



SPAR Group Announces Financial Results for the First Quarter Ended March 31, 2020

June 29, 2020

WHITE PLAINS, N.Y., June 29, 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 first quarter ended March 31, 2020.

Highlights for the three-month period ended March 31, 2020, as compared to the same period in the prior year include:

- Revenue for the first quarter of 2020 increased \$4.2 million, or 7.3 percent, to \$61.3 million. Domestic operations contributed \$4.6 million of the increase, partially offset by a decrease of \$400,000 in International operations. Adjusting for the impact of foreign currency translation, international revenue would have increased by \$3.8 million.
- Operating income for the first quarter decreased 14.8 percent to \$1.5 million, compared to \$1.7 million for the same period last year. The decrease in operating income was primarily driven by domestic operations.
- Net income attributable to SPAR Group for the first quarter of 2020 was \$298,000, or \$0.01 per diluted share, compared to a net income of \$619,000, or \$0.03 per diluted share, during the first quarter of 2019.

Financial Results by Geography (in 000's)

Revenue:	Three Months Ended March 31,		% Change
	2020	2019	
International	\$ 38,059	\$ 38,503	--
Domestic	23,289	18,657	24.8%
Total	\$ 61,348	\$ 57,160	7.3%

Operating Income:	Three Months Ended March 31,		% Change
	2020	2019	
International	\$ 1,170	\$ 976	19.9%
Domestic	307	757	(59.4%)
Total	\$ 1,477	\$ 1,733	(14.8%)

Net Income:	Three Months Ended March 31,		% Change
	2020	2019	
International	\$ 260	\$ 219	18.7%
Domestic	38	400	(90.5%)
Total	\$ 298	\$ 619	(51.9%)

Earnings Per Basic and Diluted share:

\$	0.01	\$	0.03
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"We entered 2020 with continued positive momentum, both domestically and internationally. However, as the first quarter progressed, that momentum was increasingly tempered by the negative effects of the COVID-19 pandemic. Domestically, we began the quarter strong, with growth from both new and existing customers. Late in the quarter, as many domestic customers closed, or curtailed operations in response to the virus, the pace of our domestic revenue growth slowed. Internationally, the impact of foreign currency translation and the pandemic began to affect us earlier during the first quarter, especially in markets such as China and Australia where we saw steep declines in business. Decreased sales in these markets more than offset the growth that we saw elsewhere in international markets," said Chief Executive Officer, Christian Olivier. "While we have begun to see some indications of an uptick in activity in some U.S. states and countries that have begun to open their economies, we expect a negative impact on our domestic and international businesses during the second quarter, reflecting lower year-over-year activity levels, further compounded by foreign currency effects.

There are several factors that we expect may partially reduce the near-term financial impact from the pandemic and better position us to weather this difficult period. First, we took quick action to ensure our ability to provide continuity of service with essential businesses that have remained opened during the pandemic, while protecting the health and safety of our team. Second, we have an "asset light" business model, which includes

independent third-party labor and enables significant flexibility to right size our cost of sales, as per the business at hand. And finally, we have taken actions to lower our operating expenses, cut discretionary spending and delay non-essential investments to preserve our balance sheet and liquidity.”

Mr. Olivier continued, “There was tremendous effort in the past two months by our staff and leadership team to implement change and navigate these challenging conditions. I want to acknowledge and thank our team for their ‘can do’ attitudes and ongoing efforts.”

Margin Profile by Geography

Gross Margin:

	Three Months Ended March 31,		Basis Point Change
	2020	2019	
International	16.4%	15.4%	104
Domestic	23.8%	25.2%	(148)
Total	19.2%	18.6%	61

Operating Income as a % of Sales:

	Three Months Ended March 31,		Basis Point Change
	2020	2019	
International	3.0%	2.5%	50
Domestic	1.3%	4.1%	(281)
Total	2.4%	3.0%	(63)

Most international subsidiaries experienced gross profit margin improvement; except for India, China, Mexico, and Canada where the margin remained flat during the first three months of 2020, when compared to the same period last year.

The year-over-year decrease in domestic gross profit margin compared to the same period last year was due to a mix shift that include a greater portion of lower margin project work.

