



**CONTACT:**

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**Q.E.P. CO., INC. REPORTS FISCAL 2022 NINE MONTH AND THIRD QUARTER FINANCIAL RESULTS**

*Record Nine Month Net Sales of \$339.2 million*  
*Nine Month Net Income of \$7.7 million*

**BOCA RATON, FLORIDA — January 10, 2022 — Q.E.P. CO., INC. (OTCQX: QEPC)** (the “Company” or “QEP”) today reported its consolidated results of operations for the first nine months and third quarter of its fiscal year 2022, which ended on November 30, 2021.

QEP reported net sales of \$339.2 million for the nine months ended November 30, 2021, an increase of \$51.2 million or 17.8% from the \$288.0 million reported in the same period of fiscal 2021. The Company reported net sales of \$111.9 million for the quarter ended November 30, 2021, an increase of \$13.0 million or 13.1% from the \$98.9 million reported in the same period of fiscal 2021. The increase in net sales for the first nine months and third quarter of fiscal 2022 compared to the prior year reflects strong economic activity in the current year and the adverse impact of the worldwide economic downturn caused by the COVID-19 pandemic during the first quarter of the prior year.

Lewis Gould, Executive Chairman, commented on the Company’s results, “Despite significant inflationary pressures and unprecedented disruption in the global supply chain, demand for the Company’s products remains strong in all geographic segments and channels. The Company, in close collaboration with our customers, continues to monitor the impact of rising product costs, and has implemented appropriate price increases to moderate margin erosion. We have also increased our investment in inventory to ensure product availability and service levels to our customers and continue to invest in the sales support infrastructure necessary to drive our market expansion initiatives.”

The Company’s gross profit for the first nine months of fiscal 2022 was \$92.8 million compared to \$81.8 million in the corresponding fiscal 2021 period, an increase of \$11.0 million or 13.5%. Gross profit for the third quarter of fiscal 2022 was \$30.5 million, representing an increase of \$1.8 million or 6.4%, from \$28.7 million in the corresponding fiscal 2021 period. The Company’s gross margin as a percentage of net sales for the first nine months and third quarter of fiscal year 2022 was 27.4% and 27.2%, respectively, which decreased from 28.4% and 29.0% in the corresponding prior fiscal year periods, respectively. The decrease in gross margin as a percentage of net sales was due to increased inbound freight and product costs that have not been fully recovered through customer price increases during the first nine months and third quarter of fiscal 2022.

Operating expenses for the first nine months and third quarter of fiscal 2022 were \$81.1 million and \$26.4 million, respectively, or 23.9% and 23.6% of net sales in those periods, compared to \$72.8 million and \$25.4 million, respectively, or 25.3% and 25.6% of net sales in the comparable fiscal 2021 periods. The increase in operating expenses was due to higher shipping costs related to sales volume, along with higher personnel and market costs from the Company’s reinvestment in sales support infrastructure that was suspended or reduced during the prior year’s economic downturn caused by the COVID-19 pandemic. Additionally, during the prior year, the Company’s

non-US based operations benefited from non-recurring local government subsidies received for maintaining certain employment levels during the pandemic.

The lower interest expense during the first nine months and third quarter of fiscal 2022 compared to the same periods in the prior fiscal year was principally due to a reduction in borrowings under the Company's credit facilities.

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

Net income for the first nine months and third quarter of fiscal 2022 was \$7.7 million and \$2.7 million, respectively, or \$2.31 and \$0.81, respectively, per diluted share. For the comparable periods of fiscal 2021, net income was \$5.5 million and \$2.1 million, respectively, or \$1.66 and \$0.63, respectively, per diluted share.

Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA) before restructuring charges for the first nine months and third quarter of fiscal 2022 was \$14.8 million and \$5.1 million, respectively as compared to \$13.5 million and \$4.8 million for the first nine months and third quarter of fiscal 2021, respectively.

