Richelieu

# Press release
**for immediate release**

## Further growth and expansion for Richelieu in 2016 with four acquisitions in the U.S.

## *Solid net earnings per share growth in the fourth quarter*

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- **Sales for the fourth quarter ended November 30, 2016,** grew by 9.0% (6.5% from internal growth) and **diluted net earnings per share** were $0.33, up 10.0%.
- **Sales for 2016** totalled $844.5 million, up 12.6% (10.4% from internal growth), and **diluted net earnings per share** rose to $1.07, up 8.1%.
- **Strong and healthy financial position**, almost no debt and **working capital** of $280.7 million (current ratio of 4.4 : 1 ).
- **Four strategic acquisitions** in the U.S in 2016.
- **Repurchase of 1,004,700 common shares for $23.1 million** in 2016 - **Dividends** paid during the year increased by 5.6% to $12.4 million.
- **6.4% dividend increase**, which was raised from 5.33¢ to 5.67¢ for the first quarter of 2017.

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**Montreal, January 19, 2017** - "Richelieu (RCH/TSX) posted solid growth and continued its expansion in 2016, as reflected by increased financial performance, excellent financial position, and four strategic acquisitions in the U.S. Our innovation and market development strategies, our customer approach and the quality of our service contributed to growth in our main market segments in Canada and the U.S. Our strong internal growth was complemented by acquisition-driven growth in the U.S., where we now operate 31 distribution centers generating nearly 34% of total sales. Our U.S. sales were up 15.1% (US$) for 2016, of which 8.2% (US$) came from internal growth. In Canada, sales grew by 8.8% (internal growth). In our two key markets in North America, manufacturers and hardware retailers, including renovation superstores, sales for 2016 rose 13.0% and 10.9% respectively, with 8.5% and 11.6% increases in the fourth quarter. In 2016, Richelieu further strengthened its market positioning for the future while creating value for shareholders. The share price closed at $26.95 on November 30, 2016 - with a 13.7% appreciation over the course of the year and by an annual average of 13% over the last decade. The Corporation's market capitalization reached $1.5 billion in 2016," indicated Richard Lord, President and Chief Executive Officer of Richelieu.

**ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2016 COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2015**

## Consolidated sales

**Consolidated sales** reached $844.5 million, an increase of $94.8 million or 12.6% over 2015, of which 10.4% from internal growth and 2.2% from acquisitions. At comparable exchange rates to the year of 2015, the consolidated sales growth would have been 10.8% for the year ended November 30, 2016.

Sales to **manufacturers** grew to $721.1 million, compared with $638.4 million for 2015, an increase of $82.7 million or 13.0%, of which 10.3% from internal growth and 2.7% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 10.9% or $12.1 million to total $123.4 million.

**In Canada**, Richelieu achieved sales of $559.1 million, compared with $513.7 million for 2015, up by $45.4 million or 8.8% 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 appreciation in the U.S. dollar and the euro. Sales to **manufacturers** rose to $450.3 million, up by $33.6 million or 8.1% from internal growth. Sales to hardware **retailers** and renovation superstores reached $108.8 million, compared with $97.0 million, up by $11.8 million or 12.2% over 2015.

**In the United States**, the Corporation recorded sales of US$215.0 million, compared with US $186.8 million for 2015, an increase of US$28.2 million or 15.1%, of which 8.2% from internal growth and 6.9% from acquisitions. Sales to **manufacturers** totalled US$204.1 million, compared with US$175.6 million, an increase of US$28.5 million or 16.2% over 2015, of which 8.9% from internal growth and 7.3% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 2.7% from the previous year. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $285.3 million, compared with $235.9 million for 2015, an increase of 21.0%. They accounted for 33.8% of consolidated sales of 2016, whereas they had represented 31.5% of the year's consolidated sales in 2015.

## Consolidated EBITDA and EBITDA margin

**Earnings before income taxes, interest and amortization (EBITDA)** totalled $94.4 million, up by $6.7 million or 7.7% over 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 during the first semester of 2016, 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 11.2%, compared with 11.7% for 2015.

Income taxes amounted to $21.8 million, an increase of $1.3 million over 2015.

