Richelieu

Press Release

For Immediate Release

Richelieu pursues its growth and expansion

- 3.3% increase of **diluted earnings per share** to $0.62 for the third quarter.
- **Consolidated sales** for the quarter increased by 0.3% to $149.2 million.
- **Sales in the United States** for the quarter increased by 8.6% ($US), of which 7.6% from internal growth.
- **Excellent financial position** with **net cash** of $55.8 million, practically no debt and **working capital** of $217.3 million.
- **Subsequent event:** acquisition in Vancouver, representing additional sales of approximately $5 million.

(TSX: RCH)

Montreal, October 3, 2013 — "Our sales were up slightly, notwithstanding the marked slowdown in the Canadian market that we continued to see in the third quarter, notably in the hardware retailers market, along with the negative effect of the June's strike in the Quebec construction industry. For the first nine months, they increased by 2.7% to $431.5 million, despite the negative effect of two fewer business days in the first and third quarters of 2013, compared with 2012. In the United States, our sales for the quarter increased by 8.6% ($US), of which 7.6% from internal growth, and for the first nine months, they increased by 18.7% ($US), of which 12.1% from internal growth and 6.6% from acquisitions. Our market development strategy continues to fuel growth in the United States, specifically in the current context of improving economic conditions. We are pursuing our intensive market development, and we will seize new acquisition opportunities to the extent they will enable us to solidify and increase the value of the Company. On September 3, 2013, we acquired Hi-Tech Glazing Supplies, a Vancouver-based distributor of door and window hardware, which serves the British Columbia market. In addition to adding annual sales of approximately $5 million and a distribution centre, Hi-Tech Glazing Supplies will enable us to reinforce our position in a specialized client base, in addition to broadening our product offering that is aligned with our short- and long-term strategy," stated Richard Lord, President and CEO of Richelieu.

NEXT DIVIDEND PAYMENT

At its meeting on October 3, 2013, our Board of Directors approved the payment of a quarterly dividend of $0.13 per share. This dividend is payable on October 31, 2013 to shareholders of record as at October 17, 2013.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2013 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2012

Third-quarter consolidated sales totalled $149.2 million, an increase of 0.3% over the corresponding quarter of 2012. Note that the third quarter of 2013 contained one fewer business day than in 2012, which led to a negative impact of 1.9% on consolidated sales for the period.

Richelieu recorded sales to **manufacturers** of $126.4 million, compared with $123.9 million for the corresponding period of 2012, an increase of $2.5 million or 2%, of which 1.7% from internal growth registered primarily in the kitchen cabinet makers market. Sales to the hardware **retailers** and renovation superstores market amounted to $22.8 million, compared with $24.9 million for the corresponding quarter of 2012, a decrease of 8.4%.

In Canada, where the Company noted a sustained market slowdown, along with the negative effect of the June's strike in the Quebec construction industry, sales decreased by 3.1% to $110.6 million, compared with $114.2 million in the third quarter of 2012. Sales in the **manufacturers** market totaled $89.9 million, down 2.8%. As for sales in the hardware **retailers** and renovation superstores market, they amounted to $20.7 million, a decrease of 4.6% from $21.7 million for the corresponding quarter of 2012.

In the United States, Richelieu continues to benefit from its dynamic and effective growth strategy, enabling it to take advantage of opportunities generated by the economic recovery. Sales totalled US$37.1 million, compared with US$34.2 million for the corresponding quarter of 2012, an increase of US$2.9 million or 8.6%, of which 7.6% from internal growth. Sales to **manufacturers** rose to US$35.1 million, up 13.2% over the corresponding quarter of 2012, thanks mainly to market penetration efforts and to more favourable economic conditions. In the **retailers** and renovation superstores market, sales dropped 36.1% (in US$), due notably to the fact that the third quarter of 2012 was marked by exceptional sales resulting from the introduction of additional products in the stores. Total U.S. sales expressed in Canadian dollars amounted to $38.5 million, up by 11.5%. They accounted for 25.8% of consolidated sales for the third quarter of 2013, whereas they had represented 23.2% of the consolidated sales for the third quarter of 2012.

