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**Q.E.P. CO., INC. REPORTS FISCAL 2017
NINE MONTH AND THIRD QUARTER SALES AND EARNINGS**

**NINE MONTH SALES – \$238.2 MILLION
THIRD QUARTER SALES – \$78.0 MILLION**

**NINE MONTH NET INCOME – \$6.5 MILLION
THIRD QUARTER NET INCOME – \$2.0 MILLION**

BOCA RATON, FLORIDA — January 5, 2017 — Q.E.P. CO., INC. (OTC: QEPC.PK) (the “Company”) today reported its consolidated results of operations for the first nine months and third quarter of its fiscal year ending February 28, 2017.

The Company reported net sales of \$238.2 million for the nine months ended November 30, 2016, an increase of \$0.8 million or 0.3% from the \$237.4 million reported in the same period of fiscal 2016. As a percentage of net sales, gross margin was 28.2% in the first nine months of fiscal 2017 compared to 26.7% in the first nine months of fiscal 2016.

Net sales for the third quarter of fiscal 2017 were \$78.0 million and a gross margin of 28.2% compared to net sales of \$77.5 million and a gross margin of 25.9% for the third quarter of fiscal 2016.

Lewis Gould, Chairman of the Board of Directors, commented on Q.E.P.’s nine month results, “We are generally pleased with the increase in gross margin in spite of the fact we have had significant headwinds in foreign exchange – particularly in Europe. While the strong US dollar reduces our reported foreign sales, our profitability has been enhanced by cost management as well as the impact of the strong US dollar when translating foreign costs. We have taken measures globally to focus on the cost side of our business to contain expenditures and increase our operational efficiencies. This has resulted in increased EBITDA, the strengthening of our balance sheet and the reduction of our debt obligations over the last 24 months.”

Mr. Gould concluded, “Q.E.P. has continued to look for ways to increase sales and profitability by expanding our product line offerings to our customers worldwide. The company believes that it is well positioned to find strategic opportunities throughout the world.”

Net sales for both the nine and three month periods ended November 30, 2016 as compared to the same period in the prior fiscal year reflect growth across a range of product categories and customers, net of the impact of the negative effects of foreign currency rate changes, primarily in the UK during the second and third quarters.

The Company’s gross margin as a percentage of net sales for both year-to-date and the third quarter increased compared to the prior fiscal year periods. The Company benefited from changes in the product mix and

management of costs, which were partially offset by the negative impact of changes in foreign currency rates, primarily in the UK.

Operating expenses for the first nine months and third quarter of fiscal 2017 were \$56.1 million and \$18.6 million, respectively, or 23.6% and 23.8% of net sales in those periods, compared to \$55.9 million and \$18.5 million, respectively, or 23.5% and 23.9% of net sales in the comparable fiscal 2016 periods. The relatively unchanged operating expense trend was driven by targeted increases in North America marketing programs and personnel, offset by decreased shipping costs related to customer and product mix and the favorable translation impact of foreign currency movements.

Non-operating income for the first nine months of fiscal 2017 represents a gain on the sale of certain non-core assets of the Company.

The decrease in interest expense during fiscal 2017 as compared to fiscal 2016 is principally the result of the repayment of outstanding debt.

The provision for income taxes as a percentage of income before taxes for the first nine months and third quarter of fiscal 2017 was 37.5% in each period, compared to 35.0% in each period for the comparable periods of fiscal 2016. The effective tax rate in both fiscal years reflects the relative contribution of the Company's earnings sourced from its international operations.

Net income for the first nine months and third quarter of fiscal 2017 was \$6.5 million and \$2.0 million, respectively, or \$2.03 and \$0.62, respectively, per diluted share. For the comparable periods of fiscal 2016, net income was \$4.3 million and \$0.9 million, respectively, or \$1.34 and \$0.26, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) and non-operating income for the first nine months and third quarter of fiscal 2017 was \$14.0 million and \$4.4 million, respectively, as compared to \$10.8 million and \$2.7 million, respectively, for the comparable periods of fiscal 2016.

