Richelieu

Press release

for immediate release

Richelieu posts solid growth for 2017

EBITDA exceeds $100 million

Two acquisitions made in Canada and the U.S.

Sales up 14.8% in fourth quarter

- **Sales for the fourth quarter** ended November 30, 2017, totalled $250.2 million, up 14.8% and net earnings increased by 4,0%.
- **Sales for 2017** reached $942.5 million, up 11.6%. **Diluted net earnings per share** rose to $1.15, up 7.5%.
- **Earnings before income taxes, financial costs and depreciation (EBITDA)** were $103.0 million, up $8.6 million or 9.1% over 2016.
- **Strong and healthy financial position**, almost no debt, and **working capital** of $300.1 million (current ratio of 4.0 : 1).
- **Two strategic acquisitions** in Ohio and Ontario in 2017.
- **Repurchase of 458,088 common shares for $14.8 million** in 2017. **Dividends** paid during the year increased by 6.3% to $13.2 million.
- **5.8% increase in the dividend**, which rose from 5.67¢ to 6.00¢ for the first quarter of 2018.

Montreal, January 25, 2018 - "Richelieu (RCH/TSX) performed well in the fourth quarter of 2017 with a 20.6% increase in sales in Canada, of which 11.2% came from internal growth and 9.4% from acquisitions. Our innovation and market development strategies were successful in both the manufacturer market, whose sales increased by 20.2%, and the retailer market, where sales rose 22.1%. In the United States, sales were up 9.2% (in $US) including the acquisitions. For the year, total sales are approaching $1 billion, standing at $942.5 million thanks to a 13.7% increase in Canada and a 9.7% increase (in $US) in the United States. I am proud to mention that for the first time Richelieu has exceeded the $100 million mark in EBITDA. The two acquisitions made during the year strengthen our position in Ontario and Ohio and give rise to new synergies. We remain focused on our growth strategy based on innovation, quality of execution and service, and synergistic acquisitions which strengthen our leadership in North America. We ended the year with an impeccable financial position and our market capitalization reached $2 billion in 2017", indicated Richard Lord, president and chief executive officer of Richelieu.

ANALYSIS OF OPERATING RESULTS FOR THE YEAR ENDED NOVEMBER 30, 2017, COMPARED WITH THE YEAR ENDED NOVEMBER 30, 2016

Consolidated sales

Consolidated sales reached $942.5 million, an increase of $98.0 million or 11.6% over 2016, of which 5.8% from internal growth and 5.8% from acquisitions. At comparable exchange rates to 2016, the consolidated sales growth would have been 12.3% for the year ended November 30, 2017.

Sales to **manufacturers** grew to $799.9 million, compared with $720.7 million for 2016, an increase of $79.2 million or 11.0%, of which 4.2% from internal growth and 6.8% from acquisitions. Sales to hardware **retailers** and renovation superstores grew by 15.2% or $18.8 million to total $142.6 million.

In Canada, Richelieu achieved sales of $635.5 million, compared with $559.1 million for 2016, up by $76.4 million or 13.7%, of which 7.3% from internal growth and 6.4% from acquisitions. Sales to **manufacturers** rose to $507.9 million, up by $57.4 million or 12.7%, of which 4.7% from internal growth and 8.0% from acquisitions. Sales to hardware **retailers** and renovation superstores reached $127.6 million, compared with $108.6 million, up by $19.0 million or 17.5% over 2016. This resulted primarily from market share gain, the addition of new customers and to a lesser extent an increase in some selling prices.

In the United States, the Corporation recorded sales of US$235.9 million, compared with US$215.0 million for 2016, an increase of US$20.9 million or 9.7%, of which 4.9% from internal growth and 4.8% from acquisitions. Sales to **manufacturers** totalled US$224.3 million, compared with US$203.6 million, an increase of US$20.7 million or 10.2% over 2016, of which 5.1% from internal growth and 5.1% from acquisitions. Sales to hardware **retailers** and renovation superstores were up by 1.8% from the previous year. Considering exchange rates, U.S. sales expressed in Canadian dollars amounted to $307.0 million, compared with $285.3 million for 2016, an increase of 7.6%. They accounted for 32.6% of consolidated sales in 2017, whereas they had represented 33.8% of the year's consolidated sales in 2016.