For the first nine months consolidated sales amounted to $431.5 million, an increase of $11.5 million or 2.7% over the corresponding nine months of 2012, of which 1.3% from internal growth and 1.4% from acquisitions.

Sales to manufacturers grew to $363.5 million, up from $351 million for the first nine months of 2012, an increase of $12.5 million or 3.6%. Sales to the hardware **retailers** and renovation superstores market decreased by 1.5% over the corresponding period in 2012.

In Canada, sales totalled $324.0 million, compared with $330.5 million for the first nine months of 2012, a decrease of 2.0% reflecting the market slowdown witnessed by the Company since the beginning of the year and the effect of two less business days in the first and third quarters of 2013. Sales to **manufacturers** amounted to $263.5 million, down 1.4% from the first nine months of 2012. Sales to the hardware **retailers** and renovation superstores market amounted to $60.5 million, down 4.5% from the corresponding period of 2012.

In the United States, Richelieu recorded sales of US$105.4 million, compared with US$88.8 million for the first nine months of 2012, an increase of US$16.6 million or 18.7%, of which 12.1% from internal growth and 6.6% from acquisitions. Sales to **manufacturers** amounted to US$98.1 million, up 17.9% over the first nine months of 2012, due primarily to the Company's market penetration efforts and more favourable economic conditions. Sales to **retailers** and renovation superstores grew by 30% (in US$) compared with the first nine months of 2012. U.S. sales expressed in Canadian dollars totalled $107.5 million, compared with $89.4 million for the first nine months of 2012, an increase of 20.2%. They accounted for 24.9% of consolidated sales for the first nine months of 2013, whereas they had represented 21.3% of the consolidated sales for the corresponding period of 2012.

Third-quarter earnings before income taxes, interest and amortization (EBITDA) totalled $19 million, a decrease of 3% from the corresponding quarter of 2012. The **gross margin** was down from the third quarter of 2012, due mainly to the competitive market and the more difficult economic environment, the appreciation of currencies, which had an upward effect on the purchasing cost of certain products before the adjustment of sale prices, and the larger proportion of sales made in the United States. In this context, and given there was one fewer business day than in the third quarter of 2012, **the EBITDA margin** was down from the third quarter of 2012, at 12.8%, nevertheless reflecting sustained efforts to control costs and reduce expenses.

Income taxes amounted to $4.5 million, down by $0.4 million from the third quarter of 2012, due mainly to fluctuations in results by region where the Company and subsidiaries are subject to tax rates and tax regulations differing from one another.

For the first nine months, **the earnings before income taxes, interest and amortization (EBITDA)** totalled $50.2 million, a decrease of 2.7% from the first nine months of 2012. The **gross margin** decreased compared to the corresponding period in 2012, due specifically to the following factors: the lower gross margin of some prior acquisitions having a different product mix, the higher proportion of sales in the United States where the product mix is also different, the cost of marketing additional products in the retailers market in the second quarter, and the appreciation of currencies, which increased the purchasing costs of certain products in the third quarter before adjustment of sale prices. Added to these factors was the impact of the significant share price appreciation on the compensation expense related to the current deferred share unit plan and two fewer business days in the first and third quarters of 2013 than in 2012. Thus, **the EBITDA margin** stood at 11.6%, compared with 12.3% for the first nine months of 2012.

Income taxes totalled $11.7 million, a decrease of $1.3 million from the first nine months of 2012, due mainly to fluctuations in results by region where the Company and subsidiaries are subject to tax rates and tax regulations differing from one another.

Third-quarter net earnings dropped by 0.6%. Considering non-controlling interests, **earnings attributable to shareholders of the Company** amounted to $12.8 million, up 0.5% from the third quarter in 2012. **Earnings per share** rose to $0.62 basic and diluted, compared with $0.61 basic and $0.60 diluted for the corresponding quarter of 2012.

