



SPAR Group Announces Financial Results for the Fourth Quarter and Year Ended December 31, 2016

April 17, 2017

WHITE PLAINS, N.Y., April 17, 2017 (GLOBE NEWSWIRE) -- SPAR Group, Inc. (Nasdaq:SGRP), a leading supplier of retail merchandising and other marketing services throughout the United States and internationally, today announced financial results for the fourth quarter and year ended December 31, 2016.

Highlights for the three and twelve month periods ended December 31, 2016, as compared to the same periods in the prior year include:

- In September 2016, the Company acquired two operating companies in Brazil which contributed \$9.8 million and \$11.7 million in revenue for the three and twelve month periods ended December 31, 2016, respectively.
- Revenue for the fourth quarter of 2016 increased \$12.3 million or 38 percent to \$44.5 million. The Brazil acquisition contributed \$9.8 million and domestic operations contributed \$1.8 million of the year over year revenue.
- Net income attributable to SPAR Group for the fourth quarter of 2016 was \$87,000, or \$0.00 per diluted share, compared to \$1.0 million, or \$0.05 per diluted share, during the fourth quarter of 2015.
- Revenue for the fiscal year 2016 increased \$15 million or 13 percent to \$134.3 million. The Brazil acquisition contributed \$11.7 million of the increase.
- Net income attributable to SPAR Group for the fiscal year 2016 was \$173,000, or \$0.01 per diluted share, compared to net income of \$892,000, or \$0.04 per diluted share for the fiscal year 2015.

Financial Results by Geography (in 000's)

	Three Months Ended December 31,		%	Twelve Months Ended December 31,		%
Revenue:	2016	2015	Change	2016	2015	Change
International	\$ 31,832	\$ 21,448	48%	\$ 89,345	\$ 75,667	18%
Domestic	12,711	10,828	17%	44,979	43,612	3%
Total	\$ 44,543	\$ 32,276	38%	\$ 134,324	\$ 119,279	13%

Net Income attributable to SPAR Group, Inc.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
International	\$ 67	\$ 877	\$ 110	\$ 505
Domestic	20	151	63	387
Total	\$ 87	\$ 1,028	\$ 173	\$ 892

Earnings Per Share:

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Basic	\$ 0.00	\$ 0.05	\$ 0.01	\$ 0.04
Diluted:	\$ 0.00	\$ 0.05	\$ 0.01	\$ 0.04

"Our financial performance during 2016 was mixed with solid top-line growth offset by a decrease in profitability. Lower levels of profitability reflect the increase in less profitable project work in our domestic operations, as well as investments we are making to establish operations in Brazil and build a foundation for growth in South America," commented Chief Executive Officer, Scott Popaditch. "Upon arriving at SPAR last year, it was clear that we needed to turn our attention first to making improvements to our domestic operations and generating new sales. After a thorough review of our operations and implementing new key performance indicators, we have developed and begun implementing several strategic initiatives to improve and produce more consistent operational and financial performance from our domestic operations. We have also hired a new Senior Vice President of Sales & Marketing and we have implemented a plan to grow our retailer footprint along with aggressively driving new revenue. While these changes and investment will take time, I believe we have a lot of untapped opportunities and I am optimistic we will begin to see meaningful change by the end of 2017."

Margin Profile by Geography

Gross Margin:

	Three Months Ended December 31,		Basis	Twelve Months Ended December 31,		Basis
	2016	2015	Point	2016	2015	Point
			Change			Change
International	18.4%	23.4%	(503)	19.2%	20.7%	(156)
Domestic	25.3%	31.8%	(651)	27.6%	31.1%	(353)
Total	20.4%	26.2%	(587)	22.0%	24.5%	(254)

Operating Expenses as a % of Sales:

	Three Months Ended December 31		Basis	Twelve Months Ended December 31,		Basis
	2016	2015	Point	2016	2015	Point
			Change			Change
International	16.0%	14.7%	131	16.6%	17.2%	(57)
Domestic	24.8%	29.0%	(425)	27.7%	29.7%	(202)
Total	18.5%	19.5%	(99)	20.4%	21.8%	(144)

International gross profit margin for the fourth quarter of 2016 was 18.4% compared to 23.4% for the same period last year. The gross margin change relative to the prior period was primarily due to a mix of higher cost business in Brazil, South Africa, Mexico and India, partially offset by a mix of lower cost business in Japan and Canada. International gross profit margin for the fiscal year 2016 was 19.2% compared to 20.7% for the prior year.

Domestic gross profit margin for the three months ended December 31, 2016 was 25.3% compared to 31.8% for the same period in 2015. The decrease in gross profit margin was primarily due to an unfavorable mix of project work compared to the same period last year. Domestic gross profit margin for the fiscal year 2016 was 27.6% compared to 31.1% for the prior year.

International operating income for fourth quarter of 2016 was \$759,000, a 59 percent decrease compared to \$1.9 million during the same period in 2015. The decline in international operating profit in the fourth quarter was due primarily to declining gross profit margins and due diligence and startup expenses related to the Brazil acquisition. Total year international operating income was \$2.3 million, a 15 percent decrease from \$2.7 million in the prior year.

