

Quarterly Report

Three- and six-month periods ended May 31, 2023

MESSAGE TO SHAREHOLDERS

Richelieu achieved a good financial performance in the second quarter, as reflected in sales, EBITDA and net earnings, although below results for the 2022 second quarter, which benefited from exceptional market conditions resulting from the pandemic. The Corporation continued to leverage its key performance drivers, namely its innovation and value-added service strategies with a "one-stop-shop" approach, and its effective website richelieu.com, along with its acquisition strategy that enabled it to diversify and expand its network, customer segments and product offering. Six acquisitions have been completed since the start of 2023, including two in the United States in the second quarter.

Total sales amounted to \$472.1 million, compared with \$487.9 million in the corresponding quarter of 2022, a 3.2% decline caused by a 4.7% internal decrease, while acquisitions made a positive contribution of 1.5%. Sales in Canada totalled \$279.5 million, down 4.3% from the same period of 2022, as a result of a 6.4% internal decrease, partially offset by a 2.1% positive contribution from acquisitions. In the United States, sales stood at US\$141.9 million, down 7.9% (US\$) from the second quarter of 2022. For the first six months of fiscal 2023, sales totalled \$875.1 million, a slight increase of 0.3% over the first half of 2022, thanks to a 2.1% contribution from acquisitions.

The Corporation's gross margin remained stable compared to the second quarter of 2022. EBITDA stood at \$61.5 million, down 21.0%, and an EBITDA margin of 13.0% compared to 16.0% in the corresponding quarter of 2022. Net earnings attributable to shareholders were \$30.7 million or \$0.55 per basic and diluted share, a decrease of 33.7%. In addition to the comparative effect with the second quarter of 2022, factors affecting these results included a return to a more normal level of operating expenses, external warehousing costs, rent and other expenses relating to U.S. expansion projects, and interest on the line of credit. For the first half of 2023, EBITDA stood at \$110.6 million, down 15.9%, and net earnings attributable to shareholders was \$0.95 diluted per share, compared with \$1.37 in the second quarter of 2022. As anticipated, excess inventory began to decline, with a positive effect on cash flow from operating activities, which stood at \$72 million for the quarter and \$88 million for the first half of 2022.

TWO NEW ACQUISITIONS IN THE UNITED STATES AND NEW DISTRIBUTION CENTRE OPENING IN MINNESOTA

Following the four acquisitions completed in Canada in the first quarter of 2023, the Corporation completed the acquisition of Maverick Hardware in Oregon early in the second quarter, followed on April 30 by the acquisition of the net assets of Westlund Distributing, a specialty hardware distributor operating a distribution centre in Monticello, Minnesota. These six recent transactions will generate annual sales of approximately \$26 million.

In addition, during the quarter, Richelieu opened a new distribution centre in Minneapolis, and actively pursued expansion and modernization projects at its Atlanta, Nashville, Seattle and Pompano centres that will be completed soon. These expansion projects will add approximately 500,000 square feet to its U.S. network.

Over the coming quarters, the Corporation will continue to concentrate its efforts on market penetration, integration of recent acquisitions, strict monitoring of operating costs, while continuing to pursue its innovation and acquisition strategies.

NEXT DIVIDEND PAYMENT

On July 6, 2023, the Board of Directors approved the payment of a quarterly dividend of \$0.15 per share. This dividend will be paid on August 3, 2023, to shareholders of record as at July 20, 2023.

PRESENTATION BASIS

This Management's Discussion and Analysis ("MD&A") relates to Richelieu Hardware Ltd.'s consolidated operating results and cash flows for the second quarter and first six months ended May 31, 2023, compared with the second quarter and first six months ended May 31, 2022, as well as to Richelieu Hardware Ltd.'s financial position as at May 31, 2023, compared with that of November 30, 2022. This MD&A should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the second quarter and first six months of 2023 as well as the Corporation's fiscal 2022 MD&A and audited consolidated financial statements available on the website of the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on the Corporation's website at www.richelieu.com. In this MD&A, "Richelieu" or the "Corporation" refers to, as the case may be, Richelieu Hardware Ltd. and its subsidiaries and divisions, or one of its subsidiaries or divisions. Supplementary information, including certificates for the interim period ended May 31, 2023, signed by the Corporation's President and Chief Executive Officer and the Vice-President and Chief Financial Officer, is available on SEDAR. The information contained in this MD&A accounts for any major event that occurred prior to July 6, 2023, on which date the unaudited interim consolidated financial statements and interim MD&A were approved by the Corporation's Board of Directors. Unless otherwise indicated, the financial information presented below, including amounts shown in tables, is expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements for the second quarter and first six months period ended May 31, 2023, have not been audited or reviewed by the Corporation's auditors.

NON-IFRS MEASURES

Richelieu uses earnings before interest, income taxes and amortization ("EBITDA") as we believe this measure enables management to assess the Corporation's operational performance. This measure is a widely accepted performance indicator of a corporation's ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to operating income or net earnings attributable to shareholders of the Corporation, as an indicator of cash flows or as a measure of liquidity. Since EBITDA does not have a standardized meaning prescribed by IFRS, it may not be comparable to the EBITDA of other companies.

Richelieu also uses adjusted cash flows from operating activities and adjusted cash flows from operating activities per share. Adjusted cash flows from operating activities are based on net earnings plus the amortization of property, plant and equipment, intangible assets and right-of-use assets, deferred tax expense (or recovery), share-based compensation expense and financial costs. These additional measures do not consider the net change in non-cash working capital items in order to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. Therefore, adjusted cash flows from operating activities may not be comparable to the cash flows from operating activities of other companies.

FORWARD-LOOKING STATEMENTS

Certain statements set forth in this MD&A, including statements relating to the expected adequacy of cash flows to cover contractual commitments, to maintain growth and to provide for financing and investing activities, growth outlook, Richelieu's competitive position in its industry, Richelieu's ability to weather the current economic context and access other external financing, the closing of new acquisitions, and other statements not pertaining to past events, constitute forward-looking statements. In some cases, these statements are identified by the use of terms such as "may", "could", "might", "intend" "should", "expect", "project", "plan", "believe", "estimate" or the negative form of these expressions or other comparable variants. These statements are based on the information available at the time they are written, on assumptions made by management and on the expectations of management, acting in good faith regarding future events, including on the assumption that economic conditions and exchange rates will not significantly deteriorate, the operating costs will not increase significantly, that supplies will be sufficient to fulfill Richelieu's needs, the availability of credit will remain stable during the year and no extraordinary events will require supplementary capital expenditures.

Although management believes these assumptions and expectations to be reasonable based on the information available at the time they are given, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties set forth in the 2022 annual MD&A (see the "Risk Factors" section) available on SEDAR.

