



SPAR Group Reports Results for the Fourth Quarter and Twelve Months Ended December 31, 2020

March 31, 2021

~ 4Q Earnings per Share Increased 425%
~ 4Q Domestic Revenue Increased 11.9%
~ Full Year Net Income Increased 39.2% to \$3.4 Million

AUBURN HILLS, Mich., March 31, 2021 (GLOBE NEWSWIRE) -- SPAR Group, Inc. (NASDAQ: SGRP) today reported financial results for its fourth quarter and fiscal year ended December 31, 2020.

"I am pleased by our fourth quarter and full year financial performance, highlighted by our strong increase in net income, improved expense leverage and growth in domestic revenue," stated Mike Matacunas, President and Chief Executive Officer. "In addition, the continued expansion of our Great Openings business, growth of our South Africa, Mexico and India businesses during an unprecedented pandemic and the focus of our entire organization on the performance, safety and well-being of our employees and clients, has provided us a solid platform for the new year."

Fourth Quarter Results

Consolidated net revenue was \$59.4 million compared to \$61.1 million in the prior year's fourth quarter, a decrease of 2.8%. Domestic net revenue increased 11.9%, while international net revenue decreased 8.7%. Excluding the effect of foreign currency exchange, international revenue would have increased by 1.9%.

Gross Profit was \$11.5 million compared to \$12.0 million in the prior year's fourth quarter. Gross margin was 19.4% versus 19.7% in the prior year's quarter. The primary factors affecting the 30-basis point decrease in gross profit were related to wage pressure, an increased mix of lower margin project work domestically, and lower sales levels internationally.

Selling, General and Administrative expenses were 13.6% of revenue versus 16.8% in the prior year's fourth quarter. This 320-basis point improvement in selling, general and administrative expenses was the result of efforts to reduce operational expenses and discretionary spending, as well as temporarily delaying non-essential investments.

Operating Income improved 148% to \$2.9 million compared to \$1.2 million in the prior year's fourth quarter, and operating margin was 4.9% compared to 1.9% in the prior year's fourth quarter.

Net Income attributable to SPAR Group improved \$2.6 million to \$2.0 million, when compared to a net loss of \$(0.6) million in the prior year's quarter. Earnings per share improved to \$0.10, compared to a net loss of \$(0.03) in the prior year's quarter.

Full Year Results

Consolidated net revenue was \$230.5 million compared to \$252.9 million in the prior year, a decrease of 8.8%. Domestic net revenue increased 1.5% while international net revenue decreased 14.7%. Excluding the effect of foreign currency exchange, international revenue would have decreased by 1.9%.

Gross Profit was \$45.2 million compared to \$49.3 million in the prior year. Gross margin was 19.6%, relatively unchanged versus the prior year, as domestic wage pressure and revenue mix shift were offset by improvement in international gross margin.

Selling, General and Administrative expenses decreased 3.5 million year over year and were 14.5% of revenue, relatively unchanged versus 14.6% in the prior year. The decrease in costs was driven by disciplined expense management to offset the decrease in revenue.

Operating Income was \$9.7 million compared to \$10.2 million in the prior year and operating margin was 4.2%, compared to 4.0% in the prior year.

Net Income attributable to SPAR Group increased 39.2% to \$3.4 million, compared to \$2.4 million in the prior year. Earnings per diluted share increased to \$0.16 per share compared to \$0.11 per share in the prior year.

Company Outlook

Due to expectations of continued volatility and uncertainty related to the COVID-19 pandemic and other macroeconomic factors, the Company is not issuing revenue and earnings guidance at this time.

For 2021, the Company plans to continue to focus on growth of the core business, expanding internationally, innovating with technology and introducing new services.

"Our teams across the globe worked incredibly hard during a unique and challenging environment throughout 2020. I could not be more proud of their unwavering commitment to clients, service and results," Matacunas concluded. "Looking forward, we believe our 40+ years of experience, 25,000+ merchandising specialists, 200,000+ weekly store visits and long-term relationships with some of the world's leading manufacturers and retail businesses, separates us from the competition and positions us to continue to create value for each of our stakeholders – clients, employees, partners and shareholders."

Financial Results by Geography (in 000's, except per share data)

Revenue:	Three Months Ended December 31,		% Change	Twelve Months Ended December 31,		% Change
	2020	2019		2020	2019	
International	\$ 39,695	\$ 43,476	(8.7%)	\$ 138,399	\$ 162,156	(14.7%)
Domestic	19,664	17,577	11.9%	92,118	90,720	1.5%
Total	\$ 59,359	\$ 61,053	(2.8%)	\$ 230,517	\$ 252,876	(8.8%)

Operating Income/(Loss):	Three Months Ended December 31,		% Change	Twelve Months Ended December 31,		% Change
	2020	2019		2020	2019	
International	\$ 2,987	\$ 3,000	(0.4%)	\$ 7,846	\$ 7,381	6.3%
Domestic	(50)	(1,815)	97.2%	,876	2,810	(33.2%)
Total	\$ 2,937	\$ 1,185	147.8%	\$ 9,722	\$ 10,191	(4.6%)

Net income (loss):	Three Months Ended December 31,		% Change	Twelve Months Ended December 31,		% Change
	2020	2019		2020	2019	
International	\$ 1,801	\$ 904	99.1%	\$ 3,167	\$ 1,761	78.8%
Domestic	227	(1,528)	114.9%	201	658	(69.4%)
Total	\$ 2,028	\$ (624)	425.4%	\$ 3,367	\$ 2,419	39.2%

