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**Q.E.P. CO., INC. REPORTS FISCAL 2024 NINE MONTH AND THIRD QUARTER FINANCIAL RESULTS
DECLARES SPECIAL DIVIDEND OF \$1.00 PER SHARE**

BOCA RATON, FLORIDA — January 16, 2024 — 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 2024, which ended on November 30, 2023, and announced the declaration of a special dividend.

Results of Operations

During the third quarter of fiscal 2024, QEP successfully completed the divestment of its North American flooring businesses and its UK operations. As of the third quarter, these businesses are now classified as discontinued operations. Amounts for prior periods, including sales and operating income, have been reclassified to conform to this presentation.

QEP reported net sales of \$233.1 million for the nine months ended November 30, 2023, a decrease of \$23.8 million or 9.3% from the \$256.9 million reported in the same period of fiscal 2023. The Company reported net sales of \$74.6 million for the quarter ended November 30, 2023, which was comparable to the \$74.5 million reported in the same period of fiscal 2023. The decrease in net sales was primarily due to a general softening in consumer demand in the domestic and international segments as well as the currency translation impact of the stronger U.S. Dollar in the current period.

The Company’s gross profit for the first nine months of fiscal 2024 was \$74.3 million compared to \$69.4 million in the corresponding fiscal 2023 period, an increase of \$4.9 million or 7.0%. Gross profit for the third quarter of fiscal 2024 was \$24.4 million, representing an increase of \$3.7 million or 18.0%, from \$20.7 million in the corresponding fiscal 2023 period. The Company’s gross margin as a percentage of net sales for the first nine months and third quarter of fiscal 2024 was 31.9% and 32.7%, respectively, which increased from 27.0% and 27.8% in the corresponding prior fiscal year periods, respectively. The increase in gross margin as a percentage of net sales was largely due to lower inbound freight costs.

Lewis Gould, Executive Chairman, commented on the Company’s results, “The third quarter was highlighted by significant progress in the ongoing realignment of the Company’s focus on its market leadership in flooring installation tools and accessories. During the quarter, we successfully completed the exit from our North American flooring product lines and divested our UK operations. Proceeds from these transactions have positioned the Company to become debt-free by fiscal year-end, with a healthy cash balance.”

Leonard Gould, President & Chief Executive Officer, added, “This strategic transformation allows the Company to intensify our focus on the innovation and expansion of our best-in-class product offerings to our diverse customer base, offsetting the softer consumer demand caused by the current macroeconomic backdrop of higher inflation and higher cost of borrowing.”

Operating expenses for the first nine months and third quarter of fiscal 2024 were \$64.3 million and \$21.8 million, respectively, or 27.6% and 29.2% of net sales in those periods, compared to \$61.7 million and \$18.6 million, respectively, or 24.0% and 24.9% of net sales in the comparable fiscal 2023 periods. The increase in operating expenses was due to higher personnel and transaction costs in the current period.

Interest expense has trended down in recent months as the significant repayment of debt has offset higher interest rates during the current period.

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 2024 and fiscal 2023.

Net loss for the first nine months and third quarter of fiscal 2024 was \$3.3 million and \$5.9 million, respectively, or \$0.97 and \$1.76, respectively, per diluted share. Excluding discontinued operations, adjusted net income for the first nine months and third quarter of fiscal 2024 was \$6.0 million and \$1.6 million, respectively, or \$1.79 and \$0.48, respectively, per diluted share. For the comparable periods of fiscal 2023, adjusted net income was \$4.4 million and \$1.0 million, respectively, or \$1.31 and \$0.31, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations for the first nine months and third quarter of fiscal 2024 was \$11.2 million and \$3.0 million, respectively, as compared to \$8.9 million and \$2.5 million for the first nine months and third quarter of fiscal 2023, respectively.