Balance Sheet as of March 31, 2020

At March 31, 2020, cash and cash equivalents totaled \$9.1 million. Working capital was \$15.5 million and current ratio was 1.4 to 1. Total current assets and total assets were \$59.9 million and \$76.2 million, respectively. Total liabilities were \$47.8 million and total equity was \$28.4 million at March 31, 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 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"), will be filed shortly in a Current Report on Form 10-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, 2019 (the "2019 Annual Report"), which was filed 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 2020 Annual Report and the Proxy Statement, each an "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 2020 Annual Report includes a new Risk Factor respecting the coronavirus: Any outbreaks or rapid spread of such a contagious disease, or the fear of it, could significantly disrupt the retail operations of or the global and domestic supply chains for our customers and our work for them and could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect retail demand. Any of those events may change or disrupt the needs or demands of the Company's customers and could have a material and adverse effect on the Company or its performance or condition. See Risk Factors in the 2020 Annual Report.

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 2020 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 2020 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 2020 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 2020 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 (loss) Income
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2020	2019
Net revenues	\$ 61,348	\$ 57,160
Cost of revenues	49,560	46,525
Gross profit	11,788	10,635
Selling, general and administrative expenses	9,771	8,394
Depreciation and amortization	540	508
Operating income	1,477	1,733
Interest expense	228	199
Other (income), net	(8)	(65)
Income before income tax expense	1,257	1,599
Income tax expense	335	558
Net income	922	1,041
Net income attributable to non-controlling interest	(624)	(422)
Net income attributable to SPAR Group, Inc.	\$ 298	\$ 619
Basic net income per common share:	\$ 0.01	\$ 0.03
Diluted net income per common share:	\$ 0.01	\$ 0.03
Weighted average common shares – basic	21,105	20,777
Weighted average common shares – diluted	21,228	21,051

Net income	\$	922	\$	1,041
Other comprehensive (loss) income:				
Foreign currency translation adjustments		(3,900)		108
Comprehensive (loss) income		(2,978)		1,149
Comprehensive income (loss) attributable to non-controlling interest		1,820		(450)
Comprehensive (loss) income attributable to SPAR Group, Inc.	\$	(1,158)	\$	699

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

	March 31, 2020		December 31, 2019
	(Unaudited)		
Assets			
Current assets:			
Cash and cash equivalents	\$	9,110	\$ 10,458
Accounts receivable, net		48,321	49,299
Prepaid expenses and other current assets		2,470	2,404
Total current assets		59,901	62,161
Property and equipment, net		2,769	2,848
Operating lease right-of-use assets		4,277	4,948
Goodwill		3,760	3,784
Intangible assets, net		2,644	2,796
Deferred income taxes		1,663	1,883
Other assets		1,152	1,115
Total assets	\$	76,166	\$ 79,535
Liabilities and equity			
Current liabilities:			
Accounts payable	\$	8,789	\$ 9,186
Accrued expenses and other current liabilities		18,650	18,548
Due to affiliates		4,319	4,666
Customer incentives and deposits		74	594
Lines of credit and short-term loans		10,349	8,932
Current portion of operating lease liabilities		2,188	2,828
Total current liabilities		44,369	44,754
Operating lease liabilities, less current portion		2,089	2,120
Long-term debt and other liabilities		1,300	1,300
Total liabilities		47,758	48,174
Equity:			
SPAR Group, Inc. equity			
Preferred stock, \$.01 par value:			
Authorized and available shares— 2,445,598			
Issued and outstanding shares—			
None – March 31, 2020, and December 31, 2019		—	—
Common stock, \$.01 par value:			
Authorized shares – 47,000,000			
Issued shares –			
21,108,352 – March 31, 2020, and			
21,102,335 – December 31, 2019		211	211
Treasury stock, at cost			
1,697 shares – March 31, 2020, and December 31, 2019		(2)	(2)
Additional paid-in capital		16,536	16,511
Accumulated other comprehensive loss		(5,072)	(3,616)
Retained earnings		6,149	5,851
Total SPAR Group, Inc. equity		17,822	18,955
Non-controlling interest		10,586	12,406

Total equity	<u>28,408</u>	<u>31,361</u>
Total liabilities and equity	<u>\$ 76,166</u>	<u>\$ 79,535</u>

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