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Q.E.P. CO., INC. REPORTS FISCAL 2025 FIRST QUARTER FINANCIAL RESULTS

Quarterly Adjusted Net Income More than Doubles to \$3.9 Million or \$1.17 per Share

BOCA RATON, FLORIDA — July 15, 2024 — Q.E.P. CO., INC. (OTCQX: QEPC) (the “Company” or “QEP”) today reported its consolidated results of operations for the first quarter of fiscal year 2025, which ended on May 31, 2024.

During the prior fiscal year, QEP completed several strategic divestments to streamline operations and concentrate resources on its core product lines in the North American market. These divestments included the sale of the Company’s Harris Flooring Group in North America and the Company’s businesses in the United Kingdom, Australia and New Zealand. These divested operations have been classified as discontinued operations in our financial statements for all periods presented.

QEP reported net sales of \$63.5 million for the quarter ended May 31, 2024, a decrease of \$2.5 million or 3.7% from the \$66.0 million reported for the first quarter of fiscal 2024, which was primarily due to continued softening of consumer demand across multiple product categories and sales channels. The Company continues to invest in the expansion of its regional sales coverage in order to penetrate new and existing sales channels.

The Company’s gross profit for the first quarter of fiscal 2025 increased \$2.5 million or 12.2% to \$22.5 million, from \$20.0 million for the first quarter of fiscal 2024. As a percentage of net sales, gross margin was 35.4% for the first quarter of fiscal 2025, as compared to 30.4% for the first quarter of fiscal 2024. The increase in gross margin as a percentage of net sales was largely due to lower inbound freight, along with continued improvement in product mix and other cost-reduction initiatives.

Leonard Gould, President & Chief Executive Officer, commented on the Company’s results, “I am grateful for the support of the QEP Team as we continue our transformation. These positive results allow us to reinvest in resources to provide the ultimate service to our customers and critically to move forward with the numerous innovations in our product pipeline.”

Operating expenses were \$17.3 million or 27.2% of net sales for the first quarter of fiscal 2025 as compared to \$16.9 million or 25.6% of net sales for the first quarter of fiscal 2024. The increase in operating expenses was due to higher personnel and outbound shipping costs in the current period.

Interest income was \$0.2 million for the first quarter of fiscal 2025 as compared to interest expense of \$0.6 million in the first quarter of fiscal 2024. This change is due to the Company’s significant repayment of debt in the latter part of fiscal 2024 and the investment of the Company’s cash surplus in the first quarter of fiscal 2025.

The provision for income taxes as a percentage of income before taxes was 28% for both the first quarter of fiscal 2025 and the first quarter of fiscal 2024.



Net income for the first quarter of fiscal 2025 was \$4.5 million or \$1.34 per diluted share, as compared to \$0.9 million or \$0.28 per diluted share for first quarter of fiscal 2024. Excluding discontinued operations, adjusted net income for the first quarter of fiscal 2025 was \$3.9 million or \$1.17 per diluted share, as compared to \$1.8 million or \$0.55 per diluted share for the first quarter of fiscal 2024.

Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations for the first quarter of fiscal 2025 was \$5.6 million or 8.8% of net sales, as compared to \$3.5 million or 5.3% of net sales for the first quarter of fiscal 2024.

	For the Three Months	
	May 31, 2024	May 31, 2023
Net income from continuing operations	\$ 3,903	\$ 1,820
Add: Interest (income) expense, net	(183)	603
Provision for income taxes	1,508	709
Depreciation and amortization	338	356
EBITDA, as adjusted	<u>\$ 5,566</u>	<u>\$ 3,488</u>

Cash provided by operating activities during first quarter of fiscal 2025 was \$6.1 million compared to \$13.1 million in the comparable fiscal 2024 period, reflecting the reduction in inventory to more normalized levels during the prior year period. In the first quarter of fiscal 2025, cash provided by operations, along with proceeds from the sale of businesses, was used to repurchase stock and increase the Company's cash surplus. In the first quarter of fiscal 2024, cash provided by operations was used to reduce borrowings under the Company's lines of credit and increase cash balances.

