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Inscape Announces Fiscal year 2018 Fourth Quarter and Annual Results

June 26, 2018: Inscape (TSX: INQ) today announced its fourth quarter and annual financial results ended April 30, 2018. **Sales in the fourth quarter of fiscal year 2018 were \$21.5 million, or 2% higher than the same quarter of the previous year. The fourth quarter net loss was \$4.8 million compared to a net loss of \$2.1 million in the prior year.**

“Inscape’s fourth quarter and full year performance reflect our commitment to building a strong foundation for future growth. Three key factors – exiting an unprofitable business, initiating a capacity utilization restructuring and investing in top line growth initiatives place us in a strong position for profitable growth in 2019.” said **Brian Mirsky, CEO**. “Even with these investments, our cash balance of \$9.0 million remains strong.”

Financial Results

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

	Three Months Ended April 30	
	Fiscal 2018	Fiscal 2017
Sales	\$ 21,519	\$ 21,023
Gross profit	4,898	5,564
Selling, general & administrative expenses	8,589	5,992
Unrealized (gain) on foreign exchange	(287)	(255)
Unrealized loss on derivatives	1,809	1,937
Investment income	(12)	(23)
Loss before taxes	(5,201)	(2,087)
Income tax (recovery)	(417)	-
Net loss	\$ (4,784)	\$ (2,087)
Basic and diluted loss per share	\$ (0.33)	\$ (0.15)
Weighted average number of shares (in thousands)		
for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,385	14,588

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

	Twelve Months Ended April 30	
	Fiscal 2018	Fiscal 2017
Sales	\$ 93,936	\$ 95,295
Gross profit	25,163	28,549
Selling, general & administrative expenses	30,840	26,332
Unrealized (gain) on foreign exchange	363	(405)
Unrealized (gain) loss on derivatives	(2,566)	2,923
Investment income	(65)	(129)
Loss before taxes	(3,409)	(172)
Income tax (recovery)	(417)	-
Net loss	\$ (2,992)	\$ (172)
Basic and diluted loss per share	\$ (0.21)	\$ (0.01)
Weighted average number of shares (in thousands)		
for basic EPS calculation	14,381	14,381
for diluted EPS calculation	14,429	14,536

The fourth quarter of fiscal year 2018 ended with a net loss of \$4.8 million or 33 cents per share, compared with a net loss of \$2.1 million or 15 cents per share in the same quarter of last year. Net loss of both quarters included certain unrealized, non-cash expenses and one-time items that have significant impact on the net loss per GAAP. With the exclusion of these items, the fourth quarter of fiscal 2018 had an adjusted net loss of \$3.5 million, compared with adjusted net income of \$1.4 million in the same quarter of last year. The adjusted net loss of \$3.5 million in the quarter is inclusive of \$1.2 million of incremental investment in sales, marketing and product development. The quarter also included costs to exit an unprofitable business unit.

On a year-to-date basis, the twelve month period had a net loss of \$3.0 million, compared to a net loss of \$0.2 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 had an adjusted net loss of \$4.9 million compared to adjusted net income of \$4.0 million in the prior period. The adjusted year-to-date net loss of \$4.9 million is inclusive of \$2.7 million in incremental investment in sales, marketing and product development and losses attributable to the business unit.

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

GAAP and Non-GAAP Net (loss) income Reconciliation

(in thousands)	Three Months Ended April 30	
	Fiscal 2018	Fiscal 2017
Net loss	\$ (4,784)	\$ (2,087)
adjust non-operating or unusual items		
Unrealized loss (gain) on derivatives	1,809	1,937
Unrealized (gain) loss on foreign exchange	(287)	(255)
Decrease (Increase) in fair value of short-term investments	20	(32)
Stock based compensation	(342)	1,556
Severance obligation	106	291
Adjusted net (loss) income	\$ (3,478)	\$ 1,410

(in thousands)	Twelve Months Ended April 30	
	Fiscal 2018	Fiscal 2017
Net loss	\$ (2,992)	\$ (172)
adjust non-operating or unusual items		
Unrealized (gain) loss on derivatives	(2,566)	2,923
Unrealized loss (gain) on foreign exchange	363	(405)
Decrease (Increase) in fair value of short-term investments	20	(150)
Stock based compensation	(635)	1,556
Severance obligation	893	297
Adjusted net (loss) income	\$ (4,917)	\$ 4,049

Sales in the fourth quarter of fiscal year 2018 were \$0.5 million or 2.4% higher than the same quarter of the previous year. Increase in fourth quarter sales were led by strong Walls sales compared to the previous year.

Year-to-date sales declined by \$1.3 million or 1.4% compared to the prior year. The previous year benefitted from two large non-recurring projects totaling \$5 million which if normalized would result in a year over year sales growth of 4%.

Gross profit as a percentage of sales for the fourth quarter of fiscal year 2018 was 22.8%, a decline from 26.5% from the same quarter of the previous year. Unfavorable product mix and non recurring costs negatively impacted gross profit.

Year-to-date gross profit percentage was 26.8% compared to last year's 30.0% due to the same factors as described in the quarter.

Selling, general and administrative expenses ("SG&A") in the fourth quarter of fiscal year 2018 were 40.0% of sales, compared to 28.6% in the same quarter of last year. The increase in

SG&A of \$2.6 million was mainly due to costs associated with the unprofitable business unit, severance and investments in marketing, sales coverage and supply chain initiatives.

Year-to-date SG&A was 32.8% of sales, compared to 27.6% last year. The dollar amount increased by \$4.5 million for the same reasons as the quarter.

At the end of the quarter, the company was debt-free and had cash, cash equivalents and short-term investments totaling \$9.0 million and an unused credit facility.

Fourth Quarter Call Details

Brian Mirsky, Chief Executive Officer and Aziz Hirji, Chief Financial Officer will host a teleconference call on Wednesday, June 27, 2018 at 8:30 AM EST to briefly review the results and respond to any questions. To participate, please call 1-800-272-9104 five minutes before the start time of 8:30 AM EST. A taped rebroadcast will be available from June 28, 2018 after 10:30 AM EST until 11:59 PM EST on July 4, 2018. To access the rebroadcast, please dial 1-800-558-5253. (Reservation Number 21890399).

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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