Richelieu

Press Release

For Immediate Release

Richelieu pursues its growth and expansion in the second quarter of 2014

Increase of 13.8% in net earnings per share

Two new acquisitions

- **Consolidated sales** for the second quarter ended May 31, 2014 increased by 5.7%.

- **Strategic acquisition** of two specialty hardware distributors, one in Saskatchewan closed on May 5, 2014, and the other in Florida in June 2014. These acquisitions will add seven points of sale to Richelieu's network (three in Western Canada and four in Florida).

- **Excellent financial position** with **net cash** of $21 million, almost no debt and **working capital** of $196.4 million as at May 31, 2014.

(TSX: RCH)

Montreal, July 3, 2014 — "The second quarter ended May 31st yielded good growth, driven by our strategy rooted in innovation, market development and the acquisitions we efficiently integrate by creating sales and operational synergies. Since the beginning of 2014, we have closed three acquisitions in growth markets – two in Canada and one in the U.S. These acquisitions represent additional annual sales of approximately $18 million. Our two latest acquisitions will add three distribution centres in Western Canada and four in Florida. Our solid financial health positions us to remain focused on growth," indicated Mr. Richard Lord, President and Chief Executive Officer of Richelieu.

NEXT DIVIDEND PAYMENT

At its meeting on July 3, 2014, the Board of Directors approved the payment of a quarterly dividend of $0.14 per share. This dividend is payable on July 31, 2014 to shareholders of record as at July 17, 2014.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2014 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2013

Consolidated sales

Second-quarter consolidated sales amounted to $165.2 million, compared with $156.2 million for the corresponding quarter of 2013, an increase of $9.0 million or 5.7%, of which 3.7% from internal growth and 2.0% from acquisitions. It is to be noted that this quarter included one less business day than the corresponding quarter of 2013.

Richelieu recorded sales to **manufacturers** of $141.0 million, compared with $132.4 million for the corresponding period of 2013, an increase of $8.6 million or 6.5%, of which 4.2% internal growth with the contribution of all market segments and 2.3% from acquisitions. Sales to hardware **retailers** and renovation superstores amounted to $24.1 million, up 1.2%.

In Canada, sales totalled $122.3 million, an increase of 3.4% over the second quarter of 2013, of which 0.8% from internal growth and 2.6% from acquisitions. Sales to **manufacturers** grew by 4.4% to $101.3 million. As for sales to **retailers** and renovation superstores, they amounted to $20.9 million, a slight 1.2% decrease from the corresponding quarter of 2013.

In the United States, the Corporation achieved sales of US$39.0 million, compared with US$37.2 million for the corresponding quarter of 2013, an increase of 4.9%, of which 4.7% from internal growth and 0.2% from acquisitions. Sales to **manufacturers** reached US$36.1 million, up 4.4% over the second quarter of 2013 thanks to sustained market penetration efforts. As for sales to **retailers** and renovation superstores, they grew by 11.6% (in US$). Considering exchange rate fluctuations, total U.S. sales expressed in Canadian dollars amounted to $42.9 million, an increase of 13.0%. They accounted for 26.0% of consolidated sales for the second quarter of 2014, whereas they had represented 24.3% of the period's consolidated sales for the second quarter of 2013.

First-half consolidated sales totalled $301.3 million, an increase of $18.9 million or 6.7% over the corresponding six months of 2013, of which 4.7% from internal growth and 2.0% from acquisitions.

Sales to **manufacturers** amounted to $254.8 million, compared with $236.6 million for the corresponding six months of 2013, an increase of $18.2 million or 7.7%, of which internal growth of 5.3% and 2.4% from acquisitions. Sales to hardware **retailers** and renovation superstores totalled $46.5 million, compared with $45.7 million for the first half of 2013, an increase of 1.7%.

In Canada, sales totalled $220.7 million, compared with $213.3 million for the first six months of 2013, an increase of 3.5%, of which 1.1% from internal growth and the rest from acquisitions. Sales to **manufacturers** stood at $180.2 million, an increase of 4.1% over the first half of 2013, of which 1.2% from internal growth and 2.9% from acquisitions. As for sales to hardware **retailers** and renovation superstores, they amounted to $40.5 million, up 0.8% over the corresponding period of 2013.

