



CONTACT:

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**Q.E.P. CO., INC. REPORTS FISCAL 2021 NINE MONTH AND THIRD QUARTER FINANCIAL RESULTS AND
ANNOUNCES A 5 PERCENT SPECIAL STOCK DIVIDEND**

BOCA RATON, FLORIDA — January 14, 2021 — Q.E.P. CO., INC. (OTC: QEPC.PK) (the “Company” or “QEP”) today reported its consolidated results of operations for the first nine months and third quarter of its fiscal year ending February 28, 2021 and announces a five percent special stock dividend.

QEP reported net sales of \$288.0 million for the nine months ended November 30, 2020, a decrease of \$11.1 million or 3.7% from the \$299.1 million reported in the same period of fiscal 2020. The Company reported net sales of \$98.9 million for the quarter ended November 30, 2020, an increase of \$2.2 million or 2.3% from the \$96.7 million reported in the same period of fiscal 2020. The fiscal 2021 nine month decline in sales compared to the prior year reflects the adverse impact of the worldwide economic downturn caused by the COVID-19 pandemic during the first quarter of the current year. All subsequent quarters reflect increased year-over-year net sales.

Lewis Gould, Executive Chairman, commented on the Company’s results, “I am pleased that the Company was able to generate sales growth for the second consecutive quarter, which has further offset the sales decline in the first quarter that was the results of the COVID-19 related economic downturn. The sales increase during the previous two quarters was driven by retail channels in North America, despite COVID-19 related challenges in the dealer and distributor channels, and growth in the Company’s overseas operations. During the quarter, the Company continued to maintain aggressive cost control measures, which included lower personnel cost, along with reduced overhead and marketing expenses. Collectively, these actions resulted in the Company’s increased profitability during the quarter and for the first nine months of the year.”

Mr. Gould concluded, “The Company is diligently monitoring and adjusting its response not only to the COVID-19 pandemic, but also to the challenges presented by the weakening U.S. Dollar, shifts in global sourcing patterns and political uncertainty in the U.S. and U.K. I believe that the Company under the current leadership team is emerging from the current crisis better positioned for long-term profitability and the creation of sustainable shareholder value.”

The Company’s gross profit for the first nine months of fiscal 2021 was \$81.8 million compared to \$79.5 million in the corresponding fiscal 2020 period, an increase of \$2.3 million or 2.8%. Gross profit for the third quarter of fiscal 2021 was \$28.7 million, representing an increase of \$2.2 million or 8.2%, from \$26.5 million in the fiscal 2020 period. The Company’s gross margin as a percentage of net sales for the first nine months and third quarter of fiscal year 2021 was 28.4% and 29.0%, respectively, which increased from 26.6% and 27.4% in the prior fiscal year periods, respectively. The gross margin as a percentage of net sales improvement is due to favorable changes in product mix and timely actions taken by the Company to reduce manufacturing overhead during the first nine months and third quarter of fiscal 2021.

Operating expenses, excluding restructuring loss, for the first nine months and third quarter of fiscal 2021 were \$71.7 million and \$25.1 million, respectively, or 24.9% and 25.3% of net sales in those periods, compared to \$85.1 million and \$26.5 million, respectively, or 28.4% and 27.4% of net sales in the comparable fiscal 2020 periods. The reduction in operating expenses is due to year-over-year synergies realized through the integration and rationalization of fiscal 2019 acquisitions, lower personnel costs through reduction-in-force and employee furlough activities during the COVID-19 economic downturn, lower marketing and travel expenses, along with government subsidies received for maintaining employment levels at the Company's international operations.

Restructuring charges for the first nine months and third quarter of fiscal 2021 represent the legal, administrative and asset impairment cost associated with the restructuring of the Company's Canadian subsidiary, net of the benefit related to the Plan of Compromise agreed with the subsidiary's unsecured creditors.

The lower interest expense during the first nine months and third quarter of fiscal 2021 compared to the same periods in the prior fiscal year was principally due to a reduction in borrowings under the Company's credit facilities during the current period.

The provision for income taxes as a percentage of incomes before taxes was 28.0% for the first nine months and third quarter of fiscal 2021 compared to a benefit for income taxes as a percentage of the loss before taxes of 28.0% for the related fiscal 2020 periods.

Net income for the first nine months and third quarter of fiscal 2021 was \$5.5 million and \$2.1 million, respectively, or \$1.75 and \$0.66, respectively, per diluted share. For the comparable periods of fiscal 2020, net loss was \$3.7 million and \$0.4 million, respectively, or \$1.16 and \$0.13, respectively, per diluted share.

Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA) as adjusted for non-operating income and restructuring charges for the first nine months and third quarter of fiscal 2021 was \$13.4 million and \$4.8 million, respectively as compared to a loss of \$2.0 million and income of \$1.2 million for the first nine months and third quarter of fiscal 2020, respectively.