Domestic operating income for the fourth quarter of 2016 was \$65,000, versus \$301,000 during the fourth quarter of 2015. For the fiscal year 2016, domestic operating loss was \$53,000, compared to an operating income of \$609,000 during the same period last year. The decline in domestic operating income for 2016 was a direct result of declining gross profit margins partially offset by spending reductions compared to the same period last year.

Balance Sheet as of December 31, 2016

As of December 31, 2016, cash and cash equivalents totaled \$7.3 million. Working capital was \$10.6 million and current ratio was 1.3 to 1. Total current assets and total assets were \$42.8 million and \$57.2 million, respectively. Current liabilities and total liabilities were each \$32.2 million and total equity was \$25.1 million as of December 31, 2016.

Recorded Comments Available

Following the issuance of this release, the Company will provide recorded comments that can be accessed on the SPAR Group website under the "Investor Relations" section. <http://www.sparinc.com>.

About SPAR Group

SPAR Group, Inc. is a diversified international merchandising and marketing services Company and provides a broad array of services worldwide to help companies improve their sales, operating efficiency and profits at retail locations. The Company provides merchandising and other marketing services to manufacturers, distributors and retailers worldwide, primarily in mass merchandiser, office supply, grocery, drug, dollar, independent, convenience, toy, home improvement and electronics stores, as well as providing furniture and other product assembly services, audit services, in-store events, technology services and marketing research. The Company has supplied these project and product services in the United States since certain of its predecessors were formed in 1979 and internationally since the Company acquired its first international subsidiary in Japan in May 2001. Product services include restocking and adding new products, removing spoiled or outdated products, resetting categories "on the shelf" in accordance with client or store schematics, confirming and replacing shelf tags, setting new sale or promotional product displays and advertising, replenishing kiosks, demonstrating or promoting a product, providing in-store event staffing services and providing assembly services in stores, homes and offices. Audit services include price audits, point of sale audits, out of stock audits, intercept surveys and planogram audits. Other merchandising services include whole store or departmental product sets or resets (including new store openings), new product launches, in-store demonstrations, special seasonal or promotional merchandising, focused product support and product recalls. The Company currently does business in 10 countries that encompass approximately 50% of the total world population through its operations in the United States, Australia, Brazil, Canada, China, India, Japan, Mexico, South Africa and Turkey. For more information, please visit the SPAR Group's website at <http://www.sparinc.com>.

Forward-Looking Statements

This Press Release contains and the above referenced recorded comments will contain "forward-looking statements" made by SPAR Group, Inc. ("SGRP", and together with its subsidiaries, the "SPAR Group" or the "Company"), will be filed shortly in a Current Report on Form 8-K by SGRP with the Securities and Exchange Commission (the "SEC"). There also are "forward looking statements" contained in SGRP's Annual Report on Form 10-K for the year ended December 31, 2016 (the "Annual Report"), which will be filed shortly by SGRP with the SEC, SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on or about May 18, 2017 (the "Proxy Statement"), which SGRP expects to file with the SEC on or about April 28, 2017, and SGRP's Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and statements as and when filed with the SEC (including the Annual Report and the Proxy Statement, each a "SEC Report"). "Forward-looking statements" are defined in Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and other applicable federal and state securities laws, rules and regulations, as amended (together with the Securities Act and Exchange Act, collectively, "Securities Laws").

The forward-looking statements made by the Company in this Press Release may include (without limitation) any expectations, guidance or other information respecting the pursuit or achievement of the Company's corporate strategic objectives (growth, customer value, employee development, greater productivity &

efficiency, and earnings per share), building upon the Company's strong foundation, leveraging compatible global opportunities, growing the Company's client base and contacts, continuing to strengthen the Company's balance sheet, growing revenues and improving profitability through organic growth, new business developments and strategic acquisitions, and continuing to control costs. The Company's forward-looking statements also include, in particular and without limitation, those made in "Business", "Risk Factors", "Legal Proceedings", and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report. You can identify forward-looking statements in such information by the Company's use of terms such as "may", "will", "expect", "intend", "believe", "estimate", "anticipate", "continue", "plan", "project" or similar words or variations or negatives of those words.

You should carefully consider (and not place undue reliance on) the Company's forward-looking statements, risk factors and the other risks, cautions and information made, contained or noted in or incorporated by reference into this Press Release, the Annual Report, the Proxy Statement and the other applicable SEC Reports that could cause the Company's actual performance or condition (including its assets, business, clients, capital, cash flow, credit, expenses, financial condition, income, liabilities, liquidity, locations, marketing, operations, performance, prospects, sales, strategies, taxation or other achievement, results, risks, trends or condition) to differ materially from the performance or condition planned, intended, anticipated, estimated or otherwise expected by the Company (collectively, "expectations") and described in the information in the Company's forward-looking and other statements, whether express or implied. Although the Company believes them to be reasonable, those expectations involve known and unknown risks, uncertainties and other unpredictable factors (many of which are beyond the Company's control) that could cause those expectations to fail to occur or be realized or such actual performance or condition to be materially and adversely different from the Company's expectations. In addition, new risks and uncertainties arise from time to time, and it is impossible for the Company to predict these matters or how they may arise or affect the Company. Accordingly, the Company cannot assure you that its expectations will be achieved in whole or in part, that the Company has identified all potential risks, or that the Company can successfully avoid or mitigate such risks in whole or in part, any of which could be significant and materially adverse to the Company and the value of your investment in SGRP's Common Stock.