Earnings Per Diluted Share:	2020	2019	2020	2019
	\$ 0.10	\$ (0.03)	\$ 0.16	\$ 0.11

Margin Profile by Geography

Gross Margin:	Three Months Ended December 31,		Basis Point Change	Twelve Months Ended December 31,		Basis Point Change
	2020	2019		2020	2019	
International	20.2%	20.2%	-	18.4%	17.2%	120
Domestic	17.8%	18.6%	(80)	21.5%	23.5%	(200)
Total	19.4%	19.7%	(30)	19.6%	19.5%	10

Opr. Income as a % of Sales	Three Months Ended December 31,		Basis Point Change	Twelve Months Ended December 31,		Basis Point Change
	2020	2019		2020	2019	
International	7.5%	6.9%	60	5.7%	4.6%	110
Domestic	(0.3%)	(10.3%)	1000	2.0%	3.1%	(110)
Total	4.9%	1.9%	300	4.2%	4.0%	20

Balance Sheet as of December 31, 2020

At December 31, 2020, cash and cash equivalents totaled \$16.0 million. Working capital was \$25.8 million and current ratio was 1.6 to 1. Total current assets and total assets were \$66.5 million and \$84 million, respectively. Total liabilities were \$45.4 million and total equity was \$38.6 million at December 31, 2020.

About SPAR Group

SPAR Group is a leading global merchandising and marketing services company, providing a broad range of services to retailers, manufacturers and distributors around the world. With more than 40+ years of experience, 20,000+ merchandising specialists around the world, an average 200,000+ store visits a week and long-term relationships with some of the world's leading manufacturers and retail businesses, we provide specialized capabilities across more than 10 countries. Our unique combination of scale, merchandising and marketing expertise and unwavering commitment to excellence, separate us from the competition.

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"), to be filed shortly with SEC in a Current Report on Form 10-K by SGRP, contained in SGRP's Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Annual Report"), and SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on May 18, 2021 (the "Proxy Statement"), which SGRP plans to file with the SEC on or around April 28, 2021, 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
Condensed 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,	
	2020	2019	2020	2019
	Net revenues	\$ 59,359	\$ 61,053	\$ 230,517
Cost of revenues	47,851	49,011	185,329	203,626
Gross profit	11,508	12,042	45,188	49,250
Selling, general and administrative expense	8,050	10,230	33,336	36,869
Depreciation and amortization	521	627	2,130	2,190
Operating income	2,937	1,185	9,722	10,191
Interest expense	209	441	690	1,046
Other income, net	(41)	2	(242)	(266)
Income before income tax expense	2,769	743	9,274	9,411
Income tax expense	(1,519)	833	312	3,578
Net income	4,288	(90)	8,962	5,833
Net (income) attributable to non-controlling interest	(2,260)	(534)	(5,595)	(3,414)
Net income attributable to SPAR Group, Inc.	\$ 2,028	\$ (624)	\$ 3,367	\$ 2,419
Basic income per common share:	\$ 0.10	\$ (0.03)	\$ 0.16	\$ 0.12
Diluted income per common share:	\$ 0.10	\$ (0.03)	\$ 0.16	\$ 0.11
Weighted average common shares – basic	21,117	20,975	21,110	20,916
Weighted average common shares – diluted	21,166	21,061	21,155	21,157
Net income	\$ 4,288	\$ (90)	\$ 8,962	\$ 5,833

Other comprehensive income (loss):				
Foreign currency translation adjustments	2,073	1,182	(1,835)	538
Comprehensive income	6,361	1,092	7,127	6,371
Comprehensive (income) attributable to non-controlling interest	(3,186)	(1,307)	(4,057)	(3,930)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ 3,175	\$ (215)	\$ 3,070	\$ 2,441

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

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,972	\$ 10,458
Accounts receivable, net	46,914	49,299
Prepaid expenses and other current assets	3,631	2,404
Total current assets	66,517	62,161
Property and equipment, net	2,795	2,848
Operating lease right-of-use assets	2,900	4,948
Goodwill	3,760	3,784
Intangible assets, net	2,255	2,796
Deferred income taxes	4,201	1,883
Other assets	1,601	1,115
Total assets	\$ 84,029	\$ 79,535
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 7,859	\$ 9,186
Accrued expenses and other current liabilities	18,745	18,548
Due to affiliates	3,775	4,666
Customer incentives and deposits	1,799	594
Lines of credit and short-term loans	9,329	8,932
Current portion of operating lease liabilities	1,398	2,828
Total current liabilities	42,905	44,754
Operating lease liabilities, less current portion	1,502	2,120
Long-term debt and other liabilities	1,000	1,300
Total liabilities	45,407	48,174
Commitments and contingencies – See Note 8		
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value: Authorized and available shares – 2,445,598 Issued and outstanding shares – None – Balance at December 31, 2020 and December 31, 2019	-	-
Common stock, \$.01 par value: Authorized shares – 47,000,000 Issued shares – 21,122,312 – Balance at December 31, 2020, and 21,102,335 – December 31, 2019	211	211
Treasury stock, at cost 1,697 shares – Balance at December 31, 2020, and December 31, 2019	(2)	(2)
Additional paid-in capital	16,645	16,511
Accumulated other comprehensive loss	(3,913)	(3,616)
Retained earnings	9,218	5,851
Total SPAR Group, Inc. equity	22,159	18,955
Non-controlling interest	16,463	12,406
Total equity	38,622	31,361
Total liabilities and equity	\$ 84,029	\$ 79,535

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SPAR