Consolidated EBITDA and EBITDA margin

Earnings before income taxes, interest and amortization (EBITDA) totalled $103.0 million, up by $8.6 million or 9.1% over 2016. The **gross margin** was down from 2016 influenced by the lower gross margins of some recent acquisitions due to their different product mix as well as to investments in market development and sales initiatives in the retailers market with lower gross margins. The **EBITDA margin** stood at 10.9%, compared with 11.2% for 2016.

Amortization expenses amounted to $11.5 million compared with $9.6 million for the corresponding quarter of 2016, which is up by $1.9 million, resulting mainly from investments made in tangible and intangible assets in 2017. **Income taxes** amounted to $23.8 million, an increase of $2.0 million over 2016.

Consolidated net earnings attributable to shareholders

Net earnings grew by 7.8%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** totalled $67.7 million, an increase of 7.8% over 2016. **Net earnings per share** amounted to $1.17 basic and $1.15 diluted, compared with $1.08 basic and $1.07 diluted for 2016, an increase of 8.3% and 7.5% respectively.

Comprehensive income totalled $63.5 million, considering a negative adjustment of $4.4 million on translation of the financial statements of the subsidiary in the United States, compared with $63.8 million for 2016, considering a positive adjustment of $0.8 million on translation of the financial statements of the subsidiary in the United States.

FOURTH QUARTER ENDED NOVEMBER 30, 2017

Fourth-quarter consolidated sales amounted to $250.2 million, compared with $218.0 million for the corresponding quarter of 2016, an increase of $32.2 million or 14.8%, of which 6.8% from internal growth and 8.0% from acquisitions. At comparable exchange rates to the fourth quarter of 2016, the consolidated sales growth would have been 16.7% for the quarter ended November 30, 2017.

Richelieu achieved sales of $214.2 million in the **manufacturers** market, compared with $187 million for the fourth quarter of 2016, an increase of $27.2 million or 14.5%, of which 5.2% from internal growth and 9.3% from acquisitions. Sales to hardware **retailers** and renovation superstores stood at $36 million, up by $5 million or 16.1% over the fourth quarter of 2016.

In Canada, Richelieu recorded sales of $174.5 million, an increase of $29.8 million or 20.6% over the fourth quarter of 2016, of which 11.2% from internal growth and 9.4% from acquisitions. Sales to **manufacturers** amounted to $141.4 million, an increase of 20.2% of which 8.7% from internal growth and 11.5% from acquisitions. Sales to hardware **retailers** and renovation superstores grew to $33.1 million, up by $6.0 million or 22.1%, mainly due to market share gain and the addition of new customers.

In the United States, sales totalled US$60.3 million, compared with US$55.2 million for the fourth quarter of 2016, an increase of US$5.1 million or 9.2%, of which 3.5% from internal growth and 5.7% from acquisitions. Sales to **manufacturers** amounted to US$58.0 million, an increase of US$5.7 million or 10.9% over the fourth quarter of 2016, of which 4.9% from internal growth and 6% from acquisitions. Sales to hardware **retailers** and renovation superstores were down by 20.7% from the corresponding quarter of 2016, mainly caused by initial sales related to product introductions in stores in 2016. Considering exchange rates, total U.S. sales expressed in Canadian dollars stood at $75.7 million, an increase of 3.3%. They accounted for 30.3% of consolidated sales for the fourth quarter of 2017, whereas they had represented 33.6% of the period's consolidated sales for the fourth quarter of 2016.

Earnings before income taxes, interest and amortization (EBITDA) amounted to $30.1 million, an increase of $1.4 million or 4.8% over the fourth quarter of 2016. The **gross margin** and the **EBITDA margin** were influenced by lower gross margins of certain recent acquisitions due to their different product mixes, seasonal sales initiatives in the retailer market with lower gross margins, and lower revenues due to hurricanes that impacted our customers in the south-east states. The **EBITDA margin** stood at 12.0%, compared with 13.2% for the fourth quarter of 2016.

Income taxes amounted to $7.2 million, an increase of $0.1 million over 2016.

Net earnings grew by 4.0%. Considering non-controlling interests, **net earnings attributable to shareholders of the Corporation** amounted to $20.0 million, up by 4.0% over the fourth quarter of 2016. **Net earnings per share** rose to $0.34 basic and diluted, compared with $0.33 basic and diluted for the fourth quarter of 2016, an increase of 3.0%.

