Richelieu

Press release

for immediate release

Further growth and expansion for Richelieu in the second quarter of 2017

11.9% increase in sales,
15.4% increase in net earnings per share and
an acquisition in Ontario

- **Sales** rose by 11.9% to $243.3 million in the **second quarter** and were up 8.1% in the **first half**, for a total of $439.2 million.

- **Net earnings** increased 14.1% to $17.6 million in the **second quarter,** or $0.30 diluted per share, up 15.4%. In the **first half**, they rose 12.6% to $29.6 million, or $0.50 diluted per share, up 13.6%.

- **Strong financial position**, with $9.3 million in net cash, $280.7 million in working capital (ratio of 4.3:1), and a return on average equity of 17.0%.

Montreal, July 6, 2017 - "Richelieu **(RCH: TSX)** posted a good second quarter in 2017, reflected by our strong financial performance, impeccable balance sheet, and a new acquisition in Ontario. Our innovation, market development, and acquisition strategies have continued to generate excellent results. All our markets contributed to the 11.9% increase in sales in the second quarter. Sales in Canada went up 10.6%, with an almost equivalent split between internal growth and acquisitions. In the United States, sales grew by 10.6% in $US, with 6.1% due to internal growth and 4.5% to acquisitions. We are proud to have acquired Weston Premium Woods in Brampton, on the outskirts of Toronto, thus benefiting from its expert team, diverse range of materials, decorative products, and high-end lumber targeting a customer base covering the same markets as ours. This gives us an additional $60 million in annual sales, and we plan to develop sales synergies while enhancing our presence in the Ontario market, where we now have eight distribution centres," said Richard Lord, President and CEO of Richelieu.

NEXT DIVIDEND PAYMENT

On July 6, 2017, the board of directors approved payment of a quarterly dividend of 5.67¢ per share. This dividend is payable on August 3, 2017, to shareholders of record as at July 20, 2017.

ANALYSIS OF OPERATING RESULTS FOR THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2017 COMPARED WITH THE SECOND QUARTER AND FIRST SIX MONTHS ENDED MAY 31, 2016

Second-quarter consolidated sales amounted to $243.3 million, compared with $217.4 million for the corresponding quarter of 2016, an increase of $25.9 million or 11.9%, of which 6.7% from internal growth and 5.2% from acquisitions. At comparable exchange rates to the second quarter of 2016, the consolidated sales growth would have been 10.6% for the quarter ended May 31, 2017.

Richelieu achieved sales of $207.7 million in the **manufacturers** market, compared with $186.5 million for the second quarter of 2016, an increase of $21.2 million. All market segments contributed to this 11.4% increase, of which 5.3% resulted from internal growth and 6.1% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $35.6 million, up by $4.7 million or 15.2% over the second quarter of 2016.

In Canada, Richelieu recorded sales of $163.7 million, an increase of $15.7 million or 10.6% over the second quarter of 2016, of which 5.1% from internal growth and 5.5% from acquisitions. Sales to **manufacturers** amounted to $131.7 million compared with $120.4 million an increase of 9.4% of which 2.7% from internal growth and 6.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $32.0 million, up by $4.4 million or 15.9% over the corresponding quarter of 2016. This growth results primarily from market share gain, seasonal sales and, to a lesser extent, from the increase in some selling prices.

In the United States, sales totalled US$59.1 million, compared with US$53.4 million for the second quarter of 2016, an increase of US$5.7 million or 10.6%, of which 6.1% from internal growth and 4.5% from acquisitions. Sales to **manufacturers** amounted to US$56.4 million, compared to $50.8 million, an increase of 11.0% over the second quarter of 2016, of which 6.3% from internal growth and 4.7% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.1% from the corresponding quarter of 2016. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $79.6 million, compared with $69.4 million, an increase of 14.7%. They accounted for 32.7% of consolidated sales for the second quarter of 2017, whereas they had represented 31.9% of the period's consolidated sales for the second quarter of 2016.

First-half, consolidated sales reached $439.2 million, an increase of $32.9 million or 8.1% over the first six months of 2016, of which 4.7% from internal growth and 3.4% from acquisitions.

