Richelieu

Press Release

For immediate release

Richelieu pursued its growth and expansion in the first quarter of 2018

Sales up 13.3%
A new acquisition in Florida

- **Total sales** were up 13.3% to $222 million - 6.2% from internal growth and 7.1% from acquisitions.
- **Net earnings attributable to shareholders** were up 5.9% to $12.7 million, or $0.22 diluted per share, an increase of 10.0%.
- **Healthy and solid financial position** - almost debt-free - **working capital** of $304.4 million (ratio of 4.7:1).
- **Acquisition** of a distributor in Fort Myers**,** Florida (February 26, 2018).
- **Share repurchase** of $4.5 million (148,200 common shares).

Montreal, April 5, 2018 - "Richelieu (RCH: TSX) had a great start in 2018 with strong results, an excellent financial position, and closing of a new acquisition in Florida: Cabinet and Top Supply Inc., a distributor of specialized products based in Fort Myers, which became our ninth distribution center in that important market. Sales were up sharply in both Canada and the U.S. with respective increases of 14.4% and 17.0% (US$), and our total sales were up by 13.3% (in CAD$). This performance is even more satisfactory as the first quarter is historically the weakest period of the year. Taking into account our 2017 acquisitions and our development and innovation strategies, sales in the manufacturers market were up 11.3%. Our market development initiatives bore results in the retailers and renovation superstores market, with a 24.1% sales increase in that market. We will continue to pursue our innovation, market development, and acquisition strategies," said Mr. Richard Lord, President and Chief Executive Officer of Richelieu.

NEXT DIVIDEND PAYMENT

On April 5, 2018, the board of directors approved the payment of a quarterly dividend of 6¢ per share. This dividend will be paid on May 3rd, 2018, to shareholders of record as at April 19, 2018.

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2018, COMPARED WITH THE FIRST QUARTER ENDED FEBRUARY 28, 2017

For the quarter ended February 28, 2018, consolidated sales reached $222.0 million, compared with $195.9 million for the corresponding quarter of 2017, an increase of 13.3%, of which 6.2% from internal growth and 7.1% from acquisitions. At comparable exchange rates to the first quarter of 2017, the consolidated sales growth would have been 15.3% for the quarter ended February 28, 2018.

Richelieu achieved sales of $183.4 million in the **manufacturers** market, compared with $164.8 million for the first quarter of 2017, an increase of $18.6 million. All market segments contributed to this 11.3% increase, of which 2.8% resulted from internal growth and 8.5% from acquisitions. At comparable exchange rates to the first quarter of 2017, this internal growth would have been 4.8%. Sales to hardware **retailers** and renovation superstores stood at $38.6 million, up by $7.5 million or 24.1% over the first quarter of 2017.

In Canada, Richelieu recorded sales of $143.7 million, an increase of $18.1 million or 14.4% over the first quarter of 2017, of which 5.6% from internal growth and 8.8% from acquisitions. Sales to **manufacturers** amounted to $113.6 million compared with $98.5 million, an increase of 15.3% of which 4.1% from internal growth and 11.2% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $30.2 million, up by $3.1 million or 11.4% over the corresponding quarter of 2017, mainly caused by market share gains and the addition of new customers.

In the United States, sales totalled US$62.2 million, compared with US$53.2 million for the first quarter of 2017, an increase of US$9.0 million or 17%, of which 12.7% from internal growth and 4.3% from acquisitions. Sales to **manufacturers** amounted to US$55.5 million compared with US $50.2 million over the first quarter of 2017, an increase of 10.6%, of which 6.1% from internal growth and 4.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 123.3% from the corresponding quarter of 2017. This increase is the result of our market development efforts including significant cyclical sales in the first quarter compared to the corresponding quarter of 2017. Considering applicable exchange rates, total U.S. sales expressed in Canadian dollars stood at $78.3 million, compared with $70.3 million for the first quarter of 2017, an increase of 11.4%. They accounted for 35.2% of consolidated sales for the first quarter of 2018, whereas they represented 35.9% of the period's consolidated sales for the first quarter of 2017.

First-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $19.8 million, up by $1.5 million or 8.0% over the first quarter of 2017. **Gross margin** was down from the first quarter of 2017, mainly influenced by lower gross margins of recent acquisitions due to different product mix as well as by a higher level of direct sales made in the first quarter at lower gross margins. These factors, combined with the increased costs incurred during the quarter related to market development, the reorganization of certain distribution centers and the implementation of new technologies, also affected the **EBITDA margin** downward. Consequently, the **EBITDA margin** stood at 8.9%, compared to 9.4% for the corresponding quarter of 2017.

