

Inscape Announces Fiscal Year 2018 First Quarter Results

September 7, 2017: Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its first quarter financial results ended July 31, 2017. Sales in the first quarter of fiscal year 2018 was \$23.3 million which was 1.1% lower than the same quarter of the previous year, however gross profit improved by two percentage points in the same time period.

“Despite flat sales growth, we are pleased with the first quarter results,” said Brian Mirsky, CEO. “We saw improvement in our gross margin which has been our focus over the past year. This margin improvement has allowed us to accelerate investment in our growth initiatives to better compete in the marketplace. These initiatives include product development, marketing support and expanded sales coverage.”

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

	Three Months Ended July 31		Change
	Fiscal 2018	Fiscal 2017	
Sales	\$ 23,307	\$ 23,569	-1.1%
Gross profit	7,193	6,852	5.0%
Selling, general & administrative expenses	7,804	6,925	12.7%
Unrealized (gain) loss on foreign exchange	457	(166)	
Unrealized (gain) loss on derivatives	(4,103)	1,641	
Investment income	(23)	(22)	
Income (loss) before taxes	3,058	(1,526)	
Income taxes	-	-	
Net income (loss)	\$ 3,058	\$ (1,526)	
Basic and diluted income (loss) per share	\$ 0.21	\$ (0.11)	
Weighted average number of shares (in thousands)			
for basic EPS calculation	14,381	14,381	
for diluted EPS calculation	14,446	14,591	

The first quarter of fiscal year 2018 ended with a net income of \$3.1 million or 21 cents per share, compared with a net loss of \$1.5 million or 11 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 first quarter of fiscal 2018 had an adjusted net loss of \$0.4 million, compared with adjusted net income of \$0.2 million in the same quarter of last year.

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

(in thousands)	Three Months Ended July 31	
	Fiscal 2018	Fiscal 2017
NET INCOME (LOSS)	\$ 3,058	\$ (1,526)
adjust non-operating or unusual items		
Unrealized (gain) loss on derivatives	(4,103)	1,641
Unrealized (gain) loss on foreign exchange	457	(166)
(Increase) Decrease in fair value of short-term investments	-	(31)
Stock based compensation	(267)	24
Severance obligation	440	241
ADJUSTED NET (LOSS) INCOME	\$ (415)	\$ 183

Despite lower volume, gross profit as a percentage of sales for the first quarter of fiscal year 2018 at 30.9% was 1.8 percentage points higher than last year's 29.1%. The unfavourable impact of lower volume was more than offset by lower production costs of favourable product mix and higher U.S. exchange during the quarter.

Selling, general and administrative expenses ("SG&A") in the first quarter of fiscal year 2018 were 33.5% of sales, compared to 29.4% in the same quarter of last year. The dollar amount incurred was \$0.9 million higher than the same quarter of last year. The increase includes investment in marketing, sales coverage and supply chain initiatives.

The first quarter of fiscal year 2018 had a net income of \$3.1 million, compared to a net loss of \$1.5 million in the same quarter of last year. With exclusion of unrealized and unusual items, the adjusted net loss of the current quarter was \$0.4 million, compared with adjusted net income of \$0.2 million in the same quarter of last year. Improvement in gross margin was more than offset by higher SG&A costs.

At the previous fiscal year ended April 30, 2017, the Company recorded a valuation allowance of \$6.4 million to derecognize the future income tax benefit of loss carryforwards as deferred tax assets. The off-balance sheet valuation allowance was utilized to reduce the Company's income tax expense of the current quarter.

At the end of the quarter, the company was debt-free and had cash, cash equivalents and short-term investments totaling \$9.8 million and an unused credit facility.

Financial Statements

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

First Quarter Call Details

Inscape will host a conference call at 8:30 AM EDT on Friday, September 8, 2017 to discuss the company's quarterly results. To participate, please call 1-800-926-7431 five minutes before the start time. A replay of the conference call will also be available from September 8, 2017 after 10:30 AM EDT until 11:59 PM EDT on September 15, 2017. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21856729).

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

Inscape is a design enabler. We have been saying yes since 1888 with a versatile portfolio of systems, storage, and walls products that are adaptable, and always built to last. With a wide dealer network, showrooms in both Canada and the U.S., and full service and support for all of our clients, our philosophy is to always do what we can to say Yes.

For more information, visit www.inscapesolutions.com.

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