



## SPAR Group Announces Financial Results for the Third Quarter and Nine Months Ended September 30, 2019

November 13, 2019

WHITE PLAINS, N.Y., Nov. 13, 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 three- and nine-month periods ended September 30, 2019.

Highlights for the three- and nine-month periods ended September 30, 2019, as compared to the same periods during the prior year include the following:

- Revenue for the third quarter of 2019 increased \$8.0 million, or 13.8 percent, to \$66.4 million. Both Domestic and International operations contributed \$4.0 million each to the year-over-year revenue growth.
- Revenue for the nine-month period ending September 30, 2019 increased \$19.6 million, or 11.4 percent, to \$191.8 million. Domestic operations contributed \$10.8 million of the year-over-year increase due primarily to growth in project revenue year over year. International operations contributed \$8.8 million of the increase, driven primarily by growth in Brazil of \$9.8 million and partially offset by revenue softness in other countries.
- Operating income for the third quarter increased \$723,000 to \$3.0 million, compared to \$2.3 million for the same period last year.
- Operating income for the nine-month period ending September 30, 2019 increased \$7.2 million to \$9.0 million, compared to \$1.8 million for the same period last year. Domestic operations contributed \$5.8 million of the year-over-year improvement and international operations contributed \$1.4 million.
- Net income attributable to SPAR Group for the third quarter of 2019 was \$907,000, or \$0.04 per diluted share, compared to \$621,000, or \$0.03 per diluted share, during the third quarter of 2018.
- Net income attributable to SPAR Group for the nine-month period ending September 30, 2019 was \$3.0 million, or \$0.15 per diluted share, compared to a net loss of \$(1.0 million), or \$(0.05) per diluted share, during the same period last year.
- Adjusted-EBITDA for the nine months ended September 30, 2019 increased 129% to \$7.7 million, compared to Adjusted-EBITDA of \$3.4 million during the same period last year.

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

Revenue:	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
International	\$ 39,960	\$ 35,976	11.1%	\$ 118,681	\$ 109,853	8.0%
Domestic	26,480	22,412	18.2%	73,142	62,338	17.3%
<b>Total</b>	<b>\$ 66,440</b>	<b>\$ 58,388</b>	<b>13.8%</b>	<b>\$ 191,823</b>	<b>\$ 172,191</b>	<b>11.4%</b>

Operating Income/(Loss):	Three Months Ended September 30,			Nine Months Ended September 30,		
	2019	2018	% Change	2019	2018	% Change
International	\$ 1,774	\$ 1,239	43.2%	\$ 4,374	\$ 2,952	48.2%
Domestic	1,273	1,085	17.3%	4,633	(1,135)	nmf
<b>Total</b>	<b>\$ 3,047</b>	<b>\$ 2,324</b>	<b>31.1%</b>	<b>\$ 9,007</b>	<b>\$ 1,817</b>	<b>395.7%</b>

Three Months Ended September  
30,

Nine Months Ended September  
30,

<b>Net income (loss):</b>	<b>2019</b>		<b>2018</b>			<b>2019</b>		<b>2018</b>		
International	\$	360	\$	355	nmf	\$	860	\$	710	21.1%
Domestic		547		266	105.6%		2,185		(1,728)	nmf
<b>Total</b>	<b>\$</b>	<b>907</b>	<b>\$</b>	<b>621</b>	46.1%	<b>\$</b>	<b>3,045</b>	<b>\$</b>	<b>(1,018)</b>	nmf

#### Earnings Per Diluted Share:

\$	<b>0.04</b>	\$	<b>0.03</b>	\$	<b>0.15</b>	\$	<b>(0.05)</b>
----	-------------	----	-------------	----	-------------	----	---------------

"We posted solid improvements during the third quarter and year to date. Domestically, our team continues to deliver growth among existing customers and is having success with new customer acquisition. International revenue continues to be negatively affected by foreign currency translation and soft market conditions in a few countries, particularly in China. We have overcome these headwinds in other geographies, posting strong performance internationally, particularly in Brazil," said Chief Executive Officer, Christiaan Olivier. "We expect to continue to benefit domestically as retailers remodel stores to make them more relevant vis-à-vis the growth in online sales. Overall, we have a solid pipeline of new business that should continue to drive top-line growth in 2020 and are working on strategies to help offset expected labor cost increases, as we expect a tight labor market to continue to put pressure on costs."

#### Margin Profile by Geography

##### Gross Margin:

	Three Months Ended September 30,			Basis Point Change	Nine Months Ended September 30,			Basis Point Change
	2019	2018			2019	2018		
International	16.1%	16.0%	10	16.1%	15.2%	90		
Domestic	23.0%	27.1%	(410)	24.7%	24.6%	10		
<b>Total</b>	<b>18.9%</b>	<b>20.3%</b>	<b>(145)</b>	<b>19.4%</b>	<b>18.6%</b>	<b>80</b>		

##### Operating Income as a % of Sales

	Three Months Ended September 30,			Basis Point Change	Nine Months Ended September 30,			Basis Point Change
	2019	2018			2019	2018		
International	4.4%	3.4%	100	3.7%	2.7%	100		
Domestic	4.8%	4.8%	-	6.3%	(1.8%)	810		
<b>Total</b>	<b>4.6%</b>	<b>4.0%</b>	<b>60</b>	<b>4.7%</b>	<b>1.1%</b>	<b>360</b>		

International gross profit margin for both the three- and nine-month periods ended September 30, 2019 was 16.1%, compared to 16.0% and 15.2%, respectively, for the same periods in 2018. For the three-month period ended September 30, 2019 the international subsidiaries, Brazil, Mexico, and China experienced favorable gross margin improvement year over year. All other international subsidiaries experienced some gross margin pressure compared to the same period last year.

