



CCOM Group, Inc. Reports 2018 Second Quarter Results

HAWTHORNE, New Jersey (August 8, 2018) – CCOM Group, Inc. (“CCOM”) (OTC Pink: “CCOM,” “CCOMP”), announced its financial results for the quarter and six months ended June 30, 2018.

Results for the quarter ended June 30, 2018 compared to results for the same period in 2017:

- Sales increased 8.8% to \$28,974,609 from \$26,624,977
- Gross profit increased 9.2% to \$7,496,549 from \$6,864,017
- Selling, general and administrative expenses increased 7.0% to \$6,006,236 from \$5,610,928
- Operating income increased 18.9% to \$1,490,313 from \$1,253,089
- Net income increased 14.2% to \$1,217,349 from \$1,066,070; the 2018 and 2017 amounts include a \$60,000 non-cash deferred income tax expense (with a corresponding decrease to CCOM’s deferred tax asset).
- Net income per share on a fully diluted basis increased to \$0.13 per share from \$0.11 per share

Results for the six months ended June 30, 2018 compared to results for the same period in 2017:

- Sales increased 10.2% to \$48,820,916 from \$44,296,353
- Gross profit increased 9.5% to \$13,002,908 from \$11,874,016
- Selling, general and administrative expenses increased 7.6% to \$12,011,494 from \$11,162,264
- Operating income increased 39.3% to \$991,414 from \$711,752
- Net income increased 51.0% to \$628,478 from \$416,341; the 2018 and 2017 amounts include a \$60,000 non-cash deferred income tax expense (with a corresponding decrease to CCOM’s deferred tax asset).
- Net income per share on a fully diluted basis increased to \$0.06 per share from \$0.04 per share

About CCOM Group, Inc.

CCOM Group, Inc. (“CCOM”) distributes heating, ventilating and air conditioning equipment (HVAC), parts and accessories, whole-house generators, climate control systems, and plumbing and electrical fixtures and supplies, primarily in New Jersey, New York, Massachusetts and portions of eastern Pennsylvania, Connecticut and Vermont through its subsidiaries: Universal Supply Group, Inc., www.usginc.com, The RAL Supply Group, Inc., www.ralsupply.com, and S&A Supply, Inc., www.sasupplyinc.com. CCOM is headquartered in New Jersey, and, with its affiliates, operates out of 17 locations in its geographic trading area. For more information on CCOM’s operations, products and/or services, please visit www.ccomgrp.com.

For further information, please contact Peter D. Gasiewicz, Chief Executive Officer, or William Salek, Chief Financial Officer, at (973) 427-8224.

(Financial Highlights Follow)

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

| | <u>June 30,</u> 2018 <u>(Unaudited)</u> | <u>December 31,</u> 2017 |
|--|---|-----------------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 511,912 | \$ 506,635 |
| Accounts receivable, net of allowance for doubtful accounts of \$786,797 and \$1,052,963, respectively | 13,282,682 | 11,522,688 |
| Inventory | 18,594,819 | 16,231,516 |
| Prepaid expenses and other current assets | <u>1,133,676</u> | <u>1,121,745</u> |
| Total current assets | 33,523,089 | 29,382,584 |
| Property and equipment | 681,269 | 568,079 |
| Goodwill | 1,416,929 | 1,416,929 |
| Other assets - noncurrent | 378,833 | 424,375 |
| Deferred tax asset - noncurrent | <u>1,622,000</u> | <u>1,682,000</u> |
| | <u>\$ 37,622,120</u> | <u>\$ 33,473,967</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Borrowings under credit facility - revolving credit | \$ 17,912,614 | \$ 14,464,649 |
| Notes payable - current portion; includes related party notes of \$705,385 and \$196,587, respectively | 769,462 | 279,606 |
| Trade payables | 4,148,489 | 4,558,305 |
| Accrued liabilities | 2,084,634 | 2,165,224 |
| Income taxes payable | <u>403</u> | <u>18,488</u> |
| Total current liabilities | 24,915,602 | 21,486,272 |
| Notes payable, excluding current portion; includes related party notes of \$495,392 and \$599,291, respectively | 735,576 | 645,231 |
| Deferred tax liability - noncurrent | <u>567,000</u> | <u>567,000</u> |
| Total liabilities | <u>26,218,178</u> | <u>22,698,503</u> |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Redeemable convertible preferred stock, \$.05 par value, 2,500,000 shares authorized, 284,612 shares issued and outstanding, liquidation preference of \$1,423,060 | 14,231 | 14,231 |
| Common stock, \$.05 par value, 20,000,000 shares authorized, 9,154,928 shares issued and outstanding | 457,746 | 457,746 |
| Additional paid-in capital | 12,596,853 | 12,596,853 |
| Accumulated deficit | <u>(1,664,888)</u> | <u>(2,293,366)</u> |
| Total stockholders' equity | <u>11,403,942</u> | <u>10,775,464</u> |
| | <u>\$ 37,622,120</u> | <u>\$ 33,473,967</u> |

