Richelieu

Press Release
For Immediate Release

Richelieu continues its growth and expansion
Increase of 17.7% in third-quarter net earnings per share
An acquisition in Canada
and an agreement in principle in the United-States

- **Sales** for the third quarter ended August 31, 2014 were up 12.5%. In Canada and the United States, sales increased by 10.7% (CA$) and 12.4% (US$) respectively.
- **Excellent financial position** with **a net cash** of $25.4 million, **a working capital** of $203.8 million and **a return on average equity** of 16.8% as at August 31, 2014.
- In addition to the acquisition in Florida at the beginning of the third quarter, Richelieu closed an **acquisition in Canada** on September 22, 2014 and signed **an agreement in principle for another acquisition in the United States.**

(TSX: RCH)
Montreal, October 2, 2014 — "We are most satisfied with our third-quarter results. All our market segments contributed to strong internal growth of 6.7% in Canada (CA$) and 8.1% in the United States (US$), to which was added a growth of 4.0% (CA$) and 4.3% (US$), respectively, from our acquisitions. We recently closed one new acquisition, specifically XM Export - Import Canada Inc., a distributor of specialty hardware in Canada, and signed an agreement in principle to acquire a distributor of specialty panels and hardware operating in the United States. Since the beginning of the year, we have thus closed four acquisitions and signed a new agreement in principle. Together, these five transactions could represent additional sales of approximately $27 million on an annualized basis. We have also paid dividends of $8.3 million and repurchased common shares for $30.2 million, thereby distributing a total of $38.5 million to our shareholders. We expect to close the year with a solid financial position, so as to pursue our strategy of internal growth and acquisitions," indicated Mr. Richard Lord, President and Chief Executive Officer of Richelieu.

NEXT DIVIDEND PAYMENT

At its meeting held on October 2, 2014, the Board of Directors approved the payment of a quarterly dividend of $0.14 per share. This dividend is payable on October 30, 2014 to shareholders of record as at October 16, 2014.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2014 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2013

Consolidated sales

Third-quarter consolidated sales amounted to $167.8 million, up 12.5% over the same quarter of 2013, of which 8.4% from internal growth and 4.1% from acquisitions.

Richelieu recorded sales to **manufacturers** of $143.8 million, compared with $126.2 million for the third quarter of 2013, an increase of $17.6 million or 14.0%, of which 9.1% from internal growth. All the Corporation's market segments contributed to this growth. Sales to hardware **retailers** and renovation superstores amounted to $24.0 million, up 4.4% over $23.0 million for the corresponding quarter of 2013.

In Canada, sales totalled $122.5 million, an increase of 10.7% over $110.6 million for the third quarter of 2013, of which 6.7% from internal growth and the balance from acquisitions. Sales to **manufacturers** amounted to $101.2 million, an increase of 12.7%, of which 7.7% from internal growth. Sales to hardware **retailers** and renovation superstores grew to $21.3 million, up 2.4% over $20.8 million for the corresponding quarter of 2013.

In the United States, Richelieu continued to achieve solid growth, driven by its dynamic and effective development strategy, in addition to taking advantage of the opportunities provided by more favourable economic conditions. Sales totalled US$41.7 million, compared with US$37.1 million for the corresponding quarter of 2013, an increase of US$4.6 million or 12.4%, of which 8.1% from internal growth and 4.3% from acquisitions. Sales to **manufacturers** grew by 11.9% to US$39.2 million, of which 7.4% from internal growth. Sales to hardware **retailers** and renovation superstores grew by 20.7% (in US$). Considering exchange rate fluctuations, total U.S. sales expressed in Canadian dollars amounted to $45.3 million, an increase of 17.6%. They accounted for 27.0% of consolidated sales for the third quarter of 2014, whereas they had represented 25.8% of the period's consolidated sales for the third quarter of 2013.

For the first nine months, **consolidated sales** totalled $469.1 million, an increase of $37.6 million or 8.7% over the first nine months of 2013, of which 6.0% from internal growth and 2.7% from acquisitions.

Sales to **manufacturers** amounted to $398.6 million, compared with $362.8 million for the first nine months of 2013, an increase of $35.8 million or 9.9%, of which 6.6% from internal growth. Sales to hardware **retailers** and renovation superstores grew by 2.6% over the corresponding period of 2013, to $70.5 million.