Comprehensive income amounted to $22.8 million, considering a positive adjustment of $2.8 million on translation of the financial statements of the subsidiary in the United States, compared with $21.8 million for the fourth quarter of 2016, considering a positive adjustment of $2.6 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 $22.2 million or $0.38 per share, compared with $21.6 million or $0.37 per share for the fourth quarter of 2016, an increase of 2.9% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $2.4 million, reflecting the change in inventory and accounts receivables ($15.7 million), whereas the change in accounts payable and other items represented a cash inflow of $13.3 million. Consequently, operating activities provided cash flows of $19.8 million, compared with $27.6 million for the fourth quarter of 2016.

Financing activities used cash flows of $13.7 million, compared with $2.9 million for the fourth quarter of 2016. This change mainly reflects the significant common shares repurchased of $10.6 million done in the fourth quarter of 2017.

Investing activities represented a cash outflow of $3.7 million for equipment to improve operational efficiency, for IT equipment, and for the design and manufacturing of new displays for the retailers market.

FINANCIAL POSITION

Analysis of principal cash flows for the year ended November 30, 2017

Operating activities

Cash flows from operating activities (before net change in non-cash working capital balances) reached $80.0 million or $1.36 diluted per share, compared with $73.3 million or $1.25 diluted per share for 2016, an increase of 9.1% stemming primarily from the net earnings growth. Net change in non-cash working capital balances used cash flows of $24.0 million, primarily representing changes in inventory and accounts receivables ($37.9 million) whereas accounts payable and other items represented a cash inflow of $13.9 million. Consequently, operating activities provided cash flows of $56.0 million compared with $66.5 million for 2016.

Financing activities

Financing activities used cash flows of $26.5 million, compared with $33.4 million for 2016. During the year, Richelieu repurchased common shares for cancellation for $14.8 million, compared with $23.1 million in 2016. The Corporation paid dividends to shareholders of $13.2 million, up by 6.3% over 2016.

Investing activities

Investing activities represented a total cash outflow of $43.3 million, of which $30.2 million for business acquisitions and $13.1 million for equipment to improve operational efficiency, for IT equipment, and for the design and manufacturing of new displays for the retailers market.

Sources of financing

As at November 30, 2017, **cash and cash equivalents** amounted to $29.2 million, compared with $43.0 million as at November 30, 2016. The Corporation posted a **working capital** of $300.1 million for a current ratio of 4.0 : 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 2018. The Corporation continues to benefit 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 of financial position

(in thousands of $, except exchange rates)

	2017	2016
As at November 30	**$**	$
Current assets	**399,187**	362,803
Non-current assets	**143,480**	123,243
Total	**542,667**	486,046
Current liabilities	**99,071**	82,056
Non-current liabilities	**5,392**	5,679
Equity attributable to shareholders of the Corporation	**434,092**	394,268
Non-controlling interests	**4,112**	4,043
Total	**542,667**	486,046
Exchange rates on translation of a subsidiary in the United States	***1.289***	*1.343*

Assets

Total assets amounted to $542.7 million as at November 30, 2017, compared with $486.0 million as at November 30, 2016. **Current assets** increased by 10.0% or $36.4 million from November 30, 2016. This increase resulted from the Corporation's growth and the acquisitions completed in 2017.

Cash position

(in thousands of $)

As at November 30	**2017** **$**	2016 $
Current portion of long-term debt	**4,294**	4,336
Long-term debt	**—**	528
Total debt	**4,294**	4,864
Cash and cash equivalents	***29,162***	*42,969*

As at November 30, 2017, the Corporation continues to benefit from a healthy and solid financial position. **Total debt** was $4.3 million representing balances payable on acquisitions and financing contracts for equipment.

Equity attributable to shareholders of the Corporation totalled $434.1 million as at November 30, 2017, compared with $394.3 million as at November 30, 2016, an increase of $39.8 million stemming primarily from a growth of $40.1 million in retained earnings which amounted to $376.9 million, and of $4.1 million in share capital and contributed surplus, whereas accumulated other comprehensive income were down by $4.4 million. As at November 30, 2017, **the book value per share** was $7.51, up by 10.3% over November 30, 2016, and the return on average shareholders' equity was 16.3%.

Dividends

On January 25, 2018, the Board of Directors approved the payment of a quarterly dividend of 6 ¢ per share to shareholders of record as at February 8, 2018, payable on February 22, 2018. The declared dividend is designated as an eligible dividend within the meaning of the Income Tax Act (Canada).