You should carefully review the risk factors described in the Annual Report (See Item 1A - Risk Factors) and any other risks, cautions or information made, contained or noted in or incorporated by reference into the Annual Report, the Proxy Statement or other applicable SEC Report. All forward-looking and other statements or information attributable to the Company or persons acting on its behalf are expressly subject to and qualified by all such risk factors and other risks, cautions and information.

The Company does not intend or promise, and the Company expressly disclaims any obligation, to publicly update or revise any forward-looking statements, risk factors or other risks, cautions or information (in whole or in part), whether as a result of new information, risks or uncertainties, future events or recognition or otherwise, except as and to the extent required by applicable law.

SPAR Group, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive (Loss) Income
(In thousands, except share and per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2016	2015	2016	2015
Net revenues	\$ 44,543	\$ 32,276	\$ 134,324	\$ 119,279
Cost of revenues	35,473	23,808	104,781	90,015
Gross profit	9,070	8,468	29,543	29,264
Selling, general and administrative expenses	7,605	5,805	25,241	24,094
Depreciation and amortization	641	491	2,100	1,905
Operating income	824	2,172	2,202	3,265
Interest expense	22	27	133	214
Other expense (income), net	55	(175)	(128)	(243)
Income before income tax expense	747	2,320	2,197	3,294
Income tax expense	241	385	441	819
Net income	506	1,935	1,756	2,475
Net income attributable to non-controlling interest	(419)	(907)	(1,583)	(1,583)
Net income attributable to SPAR Group, Inc.	\$ 87	\$ 1,028	\$ 173	\$ 892
Basic income per common share:	\$ 0.00	\$ 0.05	\$ 0.01	\$ 0.04
Diluted income per common share:	\$ 0.00	\$ 0.05	\$ 0.01	\$ 0.04
Weighted average common shares - basic	20,641	20,551	20,595	20,559
Weighted average common shares - diluted	21,348	21,546	21,309	21,573
Net income	\$ 506	\$ 1,935	\$ 1,756	\$ 2,475

Other comprehensive (loss) income:				
Foreign currency translation adjustments	<u>(631)</u>	100	<u>(1,126)</u>	<u>(1,313)</u>
Comprehensive (loss) income	<u>(125)</u>	2,035	<u>630</u>	<u>1,162</u>
Comprehensive income attributable to non-controlling interest	<u>(419)</u>	(907)	<u>(1,583)</u>	<u>(1,583)</u>
Comprehensive (loss) income attributable to SPAR Group, Inc.	<u>\$ (544)</u>	\$ 1,128	<u>\$ (953)</u>	<u>\$ (421)</u>

SPAR Group, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share data)

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,324	\$ 5,718
Accounts receivable, net	33,669	23,203
Deferred tax	471	529
Prepaid expenses and other current assets	<u>1,299</u>	<u>661</u>
Total current assets	42,763	30,111
Property and equipment, net	2,536	2,443
Goodwill	1,847	1,800
Intangibles	2,340	2,551
Deferred income taxes	6,612	5,890
Other assets	<u>1,142</u>	<u>611</u>
Total assets	<u>\$ 57,240</u>	<u>\$ 43,406</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 5,567	\$ 2,984
Accrued expenses and other current liabilities	9,766	4,814
Due to affiliates	3,349	2,346
Current deferred tax liability	2,389	2,154
Customer deposits	1,305	503
Lines of credit and short-term loans	<u>9,778</u>	<u>476</u>
Total current liabilities	32,154	13,277
Other long-term liabilities	<u>4</u>	<u>5,731</u>
Total liabilities	32,158	19,008
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares- 2,445,598		
Issued and outstanding shares-		
None - December 31, 2016 and		
None - December 31, 2015	-	-
Common stock, \$.01 par value:		
Authorized shares - 47,000,000		
Issued shares -		
20,680,717 - December 31, 2016 and		
December 31, 2015	207	207
Treasury stock, at cost		

37,877 shares - December 31, 2016 and 119,695 shares - December 31, 2015	(51)	(169)
Additional paid-in capital	16,093	15,871
Accumulated other comprehensive loss	(3,995)	(2,869)
Retained earnings	5,835	5,662
Total SPAR Group, Inc. equity	<u>18,089</u>	<u>18,702</u>
Non-controlling interest	<u>6,993</u>	<u>5,696</u>
Total equity	<u>25,082</u>	<u>24,398</u>
Total liabilities and equity	<u>\$ 57,240</u>	<u>\$ 43,406</u>

Company Contact:
James R. Segreto
Chief Financial Officer
SPAR Group, Inc.
(914) 332-4100
Investor Contact:
Dave Mossberg
Three Part Advisors
(817) 310-0051

[Primary Logo](#)

Source: SPAR Group

News Provided by Acquire Media