Richelieu

Press Release

For immediate release

Richelieu increases sales in first quarter of 2019 and makes three new acquisitions in Canada

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- **Total sales for the first quarter of 2019 ending on February 28, 2019**, grew 2.0%, to $226.2 million. **In the manufacturers market**, sales were up 5.3% to $192.3 million, while **sales to hardware retailers including renovation superstores** dropped 13.5% to $33.9 million.
- **Diluted net earnings per share** stood at $0.18, compared with $0.21 for the first quarter of 2018.
- **Healthy and solid financial position** and **working capital** totalling $333.5 million (ratio of 4.2:1).
- **Three acquisitions in Canada** (Western Canada and Ontario) for additional annual sales of approximately $12 million.

Montreal, April 4, 2019 - "Richelieu (RCH: TSX), began fiscal year 2019 with the acquisition of Lion Industries, Blackstone Building Products, and Truform Building Products, three specialty hardware distributors serving window and door manufacturers in Western Canada and Ontario. These acquisitions will reinforce our presence in these markets, increase our business in the window and door manufacturers segment, and add some $12 million in annual sales. In the first quarter, generally the weakest of the year, our results were affected by lower sales in the hardware retailers and renovation superstores market. This is due to the fact that in the first quarter of 2018, in Canada, our sales were exceptionally high for a first quarter, whereas in the first quarter of 2019 they were impacted by inventory realignment by our retailer customers which have not shown sales growth. In addition, one of our major Canadian customers closed several stores. It should be noted that Richelieu did not lose any market share among retailers. In the United States, the decline in the hardware retailers market sales compared to the same period in 2018 was due to the temporary impact of higher cyclical sales to a major customer in the first quarter of 2018. Otherwise sales in this market would have been up 50% due to the addition of new products and new customers. We believe we will recoup these sales in the coming quarters given their cyclical nature. Our financial position is impeccable, almost debt free, allowing us to pursue our growth strategy. We are on the lookout for new acquisitions and confident to post positive results in subsequent periods." commented Richelieu president and CEO, Richard Lord

ANALYSIS OF OPERATING RESULTS FOR THE FIRST QUARTER ENDED FEBRUARY 28, 2019, COMPARED WITH THE FIRST QUARTER ENDED FEBRUARY 28, 2018

For the quarter ended February 28, 2019, consolidated sales reached $226.2 million, compared with $221.9 million for the corresponding quarter of 2018, up 2.0%, resulting from a growth by acquisitions of 2.8% and an internal decrease of 0.8%. At comparable exchange rates to the first quarter of 2018, consolidated sales would have been stable with the corresponding quarter of 2018.

Richelieu achieved sales of $192.3 million in the **manufacturers** market, compared with $182.7 million for the first quarter of 2018, an increase of $9.6 million. All market segments contributed to this increase of 5.3%, of which 1.9% resulted from internal growth and 3.4% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $33.9 million, down by $5.3 million or 13.5% over the first quarter of 2018.

In Canada, Richelieu recorded sales of $143.7 million, a decrease of $0.4 million or 0.2% over the first quarter of 2018, of which 0.6% originated from acquisitions. Sales to **manufacturers** amounted to $117.7 million compared with $113.2 million, an increase of 4.0% of which 3.3% was generated by from internal growth and 0.7% by acquisitions. Sales to hardware **retailers** and renovation superstores stood at $26.0 million, down $4.9 million or 15.9% over the corresponding quarter of 2018. It should be noted that the first quarter of 2018 was marked by sales that were exceptionally high for a first quarter whereas in the first quarter of 2019, our sales were impacted by inventory realignment of our retailer customers. In addition, one of our major Canadian customers closed several stores. It should be noted that Richelieu did not lose any market share among its hardware retail customers.

In the United States, sales totalled US$62.0 million, in slight increase compared with the first quarter of 2018. Sales to **manufacturers** amounted to US$56.1 million compared with US $55.4 million over the first quarter of 2018, an increase of 1.3%, of which 7.4% from acquisitions and an internal decrease of 6.1% following the end of a supply agreement with a major customer, as reported in previous quarters. Note that at comparable sales, internal growth in the US manufacturers market would have been 3%. Sales to hardware **retailers** and renovation superstores were down by 9.2% from the corresponding quarter of 2018. This decrease is due to the temporary effect of significant cyclical sales to a major customer in the first quarter of 2018. But for this factor, the hardware **retailers** sales growth in the United States would have been 50% due to the addition of new products and new customers. These sales should be recouped in the coming quarters given their cyclical nature. Considering applicable exchange rates, total U.S. sales expressed in Canadian dollars stood at $82.5 million, compared with $77.8 million for the first quarter of 2018, an increase of 6.0%. They accounted for 36.5% of consolidated sales for the first quarter of 2019, whereas they represented 35.1% of the period’s consolidated sales in the first quarter of 2018.