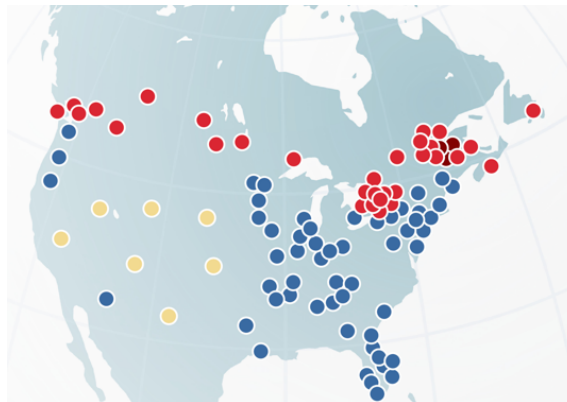
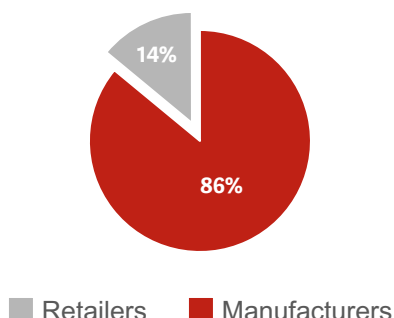
Richelieu's actual results could differ materially from those indicated in or underlying these forward-looking statements. The reader is therefore cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not reflect the potential impact of special items, any business combination or any other transaction that may be announced or occur subsequent to the date hereof. Richelieu undertakes no obligation to update or revise the forward-looking statements to account for new events or new circumstances, except as required by law.



GENERAL BUSINESS OVERVIEW AS AT MAY 31, 2023

Richelieu is a leading North American importer, manufacturer and distributor of specialty hardware and related products.

Richelieu offers customers a broad mix of products sourced from manufacturers worldwide. The solid relationships Richelieu has built with the world's leading suppliers enable it to provide customers with the latest innovative products tailored to their business needs. The residential and commercial renovation industry is one of the Corporation's principal sources of growth.

Sales by market Q2-2023



Richelieu's offer	115 interconnected centres
Over 130,000 different items	50 DISTRIBUTION CENTRES IN CANADA 
More than 110,000 active customers	62 DISTRIBUTION CENTRES IN THE UNITED STATES 
4,800,000 sq.ft. of storage	3 MANUFACTURING PLANTS
	COVERAGE BY REPRESENTATIVES

Main product categories	
Furniture, glass and building decorative and functional hardware	Sliding door systems
	Decorative and functional panels
Lighting systems	High pressure laminates
Finishing and decoration products	Baluster and railings
Ergonomic workstations components	Floor protection products
Kitchen and closet storage solutions	Power tool accessories

Those products are targeted to an extensive customer base of **kitchen and bathroom cabinet, storage and closet, home furnishing and office furniture, door and window manufacturers, residential and commercial woodworkers, as well as hardware retailers including renovation superstores.**

This offering is completed by the Corporation's three manufacturing subsidiaries : Les Industries Cedan Inc., Menuiserie des Pins Ltée and USIMM/UNIGRAV, which manufacture a variety of veneer sheets and edge banding products, a broad selection of decorative mouldings and components for the window and door industry as well as custom products, including a 3D scanning centre.

The Corporation employs close to 3,000 people at its head office and throughout its network, close to half of whom work in marketing, sales and customer service. Nearly 50% of the Corporation's employees are Richelieu shareholders.

MAIN TRADEMARKS



MISSION AND STRATEGY

Richelieu's mission is to create shareholder value and contribute to its customers' growth and success, while favouring a business culture focused on quality of service and results, partnership and intrapreneurship.

To sustain its growth and remain leader in its specialty market, the Corporation continues to implement the strategy that has proved beneficial to date, with a particular focus on:

- strengthening its product selection by continuously introducing each year diversified products that meet its market segment needs and position it as the specialist in functional and decorative hardware for manufacturers and retailers;
- further developing its current markets in Canada and the United States with the support of a specialized sales and marketing force capable of providing customers with personalized service, and
- pursuing its North America expansion by opening new distribution centres and through efficiently integrated, profitable acquisitions made at the right price, offering high growth potential and complementarity to its product mix and expertise.

Richelieu's solid and efficient organization, highly diversified product selection and long-term relationships with leading suppliers worldwide allows the Corporation to compete effectively in a fragmented market consisting mainly of a host of regional distributors offering a limited range of products.

SECOND QUARTER HIGHLIGHTS AND KEY FINANCIAL DATA

- **Sales** of \$472.1M, of which \$279.5M in Canada and \$US141.9M in the US.
- **EBITDA**¹ of \$61.5M; EBITDA margin of 13.0%.
- **Net earnings attributable to shareholders** of \$30.7M, or \$0.55 per diluted share.
- **Cash flows from operating activities** of 72.0M\$.
- **Expansion:** 2 new acquisitions in the U.S.

NETWORK DEVELOPMENT

During the first six months of 2023, Richelieu concluded the following acquisitions :

Date	Company Name	Nature of operations	Locations
January 1, 2023	Unigrav Inc. and Usimm Inc.	2 companies offering custom products, including a 3D scanning center	Drummondville and Montreal, QC
January 4, 2023	Rabel Hardware Inc.	Hardware distributor	Terrebonne, QC
January 6, 2023	Trans-World Distributing Ltd.	Distributor of industrial fasteners	Dartmouth, NS
April 3, 2023	Maverick Hardware	Hardware distributor	Eugene, OR
April 30, 2023	Westlund Distributing	Hardware distributor	Monticello, MN

Sales of \$8.9M have been generated by these acquisitions. Had those acquisitions been made on December 1, 2022, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$13M. The expansion and modernization projects undertaken by Richelieu at several of its U.S. centres are progressing, namely in Atlanta, Nashville, Pompano, Seattle and the new centre in Chicago serving the U.S. retailers market. The Corporation moved its Fort Myers operations to a new centre that is now operational and also opened of its two new centres located in Carlstadt, NJ and Minneapolis, MN. In the Calgary area, the Corporation will consolidate two of its centres at the end of the year and set up a premier showroom while increasing its service capacity in Western Canada.

¹ This financial measure is not IFRS compliant. Refer to non-IFRS section.

Operating and cash flow information (unaudited)

(in millions of dollars, except margins and per share data)	Quarters ended May 31			Six months ended May 31		
	2023	2022	Δ %	2023	2022	Δ %
Sales	472.1	487.9	(3.2)	875.1	872.4	0.3
EBITDA¹	61.5	77.9	(21.1)	110.6	131.6	(16.0)
EBITDA margin (%)	13.0	16.0		12.6	15.1	
Net earnings attributable to shareholders of the Corporation	30.7	47.0	(34.7)	53.1	77.1	(31.1)
• basic per share (\$)	0.55	0.84	(34.5)	0.95	1.38	(31.2)
• diluted per share (\$)	0.55	0.83	(33.7)	0.95	1.37	(30.7)
Adjusted cash flows from operating activities¹	48.4	60.7	(20.3)	86.7	103.2	(16.0)
• diluted per share (\$) ¹	0.86	1.08	(20.4)	1.54	1.83	(15.8)
Dividends paid per share (\$)	0.150	0.130	15.4	0.300	0.260	15.4
Weighted average number of shares outstanding (diluted) (in thousands)	56,227	56,445		56,176	56,458	

Information on the financial position

(in millions of dollars, except ratios)	As at May 31, 2023	November 30, 2022	Δ %
Total assets	1,325.6	1,283.9	3.2
Working capital	586.2	562.5	4.2
Current ratio	2.9:1	2.6:1	
Equity attributable to shareholders	858.9	817.2	5.1
Average return on shareholders' equity (%)	18.2	22.7	
Book value per share (\$)	15.37	14.65	4.9
Total debt	6.7	6.1	9.8
Bank overdraft net of cash and cash equivalents	93.1	112.0	

CA\$ / US\$ EXCHANGE RATES

The following table presents the average exchange rates applicable to the quarters and semesters ended May 31, 2023 and 2022, as well as the closing rates on May 31, 2023 and November 30, 2022. The average rates are used to convert income and expenses from foreign establishments for the periods covered while other items in the statements of financial position and earnings of Canadian entities are translated at the exchange rates in effect at the date of transaction. The closing rates are used to convert the assets and liabilities of foreign operations and the monetary assets and liabilities of Canadian operations.