Amortization expenses for the first quarter of 2018 amounted to $3.2 million compared with $2.6 million for the corresponding quarter of 2017, up by $0.6 million, resulting mainly from the investments made in capital assets and intangible assets in fiscal 2017.

First-quarter net earnings grew by 5.6%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $12.7 million, up by 5.9% over the first quarter of 2017. **Net earnings per share** rose to $0.22 basic and $0.22 diluted, compared with $0.21 basic and $0.20 diluted for the first quarter of 2017, an increase of 4.8% and 10.0%.

Comprehensive income amounted to $12.1 million, considering a negative adjustment of $0.5 million on translation of the financial statements of the subsidiary in the United States, compared with $10.7 million for the first quarter of 2017, considering a negative adjustment of $1.2 million on translation of the financial statements of the subsidiary in the United States.

FINANCIAL POSITION

First-quarter cash flows from operating activities (before net change in working capital balances) amounted to $16.2 million or $0.28 diluted per share, compared with $14.9 million or $0.25 diluted per share for the first quarter of 2017, an increase of 8.3% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $27.6 million, reflecting the change in inventories, accounts payable and other items ($28.3 million), whereas the change in accounts receivable represented a cash inflow of $0.7 million. Consequently, operating activities used cash flows of $11.4 million, whereas they had represented a cash inflow of $2.5 million for the first quarter of 2017.

First-quarter financing activities used cash flows of $9.9 million, compared with $4.9 million for the first quarter of 2017. This change mainly results from the repurchase of 148,200 common shares amounting to $4.5 million in the first quarter of 2018 compared with $1.3 million in the first quarter of 2017 plus $2.0 million in long-term debt repayment compared to $0.7 million in the same quarter of 2017.

First-quarter investing activities represented a cash outflow of $4.7 million, of which $2.0 million for a business acquisition and $2.7 million primarily for the purchase of new equipment to improve operational efficiency and for IT equipment.

Sources of financing

As at February 28, 2018, cash and cash equivalents amounted to $3.2 million, compared with $29.2 million as at November 30, 2017. This change mainly results from the increase in inventories, the common share repurchase and the investing activities made during the first quarter of 2018. The Corporation posted a **working capital** of $304.4 million for a current ratio of 4.7:1, compared with $300.1 million (4.0:1 ratio) as at November 30, 2017.

Richelieu believes it has the capital resources to fulfill its ongoing commitments and obligations and to assume the funding requirements needed for its growth and the financing and investing activities between now and the end of 2018. The Corporation benefits from an authorized line of credit of $50 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 rates)

As at	**February 28 2018**	November 30 2017
Current assets	**387,698**	399,187
Non-current assets	**144,234**	143,480
Total	**531,932**	542,667
Current liabilities	**83,330**	99,071
Non-current liabilities	**5,730**	5,392
Equity attributable to shareholders of the Corporation	**439,121**	434,092
Non-controlling interests	**3,751**	4,112
Total	**531,932**	542,667
Exchange rate on translation of a subsidiary in the United States	***1.281***	*1.289*

Assets

Total assets amounted to $531.9 million as at February 28, 2018, compared with $542.7 million as at November 30, 2017. **Current assets** are down from November 30, 2017, mainly due to the decrease in cash resulting from investments in operating and financing activities for the period.

Cash position

(in thousands of $)

As at	**February 28 2018**	November 30 2017
Current portion of long-term debt	**2,244**	4,294
Long-term debt	**360**	—
Total debt	**2,604**	4,294
Cash and cash equivalents	***3,166***	*29,162*

The Corporation continues to benefit from a healthy and solid financial position. As at February 28, 2018**, total debt** was $2.6 million, of which $0.4 million in long-term debt and $2.2 million in short-term debt representing balances payable on acquisitions and financing contract for equipment.

Equity attributable to shareholders of the Corporation totalled $439.1 million as at February 28, 2018, compared with $434.1 million as at November 30, 2017, an increase of $5.0 million stemming primarily from a growth of $4.8 million in retained earnings which amounted to $381.7 million, and of $0.8 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down by $0.5 million. As at February 28, 2018, **the book value per share** was $7.61, up by 1.3% over November 30, 2017.

As at February 28, 2018, at the close of markets, the Corporation's **share capital** consisted of 57,700,914 common shares (57,795,603 shares as at November 30, 2017). During the first quarter ended February 28, 2018, the Corporation issued 53,511 common shares at an average price of $8.14 (333,225 in 2017 at an average price of $8.34) upon the exercise of options under its stock option plan. Furthermore, during the first quarter of 2018, the Corporation repurchased 148,200 common shares for cancellation for a cash consideration of $4.5 million, compared with 458,088 common share repurchase for an amount of $14.8 million during the year of 2017. As at February 28, 2018, 1,948,475 stock options were outstanding (1,637,361 as at November 30, 2017).