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

| | For The Three Months Ended June 30, | | For The Six Months Ended June 30, | |
|---|--|---------------------|--------------------------------------|-------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| Sales | \$ 28,974,609 | \$ 26,624,977 | \$ 48,820,916 | \$ 44,296,353 |
| Cost of sales | <u>21,478,060</u> | <u>19,760,960</u> | <u>35,818,008</u> | <u>32,422,337</u> |
| Gross profit | 7,496,549 | 6,864,017 | 13,002,908 | 11,874,016 |
| Selling, general and administrative expenses | <u>6,006,236</u> | <u>5,610,928</u> | <u>12,011,494</u> | <u>11,162,264</u> |
| Operating income | 1,490,313 | 1,253,089 | 991,414 | 711,752 |
| Other income | 83,438 | 59,372 | 157,813 | 108,657 |
| Interest expense, net; includes related party interest of \$18,710 and \$24,803 for three months ended June 30, 2018 and 2017, respectively, and \$33,216 and \$43,986 for the six months ended June 30, 2018 and 2017, respectively | <u>(195,774)</u> | <u>(168,254)</u> | <u>(360,121)</u> | <u>(316,145)</u> |
| Income from operations | 1,377,977 | 1,144,207 | 789,106 | 504,264 |
| Income tax expense | <u>160,628</u> | <u>78,137</u> | <u>160,628</u> | <u>87,923</u> |
| Net income | <u>\$ 1,217,349</u> | <u>\$ 1,066,070</u> | <u>\$ 628,478</u> | <u>\$ 416,341</u> |
| Income per common share: | | | | |
| Basic | <u>\$ 0.13</u> | <u>\$ 0.11</u> | <u>\$ 0.07</u> | <u>\$ 0.04</u> |
| Diluted | <u>\$ 0.13</u> | <u>\$ 0.11</u> | <u>\$ 0.06</u> | <u>\$ 0.04</u> |
| Weighted average shares outstanding: | | | | |
| Basic | <u>9,154,928</u> | <u>9,154,928</u> | <u>9,154,928</u> | <u>9,154,928</u> |
| Diluted | <u>9,439,540</u> | <u>9,439,540</u> | <u>9,439,540</u> | <u>9,439,540</u> |

CCOM GROUP, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

| | For The Six Months Ended | |
|--|--------------------------|-------------|
| | June 30, | |
| | 2018 | 2017 |
| Cash flows from operating activities: | | |
| Net income | \$ 628,478 | \$ 416,341 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Deferred income taxes | 60,000 | 60,000 |
| Provision for doubtful accounts | 121,584 | 125,946 |
| Depreciation | 159,332 | 190,328 |
| Net gain on sale of fixed assets | (16,756) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (1,881,578) | (2,261,284) |
| Inventory | (2,363,303) | (2,569,257) |
| Prepaid expenses and other current assets | (11,931) | (159,195) |
| Other assets - noncurrent | 45,542 | - |
| Trade payables | (409,816) | 1,070,626 |
| Accrued liabilities | (80,590) | (102,674) |
| Income taxes payable | (18,085) | (27,188) |
| Net cash used in operating activities | (3,767,123) | (3,256,357) |
| Cash flows from investing activities: | | |
| Additions to property and equipment | (37,703) | (38,063) |
| Proceeds from disposal of property and equipment | 35,027 | - |
| Net cash used in investing activities | (2,676) | (38,063) |
| Cash flows from financing activities: | | |
| Repayments of notes payable: includes related party repayments of \$95,327 and \$86,385 respectively | (172,889) | (180,473) |
| Repayments of short term financing, related party | (500,000) | (1,000,000) |
| Issuance of short term financing, related party | 1,000,000 | 1,500,000 |
| Borrowings under credit facility - revolving credit, net | 3,447,965 | 3,004,226 |
| Net cash provided by financing activities | 3,775,076 | 3,323,753 |
| Increase in cash | 5,277 | 29,333 |
| Cash - beginning of period | 506,635 | 448,758 |
| Cash - end of period | \$ 511,912 | \$ 478,091 |