

Inscape Announces Fiscal Year 2019 Third Quarter Results

March 5, 2019: Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its third quarter financial results ended January 31, 2019. Sales in the third quarter of fiscal year 2019 were \$28.9 million, an increase of 29% compared to the same quarter of the prior year on a comparable basis when excluding prior year sales from an exited business unit. Including prior year sales from the exited business unit, sales were up 12% compared to the same quarter of the prior year.

Third Quarter Highlights:

- Sales of the base business (excluding sales from an exited business unit) increased by 29% for the third quarter of fiscal 2019 compared to the prior year
- This is the third quarter in a row of organic sales increase compared to the prior year excluding the impact of the exited business unit
- Bookings remain strong; however, timing of project shipments can have a significant impact on sales
- Gross profit for the third quarter of 28.5% is 1.5 percentage points higher compared to the prior year
- SG&A as a % of sales decreased to 25% due to higher sales volume and completion of several nonrecurring marketing initiatives
- Net income for the third quarter came in at \$1.3 million, comparable to the prior year

“We are pleased with our third quarter performance. It demonstrates our ability to grow our core business, profitably. We remain focussed on delivering improved results via differentiated products and reducing our costs throughout the supply chain.” said Brian Mirsky, CEO.

Inscape Corporation Summary of Consolidated Financial Results (Unaudited) (in thousands except EPS)

	Three Months Ended January 31			
	Fiscal 2019		Fiscal 2018	
Sales	\$	28,878	\$	25,906
Gross Profit		8,240		7,009
Selling, general & administrative expenses		7,219		7,266
Unrealized loss on foreign exchange		8		312
Unrealized gain on derivatives		(282)		(1,858)
Gain on sale of property, plant and equipment		-		-
Gain on sale of intangible		-		-
Investment income		(5)		(11)
Income before taxes	\$	1,300	\$	1,300
Income tax (recovery)		-		-
Net income	\$	1,300	\$	1,300
Basic and diluted income per share	\$	0.09	\$	0.09
Weighted average number of shares (in thousands)				
for basic EPS calculation		14,381		14,381
for diluted EPS calculation		14,382		14,405

Nine months Ended January 31
Fiscal 2019 **Fiscal 2018**

Sales	\$	71,954	\$	72,422
Gross Profit		20,292		20,267
Selling, general & administrative expenses		23,888		22,249
Unrealized (gain) loss on foreign exchange		(3)		650
Unrealized loss (gain) on derivatives		1,054		(4,375)
Gain on sale of property, plant and equipment		(32)		-
Gain on sale of intangible		(263)		-
Investment income		(26)		(53)
(Loss) income before taxes	\$	(4,326)	\$	1,796
Income tax (recovery)		-		-
Net (loss) income	\$	(4,326)	\$	1,796
Basic and diluted (loss) income per share	\$	(0.30)	\$	0.12
Weighted average number of shares (in thousands)				
for basic EPS calculation		14,381		14,381
for diluted EPS calculation		14,385		14,434

The third quarter of fiscal year 2019 ended with a net income of \$1.3 million or 9 cents per share, compared with a net income of \$1.3 million or 9 cents per share in the same quarter of last year. Net income of both quarters included certain unrealized, non-cash expenses and one-time items that have significant impact on the net income per GAAP. With the exclusion of these items, the third quarter of fiscal 2019 had an adjusted net income of \$1.1 million, compared with adjusted net loss of \$0.3 million in the same quarter of last year due to improvement in gross margin.

The nine month period of fiscal year 2019 ended with a net loss of \$4.3 million or 30 cents per share, compared with a net income of \$1.8 million or 12 cents per share for the same period of last year. Net income (loss) of both periods included certain unrealized, non-cash expenses and one-time items that have significant impact on the net income (loss) per GAAP. With the exclusion of these items, the nine month period of fiscal year 2019 had an adjusted net loss of \$3.5 million, compared with an adjusted net loss of \$1.4 million in the same period of the previous year. Incremental investments in sales and marketing initiatives contributed to the year-to-date loss.

Adjusted net income or loss is a non-GAAP measure, which does not have any standardized meaning prescribed by GAAP and is therefore unlikely to be comparable to similar measures presented by other issuers.