Average rate for the quarters ended May 31		Average rate for the six months periods ended May 31		Closing rate	
2023	2022	2023	2022	As at May 31, 2023	As at November 30, 2022
1.356	1.271	1.353	1.271	1.360	1.351

¹ These financial measures are not IFRS compliant. Refer to non-IFRS section.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2023, COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2022

(in millions of dollars, except per share data)	Quarter ended May 31			Six months ended May 31		
	2023	2022	Δ %	2023	2022	Δ %
Sales	472.1	487.9	(3.2)	875.1	872.4	0.3
Operating expenses excluding amortization	410.6	410.1	0.1	764.5	740.8	3.2
EBITDA	61.5	77.9	(21.1)	110.6	131.6	(16.0)
Amortization of property, plant and equipment and right-of-use assets	12.1	9.2	31.5	23.5	17.7	32.8
Amortization of intangible assets	2.7	2.7	—	5.4	5.2	3.8
Net financial costs and other	4.0	1.1	263.6	7.9	2.2	259.1
	18.8	13.0	44.6	36.8	25.1	46.6
Earnings before income taxes	42.7	64.9	(34.2)	73.9	106.5	(30.6)
Income taxes	11.5	17.7	(35.0)	20.1	29.0	(30.7)
Net earnings	31.2	47.2	(33.9)	53.8	77.5	(30.6)

Net earnings attributable to:						
Shareholders of the Corporation	30.7	47.0	(34.7)	53.1	77.1	(31.1)
Non-controlling interests	0.5	0.2	150.0	0.7	0.4	75.0

Net earnings per share attributable to shareholders of the Corporation						
Basic	0.55	0.84	(34.5)	0.95	1.38	(31.2)
Diluted	0.55	0.83	(33.7)	0.95	1.37	(30.7)

Sales

The following table provides an overview of Richelieu's **sales** in its two main markets for the quarters ended May 31, 2023 and 2022 :

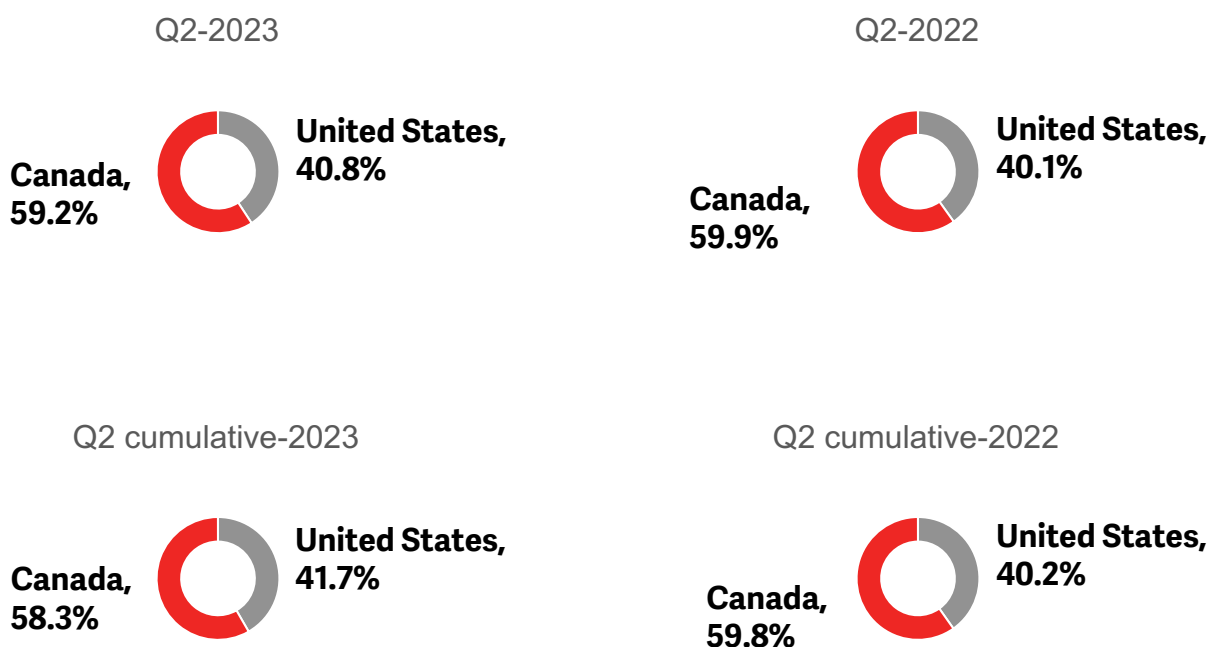
(in millions of dollars)	Quarters ended May 31		Δ %		
	2023	2022	Total	Internal	Acquisitions
Consolidated	472.1	487.9	(3.2)	(4.7)	1.5
Manufacturers	408.2	416.8	(2.1)	(3.8)	1.7
Retailers	63.9	71.1	(10.1)	(10.1)	—
Canada	279.5	292.1	(4.3)	(6.4)	2.1
Manufacturers	229.9	237.1	(3.0)	(5.7)	2.7
Retailers	49.6	55.0	(9.8)	(9.8)	—
United States	192.6	195.8	(1.6)		
In US\$	141.9	154.1	(7.9)	(8.4)	0.5
Manufacturers	131.3	141.5	(7.2)	(7.6)	0.4
Retailers	10.6	12.6	(15.9)	(15.9)	—

For the **second quarter** ended May 31, 2023, consolidated sales were \$472.1M, compared to \$487.9M for the second quarter of 2022, a decrease of \$15.8M, or 3.2%, resulting from an internal decrease of 4.7%, while the acquisitions made a positive contribution of 1.5%. It should be noted that in the second quarter of 2022, the Corporation had achieved exceptional internal growth of 16.1%, including a 22.7% increase (US\$) in the United States. In comparable currency to the second quarter of 2022, consolidated sales decrease would have been 5.8% for the quarter ended May 31, 2023.

(in millions of dollars)	Six months ended May 31		Δ %		
	2023	2022	Total	Internal	Acquisitions
Consolidated	875.1	872.4	0.3	(1.8)	2.1
Manufacturers	752.3	743.1	1.2	(1.3)	2.5
Retailers	122.8	129.3	(5.0)	(5.0)	—
Canada	510.4	521.6	(2.1)	(3.9)	1.8
Manufacturers	415.4	422.7	(1.7)	(3.9)	2.2
Retailers	95.0	98.9	(3.9)	(3.9)	—
United States	364.7	350.8	4.0		
In US\$	269.6	276.1	(2.4)	(4.8)	2.4
Manufacturers	249.0	252.2	(1.3)	(3.9)	2.6
Retailers	20.6	23.9	(13.8)	(13.8)	—

In the **first six months** of 2023, consolidated sales reached \$875.1 M\$, up \$2.7 M\$ or 0.3% over the first six months of 2022, of which 2.1% from acquisitions and 1.8% from internal decrease. In comparable currency to the corresponding period of 2022, the decrease in consolidated sales would have been 2.2%.

