Richelieu

Press Release

For Immediate Release

Richelieu pursues its growth in the 2nd quarter of 2016 and closes two new acquisitions in the U.S.

- **Second-quarter sales** up by 13.9% to $217.4 million, of which 11.7% from internal growth. For the **first half**, they totalled $406.3 million, an increase of 16.1%, of which 14.1% from internal growth.

- **Net earnings attributable to shareholders** up by 5.2% in the **second quarter** to $15.4 million. For the **first half**, they rose to $26.3 million, an increase of 5.6%.

- **Repurchase of 192,700 shares** for $3.7 million in the second quarter – repurchase of 804,700 shares totalling $17.7 million for the first six months of 2016.

- **Two new strategic acquisitions**: in New York City and Memphis, Tennessee.

Montreal, July 7, 2016 — "Our innovation, market development and acquisition strategies continued to yield benefits, enabling Richelieu **(RCH: TSX)** to pursue its growth in Canada and the U.S. and maintain solid financial health. Sales increased by 13.9% in the second quarter, of which 11.7% from internal growth and 2.2% from acquisitions. We point to the solid contribution of the manufacturers market where sales grew by 15.4% — 11.7% in Canada and 17.1% in US$ in the United States (23.0% in CA$). Net earnings attributable to shareholders rose by 5.2%. We reinforced our presence in Tennessee by acquiring JFH Corporation, a specialty hardware distributor located in Memphis. We are also pleased to have strengthened our positioning in New York City by acquiring Eveready Hardware, a specialty hardware distributor strategically located in Long Island. This acquisition adds a distribution centre in New York City where we already operate one. Those two distributors acquired in the second quarter serve cabinetmakers, woodworkers and a broad customer base of manufacturers in the storage and closet market. Since the beginning of 2016, we have therefore closed three new acquisitions in the U.S. for additional annual sales of over $15 million. We remain focused on long-term growth and the lookout for acquisition opportunities," indicated Mr. Richard Lord, President and Chief Executive Officer of Richelieu.

NEXT DIVIDEND PAYMENT

On July 7, 2016, the Board of Directors approved the payment of a quarterly dividend of 5.33 ¢ per share. This dividend is payable on August 4, 2016 to shareholders of record as at July 21, 2016.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2016 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2015

Second-quarter consolidated sales amounted to $217.4 million, compared with $190.8 million for the corresponding quarter of 2015, an increase of $26.6 million or 13.9%, of which 11.7% from internal growth and 2.2% from acquisitions. At comparable exchange rates to the second quarter of 2015, the consolidated sales growth would have been 12.2% for the quarter ended May 31, 2016.

Richelieu achieved sales of $186.3 million in the **manufacturers** market, compared with $161.4 million for the second quarter of 2015, an increase of $24.9 million or 15.4%, of which 12.8% from internal growth and 2.6% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $31.1 million, up by $1.7 million or 5.8% over the second quarter of 2015.

In Canada, Richelieu recorded sales of $148.0 million, an increase of $14.4 million over the second quarter of 2015, of which 10.7% from internal growth. Sales to **manufacturers** amounted to $120.3 million, an increase of $12.6 million or 11.7% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the rise in the U.S. dollar and the Euro. Sales to hardware **retailers** and renovation superstores grew to $27.7 million, up by $1.8 million or 6.9% over the corresponding quarter of 2015.

In the United States, sales totalled US$53.4 million, compared with US$46.2 million for the second quarter of 2015, an increase of US$7.2 million or 15.5%, of which 8.4% from internal growth and 7.1% from acquisitions. Sales to **manufacturers** amounted to US$50.7 million, an increase of US$7.4 million or 17.1% over the second quarter of 2015, of which 9.6% from internal growth and 7.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 6.9% from the corresponding quarter of 2015. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $69.4 million, an increase of 21.4%. They accounted for 31.9% of consolidated sales for the second quarter of 2016, whereas they had represented 30.0% of the period's consolidated sales for the second quarter of 2015.

First-half consolidated sales reached $406.3 million, an increase of $56.2 million or 16.1% over the first six months of 2015, of which 14.1% from internal growth and 2.0% from acquisitions. At comparable exchange rates to the first six months of 2015, the consolidated sales growth would have been 12.5% for the six-month period ended May 31, 2016.

Sales to **manufacturers** grew to $346.7 million, compared with $295.7 million for the first six months of 2015, an increase of $51.0 million or 17.2%, of which 14.8% from internal growth and 2.4% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 9.6% or $5.2 million to total $59.6 million.

