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Q.E.P. CO., INC. REPORTS FISCAL 2024 FULL YEAR FINANCIAL RESULTS

Adjusted Net Income More than Doubles to \$9.1 Million or \$2.73 per Share

BOCA RATON, FLORIDA — June 13, 2024 — Q.E.P. CO., INC. (OTCQX: QEPC) (the “Company” or “QEP”) today reported its consolidated results of operations for its full year ended February 29, 2024.

During fiscal 2024, QEP completed several strategic divestments to streamline operations and concentrate resources on its core product lines in the North American market. These divestments included the sale of our North American hard surface flooring business, which consisted of the Harris®, Kraus®, Naturally Aged Flooring™ and Heritage Mills® brands, as well as a wood flooring manufacturing facility in Johnson City, Tennessee. This was followed by the divestment of QEP’s businesses in the United Kingdom, Australia and New Zealand.

As of fiscal 2024, these divested operations have been classified as discontinued operations in our financial statements. Amounts for prior periods, including sales and operating income, have been reclassified to conform to this presentation.

QEP reported net sales of \$252.0 million for the year ended February 29, 2024, a decrease of \$17.5 million or 6.5% from the \$269.5 million reported in fiscal 2023, which was primarily due to softening consumer demand across multiple product categories. To mitigate this impact, the Company is expanding its regional sales coverage in order to penetrate new and existing sales channels.

The Company’s gross profit for fiscal 2024 increased \$8.8 million or 12.0% to \$82.0 million, from \$73.2 million in fiscal 2023. As a percentage of net sales, gross margin was 32.5% in fiscal 2024, as compared to 27.2% in fiscal 2023. The increase in gross margin as a percentage of net sales was largely due to lower inbound freight, improved product mix, and multiple cost-reduction and streamlining initiatives.

Leonard Gould, President & Chief Executive Officer, commented on the Company’s results, “I would like to personally thank all of our QEP associates for their noteworthy contributions which have enabled QEP to ‘*return to its roots*’ and fuel our ongoing transformation. The massive efforts underway to better serve our customers and our innovation/patent roadmap over the next few years makes me incredibly proud. Our retail and distribution partners are our lifeblood and together we continue to implement initiatives to drive volume and profitability of their QEP business. We are also grateful for the ongoing support of our vendor and banking partners.”

Lewis Gould, Executive Chairman, added, “We are pleased with our continuing transformation which has resulted in significant repayment of our debt and generated a healthy cash surplus. The Company has shared this success with its stockholders through two special dividends in 2024. We hope to continue to reward all of our stakeholders in concert with the Company’s success.”



Operating expenses were \$68.7 million or 27.3% of net sales for fiscal 2024 as compared to \$63.9 million or 23.7% of net sales for fiscal 2023. The increase in operating expenses was due to higher personnel and one-time transaction costs related to the divestitures in fiscal 2024.

Interest expense declined in the latter part of fiscal 2024 as the Company's significant repayment of debt offset higher interest rates during the earlier part of the fiscal year and during fiscal 2023.

The provision for income taxes as a percentage of income before taxes was 23.4% for fiscal 2024, as compared to 37.6% for fiscal 2023. Fiscal 2023 includes a full valuation allowance on operating losses generated by the Company's Canadian operation.

Net loss for fiscal 2024 was \$4.7 million or \$1.40 per diluted share, as compared to \$0.1 million or \$0.02 per diluted share for fiscal 2023. Excluding discontinued operations, adjusted net income for fiscal 2024 was \$9.1 million or \$2.73 per diluted share, as compared to \$4.5 million or \$1.34 per diluted share for fiscal 2023.

Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations for fiscal 2024 was \$14.7 million or 5.8% of net sales, as compared to \$10.6 million or 3.9% of net sales for fiscal 2023.

	For the Year Ended	
	February 29, 2024	February 28, 2023
Net income from continuing operations	\$ 9,131	\$ 4,485
Add: Interest expense, net	1,386	2,087
Provision for income taxes	2,787	2,701
Depreciation and amortization	1,364	1,357
EBITDA, as adjusted	<u>\$ 14,668</u>	<u>\$ 10,630</u>

Cash provided by operating activities during fiscal 2024 was \$29.5 million as compared to cash used in operating activities of \$0.1 million in the fiscal 2023 period, reflecting the reduction in inventory to more normalized levels from the elevated levels of the previous year. During the fiscal 2024 period, 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, pay a dividend to stockholders and increase cash balances. During the fiscal 2023 period, borrowings under the Company's lines of credit were used to fund operating activities and capital expenditures.

Working capital as of February 29, 2024 was \$60.0 million compared to \$55.0 million at the end of fiscal 2023. Aggregate available cash, net of outstanding debt at the end of fiscal 2024 was \$21.7 million compared to aggregate debt, net of available cash of \$26.1 million or 33.5% of equity at the end of fiscal 2023.