Sales to **manufacturers** grew to $372.7 million, compared with $347.0 million for the first six months of 2016, an increase of $25.7 million or 7.4%, of which 3.4% from internal growth and 4.0% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 12.1% or $7.2 million to total $66.5 million.

In Canada, Richelieu achieved sales of $289.3 million, compared with $268.3 million for the first six months of 2016, up by $21.0 million or 7.8%, of which 4.8% from internal growth and 3.0% from acquisitions. Sales to **manufacturers** rose to $230.1 million, up by $13.9 million or 6.4% of which 2.7% from internal growth and 3.7% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $59.2 million, compared with $52.1 million, up by $7.1 million or 13.6% over the first half of 2016. This growth results primarily from market share gain, the addition of new customers and, to a lesser extent, from the increase in some selling prices.

In the United States, the Corporation recorded sales of US$112.3 million, compared with US$102.7 million for the first six months of 2016, an increase of US$9.6 million or 9.3%, of which 5.0% from internal growth and 4.3% from acquisitions. Sales to **manufacturers** totalled US$106.8 million, compared with US$97.4 million, an increase of US$9.4 million or 9.7% over the first half of 2016, of which 5.2% from internal growth and 4.5% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 3.8% from the corresponding period of 2016. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $149.9 million, compared with $138.0 million for the corresponding six months of 2016, an increase of 8.6%. They accounted for 34.1% of consolidated sales for the first half of 2017, whereas they had represented 34.0% of the period's consolidated sales for the first six months of 2016.

Second-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to $26.6 million, up by $3.6 million or 15.5% over the second quarter of 2016. The **gross margin** and the **EBITDA margin** improved during the second quarter of 2017. They had declined in the first-half of 2016 because of the spike in the US and euro currencies which had an upward effect on the supply costs of some products, consequently **EBITDA margin** stood at 11.0%, compared with 10.6% for the second quarter of 2016.

First-half, earnings before income taxes, interest and amortization (EBITDA) totalled $45.0 million, up by $5.2 million or 13.1% over the first six months of 2016. The **gross margin** and the **EBITDA margin** improved during the first half of 2017 and stood at 10.2%, compared with 9.8% for the first six months of 2016.

Second-quarter net earnings grew by 14.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $17.6 million, up by 14.1% over the second quarter of 2016. **Net earnings per share** rose to $0.30 basic and diluted, compared with $0.27 basic and $0.26 diluted for the second quarter of 2016, an increase of 11.1% and 15.4%.

Comprehensive income amounted to $19.3 million, considering a positive adjustment of $1.7 million on translation of the financial statements of the subsidiary in the United States, compared with $12.6 million for the second quarter of 2016, considering a negative adjustment of $2.9 million on translation of the financial statements of the subsidiary in the United States.

First-half, net earnings grew by 12.5%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $29.6 million, up by 12.6% over the corresponding six months of 2016. **Net earnings per share** amounted to $0.51 basic and $0.50 diluted, compared with $0.45 basic and 0.44 $ diluted for the first half of 2016, an increase of 13.3% and 13.6% respectively.

Comprehensive income totalled $30.1 million, considering a positive adjustment of $0.5 million on translation of the financial statements of the subsidiary in the United States, compared with $24.5 million for the first half of 2016, considering a negative adjustment of $1.8 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 $20.9 million or $0.36 per share, compared with $18.1 million or $0.31 per share for the second quarter of 2016, an increase of 15.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $3.7 million, reflecting the change in inventories and accounts payable ($4.4 million), whereas the change in accounts receivable and other items used cash flows of $8.1 million. Consequently, operating activities provided cash flows of $17.2 million, compared with $15.8 million for the second quarter of 2016.

First-half, cash flows from operating activities (before net change in working capital balances) reached $35.8 million or $0.61 per share, compared with $31.4 million or $0.53 per share for the first six months of 2016, an increase of 15.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $16.1 million, primarily representing changes in accounts receivable. Consequently, operating activities provided cash flows of $19.7 million compared with $9.4 million for the first six months of 2016.

