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## Inscape Announces FY 2018 Third Quarter Results

### Reports solid sales growth in Q3

**March 6, 2018:** Inscape (TSX: INQ) today announced its third quarter financial results ended January 31, 2018. **Sales in the third quarter of fiscal year 2018 were \$25.9 million, 11.9% higher than the same quarter of the previous year.**

“We are pleased with our performance this quarter,” said **Brian Mirsky, CEO**. “Despite unfavorable foreign exchange compared to the prior year, and increased investments in marketing, sales and product development, our net income was positive and our cash balance remains strong. We are continuing to invest to drive Inscape’s organic sales growth and improve manufacturing efficiencies.”

### Financial Results

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

	Three Months January 31		Change
	Fiscal 2018	Fiscal 2017	
Sales	<b>\$25,906</b>	\$ 23,161	11.9%
Gross profit	<b>7,009</b>	7,018	-0.1%
Selling, general & administrative expenses	<b>7,266</b>	6,814	6.6%
Unrealized (gain) loss on foreign exchange	<b>312</b>	211	
Unrealized (gain) loss on derivatives	<b>(1,858)</b>	(1,790)	
Investment income	<b>(11)</b>	(63)	
Income (loss) before taxes	<b>1,300</b>	1,846	
Income taxes	-	-	
Net income (loss)	<b>\$ 1,300</b>	\$ 1,846	
Basic and diluted income (loss) per share	<b>\$ 0.09</b>	\$ 0.13	
Weighted average number of shares (in thousands)			
for basic EPS calculation	<b>14,381</b>	14,381	
for diluted EPS calculation	<b>14,406</b>	14,570	

	<b>Nine Months Ended January 31</b>		
	<b>Fiscal 2018</b>	Fiscal 2017	Change
Sales	<b>\$72,422</b>	\$ 74,272	-2.5%
Gross profit	<b>20,267</b>	22,985	-11.8%
Selling, general & administrative expenses	<b>22,249</b>	20,340	9.4%
Unrealized (gain) loss on foreign exchange	<b>650</b>	(150)	
Unrealized (gain) loss on derivatives	<b>(4,375)</b>	986	
Investment income	<b>(53)</b>	(106)	
Income (loss) before taxes	<b>1,796</b>	1,915	
Income taxes	-	-	
Net income (loss)	<b>\$ 1,796</b>	\$ 1,915	
Basic and diluted income (loss) per share	<b>\$ 0.12</b>	\$ 0.13	
Weighted average number of shares (in thousands)			
for basic EPS calculation	<b>14,381</b>	14,381	
for diluted EPS calculation	<b>14,434</b>	14,531	

The third quarter of fiscal year 2018 ended with a net income of \$1.3 million or 9 cents per share, compared with a net income of \$1.8 million or 13 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 third quarter of fiscal 2018 had an adjusted net income of \$0.1 million, compared with adjusted net income of \$2.5 million in the same quarter of last year. The adjusted net income of \$0.1 million in the quarter is inclusive of a \$1.5 million incremental investment in sales, marketing and product development.

On a year-to-date basis, the nine month period had a net income of \$1.8 million, compared to a net income of \$1.9 million a year ago. The current year-to-date period included certain unrealized and non-cash expense and severance obligations, which were considered as unusual operating expenses. With the exclusion of these unusual items, the year-to-date third quarter had an adjusted net loss of \$1.4 million compared to adjusted net income of \$4.9 million in the prior period. The adjusted year-to-date net loss of \$1.4 million is inclusive of \$4 million incremental investment in sales, marketing and product development.

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 January 31	
	Fiscal 2018	Fiscal 2017
NET INCOME (LOSS)	\$ 1,300	\$ 1,846
adjust non-operating or unusual items		
Unrealized (gain) loss on derivatives	(1,858)	(1,790)
Unrealized (gain) loss on foreign exchange	312	211
(Increase) Decrease in fair value of short-term investments	-	(69)
Stock based compensation	(26)	2,063
Severance obligation	347	227
ADJUSTED NET (LOSS) INCOME	\$ 75	\$ 2,488

(in thousands)	Nine Months Ended January 31	
	Fiscal 2018	Fiscal 2017
NET INCOME (LOSS)	\$ 1,796	\$ 1,915
adjust non-operating or unusual items		
Unrealized (gain) loss on derivatives	(4,375)	986
Unrealized (gain) loss on foreign exchange	650	(150)
(Increase) Decrease in fair value of short-term investments	-	(118)
Stock based compensation	(293)	2,063
Severance obligation	787	233
ADJUSTED NET (LOSS) INCOME	\$ (1,435)	\$ 4,929

Sales in the third quarter of fiscal year 2018 were \$2.7 million or 11.9% higher than the same quarter of the previous year. Excluding the impact foreign exchange, third quarter sales were 21% higher than the prior year quarter due to gains realized in both the furniture and walls segments.

Year-to-date sales declined by \$1.9 million or -2.5% compared to the prior year. YTD sales are 1% higher than the prior year if we normalize foreign exchange. The previous year benefitted from two large non-recurring projects totaling \$5 million which implies the run rate sales have improved.

Gross profit as a percentage of sales for the third quarter of fiscal year 2018 was 27.1%, a decline from 30.3% from the same quarter of the previous year. Unfavorable foreign exchange and lower product mix negatively impacted gross profit.

Year-to-date gross profit percentage was 28.0% compared to last year's 30.9% due to the same factors as described in the quarter.

Selling, general and administrative expenses ("SG&A") in the third quarter of fiscal year 2018 were 28.0% of sales, compared to 29.4% in the same quarter of last year. The increase in SGA by \$0.5 million compared to the prior year was mainly due to severance costs and investment in marketing, sales coverage and supply chain initiatives.

Year-to-date SG&A was 30.7% of sales, compared to 27.4% for the same period of last year. The dollar amount increased by \$1.9 million due to severance costs and investments in marketing, sales coverage and supply chain initiatives.

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 period.

At the end of the quarter, the company was debt-free and had cash, cash equivalents and short-term investments totaling \$9.3 million and an unused credit facility.

### **Board of Directors Update**

After 5 decades with the company, **Madan Bhayana** has decided to retire as Chair and Director effective March 6, 2018. "I have enjoyed my time working with the company and am grateful for the help and support from the board over the years. I wish the board and the company all the best for the future," said Madan.

**Bart Bull** will assume the role of Chair of the Inscape board effective March 7, 2018. Bart has over 25 years of experience with Inscape, including roles in management, as an investor and as a board member. "On behalf of the board, I would like to thank Mo for the vision, dedication and energy that he has brought to Inscape for over five decades," said Bart. "We wish him all the best in his retirement."

**Tania Bortolotto** joined the Inscape Board of Directors effective March 6, 2018. Tania is an architect and interior designer, and founder and president of Bortolotto Design, recently named on Blog TO's list of top 15 Architects in Toronto. A design advocate, Tania lends her time to numerous design panels, juries and speaking engagements. Tania's passion for architecture is grounded in its ability to uplift the human experience through design. Tania has recently become a WELL AP and is an active WELL Faculty member.

### **Third Quarter Call Details**

Inscape will host a conference call at 8:30 AM EST on Wednesday, March 7, 2018 to discuss the company's quarterly results. To participate, please call 1-800-705-7067 (Reservation Number 21881450) five minutes before the start time. A replay of the conference call will also be available from March 7, 2018 after 10:30 AM EST until 11:59 PM EST on March 14, 2018. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21881450).

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

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