| | For the Three Months Ended | | For the Nine Months Ended | |
|---------------------------------------|----------------------------|----------------------|---------------------------|----------------------|
| | November 30, 2023 | November 30, 2022 | November 30, 2023 | November 30, 2022 |
| Net income from continuing operations | \$ 1,619 | \$ 1,026 | \$ 5,978 | \$ 4,397 |
| Add: Interest expense, net | 401 | 710 | 1,689 | 1,623 |
| Provision for income taxes | 630 | 399 | 2,326 | 1,710 |
| Depreciation and amortization | 390 | 403 | 1,168 | 1,178 |
| EBITDA, as adjusted | <u>\$ 3,040</u> | <u>\$ 2,538</u> | <u>\$ 11,161</u> | <u>\$ 8,908</u> |

Cash provided by operations during the first nine months of fiscal 2024 was \$29.7 million as compared to cash used in operations of \$2.2 million in the first nine months of fiscal 2023, reflecting the reduction in inventory to more normalized levels from the elevated levels of the previous year. In the first nine months of fiscal 2024, cash provided by operations, along with proceeds from the sale of businesses, was used to reduce borrowings under the Company's credit facilities, fund capital expenditures and increase cash balances.

Working capital as of November 30, 2023 was \$59.0 million compared to \$55.0 million at the end of fiscal 2023. Aggregate available cash, net of outstanding debt at the end of the third quarter of fiscal 2024 was \$16.9 million compared to aggregate debt, net of available cash of \$33.5 million or 43.0% of equity at the end of fiscal 2023.

Special Dividend

On January 9, 2024, the Board of Directors of the Company declared a special dividend of \$1.00 per share or approximately \$3.3 million. The dividend will be payable on February 16, 2024 to stockholders of record as of the close of business on January 22, 2024.



Mr. Lewis Gould stated, “The Board of Directors agreed to use a portion of the proceeds generated from our recent divestitures to return capital to its stockholders through the payment of a special dividend. The payment of related debt and the special dividend will not impact the Company’s ability to make strategic investments in the business and meet its operating needs in the coming year. The Company’s Board of Directors is committed to implementing additional initiatives to return value to our stockholders.”

Conference Call Information

The Company expects to hold its next investor conference call in June 2024 to discuss the financial results of its fiscal year ending on February 29, 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 installation solutions for commercial and home improvement projects worldwide. QEP offers a comprehensive line of specialty installation tools, adhesives, and underlayment. QEP sells its products throughout the world to home improvement retail centers, and professional specialty distribution outlets, under brand names including QEP®, LASH®, ROBERTS®, Capitol®, Premix-Marbletite® (PMM), Brutus®, Homelux®, PRCI®, and Tomecanic®.

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. 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 implementation of the Company’s strategies and increasing profitability and stockholder value. Any forward-looking statements contained herein are based on current expectations and beliefs, and are subject to a number of risks and uncertainties, including those listed in the Company’s annual report, as such risk factors may be amended, supplemented or superseded from time to time by other reports and disclosures made by the Company. 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, scarcity and rising cost for raw materials, shifts in global sourcing patterns, and 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, 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, 2023 | November 30, 2022 | November 30, 2023 | November 30, 2022 |
| Net sales | \$ 74,575 | \$ 74,492 | \$ 233,053 | \$ 256,903 |
| Cost of goods sold | 50,155 | 53,801 | 158,755 | 187,464 |
| Gross profit | 24,420 | 20,691 | 74,298 | 69,439 |
| Operating expenses: | | | | |
| Shipping | 9,202 | 8,149 | 28,216 | 29,572 |
| General and administrative | 8,308 | 6,421 | 22,701 | 18,417 |
| Selling and marketing | 4,306 | 3,927 | 13,713 | 13,782 |
| Other (income) expense, net | (46) | 59 | (325) | (62) |
| Total operating expenses | 21,770 | 18,556 | 64,305 | 61,709 |
| Operating income | 2,650 | 2,135 | 9,993 | 7,730 |
| Interest expense, net | (401) | (710) | (1,689) | (1,623) |
| Income before provision for income taxes | 2,249 | 1,425 | 8,304 | 6,107 |
| Provision for income taxes | 630 | 399 | 2,326 | 1,710 |
| Net income from continuing operations | 1,619 | 1,026 | 5,978 | 4,397 |
| Loss from discontinued operations, net of tax (including loss on sale of discontinued operations of \$5,863) | (7,481) | (782) | (9,233) | (3,678) |
| Net income (loss) | \$ (5,862) | \$ 244 | \$ (3,255) | \$ 719 |
| Basic earnings (loss) per share: | | | | |
| From continuing operations | 0.49 | 0.31 | 1.79 | 1.32 |
| From discontinued operations | (2.24) | (0.23) | (2.76) | (1.10) |
| Basic earnings (loss) per share | (1.76) | 0.07 | (0.97) | 0.22 |
| Diluted earnings (loss) per share: | | | | |
| From continuing operations | 0.48 | 0.31 | 1.79 | 1.31 |
| From discontinued operations | (2.24) | (0.23) | (2.76) | (1.10) |
| Diluted earnings (loss) per share | (1.75) | 0.07 | (0.97) | 0.21 |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 3,336 | 3,332 | 3,341 | 3,337 |
| Diluted | 3,344 | 3,339 | 3,347 | 3,346 |