Second-quarter financing activities used cash flows of $6.0 million, compared with $6.4 million for the second quarter of 2016. This change mainly reflects the Corporation's repurchase of common shares for cancellation for $2.9 million during the second quarter of 2017 compared with $3.7 million for the corresponding quarter of 2016.

First-half, financing activities used cash flows of $10.9 million, compared with $23.8 million for the first half of 2016. During the first half of the year, Richelieu repurchased common shares for cancellation for $4.1 million, compared with $17.7 million in the first half of 2016. The Corporation paid dividends to shareholders of $6.6 million, up by 5.4% over the first six months of 2016.

Second-quarter investing activities represented a cash outflow of $31.1 million, of which $29.0 million for a business acquisition and $2.1 million, primarily for equipment to improve operational efficiency.

First-half, investing activities represented a total cash outflow of $35.3 million, of which $29.0 million for a business acquisition and $6.3 million, primarily for equipment to improve operational efficiency.

As at May 31, 2017, cash and cash equivalents amounted to $16.4 million, compared with $43.0 million as at November 30, 2016. This change primarily reflects the investing activities made over the period. The Corporation posted a **working capital** of $280.7 million for a current ratio of 4.3:1, compared with $280.7 million (4.4:1 ratio) as at November 30, 2016.

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 2017. 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 rate)

As at	**May 31 2017**	November 30 2016
Current assets	**366,463**	362,803
Non-current assets	**143,928**	123,243
Total	**510,391**	486,046
Current liabilities	**85,722**	82,056
Non-current liabilities	**5,350**	5,679
Equity attributable to shareholders of the Corporation	**415,427**	394,268
Non-controlling interests	**3,892**	4,043
Total	**510,391**	486,046
Exchange rate on translation of a subsidiary in the United States	***1.350***	*1.343*

Assets

Total assets amounted to $510.4 million as at May 31, 2017, compared with $486.0 million as at November 30, 2016. **Current assets** increased by 1.0% or $3.7 million from November 30, 2016. **Non-current assets** increased by 16.8%. This change is mainly due to the increase in intangible assets resulting from the business acquisition carried out during the second quarter of 2017.

Cash position

(in thousands of $)

As at	**May 31 2017**	November 30 2016
Current portion of long-term debt	**6,844**	4,336
Long term-debt	**220**	528
Total debt	**7,064**	4,864
Cash and cash equivalents	***16,391***	*42,969*

The Corporation continues to benefit from a healthy and solid financial position. As at May 31, 2017**, total debt** was $7.1 million, of which $0.2 million in long-term debt and $6.8 million in short-term debt representing balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled $415.4 million as at May 31, 2017, compared with $394.3 million as at November 30, 2016, an increase of $21.2 million stemming primarily from a growth of $19.0 million in retained earnings which amounted to $355.8 million, and of $1.7 million in share capital and contributed surplus, whereas accumulated other comprehensive income increased by $0.5 million. As at May 31, 2017, **the book value per share** was $7.18, up by 5.4% over November 30, 2016.

Dividends

On July 6, 2017, the Board of Directors approved the payment of a quarterly dividend of 5.67¢ per share to shareholders of record as at July 20, 2017 payable on August 3, 2017. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT MAY 31, 2017

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 centres in North America – 37 distribution centres in Canada, 31 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 6, 2017 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 6, 2017, 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 6, 2017 until midnight on July 13, 2017, by dialing **1-855-859-2056, access code: 39353558.** 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, 2017	As at November 30, 2016
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**16,391**	42,969
Accounts receivable	**132,408**	109,867
Inventories	**214,238**	207,803
Prepaid expenses	**3,426**	2,164
	366,463	362,803
Non-current assets		
Property, plant and equipment	**35,937**	33,258
Intangible assets	**33,001**	22,881
Goodwill	**69,721**	62,256
Deferred taxes	**5,269**	4,848
	510,391	486,046
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**78,127**	75,764
Income taxes payable	**751**	1,956
Current portion of long-term debt	**6,844**	4,336
	85,722	82,056
Non-current liabilities		
Long-term debt	**220**	528
Deferred taxes	**3,239**	3,239
Other liabilities	**1,891**	1,912
	91,072	87,735
Equity		
Share capital	**37,122**	36,050
Contributed surplus	**2,074**	1,417
Retained earnings	**355,813**	336,835
Accumulated other comprehensive income	**20,418**	19,966
Equity attributable to shareholders of the Corporation	**415,427**	394,268
Non-controlling interests	**3,892**	4,043
	419,319	398,311
	510,391	486,046