Dividends

On April 5, 2018, the Board of Directors approved the payment of a quarterly dividend of 6¢ per share to shareholders of record as at April 19, 2018 payable on May 3rd, 2018. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT FEBRUARY 28, 2018

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 80,000 customers who are served by 70 centers in North America – 36 distribution centers in Canada, 32 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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April 5, 2018, 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 April 5, 2018, 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 April 5, 2018, until midnight on April 12, 2018, by dialling **1-855-859-2056, access code: 9494916.** Members of the media are invited to listen in.

Photos are available at www.richelieu.com

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]

[Unaudited]

	As at February 28, 2018	As at November 30, 2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**3,166**	29,162
Accounts receivable	**133,700**	134,187
Income taxes receivable	**1,446**	
Inventories	**245,456**	233,585
Prepaid expenses	**3,930**	2,253
	387,698	399,187
Non-current assets		
Property, plant and equipment	**39,329**	38,558
Intangible assets	**28,674**	29,282
Goodwill	**69,229**	68,931
Deferred taxes	**7,002**	6,709
	531,932	542,667
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**81,086**	91,858
Income taxes payable	**—**	2,919
Current portion of long-term debt	**2,244**	4,294
	83,330	99,071
Non-current liabilities		
Long-term debt	**360**	—
Deferred taxes	**3,511**	3,511
Other liabilities	**1,859**	1,881
	89,060	104,463
Equity		
Share capital	**39,672**	39,230
Contributed surplus	**2,682**	2,358
Retained earnings	**381,730**	376,922
Accumulated other comprehensive income	**15,037**	15,582
Equity attributable to shareholders of the Corporation	**439,121**	434,092
Non-controlling interests	**3,751**	4,112
	442,872	438,204
	531,932	542,667

CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended February 28,	
	2018	2017
	$	$
Sales	**221,980**	195,909
Operating expenses excluding amortization	**202,177**	177,568
Earnings before amortization, financial costs and income taxes	**19,803**	18,341
Amortization of property, plant and equipment	**2,227**	1,816
Amortization of intangible assets	**1,018**	821
Financial costs, net	**(36)**	(84)
	3,209	2,553
Earnings before income taxes	**16,594**	15,788
Income taxes	**3,962**	3,831
Net earnings	**12,632**	11,957
Net earnings attributable to:		
Shareholders of the Corporation	**12,704**	11,998
Non-controlling interests	**(72)**	(41)
	12,632	11,957
Net earnings per share attributable to shareholders of the Corporation		
Basic	**0.22**	0.21
Diluted	**0.22**	0.20

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
[Unaudited]

	For the three-month periods ended February 28,	
	2018	2017
	$	$
Net earnings	**12,632**	11,957
Other comprehensive income that will be reclassified to net earnings		
Exchange differences on translation of foreign operations	**(545)**	(1,222)
Comprehensive income	**12,087**	10,735
Comprehensive income attributable to:		
Shareholders of the Corporation	**12,159**	10,776
Non-controlling interests	**(72)**	(41)
	12,087	10,735

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
[Unaudited]

	For the three-month periods ended February 28,	
	2018	2017
	$	$
OPERATING ACTIVITIES		
Net earnings	**12,632**	11,957
Items not affecting cash		
Amortization of property, plant and equipment	**2,227**	1,816
Amortization of intangible assets	**1,018**	821
Deferred taxes	**(315)**	(197)
Share-based compensation expense	**601**	533
	16,163	14,930
Net change in non-cash working capital balances	**(27,602)**	(12,393)
	(11,439)	2,537
FINANCING ACTIVITIES		
Repayment of long-term debt	**(2,048)**	(685)
Dividends paid to shareholders of the Corporation	**(3,464)**	(3,286)
Other dividends paid	**(311)**	(190)
Common shares issued	**437**	531
Common shares repurchased for cancellation	**(4,534)**	(1,251)
	(9,920)	(4,881)
INVESTING ACTIVITIES		
Business acquisitions	**(2,041)**	—
Additions to property, plant and equipment and intangible assets	**(2,669)**	(4,176)
	(4,710)	(4,176)
Effect of exchange rate changes on cash and cash equivalents	**73**	(34)
Net change in cash and cash equivalents	**(25,996)**	(6,554)
Cash and cash equivalents, beginning of period	**29,162**	42,969
Cash and cash equivalents, end of period	**3,166**	36,415