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**Q.E.P. CO., INC. REPORTS FISCAL 2019  
NINE MONTH AND THIRD QUARTER SALES AND EARNINGS**

**BOCA RATON, FLORIDA — January 14, 2019 — Q.E.P. CO., INC. (OTC: QEPC.PK)** (the “Company” and “Q.E.P.”) today reported its consolidated results of operations for the first nine months and third quarter of its fiscal year ending February 28, 2019.

Q.E.P. reported net sales of \$281.2 million for the nine months ended November 30, 2018, an increase of \$34.3 million or 13.9% from the \$246.9 million reported in the same period of fiscal 2018. As a percentage of net sales, gross margin was 26.6% in the first nine months of fiscal 2019 compared to 28.3% in the first nine months of fiscal 2018.

The Company reported net sales of \$100.7 million for the quarter ended November 30, 2018, an increase of \$20.0 million or 24.8% from the \$80.7 million reported in the same period of fiscal 2018. As a percentage of net sales, gross margin was 25.5% in the third quarter of fiscal 2019 compared to 27.9% in the third quarter of fiscal 2018.

Lewis Gould, Chairman of the Board of Directors, commented on the Company’s results, “We are pleased with the Company’s sales growth that has been achieved through the implementation of our acquisition strategy that was started last year. The acquisitions have partially offset the significant upfront costs associated with their completion and integration. Our expansion and consolidation into a new West Coast distribution center located in Arizona will be completed in the fourth quarter. This facility will also provide manufacturing capacity for adhesives, carpet tack strip and new glue cartridge filling capability. In the fourth quarter, we will complete the consolidation and enhancement of our wood manufacturing supply chain operations with the transition from our current Indiana facility. As you know, in the third quarter, we closed the transaction to buy the hard-surface flooring assets of the Kraus business in both Canada and the U.S. Each of these events have come together to create a new look for our Company, which will be on full display at the Surfaces Trade Show in Las Vegas in January 2019.”

Mr. Gould continued, “The core business continues to experience cost pressures as product, manufacturing and shipping costs increase, along with the absorption of higher tariffs. Q.E.P. continues to work with our customers to pursue market-based price increases to pass along these cost increases and will continue to do so in the future as circumstances allow. We continue to monitor our cost structure and use of working capital, adjusting our plans to achieve the best return on these investments.”

Mr. Gould concluded, “The Company has been deliberate in making the strategic investment in our future. We believe that these investments, along with expanded initiatives in our business-to-business model, E-commerce and social media will create significant opportunities for sales growth and increased profitability.”

Net sales growth for the first nine months and third 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 nine months of the current fiscal year, offset by sales declines in certain core product categories.

The Company's gross profit for the first nine months of fiscal 2019 was \$74.9 million representing an increase of \$5.2 million, or 7.4%, from \$69.7 million in fiscal 2018 period. Gross profit for the third quarter of fiscal 2019 was \$25.7 million representing an increase of \$3.1 million, or 13.9%, from \$22.5 million in fiscal 2018 period. The fiscal 2019 acquisitions were responsible for the increased gross profit in both the quarter and nine-month period compared to the prior year. Gross margin as a percentage of net sales was negatively impacted by changes in product mix; costs related to facility, production and product rationalization; increased transportation, product and manufacturing costs; and higher tariffs placed on the products the Company imports from China.

Operating expenses for the first nine months and third quarter of fiscal 2019 were \$73.7 million and \$27.7 million, respectively, or 26.2% and 27.5% of net sales in those periods, compared to \$61.0 million and \$21.8 million, respectively, or 24.7% and 27.0% 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 growth in outbound shipping costs.

The increase in interest expense during fiscal 2019 as compared to fiscal 2018 is due to incremental borrowings under the Company's credit facilities to fund acquisitions and support sales growth, along with increases to interest rates.

