



SPAR Group Announces Financial Results for the Fourth Quarter Ended December 31, 2018

April 15, 2019

WHITE PLAINS, N.Y., April 15, 2019 (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 fourth quarter ended December 31, 2018.

Highlights for the three and twelve-month periods ended December 31, 2018, as compared to the same periods in the prior year include:

- Revenue for the three-month period ending December 31, 2018 increased \$7.0 million, or 14 percent, to \$57 million. International operations contributed to \$1.5 million of the increase. Domestic operations contributed \$5.5 million to year-over-year revenue growth with Resource Plus contributing \$4.4 million of the increase in Domestic revenue for the period.
- Revenue for the twelve-month period ending December 31, 2018 increased \$47.8 million, or 26 percent, to \$229.2 million. International operations contributed to \$20 million of the increase. Domestic operations contributed \$27.8 million to year-over-year revenue growth. Resource Plus contributed \$24.3 million to the increase in Domestic revenue year over year.
- Operating income for the fourth quarter increased \$106,000 to \$1.9 million compared to \$1.8 million during the same period last year. The increase in operating income in the fourth quarter was attributable to increased contribution from international operations, which was partially offset by a decrease in domestic profitability. During the fourth quarter, there were \$1.4 million of one-time legal and related party charges negatively impacting domestic operations.
- Operating income for the twelve months ended December 31, 2018 decreased \$300,000, or 8.8 percent, to \$3.7 million compared to \$4.1 million during the same period of 2017. Adjusting for one-time settlement, legal, related party and other expenses, operations would have delivered \$7.5 million in operating income.
- Net loss attributable to SPAR Group for the fourth quarter of 2018 was \$(534,000), or \$(0.03) per share; compared to a net loss of \$(1.3) million, or \$(0.06) per diluted share, during the fourth quarter of 2017.
- Net loss attributable to SPAR Group for the twelve months ended December 31, 2018 was (\$1.6) million, or \$(0.07) per share; compared to a net loss of (\$923,000), or \$(0.04) per diluted share, for the same period during 2017.
- As highlighted in the GAAP reconciliation table below, the Company incurred significant non-cash and one-time charges during 2018 and 2017;
 - Excluding these non-cash and one-time charges, non-GAAP net income attributable to SPAR Group during the fourth quarter of 2018 was approximately \$535,000, or \$0.03 per diluted share, compared with \$572,000, or \$0.03 per diluted share during the same period of the prior year.
 - Excluding non-cash and one-time charges, non-GAAP net income attributable to SPAR Group during the 2018 was approximately \$1.3 million or \$0.06 per diluted share, compared with \$918,000, or \$0.04 per diluted share during 2017.

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

Revenue:	Three Months Ended December 31,		% Change	Twelve Months Ended December 31,		% Change
	2018	2017		2018	2017	
International	\$ 39,289	\$ 37,816	3.9%	\$ 149,142	\$ 129,108	15.5%
Domestic	17,712	12,204	45.1%	80,049	52,273	53.1%
Total	\$ 57,000	\$ 50,020	14.0%	\$ 229,191	\$ 181,381	26.4%

Operating Income:	Three Months Ended December 31,		% Change	Twelve Months Ended December 31,		% Change
	2018	2017		2018	2017	

International	\$	3,321	\$	1,899	74.9%	\$	6,272	\$	3,481	99.1%
Domestic		(1,408)		(93)	nmf		(2,542)		609	nmf
Total	\$	1,912	\$	1,806	5.9%	\$	3,729	\$	4,090	8.8%

Three Months Ended December 31,					Twelve Months Ended December 31,					
Net income (loss):		2018	2017		2018		2017			
International	\$	821	\$	939	(12.6%)	\$	1,529	\$	752	103.3%
Domestic		(1,355)		(2,208)	nmf		(3,080)		(1,675)	nmf
Total	\$	(534)	\$	(1,269)	nmf	\$	(1,551)	\$	(923)	nmf

Earnings Per Basic and Diluted share:	
\$	(0.03)
\$	(0.06)

\$	(0.07)
\$	(0.04)

(nmf = no meaningful value)

"During 2018 we made significant progress in addressing structural issues within our domestic operations, realigning our sales and marketing efforts and improving our technologies. These changes are making a difference and have resulted in improving financial operating results net of one-time charges. On the top line, our team delivered double-digit top-line growth during 2018, with organic growth both domestically and internationally plus the recent acquisition of Resource Plus. While improvements in profitability during 2018 were clouded by one-time charges, we made foundational improvements in our ability to deliver profitable growth," said Chief Executive Officer, Christiaan Olivier. "Our pipeline of business opportunities is strong, and we expect continued revenue growth during 2019. We expect to have even stronger growth in profitability during 2019, as we gain further benefit from structural changes."

Gross Margin Profile by Geography

	Three Months Ended December 31,		Basis Point Change	Twelve Months Ended December 31,		Basis Point Change
	2018	2017		2018	2017	
International	22.4%	19.6%	275	17.1%	17.5%	(44)
Domestic	19.6%	29.2%	(966)	23.5%	27.1%	(356)
Total	21.5%	22.0%	(46)	19.3%	20.3%	(95)

Operating Income as a % of Sales

	Three Months Ended December 31,		Basis Point Change	Twelve Months Ended December 31,		Basis Point Change
	2018	2017		2018	2017	
International	8.5%	5.0%	343	4.2%	2.7%	151
Domestic	(8.0%)	(0.76%)	(719)	(3.2%)	1.2%	(434)
Total	3.4%	3.6%	(26)	1.6%	2.3%	(63)

International gross profit margin for the fourth quarter and twelve months ended December 31, 2018 was 22.4% and 17.1%, compared to 19.6% and 17.5%, respectively, for the same periods in 2017. The decline in gross profit margin year over year was directly attributable to higher cost margin business in Brazil and a write-down in Australia for one-time cost reserve adjustments, partially offset by margin improvement in Mexico, China, and Japan.