## Consolidated net earnings attributable to shareholders

**Net earnings** grew by 7.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $62.8 million, up by 6.9% over 2015. **Net earnings per share** amounted to $1.08 basic and $1.07 diluted, compared with $1.00 basic and 0.99 $ diluted for 2015, an increase of 8.0% and 8.1% respectively.

**Comprehensive income** totalled $63.8 million, considering a positive adjustment of $0.8 million on translation of the financial statements of the subsidiary in the United States, compared with $71.0 million for 2015, considering a positive adjustment of $12.2 million on translation of the financial statements of the subsidiary in the United States.

### FOURTH QUARTER ENDED NOVEMBER 30th, 2016

**Fourth-quarter consolidated sales** amounted to $218.0 million, compared with $200.1 million for the corresponding quarter of 2015, an increase of $17.9 million or 9.0%, of which 6.5% from internal growth and 2.5% from acquisitions. At comparable exchange rates to the fourth quarter of 2015, the consolidated sales growth would have been 8.8% for the quarter ended November 30, 2016.

Richelieu achieved sales of $187.1 million in the **manufacturers** market, compared with $172.4 million for the fourth quarter of 2015, an increase of $14.7 million or 8.5%, of which 5.6% from internal growth and 2.9% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $30.9 million, up by $3.2 million or 11.6% over the fourth quarter of 2015.

**In Canada**, Richelieu recorded sales of $144.7 million, an increase of $8.2 million or 6% over the fourth quarter of 2015, entirely 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 appreciation in the U.S. dollar and the euro. Sales to **manufacturers** amounted to $117.5 million, an increase of 4.2%. Sales to hardware **retailers** and renovation superstores grew to $27.2 million, up by $3.5 million or 14.8%, partially due to exceptional seasonal sales.

**In the United States**, sales totalled US$55.3 million, compared with US$48.1 million for the fourth quarter of 2015, an increase of US$7.2 million or 15%, of which 7.3% from internal growth and 7.7% from acquisitions. Sales to **manufacturers** amounted to US$52.5 million, an increase of US$7.4 million or 16.4% over the fourth quarter of 2015, of which 8.2% from internal growth and 8.2% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 6.7% from the corresponding quarter of 2015. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $73.3 million, an increase of 15.3%. They accounted for 33.6% of consolidated sales for the fourth quarter of 2016, whereas they had represented 31.8% of the period's consolidated sales for the fourth quarter of 2015.

**Earnings before income taxes, interest and amortization (EBITDA)** amounted to $28.7 million, up by $3.0 million or 11.6% over the fourth quarter of 2015. The **gross margin** and the **EBITDA margin** improve slightly over the fourth quarter of 2015 which was impacted by the cost of introducing additional products in stores. The **EBITDA margin** stood at 13.2%, compared with 12.8% for the fourth quarter of 2015.

Income taxes amounted to $7.0 million, an increase of $1.1 million over 2015.

**Net earnings** grew by 9.4%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $19.2 million, up by 9.6% over the fourth quarter of 2015. **Net earnings per share** rose to $0.33 basic and diluted, compared with $0.30 basic and diluted for the fourth quarter of 2015, an increase of 10.0%.

**Comprehensive income** amounted to $21.8 million, considering a positive adjustment of $2.6 million on translation of the financial statements of the subsidiary in the United States, compared with $18.9 million for the fourth quarter of 2015, considering a positive adjustment of $1.3 million on translation of the financial statements of the subsidiary in the United States.

**Cash flows from operating activities** (before net change in non-cash working capital balances) amounted to $21.6 million or $0.37 per share, compared with $19.7 million or $0.33 per share for the fourth quarter of 2015, an increase of 10.0% stemming primarily from the net earnings growth. Net change in non-cash working capital balances represented a cash inflow of $6.1 million, reflecting the change in accounts receivable and payable ($1.9 million), whereas the change in inventories and other items represented a cash inflow of $8.0 million. Consequently, operating activities provided cash flows of $27.7 million, compared with $13.8 million for the fourth quarter of 2015.

**Financing activities** used cash flows of $2.9 million, compared with $1.2 million for the fourth quarter of 2015. This change mainly reflects the common shares issued of $2.0 millions in the fourth quarter of 2015 comparatively to 0.2 million for the corresponding quarter of 2016.