In the United States, Richelieu recorded sales of US$73.6 million, compared with US$68.4 million for the first half of 2013, an increase of US$5.2 million or 7.6%, of which 7.0% from internal growth and 0.6% from acquisitions. Sales to **manufacturers** totalled US$68.1 million, an increase of 8.3% over the first six months of 2013, of which 7.6% from internal growth and 0.7% from acquisitions. Sales to **retailers** and renovation superstores were relatively stable. Considering exchange rate fluctuations, U.S. sales expressed in Canadian dollars totalled $80.5 million, compared with $69.1 million for the corresponding six months of 2013, an increase of 16.6%. They accounted for 26.7% of consolidated sales for the first half of 2014, whereas they had represented 24.5% of the period's consolidated sales for the first six months of 2013.

Consolidated EBITDA and EBITDA margin

Second-quarter earnings before income taxes, interest and amortization (EBITDA) grew to $19.2 million, an increase of 5.4% over the corresponding quarter of 2013. It is to be noted that the second-quarter **gross margin** and **EBITDA margin** remained stable despite the lower profit margins of some prior acquisitions having a different product mix and the higher proportion of sales in the United States where the product mix is also different.

Income taxes amounted to $4.4 million, an increase of $0.2 million over the second quarter of 2013.

First-half earnings before income taxes, interest and amortization (EBITDA) totalled $32.9 million, an increase of $1.8 million or 5.8% over the first half of 2013. The **gross margin** and **EBITDA margin** remained stable despite the lower profit margins of some prior acquisitions having a different product mix and the higher proportion of sales in the United States where the product mix is also different.

Income taxes totalled $7.6 million, an increase of $0.4 million over the first six months of 2013.

Net earnings

Second-quarter net earnings increased by 6.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $13.0 million, up 7.4% over the second quarter of 2013. **Net earnings per share** rose to $0.67 basic and $0.66 diluted, compared with $0.59 basic and $0.58 diluted for the corresponding quarter of 2013, an increase of 13.6% and 13.8% respectively.

Comprehensive income amounted to $11.8 million, considering a negative adjustment of $1.3 million on translation of the financial statements of the subsidiary in the United States, compared with $12.5 million for the second quarter of 2013, considering a positive adjustment of $0.3 million on translation of the financial statements of the subsidiary in the United States.

First-half net earnings grew by 7.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $21.9 million, up 7.9% over the corresponding half of 2013. **Net earnings per share** rose to $1.11 basic and $1.09 diluted, compared with $0.98 basic and $0.96 diluted for the first six months of 2013, an increase of 13.3% and 13.5% respectively.

Comprehensive income totalled $23.1 million, considering a positive adjustment of $1.2 million on translation of the financial statements of the subsidiary in the United States, compared with $22.4 million for the first six months of 2013, considering a positive adjustment of $2.0 million on translation of the financial statements of the subsidiary in the United States.

FINANCIAL POSITION

Operating activities

Second-quarter cash flows from operating activities (before net change in non-cash working capital balances) totalled $14.8 million or $0.75 per share, compared with $14.4 million or $0.69 per share for the second quarter of 2013, an increase of 2.9% stemming mainly from the growth in net earnings. Net change in non-cash working capital balances used cash flows of $1.1 million, representing the $7.2 million variation in accounts receivable and the $1.7 million variation in inventories and other items, whereas accounts payable represented a cash inflow of $7.8 million. Consequently, operating activities provided cash flows of $13.7 million, compared with $9.8 million for the corresponding quarter of 2013.

First-half cash flows from operating activities (before net change in non-cash working capital balances) totalled $25.8 million or $1.29 per share, compared with $24.9 million or $1.18 per share for the first six months of 2013, an increase of 3.7% stemming mainly from the growth in net earnings. Net change in non-cash working capital balances used cash flows of $13.9 million, representing the $10.0 million variation in inventories and the $5.5 million variation in accounts receivable, whereas accounts payable and other items represented a cash inflow of $1.6 million. Consequently, operating activities provided cash flows of $11.9 million, whereas they had provided cash flows of $4.2 million for the first six months of 2013.

