



CONTACT:

**Q.E.P. Co., Inc.
Enos Brown
Executive Vice President and
Chief Financial Officer
561-994-5550**

Q.E.P. CO., INC. REPORTS FISCAL 2023 YEAR-END SALES AND EARNINGS

BOCA RATON, FLORIDA — June 5, 2023 — Q.E.P. CO., INC. (OTCQX: QEPC) (the “Company” or “QEP”) today reported its consolidated results of operations for its fiscal year ended February 28, 2023.

QEP reported net sales of \$433.7 million for the year ended February 28, 2023, a decrease of \$11.9 million or 2.7% from the \$445.6 million reported in fiscal 2021. The fiscal 2023 decrease in net sales compared to the prior fiscal year reflects lower sales volume in the latter half of the year, principally in the Company’s North America flooring business, and the currency translation impact of the strong U.S. Dollar, which were only partially offset by year-over-year price increases to customers. As a percentage of net sales, gross margin was 26.3% in fiscal 2023, as compared to 27.1% in fiscal 2022.

Lewis Gould, Executive Chairman, commented on the Company’s results, “Although profitability was disappointing for the full fiscal year, there were positive signs in closing the year as supply chain logistics and inbound costs improved, inventory levels declined and the Company reduced its debt. Notwithstanding this, elevated inflation and high interest rates remain a concern as we enter the new fiscal year.”

Mr. Gould concluded, “We remain focused on our strategic profit improvement initiatives, including expanding our primary sales channels, investing in core product categories and evaluating our global footprint, along with taking action on under-performing manufactured and foreign sourced product lines.”

The Company’s gross profit for fiscal 2023 was \$114.0 million, representing a decrease of \$6.7 million or 5.6% from \$120.7 million in fiscal 2022. The decrease in gross profit was due to increased inbound freight and other product cost increases during the earlier part of fiscal 2023 that were not fully recovered through price increases to customers or cost reduction initiatives.

Operating expenses were \$110.1 million or 25.4% of net sales for fiscal 2023 and \$106.9 million or 24.0% of net sales for fiscal 2022. The increase in operating expenses was due to increases in outbound freight costs caused by higher fuel costs. Additionally, the Company had higher personnel and marketing costs, including product displays and samples to support recently launched flooring product lines.

The increase in interest expense during fiscal 2023 as compared to fiscal 2022 was due to an increase in borrowings under the Company’s credit facilities and higher interest rates during fiscal 2023.

The provision for income taxes as a percentage of income before taxes was 104.4% for fiscal 2023, as compared to 23.4% for fiscal 2022. Fiscal 2023 includes a full valuation allowance on operating losses generated by the Company’s Canadian operation.



Net loss for the fiscal 2023 was \$0.1 million or \$0.02 per diluted share, as compared to net income of \$9.6 million or \$2.88 per diluted share for the fiscal 2022 period.

Earnings before interest, taxes, depreciation and amortization (EBITDA), as adjusted for restructuring charges, gain on sale of real property and loss on disposal of business was \$8.1 million for fiscal 2023 as compared to \$18.3 million for fiscal 2022.

	For the Year Ended	
	February 28, 2023	February 28, 2022
Net income (loss)	\$ (63)	\$ 9,648
Add:		
Interest expense, net	2,486	1,258
Provision for income taxes	1,481	2,949
Depreciation and amortization	3,796	4,176
Restructuring charges	307	240
Gain on sale of AC Products Co. property	(152)	-
Loss on disposal of business	285	-
EBITDA, as adjusted	<u>\$ 8,140</u>	<u>\$ 18,271</u>

⁽¹⁾ EBITDA, as adjusted for restructuring charges, gain on sale of real property and loss on disposal of business represent non-GAAP measures and exclude charges or credits not indicative of our core operations.

Cash used in operating activities during fiscal 2023 was \$0.1 million as compared to \$11.0 million in the fiscal 2022 period, principally reflecting the payment to suppliers for the purchase of inventory and lower operating income in the current period. During the fiscal 2023 period, borrowings under the Company's lines of credit were used to fund operating activities and capital expenditures. In fiscal 2022, cash used by operations reflected the investment in inventory to mitigate the impact of supply chain disruptions during the year.

Working capital as of February 28, 2023 was \$55.0 million compared to \$55.0 million at the end of fiscal 2022. Aggregate debt, net of available cash balances at the end of fiscal 2023, was \$33.5 million or 43.0% of equity, an increase of \$0.1 million compared to \$33.4 million or 42.0% of equity at the end of fiscal 2022.

Conference Call Information

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

Date: Friday, June 9, 2023
Time: 10:00 a.m. Eastern Time
Dial-in Numbers: 800-225-9448 (US or Canada)
+1 203-518-9705 (International)
Confirmation Code: QEP4Q
Replay: 800-654-1563; Passcode: 53012301

The Company's consolidated fiscal 2023 audited financial statements are available on the Investor section of its website at www.qepcorporate.com.



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®, Capitol®, Premix-Marbletite® (PMM), Vitrex®, Brutus®, Homelux®, PRCI®, Plasplugs®, and Tomecanic®. Brands 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.

