



SPAR Group Reports Results for the Second Quarter Ended June 30, 2021

August 17, 2021

~ 2Q Revenue Increased 32% Over Prior Year

~ Six Months Operating Income up 34%

~ Year-to-date Net Income Increased 642%

AUBURN HILLS, Mich., Aug. 17, 2021 (GLOBE NEWSWIRE) -- SPAR Group, Inc. (NASDAQ: SGRP), a leading global provider of merchandising and marketing services, today reported financial results for its second quarter ended June 30, 2021.

"I am proud of our second quarter performance, as we delivered excellent topline results in both our domestic and international businesses. Year to date, our domestic business increased double digits from last year and 9.1% versus 2019, the Company's highest revenue year. Despite many of our geographies continuing to face pressures of the pandemic, our international business increased 15.6% versus last year. The market is responding to our relentless focus on service, innovation and talent," stated Mike Matacnas, President and Chief Executive Officer. "While I expect we will continue to face labor cost pressures in the near future, I believe these cost pressures are largely temporary and will normalize as global economies continue to recover. I remain bullish on our opportunity and confident in our new, expanded executive team to make it happen."

Second Quarter Results

Consolidated net revenue was \$67.2 million compared to \$50.9 million in the prior year's second quarter. Domestic net revenue was \$27.3 million, increased by 23.2% from the prior year, while international net revenue increased by 38.5%. Excluding the effect of foreign currency exchange, international revenue would have increased by 25.7% and total revenue would have increased 24.6%.

Gross Profit was \$12.0 million compared to \$9.9 million during the second quarter a year ago. Gross margin decreased 151 basis points to 17.9% versus 19.4% in the prior year's quarter. The primary factors driving the deterioration in gross profit were related to continued labor costs pressure globally.

Selling, General and Administrative expenses were 14.3% of revenue versus 14.5% in the prior year's second quarter. This 20-basis point improvement in selling, general and administrative expenses was the result of operating expense leverage.

Operating Income decreased 3.9% to \$1.9 million compared to \$2.0 million in the prior year's second quarter, and operating margin was 2.8% compared to 3.9% in the prior year's second quarter.

Net Income attributable to SPAR Group increased to \$514,000 compared to net loss of (\$103,000) during the prior year's second quarter. Earnings per share improved to \$0.02, compared to a (\$0.00) in the prior year's quarter. The improvement is attributed to reduction of non-controlling interest income driven by shift of year-over-year growth from joint ventures to core business.

Balance Sheet as of June 30, 2021

At June 30, 2021, cash and cash equivalents totaled \$16.7 million. Working capital was \$25.9 million and current ratio was 1.5 to 1. Total current assets and total assets were \$78.3 million and \$95.0 million, respectively. Total liabilities were \$54.6 million and total equity was \$40.4 million at June 30, 2021.

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

Revenue:	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2021	2020		2021	2020	
International	\$ 39,924	\$ 28,821	38.5%	\$ 77,346	\$ 66,880	15.6%
Domestic	27,252	22,123	23.2%	50,927	45,412	12.1%
Total	\$ 67,176	\$ 50,944	31.9%	\$ 128,873	\$ 112,292	14.8%

Operating Income/(Loss):	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2021	2020		2021	2020	
International	\$ 1,555	\$ 1,647	(5.6%)	\$ 3,516	\$ 2,817	24.8%
Domestic	332	316	5.1%	1,090	623	75.0%
Total	\$ 1,887	\$ 1,963	(3.9%)	\$ 4,606	\$ 3,440	33.9%

Net income (loss):	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020

International	\$	341	\$	367	(7.2%)	\$	885	\$	624	41.8%
Domestic		173		(470)	137.0%		546		(431)	226.7%
Total	\$	514	\$	(103)	599.7%	\$	1,431	\$	193	641.5%

Earnings Per Basic and Diluted Share:

\$	0.02	\$	(0.00)	\$	0.07	\$	0.01
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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, 25,000+ merchandising specialists around the world, an average of 200,000+ store visits a week and long-term relationships with some of the world's leading manufacturers and retail businesses. SPAR Group provides specialized capabilities across 9 countries and 4 continents.

