



**Press release
for immediate release**

**Richelieu pursued its growth in the third quarter,
benefiting from the impact of its recent acquisitions**

- **Sales** increased by **3.4%** to \$269.2 million in the third quarter ended August 31, 2019. For the first nine months of the year, they totalled \$776.7 million, up **4.2%**.
 - **EBITDA** increased by **4.3%** to \$30.2 million, and **diluted net earnings per share** increased by **3.1%** to \$0.33 in the third quarter.
 - The **financial position** remained sound and solid. **Cash flows** from operating activities totalled \$44.3 million and **working capital** stood at \$346.8 million (ratio of 4.5:1).
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Montreal, October 3, 2019 - “Richelieu’s performance (RCH: TSX) in the third quarter benefited from the acquisitions made in the past twelve months, all of which contributed to good growth in the manufacturers market in Canada and the United States. The 3.4% increase in sales was driven by 5.0% growth by acquisition, which more than offset the 1.6% internal decrease caused by the slowdown in the Canadian manufacturers market and in the retailers market notably in Canada, as mentioned in previous quarters. It should be noted that this quarter had one fewer business day than the third quarter of 2018. We have continued to invest in maintaining and improving operational efficiency and have repurchased shares for \$9.4 million in the normal course of business since the beginning of the fiscal year, including \$4.9 million in the third quarter. We ended the period with a sharply appreciated cash balance and a solid financial position. By continuing to activate our main growth drivers, namely our innovation, acquisition, market development, and customer service optimization strategies, we expect to close this fiscal year with good results and a solid financial position,” said Richard Lord, President and Chief Executive Officer of Richelieu.

ANALYSIS OF OPERATING RESULTS FOR THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2019 COMPARED WITH THE THIRD QUARTER AND FIRST NINE MONTHS ENDED AUGUST 31, 2018

Third-quarter consolidated sales amounted to \$269.2 million, compared with \$260.5 million for the corresponding quarter of 2018, an increase of \$8.7 million or 3.4%, of which 5.0% from acquisitions and 1.6% from an internal decrease. It should be noted that this quarter had one less business day than the third quarter of 2018. At comparable exchange rates to the third quarter of 2018, consolidated sales growth would have been 3.1% for the quarter ended August 31, 2019.

Richelieu achieved sales of \$233.8 million in the **manufacturers** market, compared with \$221.6 million for the third quarter of 2018, an increase of \$12.2 million or 5.5%, of which 5.9% resulted from acquisitions and 0.4% from an internal decrease. Sales to hardware **retailers** and renovation superstores stood at \$35.4 million, down \$3.5 million or 9.0% over the third quarter of 2018.

In Canada, Richelieu recorded sales of \$179.9 million, an increase of \$1.2 million or 0.7% over the third quarter of 2018, of which 4.7% from acquisitions and 4.0% from an internal decrease. Sales to **manufacturers** amounted to \$147.9 million, compared to \$143.6 million, an increase of 3.0%, of which 5.9% resulted from acquisitions and 2.9% from an internal decrease caused by a softer market across Canada most importantly in Alberta and the Atlantic provinces. Sales to hardware **retailers** and renovation superstores totalled to \$32.0 million, down \$3.1 million or 8.8% over the corresponding quarter of 2018. The general slowdown in the retailer market continues to have a downward impact on our sales. Furthermore, cyclical sales were also down during this quarter.

In the United States, sales totalled US\$67.5 million, compared to US \$62.5 million for the third quarter of 2018, up US\$5 million or 8.2%, of which 2.6% resulted from internal growth and 5.6% from acquisitions. Sales to **manufacturers** amounted to US\$64.9 million, compared to US \$59.6 million, an increase of 8.9% over the third quarter of 2018, of which 3.1% resulted from internal growth and 5.8% from acquisitions. Sales in US\$ to hardware **retailers** and renovation superstores were down 10.3% from the corresponding quarter of 2018, however, are showing growth for the first nine months of 2019. Total U.S. sales in Canadian dollars stood at \$89.3 million, compared to \$81.8 million year over year, an increase of 9.2%. They accounted for 33.2% of consolidated sales for the third quarter of 2019, compared to 31.4% of consolidated sales for the third quarter of 2018.

For the first nine months, consolidated sales reached \$776.7 million, an increase of \$31.1 million or 4.2% over the first nine months of 2018, of which 0.4% resulted from internal growth and 3.8% from acquisitions. At comparable exchange rates to the first nine months of 2018, consolidated sales growth would have been 2.9%.

Sales to **manufacturers** grew to \$664.3 million, compared to \$626.7 million for the first nine months of 2018, an increase of \$37.6 million or 6.0%, of which 1.4% from internal growth and 4.6% from acquisitions. Sales to hardware **retailers** and renovation superstores were down 5.5% or \$6.5 million to total \$112.4 million.