Breakdown of sales by major markets (in Canadian dollars)



Operating expenses excluding amortization

For the **second quarter** ended May 31, 2023, operating expenses excluding amortization totalled \$410.6M, or 87.0% of sales, compared to \$410.1M, or 84.0% of sales, for the corresponding period in fiscal 2022. In monetary terms, the level of operating expenses was maintained. This is explained by the decrease in inventories expensed caused by the lower sales, offset by the increase of operation costs including costs related to external warehousing resulting from the temporary inventory increase, as well as the effect of the rise in the value of the U.S. currency in relation to the Canadian currency on the conversion of the operating expenses of the self-sustaining subsidiary located in the United States.

For the **six months** ended May 31, 2023, operating expenses excluding amortization totalled \$764.5M, or 87.4% of sales, compared to \$740.8M, or 84.9% of sales, for the corresponding period in fiscal 2022. The variation is explained by operating expenses now returning to a level closer to pre-pandemic levels, in addition to the other items mentioned above.

Earnings before income taxes, interest and amortization (EBITDA)

EBITDA for 2023 **second quarter** was \$61.5M, down \$16.3M or 21.0% from the corresponding quarter of 2022, mainly as a result of lower sales and higher operating expenses. Gross margin remained stable. As a result, the EBITDA margin was 13.0%, compared with 16.0% for the corresponding quarter of 2022.

EBITDA for the first **six months** of fiscal 2023 was \$110.6M, down \$21.0M or 16.0% from the corresponding period of 2022.

Amortization, net financial costs and other

Amortization expense for the **second quarter** of 2023 amounted to \$14.8M, up \$2.9M over the corresponding period of 2022, as a result of the increase in property, plant and equipment and right-of-use assets stemming mainly from recent business acquisitions and expansion and modernization projects. Net financial costs and other were \$4.0M for the quarter compared to \$1.1M, a variation of \$2.9M resulting mainly from the use of lines of credit to finance acquisitions, expansion projects and the temporary increase in inventories.

For the first half of 2023, amortization expense amounted to \$28.9M, up \$6.0M over the corresponding period of 2022, and net financial costs and other amounted to \$7.9M compared to \$2.2M in the same period last year.

Income taxes

For the **second quarter** of 2023, income tax expense was \$11.5M, compared to an expense of \$17.7M in the same period last year, representing respectively effective tax rate of 27.0 % and 27.2%. For the **six-month period**, income tax expense was \$20.1M compared to \$29.0M, both representing effective tax rate of 27.2%.

Net earnings and comprehensive income

Second quarter net earnings were \$31.2M, down 33.9% from the prior year. Including non-controlling interests, net earnings attributable to shareholders of the Corporation were \$30.7M, down 34.7% from Q2 2022. Net earnings per share were \$0.55 basic and diluted, compared to \$0.84 basic and \$0.83 diluted for Q2 2022, down 34.5% and 33.7% respectively.

For the **six-month period**, net earnings attributable to shareholders of the Corporation were \$53.1M, down 31.1% from the prior year. Net earnings per share were \$0.95 basic and diluted, compared to \$1.38 basic and \$1.37 diluted for the same period of 2022, down 31.2% and 30.7% respectively.

Comprehensive income amounted to \$31.1M, reflecting a negative adjustment of \$0.1M on translation of the financial statements of the subsidiary in the United States, compared to \$46.2M for the same period in 2022, which reflected a negative adjustment of \$1.0M on translation of the financial statements of the subsidiary in the United States. For the first **six months**, comprehensive income totalled \$55.7 M compared to \$75.0 M for the corresponding period of 2022.

Quarterly data

(in millions of dollars, except per share data)				
2023	Q1	Q2	Q3	Q4
Sales	403.0	472.1		
EBITDA	49.1	61.5		
Net earnings attributable to shareholders of the Corporation	22.4	30.7		
• basic per share (\$)	0.40	0.55		
• diluted per share (\$)	0.40	0.55		
2022	Q1	Q2	Q3	Q4
Sales	384.5	487.9	472.9	457.5
EBITDA	53.7	77.9	79.2	76.7
Net earnings attributable to shareholders of the Corporation	30.1	47.0	46.4	44.9
• basic per share (\$)	0.54	0.84	0.83	0.80
• diluted per share (\$)	0.53	0.83	0.82	0.80
2021	Q1	Q2	Q3	Q4
Sales	297.6	371.4	373.3	398.2
EBITDA	38.2	61.0	63.9	71.3
Net earnings attributable to shareholders of the Corporation	21.0	37.4	38.7	44.6
• basic per share (\$)	0.38	0.67	0.69	0.80
• diluted per share (\$)	0.37	0.66	0.69	0.79

Quarterly variations in earnings - The first quarter closing at the end of February is generally the year's weakest quarter for Richelieu in light of fewer number of business days due to the end-of-year holiday period and the wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes fewer business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters ending May 31 and November 30, respectively, generally represent the year's most active periods.

Analysis of principal cash flows for the second quarter and first six months ended May 31, 2023

(in millions of dollars)	Quarters ended May 31		Six months ended May 31	
	2023	2022	2023	2022
Cash flows provided by (used in):				
Operating activities	72.0	(3.0)	88.4	(40.5)
Financing activities	(15.4)	(21.5)	(35.1)	(29.8)
Investing activities	(12.0)	(6.3)	(34.3)	(52.4)
Effect of exchange rate changes on cash and cash equivalents	0.1	0.1	(0.1)	(0.2)
Net change in cash and cash equivalents (bank overdraft)	44.6	(30.7)	18.9	(122.9)
Cash and cash equivalents (bank overdraft), beginning of period	(137.7)	(33.5)	(112.0)	58.7
Cash and cash equivalents (bank overdraft), end of period	(93.1)	(64.2)	(93.1)	(64.2)

Reconciliation of cash flow from operating activities to adjusted cash flow from operating activities :

(in millions of dollars)	Quarters ended May 31		Six months ended May 31	
	2023	2022	2023	2022
Cash flow from operating activities	72.0	(3.0)	88.4	(40.5)
Net change in non-cash working capital balances (inflow)	(23.6)	63.7	(1.7)	143.8
Adjusted cash flows from operating activities	48.4	60.7	86.7	103.2

Operating activities

Second quarter cash flow from operating activities, before net change in non-cash working capital balances, was \$48.4M or \$0.86 per diluted share compared to \$60.7M or \$1.08 per diluted share for the second quarter of 2022. This 20.4% decrease primarily reflects the decrease in net earnings. The net change in non-cash working capital items represented a cash inflow of \$23.6M, mainly reflecting decrease in inventories of \$49.2M, while accounts receivable and other items used cash of \$25.6M. As a result, operating activities represented a cash inflow of \$72.0M, compared to a cash outflow of \$3.0M in Q2 2022.

For the first six months, cash flow from operating activities, before net change in non-cash working capital balances, was \$86.7M or \$1.54 per diluted share compared to \$103.2M or \$1.83 per diluted share for the first six months of 2022, a decrease of 15.8%. The net change in non-cash working capital items represented a cash inflow of \$1.7M, mainly reflecting the decrease in inventories, while accounts receivable and other items used cash of \$48.1M. As a result, operating activities represented a cash inflow of \$88.4M, compared to a cash outflow of \$40.5M in the first six months of 2022.

Financing activities

Second quarter cash flows from financing activities required a cash outflow of \$15.4M compared to \$21.5M in Q2 2022. During the quarter, the Corporation paid \$8.6M in lease obligations and \$8.4M in dividends to shareholders, compared to a lease payment of \$6.2M and a dividend payment of \$7.3M in Q2 2022. The Corporation had also repurchased \$7.9M of common shares during Q2 2022.