The (benefit)/provision for income taxes as a percentage of income before taxes was 28.0% for the first nine months and third 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 (loss)/income for the first nine months and third quarter of fiscal 2019 was \$0.2 million and (\$1.8) million, respectively, or \$0.06 and (\$0.57), respectively, per diluted share. For the comparable periods of fiscal 2018, net income was \$5.0 million and \$0.3 million, respectively, or \$1.57 and \$0.10, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) as adjusted for impairment of long-lived assets, corporate development and other one-time expenses for the first nine months and third quarter of fiscal 2019 was \$7.0 million and \$0.8 million, respectively as compared to \$14.1 million and \$4.0 million for the first nine months and third quarter of fiscal 2018, respectively.

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2018	2017	2018	2017
Net (loss)/income	\$ (1,796)	\$ 322	\$ 208	\$ 5,015
Add: Interest expense, net	518	251	889	747
(Benefit)/provision for income taxes	(698)	193	80	3,010
Depreciation and amortization	1,318	964	3,325	2,916
Corporate development and other expenses	1,413	875	2,275	994
Impairment of long-lived assets	-	1,389	238	1,389
EBITDA as adjusted for Impairment of long-lived assets, corporate development and other expenses <sup>(1)</sup>	<u>\$ 755</u>	<u>\$ 3,994</u>	<u>\$ 7,015</u>	<u>\$ 14,071</u>

<sup>(1)</sup> EBITDA as adjusted for impairment of long-lived assets, corporate development and other one-time expenses 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 used in operations during the first nine months of fiscal 2019 was \$3.1 million as compared to cash provided by operations of \$7.0 million in the first nine months of fiscal 2018, reflecting a decrease in operating income and an increase in net investments in working capital, principally inventory and prepayments. During the first nine months of fiscal 2019, the Company acquired businesses for \$40.0 million compared to \$3.9 million during the first nine months of fiscal 2018. In the first nine months of the current fiscal year, these investments, capital expenditures, treasury stock purchases and seasonal inventory growth were funded through cash on-hand, cash from operations and borrowings under the Company's credit facilities. In the prior fiscal year period, 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 third quarter was \$48.9 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 third quarter was \$54.6 million or 69.6% of equity, an increase of \$49.5 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 Wednesday, January 16, 2019. If you would like to join the conference call, dial 1-800-263-0877 toll free from the US or 1-646-828-8143 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Third Quarter Conference Call / Conference ID 8973125. A replay of the conference call will be available until midnight January 23, 2019 by calling 1-844-512-2921 toll free from the US and entering pin number 8973125; 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 November 30,		For the Nine Months Ended November 30,	
	2018	2017	2018	2017
Net sales	\$ 100,717	\$ 80,728	\$ 281,164	\$ 246,857
Cost of goods sold	75,042	58,181	206,266	177,108
<b>Gross profit</b>	<b>25,675</b>	<b>22,547</b>	<b>74,898</b>	<b>69,749</b>
<b>Operating expenses:</b>				
Shipping	9,908	6,863	26,545	21,211
General and administrative	10,480	7,973	28,183	21,474
Selling and marketing	7,548	5,717	19,460	17,332
Impairment loss on long-lived assets	-	1,389	238	1,389
Other income, net	(285)	(161)	(705)	(429)
Total operating expenses	27,651	21,781	73,721	60,977
<b>Operating income</b>	<b>(1,976)</b>	<b>766</b>	<b>1,177</b>	<b>8,772</b>
Interest expense, net	(518)	(251)	(889)	(747)
<b>Income before provision for income taxes</b>	<b>(2,494)</b>	<b>515</b>	<b>288</b>	<b>8,025</b>
(Benefit)/provision for income taxes	(698)	193	80	3,010
<b>Net (loss)/income</b>	<b>\$ (1,796)</b>	<b>\$ 322</b>	<b>\$ 208</b>	<b>\$ 5,015</b>
<b>Net (loss)/income per share:</b>				
Basic	\$ (0.57)	\$ 0.10	\$ 0.06	\$ 1.57
Diluted	\$ (0.57)	\$ 0.10	\$ 0.06	\$ 1.57
<b>Weighted average number of common shares outstanding:</b>				
Basic	3,168	3,191	3,185	3,193
Diluted	3,168	3,195	3,188	3,196



**Q.E.P. CO., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

(Unaudited)