Working capital as of May 31, 2024 was \$62.3 million compared to \$60.0 million at the end of fiscal 2024. Aggregate available cash, net of outstanding debt at May 31, 2024 was \$30.1 million compared to \$21.7 million at the end of fiscal 2024.

The Company will not be hosting a conference call to discuss these results and welcomes inquiries from investors via email at ir@qep.com.

About QEP

Founded in 1979, Q.E.P. Co., Inc. is a leading designer, manufacturer and distributor of a broad range of best-in-class flooring installation solutions for commercial and home improvement projects. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment. QEP sells its products throughout the world to home improvement retail centers, and professional specialty distribution outlets, under brand names including QEP®, LASH®, ROBERTS®, Capitol®, Premix-Marbletite® (PMM), Brutus®, Homelux®, PRCI®, and Tomecanic®.

QEP is headquartered in Boca Raton, Florida with other facilities in the United States, Canada, Europe and Asia. Please visit our website at www.qepcorporate.com.

Forward-Looking Statements



All statements contained in this press release, other than statements of historical facts, may constitute forward-looking statements within the meaning of the federal securities laws. These statements can be identified by words such as "expects," "plans," "projects," "will," "may," "anticipates," "believes," "should," "intends," "estimates," and other words of similar meaning. These forward-looking statements include, but are not limited to, statements regarding implementation of the Company's strategies and increasing profitability and stockholder value. Any forward-looking statements contained herein are based on current expectations and beliefs, and are subject to a number of risks and uncertainties, including those listed in the Company's annual report, as such risk factors may be amended, supplemented or superseded from time to time by other reports and disclosures made by the Company. Forward-looking statements may also be adversely affected by general market factors, competitive product development, product availability, federal and state regulations and legislation, manufacturing issues that may arise, patent positions and litigation, scarcity and rising cost for raw materials, shifts in global sourcing patterns, and general inflationary pressures, economic conditions, sales growth, price increases, maintaining and improving profitability, product development and marketing, operating expenses, cost savings, the successful completion of acquisitions and dispositions, acquisition integration, operational synergy realization, global sourcing, political uncertainty, cash flow, debt and currency exchange rates, among other factors. The forward-looking statements contained in this press release speak only as of the date the statements were made, and the Company does not undertake any obligation to update forward-looking statements, except as required by law.

-Financial Information Follows-



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

	For the Three Months Ended	
	May 31, 2024	May 31, 2023
Net sales	\$ 63,524	\$ 65,978
Cost of goods sold	41,021	45,928
Gross profit	22,503	20,050
Operating expenses:		
Shipping	7,081	7,010
General and administrative	6,284	6,126
Selling and marketing	3,905	3,871
Other income, net	5	(89)
Total operating expenses	17,275	16,918
Operating income	5,228	3,132
Interest income (expense), net	183	(603)
Income before provision for income taxes	5,411	2,529
Provision for income taxes	1,508	709
Net income from continuing operations	3,903	1,820
Gain/(Loss) from discontinued operations, net of tax	565	(895)
Net income	\$ 4,468	\$ 925
Basic earnings (loss) per share:		
From continuing operations	1.17	0.55
From discontinued operations	0.17	(0.27)
Basic earnings per share	1.34	0.28
Diluted earnings (loss) per share:		
From continuing operations	1.17	0.55
From discontinued operations	0.17	(0.27)
Diluted earnings per share	1.34	0.28
Weighted average number of common shares outstanding:		
Basic	3,323	3,343
Diluted	3,334	3,350



