



SPAR Group Announces Financial Results for the Third Quarter and Nine Months Ended September 30, 2020

November 16, 2020

AUBURN HILLS, Mich., Nov. 16, 2020 (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, 2020.

Highlights for the three- and nine-month periods ended September 30, 2020, as compared to the same periods during the prior year are as follows:

- Revenue for the third quarter of 2020 decreased \$7.6 million, or 11.4 percent, to \$58.9 million versus the prior year's third quarter. Revenues increased 2.1 percent for the domestic operations; however, international operations decreased 20.4 percent.
- Revenue for the nine-month period ending September 30, 2020 decreased \$20.7 million, or 10.8 percent, to \$171.2 million. Revenues decreased 0.9 percent and 16.8 percent for domestic and international operations, respectively.
- Operating income for the third quarter of 2020 increased \$0.3 million, or 9.6 percent, to \$3.3 million, compared to \$3.0 million for the same period last year.
- Operating income for the nine-month period ending September 30, 2020 decreased \$2.2 million to \$6.8 million, compared to \$9.0 million for the same period last year. Domestic operations decreased \$2.7 million, while international increased \$0.5 million.
- Net income attributable to SPAR Group for the third quarter of 2020 was \$1.1 million, or \$0.05 per diluted share, compared to \$0.9 million, or \$0.04 per diluted share, during the third quarter of 2019.
- Net income attributable to SPAR Group for the nine-month period ending September 30, 2020 was \$1.3 million, or \$0.06 per diluted share, compared to \$3.0 million, or \$0.15 per diluted share, during the same period last year.

Domestic revenue during the third quarter recovered 22% sequentially from the second quarter, showing gradual improvements throughout each month of the quarter. Domestic revenue benefited from projects that were delayed earlier in the year, as well as increased demand for store reset and remodeling services in certain end markets. The improved domestic revenue performance was partially offset by the lower levels of customer activity in certain end markets related to COVID 19. The pandemic had a greater impact on international markets, with lower levels of customer activity accounting for approximately one third of the 20% decrease in international revenue. The remaining two thirds of the decrease in international revenue was related to foreign currency translation. As a result of our earlier cuts to operational expenses, discretionary spending and a delay in non-essential investments, we were able to offset a decrease in revenue and increasing labor costs to post flat comparisons with the prior year.

"We are encouraged to see a partial recovery in financial performance during the third quarter and are also encouraged that we have been able to maintain strong customer relationships. There is still a great deal of uncertainty about the pandemic's potential impact on customer activity levels in the near term. Combined with increasing costs of labor, we are continuing a cautious approach to spending and maintaining our efforts to preserve the strength of our balance sheet and liquidity," said Kori Belzer, chief operating officer of SPAR Group.

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

Revenue:	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2020	2019		2020	2019	
International	\$ 31,824	\$ 39,960	(20.4%)	\$ 98,704	\$ 118,681	(16.8%)
Domestic	27,041	26,480	2.1%	72,453	73,142	(0.9%)
Total	\$ 58,865	\$ 66,440	(11.4%)	\$ 171,157	\$ 191,823	(10.8%)

Operating Income/(Loss):	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2020	2019		2020	2019	
International	\$ 2,042	\$ 1,774	15.1%	\$ 4,859	\$ 4,381	10.9%
Domestic	1,299	1,273	2.0%	1,924	4,626	(58.4%)
Total	\$ 3,341	\$ 3,047	9.6%	\$ 6,783	\$ 9,007	(24.7%)

Net income (loss):	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019		2020	2019	
International	\$ 738	\$ 360	105%	\$ 1,365	\$ 861	58.5%
Domestic	406	547	(25.8%)	(28)	2,184	(101.3%)
Total	\$ 1,144	\$ 907	26.1%	\$ 1,337	\$ 3,045	(56.1%)

Earnings Per Basic and Diluted Share:

	\$ 0.05	\$ 0.04		\$ 0.06	\$ 0.15
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Margin Profile by Geography

Gross Margin:	Three Months Ended September 30,			Basis Point Change	Nine Months Ended September 30,		
	2020	2019			2020	2019	Basis Point Change
International	18.6%	16.1%	250	17.7%	16.1%	160	
Domestic	22.5%	22.7%	(20)	22.4%	24.7%	(230)	
Total	20.4%	18.7%	170	19.7%	19.4%	30	

Opr. Income as a % of Sales	Three Months Ended September 30,			Basis Point Change	Nine Months Ended September 30,		
	2020	2019			2020	2019	Basis Point Change
International	6.4%	4.4%	200	4.9%	3.7%	120	
Domestic	4.8%	4.8%	-	2.7%	6.3%	(360)	
Total	5.7%	4.6%	120	4.0%	4.7%	(70)	

International gross profit margin for the three- and nine-month periods ended September 30, 2020 were 18.6% and 17.7%, respectively, compared to 16.1% and 16.1%, respectively, for the same periods in 2019. For the three-month period ended September 30, 2020 the international subsidiaries, China and Brazil experienced favorable gross margin improvement year over year. All other international subsidiaries experienced gross margin pressure compared to the same period last year.