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" within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, made by, or respecting, SPAR Group, Inc. ("SGRP") and its subsidiaries (together with SGRP, "SPAR", "SPAR Group" or the "Company"), filed in a Current Report on Form 10-Q by SGRP with the Securities and Exchange Commission (the "SEC") on August 16, 2021. There also are forward-looking statements contained in SGRP's Annual Report on Form 10-K for its fiscal year ended December 31, 2020, as filed with the SEC on March 31, 2021, and SGRP's First Amendment to Annual Report on Form 10-K/A for the year ended December 31, 2020, as filed with the SEC on April 29, 2021 (as so amended, the "Annual Report"), in SGRP's amended definitive Proxy Statement respecting its Annual Meeting of Stockholders held on August 12, 2021, which SGRP filed with the SEC on July 20, 2021 (the "Proxy Statement"), and the 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 Quarterly Report, the Annual Report and the Proxy Statement, the Information Statement, the Second Special Meeting Proxy/Information 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, the "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. 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 also 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 and Comprehensive Income (loss)
(In thousands, except share and per share data)
(Unaudited)

Three Months Ended		Six Months Ended	
June 30,		June 30,	
2021	2020	2021	2020

Net revenues	\$ 67,176	\$ 50,944	\$ 128,273	\$ 112,292
Cost of revenues	55,170	41,072	104,008	90,632
Gross profit	12,006	9,872	24,265	21,660
Selling, general and administrative expense	9,585	7,370	18,595	17,141
Depreciation and amortization	534	539	1,064	1,079
Operating income	1,887	1,963	4,606	3,440
Interest expense	129	84	277	312
Other income, net	5	(50)	(70)	(58)
Income before income tax expense	1,753	1,929	4,399	3,186
Income tax expense	621	624	1,486	959
Net income	1,132	1,305	2,913	2,227
Net (income) attributable to non-controlling interest	(618)	(1,408)	(1,482)	(2,034)
Net income (loss) attributable to SPAR Group, Inc.	\$ 514	\$ (103)	\$ 1,431	\$ 193
Basic and diluted income per common share:	\$ 0.02	\$ 0.00	\$ 0.07	\$ 0.01
Weighted average common shares – basic	21,262	21,108	21,225	21,107
Weighted average common shares – diluted	21,617	21,125	21,600	21,157
Net income	\$ 1,132	\$ 1,305	\$ 2,913	\$ 2,227
Other comprehensive income (loss):				
Foreign currency translation adjustments	491	(79)	(1,344)	(3,979)
Comprehensive income (loss)	1,623	1,226	1,569	(1,752)
Comprehensive (income) loss attributable to non-controlling interest	(885)	(1,365)	(112)	455
Comprehensive income (loss) attributable to SPAR Group, Inc.	\$ 738	\$ (139)	\$ 1,457	\$ (1,297)

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

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,701	\$ 15,972
Accounts receivable, net	57,232	46,914
Prepaid expenses and other current assets	4,392	3,631
Total current assets	78,325	66,517
Property and equipment, net	2,882	2,795
Operating lease right-of-use assets	2,118	2,900
Goodwill	3,763	3,760
Intangible assets, net	1,996	2,255
Deferred income taxes	4,359	4,201
Other assets	1,537	1,601
Total assets	\$ 94,980	\$ 84,029
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 11,117	\$ 7,859
Accrued expenses and other current liabilities	21,607	18,745
Due to affiliates	3,637	3,775
Customer incentives and deposits	3,706	1,799
Lines of credit and short-term loans	11,386	9,329
Current portion of operating lease liabilities	964	1,398
Total current liabilities	52,417	42,905
Operating lease liabilities, less current portion	1,154	1,502
Long-term debt and other liabilities	1,000	1,000
Total liabilities	54,571	45,407
Equity:		
SPAR Group, Inc. equity		
Preferred stock, \$.01 par value:		

Authorized and available shares— 2,445,598		
Issued and outstanding shares—		
None — June 30, 2021, and December 31, 2020	—	—
Common stock, \$.01 par value:		
Authorized shares — 47,000,000		
Issued shares —		
21,269,797 — June 30, 2021, and		
21,122,312 — December 31, 2020	213	211
Treasury stock, at cost		
1,697 shares — June 30, 2021, and December 31, 2020	(2)	(2)
Additional paid-in capital	16,857	16,645
Accumulated other comprehensive loss	(3,888)	(3,913)
Retained earnings	10,649	9,218
Total SPAR Group, Inc. equity	23,829	22,159
Non-controlling interest	16,580	16,463
Total equity	40,409	38,622
Total liabilities and equity	\$ 94,980	\$ 84,029

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