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Q.E.P. CO., INC. REPORTS FISCAL 2022 FIRST QUARTER FINANCIAL RESULTS

Record Quarterly Net Sales of \$114.4 million
Quarterly Net Income of \$2.6 million

BOCA RATON, FLORIDA — July 14, 2021 — Q.E.P. CO., INC. (OTC: QEPC.PK) (the “Company” or “QEP”) today reported its consolidated results of operations for the first quarter of fiscal year 2022, which ended on May 31, 2021.

Q.E.P. reported net sales of \$114.4 million for the quarter ended May 31, 2021, an increase of \$28.4 million or 33.0% from the \$86.0 million reported in the first quarter of fiscal 2021. The increase in net sales increase was due to strong economic activity during the current period as compared to the adverse impact of the worldwide economic downturn caused by the COVID-19 pandemic in the corresponding prior year period. As a percentage of net sales, gross margin was 27.4% in the first quarter of fiscal 2022, as compared to 27.5% in the first quarter of fiscal 2021.

Lewis Gould, Executive Chairman, commented on the Company’s results, “We are pleased with the Company’s record sales for the first quarter, which not only reflect an economic rebound from last year’s decline caused by the COVID-19 pandemic, but also strong industry trends and demand for our products. To support this sales growth, the Company is cautiously reinvesting in personnel and marketing initiatives. The scarcity and rising cost of raw materials and labor, the weakened US Dollar and unprecedented increases in transcontinental freight rates, present operating challenges.”

Mr. Gould concluded, “In light of current inflationary pressures, the Company is actively engaged in discussions with our suppliers and customers to implement actions to mitigate these threats and preserve shareholder value.”

The Company’s gross profit for the first quarter of fiscal 2022 was \$31.3 million, representing an increase of \$7.6 million, or 32.3% from \$23.7 million in the first quarter of fiscal 2021, which is the result of the same economic factors that caused the increase in sales.

Operating expenses for the first quarter of fiscal 2022 and 2021 were \$27.3 million or 23.9% of net sales and \$22.3 million or 25.9% of net sales, respectively. The increase in operating expenses was due to higher shipping costs related to higher sales volume, as well as higher personnel and marketing costs as the Company reinvested in sales support infrastructure that was eliminated or reduced during the prior year due to the economic downturn caused by the COVID-19 pandemic. Additionally, during the prior year the Company, non-US based operations benefited from local government subsidies received for maintaining employment levels.

The lower interest expense during the first quarter of fiscal 2022 compared to the first quarter of fiscal 2021 was due to a reduction in borrowings under the Company’s credit facilities and lower interest rates during the current period.



The provision for income taxes as a percentage of income before taxes was 28.0% for both the first quarter of fiscal 2022 and the first quarter of fiscal 2021.

Net income for the first quarter of fiscal 2022 was \$2.6 million or \$0.79 per diluted share, compared to \$0.7 million or \$0.21 per diluted share for the first quarter of fiscal 2021.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first quarter of fiscal 2022 was \$5.0 million as compared to \$2.5 million for the first quarter of fiscal 2021.

	For the Three Months Ended	
	May 31, 2021	May 31, 2020
Net income	\$ 2,639	\$ 688
Add: Interest expense, net	327	403
Provision for income taxes	1,026	268
Depreciation and amortization	1,053	1,140
EBITDA	<u>\$ 5,045</u>	<u>\$ 2,499</u>

Cash provided by operations during the first quarter of fiscal 2022 was \$1.4 million as compared to \$10.6 million in the first quarter of fiscal 2021, reflecting an investments in working capital, principally accounts receivable and inventory. In the first quarter of fiscal 2022, cash from operations and a \$1.0 million increase in notes payable was used to increase cash on-hand. In the prior year's first quarter, cash from operations was used primarily to pay down \$11.2 million of debt.

Working capital as of May 31, 2021 was \$46.8 million compared to \$44.7 million at the end of fiscal 2021. Aggregate debt, net of available cash balances at the end of the first quarter of fiscal 2022 was \$22.6 million or 31% of equity, a decrease of \$0.4 million compared to \$23.0 million or 32% of equity at the end of fiscal 2021.

Conference Call Information

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

Date: Thursday, July 22, 2021
Time: 10:00 a.m. Eastern Time
Dial-in Numbers: 800-353-6461 (US or Canada)
+1 334-323-0501 (International)
Confirmation Code: 9180729

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 and installation solutions for commercial and home improvement projects worldwide. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment as well as 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®, Vitrex®, Brutus®, PRCI®, Plasplugs®, Tomecanic®, Premix-Marbletite® (PMM), Apple Creek®, Homelux®, Capitol® and XPS Foam™. Brand names featured under QEP's Harris Flooring Group® include Harris®, Kraus® and Naturally Aged Flooring™.

