



SPAR Group Announces Financial Results for the Third Quarter Ended September 30, 2017

November 14, 2017

WHITE PLAINS, N.Y., Nov. 14, 2017 (GLOBE NEWSWIRE) -- SPAR Group, Inc. (Nasdaq:SGRP), a leading supplier of retail merchandising, business technology and other marketing services in 10 countries throughout North America, Latin America, Asia Pacific and Africa, today announced financial results for the third quarter ended September 30, 2017.

Highlights for the three and nine month periods ended September 30, 2017, as compared to the same periods in the prior year include:

- Revenue for the third quarter of 2017 increased \$15.3 million, or 45.8 percent, to \$48.8 million. International operations contributed \$11.6 million of the increase, primarily driven by its 2016 acquisition of Brazil, which contributed \$9.3 million. Domestic operations contributed \$3.7 million of the year-over-year revenue growth.
- Revenue for the nine month period ending September 30, 2017 increased \$41.6 million, or 46.3 percent, to \$131.4 million. The growth in revenue was directly attributable to international operations, \$33.8 million (primarily due to Brazil, \$27.4 million). Domestic operations contributed \$7.8 million in revenue growth year over year.
- Operating income for the third quarter increased \$398,000, or 92.6%, to \$828,000, compared to \$430,000 for the same period last year.
- Operating income for the nine month period ended September 30, 2017 increased \$908,000, or 66%, to \$2.3 million, compared to \$1.4 million for the same period in 2016.
- Net income attributable to SPAR Group for the third quarter of 2017 was \$246,000, or \$0.01 per diluted share, compared to a net loss of (\$58,000), or (\$0.00) per diluted share, during the third quarter of 2016.
- Net income attributable to SPAR Group for the nine months ended September 30, 2017 was \$346,000, or \$0.02 per diluted share, compared to a net income of \$84,000 or \$0.00 per diluted share, for the same period in 2016.

Financial Results by Geography (in 000's)

Revenue:	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2017	2016		2017	2016	
International	\$ 33,690	\$ 22,106	52.4%	\$ 91,292	\$ 57,513	58.7%
Domestic	15,062	11,332	32.9%	40,069	32,268	24.2%
Total	\$ 48,752	\$ 33,438	45.8%	\$ 131,361	\$ 89,781	46.3%

Net Income (loss):	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
International	\$ 3	\$ (66)	\$ (186)	\$ 43
Domestic	243	8	532	41
Total	\$ 246	\$ (58)	\$ 346	\$ 84

Earnings Per Basic and Diluted share:

	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00
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Commenting on third quarter results Chief Executive Officer, Christiaan Olivier said, "Since taking on the role as CEO a little more than two months ago, I am very encouraged by what I've seen. SPAR has a great foundation and multiple opportunities to enhance growth, profitability and shareholder value. During this past quarter, the Company delivered significant top-line growth, as well as improved profitability. Our domestic business was ahead of plan for the quarter, primarily due to significant project work from new and existing customers that were looking to position themselves well-ahead of the holiday season. The incremental contribution from the acquisition in Brazil, combined with double-digit organic growth inside Brazil, as well as strong performance across nearly all our international markets led to 52% growth in our international business. While gross margin performance was under pressure from a mix shift in our domestic operations and continued investment in Brazil, we delivered significant improvement in dollar terms at both the gross profit and net income lines."

"Accelerated timing of project work in the third quarter and difficult comparisons to strong fourth quarter performance last year, may make quarterly comparisons in our domestic business difficult during the fourth quarter. Nevertheless, we are on track to deliver solid improvement during the second half of 2017."

Margin Profile by Geography

Gross Margin:

Three Months Ended September 30,	Basis Point	Nine Months Ended September 30,	Basis Point
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	<u>2017</u>		<u>2016</u>	<u>Change</u>		<u>2017</u>		<u>2016</u>	<u>Change</u>
International	15.6%		19.3%	(374)		16.7%		19.6%	(293)
Domestic	23.5%		26.5%	(300)		26.4%		28.5%	(211)
Total	18.0%		21.8%	(373)		19.6%		22.8%	(316)

Operating Income as a % of Sales:

	<u>Three Months Ended September 30,</u>		<u>Basis</u>	<u>Nine Months Ended September 30,</u>		<u>Basis</u>
	<u>2017</u>	<u>2016</u>	<u>Point</u>	<u>2017</u>	<u>2016</u>	<u>Point</u>
			<u>Change</u>			<u>Change</u>
International	1.4%	2.8%	(240)	1.7%	2.6%	(206)
Domestic	2.3%	(1.6)%	(690)	1.8%	(0.4)%	(423)
Total	1.7%	1.3%	(414)	1.7%	1.5%	(337)

The decrease in international gross margin relative to the prior periods was primarily due to a mix of higher cost, dedicated business in Brazil, while other international subsidiaries remained constant with prior period margins.