In Canada, Richelieu achieved sales of $268.3 million, compared with $241.3 million for the first six months of 2015, up by $27.0 million or 11.2% from internal growth. Sales to **manufacturers** rose to $216.2 million, up by $22.2 million or 11.4% from internal growth resulting primarily from market development efforts and, to a lesser extent, from the increase in selling prices to mitigate the impact of the rise in the U.S. dollar and the Euro. Sales to hardware **retailers** and renovation superstores reached $52.1 million, compared with $47.3 million, up by $4.8 million or 10.1% over the first half of 2015.

In the United States, the Corporation recorded sales of US$102.7 million, compared with US$89.0 million for the first six months of 2015, an increase of US$13.7 million or 15.4%, of which 9.5% from internal growth and 5.9% from acquisitions. Sales to **manufacturers** totalled US$97.2 million, compared with US$83.3 million, an increase of US$13.9 million or 16.7% over the first half of 2015, of which 10.4% from internal growth and 6.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 3.5% from the corresponding period of 2015. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $138.0 million, compared with $108.8 million for the corresponding six months of 2015, an increase of 26.8%. They accounted for 34.0% of consolidated sales for the first half of 2016, whereas they had represented 31.1% of the period's consolidated sales for the first six months of 2015.

Second-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $23.1 million, up by $1.2 million or 5.5% over the second quarter of 2015. The **gross margin** and the **EBITDA margin** were affected by the following factors: the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the Euro, the higher proportion of sales in the United States where the product mix is different, the lower margins of certain acquisitions also having a different product mix, and the expenses involved in expanding and moving certain centres. The **EBITDA margin** stood at 10.6%, compared with 11.5% for the second quarter of 2015.

First-half earnings before income taxes, interest and amortization (EBITDA) totalled $39.8 million, up by $2.2 million or 5.9% over the first six months of 2015. The **gross margin** and the **EBITDA margin** were mainly affected by the higher purchasing costs of certain products attributable to the appreciation of the U.S. dollar and the Euro, the higher proportion of sales in the United States where the product mix is different, and the lower margins of certain acquisitions also having a different product mix. The **EBITDA margin** stood at 9.8%, compared with 10.7% for the first six months of 2015.

Second-quarter net earnings grew by 5.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $15.4 million, up by 5.2% over the second quarter of 2015. **Net earnings per share** rose to $0.27 basic and $0.26 diluted, compared with $0.25 basic and diluted for the second quarter of 2015, an increase of 8.0% and 4.0% respectively.

Comprehensive income amounted to $12.6 million, considering a negative adjustment of $2.9 million on translation of the financial statements of the subsidiary in the United States, compared with $14.3 million for the second quarter of 2015, considering a negative adjustment of $0.4 million on translation of the financial statements of the subsidiary in the United States.

First-half net earnings grew by 5.9%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $26.3 million, up by 5.6% over the corresponding six months of 2015. **Net earnings per share** amounted to $0.45 basic and $0.44 diluted, compared with $0.42 basic and diluted for the first half of 2015, an increase of 7.1% and 4.8% respectively.

Comprehensive income totalled $24.5 million, considering a negative adjustment of $1.8 million on translation of the financial statements of the subsidiary in the United States, compared with $31.1 million for the first half of 2015, considering a positive adjustment of $6.2 million on translation of the financial statements of the subsidiary in the United States.

FINANCIAL POSITION

Second-quarter cash flows from operating activities (before net change in working capital balances) amounted to $18.1 million or $0.31 per share, compared with $17.0 million or $0.29 per share for the second quarter of 2015, an increase of 6.2% stemming primarily from the net earnings growth. Net change in non-cash capital balances used cash flows of $2.3 million, reflecting the change in accounts receivable ($13.0 million), whereas the change in inventories and other items represented a cash inflow of $10.7 million. Consequently, operating activities provided cash flows of $15.8 million, compared with $9.1 million for the second quarter of 2015.

First-half cash flows from operating activities (before net change in working capital balances) reached $31.4 million or $0.53 per share, compared with $29.5 million or $0.49 per share for the first months of 2015, an increase of 6.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $22.0 million, primarily representing changes in accounts receivable, inventories and income taxes receivable. Consequently, operating activities provided cash flows of $9.4 million, whereas they had used cash flows of $3.3 million for the first six months of 2015.

Second-quarter financing activities used cash flows of $6.4 million, compared with $12.0 million for the second quarter of 2015. This change mainly reflects the Corporation's repurchase of common shares for cancellation for $3.7 million during the second quarter of 2016, compared with $8.7 million for the corresponding quarter of 2015, and payment of dividends to shareholders of $3.1 million, up by $0.2 million over the second quarter of 2015.