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,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Sales	**243,269**	217,413	**439,178**	406,322
Operating expenses excluding amortization	**216,621**	194,339	**394,189**	366,538
Earnings before amortization, financial costs and income taxes	**26,648**	23,074	**44,989**	39,784
Amortization of property, plant and equipment	**1,869**	1,573	**3,685**	3,153
Amortization of intangible assets	**922**	744	**1,743**	1,471
Financial costs, net	**(57)**	112	**(141)**	88
	2,734	2,429	**5,287**	4,712
Earnings before income taxes	**23,914**	20,645	**39,702**	35,072
Income taxes	**6,268**	5,167	**10,099**	8,751
Net earnings	**17,646**	15,478	**29,603**	26,321
Net earnings attributable to:				
Shareholders of the Corporation	**17,587**	15,408	**29,585**	26,269
Non-controlling interests	**59**	70	**18**	52
	17,646	15,478	**29,603**	26,321
Net earnings per share attributable to shareholders of the Corporation				
Basic	**0.30**	0.27	**0.51**	0.45
Diluted	**0.30**	0.26	**0.50**	0.44

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
[Unaudited]

	For the three months ended May 31,		For the six months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Net earnings	**17,646**	15,478	**29,603**	26,321
Other comprehensive income that will be reclassified to net earnings				
Exchange differences on translation of foreign operations	**1,674**	(2,902)	**452**	(1,809)
Comprehensive income	**19,320**	12,576	**30,055**	24,512
Comprehensive income attributable to:				
Shareholders of the Corporation	**19,261**	12,506	**30,037**	24,460
Non-controlling interests	**59**	70	**18**	52
	19,320	12,576	**30,055**	24,512

CONSOLIDATED STATEMENTS OF CASH FLOWS
[In thousands of dollars]
[Unaudited]

	For the three months ended May 31,		For the six months ended May 31,	
	2017	2016	**2017**	2016
	$	$	**$**	$
OPERATING ACTIVITIES				
Net earnings	**17,646**	15,478	**29,603**	26,321
Items not affecting cash				
Amortization of property, plant and equipment	**1,869**	1,573	**3,685**	3,153
Amortization of intangible assets	**922**	744	**1,743**	1,471
Deferred taxes	**(204)**	—	**(401)**	(69)
Share-based compensation expense	**660**	264	**1,193**	555
	20,893	18,059	**35,823**	31,431
Net change in non-cash working capital balances	**(3,712)**	(2,308)	**(16,105)**	(22,021)
	17,181	15,751	**19,718**	9,410
FINANCING ACTIVITIES				
Repayment of long-term debt	**(267)**	0	**(952)**	(221)
Dividends paid to Shareholders of the Parent Corporation	**(3,287)**	(3,094)	**(6,573)**	(6,212)
Other dividends paid	**—**	—	**(190)**	(67)
Common shares issued	**392**	341	**923**	484
Common shares repurchased for cancellation	**(2,876)**	(3,683)	**(4,127)**	(17,739)
	(6,038)	(6,436)	**(10,919)**	(23,755)
INVESTING ACTIVITIES				
Business acquisitions	**(29,000)**	(4,597)	**(29,000)**	(8,859)
Additions to property, plant and equipment and intangible assets	**(2,114)**	(2,749)	**(6,290)**	(6,041)
	(31,114)	(7,346)	**(35,290)**	(14,900)
Effect of exchange rate changes on cash and cash equivalents	**(53)**	93	**(87)**	19
Net change in cash and cash equivalents	**(20,024)**	2,062	**(26,578)**	(29,226)
Cash and cash equivalents, beginning of period	**36,415**	(1,834)	**42,969**	29,454
Cash and cash equivalents, end of period	**16,391**	228	**16,391**	228