In Canada, Richelieu recorded sales of \$506.7 million, compared to \$503.4 million for the first nine months of 2018, up by \$3.3 million or 0.6%, of which 2.7% resulted from acquisitions and an internal decrease of 2.1%. Sales to **manufacturers** rose to \$417.6 million, up by \$12.9 million or 3.2%, of which 3.4% resulted from acquisitions and 0.2% from internal decrease. Sales to hardware **retailers** and renovation superstores reached \$89.1 million, compared to \$98.7 million, down \$9.6 million or 9.7% over the first nine months of 2018. The inventory realignment of our retailer customers due to a general slowdown in this market continued to have a downward effect on our sales.

In the United States, the Corporation recorded sales of US\$202.8 million, compared to US \$188.6 million for the first nine months of 2018, an increase of US\$14.2 million or 7.5%, of which 1.6% resulted from internal growth and 5.9% from acquisitions. Sales to **manufacturers** totalled US\$185.3 million, compared to US\$172.8 million, an increase of US\$12.5 million or 7.2% over the first nine months of 2018, of which 0.8% resulted from internal growth and 6.4% resulted from acquisitions. As reported in previous quarters, the internal growth in the manufacturers market was affected in the first quarter of 2019 by the termination of a supply agreement with a major customer. At comparable sales levels, internal growth in the US manufacturers market would have been 3.4%. Sales to hardware **retailers** and renovation superstores were up 10.8% from the corresponding period of 2018. Total U.S. sales in Canadian dollars amounted to \$270.0 million, compared to \$242.2 million for the corresponding nine months of 2018, an increase of 11.5%. They accounted for 34.8% of consolidated sales for the first nine months of 2019, compared to 32.5% of the period's consolidated sales for the first nine months of 2018.

Third-quarter earnings before income taxes, interest and amortization (EBITDA) amounted to \$30.2 million, up \$1.3 million or 4.3% over the third quarter of 2018. **Gross margin** and **EBITDA margin** improved slightly from the third quarter of 2018. **EBITDA margin** stood at 11.2%, compared to 11.1% for the corresponding quarter of 2018.

Amortization expense for the third quarter of 2019 amounted to \$4.1 million, up \$0.8 million compared to the corresponding quarter of 2018. **Income tax expense** amounted to \$7.1 million, up \$0.1 million from the third quarter of 2018. **Financial costs** amounted to \$0.2 million.

For the first nine months, earnings before income taxes, interest and amortization (EBITDA) totalled \$78.3 million, up \$1.5 million or 2.0% over the first nine months of 2018.

The **gross margin** remained stable with the corresponding nine-month period of 2018. As for the **EBITDA margin**, it stood at 10.1%, compared to 10.3% for the first nine months of 2018 affected by the slowdown in sales in the hardware retailers market, the market development costs incurred to increase our offering and our presence in the retailers market in the United States, including the costs resulting from the increase in inventories.

Amortization expense for the first nine months of 2019 amounted to \$11.4 million, up \$1.6 million, compared to the same period of 2018, resulting from the investments in tangible and intangible assets made in the current fiscal year. **Income tax expense** amounted to \$18.1 million, up \$0.5 million from the first nine months of 2018. **Financial costs** on bank overdraft amounted to \$0.7 million for the first nine months of 2019.

Third-quarter net earnings grew 1.1%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to \$18.6 million, up 1.3% over the third quarter of 2018. **Net earnings per share** rose to \$0.33 basic and diluted, compared to \$0.32 basic and diluted for the third quarter of 2018, an increase of 3.1%.

Comprehensive income amounted to \$16.3 million, considering a negative adjustment of \$2.4 million on translation of the financial statements of the United States subsidiary, compared to \$19.5 million for the third quarter of 2018, considering a positive adjustment of \$0.9 million on translation of the financial statements of the United States subsidiary.

For the first nine months, net earnings decreased 2.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled \$48.0 million, down 2.6% over the corresponding nine months of 2018. **Net earnings per share** amounted to \$0.84 basic and diluted, compared to \$0.85 basic and \$0.84 diluted for the first nine months of 2018.

Comprehensive income totalled \$48.2 million, considering a negative adjustment of \$0.1 million on translation of the financial statements of the United States subsidiary, compared to \$51.0 million for the first nine months of 2018, considering a positive adjustment of \$1.5 million on translation of the financial statements of the United States subsidiary.

