



**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 2024 FIRST QUARTER FINANCIAL RESULTS**

Quarterly Net Sales of \$103.3 million/Net Income of \$0.9 million

**BOCA RATON, FLORIDA — July 17, 2023 — Q.E.P. CO., INC. (OTCQX: QEPC)** (the “Company” or “QEP”) today reported its consolidated results of operations for the first quarter of fiscal year 2024, which ended on May 31, 2023.

QEP reported net sales of \$103.3 million for the quarter ended May 31, 2023, a decrease of \$13.8 million or 11.8% compared to \$117.1 million in the first quarter of fiscal 2023. The decrease in net sales was primarily due to lower demand in the North America retail and flooring dealer segments, along with the currency translation impact of the stronger U.S. Dollar in the current period.

Lewis Gould, Executive Chairman, commented on the Company’s results, “Although sales improved compared to the previous two quarters, the Company’s topline net sales in the current quarter as compared to a year ago were negatively impacted by the adverse effect of inflation on consumer spending and the increased cost of borrowing. Importantly, gross profit margin improved as supply chain disruptions eased and inbound freight costs declined. Supply chain improvements allowed the Company to reduce its inventory levels and realize the associated reduction in borrowing.”

Mr. Gould concluded, “The Company remains focused on addressing under-performing manufactured and foreign sourced flooring product lines, along with evaluating its global footprint in order to reduce operational complexity.”

The Company’s gross profit for the first quarter of fiscal 2024 was \$29.3 million, representing a decrease of \$1.5 million, or 5.0% from \$30.9 million in the first quarter of fiscal 2023. As a percentage of net sales, gross margin increased to 28.4% in the first quarter of fiscal 2024, as compared to 26.4% in the first quarter of fiscal 2023. The increase in gross margin as a percentage of net sales was due to lower inbound freight costs.

Operating expenses for the first quarter of fiscal 2024 and 2023 were \$27.3 million or 26.5% of net sales and \$29.1 million or 24.9% of net sales, respectively. The first quarter of fiscal 2024 operating expenses reflect lower variable shipping costs and marketing display expense that was partially offset by higher personnel costs.

The higher interest expense during the first quarter of fiscal 2024 compared to the first quarter of fiscal 2023 was due to higher 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 2024 and the first quarter of fiscal 2023.



Net income for the first quarter of fiscal 2024 was \$0.9 million or \$0.28 per diluted share, compared to \$1.0 million or \$0.29 per diluted share for the first quarter of fiscal 2023.

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the first quarter of fiscal 2024 was \$2.5 million as compared to \$2.7 million for the first quarter of fiscal 2023.

	<b>For the Three months Ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Net income	\$ 925	\$ 988
Add: Interest expense, net	717	376
Provision for income taxes	360	384
Depreciation and amortization	858	992
Gain from insurance recoveries	(390)	-
EBITDA, as adjusted	<u>\$ 2,470</u>	<u>\$ 2,740</u>

Cash provided by operations during the first quarter of fiscal 2024 was \$13.1 million as compared to cash used in operations of \$8.8 million in the first quarter of fiscal 2023, reflecting the reduction in inventory to more normalized levels, as previous supply chain disruptions were addressed. In the first quarter of fiscal 2024, cash provided by operations was used to reduce borrowings under the Company's lines of credit and increase cash balances.

Working capital as of May 31, 2023 was \$55.7 million compared to \$55.0 million at the end of fiscal 2023. Aggregate debt, net of available cash balances at the end of the first quarter of fiscal 2024 was \$20.2 million or 25.5% of equity, a decrease of \$13.3 million compared to \$33.5 million or 43.0% of equity at the end of fiscal 2023.

### Conference Call Information

The Company expects to hold its next investor conference call in October 2023 to discuss the financial results of its second quarter ending on August 30, 2023 and first half of fiscal year 2024.

### 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](http://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. 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 including risks related to the following: challenges presented by (i) scarcity and rising cost for raw materials, (ii) shifts in global sourcing patterns, and (iii) general inflationary pressures, economic conditions, sales growth, price increases, maintaining and improving profitability, product development and marketing, operating expenses, cost savings, the successful completion of acquisitions and dispositions, 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)

	<b>For the Three Months Ended</b>	
	<b>May 31,</b>	<b>May 31,</b>
	<b>2023</b>	<b>2022</b>
Net sales	\$ 103,283	\$ 117,083
Cost of goods sold	73,938	86,205
<b>Gross profit</b>	<b>29,345</b>	<b>30,878</b>
<b>Operating expenses:</b>		
Shipping	11,702	13,618
General and administrative	8,575	7,567
Selling and marketing	7,551	8,104
Other income, net	(485)	(159)
Total operating expenses	27,343	29,130
<b>Operating income</b>	<b>2,002</b>	<b>1,748</b>
Interest expense, net	(717)	(376)
<b>Income before provision for income taxes</b>	<b>1,285</b>	<b>1,372</b>
Provision for income taxes	360	384
<b>Net income</b>	<b>\$ 925</b>	<b>\$ 988</b>
<b>Earnings per share:</b>		
Basic	\$ 0.28	\$ 0.30
Diluted	\$ 0.28	\$ 0.29
<b>Weighted average number of common shares outstanding:</b>		
Basic	3,343	3,341
Diluted	3,350	3,351



