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**Q.E.P. CO., INC. REPORTS FISCAL 2017
FIRST QUARTER SALES AND EARNINGS**

**FIRST QUARTER SALES – \$80.2 MILLION
FIRST QUARTER NET INCOME – \$2.2 MILLION VS \$1.3 MILLION LAST YEAR**

FIRST QUARTER EPS - \$0.68 VS \$0.39 LAST YEAR

BOCA RATON, FLORIDA— July 6, 2016—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, 2017.

The Company reported net sales of \$80.2 million for the quarter ended May 31, 2016, an increase of \$1.9 million or 2.4% from the \$78.3 million reported in the same period of fiscal 2016. As a percentage of net sales, gross margin was 28.2% in the first quarter of fiscal 2017 compared to 27.1% in the first quarter of fiscal 2016.

Lewis Gould, Chairman, commented: "I am encouraged by the progress we have made this quarter despite continuing headwinds with the strong US dollar, increases in health care costs and other items. Despite this the Company has worked towards positive results this quarter, developing new and innovative products and sales growth in North America. We are working very hard to continue to flatten our supply chain and lower our costs, while continuing to strengthen our balance sheet with improved working capital and lower debt."

Net sales for the three month period ended May 31, 2016 as compared to the comparable period in the prior fiscal year reflect growth across multiple product lines in the US and Australia, partially offset by reduced sales in Europe. Foreign exchange rates weakened against the US dollar year over year and continue to affect the translation of the Company’s international operations.

The Company’s gross profit increased \$1.4 million or 6.4% to \$22.6 million and gross margin improved by 1.1%. Gross margin benefitted from cost reductions on certain products as well as favorable product mix.

Operating expenses for the first quarter of fiscal 2017 were \$18.8 million or 23.5% of net sales, compared to \$19.0 million or 24.2% of net sales in the comparable fiscal 2016 period. Lower shipping cost was partially offset by the timing of increased marketing expenses associated with the introduction of new flooring products in North America and Australia.

The decrease in interest expense during the first quarter of fiscal 2017 as compared to fiscal 2016 is principally the result of debt payments made under term loan facilities during fiscal 2016.

The provision for income taxes as a percentage of income before taxes for the first quarter of fiscal 2017 was 37.5%, compared to 35.0%, for the comparable period of fiscal 2016. The effective tax rate in both fiscal years reflects the relative contribution of the Company’s earnings sourced from its international operations.



Net income for the first quarter of fiscal 2017 and 2016 was \$2.2 million and \$1.3 million, respectively, or \$0.68 and \$0.39, respectively, per diluted share.

For the first quarter of fiscal 2017, earnings before interest, taxes, depreciation and amortization (EBITDA) was \$4.8 million, compared to \$3.3 million for the first quarter of fiscal 2016.

	For the Three Months Ended May 31,	
	2016	2015
Net income	\$ 2,185	\$ 1,268
Add: Interest expense, net	281	320
Provision for income taxes	1,311	683
Depreciation and amortization	1,016	1,070
EBITDA	<u>\$ 4,793</u>	<u>\$ 3,341</u>

Cash provided by operations during the first quarter of fiscal 2017 was \$0.9 million as compared to \$3.0 million in the first quarter of fiscal 2016. During the first quarter of fiscal 2017, increased earnings were principally used to fund increases in working capital and pay down debt. During the first quarter of fiscal 2016, earnings and changes in working capital were used, along with cash balances, to reduce debt. In both periods, the Company's capital expenditures were funded through cash from operations.

Working capital at the end of the Company's fiscal 2017 first quarter was \$40.8 million compared to \$38.7 million at the end of the 2016 fiscal year. Aggregate debt, net of cash balances, at the end of the Company's fiscal 2017 first quarter was \$20.4 million or 28.8% of equity, an increase of \$0.3 million compared to \$20.1 million or 29.4% of equity at the end of the 2016 fiscal year.

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 Thursday, July 7, 2016. If you would like to join the conference call, dial 1-888-505-4368 toll free from the US or 1-719-325-2458 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. First-Quarter Conference Call / Conference ID 9556342. A replay of the conference call will be available until midnight July 14, 2016 by calling 1-877-870-5176 toll free from the US and entering pin number 9556342; internationally, please call 1-858-384-5517 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® and Elastiment®, 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, product development and marketing, operating expenses, cost savings, 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.