Comprehensive income totalled $13.7 million, considering a positive adjustment of $0.8 million on translation of the financial statements for the subsidiary in the United States, compared with $10.8 million for the third quarter of 2012, considering a negative adjustment of $2.2 million on translation of the financial statements for the subsidiary in the United States.

For the first nine months, **net earnings** increased by 0.5%. Considering non-controlling interests, **earnings attributable to shareholders of the Company** increased by 1.1% to $33.1 million from the first nine months of 2012. **Earnings per share** was $1.60 basic and $1.58 diluted, compared with $1.57 basic and $1.55 diluted for the first nine months of 2012, an increase of 1.9%.

Comprehensive income was $36.1 million, considering a positive adjustment of $2.8 million on translation of the financial statements for the subsidiary in the United States, compared with $31.6 million for the corresponding period of 2012, considering the negative adjustment of $1.5 million on translation of the financial statements for 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) totalled $14.9 million or $0.71 per share, compared with $15.2 million or $0.72 per share for the third quarter of 2012, a decrease of 1.4% per share stemming mainly from the decrease in net earnings. Net change in non-cash working capital balances represented a cash inflow of $9.8 million, compared with $1.4 million in the third quarter of 2012, with $7.5 million from the change in accounts receivable, $2.0 million from the change in inventories, and $0.3 million from other items. Consequently, operating activities provided cash flow of $24.7 million, compared with $16.6 million in the third quarter of 2012.

For the first nine months, **cash flows from operating activities** (before net change in non-cash working capital balances) remained relatively stable at $39.8 million or $1.90 per share, compared with $39.7 million or $1.88 per share for the first nine months of 2012. Net change in non-cash working capital balances used cash flows of $10.9 million, compared with $11.6 million in the first nine months of 2012, due primarily to a cash outflow required by the increase of $7.3 million in inventories and $3.6 million in other items. Consequently, operating activities provided cash flows of $28.9 million, compared with $28.1 million for the first nine months of 2012.

Financing activities

Third-quarter financing activities required a cash outflow of $2.5 million, compared with $4.9 million for the corresponding quarter of 2012. On account of the increased dividend announced in January 2013, the Company paid shareholder dividends of $2.7 million, up 6.2% over the corresponding quarter of 2012. Richelieu did not repurchase any common shares for cancellation purposes whereas it had repurchased $2.5 million during the corresponding quarter of 2012, and issued shares for $0.2 million, compared with a $0.1 million share issue in 2012.

For the first nine months, **financing activities** required a cash outflow of $21.1 million compared with $10.6 million for the first nine months of 2012. Richelieu paid shareholder dividends of $8.1 million, up 7.6% compared with the corresponding period of 2012. The Company also repurchased common shares for cancellation for $14.6 million, compared with $2.8 million during the first nine months of 2012. It repaid long-term debt for $0.6 million, compared with $2.6 million during the corresponding period of 2012, and issued shares for $2.2 million, compared with $2.3 million in the corresponding period of 2012.

Investing activities

Third-quarter investing activities amounted to $0.7 million for equipment needed for operations, compared with $0.8 million in the third quarter of 2012.

For the first nine months, **investing activities** totalled $2.5 million for the equipment needed for operations and the acquisition of the net assets of Savannah, compared with $4.9 million in the first nine months of 2012 for the acquisition of the net assets of CourterCo and the purchase of software and operational equipment.

Sources of financing

As at August 31, 2013, **cash and cash equivalents** amounted to $56.8 million, compared with $51.6 million as at November 30, 2012. The Company posted a **working capital** of $217.3 million for a current ratio of 4.9:1, compared with $200.1 million (4.6:1 ratio) as at November 30, 2012.

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 last quarter of 2013. The Company 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 rate and at base rate. In addition, the Company estimates it could obtain access to other outside financing if necessary.