In Canada, Richelieu recorded sales of $343.3 million, compared with $324.0 million for the first nine months of 2013, an increase of 6.0% or $19.3 million, of which 3.0% from internal growth. The Corporation's sales to **manufacturers** amounted to $281.5 million, an increase of 7.1% over the first nine months of 2013, of which 3.4% from internal growth. Sales to hardware **retailers** and renovation superstores grew by 1.3% over the corresponding period of 2013, to total $61.8 million.

In the United States, Richelieu achieved sales of US$115.2 million, up from US$105.4 million for the first nine months of 2013, an increase of US$9.8 million or 9.3%, of which 7.4% from internal growth and 1.9% from acquisitions. Sales to **manufacturers** totalled US$107.3 million, an increase of 9.6% over the first nine months of 2013, of which 7.5% from internal growth thanks primarily to sustained market penetration efforts in addition to benefiting from more favourable economic conditions. Sales to hardware **retailers** and renovation superstores grew by 5.5% (in US$) over the first nine months of 2013. Considering exchange rate fluctuations, U.S. sales expressed in Canadian dollars amounted to $125.7 million, compared with $107.5 million for the first nine months of 2013, an increase of 16.9%. They accounted for 26.8% of consolidated sales for the first nine months of 2014, whereas they had represented 24.9% of the period's consolidated sales for the corresponding period of 2013.

Consolidated EBITDA and EBITDA margin

Third-quarter earnings before income taxes, interest and amortization (EBITDA) grew to $21.1 million, an increase of 10.5% over the corresponding quarter of 2013. The **gross margin** remained stable with the third quarter of 2013. The **EBITDA margin** stood at 12.5%, compared with 12.8% for the corresponding quarter of 2013, down slightly due notably to the higher proportion of sales in the United States and the lower margins on acquisitions.

Income taxes amounted to $4.7 million, an increase of $0.2 million over the third quarter of 2013.

For the first nine months, **earnings before income taxes, interest and amortization (EBITDA)** totalled $53.9 million, an increase of 7.6% over the first nine months of 2013. The **gross margin** and **EBITDA margin** remained stable with the corresponding period of 2013, 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 $12.3 million, an increase of $0.6 million over the first nine months of 2013.

Net earnings

Third-quarter net earnings increased by 14.2%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $14.6 million, up 13.5% over the third quarter of 2013. **Net earnings per share** rose to $0.74 basic and $0.73 diluted, compared with $0.62 basic and diluted for the corresponding quarter of 2013, an increase of 19.4% and 17.7% respectively.

Comprehensive income amounted to $14.9 million, considering a positive adjustment of $0.2 million on translation of the financial statements of the subsidiary in the United States, compared with $13.7 million for the third quarter of 2013, considering a positive adjustment of $0.8 million on translation of the financial statements of the subsidiary in the United States.

For the first nine months, **net earnings** grew by 10.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** rose 10.1% to $36.4 million for the first nine months of 2013. **Net earnings per share** amounted to $1.85 basic and $1.83 diluted, compared with $1.60 basic and $1.58 diluted for the first nine months of 2013, an increase of 15.6% and 15.8% respectively.

Comprehensive income totalled $38.0 million, considering a positive adjustment of $1.4 million on translation of the financial statements of the subsidiary in the United States, compared with $36.1 million for the corresponding period of 2013, considering a positive adjustment of $2.8 million on translation of the financial statements of the subsidiary in the United States.

FINANCIAL POSITION

Operating activities

Third-quarter cash flows from operating activities (before net change in non-cash working capital balances) amounted to $16.5 million or $0.83 per share, compared with $14.9 million or $0.71 per share for the third quarter of 2013, an increase of 16.9% per share 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 variation in inventories ($6.5 million), whereas accounts receivable, accounts payable and other items represented a cash inflow of $5.4 million. Consequently, operating activities provided cash flows of $15.4 million, compared with $24.7 million for the corresponding quarter of 2013.

For the first nine months, **cash flows from operating activities** (before net change in non-cash working capital balances) totalled $42.3 million or $2.12 per share, compared with $39.8 million or $1.90 per share for the first nine months ended August 31, 2013, an increase of 11.6% per share stemming mainly from the growth in net earnings. Net change in non-cash working capital balances used cash flows of $15.0 million, representing the variations in inventories ($16.4 million) and accounts receivable ($5.7 million), whereas accounts payable and other items represented a cash inflow of $7.1 million. Consequently, operating activities provided cash flows of $27.4 million, whereas they had provided cash flows of $28.9 million for the first nine months of 2013.