-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 May 31,	
	2016	2015
Net sales	\$ 80,178	\$ 78,267
Cost of goods sold	57,569	57,025
Gross profit	<u>22,609</u>	<u>21,242</u>
Operating expenses:		
Shipping	6,657	7,310
General and administrative	6,418	6,256
Selling and marketing	5,921	5,491
Other income, net	(164)	(86)
Total operating expenses	<u>18,832</u>	<u>18,971</u>
Operating income	3,777	2,271
Interest expense, net	(281)	(320)
Income before provision for income taxes	3,496	1,951
Provision for income taxes	1,311	683
Net income	<u>\$ 2,185</u>	<u>\$ 1,268</u>
Net income per share:		
Basic	<u>\$ 0.68</u>	<u>\$ 0.39</u>
Diluted	<u>\$ 0.68</u>	<u>\$ 0.39</u>
Weighted average number of common shares outstanding:		
Basic	<u>3,195</u>	<u>3,212</u>
Diluted	<u>3,219</u>	<u>3,235</u>



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

	For the Three Months Ended May 31,	
	2016	2015
Net income	\$ 2,185	\$ 1,268
Unrealized currency translation adjustments	<u>504</u>	<u>(118)</u>
Comprehensive income	<u>\$ 2,689</u>	<u>\$ 1,150</u>



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

	May 31, 2016	February 29, 2016
	(Unaudited)	
ASSETS		
Cash	\$ 14,053	\$ 15,923
Restricted Cash	1,724	-
Accounts receivable, less allowance for doubtful accounts of \$419 and \$377 as of May 31, 2016 and February 29, 2016, respectively	40,609	39,491
Inventories	43,870	42,797
Prepaid expenses and other current assets	2,711	2,234
Current assets	<u>102,967</u>	<u>100,445</u>
Property and equipment, net	19,113	19,538
Deferred income taxes, net	5,291	5,288
Intangibles, net	16,118	15,717
Other assets	518	550
Total Assets	<u>\$ 144,007</u>	<u>\$ 141,538</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 20,462	\$ 18,432
Accrued liabilities	15,614	17,854
Income taxes payable	356	383
Lines of credit	23,701	23,093
Current maturities of notes payable	2,026	2,032
Current liabilities	<u>62,159</u>	<u>61,794</u>
Notes payable	10,435	10,899
Other long term liabilities	589	589
Total Liabilities	<u>73,183</u>	<u>73,282</u>
Preferred stock, 2,500 shares authorized, \$1.00 par value; 337 shares issued and outstanding at May 31, 2016 and February 29, 2016	337	337
Common stock, 20,000 shares authorized, \$.001 par value; 3,802 and 3,802 shares issued, and 3,190 and 3,198 shares outstanding at May 31, 2016 and February 29, 2016, respectively	4	4
Additional paid-in capital	10,752	10,737
Retained earnings	70,133	67,952
Treasury stock, 612 and 604 shares held at cost at May 31, 2016 and February 29, 2016, respectively	(7,016)	(6,884)
Accumulated other comprehensive income	(3,386)	(3,890)
Shareholders' Equity	<u>70,824</u>	<u>68,256</u>
Total Liabilities and Shareholders' Equity	<u>\$ 144,007</u>	<u>\$ 141,538</u>



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

(In thousands)

(Unaudited)

	For the Three Months Ended May 31,	
	2016	2015
	<u> </u>	<u> </u>
Operating activities:		
Net income	\$ 2,185	\$ 1,268
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,016	1,070
Other non-cash adjustments	35	70
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(907)	(4,726)
Inventories	(836)	(1,234)
Prepaid expenses and other assets	(438)	(235)
Trade accounts payable and accrued liabilities	(140)	6,763
Net cash provided by operating activities	<u>915</u>	<u>2,976</u>
Investing activities:		
Proceeds from sale of property	-	328
Capital expenditures	(243)	(536)
Net cash used in investing activities	<u>(243)</u>	<u>(208)</u>
Financing activities:		
Net borrowings (repayments) under lines of credit	(463)	1,457
Net borrowings (repayments) of notes payable	(470)	(6,096)
Purchase of treasury stock	(30)	(30)
Dividends	(4)	(3)
Net cash provided by (used in) financing activities	<u>(967)</u>	<u>(4,672)</u>
Effect of exchange rate changes on cash	<u>149</u>	<u>(2)</u>
Net (decrease) increase in cash	(146)	(1,906)
Cash at beginning of period	<u>15,923</u>	<u>10,576</u>
Cash at end of period	<u>\$ 15,777</u>	<u>\$ 8,670</u>