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2020	2019	2020	2019
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net income (loss)	\$ 2,104	\$ (398)	\$ 5,535	\$ (3,664)
Add: Interest expense, net	383	583	1,229	1,885
Provision/(benefit) for income taxes	818	(155)	2,153	(1,426)
Depreciation and amortization	1,180	1,194	3,402	3,587
Non-operating income	-	-	-	(2,370)
Restructuring charges	301	-	1,110	-
EBITDA as adjusted for non-operating income and restructuring charges	<u>\$ 4,786</u>	<u>\$ 1,224</u>	<u>\$ 13,429</u>	<u>\$ (1,988)</u>

Cash provided by operations during the first nine months of fiscal 2021 was \$30.6 million as compared to \$1.8 million in the first nine months of fiscal 2020, reflecting an increase in operating income and a reduction in net investments in working capital. During the first nine months of fiscal 2020, the Company sold a certain non-core



product line and recorded a gain on the sale of \$2.4 million before income taxes, which was recorded in non-operating income. In the first nine months of fiscal 2021, cash from operations was used primarily to pay down \$17.8 million of debt and increase cash balances. In the prior fiscal year period, cash provided by operations and proceeds from the sale of a non-core product line was used to pay down debt.

Working capital at the end of the Company's third of fiscal 2021 was \$41.1 million compared to \$29.1 million at the end of fiscal 2020. Aggregate debt, net of available cash balances at the end of the third quarter of fiscal 2021 was \$19.1 million or 27.6% of equity, a decrease of \$27.3 million compared to \$46.4 million or 73.9% of equity at the end of fiscal 2020.

On June 29, 2020, the Company's Canadian operating subsidiary, Roberts Company Canada Limited, was granted an Order by the Ontario Superior Court of Justice (Commercial List) to commence a restructuring proceeding under the Companies' Creditor Arrangement Act (CCA). This filing was initiated to allow the subsidiary to be able to continue operating while it efficiently restructures its business. The subsidiary has substantially completed its reorganization and is expected to fully emerge from the CCA protection before the end of fiscal 2021. The Company is not a party to this proceeding.

On January 13, 2021, the Company's Board of Directors declared a one-time, special stock dividend of 5% per share on the common stock of the Company. The stock dividend is distributable on or about February 19, 2021, to shareholders of record at the close of business on January 18, 2021.

Conference Call Information

The Company will be hosting the following conference call to discuss its third quarter financial results and answer questions.

Date: Thursday, January 21, 2021
Time: 10:00 a.m. Eastern Time
Dial-in Numbers: 800-367-2403 (US or Canada)
+1 334-777-6978 (International)
Confirmation Code: 6121544
Replay: 719-457-0820; Passcode: 6121544

About QEP

Founded in 1979, Q.E.P. Co., Inc. is a leading global provider of high quality, innovative and value-driven flooring and flooring installation solutions. QEP manufactures, markets and sells a comprehensive line of flooring installation tools, adhesives, and underlayment for both consumers as well as professional installers. Under the Harris Flooring Group™, QEP manufactures and offers a complete line of hardwood, luxury vinyl, and modular carpet tile. QEP sells its products throughout the world to home improvement retail centers, professional specialty distribution outlets, and flooring dealers under brand names including QEP®, LASH®, Roberts®, Harris Flooring Group™, Capitol®, Harris®Wood, Kraus®, Naturally Aged Flooring™, Vitrex®, Homelux®, Brutus®, PRCI®, Plasplugs®, Tomecanic®, Premix-Marbletite® (PMM), Apple Creek® and Elastiment®.

QEP is headquartered in Boca Raton, Florida with offices in Canada, Europe, Asia, Australia and New Zealand. Please visit our website at www.qepcorporate.com.



Forward-Looking Statements

This press release contains forward-looking statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. 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. Any forward-looking statements contained herein are based on current expectations and beliefs, and are subject to a number of risks and uncertainties. These forward-looking statements include, but are not limited to, statements regarding economic conditions, sales growth, price increases, profit improvements, product development and marketing, operating expenses, cost savings, acquisition integration, operational synergy realization, global sourcing, political uncertainty, cash flow, debt and currency exchange rates. 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, 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		For the Nine Months Ended	
	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
Net sales	\$ 98,941	\$ 96,682	\$ 288,008	\$ 299,059
Cost of goods sold	70,277	70,202	206,257	219,565
Gross profit	28,664	26,480	81,751	79,494
Operating expenses:				
Shipping	11,544	11,152	32,516	33,060
General and administrative	6,897	7,101	20,858	25,849
Selling and marketing	6,687	8,646	18,780	27,012
Restructuring	301	-	1,110	-
Other income, net	(70)	(449)	(430)	(852)
Total operating expenses	25,359	26,450	72,834	85,069
Operating income	3,305	30	8,917	(5,575)
Non-operating income	-	-	-	2,370
Interest expense, net	(383)	(583)	(1,229)	(1,885)
Income (loss) before provision for income taxes	2,922	(553)	7,688	(5,090)
Provision (benefit) for income taxes	818	(155)	2,153	(1,426)
Net income (loss)	\$ 2,104	\$ (398)	\$ 5,535	\$ (3,664)
Earnings (loss) per share:				
Basic	\$ 0.66	\$ (0.13)	\$ 1.75	\$ (1.16)
Diluted	\$ 0.66	\$ (0.13)	\$ 1.75	\$ (1.16)
Weighted average number of common shares outstanding:				
Basic	3,171	3,164	3,165	3,164
Diluted	3,171	3,164	3,165	3,164



