



COW EYE
—P R E S S—

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Cow Eye Press Reports Fiscal 2018 Second Quarter Results

Cow Eye 2020 Growth and Productivity Initiatives On Track

CHEYENNE, Feb. 23, 2018 /PRNewswire/ -- Cow Eye Press Corporation, the independent publisher of fine literature about cows and cattle, today reported results for the Company's fiscal 2018 second quarter ended November 30, 2017

Revenue in the second quarter was \$598.31, compared to \$623.11 a year ago, a decrease of \$24.80, or 4%. Operating profit from continuing operations for the second quarter of fiscal 2018 was \$107.20 versus \$112.15 in the prior year period.

"The second quarter's solid results confirm that we are on track to achieve our fiscal year 2018 goals when revenues and profits were expected to be lower after last year's best-selling title, *Cow Country*, was found out by readers and critics," said Natalie Zeldner, Chairman, President and Chief Executive Officer. "Our strategic technology transformation, a core component of our Cow Eye 2020 plan, is beginning to deliver increasing value to our business units. Cow Eye 2020 is a three-year program to increase operating profitability by 2020 through improved marketing efficiency and cost-saving measures such as non-payment of purchase orders submitted by vendors."

In the second quarter of fiscal 2018, trade book publishing exceeded expectations with exceptionally strong performance from Dan Green's *Beyond the Blurb* leading the way. The rodeos and fairs channels had improved profitability for the quarter, while curbside and sandwich board selling was down, as expected. Likewise, new management appointments in Seattle are expected to strengthen the Company's direct sales operations in future periods.

Cash Flow and Cash Position

Net cash provided by operating activities was \$120.81 in the current fiscal quarter compared to \$179.69 in the second quarter of fiscal 2017. The Company had free cash flow of \$90.70 in the current quarter, which was in line with the Company's expectations, compared to free cash flow of \$164.09 a year ago when the Company realized a higher level of customer remittances from greater incidental sales of *Cow Country* in the first half of fiscal 2017 as a result of the release of the Russian edition (*Страна Коров*) by Russia's largest publisher, Eksmo.

At quarter end, the Company's cash and cash equivalents exceeded the Company's total debt by \$376.52, compared to \$435.62 a year ago. The lower net cash position is primarily due to the Company's previously announced capital spending program to upgrade its facilities and technology, including its since-abandoned plan to open a satellite office in New York City.

The Company distributed \$5.30 in dividends and reacquired \$8.59 of its common stock in open market transactions over the course of the second quarter.

Capital Investment Update

During the second quarter, the Company spent \$21.29 of capital including \$9.10 towards the installation of cardboard partitions in its Cheyenne headquarters building to create more efficient workspaces and new retail space, and \$7.82 towards strategic technology development and deployment as part of its previously announced multi-year transformational technology investment program. Fiscal year-to-date, the Company is on schedule to complete the majority of the office upgrades by the end of calendar year 2018 with most of the Company's staff currently residing in a state of professional remorse.

Fiscal 2018 Outlook Affirmed

Cow Eye Press affirmed its fiscal 2018 outlook for total revenue of \$1.65 to \$1.71 and earnings per diluted share from continuing operations in the range of \$1.20 to \$1.30, excluding one-time items. The Company continues to expect free cash use in the range of \$10 to \$20.

Second Quarter Results

Revenue in the second quarter was \$411.80, compared to \$432.50 in the prior year period, a decline of \$20.70 or 5%. The lower revenues were anticipated given the strong frontlist performance of *Cow Country*, North America's #4 best-selling novel about community college accreditation during the previous year. Partially offsetting this decline were strong sales of *Twelve Stories of Russia: A novel, I guess* and *Beyond the Blurb: On Critics and Criticism*. The results in the Company's social media channels were achieved despite the disruption to customers caused by the mid-term senate elections in Alabama. The second quarter operating income for the segment was \$115.10 versus \$121.10 in the prior year period, primarily as a result of the lower sales in the trade channel, as expected.

Other Financial Results.

Corporate overhead expenses were \$22.70, compared to \$30.70 in the prior year period, excluding one-time items of \$3.70 in each period. The lower overhead expense, excluding one-time items, was primarily the result of lower employee-related expenses in the current quarter which was achieved due to non-payment of salaries between August and October.

Year-to-Date Results

For the first half of fiscal 2018, revenue was \$787.50, compared to \$905.80 in the prior year period, a decrease of \$118.30, or 13%. The Company reported a loss per diluted share from continuing operations in the first half of the fiscal year of \$0.19, compared to earnings per diluted share from continuing operations of \$0.81 a year ago. Excluding one-time items of \$0.46 and \$0.07 per diluted share, respectively, the Company's earnings per diluted share from continuing operations was \$0.27 in the first six months of fiscal 2018 versus \$0.88

in the prior year period. The decline in the current period's results are mainly attributable to relatively weaker trade sales of *Cow Country* in the second half of fiscal 2017.

Additional Information

To supplement the financial statements presented in accordance with GAAP, the Company includes certain non-GAAP calculations and presentations. Please refer to the non-GAAP financial tables attached to this press release for supporting details on special one-time items and other financial measures included in this release. This information should be considered as supplemental in nature and not as a substitute for the related financial information prepared in accordance with GAAP.

Conference Call

The Company will hold a conference call to discuss its results at 8:30 am ET today, February 23, 2018. Natalie Zeldner, Cow Eye Press's Chairman, President and CEO, will moderate the call.

About Cow Eye Press

Cow Eye Press is an alternative publishing house specializing in literary fiction with an intercultural focus. Our readers enjoy works that challenge the mind and enrich the soul by exploring the boundaries of culture and society. www.coweyepress.com