



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 2025 NINE MONTH AND THIRD QUARTER FINANCIAL RESULTS

Nine Month Adjusted Net Income Grows to \$12.3 Million or \$3.74 per Share

BOCA RATON, FLORIDA — January 14, 2025 — 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 fiscal year 2025, which ended on November 30, 2024.

Results of Operations

During the prior fiscal year, QEP completed the sale of its Harris Flooring Group in North America and its businesses in the United Kingdom, Australia and New Zealand in order to streamline operations and concentrate resources on its core product lines in the North American market. These divested operations have been classified as discontinued operations in our financial statements for all periods presented.

QEP reported net sales of \$187.1 million for the nine months ended November 30, 2024, a decrease of \$2.9 million or 1.5% from the \$190.0 million reported in the same period of fiscal 2024. The Company reported net sales of \$61.1 million for the quarter ended November 30, 2024, an increase of \$1.0 million or 1.6% from the \$60.1 million reported in the same period of fiscal 2024. The third quarter of fiscal 2025 increase in net sales was due to the slight increase in consumer spending on home improvement projects as interest rates and inflationary pressures were reduced compared to earlier in the fiscal year.

The Company’s gross profit for the first nine months of fiscal 2025 was \$66.5 million compared to \$61.0 million in the corresponding fiscal 2024 period, an increase of \$5.5 million or 9.0%. Gross profit for the third quarter of fiscal 2025 was \$21.7 million, representing an increase of \$1.7 million or 8.5%, from \$20.0 million in the corresponding fiscal 2024 period. The Company’s gross margin as a percentage of net sales for the first nine months and third quarter of fiscal 2025 was 35.5% in both periods, which increased from 32.1% and 33.3% in the same periods of the prior fiscal year, respectively. The increase in gross margin as a percentage of net sales was largely due to lower inbound freight costs, improved product sourcing and other cost reduction initiatives.

Leonard Gould, President & Chief Executive Officer, commented on the Company’s results, “QEP’s third quarter results continue to confirm the successful affirmation of our strategic plan. Our relentless focus on ‘Product Innovation’ and ‘Shipping Complete’ proves to be a winning combination. We are just getting started but it is gratifying to see our efforts clearly resonating as our share of the Flooring Professional continues to grow. This could not have been accomplished without the hard work and dedication of many different teams across QEP.

While much of the world is in flux, QEP continues its focus excited and invigorated with a strong foundation to greet 2025.”

Operating expenses for the first nine months and third quarter of fiscal 2025 were \$50.0 million and \$15.5 million, respectively, or 26.7% and 25.5% of net sales in those periods, compared to \$50.5 million and \$17.2 million,

respectively, or 26.6% and 28.7% of net sales in the comparable fiscal 2024 periods. The reduction in operating expenses was due to the current year impact of cost reduction initiatives associated with the reorganization activities started in the previous fiscal year.

Interest income for the first nine months and third quarter of fiscal 2025 was \$0.7 million and \$0.2 million, respectively, compared to interest expense of \$1.4 million and \$0.3 million, respectively, in the comparable fiscal 2024 periods. This change is due to the Company's significant repayment of debt in the latter part of fiscal 2024 and the investment of the Company's cash surplus in fiscal 2025.

The provision for income taxes as a percentage of income before taxes remained unchanged at 28.0% for the first nine months and third quarter for both fiscal 2025 and fiscal 2024.

Net income from continuing operations for the first nine months and third quarter of fiscal 2025 was \$12.3 million and \$4.6 million, respectively, or \$3.74 and \$1.40, respectively, per diluted share. For the comparable periods of fiscal 2024, net income from continuing operations was \$6.5 million and \$1.8 million, respectively, or \$1.95 and \$0.53, 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 2025 was \$17.5 million and \$6.5 million, respectively, or 9.4% and 10.6% of net sales, respectively. For the comparable periods of fiscal 2024, EBITDA was \$11.5 million and \$3.1 million, respectively, or 6.1% and 5.2% of net sales, respectively.

