 million and $0.6 million, respectively, or $0.62 and $0.18, respectively, per diluted share. For the comparable periods of fiscal 2018, net income was $4.7 million and $2.4 million, respectively, or $1.47 and $0.75, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) as adjusted for corporate development and other one-time expenses for the first six months and second quarter of fiscal 2019 was $6.2 million and $2.9 million, respectively as compared to $10.1 million and $5.1 million for the first six months and second quarter of fiscal 2018, respectively.

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2018	2017	2018	2017
Net income	$ 580	$ 2,402	$ 2,002	$ 4,693
Add: Interest expense, net	191	254	371	495
Provision for income taxes	226	1,440	779	2,817
Depreciation and amortization	1,089	992	2,007	1,951
Corporate development and other expenses	603	40	829	156
Impairment of long-lived assets	238	-	238	-
EBITDA as adjusted for corporate development and impairment of long-lived assets [(1)]	$ 2,927	$ 5,128	$ 6,226	$ 10,112

(1) EBITDA as adjusted for corporate development and Impairment of long-lived assets represent non-GAAP measures and exclude charges or credits not indicative of our core operations which may include but are not limited to corporate development expenses, acquisition integration and acquisition costs.

Cash provided by operations during the first six months of fiscal 2019 was $0.7 million as compared to $4.8 million in the first six months of fiscal 2018, reflecting a decrease in operating income and an increase in net investments in working capital, principally inventory and prepayments relating to the Kraus acquisition. During the first six months of fiscal 2019, the Company acquired businesses for $14.3 million compared to $3.9 million during the first six months of fiscal 2018 and also made capital expenditures of $1.5 million related to one of those acquisitions in the prior year period. In the first six months of the current fiscal year, these investments, capital expenditures and seasonal inventory growth were funded through cash on-hand, cash from operations and borrowings under the Company's lines of credit. In the prior fiscal year period our investments in acquisitions as well as additional capital expenditures and treasury stock purchases were funded through cash on-hand and cash from operations.

Working capital at the end of the Company's fiscal 2019 second quarter was $45.2 million compared to $54.9 million at the end of the 2018 fiscal year. Aggregate debt, net of available cash balances at the end of the Company's fiscal 2019 second quarter was $20.5 million or 25.1% of equity, an increase of $15.4 million compared to $5.1 million or 6.4% of equity at the end of the 2018 fiscal year, reflecting the use of cash to make strategic investments in the business.

The Company will be hosting a conference call to discuss these results and to answer your questions at 10:00 a.m. Eastern Time on Monday, October 15, 2018. If you would like to join the conference call, dial 1-866-548-4713 toll free from the US or 1-323-794-2093 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Second Quarter Conference Call / Conference ID 1981761. A replay of the conference call will be available until midnight October 22, 2018 by calling 1-844-512-2921 toll free from the US and entering pin number 1981761; internationally, please call 1-412-317-6671 using the same pin number.

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Q.E.P. Co., Inc., founded in 1979, is a world class, worldwide provider of innovative, quality and value-driven flooring and industrial solutions. As a leading manufacturer, marketer and distributor, QEP delivers a comprehensive line of hardwood and laminate flooring, flooring installation tools, adhesives and flooring related products targeted for the professional installer as well as the do-it-yourselfer. In addition, the Company provides industrial tools with cutting edge technology to the industrial trades. Under brand names including QEP®, ROBERTS®, Capitol®, Harris®Wood, Kraus®, Naturally Aged Flooring®, Fausfloor®, Vitrex®, Homelux®, TileRite®, PRCI®, Nupla®, HISCO®, Plasplugs®, Ludell®, Porta-Nails®, Tomecanic®, Bénètiere®, Elastiment®, X-TREME Board™ and AppleCreek™, the Company sells its products to home improvement retail centers, specialty distribution outlets, municipalities and industrial solution providers in 50 states and throughout the world.

This press release contains forward-looking statements, including statements regarding economic conditions, sales growth, price increases, profit improvements, product development and marketing, operating expenses, cost savings, acquisition integration, operational synergy realization, cash flow, debt and currency exchange rates. These statements are not guarantees of future performance and actual results could differ materially from our current expectations. Certain prior period amounts have been reclassified to conform with current presentation.