**Investing activities** represented a cash outflow of $2.8 million for equipment to improve operational efficiency.

## FINANCIAL POSITION

## Analysis of principal cash flows for the year ended November 30, 2016

## Operating activities

**Cash flows from operating activities** (before net change in non-cash working capital balances) reached $73.3 million or $1.25 diluted per share, compared with $68.1 million or $1.15 diluted per share for 2015, an increase of 7.7% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $6.8 million, primarily representing changes in accounts receivable ($8.9 million) whereas inventories, accounts payable and other items represented a cash inflow of $2.1 million. Consequently, operating activities provided cash flows of $66.5 million compared with $27.3 million for 2015.

## Financing activities

**Financing activities** used cash flows of $33.4 million, compared with $19.5 million for 2015. During the year, Richelieu repurchased common shares for cancellation for $23.1 million, compared with $9.2 million in 2015. The Corporation paid dividends to shareholders of $12.4 million, up by 5.6% over 2015.

## Investing activities

**Investing activities** represented a total cash outflow of $19.7 million, of which $9.3 million for business acquisitions and $10.5 million for the expansion of some distribution centres, the purchase of computer hardware and equipment to improve operational efficiency.

## Sources of financing

As at November 30, 2016, **cash and cash equivalents** amounted to $43.0 million, compared with $29.5 million as at November 30, 2015. The Corporation posted a **working capital** of $280.7 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 between now and the end of 2017. The Corporation continues to benefit from an authorized line of credit of $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 of financial position

*(in thousands of $, except exchange rate)*

| As at November 30 | **2016** | 2015 |
|---|---|---|
| Current assets | **362,803** | 337,308 |
| Non-current assets | **123,243** | 112,484 |
| **Total** | **486,046** | 449,792 |
| Current liabilities | **82,056** | 76,729 |
| Non-current liabilities | **5,679** | 6,256 |
| Equity attributable to shareholders of the Corporation | **394,268** | 362,885 |
| Non-controlling interests | **4,043** | 3,922 |
| **Total** | **486,046** | 449,792 |
| *Exchange rate on translation of a subsidiary in the United States* | ***1.343*** | *1.335* |

## Assets

**Total assets** amounted to $486.0 million as at November 30, 2016, compared with $449.8 million as at November 30, 2015. **Current assets** increased by 7.6% or $25.5 million from November 30, 2015. This increase resulted from the Corporation's growth and the four acquisitions closed in 2016.

## Cash position

*(in thousands of $)*

| As at November 30 | **2016** | 2015 |
|---|---|---|
| Current portion of long-term debt | **4,336** | 2,245 |
| Long term-debt | **528** | 1,335 |
| **Total debt** | **4,864** | 3,580 |
| *Cash and cash equivalents* | ***42,969*** | *29,454* |

As at November 30, 2016, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $4.9 million, of which $0.5 million in long-term debt and $4.3 million in short-term debt representing balances payable on acquisitions and financing contracts for equipment.

**Equity** attributable to shareholders of the Corporation totalled $394.3 million as at November 30, 2016, compared with $362.9 million as at November 30, 2015, an increase of $31.4 million stemming primarily from a growth of $27.9 million in retained earnings which amounted to $336.8 million, and of $2.6 million in share capital and contributed surplus, whereas accumulated other comprehensive income increased by $0.8 million. As at November 30, 2016, **the book value per share** was $6.81, up by 10.0% over November 30, 2015 and the return on average shareholder's equity was 16.6%.

## Dividends

On January 19, 2017, the Board of Directors approved the payment of a quarterly dividend of 5.67 ¢ per share to shareholders of record as at February 2, 2017, payable on February 16, 2017. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

### PROFILE AS AT NOVEMBER 30, 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 80,000 customers who are served by 69 centres in North America – 36 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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**JANUARY 19, 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 January 19, 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 January 19, 2017 until midnight on January 26, 2017, by dialing **1-855-859-2056, access code: 50852467.** Members of the media are invited to listen in.