The following is a reconciliation of net income (loss) calculated in accordance with GAAP to the non-GAAP measure:

(in thousands)	Three Months Ended January 31	
	Fiscal 2019	Fiscal 2018
Net income before taxes	\$ 1,300	\$ 1,300
adjust non-operating or unusual items:		
Unrealized gain on derivatives	(282)	(1,858)
Unrealized loss on foreign exchange	8	312
Gain on sale of property, plant and equipment	-	-
Gain on sale of intangible	-	-
Stock based compensation	(55)	(129)
Severance obligation	84	89
Adjusted net income (loss) before taxes	\$ 1,055	\$ (286)

(in thousands)	Nine months Ended January 31	
	Fiscal 2019	Fiscal 2018
Net (loss) income before taxes	\$ (4,326)	\$ 1,796
adjust non-operating or unusual items:		
Unrealized loss (gain) on derivatives	1,054	(4,375)
Unrealized loss on foreign exchange	(3)	650
Gain on sale of property, plant and equipment	(32)	-
Gain on sale of intangible	(263)	-
Stock based compensation	(16)	(293)
Severance obligation	84	787
Adjusted net (loss) income before taxes	\$ (3,502)	\$ (1,435)

Gross profit as a percentage of sales for the third quarter of fiscal year 2019 at 28.5% was 1.5 percentage points higher than the same quarter of last year's gross profit of 27.0%. Despite a favourable product mix and improvements in supply chain efficiencies, the Walls business unit's gross margin was challenged.

For the nine month period of fiscal year 2019, gross profit as a percentage of sales of 28.2% was 0.2 percentage points higher than the same period of the previous year due to higher sales volume.

Selling, general and administrative expenses ("SG&A") in the third quarter of fiscal year 2019 were 25% of sales, compared to 28% in the same quarter of last year. Investments in incremental sales and marketing initiatives are substantially completed.

SG&A for the nine month period of fiscal year 2019 were 33.2% of sales, compared to 30.7% in the same period of the previous year. The current nine month period SG&A of \$23.9 million was \$1.6 million higher than the nine month period of last year, mainly due to incremental investments in marketing, sales coverage and supply chain initiatives.

At the end of the quarter, the company was debt-free and had cash, cash equivalents and short-term investments totaling \$2.9 million and an unused credit facility. Cash decline during the quarter was due to higher working capital investment necessary to fulfill the Company's increased bookings and delay in collections of \$2 million due to the US government shutdown.

Financial Statements

Financial statements are available from our [website](#) as of this press release.

Third Quarter Call Details

Inscape will host a conference call at 8:30 AM EST on Wednesday, March 6, 2019 to discuss the company's quarterly results. To participate, please call 1-877-256-5984 five minutes before the start time. A replay of the conference call will also be available from March 6, 2019 after 10:30 AM EST until 11:59 PM EST on April 5, 2019. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21916355).

Board Update

Frank Delfino left the Board effective January 31, 2019. "On behalf of the Board, I would like to thank Frank for his insights, particularly in the areas of sales, marketing and strategy and wish him all the best in his future endeavours," said Bart Bull, Chair.

Forward-looking Statements

Certain of the above statements are forward-looking statements that involve risks and uncertainties. Actual results could differ materially as a result of many factors including, but not limited to, further changes in market conditions and changes or delays in anticipated product demand. In addition, future results may also differ materially as a result of many factors, including: fluctuations in the company's operating results due to product demand arising from competitive and general economic and business conditions in North America; length of sales cycles; significant fluctuations in international exchange rates, particularly the U.S. dollar exchange rate; restrictions in access to the U.S. market; changes in the company's markets, including technology changes and competitive new product introductions; pricing pressures; dependence on key personnel; and other factors set forth in the company's Ontario Securities Commission reports and filings.

About Inscape

Since 1888, Inscape has been designing products and services that are focused on the future, so businesses can adapt and evolve without investing in their workspaces all over again. Our versatile portfolio includes systems furniture, storage, and walls – all of which are adaptable and built to last. Inscape's wide dealer network, showrooms in the United States and Canada, along with full service and support for all of our clients, enables us to stand out from the crowd. We make it simple. We make it smart. We make our clients wonder why they didn't choose us sooner.

For more information, visit www.myinscape.com

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