



November 21, 2016

SPAR Group Announces Financial Results for the Third Quarter Ended September 30, 2016

WHITE PLAINS, N.Y., Nov. 21, 2016 (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 third quarter ended September 30, 2016.

Highlights for the third quarter and nine-month period ended September 30, 2016, as compared to the same periods in the prior year include:

- ▮ Revenue for the third quarter of 2016 increased 18% to \$33.4 million. Adjusting for the negative impact of foreign currency translation, third quarter revenue increased 22% year over year.
- ▮ For the nine months ended September 30, 2016, revenue increased 3% to \$89.8 million. Adjusting for the negative impact of foreign currency translation, revenue for the nine-month period increased 11% year over year.
- ▮ Net loss attributable to SPAR Group for the third quarter of 2016 was (\$58,000), or (\$0.00) per diluted share, compared to a net loss of (\$92,000), or (\$0.00) per diluted share, during the third quarter of 2015.
- ▮ For the nine months ended September 30, 2016, net income was \$84,000, or \$0.00 per diluted share, compared to a net loss of \$(137,000), or (\$0.01) per diluted share for the same period in 2015.
- ▮ In mid-September, the Company established SPAR Brazil by acquiring a majority ownership position of New Momentum and New Momentum Services from The Interpublic Group in Brazil. For the short period in September 2016, SPAR Brazil contributed approximately \$1.9 million to the Company's revenue and \$(43,000) to its net loss.

Financial Results by Geography (in 000's)

Revenue:	Three Months Ended September 30,			Nine Months Ended September 30,		
	2016	2015	% Change	2016	2015	% Change
International	\$ 22,106	\$ 17,563	26%	\$ 57,513	\$ 54,219	6%
Domestic	11,332	10,706	6%	32,268	32,783	(2)%
Total	\$ 33,438	\$ 28,269	18%	\$ 89,781	\$ 87,002	3%

Net Income (loss):	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
International	\$ (66)	\$ (131)	\$ 43	\$ (372)
Domestic	8	39	41	235
Total	\$ (58)	\$ (92)	\$ 84	\$ (137)

Earnings Per Basic and Diluted share:	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	\$ (0.00)	\$ (0.00)	\$ 0.00	\$ (0.01)

"We saw solid improvement in revenue and profitability in our international business, which unfortunately, was partially offset by weak performance in our domestic operations. SPAR Group has great people and systems, but our operational and financial performance has been inconsistent. With a little realignment, I think we can make significant improvements," commented Chief Executive Officer, Scott Popaditch. "Near term, we will focus on making improvements to our domestic operations to drive growth and profitability on a more consistent basis. At the same time, we are investing in the growth of our international operations. We established operations in Brazil through acquisition, and plan further investment there to build a solid foundation that can lead to even greater growth in South America. These changes and investment will take time to show results, but I am optimistic we will begin to see meaningful change by the end of 2017."

Margin Profile by Geography
Gross Margin:

	Three Months Ended September 30,		Basis	Nine Months Ended September 30,		Basis
	2016	2015	Point Change	2016	2015	Point Change
International	19.3%	19.7%	(43)	19.6%	19.7%	(7)
Domestic	26.5%	30.3%	(380)	28.5%	30.9%	(240)
Total	21.8%	23.8%	(199)	22.8%	23.9%	(110)

Operating Income as a % of Sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
International	2.8%	1.0%	2.6%	1.5%
Domestic	(1.6)%	0.6%	(0.4)%	0.9%
Total	1.3%	0.8%	1.5%	1.3%

International gross profit margin for the third quarter and nine months ended September 30, 2016 was 19.3% and 19.6%, compared to 19.7% and 19.7%, respectively, for the same periods last year. Changes in gross margin for both period comparisons were related to changes in the mix of business within the international subsidiaries.

Domestic gross profit margin for the third quarter and nine months ended September 30, 2016, was 26.5% and 28.5%, compared to 30.3% and 30.9%, respectively, for the same periods in 2015. The decrease in gross profit margin was primarily due to continued pricing pressure.

Operating income for the third quarter and nine months ended September 30, 2016 increased 88% and 26% to \$430,000 and \$1.4 million, from \$229,000 and \$1.1 million, respectively, during the same periods last year, as increased contribution from international operations was partially offset by domestic operations.

International operating income for the third quarter and nine months ended September 30, 2016 was \$614,000 and \$1.5 million, a 270% and 91% increase compared to \$166,000 and \$784,000, respectively, during the same periods in 2015. International operating profit benefited from increased revenue and continued operating expense management especially in Mexico, China and South Africa.

Domestic operating loss for the third quarter and nine months ended September 30, 2016 was \$(184,000) and \$(120,000), compared to operating income of \$63,000 and \$309,000 during the same periods in 2015. Costs saving initiatives implemented late in 2015 were more than offset by the decrease in gross profit margin and one-time expenses related to management changes, resulting in the decrease in operating profit.