First-half **financing activities** used cash flows of $23.8 million, compared with $15.4 million for the first half of 2015. During the first six months of the year, Richelieu repurchased common shares for cancellation for $17.7 million, compared with $9.2 million in the first half of 2015. The Corporation paid dividends to shareholders of $6.2 million, up by $0.3 million over the first six months of 2015.

Second-quarter **investing activities** represented a cash outflow of $7.3 million, of which $4.6 million for business acquisitions and $2.7 million for the expansion of some distribution centres and equipment to improve operational efficiency.

First-half **investing activities** represented a total cash outflow of $14.9 million, of which $8.9 million for business acquisitions and $6.0 million for the expansion of some distribution centres, computer hardware and equipment to improve operational efficiency.

As at May 31, 2016, cash and cash equivalents amounted to $0.2 million, compared with cash of $29.5 million as at November 30, 2015. This change primarily reflects the major share repurchases during the first six months, the business acquisitions, the investments in property, plant and equipment and the increase in inventories during the period. The Corporation posted a **working capital** of $253.9 million for a current ratio of 4.4:1, compared with $260.6 million (4.4:1 ratio) as at November 30, 2015.

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 2016. 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, Richelieu considers it could obtain access to other outside financing if necessary.

Summary financial position
(in thousands of $, except exchange rate)

As at	**May 31, 2016**	November 30, 2015
Current assets	**329,600**	337,308
Non-current assets	**120,807**	112,484
Total	**450,407**	449,792
Current liabilities	**75,746**	76,729
Non-current liabilities	**6,564**	6,256
Equity attributable to shareholders of the Corporation	**364,191**	362,885
Non-controlling interests	**3,906**	3,922
Total	**450,407**	449,792
Exchange rate on translation of a subsidiary in the United States	***1.311***	*1.335*

Assets

Total assets amounted to $450.4 million as at May 31, 2016, compared with $449.8 million as at November 30, 2015. **Current assets** were down by $7.7 million from November 30, 2015 due mainly to the business acquisitions and significant share repurchases during the six-month period.

Cash position
(in thousands of $)

As at	**May 31, 2016**	November 30, 2015
Current portion of long-term debt	**2,118**	2,245
Long-term debt	**1,639**	1,335
Total debt	**3,757**	3,580
Cash and cash equivalents	***228***	*29,454*

The Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $3.8 million, of which $1.6 million in long-term debt and $2.1 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $364.2 million as at May 31, 2016, compared with $362.9 million as at November 30, 2015, an increase of $1.3 million stemming primarily from a growth of $2.8 million in retained earnings which amounted to $311.7 million, and of $0.4 million in share capital and contributed surplus, whereas accumulated other comprehensive income decreased by $1.8 million. As at May 31, 2016, the **book value per share** was $6.29, up by 1.7% over November 30, 2015.

PROFILE AS AT MAY 31, 2016

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, storage and closet, home furnishing and office furniture manufacturers, residential and commercial woodworkers, and hardware retailers including renovation superstores. Richelieu offers customers a broad mix of high-end products sourced from manufacturers worldwide. Its product selection consists of over 110,000 different items targeted to a base of more than 70,000 customers who are served by 68 centres in North America – 36 distribution centres in Canada, 30 in the United States and two manufacturing plants in Canada, specifically Cedan Industries Inc. which specializes in the manufacturing 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 interest, income taxes and amortization ("EBITDA") because this measure enables management to assess the Corporation's operational performance. This measure is a financial indicator of a corporation's ability to service its debt. However, EBITDA should not be considered by an investor as an alternative to operating income, net earnings, 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 operating activities, which are based on net earnings plus amortization of property, plant and equipment and intangible assets, deferred tax expense (or recovery) 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 those of other companies. Certain statements set forth in this report (generally identified by terms such as "may", "could", "might", "intend", "expect", "believe", "estimate" or comparable variants) constitute forward-looking statements which, by their very nature, remain subject to other risks and uncertainties as set forth in the Corporation's annual and quarterly reports. Although management considers these assumptions and expectations reasonable based on the information available at the time they are provided, such assumptions and expectations could prove inaccurate and actual results could differ materially. Richelieu is under no obligation to update or revise any forward-looking statements made herein to account for future events or circumstances, except as required by applicable legislation.