In the **first half** of 2023, cash flows from financing activities used cash flows of \$35.1M, compared to \$29.8M in the first half of 2022. The Corporation repaid long-term debt of \$4.6M, paid lease obligations of \$15.6M and issued shares for \$2.6M, compared to a long-term debt repayment of \$1.3M, lease obligations payments of \$12.0M and a \$5.9M share issue in the first half of 2022. Dividends paid to shareholders of the Corporation amounted to \$16.7M compared to \$14.6M in the same period of 2022 while common shares repurchased amounted to \$0.8M in the first half of 2023, compared to \$7.9M in 2022.

Investing activities

Investing activities amounted to \$12.0M, including \$4.2M for the two business acquisitions made during Q2, and \$7.8M mainly for the purchase of equipment to maintain and improve operational efficiency as well as investments in infrastructure for distribution centre expansion projects.

In the **first half** of 2023, cash flows from investing activities represented a total cash outflow of \$34.3M, including \$20.0M for the six business acquisitions made during the first half and \$14.3M primarily for the purchase of new equipment to maintain and improve operational efficiency as well as investments in infrastructure for distribution centre expansion projects.

Sources of financing

As at May 31, 2023, the bank overdraft, net of cash and cash equivalents, was \$93.1M, compared to \$112.0M as at November 30, 2022. The Corporation had a **working capital** of \$586.2M, a ratio of 2.9:1, compared to \$562.5M (ratio of 2.6:1) as at November 30, 2022.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities between now and the end of 2023. The Corporation continues to benefit from an authorized line of credit of \$150M [\$150M as at November 30, 2022] as well as a line of credit of US\$56M [US\$56M as at November 30, 2022] renewable annually and bearing interest at bank's prime and BSBY rate plus 1.05%, respectively. In addition, Richelieu considers it could access to other outside financing if necessary.

ANALYSIS OF FINANCIAL POSITION

(in millions of dollars)	As at May 31, 2023	As at November 30, 2023	Δ %
Current assets	897.0	910.8	(1.5)
Non-current assets	428.6	373.1	14.9
Total	1,325.6	1,283.9	3.2
Current liabilities	310.8	348.2	(10.7)
Non-current liabilities	153.0	115.8	32.1
Equity attributable to shareholders of the Corporation	858.9	817.2	5.1
Non-controlling interests	2.9	2.7	7.4
Total	1,325.6	1,283.9	3.2

Assets

Total assets were \$1.33B as at May 31, 2023, compared to \$1.28B as at November 30, 2022, an increase of 3.2%. Current assets were down 1.5% or \$13.8M from November 30, 2022. Non-current assets increased by 14.9% mainly due to the addition of right-of-use assets, intangible assets and goodwill related to business acquisitions and expansion projects.

Liabilities

Current liabilities totalled \$310.8M as at May 31, 2023, a decrease of 10.7% compared to \$348.2M as at November 30, 2022. Non-current liabilities totalled \$153.0M as at May 31, 2023 compared to \$115.8M as at November 30, 2022. The rise mainly reflects an increase in lease obligations. Long-term debt, including the current portion, was \$6.7M as at May 31, 2023 and primarily represents balances payable on acquisitions.

Shareholders' equity

The Corporation's shareholders' equity was \$858.9M as at May 31, 2023, compared to \$817.2M as at November 30, 2022, an increase of \$41.8M mainly due to an increase of \$35.6M in retained earnings and \$4.3M in capital stock and contributed surplus, while accumulated other comprehensive income increased by \$1.9M. As at May 31, 2023, the book value per share was \$15.37, up 4.9% from November 30, 2022.

Share capital and stock options

As at May 31, 2023, the Corporation's share capital consisted of 55,879,385 common shares [55,784,790 shares as at November 30, 2022]. For the three and six-month periods ended May 31, 2023, the weighted average number of diluted shares outstanding was 56,227,220 and 56,176,050 [56,445,300 and 56,457,660 in 2022]. In addition, 1,852,155 stock options were outstanding as at May 31, 2023 [November 30, 2022 - 1,679,000].

The following table presents the changes in outstanding share capital and stock options for the six-month period ended May 31, 2023:

Number of shares		Number of options	
Outstanding, as at November 30, 2022	55,784,790	Outstanding, as at November 30, 2022	1,679,000
Issued	114,595	Exercised	(114,595)
Repurchased	(20,000)	Granted	306,500
Other	—	Cancelled	(18,750)
Outstanding, as at May 31, 2023	55,879,385	Outstanding, as at May 31, 2023	1,852,155

FINANCIAL INSTRUMENTS

Richelieu periodically enters into forward exchange contracts to fully or partially hedge the effects of foreign currency fluctuations related to foreign-currency denominated payables or to hedge forecasted purchase transactions. The Corporation has a policy of not entering into derivatives for speculative or trading purposes and to enter into such contracts only with major financial institutions. Richelieu also uses equity swaps to reduce the effect of fluctuations in its share price on net earnings in connection with its deferred share unit plan.

INTERNAL CONTROL OVER FINANCIAL REPORTING

As indicated in the 2022 annual MD&A, available on SEDAR, management has designed and evaluated internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") to provide reasonable assurance that the Corporation's financial reporting is reliable and that its publicly disclosed financial statements are prepared in accordance with IFRS. The President and Chief Executive Officer and the Vice-President and Chief Financial Officer have assessed, within the meaning of *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings*, the design and the effectiveness of internal controls over financial reporting as at November 30, 2022. In light of this assessment, they concluded that the design and the effectiveness of internal controls over financial reporting ("ICFR and DC&P") were effective. During the quarter ended May 31, 2023, management ensured that there were no material changes in the Corporation's procedures that were reasonably likely to have a material impact on its internal control over financial reporting. No such changes were identified.

Due to their intrinsic limits, internal controls over financial reporting only provide reasonable assurance and may not prevent or detect misstatements. In addition, projections of an assessment of effectiveness in future periods carry the risk that controls will become inappropriate as a result of changes in conditions or if the degree of conformity with standards and methods should deteriorate.

SIGNIFICANT ACCOUNTING POLICIES

The Corporation's interim consolidated financial statements for the quarter ended May 31, 2023, have been prepared by management in accordance with IFRS.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing its consolidated financial statements as at November 30, 2022 and for the year then ended, which require management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and appearing in the accompanying notes, which could be modified. The estimates are based on management's knowledge of current events, on the measures the Corporation could take in the future and on other factors deemed relevant and reasonable.

Risk factors are described in the "Risk Factors" section of Richelieu's 2022 annual report and MD&A, available on SEDAR and on the Corporation's website at www.richelieu.com.

SUPPLEMENTARY INFORMATION

Further information about Richelieu, including its latest Annual Information Form, is available on SEDAR at www.sedar.com and on the Corporation's website at www.richelieu.com.

President and Chief
Executive Officer



Richard Lord

Vice-President and Chief
Financial Officer



Antoine Auclair

July 6, 2023

Interim Consolidated Financial Statements

Richelieu Hardware Ltd.

