



**CONTACT:**

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**Q.E.P. CO., INC. REPORTS FIRST QUARTER  
2019 SALES AND EARNINGS**

**FIRST QUARTER NET SALES – \$87.9 MILLION  
FIRST QUARTER NET INCOME – \$1.4 MILLION  
FIRST QUARTER EARNINGS PER SHARE (DILUTED) – \$0.44**

**BOCA RATON, FLORIDA — July 23, 2018 — Q.E.P. CO., INC. (OTC: QEPC.PK)** (the “Company”) today reported its consolidated results of operations for the first quarter of its fiscal year ending February 28, 2019.

The Company reported net sales of \$87.9 million for the quarter ended May 31, 2018, an increase of \$5.9 million or 7.2% from the \$82.0 million reported in the same period of fiscal 2018. As a percentage of net sales, gross margin was 27.5% in the first quarter of fiscal 2019 compared to 28.6% in the first quarter of fiscal 2018.

Lewis Gould, Chairman of the Board of Directors, commented on Q.E.P.’s three month results, “Despite a tough organic sales comparison to last year, we grew our top line sales through two strategic acquisitions in the quarter, which have performed as we expected, but negatively impacted operating expenses. We continue to invest resources in new acquisition searches. The overall business continues to experience cost pressures as product, manufacturing and shipping costs increase. QEP will look to offset and contain these costs where possible, as well as pursue market-based price increases when practical to maximize our earnings.”

Mr. Gould continued, “As you already know, QEP has taken on a number of transformational initiatives to proactively mitigate the effect of cost increases and improve overall operational efficiency. I am extremely pleased that since the beginning of our fiscal year we successfully relocated two of our West Coast facilities and began shipping from our Phoenix-area hub. Our initiatives will continue to require investments throughout this year but will result in a much more streamlined and efficient operation in the future.”

Net sales for the first quarter of fiscal 2019 were \$87.9 million reflecting an increase of \$5.9 million, or 7.2%, from \$82.0 million in fiscal 2018. This increase reflects the impact of acquired businesses during the quarter and the positive translation effects of foreign currency rate changes on the Company’s foreign operations that more than offset a net decrease in a range of product categories that experienced one-time initial sales orders in the prior year period, particularly in Europe and Australia.

The Company’s gross profit for the first quarter of fiscal 2019 was \$24.2 million, an increase of \$0.7 million, or 3.1%, from \$23.4 million in fiscal 2018. The Company’s gross margin as a percentage of net sales for first quarter of fiscal year 2019 of 27.5% decreased from 28.6% in the prior fiscal year period. The Company experienced changes in its product mix and increased product and manufacturing costs, which were partially offset by the positive purchasing impact of changes in foreign currency rates compared to the first quarter in the prior year.

Operating expenses for the first quarter of fiscal 2019 and fiscal 2018 were \$22.0 million and \$19.5 million, respectively, or 25.0% and 23.8% of net sales in those periods. The increase was due to operating expenses of the acquired businesses, acquisition and integration costs, higher freight costs, as well as the timing of marketing program spending in Australia.

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 utilization of 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 quarter of fiscal 2019 and 37.5% for the first quarter of fiscal 2018. The effective tax rate in first quarter fiscal 2019 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 quarter of fiscal 2019 and 2018 was \$1.4 million and \$2.3 million, respectively, or \$0.44 and \$0.71, 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 quarter of fiscal 2019 was \$3.3 million as compared to \$4.9 million for the first quarter of fiscal 2018.

	<b>For the Three Months Ended</b>	
	<b>May 31,</b>	
	<u>2018</u>	<u>2017</u>
Net income	\$ 1,422	\$ 2,292
Add: Interest expense, net	180	241
Provision for income taxes	553	1,377
Depreciation and amortization	919	959
Corporate development and other expenses	259	80
EBITDA as adjusted for corporate development and other expenses <sup>(1)</sup>	<u>\$ 3,333</u>	<u>\$ 4,949</u>

<sup>(1)</sup> EBITDA as adjusted for corporate development and other 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 provided by operations during the first quarter of fiscal 2019 was \$4.2 million as compared to \$1.2 million in the first quarter of fiscal 2018, reflecting a decrease in operating income more than offset by a reduction of net investments in working capital. During the first quarter of fiscal 2019, the Company acquired businesses for \$14.3 million compared to \$3.8 million during the first quarter 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 current quarter, these investments as well as additional capital expenditures were funded through cash on-hand and cash from operations. Borrowings under our credit lines were used to fund seasonal inventory growth. In the prior year



our capital expenditures, investments 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 first 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 first quarter was \$15.4 million or 19.0% of equity, an increase of \$10.3 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, July 25, 2018. If you would like to join the conference call, dial 1-800-239-9838 toll free from the US or 1-323-794-2551 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. First Quarter Conference Call / Conference ID 7936240. A replay of the conference call will be available until midnight August 1, 2018 by calling 1-844-512-2921 toll free from the US and entering pin number 7936240; 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, 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, 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)