Analysis of financial position as at August 31, 2013

Summary financial position

(in thousands of $, except exchange rate)

As at	**August 31, 2013**	November 30, 2012
Current assets	**272,732**	256,210
Non-current assets	**91,549**	93,659
Total	**364,281**	349,869
Current liabilities	**55,482**	56,122
Non-current liabilities	**5,045**	5,805
Equity attributable to shareholders of the Company	**299,559**	283,835
Non-controlling interests	**4,195**	4,107
Total	**364,281**	349,869
Exchange rate on translation of a subsidiary in the United States	***1.0530***	*0.9936*

Assets

Total assets amounted to $364.3 million as at August 31, 2013, compared with $349.9 million as at November 30, 2012, an increase of 4.1%. **Current assets** grew by $16.5 million or 6.4% over November 30, 2012. This growth came notably from the increases of $9.2 million in inventories, $5.2 million in cash and cash equivalents, $1.3 million in accounts receivable, $0.8 million in other items.

Net cash

(in thousands of $)

As at	**August 31, 2013**	November 30, 2012
Current portion of long-term debt	**1,043**	1,743
Long-term debt	**-**	820
Total	**1,043**	2,563
Cash and cash equivalents	***56,822***	*51,587*
Total net cash	**55,779**	49,024

Total debt, consisting solely of the current portion of long-term debt, decreased to $1.0 million, representing balances payable on prior acquisitions. Deducting this total debt, **net cash** stood at $55.8 million as at August 31, 2013. The Company continues to benefit from a healthy and solid financial position so as to pursue its business strategy in its sector.

Equity attributable to shareholders of the Company totalled $299.6 million as at August 31, 2013, compared with $283.8 million as at November 30, 2012, an increase of 5.5% stemming from the $10.9 million growth in retained earnings which reached $269.7 million as at August 31, 2013, an increase of $4.2 million in share capital and $2.8 million in accumulated other comprehensive income, less the $2.2 million decrease in contributed surplus. At the close of the first nine months of 2013, the **book value per share** was $14.59, compared with $13.65 as at November 30, 2012, an increase of 6.9%.

Subsequent event

On September 3, 2013, Richelieu acquired the net assets of Hi-Tech Glazing Supplies ("Hi-Tech"), a Vancouver-based distributor of door and window hardware, which serves the British Columbia market, and has sales of approximately $5 million. This acquisition will enable Richelieu to reinforce its position in a specialized client base, in addition to broadening its product selection that is aligned with its short-and long-term strategy.

Profile as at August 31, 2013

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 about 100,000 different items targeted to a base of some 70,000 customers who are served by 61 centres in North America – 34 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.

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Notes to readers — Richelieu uses earnings before income taxes, interest and amortization ("EBITDA") because this measure enables management to assess the Company'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 Company 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. 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 Company'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 Company's 2012 Annual Report as well as its 2012 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.

OCTOBER 3, 2013 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 3, 2013 can dial **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 3, 2013 until midnight on October 10, 2013, by dialing **1-855-859-2056, access code: 59447857.** Members of the media are invited to listen in.

Photos are available under "About Richelieu" – "Media" section at www.richelieu.com.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]
[Unaudited]

	As at August 31, 2013	As at November 30, 2012
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**56,822**	51,587
Accounts receivable	**77,038**	75,721
Income taxes receivable	**961**	514
Inventories	**136,801**	127,607
Prepaid expenses	**1,110**	781
	272,732	256,210
Non-current assets		
Property, plant and equipment	**22,332**	23,740
Intangible assets	**14,511**	15,601
Goodwill	**51,688**	51,405
Deferred taxes	**3,018**	2,913
	364,281	349,869
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**54,439**	54,379
Current portion of long-term debt	**1,043**	1,743
	55,482	56,122
Non-current liabilities		
Long-term debt	**—**	820
Deferred taxes	**3,246**	3,246
Other liabilities	**1,799**	1,739
	60,527	61,927
Equity		
Share capital	**27,553**	23,349
Contributed surplus	**552**	2,761
Retained earnings	**269,695**	258,775
Accumulated other comprehensive income (loss)	**1,759**	(1,050)
Equity attributable to shareholders of the Company	**299,559**	283,835
Non-controlling interests	**4,195**	4,107
	303,754	287,942
	364,281	349,869