The decrease in domestic gross profit margin was primarily due to an increase in lower margin project work compared to the same periods last year.

Operating income for the three and nine month periods ended September 30, 2017 increased 92.6% and 66.0% to \$828,000 and \$2.3 million, from \$430,000 and \$1.4 million, respectively, compared to the same periods in 2016. The increase in operating income was primarily driven by the growth in revenue in both domestic and international operations.

Balance Sheet as of September 30, 2017

At September 30, 2017, cash and cash equivalents totaled \$7.7 million. Working capital was \$12.9 million and current ratio was 1.4 to 1. Total current assets and total assets were \$46.1 million and \$58.6 million, respectively. Total liabilities were \$33.2 million and total equity was \$25.3 million at September 30, 2017.

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 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 was filed by SGRP with the SEC on April 17, 2017, and SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on May 18, 2017 (the "Proxy Statement"), which SGRP filed with the SEC on 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues	\$ 48,752	\$ 33,438	\$ 131,361	\$ 89,781
Cost of revenues	39,960	26,162	105,563	69,309
Gross profit	8,792	7,276	25,798	20,472
Selling, general and administrative expenses	7,477	6,360	21,988	17,637
Depreciation and amortization	487	486	1,526	1,459
Operating income	828	430	2,284	1,376
Interest expense	110	51	117	111
Other (income), net	(78)	(78)	(275)	(183)
Income before income tax expense	796	457	2,442	1,448
Income tax expense	210	(31)	907	200
Net income	586	488	1,535	1,248
Net income attributable to non-controlling interest	(340)	(546)	(1,189)	(1,164)
Net income (loss) attributable to SPAR Group, Inc.	\$ 246	\$ (58)	\$ 346	\$ 84
Basic net income per common share:	\$ 0.01	\$ 0.00	\$ 0.02	\$ 0.00

Diluted net income per common share:	\$	0.01	\$	0.00	\$	0.02	\$	0.00
Weighted average common shares – basic		20,602		20,607		20,633		20,580
Weighted average common shares – diluted		21,320		20,607		21,331		21,299
Net income	\$	586	\$	488	\$	1,535	\$	1,248
Other comprehensive income (loss):								
Foreign currency translation adjustments		(61)		206		681		(495)
Comprehensive income		525		694		2,216		753
Comprehensive (income) attributable to non-controlling interest		(318)		(651)		(1,523)		(807)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$	207	\$	43	\$	693	\$	(54)

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

	September 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,662	\$ 7,324
Accounts receivable, net	36,824	33,669
Prepaid expenses and other current assets	1,629	1,299
Total current assets	46,115	42,292
Property and equipment, net	2,551	2,536
Goodwill	1,841	1,847
Intangible assets, net	1,900	2,340
Deferred income taxes	4,468	4,694
Other assets	1,683	1,142
Total assets	\$ 58,558	\$ 54,851
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 7,783	\$ 5,567
Accrued expenses and other current liabilities	13,598	9,766
Due to affiliates	4,008	3,349
Customer incentives and deposits	1,587	1,305
Lines of credit and short-term loans	6,222	9,778
Total current liabilities	33,198	29,765
Long-term debt and other liabilities	33	4
Total liabilities	33,231	29,769
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares– 2,445,598		
Issued and outstanding shares–		
None – September 30, 2017, and December 31, 2016	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued shares –		
20,680,717 – September 30, 2017, and December 31, 2016	207	207
Treasury stock, at cost		
115,123 shares – September 30, 2017, and		
37,877 shares – December 31, 2016	(127)	(51)
Additional paid-in capital	16,234	16,093
Accumulated other comprehensive loss	(2,060)	(2,407)
Retained earnings	6,246	5,835
Total SPAR Group, Inc. equity	20,500	19,677

Non-controlling interest	<u>4,827</u>	<u>5,405</u>
Total equity	<u>25,327</u>	<u>25,082</u>
Total liabilities and equity	<u>\$ 58,558</u>	<u>\$ 54,851</u>

Source: SPAR Group