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JULY 7, 2016 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 7, 2016 may 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 5:15 p.m. on July 7, 2016 until midnight on July 14, 2016, by dialing **1-855-859-2056, access code: 34913105.** 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 May 31, 2016	As at November 30, 2015
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**228**	29,454
Accounts receivable	**113,754**	99,975
Income taxes receivable	**539**	—
Inventories	**212,201**	206,449
Prepaid expenses	**2,878**	1,430
	329,600	337,308
Non-current assets		
Property, plant and equipment	**30,886**	27,963
Intangible assets	**24,202**	21,325
Goodwill	**61,598**	58,329
Deferred taxes	**4,121**	4,867
	450,407	449,792
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**73,628**	71,787
Income taxes payable	**—**	2,697
Current portion of long-term debt	**2,118**	2,245
	75,746	76,729
Non-current liabilities		
Long-term debt	**1,639**	1,335
Deferred taxes	**3,023**	3,020
Other liabilities	**1,902**	1,901
	82,310	82,985
Equity		
Share capital	**33,720**	33,566
Contributed surplus	**1,446**	1,265
Retained earnings	**311,684**	308,904
Accumulated other comprehensive income	**17,341**	19,150
Equity attributable to shareholders of the Corporation	**364,191**	362,885
Non-controlling interests	**3,906**	3,922
	368,097	366,807
	450,407	449,792

CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three months ended May 31,		For the six months ended May 31,	
	2016	2015	**2016**	2015
	$	$	$	$
Sales	**217,413**	190,801	**406,322**	350,120
Operating expenses excluding amortization and financial costs	**194,339**	168,923	**366,538**	312,536
Earnings before amortization, financial costs and income taxes	**23,074**	21,878	**39,784**	37,584
Amortization of property, plant and equipment	**1,573**	1,415	**3,153**	2,774
Amortization of intangible assets	**744**	646	**1,471**	1,272
Financial costs, net	**112**	(43)	**88**	(127)
	2,429	2,018	**4,712**	3,919
Earnings before income taxes	**20,645**	19,860	**35,072**	33,665
Income taxes	**5,167**	5,193	**8,751**	8,814
Net earnings	**15,478**	14,667	**26,321**	24,851
Net earnings attributable to:				
Shareholders of the Corporation	**15,408**	14,653	**26,269**	24,869
Non-controlling interests	**70**	14	**52**	(18)
	15,478	14,667	**26,321**	24,851
Net earnings per share attributable to shareholders of the Corporation				
Basic	**0.27**	0.25	**0.45**	0.42
Diluted	**0.26**	0.25	**0.44**	0.42

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
[Unaudited]

	For the three months ended May 31,		For the six months ended May 31,	
	2016	2015	**2016**	2015
	$	$	$	$
Net earnings	**15,478**	14,667	**26,321**	24,851
Other comprehensive income that will be reclassified to net earnings				
Exchange differences on translation of foreign operations	**(2,902)**	(412)	**(1,809)**	6,209
Comprehensive income	**12,576**	14,255	**24,512**	31,060
Comprehensive income attributable to:				
Shareholders of the Corporation	**12,506**	14,241	**24,460**	31,078
Non-controlling interests	**70**	14	**52**	(18)
	12,576	14,255	**24,512**	31,060

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
[Unaudited]

	For the three months ended May 31,		For the six months ended May 31,	
	2016	2015	**2016**	2015
	$	$	$	$
OPERATING ACTIVITIES				
Net earnings	**15,478**	14,667	**26,321**	24,851
Items not affecting cash				
Amortization of property, plant and equipment	**1,573**	1,415	**3,153**	2,774
Amortization of intangible assets	**744**	646	**1,471**	1,272
Deferred taxes	**—**	**—**	**(69)**	—
Share-based compensation expense	**264**	276	**555**	557
	18,059	17,004	**31,431**	29,454
Net change in non-cash working capital balances	**(2,308)**	(7,920)	**(22,021)**	(32,795)
	15,751	9,084	**9,410**	(3,341)
FINANCING ACTIVITIES				
Repayment of long-term debt	**—**	(500)	**(221)**	(600)
Dividends paid to Shareholders of the Parent Corporation	**(3,094)**	(2,939)	**(6,212)**	(5,878)
Other dividends paid	**—**	—	**(67)**	(596)
Common shares issued	**341**	205	**484**	807
Common shares repurchased for cancellation	**(3,683)**	(8,735)	**(17,739)**	(9,180)
	(6,436)	(11,969)	**(23,755)**	(15,447)
INVESTING ACTIVITIES				
Business acquisitions	**(4,597)**	**—**	**(8,859)**	**—**
Additions to property, plant and equipment and intangible assets	**(2,749)**	(2,604)	**(6,041)**	(4,469)
	(7,346)	(2,604)	**(14,900)**	(4,469)
Effect of exchange rate changes on cash and cash equivalents	**93**	(103)	**19**	(381)
Net change in cash and cash equivalents	**2,062**	(5,592)	**(29,226)**	(23,638)
Cash and cash equivalents, beginning of period	**(1,834)**	15,675	**29,454**	33,721
Cash and cash equivalents, end of period	**228**	10,083	**228**	10,083