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Inscape Announces Fiscal 2020 First Quarter Results

September 12, 2019: Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its first quarter financial results ended July 31, 2019. Sales of the base business (excluding sales from an exited business unit) increased by 5% for the first quarter of fiscal 2020 compared to the prior year. This is the fifth consecutive quarter of year over year growth. Including sales from an exited business unit, sales in the first quarter of fiscal year 2020 were \$20.7 million, a decline of 2.6% compared to the same quarter of the prior year.

First Quarter Highlights:

- Furniture segment organic sales growth of 20% was comparable to the prior year
- Sales pipeline remains solid, driven by improved project win rate and new product development
- Gross profit for the first quarter of 27.9% is 200 basis points higher than the prior year quarter
- SG&A declined by \$0.8 million compared to the previous year quarter. Severance costs of \$0.2 million incurred during the quarter relate to cost reduction initiatives that are expected to reduce SG&A by \$2 million on an annual basis
- Adjusted EBITDA for the first quarter was (\$0.1) million, an improvement of \$1.9 million compared to the previous year

“We are encouraged by the strong customer response to our marketing and sales investments,” said Brian Mirsky, CEO. **“Our focus is on balancing sustained organic growth with significant improvement in our margins.”**

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

	Three Months Ended July 31	
	Fiscal 2020	Fiscal 2019
Sales	\$ 20,677	\$ 21,226
Gross Profit	5,778	5,492
Selling, general & administrative expenses	7,263	8,019
Unrealized (gain) loss on foreign exchange	31	316
Unrealized (gain) loss on derivatives	(848)	668
Loss (gain) on disposal of capital assets & intangibles	28	(295)
Investment income	(5)	(11)
Loss before taxes	\$ (691)	\$ (3,205)
Income tax expense	53	-
Net loss	\$ (744)	\$ (3,205)
Basic and diluted loss per share	\$ (0.05)	\$ (0.22)
Weighted average number of shares (in thousands) for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,381	14,381

The first quarter of fiscal year 2020 ended with a net loss of \$0.7 million or 5 cents per share, compared with a net loss of \$3.2 million or 22 cents per share in the same quarter of last year. Net loss for 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 first quarter of fiscal year 2020 had an adjusted net loss of \$1.0 million, compared with adjusted net loss of \$2.5 million in the same quarter of last year due to the exit of an unprofitable business unit and realized manufacturing efficiencies.

Adjusted net income or loss and adjusted EBITDA are 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 loss calculated in accordance with GAAP to the non-GAAP measure:

(in thousands)	Three Months Ended July 31	
	Fiscal 2020	Fiscal 2019
Net loss before taxes	\$ (691)	\$ (3,205)
adjust non-operating or unusual items:		
Unrealized (gain) loss on derivatives	(848)	668
Unrealized loss on foreign exchange	31	316
Loss (gain) on disposal of capital assets & intangibles	28	(295)
Stock based compensation	270	57
Severance obligation	235	-
Adjusted net loss before taxes	\$ (975)	\$ (2,459)
Depreciation & Amortization	840	488
Investment Income	(5)	(11)
Adjusted EBITDA	(140)	(1,982)

Gross profit as a percentage of sales for the first quarter of fiscal year 2020 at 27.9% was 200 basis points higher than the same quarter of last year's gross profit of 25.9%. Exit of an unprofitable business unit and improved manufacturing efficiencies in the Furniture business contributed to the gross profit increase.

Selling, general and administrative expenses ("SG&A") in the first quarter of fiscal year 2020 were 35.1% of sales, compared to 37.8% in the same quarter of last year. Prior year quarter included costs of an exited business unit and incremental investments in sales and marketing initiatives.

At the end of the quarter, the company was debt-free and had cash totaling \$3.0 million and an unused credit facility.

Financial Statements

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

First Quarter Call Details

Inscap will host a conference call at 8:30 AM EST on Friday, September 13, 2019 to discuss the company's quarterly results. To participate, please call 1-800-926-5171 five minutes before the start time. A replay of the conference call will also be available from September 13, 2019 after 10:30 AM EST until 11:59 PM EST on October 13, 2019. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21925015).

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, enable 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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