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2016	2015	2016	2015
Net income	\$ 1,989	\$ 850	\$ 6,517	\$ 4,338
Add: Interest expense, net	240	264	812	871
Provision for income taxes	1,192	458	3,910	2,336
Depreciation and amortization	980	1,114	2,973	3,299
Non-operating income	-	-	(184)	-
EBITDA before non-operating income	<u>\$ 4,401</u>	<u>\$ 2,686</u>	<u>\$ 14,028</u>	<u>\$ 10,844</u>

Cash provided by operations during the first nine months of fiscal 2017 was \$7.2 million as compared to \$10.5 million in the first nine months of fiscal 2016, reflecting both the increase in operating income and additional net investments in working capital. In both the current and prior year nine month fiscal periods, the Company's capital expenditures, investments and treasury stock purchases were funded through cash from operations as additional funds from operations were used to reduce debt and increase cash balances.

Working capital at the end of the Company's fiscal 2017 third quarter was \$45.6 million compared to \$38.7 million at the end of the 2016 fiscal year. Aggregate debt, net of available cash balances at the end of the



Company's fiscal 2017 third quarter was \$13.7 million or 18.5% of equity, a decrease of \$6.4 million compared to \$20.1 million or 29.4% of equity at the end of the 2016 fiscal year.

The Company will be hosting a conference call to discuss these results and to answer your questions at 10:00 a.m. Eastern Time on Tuesday, January 10, 2017. If you would like to join the conference call, dial 1-888-452-4023 toll free from the US or 1-719-325-2432 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Third Quarter Conference Call / Conference ID 3495364. A replay of the conference call will be available until midnight January 17, 2017 by calling 1-844-512-2921 toll free from the US and entering pin number 3495364; internationally, please call 1-412-317-6671 using the same pin number.

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Q.E.P. Co., Inc., founded in 1979, is a world class, worldwide provider of innovative, quality and value-driven flooring and industrial solutions. As a leading manufacturer, marketer and distributor, QEP delivers a comprehensive line of hardwood and laminate flooring, flooring installation tools, adhesives and flooring related products targeted for the professional installer as well as the do-it-yourselfer. In addition, the Company provides industrial tools with cutting edge technology to the industrial trades. Under brand names including QEP®, ROBERTS®, Capitol®, Harris®Wood, Fausfloor®, Vitrex®, Homelux®, TileRite®, PRCI®, Nupla®, HISCO®, Plasplugs®, Ludell®, Porta-Nails®, Tomecanic®, Bénètiere® and Elastiment®, the Company sells its products to home improvement retail centers, specialty distribution outlets, municipalities and industrial solution providers in 50 states and throughout the world.

This press release contains forward-looking statements, including statements regarding economic conditions, sales growth, profit improvements, product development and marketing, operating expenses, cost savings, cash flow, debt and currency exchange rates. These statements are not guarantees of future performance and actual results could differ materially from our current expectations. Certain prior period amounts have been reclassified to conform with current presentation.

-Financial Information Follows-



Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands except per share data)
(Unaudited)

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2016	2015	2016	2015
Net sales	\$ 77,960	\$ 77,454	\$ 238,218	\$ 237,427
Cost of goods sold	55,943	57,407	171,060	174,027
Gross profit	<u>22,017</u>	<u>20,047</u>	<u>67,158</u>	<u>63,400</u>
Operating expenses:				
Shipping	6,801	6,655	20,483	21,071
General and administrative	6,379	6,531	19,283	19,116
Selling and marketing	5,529	5,362	16,741	15,940
Other income, net	(113)	(73)	(404)	(272)
Total operating expenses	<u>18,596</u>	<u>18,475</u>	<u>56,103</u>	<u>55,855</u>
Operating income	3,421	1,572	11,055	7,545
Non-operating income	-	-	184	-
Interest expense, net	<u>(240)</u>	<u>(264)</u>	<u>(812)</u>	<u>(871)</u>
Income before provision for income taxes	3,181	1,308	10,427	6,674
Provision for income taxes	<u>1,192</u>	<u>458</u>	<u>3,910</u>	<u>2,336</u>
Net income	<u>\$ 1,989</u>	<u>\$ 850</u>	<u>\$ 6,517</u>	<u>\$ 4,338</u>
Net income per share:				
Basic	<u>\$ 0.62</u>	<u>\$ 0.27</u>	<u>\$ 2.03</u>	<u>\$ 1.35</u>
Diluted	<u>\$ 0.62</u>	<u>\$ 0.26</u>	<u>\$ 2.03</u>	<u>\$ 1.34</u>
Weighted average number of common shares outstanding:				
Basic	<u>3,198</u>	<u>3,206</u>	<u>3,199</u>	<u>3,208</u>
Diluted	<u>3,207</u>	<u>3,228</u>	<u>3,214</u>	<u>3,230</u>



Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(Unaudited)

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2016	2015	2016	2015
Net income	\$ 1,989	\$ 850	\$ 6,517	\$ 4,338
Unrealized currency translation adjustments	<u>(490)</u>	<u>(451)</u>	<u>(347)</u>	<u>(932)</u>
Comprehensive income	<u>\$ 1,499</u>	<u>\$ 399</u>	<u>\$ 6,170</u>	<u>\$ 3,406</u>



Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except per share values)

	November 30, 2016 (Unaudited)	February 29, 2016
ASSETS		
Cash	\$ 17,398	\$ 15,923
Accounts receivable, less allowance for doubtful accounts of \$227 and \$377 as of November 30, 2016 and February 29, 2016, respectively	41,068	39,491
Inventories	42,173	42,797
Prepaid expenses and other current assets	3,596	2,234
Current assets	104,235	100,445
Property and equipment, net	18,455	19,538
Deferred income taxes, net	5,276	5,288
Intangibles, net	14,594	15,717
Other assets	336	550
Total Assets	\$ 142,896	\$ 141,538
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	\$ 20,055	\$ 18,432
Accrued liabilities	17,440	17,854
Income taxes payable (prepaid)	(438)	383
Lines of credit	19,762	23,093
Current maturities of notes payable	1,827	2,032
Current liabilities	58,646	61,794
Notes payable	9,495	10,899
Other long term liabilities	605	589
Total Liabilities	68,746	73,282
Preferred stock, 2,500 shares authorized, \$1.00 par value; 337 shares issued and outstanding at November 30, 2016 and February 29, 2016	337	337
Common stock, 20,000 shares authorized, \$.001 par value; 3,821 and 3,802 shares issued, and 3,198 and 3,198 shares outstanding at November 30, 2016 and February 29, 2016, respectively	4	4
Additional paid-in capital	10,781	10,737
Retained earnings	74,460	67,952
Treasury stock, 622 and 604 shares held at cost at November 30, 2016 and February 29, 2016, respectively	(7,195)	(6,884)
Accumulated other comprehensive income	(4,237)	(3,890)
Shareholders' Equity	74,150	68,256
Total Liabilities and Shareholders' Equity	\$ 142,896	\$ 141,538

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	For the Nine Months Ended November 30,	
	2016	2015
Operating activities:		
Net income	\$ 6,517	\$ 4,338
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,973	3,299
Gain from sale of business	(184)	-
Other non-cash adjustments	31	132
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(2,352)	(1,185)
Inventories	391	(2,158)
Prepaid expenses and other assets	(1,012)	482
Trade accounts payable and accrued liabilities	809	5,595
Net cash provided by operating activities	<u>7,173</u>	<u>10,503</u>
Investing activities:		
Proceeds from sale of property	61	348
Proceeds from sale of business	1,000	-
Capital expenditures	(1,349)	(881)
Acquisition	(1,702)	-
Net cash used in investing activities	<u>(1,990)</u>	<u>(533)</u>
Financing activities:		
Net repayments under lines of credit	(1,599)	(469)
Net repayments of notes payable	(1,562)	(7,139)
Purchase of treasury stock	(269)	(90)
Dividends	(8)	(7)
Net cash used in financing activities	<u>(3,438)</u>	<u>(7,705)</u>
Effect of exchange rate changes on cash	<u>(270)</u>	<u>(14)</u>
Net increase in cash	1,475	2,251
Cash at beginning of period	<u>15,923</u>	<u>10,576</u>
Cash at end of period	<u><u>\$ 17,398</u></u>	<u><u>\$ 12,827</u></u>