FINANCIAL POSITION

Operating activities

Third-quarter cash flows from operating activities (before net change in working capital balances) amounted to \$23.4 million or \$0.41 per share diluted, compared to \$22.4 million or \$0.39 per share diluted for the third quarter of 2018, an increase of 4.3% resulting primarily from the variation in net earnings and depreciation. Net change in non-cash working capital balances represented a cash inflow of \$20.9 million, reflecting the change in accounts receivable and inventory (\$19.8 million), whereas the change in other items represented cash inflows of \$1.1 million. Consequently, operating activities provided cash flows of \$44.3 million, compared to \$13.8 million in the third quarter of 2018.

For the first nine months, cash flows from operating activities (before net change in working capital balances) reached \$61.0 million or \$1.06 per share diluted, compared to \$60.6 million or \$1.04 per share diluted for the first nine months of 2018, an increase of 0.6%. Net change in non-cash working capital balances used cash flows of \$5.4 million primarily representing changes in inventories. Consequently, operating activities provided cash flows of \$55.5 million, compared to \$16.8 million for the first nine months of 2018.

Financing activities

Third quarter financing activities used cash flows of \$8.5 million, compared to \$12.2 million in the third quarter of 2018. This change mainly reflects the repurchase of common shares for \$4.9 million during the third quarter of 2019 compared to 8.9 million in the corresponding quarter of 2018. Dividends paid to shareholders amounted to \$3.6 million, an increase of 4.4% over the corresponding quarter of 2018.

For the first nine months, financing activities used cash flows of \$19.9 million, compared to \$27.5 million in the first nine months of 2018. During the first nine months of the year, Richelieu repurchased common shares for cancellation for \$9.4 million, compared to \$14.1 million in the first nine months of 2018. The Corporation paid dividends to shareholders of \$10.8 million, up 4.3% over the first nine months of 2018. In addition, Richelieu had repaid \$3.9 million in long-term debt in the same period of 2018.

Investing activities

Third quarter investing activities represented a cash outflow of \$3.3 million primarily for the purchase of new equipment to improve operational efficiency.

For the first nine months, investing activities represented a total cash outflow of \$28.4 million, comprising \$20.8 million for the four business acquisitions made during the current period and \$7.6 million primarily for the purchase of new equipment to improve operational efficiency.

Sources of financing

As at August 31, 2019, cash and cash equivalents amounted to \$14.8 million, compared with cash of \$7.4 million as at November 30, 2018. The Corporation posted **working capital** of \$346.8 million for a current ratio of 4.5:1, compared to \$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, financing, and investing activities between now and the end of fiscal 2019. The Corporation has an authorized line of credit of \$65 million as well as a line of credit of US\$6 million renewable annually and bearing interest at prime and base rates respectively. 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	August 31, 2019 \$	November 30, 2018 \$
Current assets	445,304	419,844
Non-current assets	164,289	149,275
Total	609,593	569,119
Current liabilities	98,542	90,501
Non-current liabilities	7,722	5,132
Equity attributable to shareholders of the Corporation	500,046	470,278
Non-controlling interests	3,283	3,208
Total	609,593	569,119
<i>Exchange rates on translation of a subsidiary in the United States</i>	1.330	1.330

Assets

Total assets amounted to \$609.6 million as at August 31, 2019, compared to \$569.1 million as at November 30, 2018. **Current assets** increased by 6.1% or \$25.5 million from November 30, 2018. **Non-current assets** rose 10.1%. These increases result mainly from business acquisitions made during the current fiscal year.

Cash position*(in thousands of \$)*

As at	August 31 2019	November 30 2018
	\$	\$
Current portion of long-term debt	6,965	2,023
Long-term debt	41	—
Total debt	7,006	2,023
<i>Cash and cash equivalents</i>	14,798	7,408

The Corporation continues to benefit from a healthy and solid financial position. As at August 31, 2019, **total debt** was \$7.0 million, mostly short-term, representing mainly balances payable on acquisitions.

Equity attributable to shareholders of the Corporation totalled \$500.0 million as at August 31, 2019, compared to \$470.3 million as at November 30, 2018, an increase of \$29.8 million stemming primarily from growth of \$28.1 million in retained earnings which amounted to \$433.5 million, and \$1.8 million in share capital and contributed surplus, whereas accumulated other comprehensive income was down \$0.1 million. As at August 31, 2019, **book value per share** was \$8.81, up 7.0% over November 30, 2018.

As at August 31, 2019, at market close, the Corporation's **share capital** consisted of 56,787,605 common shares (57,114,234 shares as at November 30, 2018). During the first nine months of 2019, the Corporation issued 67,200 common shares at an average exercise price of \$10.09 (284,774 in fiscal 2018 at an average exercise price of \$8.11) upon the exercise of stock options under its stock option plan. Furthermore, during the first nine months of 2019, the Corporation repurchased 393,829 common shares for cancellation for a cash consideration of \$9.4 million. As at August 31, 2019, 1,823,525 stock options were outstanding (1,669,475 as at November 30, 2018).