First-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $17.4 million, down $2.4 million or 12.0% over the first quarter of 2018. **Gross margin** remained stable compared with the first quarter of 2018. The **EBITDA margin** stood at 7.7%, compared to 8.9% for the corresponding quarter of 2018. It was affected by the slowdown in sales to the hardware retailers market during the quarter, the market development costs to increase our offering and our presence in the retailers market in the United States, including the costs incurred as a result of the temporary increase in inventories, and the effect of our recent acquisitions.

Amortization expenses for the first quarter of 2019 amounted to $3.6 million compared with $3.2 million for the corresponding quarter of 2018, up $0.4 million, resulting mainly from the investments in capital made in fiscal 2018.

First-quarter net earnings were down 20.3%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $10.1 million, down by 20.6% over the first quarter of 2018. **Net earnings per share** rose to $0.18 basic and diluted, compared with $0.22 basic and diluted for the first quarter of 2018, a decrease of 18.2%.

Comprehensive income amounted to $8.7 million, considering a negative adjustment of $1.4 million on translation of the financial statements of the United States subsidiary, compared with $12.1 million for the first quarter of 2018, considering a negative adjustment of $0.5 million on translation of the financial statements of the United States subsidiary.

Quarterly variations in earnings - The first quarter closed at the end of February is generally the year's weakest for Richelieu in light of the smaller number of business days due to the end-of-year holiday period and a wintertime slowdown in renovation and construction work. The third quarter ending August 31 also includes a smaller number of business days due to the summer holidays, which can be reflected in the period's financial results. The second and fourth quarters respectively ending May 31 and November 30 generally represent the year's most active periods.

FINANCIAL POSITION

Cash flows from operating activities (before net change in working capital balances) amounted to $13.9 million or $0.24 diluted per share, compared with $16.0 million or $0.27 diluted per share for the first quarter of 2018, a decrease of 13.1% stemming primarily from the variation in net earnings. Net change in non-cash working capital balances used cash flows of $27.5 million, reflecting the change in inventories, accounts payable and other items ($31.5 million), whereas the change in accounts receivable represented a cash inflow of $4.0 million. Consequently, operating activities used cash flows of $13.6 million, whereas they had used cash flows of $11.4 million in the first quarter of 2018.

Financing activities used cash flows of $3.5 million, compared with $9.9 million for the first quarter of 2018. This change mainly results from the repurchase of common shares amounting to $4.5 million plus the long-term debt repayment in the first quarter of 2018.

Investing activities represented a cash outflow of $6.6 million, of which $4.8 million for the three business acquisitions mentioned previously and $1.8 million primarily for the purchase of equipment to maintain and improve operational efficiency and for IT equipment.

Sources of financing

As at February 28, 2019, bank draft amounted to $16.4 million, compared with cash of $7.4 million as at November 30, 2018. This change mainly arise from the increase in inventories resulting from the following main factors: the slowdown in sales to hardware retailers during the quarter, a normal increase for next periods that are historically the most active, and, pursuing our continuous innovation strategy, adding new products to develop new business opportunities. The Corporation posted **working capital** of $333.5 million for a current ratio of 4.2:1, compared with $329.3 million (4.6:1 ratio) as at November 30, 2018.

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 financing and investing activities between now and the end of 2019. 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 2019 $**	November 30 2018 $
Current assets	**436,405**	419,844
Non-current assets	**151,144**	149,275
Total	**587,549**	569,119
Current liabilities	**102,925**	90,501
Non-current liabilities	**5,708**	5,132
Equity attributable to shareholders of the Corporation	**475,893**	470,278
Non-controlling interests	**3,023**	3,208
Total	**587,549**	569,119
Exchange rates on translation of a subsidiary in the United States	***1.3169***	*1.3300*

Assets

Total assets amounted to $587.5 million as at February 28, 2019, compared with $569.1 million as at November 30, 2018. **Current assets** increased from November 30, 2018, mainly due to the inventory increase during the period as mentioned in the previous section.

Cash position *(in thousands of $)*		
As at	**February 28 2019 $**	November 30 2018 $
Current portion of long-term debt	**2,507**	2,023
Long-term debt	**—**	—
Total debt	**2,507**	2,023
Cash and cash equivalents (bank draft)	***(16,443)***	*7,408*

The Corporation continues to benefit from a healthy and solid financial position. As at February 28, 2019**, total debt,** entirely short-term**,** was $2.5 million representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $475.9 million as at February 28, 2019, compared with $470.3 million as at November 30, 2018, an increase of $5.6 million stemming primarily from growth of $6.5 million in retained earnings which amounted to $411.9 million, and of $0.6 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down by $1.4 million. As at February 28, 2019, **book value per share** was $8.33, up by 1.2% over November 30, 2018.

