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Inscape Announces Fiscal Year 2019 Fourth Quarter Results

June 27, 2019: Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its fourth quarter financial results ended April 30, 2019. Sales in the fourth quarter of fiscal year 2019 were \$18.6 million, an increase of 7.7% 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 down 13.4% compared to the same quarter of the prior year. Sales for fiscal year 2019 were 9.2% higher than the prior year sales excluding an exited business unit.

Fourth Quarter Summary:

- Sales of the base business (excluding sales from an exited business unit) increased by 7.7% for the fourth quarter of fiscal 2019 compared to the prior year. This is the fourth quarter in a row of organic sales increase compared to the prior year excluding the impact of the exited business unit
- Furniture business unit posted strong performance in terms of topline growth and gross margin expansion
- New product sales in the fourth quarter exceeded our expectations
- Gross profit for the fourth quarter of 22% is 0.8 percentage points lower compared to the prior year due to the under performance of the Walls business unit which is currently being addressed
- SG&A declined by \$0.5 million compared to the previous year quarter
- Net loss for the fourth quarter was \$4.4 million, comparable to the previous year
- Cash balance ended at \$3.3 million with no debt

“Fiscal Year 2019 represented a transition year in our three year Growth Plan. While we are pleased with our top line growth and the response to our marketing investments, we are now focussed on margin expansion initiatives.” said Brian Mirsky, CEO. **“We believe we have the right initiatives in place to achieve strong profitable growth.”**

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

	Three Months Ended April 30	
	Fiscal 2019	Fiscal 2018
Sales	\$ 18,629	\$ 21,514
Gross Profit	4,090	4,896
Selling, general & administrative expenses	7,879	8,374
Unrealized gain on foreign exchange	(78)	(287)
Unrealized loss on derivatives	692	1,809
Loss on disposal of capital assets & intangibles	1	217
Investment income	(4)	(12)
Loss before taxes	\$ (4,400)	\$ (5,205)
Income tax (recovery)	20	(417)
Net loss	\$ (4,420)	\$ (4,788)
Basic and diluted loss per share	\$ (0.31)	\$ (0.33)

Weighted average number of shares (in thousands)		
for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,381	14,381

	Twelve months Ended April 30	
	Fiscal 2019	Fiscal 2018
Sales	\$ 90,583	\$ 93,936
Gross Profit	24,382	25,163
Selling, general & administrative expenses	31,767	30,623
Unrealized (gain) loss on foreign exchange	(81)	363
Unrealized loss (gain) on derivatives	1,746	(2,566)
(Gain) loss on disposal of capital assets & intangibles	(294)	217
Investment income	(30)	(65)
Loss before taxes	\$ (8,726)	\$ (3,409)
Income tax (recovery)	20	(417)
Loss	\$ (8,746)	\$ (2,992)
Basic and diluted loss per share	\$ (0.61)	\$ (0.21)
Weighted average number of shares (in thousands)		
for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,381	14,381

The fourth quarter of fiscal year 2019 ended with a net loss of \$4.4 million or 31 cents per share, compared with a net loss of \$4.8 million or 33 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 fourth quarter of fiscal year 2019 had an adjusted net loss of \$3.3 million, compared with adjusted net loss of \$3.7 million in the same quarter of last year due to lower sales volume.

The twelve month period of fiscal year 2019 ended with a net loss of \$8.7 million or 61 cents per share, compared with a net loss of \$3.0 million or 21 cents per share for the same period of last year. Net 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 twelve month period of fiscal year 2019 had an adjusted net loss of \$6.9 million, compared with an adjusted net loss of \$5.1 million in the same period of the previous year. Incremental investments in sales and marketing initiatives contributed to the year-to-date loss in 2019.

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

(in thousands)	Three Months Ended April 30	
	Fiscal 2019	Fiscal 2018
Loss before taxes	\$ (4,400)	\$ (5,205)
adjust non-operating or unusual items:		
Unrealized loss on derivatives	692	1,809
Unrealized gain on foreign exchange	(78)	(287)
Decrease in fair value of short-term investments	-	20
Loss on disposal of capital assets & intangibles	1	217
Stock based compensation	272	(342)
Severance obligation	164	113
Adjusted net loss before taxes	\$ (3,349)	\$ (3,675)
(in thousands)	Twelve months Ended April 30	
	Fiscal 2019	Fiscal 2018
Loss before taxes	\$ (8,726)	\$ (3,409)
adjust non-operating or unusual items:		
Unrealized loss (gain) on derivatives	1,746	(2,566)
Unrealized (gain) loss on foreign exchange	(81)	363
Decrease in fair value of short-term investments	-	20
(Gain) loss on disposal of capital assets & intangibles	(294)	217
Stock based compensation	256	(635)
Severance obligation	248	905
Adjusted net loss before taxes	\$ (6,851)	\$ (5,105)

Gross profit as a percentage of sales for the fourth quarter of fiscal year 2019 at 22.0% was 0.8 percentage points lower than the same quarter of last year's gross profit of 22.8%. Lower sales and an underperforming Walls business contributed to the gross profit decline.

For the twelve month period of fiscal year 2019, gross profit as a percentage of sales of 26.9% was 0.1 percentage points higher than the same period of the previous year. Manufacturing efficiency gains were offset by higher costs incurred in the Walls business unit.

Selling, general and administrative expenses ("SG&A") in the fourth quarter of fiscal year 2019 were 42.3% of sales, compared to 38.9% in the same quarter of last year. Lower sales and incremental investments in sales and marketing initiatives resulted in the higher SG&A spend as a percent of sales.

SG&A for the twelve month period of fiscal year 2019 were 35.1% of sales, compared to 32.6% in the same period of the previous year. The current twelve month period SG&A of \$31.8 million was \$1.2 million higher than the twelve month period of last year, mainly due to incremental investments in marketing and sales coverage initiatives.

At the end of the quarter, the company was debt-free and had cash, cash equivalents and short-term investments totaling \$3.3 million and an unused credit facility.

Financial Statements

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

Fourth Quarter Call Details

Inscape will host a conference call at 8:30 AM EST on Friday, June 28, 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 June 28, 2019 after 10:30 AM EST until 11:59 PM EST on July 28, 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, 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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