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

| | November 30, 2023 | February 28, 2023 |
|--|------------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| ASSETS | | |
| Cash | \$ 25,346 | \$ 3,804 |
| Accounts receivable, less allowance for credit losses of \$364 and \$329 at November 30, 2023 and February 28, 2023, respectively | 38,679 | 42,038 |
| Inventories, net | 41,845 | 49,403 |
| Prepaid expenses and other current assets | 3,067 | 3,082 |
| Prepaid income taxes | 641 | 288 |
| Current assets of discontinued operations | - | 40,000 |
| Current assets | 109,578 | 138,615 |
| Property and equipment, net | 9,215 | 8,048 |
| Right of use operating lease assets | 25,364 | 28,431 |
| Deferred income taxes, net | 4,183 | 4,191 |
| Intangibles, net | 228 | 266 |
| Goodwill | 259 | 263 |
| Other assets | 1,632 | 2,430 |
| Non-current assets of discontinued operations | - | 13,762 |
| Total assets | \$ 150,459 | \$ 196,006 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Trade accounts payable | \$ 21,603 | \$ 17,543 |
| Accrued liabilities | 15,614 | 14,382 |
| Current operating lease liabilities | 4,711 | 4,427 |
| Lines of credit | 8,330 | 25,051 |
| Current maturities of debt | 99 | 1,908 |
| Current liabilities of discontinued operations | 229 | 20,299 |
| Current liabilities | 50,586 | 83,610 |
| Long term debt | - | 5,513 |
| Non-current operating lease liabilities | 22,791 | 25,920 |
| Deferred income taxes | - | - |
| Other long term liabilities | 1,537 | 2,333 |
| Non-current liabilities of discontinued operations | - | 790 |
| Total liabilities | 74,914 | 118,166 |
| Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at November 30, 2023 and February 28, 2023, respectively | - | - |
| Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued: 3,286 and 3,293 shares outstanding at November 30, 2023 and February 28, 2023, respectively | 4 | 4 |
| Additional paid-in capital | 11,635 | 11,449 |
| Retained earnings | 77,950 | 81,205 |
| Treasury stock, 719 and 712 shares held at cost at November 30, 2023 and February 28, 2023, respectively | (9,517) | (9,410) |
| Accumulated other comprehensive income | (4,527) | (5,408) |
| Shareholders' equity | 75,545 | 77,840 |
| Total liabilities and shareholders' equity | \$ 150,459 | \$ 196,006 |



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

(In thousands)