Forward-Looking Statements

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. Any forward-looking statements contained herein are based on current expectations and beliefs, and are subject to a number of risks and uncertainties. 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)

	For the Year Ended	
	February 28, 2023	February 28, 2022
Net sales	\$ 433,664	\$ 445,531
Cost of goods sold	319,624	324,786
Gross profit	114,040	120,745
Operating expenses:		
Shipping	50,892	49,533
General and administrative	29,701	29,861
Selling and marketing	29,680	27,914
Restructuring	-	240
Other income, net	(137)	(658)
Total operating expenses	110,136	106,890
Operating income	3,904	13,855
Interest expense, net	(2,486)	(1,258)
Income before provision for income taxes	1,418	12,597
Provision for income taxes	1,481	2,949
Net income (loss)	\$ (63)	\$ 9,648
Earnings (loss) per share:		
Basic	\$ (0.02)	\$ 2.89
Diluted	\$ (0.02)	\$ 2.88
Weighted average number of common shares outstanding:		
Basic	3,335	3,336
Diluted	3,335	3,346



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

	For the Year Ended	
	February 28, 2023	February 28, 2022
Net income (loss)	\$ (63)	\$ 9,648
Unrealized currency translation adjustments	(1,213)	(1,165)
Comprehensive income (loss)	\$ (1,276)	\$ 8,483



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

	February 28, 2023	February 28, 2022
ASSETS		
Cash	\$ 4,996	\$ 3,203
Accounts receivable, less allowance for doubtful accounts of \$601 and \$807 as of February 28, 2023 and 2022, respectively	49,499	55,990
Inventories	80,347	98,087
Prepaid expenses and other current assets	3,485	3,711
Prepaid income taxes	288	-
Current assets	138,615	160,991
Property and equipment, net	10,864	10,529
Right of use operating lease assets	29,515	15,485
Deferred income taxes, net	4,100	3,578
Intangibles, net	7,990	10,233
Goodwill	2,163	2,390
Other assets	2,759	3,150
Total Assets	\$ 196,006	\$ 206,356
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 26,800	\$ 47,715
Accrued liabilities	19,131	24,919
Current operating lease liabilities	4,724	4,942
Income taxes payable	-	634
Lines of credit	31,039	26,449
Current maturities of debt	1,916	1,321
Current liabilities	83,610	105,980
Long term debt	5,513	8,797
Non-current operating lease liabilities	26,710	11,643
Other long term liabilities	2,333	534
Total Liabilities	118,166	126,954
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at February 28, 2023 and 2022, respectively	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued: 3,293 and 3,307 shares outstanding at February 28, 2023 and 2022, respectively	4	4
Additional paid-in capital	11,449	11,449
Retained earnings	81,205	81,268
Treasury stock, 712 and 698 shares held at cost at February 28, 2023 and 2022, respectively	(9,410)	(9,124)
Accumulated other comprehensive income	(5,408)	(4,195)
Shareholders' Equity	77,840	79,402
Total Liabilities and Shareholders' Equity	\$ 196,006	\$ 206,356



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

	For the Year Ended	
	February 28, 2023	February 28, 2022
Operating activities:		
Net income (loss)	\$ (63)	\$ 9,648
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,796	4,176
Loss on disposal of business	285	-
Gain on sale of property	(14)	(131)
Proceeds from settlement of insurance claim	911	-
Restructuring	-	157
Other non-cash adjustments	(71)	18
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	5,593	(3,331)
Inventories	14,469	(32,362)
Prepaid expenses and other assets	6,809	6,247
Trade accounts payable and accrued liabilities	(31,787)	4,541
Net cash used in operating activities	(72)	(11,037)
Investing activities:		
Capital expenditures	(4,994)	(1,094)
Proceeds from sale of property	1,413	2,104
Proceeds from the sale of equity investment	209	-
Net cash provided by (used in) investing activities	(3,372)	1,010
Financing activities:		
Net borrowings under lines of credit	6,368	5,974
Net repayments of term loan facilities	(709)	(2,946)
Purchase of treasury stock	(249)	(162)
Principal payments on finance leases	(112)	(110)
Dividends paid	-	(165)
Net cash provided by financing activities	5,298	2,591
Effect of exchange rate changes on cash	(61)	(266)
Net increase (decrease) in cash	1,793	(7,702)
Cash at beginning of period	3,203	10,905
Cash at end of period	\$ 4,996	\$ 3,203



	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, 2021	-	\$ -	4,005,370	\$ 4	\$ 11,251	\$ 71,785	\$ (9,082)	\$ (3,030)	\$ 70,928
Net Income						9,648			9,648
Unrealized currency translation adjustments								(1,165)	(1,165)
Purchase of treasury stock							(42)		(42)
Stock-based compensation expense					198				198
Dividends paid						(165)			(165)
Balance at February 28, 2022	-	-	4,005,370	4	11,449	81,268	(9,124)	(4,195)	79,402
Net loss						(63)			(63)
Unrealized currency translation adjustments								(1,213)	(1,213)
Purchase of treasury stock							(286)		(286)
Balance at February 28, 2023	-	\$ -	4,005,370	\$ 4	\$ 11,449	\$ 81,205	\$ (9,410)	\$ (5,408)	\$ 77,840