



67 Toll Road
Holland Landing, ON, L9N 1H2
T 905 836 7676
inscapesolutions.com

Inscape Announces Fiscal Year 2019 First Quarter Results

September 12, 2018: Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its first quarter financial results ended July 31, 2018. Sales in the first quarter of fiscal year 2019 was \$21.2 million which was 9% lower than the same quarter of the prior year. As previously reported, Inscape was working towards exiting a partnership with a leading retailer. The transition was completed on June 30, 2018 and the company has refocused its resources to its core business. Excluding the impact of the non profitable business unit, sales in the current quarter would have been 6% lower than the prior year.

“Our financial performance reflects incremental investments and cost saving initiatives consistent with our strategic plan to deliver profitable long term growth. Current quarter sales were impacted by the exit of a non profitable business unit and timing of shipments. Gross profit in the current quarter was impacted by incremental costs of \$0.6 million for new product development and supply chain efficiency initiatives. The efficiency improvements are expected to generate in excess of \$1.5 million in annual cost savings. The Company has identified and is evaluating additional cost saving opportunities to be implemented in fiscal 2019.” said Brian Mirsky, CEO. “We strongly believe that these investments are critical to accelerating profitable growth. Early indications are that these initiatives are working as our sales orders for our core business and orders for our new benching system called RockIt are trending upwards.”

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

		Three Months Ended July 31	
		Fiscal 2018	Fiscal 2017
Sales	\$	21,226	\$ 23,307
Gross Profit		5,492	7,193
Selling, general & administrative expenses		8,019	7,804
Unrealized loss on foreign exchange		316	457
Unrealized loss (gain) on derivatives		668	(4,103)
Gain on sale of property, plant and equipment		(32)	-
Gain on sale of intangible		(263)	-
Investment income		(11)	(23)
(Loss) income before taxes	\$	(3,205)	\$ 3,058
Income tax (recovery)		-	-
Net (loss) income	\$	(3,205)	\$ 3,058
Basic and diluted (loss) income per share	\$	(0.22)	\$ 0.21
Weighted average number of shares (in thousands)			
for basic EPS calculation		14,381	14,381
for diluted EPS calculation		14,392	14,446

The first quarter of fiscal year 2019 ended with a loss of \$3.2 million or 22 cents per share, compared with a net income of \$3.1 million or 21 cents per share in the same quarter of last year. Net income (loss) 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 2019 had an adjusted net loss of \$2.5 million, compared with adjusted net loss of \$0.4 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 (loss) calculated in accordance with GAAP to the non-GAAP measure:

(in thousands)	Three Months Ended July 31	
	2018	2017
Net (loss) income before taxes	\$ (3,205)	\$ 3,058
adjust non-operating or unusual items:		
Unrealized loss (gain) on derivatives	668	(4,103)
Unrealized loss on foreign exchange	316	457
Gain on sale of property, plant and equipment	(32)	-
Gain on sale of intangible	(263)	-
Stock based compensation	57	(267)
Severance obligation	-	440
Adjusted net (loss) income before taxes	\$ (2,459)	\$ (415)

Gross profit as a percentage of sales for the first quarter of fiscal year 2019 at 25.9% was 5 percentage points lower than last year's 30.9%. The unfavourable impact of lower volume, sales mix and costs incurred to improve manufacturing efficiencies negatively impacted the margin for the quarter.

Selling, general and administrative expenses ("SG&A") in the first quarter of fiscal year 2019 were 37.8% of sales, compared to 33.5% in the same quarter of last year. The dollar amount increased by \$0.2 million compared to the same quarter of last year. The increase includes 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 \$6.0 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 EST on Thursday, September 13, 2018 to discuss the company's quarterly results. To participate, please call 1-888-221-6261 five minutes before the start time. A replay of the conference call will also be available from September 13, 2018 after 10:30 AM EST until 11:59 PM EST on September 20, 2018. To access the rebroadcast, please dial 1-800-558-5253 (Reservation Number 21894371).

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.

Contact

Aziz Hirji, CPA, CA
Chief Financial Officer
Inscape

T 905 836 7676 x 3351
ahirji@inscapesolutions.com