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

	May 31, 2024	February 29, 2024
	(Unaudited)	(Audited)
ASSETS		
Cash	\$ 30,408	\$ 22,369
Accounts receivable, less allowance for credit losses of \$173 and \$134 at May 31, 2024 and February 29, 2024, respectively	27,880	30,338
Inventories, net	29,406	29,913
Prepaid expenses and other current assets	2,927	7,491
Prepaid income taxes	-	1,375
Discontinued operations	708	693
Current assets	91,329	92,179
Property and equipment, net	10,248	9,894
Right of use operating lease assets	19,432	19,852
Deferred income taxes, net	2,548	2,548
Intangibles, net	94	99
Other assets	1,097	1,276
Total assets	\$ 124,748	\$ 125,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 11,553	\$ 14,438
Accrued liabilities	13,787	13,352
Current operating lease liabilities	3,296	3,210
Income taxes payable	109	-
Lines of credit	204	601
Current maturities of debt	57	74
Discontinued operations	-	479
Current liabilities	29,006	32,154
Long term debt	17	-
Non-current operating lease liabilities	19,213	19,855
Other long term liabilities	975	1,209
Total liabilities	49,211	53,218
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at May 31, 2024 and February 29, 2024, respectively	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued: 3,269 and 3,286 shares outstanding at May 31, 2024 and February 29, 2024, respectively	4	4
Additional paid-in capital	10,722	11,901
Retained earnings	77,679	73,211
Treasury stock, 736 and 719 shares held at cost at May 31, 2024 and February 29, 2024, respectively	(9,894)	(9,517)
Accumulated other comprehensive income	(2,974)	(2,969)
Shareholders' equity	75,537	72,630
Total liabilities and shareholders' equity	\$ 124,748	\$ 125,848



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

(In thousands)

(Unaudited)

	For the Three Months Ended	
	May 31, 2024	May 31, 2023
Operating activities:		
Net income	\$ 4,468	\$ 925
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	338	858
Gain on disposal of businesses	(516)	-
Gain on sale of property	(1)	(4)
Gain from insurance recoveries	-	(390)
Proceeds from settlement of insurance claims	-	529
Other non-cash adjustments	44	171
Changes in assets and liabilities:		
Accounts receivable	2,529	(744)
Inventories	491	11,768
Prepaid expenses and other assets	833	(820)
Trade accounts payable and accrued liabilities	(2,135)	791
Net cash provided by operating activities	6,051	13,084
Investing activities:		
Capital expenditures	(679)	(362)
Proceeds from sale of businesses	4,292	-
Proceeds from sale of property	1	30
Proceeds from settlement of insurance claims	-	568
Net cash provided by investing activities	3,614	236
Financing activities:		
Net repayments under lines of credit	(394)	(8,010)
Net repayments of term loan facilities	-	(202)
Repurchase of restricted stock awards	(1,183)	-
Purchase of treasury stock	(30)	(30)
Principal payments on finance leases	(28)	(29)
Net cash used in financing activities	(1,635)	(8,271)
Effect of exchange rate changes on cash	9	(8)
Net increase in cash	8,039	5,041
Cash at beginning of period	22,369	3,060
Cash at beginning of the period from discontinued operations	-	1,936
Cash at end of period	\$ 30,408	\$ 10,037



Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except shares data)

	Preferred Stock		Common Stock		Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance at February 28, 2023	-	\$ -	4,005,370	\$ 4	\$ 11,449	\$ 81,205	\$ (9,410)	\$ (5,408)	\$ 77,840
Net Income						925			925
Unrealized currency translation adjustments								43	43
Stock-based compensation expense					186				186
Balance at May 31, 2023	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 11,635</u>	<u>\$ 82,130</u>	<u>\$ (9,410)</u>	<u>\$ (5,365)</u>	<u>\$ 78,994</u>
	Preferred Stock		Common Stock		Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
Balance at February 29, 2024	-	\$ -	4,005,370	\$ 4	\$ 11,901	\$ 73,211	\$ (9,517)	\$ (2,969)	\$ 72,630
Net Income						4,468			4,468
Unrealized currency translation adjustments								(1)	(1)
Purchase of treasury stock							(377)		(377)
Repurchase of restricted stock awards					(1,183)				(1,183)
Balance at May 31, 2024	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 10,718</u>	<u>\$ 77,679</u>	<u>\$ (9,894)</u>	<u>\$ (2,970)</u>	<u>\$ 75,537</u>