(Unaudited)

| | For the Nine Months Ended | |
|---|----------------------------------|------------------------------|
| | November 30, 2023 | November 30, 2022 |
| Operating activities: | | |
| Net income (loss) | \$ (3,255) | \$ 719 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 2,261 | 2,881 |
| Loss on disposal of businesses | 5,863 | 307 |
| Loss on sale of property | 41 | 9 |
| Gain from insurance recoveries | (134) | - |
| Proceeds from settlement of insurance claims | 537 | - |
| Other non-cash adjustments | 265 | (75) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 7,795 | 6,130 |
| Inventories | 20,442 | 3,447 |
| Prepaid expenses and other assets | 3,167 | 4,684 |
| Trade accounts payable and accrued liabilities | (7,287) | (20,322) |
| Net cash provided by (used in) operating activities | 29,695 | (2,220) |
| Investing activities: | | |
| Capital expenditures | (2,602) | (4,451) |
| Proceeds from sale of businesses | 22,560 | - |
| Proceeds from sale of property | 81 | 1,388 |
| Proceeds from settlement of insurance claims | 285 | - |
| Net cash provided by (used in) investing activities | 20,324 | (3,063) |
| Financing activities: | | |
| Net borrowings (repayments) under lines of credit | (22,800) | 9,787 |
| Net borrowings (repayments) of term loan facilities | (7,249) | 268 |
| Purchase of treasury stock | (198) | (203) |
| Principal payments on finance leases | (82) | (84) |
| Net cash provided by (used in) financing activities | (30,329) | 9,768 |
| Effect of exchange rate changes on cash | 660 | (216) |
| Net increase in cash | 20,350 | 4,269 |
| Cash at beginning of period | 3,804 | 2,072 |
| Cash at beginning of the period from discontinued operations | 1,192 | 1,131 |
| Cash at end of period | \$ 25,346 | \$ 7,472 |



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

The following table shows the changes in the stockholders' equity for the nine months ended November 30, 2023 and 2022.

| | Preferred Stock | | Common Stock | | Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated | Total Shareholders' Equity |
|---|-----------------|-------------|------------------|-------------|--------------------|----------------------|-------------------|----------------------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | Other Comprehensive Income | |
| Balance at February 28, 2022 | - | \$ - | 4,005,370 | \$ 4 | \$ 11,449 | \$ 81,268 | \$ (9,124) | \$ (4,195) | \$ 79,402 |
| Net income | | | | | | 719 | | | 719 |
| Unrealized currency translation adjustments | | | | | | | | (1,468) | (1,468) |
| Purchase of treasury stock | | | | | | | (271) | | (271) |
| Balance at November 30, 2022 | <u>-</u> | <u>\$ -</u> | <u>4,005,370</u> | <u>\$ 4</u> | <u>\$ 11,449</u> | <u>\$ 81,987</u> | <u>\$ (9,395)</u> | <u>\$ (5,663)</u> | <u>\$ 78,382</u> |

| | Preferred Stock | | Common Stock | | Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated | Total Shareholders' Equity |
|---|-----------------|-------------|------------------|-------------|--------------------|----------------------|-------------------|----------------------------------|----------------------------------|
| | Shares | Amount | Shares | Amount | | | | Other Comprehensive Income | |
| Balance at February 28, 2023 | - | \$ - | 4,005,370 | \$ 4 | \$ 11,449 | \$ 81,205 | \$ (9,410) | \$ (5,408) | \$ 77,840 |
| Net loss | | | | | | (335) | | | (335) |
| Unrealized currency translation adjustments | | | | | | | | 881 | 881 |
| Purchase of treasury stock | | | | | | | (107) | | (107) |
| Stock-based compensation expense | | | | | 186 | | | | 186 |
| Dividends paid | | | | | | (2,920) | | | (2,920) |
| Balance at November 30, 2023 | <u>-</u> | <u>\$ -</u> | <u>4,005,370</u> | <u>\$ 4</u> | <u>\$ 11,635</u> | <u>\$ 77,950</u> | <u>\$ (9,517)</u> | <u>\$ (4,527)</u> | <u>\$ 75,545</u> |