Financing activities

Third-quarter financing activities represented a cash outflow of $4.8 million, compared with $2.5 million for the corresponding quarter of 2013. This change stems mainly from the fact that the Corporation repurchased common shares for cancellation for $2.7 million during the third quarter of 2014, whereas no shares were repurchased during the same quarter of 2013. The Corporation issued shares for $0.6 million during the quarter, compared with a $0.2 million share issue in the third quarter of 2013. Richelieu paid shareholder dividends of $2.7 million in the third quarter of 2014, relatively equivalent to those paid in the corresponding quarter of 2013.

For the first nine months, **financing activities** represented a cash outflow of $34.9 million, compared with $21.1 million for the corresponding period of 2013. During the first nine months of the year, Richelieu repurchased common shares for cancellation for $30.2 million, compared with $14.6 million in the corresponding period of 2013. The Corporation paid shareholder dividends of $8.3 million, up 2.3% over the first nine months of 2013. Furthermore, shares were issued for $3.6 million during the period, compared with a $2.2 million share issue in the same period of 2013.

Investing activities

Third-quarter investing activities totalled $4.0 million, of which $2.7 million for the acquisition of the principal net assets of CabinetWare, and $1.3 million for equipment needed for operations, including software.

For the first nine months, **investing activities** amounted to $9.0 million, of which $5.8 million for the acquisition of Procraft, Pleasantside and CabinetWare, and $3.2 million for equipment needed for operations, including software.

Sources of financing

As at August 31, 2014, **cash and cash equivalents** totalled $29.7 million, compared with $46.2 million as at November 30, 2013. This variation mainly reflects the significant share repurchases during the first nine months of 2014 and the investments in the recent acquisitions. The Corporation posted a **working capital** of $203.8 million for a current ratio of 3.9:1, 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 between now and the end 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

(in thousands of $, except exchange rate)

As at	**August 31, 2014**	November 30, 2013
Current assets	**273,742**	262 251
Non-current assets	**99,256**	94,074
Total	**372,998**	356,325
Current liabilities	**69,903**	58,134
Non-current liabilities	**6,582**	5,077
Equity attributable to shareholders of the Corporation	**292,120**	288,845
Non-controlling interests	**4,393**	4,269
Total	**372,998**	356,325
Exchange rate on translation of a subsidiary in the United States	***1.087***	*1.062*

Assets

Total assets amounted to $373.0 million as at August 31, 2014, compared with $356.3 million as at November 30, 2013, an increase of 4.7%. **Current assets** were up by $11.5 million or 4.4% over November 30, 2013. This growth stems mainly from the increase of $19.5 million in inventories and $8.0 million in accounts receivable, whereas cash and cash equivalents decreased by $16.5 million.

Net cash

(in thousands of $)

As at	**August 31, 2014**	November 30, 2013
Current portion of long-term debt	**2,330**	1,354
Long-term debt	**1,903**	-
Total	**4,233**	1,354
Cash and cash equivalents	***29,651***	*46,187*
Total net cash	**25,418**	44,833

The total debt stood at $4.2 million, of which a current portion of long-term debt of $2.3 million representing balances of sale payable on recent acquisitions. Deducting this total debt, **net cash** amounted to $25.4 million as at August 31, 2014. The Corporation continues to benefit from a healthy and solid financial position to pursue its business strategy in its sector.

Equity attributable to shareholders of the Corporation totalled $292.1 million as at August 31, 2014, compared with $288.8 million as at November 30, 2013, an increase of $3.3 million or 1.1% reflecting the growth of $3.9 million in share capital and $1.4 million in accumulated other comprehensive income, less the reduction of $0.8 million in contributed surplus and $1.2 million in retained earnings. At the close of the first nine months of 2014, **the book value per share** was $14.94, up 3.7% over $14.41 as at November 30, 2013.

PROFILE AS AT AUGUST 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 more than 70,000 customers who are served by 65 centres in North America – 36 distribution centres in Canada, 27 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 operating activities 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.