PROFILE AS AT NOVEMBER 30, 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 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 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:
Richard Lord
President and Chief Executive Officer
Antoine Auclair
Vice-President and Chief Financial Officer
Tel: (514) 336-4144 www.richelieu.com

JANUARY 25, 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 January 25, 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 January 25, 2018 until midnight on February 1st, 2018, by dialing **1-855-859-2056, access code: 1689607.** 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

	2017	2016
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**29,162**	42,969
Accounts receivable	**134,187**	109,867
Inventories	**233,585**	207,803
Prepaid expenses	**2,253**	2,164
	399,187	362,803
Non-current assets		
Property, plant and equipment	**38,558**	33,258
Intangible assets	**29,282**	22,881
Goodwill	**68,931**	62,256
Deferred taxes	**6,709**	4,848
	542,667	486,046
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**91,858**	75,764
Income taxes payable	**2,919**	1,956
Current portion of long-term debt	**4,294**	4,336
	99,071	82,056
Non-current liabilities		
Long-term debt	**—**	528
Deferred taxes	**3,511**	3,239
Other liabilities	**1,881**	1,912
	104,463	87,735
Equity		
Share capital	**39,230**	36,050
Contributed surplus	**2,358**	1,417
Retained earnings	**376,922**	336,835
Accumulated other comprehensive income	**15,582**	19,966
Equity attributable to shareholders of the Corporation	**434,092**	394,268
Non-controlling interests	**4,112**	4,043
	438,204	398,311
	542,667	486,046

CONSOLIDATED STATEMENTS OF EARNINGS

[In thousands of dollars, except earnings per share]

Years ended November 30

	2017	2016
	$	$
Sales	**942,545**	844,473
Operating expenses excluding amortization	**839,571**	750,051
Earnings before amortization, financial costs and income taxes	**102,974**	94,422
Amortization of property, plant and equipment	**7,634**	6,497
Amortization of intangible assets	**3,820**	3,104
Financial costs, net	**(193)**	31
	11,261	9,632
Earnings before income taxes	**91,713**	84,790
Income taxes	**23,781**	21,777
Net earnings	**67,932**	63,013
Net earnings attributable to:		
Shareholders of the Corporation	**67,704**	62,814
Non-controlling interests	**228**	199
	67,932	63,013
Net earnings per share attributable to shareholders of the Corporation		
Basic	**1.17**	1.08
Diluted	**1.15**	1.07

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[In thousands of dollars]

Years ended November 30

	2017	2016
	$	$
Net earnings	**67,932**	63,013
Other comprehensive income that will be reclassified to net earnings		
Exchange differences on translation of foreign operations	**(4,384)**	816
Comprehensive income	**63,548**	63,829
Comprehensive income attributable to:		
Shareholders of the Corporation	**63,320**	63,630
Non-controlling interests	**228**	199
	63,548	63,829

CONSOLIDATED STATEMENTS OF CASH FLOWS

[In thousands of dollars]
Years ended November 30

	2017	2016
	$	$
OPERATING ACTIVITIES		
Net earnings	**67,932**	63,013
Items not affecting cash		
Amortization of property, plant and equipment	**7,634**	6,497
Amortization of intangible assets	**3,820**	3,104
Deferred taxes	**(1,700)**	(525)
Share-based compensation expense	**2,265**	1,207
	79,951	73,296
Net change in non-cash working capital balances	**(23,995)**	(6,767)
	55,956	66,529
FINANCING ACTIVITIES		
Repayment of long-term debt	**(1,217)**	(273)
Dividends paid to Shareholders of the Corporation	**(13,157)**	(12,374)
Other dividends paid	**(190)**	(67)
Common shares issued	**2,780**	2,370
Common shares repurchased for cancellation	**(14,763)**	(23,087)
	(26,547)	(33,431)
INVESTING ACTIVITIES		
Business acquisitions	**(30,203)**	(9,294)
Additions to property, plant and equipment and intangible assets	**(13,121)**	(10,455)
	(43,324)	(19,749)
Effect of exchange rate changes on cash and cash equivalents	**108**	166
Net change in cash and cash equivalents	**(13,807)**	13,515
Cash and cash equivalents, beginning of year	**42,969**	29,454
Cash and cash equivalents, end of year	**29,162**	42,969