Balance Sheet as of September 30, 2016

As of September 30, 2016, cash and cash equivalents totaled \$7.5 million. Working capital was \$9.4 million and current ratio was 1.3 to 1. Total current assets and total assets were \$39.7 million and \$55.5 million, respectively. Total current liabilities and total liabilities were both \$30.3 million. Total equity was \$25.1 million as of September 30, 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://investors.sparinc.com/releases.cfm>

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, value, grocery, drug, 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 of 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, providing in-store event staffing 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, Canada, Japan, South Africa, India, China, Australia, Mexico, Brazil 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"), and 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, 2015 (the "Annual Report"), which was filed by SGRP with the SEC, SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on May 19, 2016 (the "Proxy Statement"), which SGRP filed with the SEC on April 27, 2016, 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, productivity & efficiency, and earnings per share), building upon the Company's strong foundation, leveraging compatible global opportunities, improving on the value we already deliver to customers, our growing client base, continuing balance sheet strength, customer contract expansion, growing revenues and becoming profitable through organic growth and acquisitions, attracting new business that will increase SPAR Group's revenues, improving product mix, continuing to maintain or reduce costs or consummating any transactions. The Company's forward-looking statements also include, in particular and without limitation, those made in "Business", "Risk Factors" 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" 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 Proxy Statement and the other applicable SEC Reports that could cause the Company's actual performance or condition (including its assets, business, 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 Comprehensive Income (Loss)
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net revenues	\$ 33,438	\$28,269	\$ 89,781	\$87,002
Cost of revenues	26,162	21,555	69,309	66,206
Gross profit	7,276	6,714	20,472	20,796
Selling, general and administrative expenses	6,360	6,014	17,637	18,289
Depreciation and amortization	486	471	1,459	1,414
Operating income	430	229	1,376	1,093
Interest expense	51	47	111	187
Other (income), net	(78)	(8)	(183)	(68)
Income before income tax expense	457	190	1,448	974
Income tax expense	(31)	83	200	435
Net income	488	107	1,248	539
Net income attributable to non-controlling interest	(546)	(199)	(1,164)	(676)
Net (loss) income attributable to SPAR Group, Inc.	\$ (58)	\$ (92)	\$ 84	\$ (137)
Basic and diluted loss per common share:	\$ -	\$ -	\$ -	\$ (0.01)
Weighted average common shares - basic	20,607	20,556	20,580	20,562
Weighted average common shares - diluted	20,607	20,556	21,299	20,562
Net income	\$ 488	\$ 107	\$ 1,248	\$ 539
Other comprehensive income (loss):				
Foreign currency translation adjustments	206	(663)	(495)	(1,413)
Comprehensive income (loss)	694	(556)	753	(874)
Comprehensive (income) attributable to non-controlling interest	(546)	(199)	(1,164)	(676)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ 148	\$ (755)	\$ (411)	\$ (1,550)

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

	September 30,	December 31,
	2016	2015
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,502	\$ 5,718
Accounts receivable, net	30,782	23,203
Deferred income taxes	532	529
Prepaid expenses and other current assets	898	661
Total current assets	39,714	30,111
Property and equipment, net	2,556	2,443

Goodwill	2,257	1,800
Intangible assets, net	2,154	2,551
Deferred income taxes	6,513	5,890
Other assets	2,290	611
Total assets	<u>\$ 55,484</u>	<u>\$ 43,406</u>

Liabilities and equity

Current liabilities:

Accounts payable	\$ 5,007	\$ 2,984
Accrued expenses and other current liabilities	12,628	7,082
Accrued expenses due to affiliates	989	78
Deferred income taxes	2,566	2,154
Customer deposits	955	503
Lines of credit and short-term loans	8,181	476
Total current liabilities	<u>30,326</u>	<u>13,277</u>
Long-term debt and other liabilities	<u>12</u>	<u>5,731</u>
Total liabilities	<u>30,338</u>	<u>19,008</u>

Equity:

SPAR Group, Inc. equity

Preferred stock, \$.01 par value:		
Authorized and available shares- 2,445,598		
Issued and outstanding shares-		
None - September 30, 2016 and December 31, 2015	-	-
Common stock, \$.01 par value:		
Authorized shares - 47,000,000		
Issued shares -		
20,680,717 - September 30, 2016 and December 31, 2015	207	207
Treasury stock, at cost		
42,177 shares - September 30, 2016 and		
119,695 shares - December 31, 2015	(58)	(169)
Additional paid-in capital	16,041	15,871
Accumulated other comprehensive loss	(3,364)	(2,869)
Retained earnings	5,746	5,662
Total SPAR Group, Inc. equity	<u>18,572</u>	<u>18,702</u>
Non-controlling interest	<u>6,574</u>	<u>5,696</u>
Total equity	<u>25,146</u>	<u>24,398</u>
Total liabilities and equity	<u>\$ 55,484</u>	<u>\$ 43,406</u>

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