	<b>For the Three Months Ended November 30,</b>		<b>For the Nine Months Ended November 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Net (loss)/income	\$ (1,796)	\$ 322	\$ 208	\$ 5,015
Unrealized currency translation adjustments	(115)	(135)	(1,149)	706
<b>Comprehensive (loss)/income</b>	<b><u>\$ (1,911)</u></b>	<b><u>\$ 187</u></b>	<b><u>\$ (941)</u></b>	<b><u>\$ 5,721</u></b>



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

	<b>November 30, 2018 (Unaudited)</b>	<b>February 28, 2018 (Audited)</b>
<b>ASSETS</b>		
Cash	\$ 7,182	\$ 16,134
Accounts receivable, less allowance for doubtful accounts of \$623 and \$371 as of November 30, 2018 and February 28, 2018, respectively	54,461	41,443
Inventories	85,639	48,276
Prepaid expenses and other current assets	8,630	6,578
<b>Current assets</b>	<b>155,912</b>	<b>112,431</b>
Property and equipment, net	16,844	10,923
Deferred income taxes, net	2,160	2,154
Intangibles, net	16,374	11,442
Goodwill	6,269	3,308
Other assets	973	834
<b>Total Assets</b>	<b>\$ 198,532</b>	<b>\$ 141,092</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 30,645	\$ 22,350
Accrued liabilities	28,549	17,433
Income taxes payable (prepaid)	(2,349)	(1,600)
Lines of credit	48,961	18,470
Current maturities of notes payable	1,237	857
<b>Current liabilities</b>	<b>107,043</b>	<b>57,510</b>
Notes payable	11,613	1,929
Deferred income taxes	282	282
Other long term liabilities	1,066	802
<b>Total Liabilities</b>	<b>120,004</b>	<b>60,523</b>
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares outstanding at November 30, 2018 and February 28, 2018, respectively	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 3,821 shares issued; 3,142 and 3,183 shares outstanding at November 30, 2018 and February 28, 2018, respectively	4	4
Additional paid-in capital	10,898	10,854
Retained earnings	80,256	80,049
Treasury stock, 679 and 638 held at cost respectively at November 30, 2018 and February 28, 2018	(8,700)	(7,557)
Accumulated other comprehensive income	(3,930)	(2,781)
<b>Shareholders' Equity</b>	<b>78,528</b>	<b>80,569</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 198,532</b>	<b>\$ 141,092</b>



**Q.E.P. CO., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>For the Nine Months Ended November 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating activities:</b>		
Net income	\$ 208	\$ 5,015
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,325	2,916
Impairment of long-lived assets	238	1,389
Other non-cash adjustments	182	133
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(523)	(4,057)
Inventories	(6,412)	(1,559)
Prepaid expenses and other assets	(1,725)	(810)
Trade accounts payable and accrued liabilities	1,605	4,004
<b>Net cash (used in)/provided by operating activities</b>	<b><u>(3,102)</u></b>	<b><u>7,031</u></b>
<b>Investing activities:</b>		
Acquisitions	(40,036)	(3,899)
Capital expenditures	(6,746)	(3,189)
Proceeds from sale of business	-	97
Proceeds from insurance settlements	-	252
Proceeds from sale of property	226	148
<b>Net cash used in investing activities</b>	<b><u>(46,556)</u></b>	<b><u>(6,591)</u></b>
<b>Financing activities:</b>		
Net borrowings/(repayments) under lines of credit	31,849	(812)
Net borrowing/(repayments) of notes payable	10,064	(1,621)
Purchase of treasury stock	(1,091)	(90)
Dividends	-	(1)
Redemption of preferred stock	-	(18)
<b>Net cash provided by (used in) financing activities</b>	<b><u>40,822</u></b>	<b><u>(2,542)</u></b>
Effect of exchange rate changes on cash	(116)	51
<b>Net decrease in cash</b>	<b><u>(8,952)</u></b>	<b><u>(2,051)</u></b>
Cash at beginning of period	16,134	19,152
<b>Cash at end of period</b>	<b><u>\$ 7,182</u></b>	<b><u>\$ 17,101</u></b>