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OCTOBER 2, 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 October 2, 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 October 2, 2014 until midnight on October 9, 2014, by dialing **1-855-859-2056, access code: 4377084.** 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 August 31, 2014	As at November 30, 2013
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**29,651**	46,187
Accounts receivable	**86,366**	78,343
Inventories	**156,272**	136,746
Prepaid expenses	**1,453**	975
	273,742	262,251
Non-current assets		
Property, plant and equipment	**21,628**	22,291
Intangible assets	**18,680**	15,661
Goodwill	**55,518**	52,788
Deferred taxes	**3,430**	3,334
	372,998	356,325
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**66,585**	56,462
Income taxes payable	**988**	318
Current portion of long-term debt	**2,330**	1,354
	69,903	58,134
Non-current liabilities		
Long-term debt	**1,903**	—
Deferred taxes	**2,816**	3,246
Other liabilities	**1,863**	1,831
	76,485	63,211
Equity		
Share capital	**29,217**	25,288
Contributed surplus	**1,519**	2,356
Retained earnings	**257,792**	258,965
Accumulated other comprehensive income	**3,592**	2,236
Equity attributable to shareholders of the Corporation	**292,120**	288,845
Non-controlling interest	**4,393**	4,269
	296,513	293,114
	372,998	356,325

CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three months ended August 31,		For the nine months ended August 31,	
	2014	2013	**2014**	2013
	$	$	$	$
Sales	**167,809**	149,163	**469,072**	431,487
Cost of goods sold, warehousing, selling and administrative expenses	**146,755**	130,113	**415,129**	381,337
Earnings before amortization, financial costs and income taxes	**21,054**	19,050	**53,943**	50,150
Amortization of property, plant and equipment	**1,243**	1,240	**3,724**	3,825
Amortization of intangible assets	**473**	544	**1,514**	1,670
Financial costs, net	**(62)**	(78)	**(215)**	(292)
	1,654	1,706	**5,023**	5,203
Earnings before income taxes	**19,400**	17,344	**48,920**	44,947
Income taxes	**4,703**	4,479	**12,315**	11,680
Net earnings	**14,697**	12,865	**36,605**	33,267
Net earnings attributable to:				
Shareholders of the Corporation	**14,554**	12,821	**36,449**	33,119
Non-controlling interests	**143**	44	**156**	148
	14,697	12,865	**36,605**	33,267
Net earnings per share attributable to shareholders of the Corporation				
Basic	**0.74**	0.62	**1.85**	1.60
Diluted	**0.73**	0.62	**1.83**	1.58

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	For the three months ended August 31,		For the nine months ended August 31,	
	2014	2013	**2014**	2013
	$	$	$	$
Net earnings	**14,697**	12,865	**36,605**	33,267
Other comprehensive income				
Exchange differences on translation of foreign operations	**181**	798	**1,356**	2,809
Comprehensive income	**14,878**	13,663	**37,961**	36,076
Comprehensive income attributable to:				
Shareholders of the Corporation	**14,735**	13,619	**37,805**	35,928
Non-controlling interests	**143**	44	**156**	148
	14,878	13,663	**37,961**	36,076

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	For the three months ended August 31,		For the nine months ended August 31,	
	2014	2013	**2014**	2013
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	**14,697**	12,865	**36,605**	33,267
Items not affecting cash				
Amortization of property, plant and equipment	**1,243**	1,240	**3,724**	3,825
Amortization of intangible assets	**473**	544	**1,514**	1,670
Deferred taxes	**(191)**	—	**(485)**	—
Share-based compensation expense	**278**	223	**975**	1,015
	16,500	14,872	**42,333**	39,777
Net change in non-cash working capital balances	**(1,057)**	9,824	**(14,953)**	(10,866)
	15,443	24,696	**27,380**	28,911
FINANCING ACTIVITIES				
Repayment of long-term debt	**—**	—	**—**	(576)
Dividends paid	**(2,737)**	(2,669)	**(8,284)**	(8,098)
Common shares issued	**599**	197	**3,557**	2,182
Common shares repurchased for cancellation	**(2,669)**	—	**(30,189)**	(14,586)
	(4,807)	(2,472)	**(34,916)**	(21,078)
INVESTING ACTIVITIES				
Business acquisitions	**(2,666)**	—	**(5,755)**	(297)
Additions to property, plant and equipment and intangible assets	**(1,303)**	(658)	**(3,200)**	(2,217)
	(3,969)	(658)	**(8,955)**	(2,514)
Effect of exchange rate changes on cash and cash equivalents	**(63)**	(25)	**(45)**	(84)
Net change in cash and cash equivalents	**6,604**	21,541	**(16,536)**	5,235
Cash and cash equivalents, beginning of period	**23,047**	35,281	**46,187**	51,587
Cash and cash equivalents, end of period	**29,651**	56,822	**29,651**	56,822
Supplementary information				
Income taxes paid	**4,170**	4,010	**12,639**	12,109
Interest received, net	**(62)**	(78)	**(215)**	(292)