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

(In thousands)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	November 30, 2020	November 30, 2019	November 30, 2020	November 30, 2019
Net income (loss)	\$ 2,104	\$ (398)	\$ 5,535	\$ (3,664)
Unrealized currency translation adjustments	160	349	835	(480)
Comprehensive income (loss)	\$ 2,264	\$ (49)	\$ 6,370	\$ (4,144)



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

	November 30, 2020	February 29, 2020
	(Unaudited)	(Audited)
ASSETS		
Cash	\$ 17,284	\$ 4,999
Accounts receivable, less allowance for doubtful accounts of \$1,132 and \$475 as of November 30, 2020 and February 29, 2020, respectively	48,986	49,264
Inventories	61,181	69,061
Prepaid expenses and other current assets	4,195	4,280
Prepaid income taxes	-	740
Current assets	131,646	128,344
Property and equipment, net	13,748	15,168
Right of use operating lease assets	17,199	18,320
Deferred income taxes, net	4,132	4,135
Intangibles, net	12,653	13,871
Goodwill	2,384	2,288
Other assets	2,857	2,824
Total Assets	\$ 184,619	\$ 184,950
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 37,320	\$ 31,114
Accrued liabilities	21,935	19,366
Current operating lease liabilities	5,225	5,262
Income taxes payable	698	-
Lines of credit	22,068	40,107
Current maturities of notes payable	3,340	3,399
Current liabilities	90,586	99,248
Notes payable	10,928	7,854
Non-current operating lease liabilities	13,063	14,121
Deferred income taxes	114	114
Other long term liabilities	817	872
Total Liabilities	115,508	122,209
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at November 30, 2020 and February 29, 2020	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 3,827 shares issued, and 3,139 shares outstanding at November 30, 2020 and February 29, 2020	4	4
Additional paid-in capital	11,087	11,087
Retained earnings	70,422	64,887
Treasury stock, 688 shares held at cost at November 30, 2020 and February 29, 2020	(8,869)	(8,869)
Accumulated other comprehensive income	(3,533)	(4,368)
Shareholders' Equity	69,111	62,741
Total Liabilities and Shareholders' Equity	\$ 184,619	\$ 184,950



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

(In thousands)
(Unaudited)

	For the Nine Months Ended	
	November 30,	
	2020	2019
Operating activities:		
Net income (loss)	\$ 5,535	\$ (3,664)
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of business	-	(2,370)
Gain on sale of property	-	6
Restructuring	(260)	-
Depreciation and amortization	3,402	3,587
Other non-cash adjustments	132	211
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	526	3,057
Inventories	6,999	12,287
Prepaid expenses and other assets	2,155	6,056
Trade accounts payable and accrued liabilities	12,090	(17,363)
Net cash provided by operating activities	30,579	1,807
Investing activities:		
Acquisitions	(448)	(1,324)
Capital expenditures	(576)	(933)
Proceeds from sale of business	-	4,663
Proceeds from sale of property	252	287
Purchase of equity securities	-	(1,900)
Net cash provided by (used in) investing activities	(772)	793
Financing activities:		
Net borrowings (repayment) under lines of credit	(18,634)	(5,714)
Net borrowings (repayments) of notes payable	857	(216)
Purchase of treasury stock	(90)	(90)
Principal payments on finance leases	(68)	-
Net cash used in financing activities	(17,935)	(6,020)
Effect of exchange rate changes on cash	413	(218)
Net decrease in cash	12,285	(3,638)
Cash at beginning of period	4,999	6,467
Cash at end of period	\$ 17,284	\$ 2,829



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

	Preferred Stock		Common Stock		Paid-in	Retained	Treasury	Accumulated	Total
	Shares	Amount	Shares	Amount	Capital	Earnings	Stock	Other	Shareholders
								Income	Equity
Balance at February 28, 2019	-	\$ -	3,820,785	\$ 4	\$ 10,963	\$ 77,029	\$ (8,700)	\$ (3,774)	\$ 75,522
Net loss						(12,142)			(12,142)
Other comprehensive income (loss)								(594)	(594)
Issuance of common stock in connection with exercise of stock options			5,857	-	124				124
Purchase of treasury stock							(169)		(169)
Balance at February 29, 2020	-	-	3,826,642	4	11,087	64,887	(8,869)	(4,368)	62,741
Net income						5,535			5,535
Other comprehensive income (loss)								835	835
Balance at November 30, 2020	-	\$ -	3,826,642	\$ 4	\$ 11,087	\$ 70,422	\$ (8,869)	\$ (3,533)	\$ 69,111