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## Inscape Announces Fiscal Year 2019 Second Quarter Results

**December 13, 2018:** Inscape (TSX: INQ), a leading designer and manufacturer of furnishings for the workplace, today announced its second quarter financial results ended October 31, 2018. Sales in the second quarter of fiscal year 2019 were \$21.9 million, an increase of 6% compared to the same quarter of the prior year on a comparable basis when excluding prior year sales from an exited unprofitable business. Including sales from the exited business unit, sales were down 6% compared to the same quarter of the prior year.

### Second Quarter Highlights:

- Sales of the base business (excluding sales from an unprofitable business) increased by 6% for the second quarter of fiscal 2019 compared to the prior year
- Second half of fiscal 2019 bookings have increased by 12% compared to the prior year
- Gross margin for the second quarter improved to 30%, 4 points higher compared to the first quarter of fiscal 2019 driven by favourable product mix and increase in capacity utilization
- SG&A as a % of sales increased to 39.5% driven by one time investments in marketing initiatives and the impact of exiting unprofitable business totalling \$1.3 million which are not expected to recur. Excluding these investments, second quarter SG&A would have been 33.6% of sales
- Cost saving initiatives of \$1.5 million on an annualized basis have been completed thereby lowering manufacturing fixed costs. These are not yet fully reflected in the current quarter results.

“We are encouraged with the second quarter organic sales growth and margin expansion compared to the previous year. Our financial performance reflects our focussed approach to creating value via growth in our differentiated products and reducing our manufacturing costs,” said Brian Mirsky, CEO.

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

		Three Months Ended October 31	
		Fiscal 2019	Fiscal 2018
<b>Sales</b>	<b>\$</b>	<b>21,850</b>	<b>\$ 23,209</b>
Gross Profit		<b>6,560</b>	6,065
Selling, general & administrative expenses		<b>8,650</b>	7,179
Unrealized (gain) loss on foreign exchange		<b>(327)</b>	(119)
Unrealized loss on derivatives		<b>668</b>	1,586
Gain on sale of property, plant and equipment		-	-
Gain on sale of intangible		-	-
Investment income		<b>(10)</b>	(19)
(Loss) income before taxes	<b>\$</b>	<b>(2,421)</b>	<b>\$ (2,562)</b>
Income tax (recovery)		-	-
Net (loss) income	<b>\$</b>	<b>(2,421)</b>	<b>\$ (2,562)</b>



(in thousands)	Three Months Ended October 31	
	Fiscal 2019	Fiscal 2018
Net (loss) income before taxes	\$ (2,421)	\$ (2,562)
adjust non-operating or unusual items:		
Unrealized loss (gain) on derivatives	668	1,586
Unrealized (gain) loss on foreign exchange	(327)	(119)
Gain on sale of property, plant and equipment	-	-
Gain on sale of intangible	-	-
Stock based compensation	(18)	103
Severance obligation	-	258
Adjusted net (loss) income before taxes	\$ (2,098)	\$ (734)

(in thousands)	Six Months Ended October 31	
	Fiscal 2019	Fiscal 2018
Net (loss) income before taxes	\$ (5,626)	\$ 496
adjust non-operating or unusual items:		
Unrealized loss (gain) on derivatives	1,336	(2,517)
Unrealized loss on foreign exchange	(11)	338
Gain on sale of property, plant and equipment	(32)	-
Gain on sale of intangible	(263)	-
Stock based compensation	17	(164)
Severance obligation	-	698
Adjusted net (loss) income before taxes	\$ (4,579)	\$ (1,149)

Gross profit as a percentage of sales for the second quarter of fiscal year 2019 at 30.0% was 3.9 points higher than the same quarter of the last year's gross profit of 26.1%. Favourable product mix and exit of an unprofitable business unit improved margins.

For the six month period of fiscal year 2019 gross profit as a percentage of sales of 27.9% or 0.6 points lower than the same period of the previous year. Unfavourable product mix and costs to improve supply chain efficiencies incurred during the first quarter of fiscal 2019 contributed to the decline.

Selling, general and administrative expenses ("SG&A") in the second quarter of fiscal year 2019 were 39.6% of sales, compared to 30.9% in the same quarter of last year. The dollar amount increased by \$1.5 million compared to the same quarter of last year due to incremental investments in marketing, sales coverage and supply chain initiatives.

SG&A for the six month period of fiscal year 2019 were 38.7% of sales, compared to 32.2% in the same period of the previous year. The current six month period SG&A of \$16.7 million was \$1.7 million higher than the six month period of last year, mainly due to incremental investments in marketing, sales coverage and supply chain initiatives.

At the end of the quarter, the company was debt-free and had cash, cash equivalents and short-term investments totaling \$4.7 million and an unused credit facility. Cash decline during the quarter was due to higher working capital investment necessary to fulfill the Company's increased bookings during the quarter.

## Financial Statements

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

### **Second Quarter Call Details**

Inscape will host a conference call at 8:30 AM EST on Friday, December 14, 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 December 14, 2018 after 10:30 AM EST until 11:59 PM EST on January 13, 2019. 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**

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

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