Dividends

On October 3, 2019, the Board of Directors approved the payment of a quarterly dividend of 6.33¢ per share to shareholders of record as at October 17, 2019, payable on October 31, 2019. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT OCTOBER 3, 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 77 centers in North America – 39 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 edgbanding 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 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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For information:

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OCTOBER 3, 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 October 3, 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 5:45 p.m. on October 3, 2019, until midnight on October 10, 2019, by dialling **1-888-259-6562**, **access code: 679030 #**. 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, 2019	As at November 30, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	14,798	7,408
Accounts receivable	141,998	138,767
Income taxes receivable	1,617	—
Inventories	280,693	270,275
Prepaid expenses	6,198	3,394
	445,304	419,844
Non-current assets		
Property, plant and equipment	41,263	41,725
Intangible assets	36,632	29,340
Goodwill	80,170	71,984
Deferred taxes	6,224	6,226
	609,593	569,119
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	91,577	88,359
Income taxes payable	—	119
Current portion of long-term debt	6,965	2,023
	98,542	90,501
Non-current liabilities		
Long-term debt	41	—
Deferred taxes	5,878	3,289
Other liabilities	1,803	1,843
	106,264	95,633
Equity		
Share capital	41,942	41,398
Contributed surplus	5,348	4,122
Retained earnings	433,512	405,445
Accumulated other comprehensive income	19,244	19,313
Equity attributable to shareholders of the Corporation	500,046	470,278
Non-controlling interests	3,283	3,208
	503,329	473,486
	609,593	569,119

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,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Sales	269,243	260,461	776,661	745,622
Operating expenses excluding amortization	239,066	231,535	698,315	668,813
Earnings before amortization, financial costs and income taxes	30,177	28,926	78,346	76,809
Amortization of property, plant and equipment	2,632	2,303	7,629	6,781
Amortization of intangible assets	1,440	993	3,732	2,969
Financial costs, net	233	45	713	68
	4,305	3,341	12,074	9,818
Earnings before income taxes	25,872	25,585	66,272	66,991
Income taxes	7,103	7,020	18,050	17,559
Net earnings	18,769	18,565	48,222	49,432
Net earnings attributable to:				
Shareholders of the Corporation	18,630	18,389	47,994	49,267
Non-controlling interests	139	176	228	165
	18,769	18,565	48,222	49,432
Net earnings per share attributable to shareholders of the Corporation				
Basic	0.33	0.32	0.84	0.85
Diluted	0.33	0.32	0.84	0.84

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]

[Unaudited]

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net earnings	18,769	18,565	48,222	49,432
Other comprehensive income that will be reclassified to net earnings				
Exchange differences on translation of foreign operations	(2,435)	904	(69)	1,520
Comprehensive income	16,334	19,469	48,153	50,952
Comprehensive income attributable to:				
Shareholders of the Corporation	16,195	19,293	47,925	50,787
Non-controlling interests	139	176	228	165
	16,334	19,469	48,153	50,952

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]

[Unaudited]

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net earnings	18,769	18,565	48,222	49,432
Items not affecting cash				
Amortization of property, plant and equipment	2,632	2,303	7,629	6,781
Amortization of intangible assets	1,440	993	3,732	2,969
Deferred taxes	—	—	—	(315)
Share-based compensation expense	557	567	1,381	1,733
	23,398	22,428	60,964	60,600
Net change in non-cash working capital balances	20,898	(8,641)	(5,422)	(43,838)
	44,296	13,787	55,542	16,762
FINANCING ACTIVITIES				
Repayment of long-term debt	(190)	(131)	(190)	(3,888)
Dividends paid to Shareholders of the Corporation	(3,606)	(3,455)	(10,830)	(10,380)
Other dividends paid	—	—	(193)	(311)
Common shares issued	150	336	678	1,237
Common shares repurchased for cancellation	(4,874)	(8,921)	(9,386)	(14,117)
	(8,520)	(12,171)	(19,921)	(27,459)
INVESTING ACTIVITIES				
Business acquisitions	—	—	(20,788)	(2,041)
Additions to property, plant and equipment and intangible assets	(3,340)	(3,563)	(7,627)	(8,140)
	(3,340)	(3,563)	(28,415)	(10,181)
Effect of exchange rate changes on cash and cash equivalents	115	(135)	184	(164)
Net change in cash and cash equivalents and bank overdraft	32,551	(2,082)	7,390	(21,042)
Cash and cash equivalents (overdraft), beginning of period	(17,753)	10,202	7,408	29,162
Cash and cash equivalents, end of period	14,798	8,120	14,798	8,120