Domestic gross profit margin for the fourth quarter and twelve months ended December 31, 2018, was 19.6% and 23.5%, compared to 29.2% and 27.1%, respectively, for the same periods in 2017. Year-to-date domestic gross profit margin declined primarily due to an increase in lower margin project work compared to the same period last year.

Balance Sheet as of December 31, 2018

As of December 31, 2018, cash and cash equivalents totaled \$7.1 million. Working capital was \$12.6 million and current ratio was 1.3 to 1. Total current assets and total assets were \$55.1 million and \$69.1 million, respectively. Total current liabilities and total liabilities were \$42.5 million and \$44.3 million, and total equity was \$24.8 million as of December 31, 2018.

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 and coordinates the operations through the use of multi-lingual proprietary technology which drives the logistics, communication and reporting for global operations and customers. SPAR works 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 ten 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"), There also are "forward looking statements" contained in SGRP's Annual Report on Form 10-K for the year ended December 31, 2018 (the "Annual Report"), which was filed by SGRP with the SEC on April 15, 2019, and SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on or about May 16, 2019 (the "Proxy Statement"), which SGRP will be filing with the SEC on or about April 29, 2019, 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").

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 Loss and Comprehensive (Loss) Income
(In thousands, except share and per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net revenues	\$ 57,000	\$ 50,020	\$ 229,191	\$ 181,381
Cost of revenues	44,750	39,038	184,904	144,601
Gross profit	12,250	10,982	44,287	36,780
Selling, general and administrative expenses	8,879	8,576	34,188	30,564
Settlement and other charges	945	-	4,261	-
Depreciation and amortization	514	600	2,109	2,126
Operating income	1,912	1,806	3,729	4,090
Interest expense	209	220	1,095	337
Other loss (income), net	8	(125)	(406)	(401)
Income before income tax expense	1,695	1,711	3,040	4,154
Income tax expense	1,067	2,069	1,402	2,977
Net income (loss)	628	(358)	1,638	1,177
Net loss attributable to non-controlling interest	(1,162)	(911)	(3,189)	(2,100)
Net loss attributable to SPAR Group, Inc.	\$ (534)	\$ (1,269)	\$ (1,551)	\$ (923)
Basic net loss per common share:	\$ (0.03)	\$ (0.06)	\$ (0.07)	\$ (0.04)
Diluted net loss per common share:	\$ (0.03)	\$ (0.06)	\$ (0.07)	\$ (0.04)
Weighted average common shares – basic	21,160	20,571	20,684	20,617
Weighted average common shares – diluted	21,160	21,571	20,684	21,617
Net income (loss)	\$ 628	\$ (358)	\$ 1,638	\$ 1,177
Other comprehensive income (loss):				
Foreign currency translation adjustments	178	366	(3,284)	1,315
Comprehensive income (loss)	806	8	(1,646)	2,492

Comprehensive (loss) income attributable to non-controlling interest	(1,444)	966	(1,837)	(2,698)
Comprehensive (loss) income attributable to SPAR Group, Inc.	<u>\$ (638)</u>	<u>\$ 974</u>	<u>\$ (3,283)</u>	<u>\$ (206)</u>

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

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,111	\$ 8,827
Accounts receivable, net	46,162	35,964
Prepaid expenses and other current assets	1,879	2,031
Total current assets	<u>55,132</u>	46,822
Property and equipment, net	2,950	2,712
Goodwill	3,788	1,836
Intangible assets, net	3,332	1,634
Deferred income taxes	2,568	3,055
Other assets	1,325	1,929
Total assets	<u>\$ 69,095</u>	<u>\$ 57,988</u>
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 8,668	\$ 7,341
Accrued expenses and other current liabilities	18,168	13,581
Due to affiliates	4,645	3,026
Customer incentives and deposits	620	1,539
Lines of credit and short-term loans	10,414	6,839
Total current liabilities	<u>42,515</u>	32,326
Long-term debt and other liabilities	1,806	107
Total liabilities	<u>44,321</u>	32,433
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares— 2,445,598		
Issued and outstanding shares—		
None – September 30, 2018 and December 31, 2017	–	–
Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued shares –		
20,784,483 – December 31, 2018 and		
20,680,717 December 31, 2017	208	207
Treasury stock, at cost		
7,895 shares – December 31, 2018 and		
104,398 shares – December 31, 2017	(8)	(115)
Additional paid-in capital	16,304	16,271
Accumulated other comprehensive loss	(3,638)	(1,690)
Retained earnings	3,432	4,977
Total SPAR Group, Inc. equity	<u>16,298</u>	19,650
Non-controlling interest	8,476	5,905
Total equity	<u>24,774</u>	25,555
Total liabilities and equity	<u>\$ 69,095</u>	<u>\$ 57,988</u>

GAAP to Non-GAAP Reconciliation				
	Three Months Ended	Three Months Ended	Twelve Months Ended	Twelve Months Ended
	31-Dec-18	31-Dec-17	31-Dec-18	31-Dec-17
Net (loss) income:				
GAAP net loss	(534)	(1,269)	(1,551)	(923)
One Time Charges	1,369	-	3,780	-
Tax Provision impact	(300)	1,841	(900)	1,841
Total non-GAAP net income	535	572	1,329	918
Non-GAAP Earnings Per Basic and Diluted share:	\$0.03	\$0.03	\$0.06	\$0.04

Company Contact:
James R. Segreto
Chief Financial Officer
SPAR Group, Inc.
(248) 364-8410

Investor Contact:
Dave Mossberg
Three Part Advisors
(817) 310-0051



Source: SPAR Group