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Q.E.P. CO., INC. REPORTS FISCAL 2016 RESULTS OF OPERATIONS

NET SALES - \$309.2 MILLION
NET INCOME - \$4.0 MILLION OR \$1.23 PER DILUTED SHARE

BOCA RATON, FLORIDA—May 19, 2016—Q.E.P. CO., INC. (OTC: QEPC.PK) (the “Company”) today reported its consolidated results of operations for the fiscal year ended February 29, 2016:

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

	For the Year Ended	
	February 29, 2016	February 28, 2015
Net sales	\$ 309,237	\$ 297,666
Cost of goods sold	227,698	217,820
Gross profit	81,539	79,846
Operating expenses	73,546	75,621
Operating income	7,993	4,225
Interest expense, net	(1,152)	(1,347)
Income before provision for income taxes	6,841	2,878
Provision for income taxes	2,865	1,018
Net income	<u>\$ 3,976</u>	<u>\$ 1,860</u>
Net income per share:		
Basic	<u>\$ 1.24</u>	<u>\$ 0.57</u>
Diluted	<u>\$ 1.23</u>	<u>\$ 0.57</u>
Weighted average number of common shares outstanding:		
Basic	<u>3,206</u>	<u>3,237</u>
Diluted	<u>3,228</u>	<u>3,261</u>

Lewis Gould, Chairman of the Board, commented, “Your Company has grown this year in the face of many challenges. We have worked diligently to achieve profit improvement through increases in sales and lowering of operating expenses, globally. Our profitability this year enabled us to strengthen our balance sheet through increased cash balances and the pay down of debt. Our strong balance sheet will enable your company to make strategic investments for continued growth in the future. During this year we have continued to make investments in our Faus laminate program and other new flooring products.” Mr. Gould concluded, “There is much work to do, but we are confident in our strategic direction and the focus of our near term initiatives.”

Net sales of \$309.2 million increased during fiscal year 2016 by \$11.5 million or approximately 3.9% as compared to the prior fiscal year reflecting the expansion of our product lines with existing customers in the Company’s domestic and international operations.

The Company’s gross profit of \$81.5 million increased more than 2% in the current year due to sales volume growth, most significantly in North America. The Company’s gross profit as a percentage of net sales for the current fiscal year as compared to the prior fiscal year declined slightly. Changes in product mix and decreased purchasing power of the Company’s international operations as a result of adverse changes in currency exchange rates mitigated the sales improvement impact on gross margin.

Operating expenses for fiscal 2016 and fiscal 2015 were \$73.6 million and \$75.6 million, respectively, or 23.8% and 25.4%, respectively, of net sales in those periods. In the current year, sales increased 3.9% while operating expenses decreased 2.7%. The decrease in operating expenses reflects decreased domestic selling and marketing expenses achieved through cost containment efforts that began late in the previous fiscal year. In addition, currency exchange rates had a net favorable effect on operating expenses of the Company’s international operations compared to the prior fiscal year.

The decrease in interest expense for fiscal 2016 as compared to fiscal 2015 is primarily the result of \$7.1 million of debt payments, including a \$5.6 million term loan payment in May 2015.

The provision for income taxes as a percentage of income before taxes for fiscal 2016 was 41.9% compared to 35.4% for fiscal 2015. The increase in the effective tax rate reflects the relative contribution of the Company’s earnings sourced from its international operations.

As a result, fiscal 2016 net income increased to \$4.0 million from \$1.9 million in fiscal 2015 and net income per diluted share increased to \$1.23 per share from \$0.57 per share, respectively.

Earnings before interest, taxes, depreciation and amortization (EBITDA) were \$12.4 million in fiscal 2016 as compared to \$9.3 million for fiscal 2015:

	Fiscal Year	
	2016	2015
Net income	\$ 3,976	\$ 1,860
Add back:		
Interest expense, net	1,152	1,347
Provision for income taxes	2,865	1,018
Depreciation and amortization	4,404	5,112
EBITDA	<u>\$ 12,397</u>	<u>\$ 9,337</u>



Cash provided by operations for fiscal 2016 was \$13.7 million compared to \$4.2 million in fiscal 2015 reflecting the improvement in operating results and an overall improvement in working capital. During fiscal 2016, the Company's increased cash balances as well as funding for capital expenditures and debt payments were provided by cash from operations. During fiscal 2015, the Company's increased cash balances as well as funding for capital expenditures, acquisitions and the treasury stock program were funded through borrowings and cash from operations.

Working capital at the end of the Company's fiscal year 2016 increased to \$38.7 million from \$34.5 million at the end of the 2015 fiscal year and total debt decreased to \$36.0 million from \$45.4 million during the same period last year primarily due to a \$5.6 million pay-off of one of the Company's term loans through cash on-hand.

The Company will be hosting a conference call to discuss these results and to answer your questions at 10:30 a.m. Eastern Time on Friday, May 20, 2016. If you would like to join the conference call, dial 1-888-401-4668 toll free from the US or 1-719-325-2429 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Fiscal 2016 Conference Call / Conference ID 4751382. A replay of the conference call will be available until midnight May 27, 2016 by calling 1-877-870-5176 toll free from the US and entering pin number 4751382; internationally, please call 1-858-384-5517 using the same pin number.

The Company is posting its consolidated fiscal 2016 audited financial statements on the Investor section of its website at www.qepcorporate.com today.

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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®, HarrisWood®, Fausfloor®, Capitol®, Nupla®, HISCO®, Ludell®, Porta-Nails®, Elastiment®, Vitrex®, Homelux®, Tilerite®, PRCI®, Plasplugs®, Tomecanic® and Benetiere®, 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 future sales growth, international and domestic market position, pricing and profitability, acquisition integration activities, potential acquisition opportunities, and product development. These statements are not guarantees of future performance and actual results could differ materially from our current expectations.