



## Inscope Announces First Quarter Financial Results

HOLLAND LANDING, Ontario, Sept. 10, 2020 -- Inscope (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its results of operations for the first quarter ended July 31, 2020.

“First Quarter Fiscal Year 2021 results are encouraging given the challenges the Company is facing during the COVID-19 pandemic,” said Eric Ehgoetz, CEO. “While sales declines were anticipated, management has continued to aggressively manage working capital and maintain cash levels consistent with the prior quarter in order to allow the Company the necessary flexibility to execute the actions required to adapt to the current environment. While the Company continues to see weakness in its Systems and Storage divisions, we note a strengthening of demand in the Walls division, which is not unexpected given trends for reduced density and defined space in office environments going forward.”

Total sales for the first quarter of fiscal 2021 were \$11.4 million compared to \$20.7 million for the same period of fiscal 2020. Net profit for the first quarter of fiscal 2021 was \$3.4 million or \$0.24 per diluted share, compared to net loss of \$0.7 million or negative \$0.05 per diluted share. Non-GAAP adjusted EBITDA for the first quarter was negative \$0.2 million, compared to negative \$0.7 million, for fiscal 2020.

### First Quarter Financial Highlights

(All comparisons are relative to the three-month period ended July 31, 2019 unless otherwise stated):

- Adjusted EBITDA of (\$0.2) million, compared to adjusted EBITDA of (\$0.7) million
- Net income before taxes of \$3.4 million compared to net loss before taxes of \$0.7 million. This quarter's results were positively impacted by other income from government grants of \$2.7 million and significant unrealized gain on derivatives of \$2.2 million, partially offset by \$0.3 million of foreign exchange loss.
- Total sales of \$11.4 million, a decrease of 45.0%
- Gross margin of 30.2%, with gross profit down by \$2.3 million, versus gross margin of 27.9%.
- SG&A expenses of \$4.7 million, a decrease of \$2.6 million versus \$7.3 million.
- Inventory of \$4.7 million, a decrease of \$2.5 million, versus \$7.2 million the prior year
- At July 31, 2020, Inscope had \$6.0 million in cash with additional borrowing capacity of \$2.9 million

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

	Three Months Ended July 31,	
	2020	2019
<b>Sales</b>	<b>\$ 11,370</b>	<b>\$ 20,677</b>
Gross profit	3,430	5,778
Selling, general & administrative expenses	4,645	7,263
Unrealized loss on foreign exchange	334	31
Unrealized gain on derivatives	(2,738)	(848)
Loss on disposal of capital assets & intangibles	-	28
Investment income	-	(5)
Other income – government grant	(2,193)	-
Income (loss) before taxes	<b>\$ 3,382</b>	<b>\$ (691)</b>
Income taxes	2	53
Net income (loss)	<b>\$ 3,380</b>	<b>\$ (744)</b>
Basic and diluted income (loss) per share	<b>\$ 0.24</b>	<b>\$ (0.05)</b>
Weighted average number of shares (in thousands)		
for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,381	14,381

Sales in the first quarter were 45.0% lower than the same quarter of last year. The decline in the first quarter is primarily due to the economic impact of the COVID-19 pandemic which resulted in shutdown of many cities and states in the United States, which account for approximately 90% of the Company's sales.

Adjusted net income (loss) and adjusted EBITDA are non-GAAP measures, which do not have any standardized meaning

prescribed by GAAP and are 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 adjusted net loss before taxes, the non-GAAP measure:

(in thousands)	Three Months Ended July 31,	
	2020	2019
Net income (loss) before taxes	\$ 3,382	\$ (691)
Adjust non-operating or unusual items:		
Unrealized gain on derivatives, net	\$ (2,738)	\$ (848)
Unrealized loss on foreign exchange	\$ 334	\$ 31
Loss on disposal of PP&E and intangibles	\$ -	\$ 28
Other income – government grant	\$ (2,193)	\$ -
Stockbased compensation	\$ (9)	\$ (270)
Severance obligation	\$ 27	\$ 235
Adjusted net loss before taxes	\$ (1,197)	\$ (1,515)

The following is a reconciliation of net income (loss) before taxes calculated in accordance with GAAP to EBITDA and adjusted EBITDA, the non-GAAP measures:

(in thousands)	Three Months Ended July 31,	
	2020	2019
Net income (loss) before taxes	\$ 3,382	\$ (691)
Interest	\$ -	\$ (5)
Depreciation	\$ 479	\$ 523
Amortization	\$ 533	\$ 317
EBITDA	\$ 4,394	\$ 144
Adjust non-operating or unusual items:		
Unrealized gain on derivatives	\$ (2,738)	\$ (848)
Unrealized loss on foreign exchange	\$ 334	\$ 31
Loss on disposal of PP&E and intangibles	\$ -	\$ 28
Other income – government grant	\$ (2,193)	\$ -
Stockbased compensation	\$ (9)	\$ (270)
Severance obligation	\$ 27	\$ 235
Adjusted EBITDA	\$ (185)	\$ (680)

The first quarter gross profit as a percentage of sales of 30.2% was 2.3 percentage points higher than the same quarter of last year, largely due to favourable product mix, improvements in quality expenses and cost efficiencies in the Walls business segment.

The current quarter's SG&A of \$4.7 million was \$2.6 million lower than the same quarter of last year. This is attributable to management's initiatives to manage costs during the pandemic and certain workforce actions, including headcount reductions, workshare initiatives and salary reductions previously announced, in addition to lower selling and marketing expenses. Going forward, the Company will continue its efforts to further identify ways to streamline costs without negatively impacting our ability to sell product, and service our customers. Furthermore, we are also looking across our asset base in order to effectively maximize both shareholder and stakeholder value.

At the end of the quarter, the Company had cash totaling \$6.0 million, no debt and an unused credit facility with borrowing availability of \$2.9 million based on the credit terms.

### Financial Statements

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

### First Quarter Call Details

Inscope will host a conference call at 8:30 AM EST on Friday, September 11, 2020 to discuss the Company's quarterly results. To participate, please call 1-800-769-7315 about 10 - 15 minutes before the start time. A replay of the conference call will also be available from September 14, 2020 after 10:30 AM EST until 11:59 PM EST on October 14, 2020. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21966843).

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

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