	For the Three Months Ended		For the Nine Months Ended	
	November 30, 2024	November 30, 2023	November 30, 2024	November 30, 2023
Net income from continuing operations	\$ 4,606	\$ 1,758	\$ 12,341	\$ 6,532
Add: Interest expense, net	(246)	309	(652)	1,408
Provision for income taxes	1,784	683	4,787	2,540
Depreciation and amortization	349	347	1,035	1,052
EBITDA from continuing operations	<u>\$ 6,493</u>	<u>\$ 3,097</u>	<u>\$ 17,511</u>	<u>\$ 11,532</u>

Cash provided by operations during the first nine months of fiscal 2025 was \$16.1 million as compared to \$29.7 million in the first nine months of fiscal 2024, reflecting the reduction in inventory to more normalized levels during the prior year period. In the first nine months of fiscal 2025, cash provided by operations, along with proceeds from the sale of businesses, were used to pay a stockholder dividend, repurchase stock and increase the Company's cash surplus. In the first nine months 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 November 30, 2024 was \$64.9 million compared to \$60.0 million at the end of fiscal 2024. Aggregate available cash, net of outstanding debt at November 30, 2024 was \$34.0 million compared to \$21.7 million at the end of fiscal 2024.

The Company welcomes investor inquiries 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)
(Unaudited)

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>November 30,</u>	<u>November 30,</u>	<u>November 30,</u>	<u>November 30,</u>
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net sales	\$ 61,061	\$ 60,092	\$ 187,145	\$ 190,057
Cost of goods sold	39,370	40,101	120,662	129,079
Gross profit	21,691	19,991	66,483	60,978
Operating expenses:				
Shipping	6,381	6,897	20,370	21,074
General and administrative	5,788	7,481	19,024	19,856
Selling and marketing	3,349	2,906	10,533	9,887
Other income, net	29	(43)	80	(319)
Total operating expenses	15,547	17,241	50,007	50,498
Operating income	6,144	2,750	16,476	10,480
Interest income (expense), net	246	(309)	652	(1,408)
Income before provision for income taxes	6,390	2,441	17,128	9,072
Provision for income taxes	1,784	683	4,787	2,540
Net income from continuing operations	4,606	1,758	12,341	6,532
Gain/(Loss) from discontinued operations,	50	(7,620)	588	(9,787)
Net income (loss)	\$ 4,656	\$ (5,862)	\$ 12,929	\$ (3,255)
Basic earnings (loss) per share:				
From continuing operations	1.40	0.53	3.75	1.96
From discontinued operations	0.02	(2.29)	0.18	(2.93)
Basic earnings (loss) per share	1.42	(1.76)	3.93	(0.97)
Diluted earnings (loss) per share:				
From continuing operations	1.40	0.53	3.74	1.95
From discontinued operations	0.02	(2.28)	0.18	(2.92)
Diluted earnings (loss) per share	1.42	(1.75)	3.92	(0.97)
Weighted average number of common shares outstanding:				
Basic	3,276	3,336	3,292	3,341
Diluted	3,276	3,344	3,297	3,347