For the three and six-month periods ended May 31

[Unaudited]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars] [Unaudited]

		As at May 31, 2023	As at November 30, 2022
	Notes	\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		22,496	21,220
Accounts receivable		233,664	222,238
Income taxes receivable		9,904	—
Inventories		619,997	660,242
Prepaid expenses		10,924	7,071
		896,985	910,771
Non-current assets			
Property, plant and equipment		60,199	54,832
Intangible assets		72,541	66,603
Right-of-use assets		151,506	116,204
Goodwill		135,578	127,457
Deferred taxes		8,800	7,998
		1,325,609	1,283,865
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdraft		115,557	133,208
Accounts payable and accrued liabilities		156,187	169,913
Income taxes payable		—	10,749
Current portion of long-term debt		4,308	5,208
Current portion of lease obligations		34,731	29,145
		310,783	348,223
Non-current liabilities			
Long-term debt		2,384	859
Lease obligations		128,324	95,705
Deferred taxes		12,032	10,052
Other liabilities		10,241	9,204
		463,764	464,043
Equity			
Share capital	3	65,039	61,829
Contributed surplus		9,440	8,400
Retained earnings		754,797	719,185
Accumulated other comprehensive income	4	29,636	27,743
Equity attributable to shareholders of the Corporation		858,912	817,157
Non-controlling interests		2,933	2,665
		861,845	819,822
		1,325,609	1,283,865

See accompanying notes to the interim consolidated financial statements.

On behalf of the Board of Directors:



Richard Lord
Director



Luc Martin
Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the three and six-month periods ended May 31 [In thousands of dollars, except earnings per share]

[Unaudited]

	Notes	For the three months ended May 31,		For the six months ended May 31,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Sales		472,082	487,935	875,112	872,401
Operating expenses excluding amortization	5	410,566	410,080	764,498	740,818
Earnings before amortization, financial costs and income taxes		61,516	77,855	110,614	131,583
Amortization of property, plant and equipment and right-of-use assets		12,081	9,182	23,454	17,717
Amortization of intangible assets		2,695	2,688	5,432	5,205
Net financial costs and other		4,033	1,098	7,864	2,180
		18,809	12,968	36,750	25,102
Earnings before income taxes		42,707	64,887	73,864	106,481
Income taxes		11,513	17,677	20,088	28,971
Net earnings		31,194	47,210	53,776	77,510
Net earnings attributable to:					
Shareholders of the Corporation		30,721	46,984	53,104	77,082
Non-controlling interests		473	226	672	428
		31,194	47,210	53,776	77,510
Net earnings per share attributable to shareholders of the Corporation					
Basic		0.55	0.84	0.95	1.38
Diluted		0.55	0.83	0.95	1.37

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six-month periods ended May 31 [In thousands of dollars]

[Unaudited]

	Notes	For the three months ended May 31,		For the six months ended May 31,	
		2023	2022	2023	2022
		\$	\$	\$	\$
Net earnings		31,194	47,210	53,776	77,510
Other comprehensive income (loss) that will be reclassified to net earnings					
Exchange differences on translation of foreign operations	4	(86)	(971)	1,893	(2,491)
Comprehensive income		31,108	46,239	55,669	75,019
Comprehensive income attributable to:					
Shareholders of the Corporation		30,635	46,013	54,997	74,591
Non-controlling interests		473	226	672	428
		31,108	46,239	55,669	75,019

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six-month periods ended May 31 [In thousands of dollars]
[Unaudited]

	Attributable to shareholders of the Corporation						Non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Total			
	\$	\$	\$	\$	\$	\$		
Notes	3			4				
Balance as at November 30, 2021	54,610	7,046	590,522	14,264	666,442	2,495	668,937	
Net earnings	—	—	77,082	—	77,082	428	77,510	
Other comprehensive loss	—	—	—	(2,491)	(2,491)	—	(2,491)	
Comprehensive income (loss)	—	—	77,082	(2,491)	74,591	428	75,019	
Shares repurchased	(229)	—	(7,673)	—	(7,902)	—	(7,902)	
Stock options exercised	7,143	(1,217)	—	—	5,926	—	5,926	
Share-based compensation expense	—	1,290	—	—	1,290	—	1,290	
Dividends [note 8]	—	—	(14,556)	—	(14,556)	—	(14,556)	
Other liabilities	—	—	—	—	—	(163)	(163)	
	6,914	73	(22,229)	—	(15,242)	(163)	(15,405)	
Balance as at May 31, 2022	61,524	7,119	645,375	11,773	725,791	2,760	728,551	
Balance as at November 30, 2022	61,829	8,400	719,185	27,743	817,157	2,665	819,822	
Net earnings	—	—	53,104	—	53,104	672	53,776	
Other comprehensive income	—	—	—	1,893	1,893	—	1,893	
Comprehensive income	—	—	53,104	1,893	54,997	672	55,669	
Shares repurchased	(22)	—	(751)	—	(773)	—	(773)	
Stock options exercised	3,232	(595)	—	—	2,637	—	2,637	
Share-based compensation expense	—	1,635	—	—	1,635	—	1,635	
Dividends [note 8]	—	—	(16,741)	—	(16,741)	—	(16,741)	
Other liabilities	—	—	—	—	—	(404)	(404)	
	3,210	1,040	(17,492)	—	(13,242)	(404)	(13,646)	
Balance as at May 31, 2023	65,039	9,440	754,797	29,636	858,912	2,933	861,845	

See accompanying notes to the interim consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six-month periods ended May 31 [In thousands of dollars]
[Unaudited]

	Notes	For the three months ended May 31,		For the six months ended May 31,	
		2023	2022	2023	2022
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Net earnings		31,194	47,210	53,776	77,510
Items not affecting cash					
Amortization of property, plant and equipment and right-of-use assets		12,081	9,182	23,454	17,717
Amortization of intangible assets		2,695	2,688	5,432	5,205
Deferred taxes		(258)	(177)	(753)	(303)
Share-based compensation expense	3	1,045	840	1,635	1,290
Financial costs		1,644	933	3,144	1,807
		48,401	60,676	86,688	103,226
Net change in non-cash working capital balances		23,582	(63,695)	1,747	(143,772)
		71,983	(3,019)	88,435	(40,546)
FINANCING ACTIVITIES					
Repayment of long-term debt		(120)	(179)	(4,604)	(1,258)
Dividends paid to shareholders of the Corporation	8	(8,373)	(7,278)	(16,741)	(14,556)
Payment of lease obligations		(8,552)	(6,229)	(15,640)	(11,971)
Common shares issued		1,622	120	2,637	5,926
Common shares repurchased for cancellation		—	(7,902)	(773)	(7,902)
		(15,423)	(21,468)	(35,121)	(29,761)
INVESTING ACTIVITIES					
Business acquisitions	2	(4,212)	—	(20,004)	(42,432)
Additions to property, plant and equipment and intangible assets		(7,798)	(6,292)	(14,258)	(10,011)
		(12,010)	(6,292)	(34,262)	(52,443)
Effect of exchange rate changes on cash and cash equivalents		78	88	(125)	(183)
Net change in cash and cash equivalents (bank overdraft)		44,628	(30,691)	18,927	(122,933)
Cash and cash equivalents (bank overdraft), beginning of period		(137,689)	(33,535)	(111,988)	58,707
Cash and cash equivalents (bank overdraft), end of period		(93,061)	(64,226)	(93,061)	(64,226)
Supplementary information					
Income taxes paid		19,864	20,015	41,933	42,029
Net interest paid		4,033	1,734	7,864	2,816

See accompanying notes to the interim consolidated financial statements.