	For the Three Months Ended		For the Nine Months Ended	
	November 30, 2021	November 30, 2020	November 30, 2021	November 30, 2020
Net income	\$ 2,721	\$ 2,104	\$ 7,740	\$ 5,535
Add: Interest expense, net	343	391	993	1,253
Provision for income taxes	1,058	818	3,009	2,153
Depreciation and amortization	1,019	1,180	3,093	3,402
Restructuring charges	-	301	-	1,110
EBITDA before restructuring charges	<u>\$ 5,141</u>	<u>\$ 4,794</u>	<u>\$ 14,835</u>	<u>\$ 13,453</u>

Cash provided by operations during the first nine months of fiscal 2022 was \$5.1 million as compared to \$30.6 million in the first nine months of fiscal 2021, principally reflecting an increase in investment in inventory to mitigate delays in stock replenishment caused by supply chain disruptions and the rising cost of inbound freight from Asia. During the first nine months of fiscal 2021, cash from operations was used primarily to fund capital expenditures and increase cash balances. In the prior fiscal year period, cash provided by operations was used primarily to pay down debt.

Working capital as of November 30, 2021 was \$51.4 million compared to \$44.7 million at the end of fiscal 2021. Aggregate debt, net of available cash balances at the end of the third quarter of fiscal 2022 was \$17.6 million or 22.8% of equity, a decrease of \$5.4 million compared to \$23.0 million or 32.4% 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, January 13, 2022  
 Time: 10:00 a.m. Eastern Time  
 Dial-in Numbers: 888-220-8451 (US or Canada)



Confirmation Code: +1 646-828-8193 (International)  
1589898

Replay: 719-457-0820; Passcode: 1589898

## **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. Please visit our website at [www.qepcorporate.com](http://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. 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		For the Nine Months Ended	
	November 30, 2021	November 30, 2020	November 30, 2021	November 30, 2020
Net sales	\$ 111,942	\$ 98,941	\$ 339,211	\$ 288,008
Cost of goods sold	81,455	70,277	246,396	206,257
<b>Gross profit</b>	<b>30,487</b>	<b>28,664</b>	<b>92,815</b>	<b>81,751</b>
<b>Operating expenses:</b>				
Shipping	12,248	11,544	37,461	32,516
General and administrative	7,467	6,897	22,453	20,858
Selling and marketing	6,723	6,687	21,524	18,780
Restructuring	1	301	58	1,110
Other income, net	(74)	(78)	(423)	(454)
Total operating expenses	26,365	25,351	81,073	72,810
<b>Operating income</b>	<b>4,122</b>	<b>3,313</b>	<b>11,742</b>	<b>8,941</b>
Interest expense, net	(343)	(391)	(993)	(1,253)
<b>Income before provision for income taxes</b>	<b>3,779</b>	<b>2,922</b>	<b>10,749</b>	<b>7,688</b>
Provision for income taxes	1,058	818	3,009	2,153
<b>Net income</b>	<b>\$ 2,721</b>	<b>\$ 2,104</b>	<b>\$ 7,740</b>	<b>\$ 5,535</b>
<b>Earnings per share:</b>				
Basic	\$ 0.82	\$ 0.63	\$ 2.32	\$ 1.66
Diluted	\$ 0.81	\$ 0.63	\$ 2.31	\$ 1.66
<b>Weighted average number of common shares outstanding:</b>				
Basic	3,335	3,335	3,335	3,335
Diluted	3,344	3,343	3,345	3,338



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

	<b>For the Three Months Ended</b>		<b>For the Nine Months Ended</b>	
	<b>November 30,</b>	<b>November 30,</b>	<b>November 30,</b>	<b>November 30,</b>
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net income	\$ 2,721	\$ 2,104	\$ 7,740	\$ 5,535
Unrealized currency translation adjustments	<u>(612)</u>	<u>160</u>	<u>(1,281)</u>	<u>835</u>
<b>Comprehensive income</b>	<b><u>\$ 2,109</u></b>	<b><u>\$ 2,264</u></b>	<b><u>\$ 6,459</u></b>	<b><u>\$ 6,370</u></b>



