

## Inscape Announces Fiscal Year 2020 Second Quarter Results

**December 12, 2019:** Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its second quarter financial results ended October 31, 2019. Sales in the second quarter of fiscal year 2020 were \$23.3 million and adjusted EBITDA was \$1.0 million.

### Second Quarter Highlights:

- Second quarter sales were 7% higher than the same quarter of the previous year. This is the sixth consecutive quarter of year over year growth, excluding sales from an exited business unit
- Furniture sales for the second quarter are 32% higher than the previous year quarter
- Sales order pipeline remains solid.
- Gross profit for the second quarter increased to \$6.8 million compared to \$6.6 million in the previous year quarter
- SG&A declined by \$2.1 million compared to the previous year quarter due to completion of investment in sales and marketing initiatives in fiscal 2019 and cost reduction initiatives implemented in fiscal 2020. We continue to analyze opportunities to further reduce SG&A expenses.
- Adjusted EBITDA for the second quarter improved by \$2.6 million compared to the prior year

**“We are pleased with the results as it reinforces our commitment to deliver profitable growth. Our investments to grow the topline are starting to generate the return we expect,”** said Brian Mirsky, CEO. **“We remain focussed on sustaining our profitable growth performance.”**

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

	Three Months Ended October 31	
	Fiscal 2020	Fiscal 2019
<b>Sales</b>	\$ 23,322	\$ 21,850
Gross Profit	6,765	6,560
Selling, general & administrative expenses	6,507	8,650
Unrealized loss (gain) on foreign exchange	25	(327)
Unrealized (gain) loss on derivatives	(184)	668
Loss on disposal of capital assets & intangibles	24	-
Interest income	(2)	(10)
Income (loss) before taxes	\$ 395	\$ (2,421)
Income tax	3	-
Net income (loss)	\$ 392	\$ (2,421)
Basic and diluted income (loss) per share	\$ 0.03	\$ (0.17)
Weighted average number of shares (in thousands)		
for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,381	14,388

**Six Months Ended October 31**  
**Fiscal 2020** **Fiscal 2019**

<b>Sales</b>	<b>\$</b>	<b>43,999</b>	<b>\$</b>	<b>43,076</b>
Gross Profit		<b>12,543</b>		12,052
Selling, general & administrative expenses		<b>13,770</b>		16,669
Unrealized loss (gain) on foreign exchange		<b>56</b>		(11)
Unrealized (gain) loss on derivatives		<b>(1,032)</b>		1,336
Loss (gain) on disposal of capital assets & intangibles		<b>52</b>		(295)
Interest income		<b>(7)</b>		(21)
Loss before taxes	<b>\$</b>	<b>(296)</b>	<b>\$</b>	<b>(5,626)</b>
Income tax		<b>56</b>		-
Net loss	<b>\$</b>	<b>(352)</b>	<b>\$</b>	<b>(5,626)</b>
Basic and diluted loss per share	<b>\$</b>	<b>(0.02)</b>	<b>\$</b>	<b>(0.39)</b>
Weighted average number of shares (in thousands)				
for basic EPS calculation		<b>14,381</b>		14,381
for diluted EPS calculation		<b>14,381</b>		14,393

Fiscal 2020 quarterly and year to date net income improved significantly compared to the previous year.

The second quarter of fiscal year 2020 ended with net income of \$0.4 million or 3 cents per share, compared with a net loss of \$2.4 million or 17 cents per share in the same quarter of last year. Net income (loss) 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 second quarter of fiscal 2020 had an adjusted net income before taxes of \$0.2 million, compared with an adjusted net loss before taxes of \$2.1 million in the same quarter of last year. This represents an improvement in net income of \$2.3 million compared to the prior year driven by lower SG&A expenses.

The six month period of fiscal year 2020 ended with a net loss of \$0.4 million or 2 cents per share, compared with a net loss of \$5.6 million or 39 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 six month period of fiscal year 2020 had an adjusted net loss before taxes of \$1.4 million, compared with an adjusted net loss before taxes of \$4.6 million in the same period of the previous year. Exit of an unprofitable business unit, realized manufacturing efficiencies and lower SG&A expense contributed to the \$3.2 million improvement in net income.

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 income (loss) calculated in accordance with GAAP to the non-GAAP measure:

(in thousands)	Three Months Ended October 31	
	Fiscal 2020	Fiscal 2019
Net income (loss) before taxes	\$ 395	\$ (2,421)
adjust non-operating or unusual items:		
Unrealized (gain) loss on derivatives	(184)	668
Unrealized loss (gain) on foreign exchange	25	(327)
Loss on disposal of capital assets & intangibles	24	-
Stock based compensation	(80)	(18)
Severance obligation	(21)	-
Adjusted net income (loss) before taxes	\$ 159	\$ (2,098)
Depreciation & Amortization	847	499
Interest Income	(2)	(10)
Adjusted EBITDA	1,004	(1,609)

(in thousands)	Six Months Ended October 31	
	Fiscal 2020	Fiscal 2019
Net loss before taxes	\$ (296)	\$ (5,626)
adjust non-operating or unusual items:		
Unrealized (gain) loss on derivatives	(1,032)	1,336
Unrealized loss (gain) on foreign exchange	56	(11)
Loss (gain) on disposal of capital assets & intangibles	52	(295)
Stock based compensation	(350)	39
Severance obligation	214	-
Adjusted net loss before taxes	\$ (1,356)	\$ (4,557)
Depreciation & Amortization	1,687	987
Interest Income	(7)	(21)
Adjusted EBITDA	324	(3,591)

Gross profit as a percentage of sales for the second quarter of fiscal year 2020 at 29% was 100 basis points lower than the same quarter of the last year's gross profit of 30.0%. Manufacturing efficiencies realized were more than offset by unfavourable product mix and increase in sales discount.

For the six month period of fiscal year 2020 gross profit as a percentage of sales of 28.5%, was 50 basis points higher than the same period of the previous year. Exit of an unprofitable business unit and improved manufacturing efficiencies contributed to the gross profit increase.

Selling, general and administrative expenses ("SG&A") in the second quarter of fiscal year 2020 were 27.9% of sales, compared to 39.6% in the same quarter of last year. The dollar amount decreased by \$2.1 million compared to the same quarter of last year as the previous year included incremental investments in marketing, sales coverage and supply chain initiatives.

SG&A for the six month period of fiscal year 2020 were 31.3% of sales, compared to 38.7% in the same period of the previous year. The current six month period SG&A of \$13.8 million was \$2.9 million lower than the same period of last year, mainly due to incremental investments in marketing, sales coverage and supply chain initiatives, which were incurred in prior year and additional cost savings implemented in fiscal 2020.

At the end of the quarter, the company was debt-free and had cash totaling \$2.7 million.

### **Financial Statements**

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

### **Inscape announces the resignation of Aziz Hirji as Inscape, CFO**

Aziz Hirji has resigned as the Chief Financial Officer and Secretary of the Company effective January 10, 2020. Mr. Hirji has accepted a position with a privately held Pharmaceutical Company.

“We wish to thank Aziz for his commitment and guidance since he joined us in November, 2016” commented Brian Mirsky, CEO of Inscape.

The Company will immediately start a search for his replacement.

### **Second Quarter Call Details**

Inscape will host a conference call at 8:30 AM EST on Friday, December 13, 2019 to discuss the company’s quarterly results. To participate, please call 1-800-920-4316 five minutes before the start time. A replay of the conference call will also be available from December 13, 2019 after 10:30 AM EST until 11:59 PM EST on January 13, 2020. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21934709).

### **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](http://www.myinscape.com)

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