Domestic gross profit margin for the three-month period ended September 30, 2020, was 22.5% compared to 22.7% for the same period in 2019. For the nine-month period ended September 30, 2020, domestic gross profit margin was 22.4% compared to 24.7% for the same period in 2019. The year-over-year decrease in domestic gross profit margin was primarily attributable to lower sales, wage pressure, and an unfavorable mix in lower gross margin project work.

Balance Sheet as of September 30, 2020

At September 30, 2020, cash and cash equivalents totaled \$15.8 million. Working capital was \$19.9 million and current ratio was 1.4 to 1. Total current assets and total assets were \$67.3 million and \$82.5 million, respectively. Total liabilities were \$50.2 million and total equity was \$32.3 million at September 30, 2020.

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, 2019 (the "Annual Report"), which was filed by SGRP with the SEC on April 14, 2020, and SGRP's definitive Proxy Statement respecting its Annual Meeting of Stockholders held on May 13, 2020 (the "Proxy Statement"), which SGRP filed with the SEC on May 1, 2020, 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
(unaudited)

(In thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net revenues	\$ 58,865	\$ 66,440	\$ 171,157	\$ 191,823
Cost of revenues	46,849	53,929	137,478	154,614
Gross profit	12,016	12,511	33,679	37,209
Selling, general and administrative expense	8,145	8,940	25,287	26,639
Depreciation and amortization	530	524	1,609	1,563
Operating income	3,341	3,047	6,783	9,007
Interest expense	169	216	482	605
Other income, net	(143)	(11)	(201)	(268)
Income before income tax expense	3,315	2,842	6,502	8,670
Income tax expense	870	760	1,830	2,745
Net income	2,445	2,082	4,672	5,925
Net (income) attributable to non-controlling interest	(1,301)	(1,175)	(3,335)	(2,880)
Net income attributable to SPAR Group, Inc.	\$ 1,144	\$ 907	\$ 1,337	\$ 3,045
Basic and diluted income per common share:	\$ 0.05	\$ 0.04	\$ 0.06	\$ 0.15
Weighted average common shares – basic	21,110	20,975	21,108	20,856
Weighted average common shares – diluted	21,147	21,061	21,152	21,096
Net income	\$ 2,445	\$ 2,082	\$ 4,672	\$ 5,925
Other comprehensive income (loss):				

Foreign currency translation adjustments	71	(811)	(3,908)	(644)
Comprehensive income	2,516	1,271	764	5,281
Comprehensive (income) attributable to non-controlling interest	(1,326)	(815)	(871)	(2,623)
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ 1,190	\$ 456	\$ (107)	\$ 2,658

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

	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,750	\$ 10,458
Accounts receivable, net	47,366	49,299
Prepaid expenses and other current assets	4,212	2,404
Total current assets	67,328	62,161
Property and equipment, net	2,846	2,848
Operating lease right-of-use assets	2,742	4,948
Goodwill	3,753	3,784
Intangible assets, net	2,381	2,796
Deferred income taxes	1,388	1,883
Other assets	2,033	1,115
Total assets	\$ 82,471	\$ 79,535
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 8,377	\$ 9,186
Accrued expenses and other current liabilities	21,186	18,548
Due to affiliates	3,475	4,666
Customer incentives and deposits	1,052	594
Lines of credit and short-term loans	12,104	8,932
Current portion of operating lease liabilities	1,145	2,828
Total current liabilities	47,339	44,754
Operating lease liabilities, less current portion	1,597	2,120
Long-term debt and other liabilities	1,300	1,300
Total liabilities	50,236	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 June 30, 2020 and December 31, 2019	-	-
Common stock, \$.01 par value: Authorized shares – 47,000,000 Issued shares – 21,111,861 – Balance at September 30, 2020, and 21,108,352 – December 31, 2019	211	211
Treasury stock, at cost 1,697 shares – Balance at September 30, 2020, and December 31, 2019	(2)	(2)
Additional paid-in capital	16,621	16,511
Accumulated other comprehensive loss	(5,060)	(3,616)
Retained earnings	7,188	5,851
Total SPAR Group, Inc. equity	18,955	18,955
Non-controlling interest	13,277	12,406
Total equity	32,235	31,361
Total liabilities and equity	\$ 82,471	\$ 79,535

Company Contact:
Clint Morrow
(248) 364-8412

SPAR