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

	<b>November 30, 2021</b>	<b>February 28, 2021</b>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
Cash	\$ 15,015	\$ 10,905
Accounts receivable, less allowance for doubtful accounts of \$888 and \$1,059 as of November 30, 2021 and February 28, 2021, respectively	52,959	53,183
Inventories	85,406	67,032
Prepaid expenses and other current assets	4,409	6,829
Prepaid income taxes	-	736
<b>Current assets</b>	<b>157,789</b>	<b>138,685</b>
Property and equipment, net	10,415	11,398
Right of use operating lease assets	16,447	16,417
Deferred income taxes, net	3,402	3,436
Intangibles, net	10,686	12,454
Goodwill	2,375	2,493
Other assets	3,333	2,840
<b>Total Assets</b>	<b>\$ 204,447</b>	<b>\$ 187,723</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 48,513	\$ 40,900
Accrued liabilities	26,220	23,475
Current operating lease liabilities	5,067	5,196
Income taxes payable	1,480	-
Lines of credit	21,754	21,010
Current maturities of notes payable	3,343	3,417
<b>Current liabilities</b>	<b>106,377</b>	<b>93,998</b>
Notes payable	7,519	9,438
Non-current operating lease liabilities	12,478	12,336
Deferred income taxes	172	172
Other long term liabilities	679	851
<b>Total Liabilities</b>	<b>127,225</b>	<b>116,795</b>
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at November 30, 2021 and February 28, 2021	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued, and 3,309 shares outstanding at November 30, 2021 and February 28, 2021	4	4
Additional paid-in capital	11,251	11,251
Retained earnings	79,360	71,785
Treasury stock, 696 shares held at cost at November 30, 2021 and February 28, 2021	(9,082)	(9,082)
Accumulated other comprehensive income	(4,311)	(3,030)
<b>Shareholders' Equity</b>	<b>77,222</b>	<b>70,928</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 204,447</b>	<b>\$ 187,723</b>



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

(In thousands)

(Unaudited)

	<b>For the Nine Months Ended</b>	
	<b>November 30,</b>	<b>November 30,</b>
	<b>2021</b>	<b>2020</b>
<b>Operating activities:</b>		
Net income	\$ 7,740	\$ 5,535
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of property	(88)	-
Restructuring	-	(260)
Depreciation and amortization	3,093	3,402
Other non-cash adjustments	(27)	132
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(522)	526
Inventories	(19,806)	6,999
Prepaid expenses and other assets	5,401	2,155
Trade accounts payable and accrued liabilities	9,264	12,090
<b>Net cash provided by operating activities</b>	<b>5,055</b>	<b>30,579</b>
<b>Investing activities:</b>		
Acquisitions	-	(448)
Capital expenditures	(819)	(576)
Proceeds from sale of property	1,173	252
<b>Net cash provided by (used in) investing activities</b>	<b>354</b>	<b>(772)</b>
<b>Financing activities:</b>		
Net borrowings (repayments) under lines of credit	1,369	(18,634)
Net borrowings (repayments) of notes payable	(2,047)	857
Purchase of treasury stock	(90)	(90)
Principal payments on finance leases	(82)	(68)
Dividend paid	(165)	-
<b>Net cash used in financing activities</b>	<b>(1,015)</b>	<b>(17,935)</b>
Effect of exchange rate changes on cash	(284)	413
<b>Net increase in cash</b>	<b>4,110</b>	<b>12,285</b>
Cash at beginning of period	10,905	4,999
<b>Cash at end of period</b>	<b>\$ 15,015</b>	<b>\$ 17,284</b>



**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	Total Shareholders Equity
	Shares	Amount	Shares	Amount				Other Comprehensive Income	
<b>Balance at February 29, 2020</b>	-	\$ -	3,826,642	\$ 4	\$ 11,087	\$ 64,887	\$ (8,869)	\$ (4,368)	\$ 62,741
Net income						6,898			6,898
Unrealized currency translation adjustments								1,338	1,338
Purchase of treasury stock							(213)		(213)
Stock-based compensation expense					164				164
Stock dividend			178,728						-
<b>Balance at February 28, 2021</b>	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 11,251</u>	<u>\$ 71,785</u>	<u>\$ (9,082)</u>	<u>\$ (3,030)</u>	<u>\$ 70,928</u>
Net income						7,740			7,740
Unrealized currency translation adjustments								(1,281)	(1,281)
Dividend paid						(165)			(165)
<b>Balance at November 30, 2021</b>	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 11,251</u>	<u>\$ 79,360</u>	<u>\$ (9,082)</u>	<u>\$ (4,311)</u>	<u>\$ 77,222</u>