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

	<u>November 30,</u> <u>2024</u>	<u>February 29,</u> <u>2024</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
Cash	\$ 34,102	\$ 22,369
Accounts receivable, less allowance for credit losses of \$302 and \$134 at November 30, 2024 and February 29, 2024, respectively	29,134	30,338
Inventories, net	33,734	29,913
Prepaid expenses and other current assets	2,507	7,491
Prepaid income taxes	-	1,375
Discontinued operations	-	693
Current assets	99,477	92,179
Property and equipment, net	12,252	9,894
Right of use operating lease assets	18,115	19,852
Deferred income taxes, net	2,548	2,548
Intangibles, net	3	99
Other assets	552	1,276
Total assets	\$ 132,947	\$ 125,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 13,046	\$ 14,438
Accrued liabilities	17,721	13,352
Current operating lease liabilities	3,252	3,210
Income taxes payable	501	-
Lines of credit	63	601
Current maturities of debt	9	74
Discontinued operations	-	479
Current liabilities	34,592	32,154
Long term debt	12	-
Non-current operating lease liabilities	17,746	19,855
Other long term liabilities	506	1,209
Total liabilities	52,856	53,218
Preferred stock, 2,500 shares authorized, \$1.00 par value; 0 shares issued and outstanding at November 30, 2024 and February 29, 2024, respectively	-	-
Common stock, 20,000 shares authorized, \$.001 par value; 4,005 shares issued: 3,265 and 3,286 shares outstanding at November 30, 2024 and February 29, 2024, respectively	4	4
Additional paid-in capital	10,361	11,901
Retained earnings	82,871	73,211
Treasury stock, 740 and 719 shares held at cost at November 30, 2024 and February 29, 2024, respectively	(10,008)	(9,517)
Accumulated other comprehensive income	(3,137)	(2,969)
Shareholders' equity	80,091	72,630
Total liabilities and shareholders' equity	\$ 132,947	\$ 125,848



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

(In thousands)

(Unaudited)

	For the Nine Months Ended	
	November 30,	November 30,
	2024	2023
Operating activities:		
Net income (loss)	\$ 12,929	\$ (3,255)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,035	2,261
(Gain)/Loss on disposal of businesses	(547)	5,863
(Gain)/Loss on sale of property	(1)	41
Gain from insurance recoveries	-	(134)
Proceeds from settlement of insurance claims	-	537
Impairment of long-lived asset	201	
Other non-cash adjustments	174	265
Changes in assets and liabilities:		
Accounts receivable	997	7,795
Inventories	(3,953)	20,442
Prepaid expenses and other assets	2,667	3,167
Trade accounts payable and accrued liabilities	2,582	(7,287)
Net cash provided by operating activities	16,084	29,695
Investing activities:		
Capital expenditures	(3,380)	(2,602)
Proceeds from sale of businesses	4,890	22,560
Proceeds from sale of property	1	81
Proceeds from settlement of insurance claims	-	285
Net cash provided by investing activities	1,511	20,324
Financing activities:		
Net repayments under lines of credit	(531)	(22,800)
Net repayments of term loan facilities	-	(7,249)
Repurchase of equity-based awards	(1,540)	-
Purchase of treasury stock	(433)	(198)
Principal payments on finance leases	(80)	(82)
Dividends paid	(3,269)	-
Net cash used in financing activities	(5,853)	(30,329)
Effect of exchange rate changes on cash	(9)	660
Net increase in cash	11,733	20,350
Cash at beginning of period	22,369	3,060
Cash at beginning of the period from discontinued operations	-	1,936
Cash at end of period	\$ 34,102	\$ 25,346



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 nine months ended November 30, 2024 and 2023.

	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						(3,255)			(3,255)
Realized currency translation adjustments								719	719
Unrealized currency translation adjustments								162	162
Purchase of treasury stock							(107)		(107)
Stock-based compensation expense					186				186
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>
								Accumulated	
								Other	Total
	Preferred Stock		Common Stock		Paid-in	Retained	Treasury	Comprehensive	Shareholders'
	Shares	Amount	Shares	Amount	Capital	Earnings	Stock	Income	Equity
Balance at February 29, 2024	-	\$ -	4,005,370	\$ 4	\$ 11,901	\$ 73,211	\$ (9,517)	\$ (2,969)	\$ 72,630
Net income						12,929			12,929
Unrealized currency translation adjustments								(168)	(168)
Repurchase of equity-based awards					(1,540)				(1,540)
Purchase of treasury stock							(491)		(491)
Dividends paid						(3,269)			(3,269)
Balance at November 30, 2024	<u>-</u>	<u>\$ -</u>	<u>4,005,370</u>	<u>\$ 4</u>	<u>\$ 10,361</u>	<u>\$ 82,871</u>	<u>\$ (10,008)</u>	<u>\$ (3,137)</u>	<u>\$ 80,091</u>