Notes to interim consolidated financial statements (unaudited)

As at May 31, 2023 and 2022 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

NATURE OF BUSINESS

Richelieu Hardware Ltd. [the "Corporation"] is incorporated under the laws of Quebec, Canada. The Corporation is a distributor, importer, and manufacturer of specialty hardware and complementary products. Its products target an extensive customer base of kitchen and bathroom cabinet, storage and closet, home furnishing, office furniture and door and window manufacturers, residential and commercial woodworkers and hardware retailers including renovation superstores. The Corporation's head office is located at 7900 Henri-Bourassa Blvd. West, Montreal, Quebec, Canada, H4S 1V4.

1. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Corporation's interim consolidated financial statements, presented in Canadian dollars, have been prepared by management in accordance with International Financial Reporting Standards ["IFRS"], and more specifically with IAS 34, *Interim Financial Reporting*.

The interim consolidated financial statements were prepared in accordance with the accounting policies that the Corporation applied when preparing the annual consolidated financial statements as at November 30, 2022 and for the year then ended, and their preparation requires management to make estimates and assumptions that affect the amounts reported in the interim consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Corporation may undertake in the future and other factors deemed relevant and reasonable. In management's opinion, these interim consolidated financial statements reflect all the adjustments required for a fair presentation. These adjustments consist only of normal recurring adjustments. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year as the operating level of the Corporation is subject to seasonal fluctuations. These interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the accompanying notes included in the Corporation's annual report for the fiscal year ended November 30, 2022.

2. BUSINESS ACQUISITIONS

2023

Effective January 1, 2023, the Company acquired all issued and outstanding share capital of Unigrav Inc. and Usimm Inc., two companies offering custom products, including a 3D scanning service, for the architectural and industrial market, respectively located in Drummondville and Montreal, QC.

Effective January 4, 2023, the Corporation acquired all issued and outstanding share capital of Quincaillerie Rabel Inc., a specialty hardware distributor operating one distribution centre in Terrebonne, QC.

Effective January 6, 2023, the Corporation acquired all issued and outstanding share capital of Trans-World Distributing Ltd., a distributor of industrial fasteners for the industrial market operating one distribution centre in Dartmouth, NS.

Effective April 3, 2023, the Corporation acquired the principal net assets of Maverick Hardware Inc., a distributor of specialized hardware operating one distribution centre in Eugene, OR.

Effective April 30, 2023, the Corporation acquired the principal net assets of Westlund Distributing Inc., a distributor of specialized hardware operating one distribution centre in Monticello, MN.

Sales of \$8.9 million have been generated by these acquisitions. Had those acquisitions been made on December 1, 2022, management believes that sales included in the consolidated statement of earnings would have totalled approximately \$13 million.

2022

On September 2, 2022, the Corporation closed a transaction pertaining to the acquisition of all issued and outstanding share capital of Quincaillerie Deno, a distributor of specialized hardware products operating one distribution centre located in Anjou, QC.

Effective December 31, 2021, the Corporation acquired the principal net assets of Compi Distributors, a distributor of specialized hardware operating four distribution centres in St. Louis, MO, Kansas City, MO, Ozark, MO and Springfield, IL.

Effective December 31, 2021, the Corporation acquired the principal net assets of HGH Hardware Supply, a distributor of specialized hardware operating four distribution centres: one in Birmingham, AL, one in Nashville, TN and two in Atlanta, GA.

Effective December 31, 2021, the Corporation acquired the principal net assets of National Builders Hardware, a distributor of specialized hardware operating one distribution centre in Portland, OR.

Summary of acquisitions

The preliminary purchase price allocations, at the transaction dates, are summarized as follows:

	2023 \$
Current assets acquired	11,190
Property, plant and equipment and right-of-use assets	2,986
Intangible assets	9,210
Goodwill	7,907
	31,293
Current liabilities assumed	(1,517)
Non-current liabilities assumed	(2,769)
Deferred tax liabilities	(1,980)
Non-controlling interests	(625)
Net assets acquired	24,402
Consideration	
Cash, net of cash acquired	20,004
Consideration payable	4,398
	24,402

Goodwill deductible for tax purposes with regard to these acquisitions amounted to \$1.3 million.

Notes to interim consolidated financial statements (unaudited)

As at May 31, 2023 and 2022 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Preliminary purchase price allocations are subject to fair value adjustments to assets, liabilities and goodwill until the estimation process is complete. The final purchase price allocation should be completed as soon as management has gathered all the information available and deemed necessary to finalize the calculation, in particular for intangible assets, no later than 12 months after the acquisition date.

3. SHARE CAPITAL**Authorized**

Unlimited number of:

Common shares, participating, entitling the holder to one vote per share.

Non-voting, first and second ranking preferred shares issuable in series, the characteristics of which are to be determined by the Board of Directors.

Changes in common shares are summarized as follows:

<i>In thousands</i>	Number of shares	\$
Outstanding, as at November 30, 2021	55,842	54,610
Issued	271	7,580
Repurchased	(327)	(361)
Outstanding, as at November 30, 2022	55,786	61,829
Issued	115	3,232
Repurchased	(20)	(22)
Outstanding, as at May 31, 2023	55,881	65,039

During the six-month period ended May 31, 2023, the Corporation issued 114,595 common shares [in fiscal year 2022 - 271,000] at an average exercise price of \$23.01 per share [in fiscal year 2022 - \$23.19] pursuant to the exercise of stock options under the stock option plan. In addition, the Corporation repurchased 20,000 common shares for cancellation for a consideration of \$773 [327,329 common shares for a consideration of \$12,289 in fiscal 2022], which resulted in a premium on the redemption in the amount of \$751 recognized as a reduction of retained earnings [premium of \$11,928 in fiscal 2022].

Stock option plan

Changes in stock options are summarized as follows:

	Number of options <i>(in thousands)</i>	Weighted average exercise price \$
Outstanding, as at November 30, 2021	1,691	27.14
Granted	276	43.57
Exercised	(271)	23.19
Cancelled	(16)	34.03
Outstanding, as at November 30, 2022	1,680	30.50
Granted	307	37.39
Exercised	(115)	23.01
Cancelled	(19)	36.46
Outstanding, as at May 31, 2023	1,853	30.79

Stock options granted during the six-month period ended May 31, 2023 have an average fair value of \$9.18 per option [2022 - \$12.37] as determined using the Black & Scholes option pricing model with an expected dividend yield of 1.4% [2022 - 1.2%], expected volatility of 24.3% [2022 - 23.1%], a risk-free interest rate of 2.75% [2022 - 1.84%] and an expected life of 6.5 years [2022 - 6.2 years]. For the three and six-month periods ended May 31, 2023, the compensation expense related to stock options amounted to \$1,045 and \$1,635 [2022 - \$840 and \$1,290] and is recognized under *Operating expenses excluding amortization*. As at May 31, 2023, the exercise price of stock options outstanding varied between \$14.50 and \$43.57 [between \$12.71 and \$43.57 as at November 30, 2022].

Deferred Share Unit Plan (DSU)

The liability resulting from the DSU plan of \$6,936 [November 30, 2022 - \$8,940] is recognized under the *Accounts payable and accrued liabilities*. As at May 31, 2023, the fair value of the swaps amounted to an asset of \$843 [November 30, 2022 - asset of \$618] and is recognized under *Accounts receivable*. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data. Compensation expense for the DSUs for the three and six-month periods ended May 31, 2023 amounted to \$294 and \$319 [2022 - \$186 and \$386] and is recognized under *Operating expenses excluding amortization*.