Financing activities

Second-quarter financing activities represented a cash outflow of $2.5 million, compared with $17.1 million for the corresponding quarter of 2013. This change stems mainly from the fact that the Corporation repurchased common shares for cancellation for $0.5 million during the second quarter of 2014, compared with $14.6 million in the same period of 2013. Richelieu paid shareholder dividends of $2.7 million during the second quarter of 2014, relatively equivalent to those paid during the corresponding quarter of 2013.

First-half financing activities represented a cash outflow of $30.1 million, compared with $18.6 million for the corresponding half of 2013. During the first six months of the year, Richelieu repurchased common shares for cancellation for $27.5 million, compared with $14.6 million during the first half of 2013. The Corporation paid shareholder dividends of $5.5 million, up 2.2% over the first six months of 2013. Furthermore, shares were issued for $3.0 million, compared with a $2.0 million share issue during the first half of 2013.

Investing activities

Second-quarter investing activities totalled $2.9 million, of which $1.7 million for the acquisition of the principal assets of Pleasantside and $1.2 million for equipment needed for operations, including software.

First-half investing activities amounted to $5.0 million for the acquisition of the principal assets of Procraft and Pleasantside, as well as for equipment needed for operations, including software.

Sources of financing

As at May 31, 2014, **cash and cash equivalents** totalled $23.0 million, compared with $46.2 million as at November 30, 2013. This variation primarily reflects the significant share repurchases in the first half of 2014. The Corporation posted a **working capital** of $196.4 million for a current ratio of 4.1:1, compared with $204.1 million (4.5:1 ratio) as at November 30, 2013.

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 planned for the second half of 2014. The Corporation continues to benefit from an authorized line of credit of CA$26 million as well as a line of credit of US$6 million renewable annually and bearing interest respectively at prime and base rates. In addition, the Corporation estimates it could obtain access to other outside financing if necessary.

Summary financial position as at May 31, 2014

(in thousands of $, except exchange rate)

As at	**May 31, 2014**	November 30, 2013
Current assets	**259,477**	262,251
Non-current assets	**95,035**	94,074
Total	**354,512**	356,325
Current liabilities	**63,089**	58,134
Non-current liabilities	**5,114**	5,077
Equity attributable to shareholders of the Corporation	**282,044**	288,845
Non-controlling interests	**4,265**	4,269
Total	**354,512**	356,325
Exchange rate on translation of a subsidiary in the United States	***1.084***	*1.062*

Assets

Total assets amounted to $354.5 million as at May 31, 2014, compared with $356.3 million as at November 30, 2013, a decrease of 0.5%. **Current assets** were down by $2.8 million from November 30, 2013 due notably to the reduction in cash and cash equivalents subsequent to the share repurchases completed in the first six months of 2014.

Net cash

(in thousands of $)

As at	**May 31, 2014**	November 30, 2013
Current portion of long-term debt	**1,608**	1,354
Long-term debt	**450**	_
Total	**2,058**	1,354
Cash and cash equivalents	***23,047***	*46,187*
Total net cash	**20,989**	44,833

The total debt stood at $2.1 million, consisting of $0.5 million in long-term debt and $1.6 million in short-term debt up by $0.7 million over November 30, 2013 due to balances of sale payable on acquisitions. Deducting this debt, net cash amounted to $21.0 million as at May 31, 2014. The Corporation continues to benefit from a healthy and solid financial position.

Equity attributable to shareholders of the Corporation totalled $282.0 million as at May 31, 2014, compared with $288.8 million as at November 30, 2013, a decrease of 2.4% stemming from a reduction of $10.4 million in retained earnings which amounted to $248.6 million (subsequent to share repurchases), an increase of $3.2 million in share capital and of $1.2 million in accumulated other comprehensive income, less the $0.8 million decrease in contributed surplus. At the close of the first half of 2014, **the book value per share** was $14.41, the same level as at November 30, 2013.

SUBSEQUENT EVENT

Effective June 30, 2014, Richelieu closed the acquisition of the principal net assets of CabinetWare, Inc., a distributor of specialty hardware that serves an extensive customer base of kitchen cabinet manufacturers and residential and commercial woodworkers from four distribution centres in Florida.