-Financial Information Follows-

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands except per share data)
(Unaudited)

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2018	**2017**	**2018**	**2017**
Net sales	$ 92,571	$ 84,146	$ 180,447	$ 166,130
Cost of goods sold	67,506	60,373	131,224	118,928
Gross profit	**25,065**	**23,773**	**49,223**	**47,202**
Operating expenses:				
Shipping	8,546	7,219	16,637	14,348
General and administrative	9,597	6,786	17,704	13,608
Selling and marketing	5,950	5,856	11,912	11,616
Other income, net	(25)	(184)	(182)	(375)
Total operating expenses	24,068	19,677	46,071	39,197
Operating income	**997**	**4,096**	**3,152**	**8,005**
Interest expense, net	(191)	(254)	(371)	(495)
Income before provision for income taxes	**806**	**3,842**	**2,781**	**7,510**
Provision for income taxes	226	1,440	779	2,817
Net income	**$ 580**	**$ 2,402**	**$ 2,002**	**$ 4,693**
Net income per share:				
Basic	$ 0.18	$ 0.75	$ 0.62	$ 1.47
Diluted	$ 0.18	$ 0.75	$ 0.62	$ 1.47
Weighted average number of common shares outstanding:				
Basic	3,194	3,191	3,194	3,194
Diluted	3,197	3,194	3,196	3,197

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2018	**2017**	**2018**	**2017**
Net income	$ 580	$ 2,402	$ 2,002	$ 4,693
Unrealized currency translation adjustments	(452)	832	(1,034)	841
Comprehensive income	**$ 128**	**$ 3,234**	**$ 968**	**$ 5,534**

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except per share values)

	August 31, 2018 (Unaudited)	February 28, 2018 (Audited)
ASSETS		
Cash	$ 4,537	$ 16,134
Accounts receivable, less allowance for doubtful accounts of $486 and $371 as of August 31, 2018 and February 28, 2018, respectively	45,434	41,443
Inventories	57,369	48,276
Assets held for sale	235	-
Prepaid expenses and other current assets	9,173	6,578
Current assets	**116,748**	**112,431**
Property and equipment, net	12,896	10,923
Deferred income taxes, net	2,153	2,154
Intangibles, net	11,169	11,442
Goodwill	12,119	3,308
Other assets	873	834
Total Assets	**$ 155,958**	**$ 141,092**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 27,985	$ 22,350
Accrued liabilities	21,200	17,433
Income taxes payable (prepaid)	(1,174)	(1,600)
Lines of credit	22,653	18,470
Current maturities of notes payable	857	857
Current liabilities	**71,521**	**57,510**
Notes payable	1,500	1,929
Deferred income taxes	282	282
Other long term liabilities	1,089	802
Total Liabilities	**74,392**	**60,523**
Preferred stock, 2,500 shares authorized, $1.00 par value; 0 shares outstanding at August 31, 2018 and February 28, 2018, respectively	-	-
Common stock, 20,000 shares authorized, $.001 par value; 3,821 shares issued and 3,183 shares outstanding at August 31, 2018 and February 28, 2018	4	4
Additional paid-in capital	10,883	10,854
Retained earnings	82,051	80,049
Treasury stock, 638 held at cost at August 31, 2018 and February 28, 2018	(7,557)	(7,557)
Accumulated other comprehensive income	(3,815)	(2,781)
Shareholders' Equity	**81,566**	**80,569**
Total Liabilities and Shareholders' Equity	**$ 155,958**	**$ 141,092**

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Six Months Ended August 31, 2018	For the Six Months Ended August 31, 2017
Operating activities:		
Net income	$ 2,002	$ 4,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,007	1,951
Impairment of long-lived assets	238	-
Other non-cash adjustments	117	13
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(2,488)	(2,763)
Inventories	(4,148)	(2,370)
Prepaid expenses and other assets	(2,658)	(783)
Trade accounts payable and accrued liabilities	5,671	4,055
Net cash provided by operating activities	**741**	**4,796**
Investing activities:		
Acquisitions	(14,254)	(3,899)
Capital expenditures	(2,885)	(2,671)
Proceeds from sale of businesses	-	97
Proceeds from insurance settlements	-	252
Proceeds from sale of property	55	115
Net cash used in investing activities	**(17,084)**	**(6,106)**
Financing activities:		
Net borrowings under lines of credit	5,324	250
Net repayments of notes payable	(428)	(921)
Purchase of treasury stock	(60)	(60)
Dividends	-	(1)
Redemption of preferred stock	-	(18)
Net cash provided by (used in) financing activities	**4,836**	**(750)**
Effect of exchange rate changes on cash	(90)	48
Net decrease in cash	**(11,597)**	**(2,012)**
Cash at beginning of period	16,134	19,152
Cash at end of period	**$ 4,537**	**$ 17,140**