Share Purchase Plan

Compensation expense related to the share purchase plan amounted to \$294 and \$584 for the three and six-month periods ended May 31, 2023 [2022 - \$241 and \$451] and is recognized under *Operating expenses excluding amortization*.

Notes to interim consolidated financial statements (unaudited)

As at May 31, 2023 and 2022 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

Net earnings per share

Net earnings per share, basic and diluted, was calculated based on the following number of shares:

<i>In thousands</i>	For the three months ended May 31,		For the six months ended May 31,	
	2023	2022	2023	2022
Weighted average number of shares outstanding - Basic	55,834	55,997	55,808	55,957
Dilutive effect under stock option plan	393	448	368	501
Weighted average number of shares outstanding - Diluted	56,227	56,445	56,176	56,458

For the three and six-month periods ended May 31, 2023, the calculation of the diluted earnings per share does not take into account the weighted average of 265,250 stock options since their exercise price is higher than the average share price for the periods and would have an anti-dilutive effect. [273,500 anti-dilutive stock option in 2022].

4. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income includes the following items and its changes are detailed as follows:

	For the three months ended May 31,		For the six months ended May 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Balance at the beginning of the period	29,722	12,744	27,743	14,264
Exchange differences on translation of foreign operations	(86)	(971)	1,893	(2,491)
Balance at the end of the period	29,636	11,773	29,636	11,773

5. FINANCIAL INSTRUMENTS AND OTHER INFORMATION**Fair value**

The carrying value of long-term debt approximates its fair value because of the short maturity of amounts payable. The Corporation classified the fair value measurement in Level 2, as it is derived from observable market data.

As at May 31, 2023, forward contracts were nil [an asset of \$193 as at November 30, 2022].

Credit risk

The Corporation sells its products to numerous customers in Canada and in the United States. Credit risk refers to the possibility that customers will be unable to assume their liabilities toward the Corporation. The average collection period for accounts receivable, as at May 31, 2023, is acceptable given the industry in which the Corporation operates.

The Corporation performs ongoing credit evaluation of customers and generally does not require collateral. The

allowance for doubtful accounts increased by \$623 and \$1,142 [2022 - \$619 and \$1,467] during the three and six-month periods ended May 31, 2023, to a total of \$8,591 as at May 31, 2023 [November 30, 2022 - \$7,449].

Market risk

The Corporation's foreign currency exposure arises from purchases and sales transacted mainly in US dollars and in euros. Operating expenses include, for the three and six-month periods ended May 31, 2023, an exchange loss of \$391 and a gain of \$643 [2022 - foreign exchange gain of \$1,373 and \$2,413].

The Corporation's policy is to maintain the purchase costs and the selling prices of its commercial activities by mitigating its exposure through the use of derivative financial instruments. To protect its operations from exposure to exchange rate fluctuations, foreign exchange forward contracts are periodically used. Major exchange rate risks are covered by centralized cash flow management. Exchange rate risks are managed in accordance with the Corporation's policy on exchange rate risk management. The goal of this policy is to protect the Corporation's operating results by reducing exposure to exchange rate fluctuations. The Corporation's risk management policy does not allow speculative trades.

As at May 31, 2023, a decrease of 5% in the Canadian dollar against the US dollar and the euro on translation of monetary assets and liabilities, all other variables remaining the same, would have increased consolidated net earnings by \$1,598 [as at May 31, 2022 - \$1,489] and would have increased other comprehensive income by \$9,865 [as at May 31, 2022 - \$9,046]. The exchange rate sensitivity is calculated by aggregation of the net foreign exchange rate exposure of the Corporation's financial instruments as at May 31, 2023.

Liquidity risk

The Corporation manages its risk of not being able to settle its financial liabilities when required by taking into account its operational needs and by using different financing tools, as required. In recent years, the Corporation has financed its growth, its acquisitions, and its payout to shareholders using mainly cash generated by operating activities.

The Corporation benefits from an authorized line of credit of \$150 million [\$150 million as at November 30, 2022] as well as a line of credit of US\$56 million [US\$56 million as at November 30, 2022].

Operating expenses excluding amortization

	For the three months ended May 31,		For the six months ended May 31,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Inventories from distribution, imports and manufacturing activities recognized as an expense	344,785	350,829	641,033	633,046
Salaries and related expenses	61,448	57,102	114,918	103,201
Other expenses	4,333	2,149	8,547	4,571
	410,566	410,080	764,498	740,818

Notes to interim consolidated financial statements (unaudited)

As at May 31, 2023 and 2022 (Amounts are in thousands of dollars, except per-share amounts or otherwise indicated)

For the three and six-month periods ended May 31, 2023, the amounts of inventories expensed as a result of importing, distribution and manufacturing activities included an inventory obsolescence charge of \$1,566 and \$3,077 [2022 - \$1,586 and \$2,859].

6. CAPITAL MANAGEMENT

The Corporation's objectives are :

- Maintain a low debt ratio to preserve the capacity to pursue its growth both internally and through acquisitions;
- Provide an adequate return to shareholders.

The Corporation manages and makes adjustments to its capital structure in light of changes in economic conditions and the risk characteristics of underlying assets. To maintain or adjust its capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. As at May 31, 2023, the Corporation achieved the following results regarding its capital management objectives:

- Debt/equity ratio: 0.8% [0.7% as at November 30, 2022] [Long-term debt/equity]
- Average return on shareholders' equity of 18.2% over the last 12 months [22.7% for the year ended November 30, 2022]

The Corporation's capital management objectives remained unchanged from the previous fiscal year.

7. GEOGRAPHIC INFORMATION

During the three and six-month periods ended May 31, 2023, nearly 58% of sales were made in Canada [2022 - 60%]. The Corporation's sales in foreign countries, almost all in the United States, amounted to \$192,551 and \$364,675 [2022 - \$195,829 and \$350,818] in Canadian dollars, and to \$141,919 and \$269,585 [2022 - \$154,124 and \$276,119] in US dollars.

As at May 31, 2023, property, plant and equipment in the amount of \$25,242 [November 30, 2022 - \$19,635] were located in the United States. In addition, intangible assets located in the United States amounted to \$29,618 [November 30, 2022 - \$30,037] and goodwill amounted to \$31,654 [November 30, 2022 - \$30,190] in Canadian dollars and to \$21,773 [November 30, 2022 - \$22,236] and \$23,270 [November 30, 2022 - \$22,350] respectively, in US dollars. Of the total amount of right-of-use assets, \$101,059 [November 30, 2022 - \$74,495] were located in the United States.

8. DIVIDENDS PAID TO SHAREHOLDERS OF THE CORPORATION

For the three and six-month periods ended May 31, the Corporation paid dividends of \$8,373 and \$16,741 to holders of common shares [2022 - \$7,278 and \$14,556], representing a quarterly dividend of \$0.15 per common share [quarterly dividend of \$0.13 per common share in 2022].

9. APPROVAL OF FINANCIAL STATEMENTS

The interim consolidated financial statements for the three and six-month periods ended May 31, 2023 (including the comparative figures) were approved for issue by the Board of Directors on July 6, 2023.

10. COMPARATIVE FIGURES

Some figures disclosed for the three and six-month periods ended May 31, 2022, have been reclassified to conform to the presentation adopted for the three and six-month periods ended May 31, 2023.