**Photos are available on www.richelieu.com**

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[In thousands of dollars]
As at November 30

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | **42,969** | 29,454 |
| Accounts receivable | **109,867** | 99,975 |
| Inventories | **207,803** | 206,449 |
| Prepaid expenses | **2,164** | 1,430 |
| | **362,803** | 337,308 |
| **Non-current assets** | | |
| Property, plant and equipment | **33,258** | 27,963 |
| Intangible assets | **22,881** | 21,325 |
| Goodwill | **62,256** | 58,329 |
| Deferred taxes | **4,848** | 4,867 |
| | **486,046** | 449,792 |
| **LIABILITIES AND EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **75,764** | 71,787 |
| Income taxes payable | **1,956** | 2,697 |
| Current portion of long-term debt | **4,336** | 2,245 |
| | **82,056** | 76,729 |
| **Non-current liabilities** | | |
| Long-term debt | **528** | 1,335 |
| Deferred taxes | **3,239** | 3,020 |
| Other liabilities | **1,912** | 1,901 |
| | **87,735** | 82,985 |
| **Equity** | | |
| Share capital | **36,050** | 33,566 |
| Contributed surplus | **1,417** | 1,265 |
| Retained earnings | **336,835** | 308,904 |
| Accumulated other comprehensive income | **19,966** | 19,150 |
| Equity attributable to shareholders of the Corporation | **394,268** | 362,885 |
| Non-controlling interests | **4,043** | 3,922 |
| | **398,311** | 366,807 |
| | **486,046** | 449,792 |

## CONSOLIDATED STATEMENTS OF EARNINGS

[In thousands of dollars, except earnings per share]
Years ended November 30

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Sales** | **844,473** | 749,646 |
| Operating expenses excluding amortization | **750,051** | 661,965 |
| **Earnings before amortization, financial costs and income taxes** | **94,422** | 87,681 |
| Amortization of property, plant and equipment | **6,497** | 5,806 |
| Amortization of intangible assets | **3,104** | 2,643 |
| Financial costs, net | **31** | (149) |
| | **9,632** | 8,300 |
| **Earnings before income taxes** | **84,790** | 79,381 |
| Income taxes | **21,777** | 20,503 |
| **Net earnings** | **63,013** | 58,878 |
| **Net earnings attributable to:** | | |
| Shareholders of the Corporation | **62,814** | 58,739 |
| Non-controlling interests | **199** | 139 |
| | **63,013** | 58,878 |
| **Net earnings per share attributable to shareholders of the Corporation** | | |
| Basic | **1.08** | 1.00 |
| Diluted | **1.07** | 0.99 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]
Years ended November 30

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **Net earnings** | **63,013** | 58,878 |
| **Other comprehensive income that will be reclassified to net earnings** | | |
| Exchange differences on translation of foreign operations | **816** | 12,165 |
| **Comprehensive income** | **63,829** | 71,043 |
| **Comprehensive income attributable to:** | | |
| Shareholders of the Corporation | **63,630** | 70,904 |
| Non-controlling interests | **199** | 139 |
| | **63,829** | 71,043 |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
Years ended November 30

| | **2016** | 2015 |
|---|---|---|
| | **$** | $ |
| **OPERATING ACTIVITIES** | | |
| Net earnings | **63,013** | 58,878 |
| Items not affecting cash | | |
| Amortization of property, plant and equipment | **6,497** | 5,806 |
| Amortization of intangible assets | **3,104** | 2,643 |
| Deferred taxes | **(525)** | (399) |
| Share-based compensation expense | **1,207** | 1,124 |
| | **73,296** | 68,052 |
| Net change in non-cash working capital balances | **(6,767)** | (40,741) |
| | **66,529** | 27,311 |
| **FINANCING ACTIVITIES** | | |
| Repayment of long-term debt | **(273)** | (1,041) |
| Dividends paid to Shareholders of the Parent Corporation | **(12,374)** | (11,717) |
| Other dividends paid | **(67)** | (596) |
| Common shares issued | **2,370** | 3,067 |
| Common shares repurchased for cancellation | **(23,087)** | (9,180) |
| | **(33,431)** | (19,467) |
| **INVESTING ACTIVITIES** | | |
| Business acquisitions | **(9,294)** | (511) |
| Additions to property, plant and equipment and intangible assets | **(10,455)** | (10,986) |
| | **(19,749)** | (11,497) |
| Effect of exchange rate changes on cash and cash equivalents | **166** | (614) |
| **Net change in cash and cash equivalents** | **13,515** | (4,267) |
| Cash and cash equivalents, beginning of year | **29,454** | 33,721 |
| **Cash and cash equivalents, end of year** | **42,969** | 29,454 |