CONSOLIDATED STATEMENTS OF EARNINGS

[In thousands of dollars, except earnings per share]
[Unaudited]

	For the three months ended August 31		**For the nine months ended August 31**	
	2013	2012	**2013**	2012
	$	$	$	$
Sales	**149,163**	148,782	**431,487**	419,972
Cost of goods sold, warehousing, selling and administrative expenses	**130,113**	129,146	**381,337**	368,439
Earnings before the undernoted	**19,050**	19,636	**50,150**	51,533
Amortization of property, plant and equipment	**1,240**	1,315	**3,825**	3,911
Amortization of intangible assets	**544**	587	**1,670**	1,750
Financial costs, net	**(78)**	(122)	**(292)**	(187)
	1,706	1,780	**5,203**	5,474
Earnings before income taxes	**17,344**	17,856	**44,947**	46,059
Income taxes	**4,479**	4,910	**11,680**	12,973
Net earnings	**12,865**	12,946	**33,267**	33,086
Net earnings attributable to:				
Shareholders of the Company	**12,821**	12,761	**33,119**	32,762
Non-controlling interests	**44**	185	**148**	324
	12,865	12,946	**33,267**	33,086
Net earnings per share attributable to shareholders of the Company				
Basic	**0.62**	0.61	**1.60**	1.57
Diluted	**0.62**	0.60	**1.58**	1.55

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
[Unaudited]

	For the three months ended August 31		**For the nine months ended August 31**	
	2013	2012	**2013**	2012
	$	$	$	$
Net earnings	**12,865**	12,946	**33,267**	33,086
Other comprehensive income (loss)				
Exchange differences on translation of foreign operations	**798**	(2,166)	**2,809**	(1,518)
Comprehensive income	**13,663**	10,780	**36,076**	31,568
Comprehensive income attributable to:				
Shareholders of the Company	**13,619**	10,595	**35,928**	31,244
Non-controlling interests	**44**	185	**148**	324
	13,663	10,780	**36,076**	31,568

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CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
[Unaudited]

	For the three months ended August 31		For the nine months ended August 31	
	2013	2012	**2013**	2012
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	**12,865**	12,946	**33,267**	33,086
Items not affecting cash				
Amortization of property, plant and equipment	**1,240**	1,315	**3,825**	3,911
Amortization of intangible assets	**544**	587	**1,670**	1,750
Deferred taxes	**—**	84	**—**	101
Share-based compensation expense	**223**	287	**1,015**	802
	14,872	15,219	**39,777**	39,650
Net change in non-cash working capital balances	**9,824**	1,410	**(10,866)**	(11,599)
	24,696	16,629	**28,911**	28,051
FINANCING ACTIVITIES				
Repayment of long-term debt	**—**	(18)	**(576)**	(2,556)
Dividends paid	**(2,669)**	(2,513)	**(8,098)**	(7,525)
Common shares issued	**197**	123	**2,182**	2,312
Common shares repurchased for cancellation	**—**	(2,534)	**(14,586)**	(2,803)
	(2,472)	(4,942)	**(21,078)**	(10,572)
INVESTING ACTIVITIES				
Business acquisitions	**—**	—	**(297)**	(2,386)
Additions to property, plant and equipment and intangible assets	**(658)**	(759)	**(2,217)**	(2,466)
	(658)	(759)	**(2,514)**	(4,852)
Effect of exchange rate changes on cash and cash equivalents	**(25)**	(86)	**(84)**	(109)
Net change in cash and cash equivalents	**21,541**	10,842	**5,235**	12,518
Cash and cash equivalents, beginning of period	**35,281**	30,771	**51,587**	29,095
Cash and cash equivalents, end of period	**56,822**	41,613	**56,822**	41,613
Supplementary information				
Income taxes paid	**4,010**	2,879	**12,109**	12,177
Interest received, net	**(78)**	(123)	**(292)**	(194)