

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports First Quarter 2019 results”

August 24, 2018

Dear Fellow Shareholders:

I regret to report that Reconditioned Systems, Inc. (“RSI”) had its worst quarter in many years. As I said in my letter in this year’s Annual Report, fiscal 2019 will again be very challenging, but I am hopeful that we can increase sales and end the year with a profit.

For the three months ending June 30, 2018, RSI had a pre-tax loss of \$72.4 thousand on sales of \$2.5 million. This compares to a pre-tax loss of \$14.8 thousand on sales of \$2.4 million for the quarter ending June 30, 2017. Our margins remain under pressure primarily from our increased labor costs.

Business conditions are still favorable even though interest rates and energy costs have increased some. Labor costs have drastically hurt our margins as the minimum wage has been increased each year, which has hurt our production costs and generally is making it difficult to find good workers. Lower taxes are a major plus, but we have to make money to take advantage.

We are making progress creating a new line, which should be available in early 2019. The panels will be made in China at a substantial cost savings. This new line will make us more competitive and increase our margins. It will require an investment of capital, but I believe we must make this move to be profitable. Our new Echo Squared line is helping and should also make a contribution to the bottom line.

This year the board voted not to pay an annual dividend. We felt that we needed to conserve cash for the investment in the new line. I know our shareholders are disappointed by this decision; as RSI’s largest shareholder, I share your disappointment. Hopefully, we will be in a better position this time next year. As in the past, any future dividends will depend on our performance and financial position.

/S/ Scott W. Ryan
Scott W. Ryan
Chairman of the Board

	For The Three Months Ended	
	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Sales	\$2,520,246	\$2,423,956
Gross profit	\$297,090	\$352,379
Selling and administrative expenses	\$(350,518)	\$(332,422)
Other	\$(18,986)	\$(34,762)
Net income (loss) before provision for income taxes	\$(72,414)	\$(14,805)
Net income (loss)	\$(54,346)	\$(8,360)
Basic earnings (loss) per share	\$(.06)	\$(.01)
Basic weighted average number of common shares outstanding	958,418	960,878
Diluted earnings (loss) per common and equivalent share	\$(.06)	\$(.01)
Diluted weighted average number of common and equivalent shares outstanding	958,418	960,878

Summary Balance Sheet as of					
	June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)		June 30, 2018 (Unaudited)	June 30, 2017 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$532,611	\$1,228,743	Accounts payable	\$662,984	\$686,985
Accounts receivable	732,612	725,274	Customer deposits	34,671	193,990
Inventory	2,394,050	2,097,737	Dividend payable	-	96,088
Property & equipment	4,649,411	4,638,960	Accrued compensation & benefits	188,361	161,125
Other assets	230,014	228,114	Current note payable and other current liabilities	301,531	279,593
			Other liabilities	1,638,551	1,949,672
			Stockholders' equity	5,712,600	5,551,375
Total	\$8,538,698	\$8,918,828	Total	8,538,698	\$8,918,828

* 2019 Income taxes have been accrued at the maximum corporate rate of 26% of pretax income and may be revised upon completion of the company's tax returns. The net income could change materially as a result.

Note: The Company's quarterly press releases are available on our website rsisystemsurniture.com under About Us/ Investor Relations. Any shareholder who would like to sell shares back to the Company should contact the Investor Relations Department at 800-280-5000.