	<b>For the Three Months Ended</b>	
	<b>May 31,</b>	
	<b>2018</b>	<b>2017</b>
Net sales	\$ 87,876	\$ 81,984
Cost of goods sold	63,718	58,555
<b>Gross profit</b>	<b>24,158</b>	<b>23,429</b>
<b>Operating expenses:</b>		
Shipping	8,091	7,129
General and administrative	8,107	6,793
Selling and marketing	5,962	5,759
Other income, net	(157)	(162)
Total operating expenses	22,003	19,519
<b>Operating income</b>	<b>2,155</b>	<b>3,910</b>
Interest expense, net	(180)	(241)
<b>Income before provision for income taxes</b>	<b>1,975</b>	<b>3,669</b>
Provision for income taxes	553	1,377
<b>Net income</b>	<b>\$ 1,422</b>	<b>\$ 2,292</b>
<b>Net income per share:</b>		
Basic	\$ 0.45	\$ 0.72
Diluted	\$ 0.44	\$ 0.71
<b>Weighted average number of common shares outstanding:</b>		
Basic	3,194	3,197
Diluted	3,196	3,208



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

	<b>For the Three Months Ended</b>	
	<b>May 31,</b>	
	<b>2018</b>	<b>2017</b>
Net income	\$ 1,422	\$ 2,292
Unrealized currency translation adjustments	<u>(582)</u>	<u>9</u>
<b>Comprehensive income</b>	<b><u>\$ 840</u></b>	<b><u>\$ 2,301</u></b>



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

	May 31, 2018 (Unaudited)	February 28, 2018 (Audited)
<b>ASSETS</b>		
Cash	\$ 5,968	\$ 16,134
Accounts receivable, less allowance for doubtful accounts of \$404 and \$371 as of May 31, 2018 and February 28, 2018, respectively	45,246	41,443
Inventories	53,953	48,276
Prepaid expenses and other current assets	7,130	6,578
<b>Current assets</b>	<b>112,297</b>	<b>112,431</b>
Property and equipment, net	12,123	10,923
Deferred income taxes, net	2,158	2,154
Intangibles, net	10,762	11,442
Goodwill	13,387	3,308
Other assets	903	834
<b>Total Assets</b>	<b>\$ 151,630</b>	<b>\$ 141,092</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 28,374	\$ 22,350
Accrued liabilities	20,106	17,433
Income taxes payable (prepaid)	(1,083)	(1,600)
Lines of credit	18,842	18,470
Current maturities of notes payable	857	857
<b>Current liabilities</b>	<b>67,096</b>	<b>57,510</b>
Notes payable	1,714	1,929
Deferred income taxes	282	282
Other long term liabilities	1,114	802
<b>Total Liabilities</b>	<b>70,206</b>	<b>60,523</b>
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares outstanding at May 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 May 31, 2018 and February 28, 2018	4	4
Additional paid-in capital	10,869	10,854
Retained earnings	81,471	80,049
Treasury stock, 638 held at cost at May 31, 2018 and February 28, 2018	(7,557)	(7,557)
Accumulated other comprehensive income	(3,363)	(2,781)
<b>Shareholders' Equity</b>	<b>81,424</b>	<b>80,569</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 151,630</b>	<b>\$ 141,092</b>



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

(In thousands)

(Unaudited)

	<b>For the Three Months</b>	
	<b>Ended May 31,</b>	
	<b>2018</b>	<b>2017</b>
	<u>          </u>	<u>          </u>
<b>Operating activities:</b>		
Net income	\$ 1,422	\$ 2,292
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	919	959
Other non-cash adjustments	46	(6)
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(1,800)	(2,509)
Inventories	(308)	(1,177)
Prepaid expenses and other assets	(642)	(726)
Trade accounts payable and accrued liabilities	4,607	2,398
<b>Net cash provided by operating activities</b>	<b><u>4,244</u></b>	<b><u>1,231</u></b>
<b>Investing activities:</b>		
Acquisitions	(14,254)	(3,836)
Capital expenditures	(948)	(2,156)
Proceeds from insurance settlements	-	252
Proceeds from sale of property	18	39
<b>Net cash used in investing activities</b>	<b><u>(15,184)</u></b>	<b><u>(5,701)</u></b>
<b>Financing activities:</b>		
Net borrowings under lines of credit	1,077	1,243
Net repayments of notes payable	(214)	(464)
Purchase of treasury stock	(30)	(30)
<b>Net cash provided by financing activities</b>	<b><u>833</u></b>	<b><u>749</u></b>
Effect of exchange rate changes on cash	(59)	9
<b>Net decrease in cash</b>	<b><u>(10,166)</u></b>	<b><u>(3,712)</u></b>
Cash at beginning of period	<u>16,134</u>	<u>19,152</u>
<b>Cash at end of period</b>	<b><u>\$ 5,968</u></b>	<b><u>\$ 15,440</u></b>