Domestic gross profit margin for the three-month period ended September 30, 2019, was 23.0% compared to 27.1% for the same period in 2018. The year-over-year decrease in domestic gross profit margin was directly attributable to an unfavorable mix in lower gross margin project work. For the nine-month period ended September 30, 2019, domestic gross profit margin remained consistent year over year.

#### Balance Sheet as of September 30, 2019

At September 30, 2019, cash and cash equivalents totaled \$7.4 million. Working capital was \$16.6 million and current ratio was 1.3 to 1. Total current assets and total assets were \$67.9 million and \$87.1 million, respectively. Total liabilities were \$56.9 million and total equity was \$30.2 million at September 30, 2019.

#### 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, 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 projects 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"), will be filed shortly in a Current Report on Form 10-Q 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/A for the year ended December 31, 2018 (the "Annual Report"), which was filed by SGRP with the SEC on April 24, 2019, and SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders to be held on May 15, 2019 (the "Proxy Statement"), which SGRP filed with the SEC on 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").

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net revenues	\$ 66,440	\$ 56,388	\$ 191,823	\$ 172,191
Cost of revenues	53,929	46,456	154,614	140,154
Gross profit	12,511	11,842	37,209	32,037
Selling, general and administrative expenses	8,940	8,996	26,639	26,650
Settlement and other charges	-	-	-	1,975
Depreciation and amortization	524	522	1,563	1,595
Operating income	3,047	2,324	9,007	1,817
Interest expense	216	333	605	886
Other (income), net	(11)	(109)	(268)	(413)
Income before income tax expense	2,842	2,100	8,670	1,344
Income tax expense	760	419	2,745	335
Net income	2,082	1,681	5,925	1,009

Net income attributable to non-controlling interest	(1,175)	(1,060)	(2,880)	(2,027)
Net income (loss) attributable to SPAR Group, Inc.	\$ 907	\$ 621	\$ 3,045	\$ (1,018)
Basic and diluted net income(loss) per common share:	\$ 0.04	\$ 0.03	\$ 0.15	\$ (0.05)
Weighted average common shares – basic	20,795	20,654	20,856	20,650
Weighted average common shares – diluted	21,061	21,320	21,096	20,650
Net income	\$ 2,082	\$ 1,681	\$ 5,925	\$ 1,009
Other comprehensive loss:				
Foreign currency translation adjustments	(811)	(2,782)	(644)	(3,462)
Comprehensive income (loss)	1,271	(1,101)	5,281	(2,453)
Comprehensive (income) loss attributable to non-controlling interest	(815)	269	(2,623)	(393)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ 456	\$ (832)	\$ 2,658	\$ (2,846)

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

	September 30, 2019	December 31, 2018
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,372	\$ 7,111
Accounts receivable, net	57,186	46,142
Prepaid expenses and other current assets	3,382	1,879
Total current assets	67,940	55,132
Property and equipment, net	3,122	2,950
Operating lease right-of-use assets	4,288	-
Goodwill	3,779	3,788
Intangible assets, net	2,925	3,332
Deferred income taxes	2,675	2,568
Other assets	2,365	1,325
Total assets	\$ 87,094	\$ 69,095
<b>Liabilities and equity</b>		
Current liabilities:		
Accounts payable	\$ 11,524	\$ 8,668
Accrued expenses and other current liabilities	22,270	18,168
Due to affiliates	4,924	4,645
Customer incentives and deposits	908	620
Lines of credit and short-term loans	11,352	10,414
Current portion of operating lease liabilities	361	-
Total current liabilities	51,339	42,515
Operating lease liabilities, less current portion	3,927	-
Long-term debt and other liabilities	1,634	1,806
Total liabilities	56,900	44,321
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		
Authorized and available shares– 2,445,598		
Issued and outstanding shares–		
None – September 30, 2019, and December 31, 2018	-	-

Common stock, \$.01 par value:		
Authorized shares – 47,000,000		
Issued shares –		
21,093,762 – September 30, 2019, and		
20,784,483 December 31, 2018	210	208
Treasury stock, at cost		
1,697 shares – September 30, 2019, and		
7,895 December 31, 2018	(15)	(8)
Additional paid-in capital	16,448	16,304
Accumulated other comprehensive loss	(4,006)	(3,638)
Retained earnings	6,459	3,432
Total SPAR Group, Inc. equity	<u>19,096</u>	<u>16,298</u>
Non-controlling interest	11,098	8,476
Total equity	<u>30,194</u>	<u>24,774</u>
Total liabilities and equity	<u>\$ 87,094</u>	<u>\$ 69,095</u>

Reconciliation of Net Income to Adjusted EBITDA (unaudited)		
(000's)	Nine Months Ended	Nine Months Ended
	30-Sep-19	30-Sep-18
<b>Reported net income</b>	3,045	(1,018)
Income tax expense	2,745	335
<b>Income before income tax expense</b>	5,790	(683)
Other adjustments	-	1,975
Interest and other expense	337	473
Depreciation and amortization	1,563	1,595
<b>Adjusted EBITDA</b>	<b>7,690</b>	<b>3,360</b>

Company Contact:  
James R. Segreto  
Chief Financial Officer  
SPAR Group, Inc.  
(248) 364-7727

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



Source: SPAR Group