QEP is headquartered in Boca Raton, Florida with offices in Canada, Europe, Asia, Australia and New Zealand.

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. These forward-looking statements include, but are not limited to, statements regarding emergence of the world from the COVID-19 pandemic and the Company's belief that it is positioned to respond to evolving uncertainties related thereto, the Company's shifting of its focus to new challenges presented by (i) scarcity and rising cost for raw materials and transcontinental freight, (ii) the weakening U.S. Dollar, (iii) shifts in global sourcing patterns and (iv) general inflationary pressures, 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. Any forward-looking statements contained herein are based on current expectations and beliefs, and are subject to a number of risks and uncertainties. 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	
	May 31,	May 31,
	2021	2020
Net sales	\$ 114,404	\$ 86,015
Cost of goods sold	83,091	62,348
Gross profit	31,313	23,667
Operating expenses:		
Shipping	12,621	9,721
General and administrative	7,132	6,770
Selling and marketing	7,728	5,904
Other income, net	(160)	(87)
Total operating expenses	27,321	22,308
Operating income	3,992	1,359
Interest expense, net	(327)	(403)
Income before provision for income taxes	3,665	956
Provision for income taxes	1,026	268
Net income	\$ 2,639	\$ 688
Earnings per share:		
Basic	\$ 0.79	\$ 0.21
Diluted	\$ 0.79	\$ 0.21
Weighted average number of common shares outstanding:		
Basic	3,335	3,335
Diluted	3,346	3,335



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

	For the Three Months Ended	
	May 31,	May 31,
	2021	2020
Net income	\$ 2,639	\$ 688
Unrealized currency translation adjustments	(126)	(140)
Comprehensive income	<u>\$ 2,513</u>	<u>\$ 548</u>



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

	May 31, 2021	February 28, 2021
	(Unaudited)	(Audited)
ASSETS		
Cash	\$ 13,199	\$ 10,905
Accounts receivable, less allowance for doubtful accounts of \$957 and \$1,059 as of May 31, 2021 and February 28, 2021, respectively	54,301	53,183
Inventories	71,547	67,032
Prepaid expenses and other current assets	6,694	6,829
Prepaid income taxes	-	736
Current assets	145,741	138,685
Property and equipment, net	11,119	11,398
Right of use operating lease assets	16,081	16,417
Deferred income taxes, net	3,432	3,436
Intangibles, net	12,065	12,454
Goodwill	2,537	2,493
Other assets	2,806	2,840
Total Assets	\$ 193,781	\$ 187,723
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 43,407	\$ 40,900
Accrued liabilities	22,993	23,475
Current operating lease liabilities	5,253	5,196
Income taxes payable	55	-
Lines of credit	21,744	21,010
Current maturities of notes payable	5,453	3,417
Current liabilities	98,905	93,998
Notes payable	8,582	9,438
Non-current operating lease liabilities	11,946	12,336
Deferred income taxes	172	172
Other long term liabilities	735	851
Total Liabilities	120,340	116,795
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at May 31, 2021 and February 28, 2021	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued, and 3,309 shares outstanding at May 31, 2021 and February 28, 2021	4	4
Additional paid-in capital	11,251	11,251
Retained earnings	74,424	71,785
Treasury stock, 696 shares held at cost at May 31, 2021 and February 28, 2021	(9,082)	(9,082)
Accumulated other comprehensive income	(3,156)	(3,030)
Shareholders' Equity	73,441	70,928
Total Liabilities and Shareholders' Equity	\$ 193,781	\$ 187,723



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

	For the Three Months Ended	
	May 31,	May 31,
	2021	2020
Operating activities:		
Net income	\$ 2,639	\$ 688
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of property	(42)	-
Depreciation and amortization	1,053	1,140
Other non-cash adjustments	(100)	81
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(602)	6,326
Inventories	(4,024)	576
Prepaid expenses and other assets	(139)	607
Trade accounts payable and accrued liabilities	2,636	1,222
Net cash provided by operating activities	1,421	10,640
Investing activities:		
Acquisitions	-	(287)
Capital expenditures	(243)	(282)
Proceeds from sale of property	140	84
Net cash used in investing activities	(103)	(485)
Financing activities:		
Net repayments under lines of credit	(27)	(10,382)
Net borrowings (repayments) of notes payable	1,024	(839)
Purchase of treasury stock	(30)	(30)
Principal payments on finance leases	(26)	(19)
Net cash provided by (used in) financing activities	941	(11,270)
Effect of exchange rate changes on cash	35	(72)
Net increase (decrease) in cash	2,294	(1,187)
Cash at beginning of period	10,905	4,999
Cash at end of period	\$ 13,199	\$ 3,812