As at February 28, 2019, at market close, the Corporation's **share capital** consisted of 57,155,234 common shares (57,114,234 shares as at November 30, 2018). During the first quarter ended February 28, 2019, the Corporation issued 41,000 common shares at an average price of $7.27 (284,774 in 2018 at an average price of $8.11) upon the exercise of options under its stock option plan. As at February 28, 2019, 1,850,725 stock options were outstanding (1,669,475 as at November 30, 2018).

Dividends

On April 4, 2019, the Board of Directors approved the payment of a quarterly dividend of 6.33¢ per share to shareholders of record as at April 18, 2019, payable on May 2, 2019. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT FEBRUARY 28, 2019

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 75 centers in North America – 37 distribution centers in Canada, 36 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 a non-IFRS financial measure and does not have a standardized meaning as prescribed by IFRS, it may not be comparable to the EBITDA of other companies. Richelieu also uses adjusted 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, adjusted 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 4, 2019, 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 4, 2019, may dial **1-888-390-0546** 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 4, 2019, until midnight on April 11, 2019, by dialling **1-888-259-6562, access code: 670615.** 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, 2019	As at November 30, 2018
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**—**	7,408
Accounts receivable	**135,896**	138,767
Income taxes receivable	**4,311**	—
Inventories	**289,618**	270,275
Prepaid expenses	**6,580**	3,394
	436,405	419,844
Non-current assets		
Property, plant and equipment	**40,878**	41,725
Intangible assets	**30,580**	29,340
Goodwill	**73,506**	71,984
Deferred taxes	**6,180**	6,226
	587,549	569,119
LIABILITIES AND EQUITY		
Current liabilities		
Bank draft	**16,443**	—
Accounts payable and accrued liabilities	**83,975**	88,359
Income taxes payable	**—**	119
Current portion of long-term debt	**2,507**	2,023
	102,925	90,501
Non-current liabilities		
Deferred taxes	**3,882**	3,289
Other liabilities	**1,826**	1,843
	108,633	95,633
Equity		
Share capital	**41,762**	41,398
Contributed surplus	**4,322**	4,122
Retained earnings	**411,911**	405,445
Accumulated other comprehensive income	**17,898**	19,313
Equity attributable to shareholders of the Corporation	**475,893**	470,278
Non-controlling interests	**3,023**	3,208
	478,916	473,486
	587,549	569,119

CONSOLIDATED STATEMENTS OF EARNINGS

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

	For the three-month periods ended February 28,	
	2019	2018
	$	$
Sales	**226,236**	221,893
Operating expenses excluding amortization	**208,802**	202,090
Earnings before amortization, financial costs and income taxes	**17,434**	19,803
Amortization of property, plant and equipment	**2,477**	2,227
Amortization of intangible assets	**1,086**	1,018
Financial costs, net	**74**	(36)
	3,637	3,209
Earnings before income taxes	**13,797**	16,594
Income taxes	**3,723**	3,962
Net earnings	**10,074**	12,632
Net earnings attributable to:		
Shareholders of the Corporation	**10,083**	12,704
Non-controlling interests	**(9)**	(72)
	10,074	12,632
Net earnings per share attributable to shareholders of the Corporation		
Basic	**0.18**	0.22
Diluted	**0.18**	0.22

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
[Unaudited]

	For the three-month periods ended February 28,	
	2019	2018
	$	$
Net earnings	**10,074**	12,632
Other comprehensive income that will be reclassified to net earnings		
Exchange differences on translation of foreign operations	**(1,415)**	(545)
Comprehensive income	**8,659**	12,087
Comprehensive income attributable to:		
Shareholders of the Corporation	**8,668**	12,159
Non-controlling interests	**(9)**	(72)
	8,659	12,087

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
[Unaudited]

	For the three-month periods ended February 28,	
	2019	2018
	$	$
OPERATING ACTIVITIES		
Net earnings	**10,074**	12,632
Items not affecting cash		
Amortization of property, plant and equipment	**2,477**	2,227
Amortization of intangible assets	**1,086**	1,018
Deferred taxes	**—**	(315)
Share-based compensation expense	**266**	431
	13,903	15,993
Net change in non-cash working capital balances	**(27,507)**	(27,432)
	(13,604)	(11,439)
FINANCING ACTIVITIES		
Repayment of long-term debt	**—**	(2,048)
Dividends paid to shareholders of the Corporation	**(3,617)**	(3,464)
Other dividends paid	**(193)**	(311)
Common shares issued	**298**	437
Common shares repurchased for cancellation	**—**	(4,534)
	(3,512)	(9,920)
INVESTING ACTIVITIES		
Business acquisitions	**(4,803)**	(2,041)
Additions to property, plant and equipment and intangible assets	**(1,837)**	(2,669)
	(6,640)	(4,710)
Effect of exchange rate changes on cash and cash equivalents	**(95)**	73
Net change in cash and cash equivalents and bank draft	**(23,851)**	(25,996)
Cash and cash equivalents, beginning of period	**7,408**	29,162
Cash and cash equivalents (bank draft), end of period	**(16,443)**	3,166