PROFILE AS AT MAY 31, 2014

Richelieu is a leading North American distributor, importer and manufacturer of specialty hardware and complementary products. Its products are targeted to an extensive customer base of kitchen and bathroom cabinet, furniture, and window and door manufacturers plus the residential and commercial woodworking industry, as well as a large customer base of hardware retailers, including renovation superstores. Richelieu offers customers a broad mix of high-end products sourced from manufacturers around the world. Its product selection consists of some 100,000 different items targeted to a base of some 70,000 customers who are served by 63 centres in North America – 36 distribution centres in Canada, 25 in the United States and two manufacturing plants in Canada, specifically Cedan Industries Inc. which specializes in the manufacture of a wide variety of veneer sheets and edgebanding products and Menuiserie des Pins Ltée which manufactures components for the window and door industry and a broad selection of decorative mouldings.

Notes to readers — Richelieu uses earnings before income taxes, interest and amortization (“EBITDA”) because this measure enables management to assess the Corporation’s operational performance. This measure is a widely accepted financial indicator of a company’s ability to service and incur debt. However, EBITDA should not be considered by an investor as an alternative to revenues from operating activities or earnings, an indicator of earnings from operating activities operating performance or cash flows, or as a measure of liquidity. Because EBITDA is not a standardized measurement as prescribed by IFRS, it may not be comparable to the EBITDA of other companies. Richelieu also uses cash flows from continuing operations and cash flows from continuing operations per share. Cash flows from continuing operations are based on the net earnings attributable to shareholders of the Corporation plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery), non-controlling interests and share-based compensation expense. These additional measures do not account for net change in non-cash working capital items to exclude seasonality effects and are used by management in its assessments of cash flows from long-term operations. Therefore, cash flows from operating activities may not be comparable to the cash flows from operating activities of other companies. Certain statements set forth in this management’s report, including statements relating to the expected sufficiency 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, the optimization of the synergies arising therefrom and their impact on sales 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 the assumption that economic conditions and exchange rates will not significantly deteriorate, changes in operating expenses will not increase significantly, the Corporation’s deliveries will be sufficient to fulfill Richelieu’s needs, the availability of credit will remain stable during the fiscal year and no extraordinary events will require supplementary capital expenditures. Although management considers these assumptions and expectations reasonable based on the information available at the time they are written, they could prove inaccurate. Forward-looking statements are also subject, by their very nature, to known and unknown risks and uncertainties such as those related to the industry, acquisitions, labour relations, credit, key officers, supply, product liability, and other factors set forth in the Management’s Report included in the Corporation’s Annual Report as well as its Annual Information Form, which are available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com. Richelieu’s actual results could differ materially from those indicated or underlying these forward-looking statements. The reader is therefore recommended not to unduly rely 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 where provided for by applicable legislation.

- 30 -

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JULY 3, 2014 CONFERENCE CALL AT 2:30 P.M. (EASTERN TIME)

Financial analysts and investors interested in participating in the conference call on Richelieu’s results to be held at 2:30 p.m. on July 3, 2014 may call **1-866-865-3087** a few minutes before the start of the call. For those unable to participate, a taped rebroadcast will be available as of 5:30 p.m. on July 3, 2014 until midnight on July 10, 2014, by dialing **1-855-859-2056, access code: 61462521.** Members of the media are invited to listen in.

Photos are available under the “About Richelieu” – “Media” section at www.richelieu.com.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]
[Unaudited]

	As at May 31, 2014	As at November 30, 2013
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**23,047**	46,187
Accounts receivable	**85,380**	78,343
Income taxes receivable	**178**	—
Inventories	**149,047**	136,746
Prepaid expenses	**1,825**	975
	259,477	262,251
Non-current assets		
Property, plant and equipment	**21,736**	22,291
Intangible assets	**16,439**	15,661
Goodwill	**53,654**	52,788
Deferred taxes	**3,206**	3,334
	354,512	356,325
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**61,481**	56,462
Income taxes payable	—	318
Current portion of long-term debt	**1,608**	1,354
	63,089	58,134
Non-current liabilities		
Long-term debt	**450**	—
Deferred taxes	**2,816**	3,246
Other liabilities	**1,848**	1,831
	68,203	63,211
Equity		
Share capital	**28,526**	25,288
Contributed surplus	**1,541**	2,356
Retained earnings	**248,566**	258,965
Accumulated other comprehensive income	**3,411**	2,236
Equity attributable to shareholders of the Corporation	**282,044**	288,845
Non-controlling interest	**4,265**	4,269
	286,309	293,114
	354,512	356,325

CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three months ended May 31,		For the six months ended May 31,	
	2014	2013	**2014**	2013
	$	$	$	$
Sales	**165,155**	156,240	**301,263**	282,324
Cost of goods sold, warehousing, selling and administrative expenses	**145,970**	138,033	**268,374**	251,224
Earnings before amortization, financial costs and income taxes	**19,185**	18,207	**32,889**	31,100
Amortization of property, plant and equipment	**1,223**	1,279	**2,481**	2,585
Amortization of intangible assets	**513**	558	**1,041**	1,126
Financial costs, net	**(41)**	(95)	**(153)**	(214)
	1,695	1,742	**3,369**	3,497
Earnings before income taxes	**17,490**	16,465	**29,520**	27,603
Income taxes	**4,428**	4,241	**7,612**	7,201
Net earnings	**13,062**	12,224	**21,908**	20,402
Net earnings attributable to:				
Shareholders of the Corporation	**13,036**	12,140	**21,895**	20,298
Non-controlling interests	**26**	84	**13**	104
	13,062	12,224	**21,908**	20,402
Net earnings per share attributable to shareholders of the Corporation				
Basic	**0.67**	0.59	**1.11**	0.98
Diluted	**0.66**	0.58	**1.09**	0.96

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the three months ended May 31,		For the six months ended May 31,	
	2014	2013	**2014**	2013
	$	$	$	$
Net earnings	**13,062**	12,224	**21,908**	20,402
Other comprehensive income				
Exchange differences on translation of foreign operations	**(1,266)**	276	**1,175**	2,011
Comprehensive income	**11,796**	12,500	**23,083**	22,413
Comprehensive income attributable to:				
Shareholders of the Corporation	**11,770**	12,416	**23,070**	22,309
Non-controlling interests	**26**	84	**13**	104
	11,796	12,500	**23,083**	22,413

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the three months ended May 31,		**For the six months ended May 31,**	
	2014	2013	**2014**	2013
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	**13,062**	12,224	**21,908**	20,402
Items not affecting cash				
Amortization of property, plant and equipment	**1,223**	1,279	**2,481**	2,585
Amortization of intangible assets	**513**	558	**1,041**	1,126
Deferred taxes	**(294)**	—	**(294)**	—
Share-based compensation expense	**328**	351	**697**	792
	14,832	14,412	**25,833**	24,905
Net change in non-cash working capital balances	**(1,096)**	(4,569)	**(13,896)**	(20,690)
	13,736	9,843	**11,937**	4,215
FINANCING ACTIVITIES				
Repayment of long-term debt	**—**	(376)	**—**	(576)
Dividends paid	**(2,741)**	(2,717)	**(5,547)**	(5,429)
Common shares issued	**709**	561	**2,958**	1,985
Common shares repurchased for cancellation	**(457)**	(14,586)	**(27,520)**	(14,586)
	(2,489)	(17,118)	**(30,109)**	(18,606)
INVESTING ACTIVITIES				
Business acquisitions	**(1,739)**	(297)	**(3,089)**	(297)
Additions to property, plant and equipment and intangible assets	**(1,198)**	(804)	**(1,897)**	(1,559)
	(2,937)	(1,101)	**(4,986)**	(1,856)
Effect of exchange rate changes on cash and cash equivalents	**(77)**	22	**18**	(59)
Net change in cash and cash equivalents	**8,233**	(8,354)	**(23,140)**	(16,306)
Cash and cash equivalents, beginning of period	**14,814**	43,635	**46,187**	51,587
Cash and cash equivalents, end of period	**23,047**	35,281	**23,047**	35,281
Supplementary information				
Income taxes paid	**4,189**	3,968	**8,469**	8,099
Interest received, net	**(41)**	(95)	**(153)**	(214)