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

	<b>For the Three Months Ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
Net income	\$ 925	\$ 988
Unrealized currency translation adjustments	43	(798)
<b>Comprehensive income</b>	<b>\$ 968</b>	<b>\$ 190</b>



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

	<b>May 31, 2023</b>	<b>February 28, 2023</b>
	<u>(Unaudited)</u>	<u>(Audited)</u>
<b>ASSETS</b>		
Cash	\$ 10,037	\$ 4,996
Accounts receivable, less allowance for credit losses of \$606 and \$601 at May 31, 2023 and February 28, 2023, respectively	49,586	49,499
Inventories, net	68,432	80,347
Prepaid expenses and other current assets	4,637	3,485
Prepaid income taxes	24	288
<b>Current assets</b>	<b>132,716</b>	<b>138,615</b>
Property and equipment, net	10,706	10,864
Right of use operating lease assets	29,950	29,515
Deferred income taxes, net	4,082	4,100
Intangibles, net	7,705	7,990
Goodwill	2,205	2,163
Other assets	2,429	2,759
<b>Total Assets</b>	<b>\$ 189,793</b>	<b>\$ 196,006</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 26,379	\$ 26,800
Accrued liabilities	20,196	19,131
Current operating lease liabilities	5,206	4,724
Lines of credit	23,015	31,039
Current maturities of debt	2,246	1,916
<b>Current liabilities</b>	<b>77,042</b>	<b>83,610</b>
Long term debt	4,952	5,513
Non-current operating lease liabilities	26,800	26,710
Other long term liabilities	2,005	2,333
<b>Total Liabilities</b>	<b>110,799</b>	<b>118,166</b>
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at May 31, 2023 and February 28, 2023, respectively	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued: 3,293 shares outstanding at May 31, 2023 and February 28, 2023	4 11,635	4 11,449
Retained earnings	82,130	81,205
Treasury stock, 712 shares held at cost at May 31, 2023 and February 28, 2023	(9,410)	(9,410)
Accumulated other comprehensive income	(5,365)	(5,408)
<b>Shareholders' Equity</b>	<b>78,994</b>	<b>77,840</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 189,793</b>	<b>\$ 196,006</b>



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

(In thousands)

(Unaudited)

	<b>For the Three Months Ended</b>	
	<b>May 31, 2023</b>	<b>May 31, 2022</b>
<b>Operating activities:</b>		
Net income	\$ 925	\$ 988
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	858	992
Gain on sale of property	(4)	(6)
Gain from insurance recoveries	(390)	-
Proceeds from settlement of insurance claim	529	-
Other non-cash adjustments	171	(121)
Changes in assets and liabilities:		
Accounts receivable	(744)	(301)
Inventories	11,768	952
Prepaid expenses and other assets	(820)	1,632
Trade accounts payable and accrued liabilities	791	(12,965)
<b>Net cash provided by (used in) operating activities</b>	<b>13,084</b>	<b>(8,829)</b>
<b>Investing activities:</b>		
Capital expenditures	(362)	(1,539)
Proceeds from sale of property	30	6
Proceeds from settlement of insurance claims	568	-
<b>Net cash provided by (used in) investing activities</b>	<b>236</b>	<b>(1,533)</b>
<b>Financing activities:</b>		
Net borrowings under lines of credit	(8,010)	12,364
Net repayments of term loan facilities	(202)	(502)
Purchase of treasury stock	(30)	(79)
Principal payments on finance leases	(29)	(28)
<b>Net cash provided by (used in) financing activities</b>	<b>(8,271)</b>	<b>11,755</b>
Effect of exchange rate changes on cash	(8)	(54)
<b>Net increase (decrease) in cash</b>	<b>5,041</b>	<b>1,339</b>
Cash at beginning of period	4,996	3,203
<b>Cash at end of period</b>	<b>\$ 10,037</b>	<b>\$ 4,542</b>



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

The following table shows the changes in the shareholder's equity for the three months ended May 31, 2023 and 2022.

	Preferred Stock		Common Stock		Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
<b>Balance at February 28, 2022</b>	-	\$ -	4,005,370	\$ 4	\$ 11,449	\$ 81,268	\$ (9,124)	\$ (4,195)	\$ 79,402
Net Income						988			988
Unrealized currency translation adjustments								(798)	(798)
Purchase of treasury stock							(49)		(49)
<b>Balance at May 31, 2022</b>	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 11,449</u>	<u>\$ 82,256</u>	<u>\$ (9,173)</u>	<u>\$ (4,993)</u>	<u>\$ 79,543</u>
	Preferred Stock		Common Stock		Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount					
<b>Balance at February 28, 2023</b>	-	\$ -	4,005,370	\$ 4	\$ 11,449	\$ 81,205	\$ (9,410)	\$ (5,408)	\$ 77,840
Net Income						925			925
Unrealized currency translation adjustments								43	43
Stock-based compensation expense					186				186
<b>Balance at May 31, 2023</b>	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 11,635</u>	<u>\$ 82,130</u>	<u>\$ (9,410)</u>	<u>\$ (5,365)</u>	<u>\$ 78,994</u>