The Company will not be hosting a conference call to discuss these results and welcomes inquiries from investors via email at ir@qep.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 installation solutions for commercial and home improvement projects. 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 other facilities in the United States, Canada, Europe and Asia. 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)

	For the Year Ended	
	February 29, 2024	February 28, 2023
Net sales	\$ 251,986	\$ 269,448
Cost of goods sold	169,989	196,246
Gross profit	81,997	73,202
Operating expenses:		
Shipping	28,129	30,208
General and administrative	26,135	20,176
Selling and marketing	13,633	13,680
Other (income) expense, net	796	(135)
Total operating expenses	68,693	63,929
Operating income	13,304	9,273
Interest expense, net	(1,386)	(2,087)
Income before provision for income taxes	11,918	7,186
Provision for income taxes	2,787	2,701
Net income from continuing operations	9,131	4,485
Loss from discontinued operations	(13,839)	(4,548)
Net loss	\$ (4,708)	\$ (63)
Basic earnings (loss) per share:		
From continuing operations	2.73	1.34
From discontinued operations	(4.14)	(1.36)
Basic earnings (loss) per share	(1.41)	(0.02)
Diluted earnings (loss) per share:		
From continuing operations	2.73	1.34
From discontinued operations	(4.13)	(1.36)
Diluted earnings (loss) per share	(1.40)	(0.02)
Weighted average number of common shares outstanding:		
Basic	3,343	3,335
Diluted	3,350	3,343



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

	February 29, 2024	February 28, 2023
ASSETS		
Cash	\$ 22,369	\$ 3,060
Accounts receivable, less allowance for credit losses of \$134 and \$306 at February 29, 2024 and February 28, 2023, respectively	30,338	37,492
Inventories, net	29,913	37,176
Prepaid expenses and other current assets	7,491	2,939
Prepaid income taxes	1,375	-
Discontinued operations	693	58,332
Current assets	92,179	138,999
Property and equipment, net	9,894	7,840
Right of use operating lease assets	19,852	24,155
Deferred income taxes, net	2,548	3,751
Intangibles, net	99	118
Other assets	1,276	2,256
Discontinued operations	-	19,271
Total assets	\$ 125,848	\$ 196,390
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 14,438	\$ 8,147
Accrued liabilities	13,352	12,555
Current operating lease liabilities	3,210	2,983
Income taxes payable	-	384
Lines of credit	601	21,718
Current maturities of debt	74	1,908
Discontinued operations	479	36,299
Current liabilities	32,154	83,994
Long term debt	-	5,513
Non-current operating lease liabilities	19,855	23,007
Other long term liabilities	1,209	2,240
Discontinued operations	-	3,796
Total liabilities	53,218	118,550
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at February 29, 2024 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 February 29, 2024 and February 28, 2023, respectively	4	4
Additional paid-in capital	11,901	11,449
Retained earnings	73,211	81,205
Treasury stock, 719 and 712 shares held at cost at February 29, 2024 and February 28, 2023, respectively	(9,517)	(9,410)
Accumulated other comprehensive income	(2,969)	(5,408)
Shareholders' equity	72,630	77,840
Total liabilities and shareholders' equity	\$ 125,848	\$ 196,390

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

	For the Year Ended	
	February 29, 2024	February 28, 2023
Operating activities:		
Net loss	\$ (4,708)	\$ (63)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,656	3,796
Loss on disposal of businesses	9,278	285
Loss on sale of property	34	(14)
Gain from insurance recoveries	(134)	-
Proceeds from settlement of insurance claims	537	911
Impairment of right of use operating lease asset	1,221	-
Other non-cash adjustments	317	(71)
Changes in assets and liabilities:		
Accounts receivable	5,098	5,593
Inventories	21,295	14,469
Prepaid expenses and other assets	4,568	6,809
Trade accounts payable and accrued liabilities	(10,682)	(31,787)
Net cash provided by (used in) operating activities	29,480	(72)
Investing activities:		
Capital expenditures	(3,808)	(4,994)
Proceeds from sale of businesses	32,842	-
Proceeds from sale of property	108	1,413
Proceeds from sale of equity investment	-	209
Proceeds from settlement of insurance claims	285	-
Net cash provided by (used in) investing activities	29,427	(3,372)
Financing activities:		
Net borrowings (repayments) under lines of credit	(30,549)	6,368
Net repayments of term loan facilities	(7,250)	(709)
Purchase of treasury stock	(227)	(249)
Principal payments on finance leases	(108)	(112)
Dividends paid	(3,286)	-
Net cash provided by (used in) financing activities	(41,420)	5,298
Effect of exchange rate changes on cash	(114)	(61)
Net increase in cash	17,373	1,793
Cash at beginning of period	3,060	1,055
Cash at beginning of the period from discontinued operations	1,936	2,148
Cash at end of period	\$ 22,369	\$ 4,996

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

	Preferred Stock		Common Stock		Paid-in	Retained	Treasury	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Capital	Earnings	Stock	Income	Shareholders' Equity
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
Net loss						(4,708)			(4,708)
Reclassification of currency translation adjustments to earnings								2,376	2,376
Unrealized currency translation adjustments								63	63
Purchase of treasury stock							(107)		(107)
Stock-based compensation expense					452				452
Dividends paid						(3,286)			(3,286)
Balance at February 29, 2024	-	\$ -	4,005,370	\$ 4	\$ 11,901	\$ 73,211	\$ (9,517)	\$ (2,969)	\$ 72,630